



Monthly European Technology Venture Capital Bulletin

January 2006

The Go4Venture Monthly Venture Capital Bulletin is a publication commenting on the latest results from our European Technology VC Headline Transactions Index®.

Go4Venture's European Tech VC Headline Transactions Index is based on the number and value of transactions reported in professional publications. The Index is compiled on a monthly basis as an early indicator of the evolution of the market for venture capital funding for European information technology companies.

For more details please refer to the Methodology Note available at www.go4venture.com/resources/hti.htm

About Go4Venture

Go4Venture is a London-based corporate finance Consultancy firm focused on providing European technology entrepreneurs and their investors with impartial advice to help them develop and execute growth strategies.

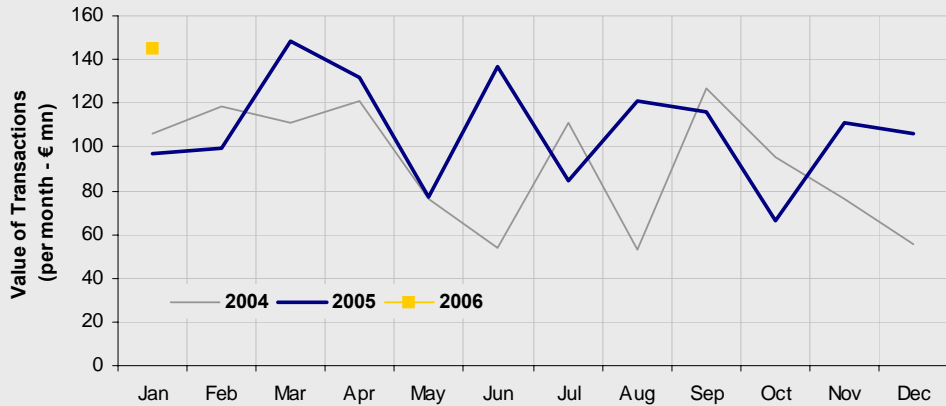
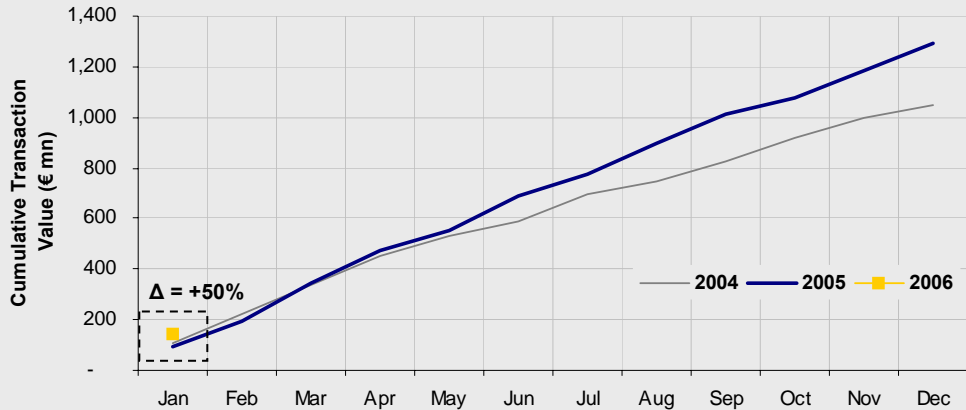
Our services encompass:

- Strategic information and valuation
- Financing strategies
- Buy and build strategies
- Exit strategies (trade sale and IPO Consultancy)

We are particularly well-known for our international equity private placement services, where we have developed a reputation second to none in Europe among international VCs.

Headline Transactions Index

Jan 2006 saw 50% more deal volume than the previous year



One of the most active months ever for the Index, including several large deals

- **European technology investment has kicked off 2006 in seemingly rude health**, with January clocking up 16 deals worth some €145 million in aggregate, representing a 50% increase in activity versus last January.
- In fact, **January 2006 matched the most active month ever recorded by the HTI** (March 2005, a month which included the second largest deal on record, Summit Partners' €58 million investment in UK-based network optimization solutions vendor Actix). It certainly bodes well for those VCs hoping for a busy year.
- Last year's trend towards larger round sizes is showing no signs of abating, with three €20 million-plus transactions in January alone. **This is nearly the same number of €20 million+ deals as we saw in the whole of 2004** (when five were recorded).

Top Headline Transactions

6 deals above our usual €7.5mn threshold

Company	Sector	Series	Size €mn	Description	Participants
Metris (Belgium) www.metris.be	Semi-conductors	Later	35.0	Provider of optical metrology solutions.	GIMV Fortis Private Equity Dexia Ventures KBC Securities
Airwide Solutions Ltd (UK) www.airwidesolutions.com	Telecom Software	Later	20.7	Developer of software that enables device management, messaging, and security for mobile operators.	Advent International Artiman Ventures Axiom Venture Partners Key Venture Partners Kodiak Venture Partners.
Webpay (Switzerland) www.webpay.ch	Internet Services	A	20.0	Provider of a full-service platform for online payment services.	3i
B3G Telecom (France) www.b3gtelecom.com	Telecom services	A	16.0	Provider of broadband telephony services.	AXA Private Equity BNP Paribas Partech International, Societe Centrale D'investissements
Cambridge Broadband (UK) www.cambridgebroadband.com	Telecom Hardware	Later	9.0	Fixed wireless access equipment developer.	Accel Partners Amadeus Capital Partners Latin Rim Techno Venture Management
Neverfail Group (UK) www.neverfailgroup.com	System Software	Later	8.3	Provider of disaster recovery software and services.	Fidelity Ventures

Note: **Bold** indicates lead or co-lead investor(s)

Six noteworthy investment rounds above our €7.5 million threshold made it another busy month for headline deals. **Half of these rounds were led by traditional private equity players** (Advent International, BNP Paribas and 3i), underlining how the market is changing. Two of the remaining transactions also have some of the characteristics of buyout deals, showing that **several European VC players are aiming to broaden their investment styles** (GIMV and Partech in this particular instance). Interestingly these six deals are generously spread across sectors and geographies, demonstrating **an upturn across the board**.

- **Metris International (Belgium)** hit the headlines in January with an impressive €35 million funding, led by existing investor GIMV, intended to finance some aggressive acquisition-driven growth. With the simultaneous purchase of LK Ltd (UK), 3D Scanners Ltd (UK) and Arc Second Inc (US), Metris plans in one fell swoop to become a total solutions provider for automotive and aerospace metrology applications in design, manufacture and inspection. This follows a previous €20 million funding just nine months ago, used to fund the acquisitions of Krypton N.V. (Belgium) and MetricVision Inc (US).

Top Headline Transactions (cont.)

Metris is a good example of financing used for buy and build, a value creation strategy which we are seeing increasingly employed by European VCs. Again this illustrates the trend of applying successful strategies used in buyouts to VC investing. In the process, the boundaries between VC and private equity are blurring. This is of course what LPs are demanding as they put pressure on GPs to demonstrate that European VC can be as profitable an investment class as buyouts. Capital allocation forces at work!

- **Airwide Solutions (UK)**, a provider of mobile infrastructure software, has announced a €20.8 million Series D funding led by new investor Advent International. Existing shareholders Artiman Ventures, Axiom Venture Partners, Key Venture Partners, and Kodiak Venture Partners completed the syndicate. Airwide has more than 70 international customers for its messaging infrastructure software, including several Tier 1 mobile operators. The company is also active in the mobile security market, with more than 200 million mobile phones around the world secured by Airwide's fraud prevention products. Airwide says it is going to use the funding to finance growth in new regions and invest in new products in the mobile messaging and content delivery area.

Airwide is another example of a company which has used acquisition as an effective growth strategy. The company was renamed following the acquisition of Schlumberger Messaging Solutions by Taral Networks in 2004. This round brings the total money raised by Airwide Solutions to €43 million since its inception in 2000. Interestingly this deal is led by Advent International, a buyout fund which has been extremely cautious on IT investments in the last five years. In our view, this is yet again additional anecdotal evidence that the market upturn is now in full swing, albeit that the shape of the VC landscape has changed significantly.

- **Webpay (Switzerland)** had a good start to the year with the announcement of a €20m investment from 3i. Webpay's market leading online payment system, Click & Buy, is currently used by some 5 million consumers on 4,000 merchant websites across Europe. The system allows retailers to outsource the complex billing of content, services and physical goods and the processing of local currency and credit cards to Webpay. On the back of this funding Webpay plans to expand further into Europe, the US and Latin America over the next few years.

3i is once more showing its true colours, with another in a series of substantial late stage VC investments (following Poliris in December, DiBcom in August and Sulake Corp in January 2005). It is also worth noting that this is Switzerland's largest VC investment in the past three years, since Esmertec raised €23.5 million in October 2003 (Go4Venture was the advisor).

- **B3G Telecom (France)**, a VoIP solutions player, has raised €16 million led by AXA Private Equity, with BNP Paribas Private Equity and Partech International also joining in. B3G is an IP-based operator which has developed its own technical solutions for end-to-end quality control which it sells via indirect channels (cont).

Top Headline Transactions (cont.)

(cont.) In its home country B3G has developed a broad reseller network including systems integrators, network product operators, etc. Outside France, the company offers established carriers an IP-based service which they can white label. B3G's clients include AT&T, MCI and Skype and the new cash is earmarked to speed up its expansion plans in Europe.

The reported pre-money on this deal of €46 million ostensibly seems rather rich given that the company had previously only raised €1 million of seed funding since its foundation in 2001. However, with turnover of around €60 million last year, a track record of profitability, and a strong foothold in the red hot IP telephony sector, it is not surprising to see institutional investors clamouring for a piece of the action.

- **Cambridge Broadband (UK)**, the Cambridge-based developer of wireless access equipment, announced the closing of a €7.5 million fourth round of financing from a syndicate consisting of Accel Partners, Amadeus Capital Partners, Latin Rim and Techno Venture Management, all existing shareholders. The new money is intended to fund enhancements to the company's VectaStar family of carrier-class, point-to-multipoint broadband wireless access products, and to bulk up working capital.

This round brings the total capital raised by Cambridge Broadband to €46 million since its launch in 2000. The company is backed by a loyal group of well known brand name investors, apart from the perhaps less familiar Latin Rim fund. Latin Rim is a Madrid-based investor focusing on technology and business services plays; founded in 1999 with the sponsorship of Banistmo, a leading Latin American bank, it currently has just eight companies in its portfolio (four of which are based in Barcelona and three in the US).

- **Neverfail Group (UK)**, a provider of business continuity solutions, has raised €8.3 million in a series D financing solely from Fidelity Ventures. Neverfail provides enterprise-class high application availability and disaster recovery solutions for the Microsoft platform. The new money will be channeled into product development and used to further enhance the company's global partner program of more than 400 resellers and distributors.
- *Neverfail is an example of how to build a great company by developing a simple, reliable solution to a widespread problem – in this particular instance, how to back up and ensure continuity of Windows-based applications. Another interesting characteristic is the indirect sales model, which has served their scalability well (note the parallel with B3G). Technology is so advanced these days that indirect models can now be used where before quality control would have dictated a direct approach. As we've commented before, as (IT) technology becomes more commoditised, much of the value creation will come from innovative growth strategies, including scalable sales models, new pricing paradigms (software as services, etc.) and more sophisticated financial engineering (debt financing, external growth). This should keep advisors such as Go4Venture busy for the coming years.*

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