

Monthly European Technology Venture Capital Bulletin

March 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:

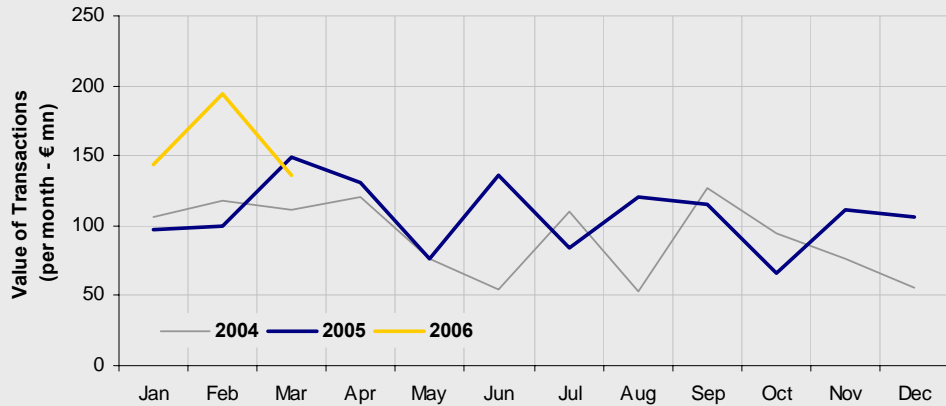
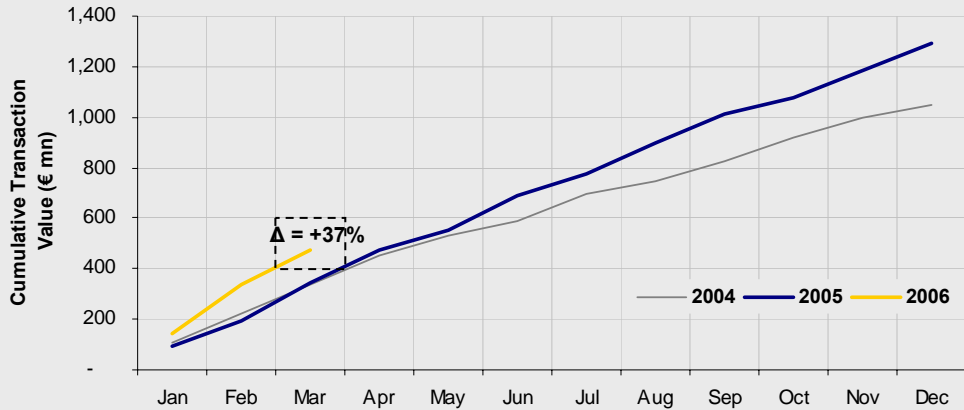
- Strategic information and valuation
- Financing strategies
- Buy and build strategies
- Exit strategies (trade sale and IPO Consultancy)

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.

March was uneventful after February's record activity

US VCs were active in all of this month's Headline deals

Headline Transactions Index



- After the record-breaking February, **the market caught its breath**. March 2006 was an uneventful month, with HTI activity broadly in line with last year's level (marginally lower by 8%). On a cumulative basis the index is well ahead compared to the same period last year (€475mn this year vs €345mn twelve months ago, an increase of nearly 40%).
- The vast majority of the month's activity (by value) was in the UK (five out of our six Headline deals of more than €7.5mn). The UK has accounted for 55% of the total HTI deal flow by value so far in 2006.
- It is worth pointing out that **US VCs participated in all our Headline transactions** in March, highlighting how US VCs are transforming the face of the European venture capital market.
- As a result, **a new generation of Europe's home grown VCs are emerging with much bolder investment strategies**. Names which made some of the running this month include Scottish Equity Partners (SEP) and Cazenove Private Equity (who also this month announced their spin-off from parent Cazenove Capital Management to merge with early-stage investor Prelude Ventures).

Top Headline Transactions

6 deals above our usual €7.5mn threshold

Company	Sector	Series	Size €mn	Description	Participants
Icera (UK) www.apertio.com	Semiconductors	C	33.3	Provider of wireless communications chips	Accel Partners Amadeus Capital Partners Atlas Venture Benchmark Capital
Empower Interactive (UK) www.eigroup.com	Telecom Software	Later	15.0	Provider of data, messaging, and multimedia systems for mobile operators	Argo Global Capital, Cazenove Private Equity DN Capital IDG Ventures Europe Scottish Equity Partners
EnvironmentIQ (UK) www.environmentiq.com	Application Software	A	12.5	A provider of risk management software focused on environment, health and safety management	Cazenove Private Equity Fidelity Ventures
Zopa (UK) www.zopa.com	B2C Internet Services	B	12.5	Provider of an online personal finance exchange	Benchmark Capital, Bessemer Venture Partners Wellington Partners VC
Ip.access (UK) www.ipaccess.com	Telecom Hardware	A	12.2	Provider of in-building wireless picocell solutions	Scottish Equity Partners Intel Capital Corporation, Rothschild & Cie Gestion
MEDIAN Technologies (France) www.medianttechnologies.com	Application Software	C	10.0	Provider of software designed to help radiologists diagnose and study cancer	AGF Private Equity Auriga Partners Draper Fisher Jurvetson ePlanet Ventures

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

- **Icera (UK)**, the developer of wireless communication chips for major players in the mobile wireless segment has closed a **€33mn series C funding round led by Amadeus Partners**, joined by existing investors Accel Partners, Atlas Venture and Benchmark Capital. Icera develops wireless soft modem platforms for next generation mobile phones and wireless terminals. This round brings the company's cumulative fund raising to some €69 million.

Icera is the "crème de la crème" of VC investments and appropriately gathers some of the most high profile VCs active in Europe. What these investors share is their level of ambition with fund sizes to match, i.e. an ability to seek out, screen and execute risky investments. Icera is obviously hot property because it is led by serial entrepreneur Stan Boland of Element14 fame (where Amadeus Partners and Atlas Venture were already investors - sold to BroadCom for €250mn in 2000). It is also a worthy investment because it addresses a fundamental technology trend, the move from hardware to software modems, with all the usual benefits (cost, ability to adapt to new standards, etc). It is worth reminding ourselves that (fabless) semiconductors is one of the few areas (others including mobile software, gaming, etc) where Europe does not lag the US significantly, and which of course respond to LPs' desires for more significant, potentially higher return investments.

Top Headline Transactions (cont.)

- **Empower Interactive (UK)**, a provider of message routing, message gateways and revenue assurance systems for mobile service operators, has closed a **late-stage €15mn funding round with Scottish Equity Partners (SEP)** as the lead investor. Existing investors Argo Global Capital, Cazenove Private Equity, DN Capital and IDG Ventures Europe also contributed to the new financing, bringing the total raised so far to €47mn in seven rounds. Funds from this phase will be used to penetrate the American mobile messaging markets with the intention of replicating the success Empower has had in Europe and Asia. The cash will also be used for the growth of their existing MDSA platform (Mobile Data Services Architecture).

Many VCs will have some knowledge of Empower Interactive since they have been back to the market quite a few times. In fact, with close to €50mn raised, Empower is among the best capitalised European VC-backed companies on record (others include Eutelsat, Mobifon and Icera, above). Addressing a fundamental trend (mobile data delivery), Empower has scored a few key customer relationships and started delivering considerable revenue growth. It has also succeeded in attracting high profile US CEO Keith Cornell (who, among other achievements, was on the board of Intellisync when it was sold to Nokia for €336mn in November 2005). No doubt a CEO with that kind of track record brought quite a lot of confidence to new investor SEP.

- **EnvironmentIQ (UK)** has closed a **€12.4 million Series A funding round from Fidelity Ventures and Cazenove Private Equity**. EnvironmentIQ develops “Risk Ledger”, a web-based environment, health and safety (EHS) risk management system. Risk Ledger evolved from consulting work carried out by management information company Camaxys. Users of the software include blue chip organisations such as BASF, ExxonMobil, Invensys and Shell. EnvironmentIQ is headed by Mike Hedger, previously CEO of KVS (sold to Veritas for €185 million in September 2004), who joined EnvironmentIQ as part of the deal.

Fidelity and Cazenove have backed Mike Hedger in a management buy-in of EnvironmentIQ. The business previously traded as Camaxys Ltd, which bought itself out of AIM-listed Camaxys Group Plc in August 2005. At the time, the unit was led by Andrew Arends, who will remain as Chief Strategy Officer. The business also includes several former Geneva Technology employees, including its former COO. EnvironmentIQ is joining the growing list of MBO/MBI investment opportunities which are blurring the line between VC and private equity (cont over).

Top Headline Transactions (cont.)

What is interesting here again is a serial entrepreneur leading a new company. Increasingly European entrepreneurs are going the US way, i.e. moving to their next, hopefully bigger, company, as opposed to retiring to the beach. Historically this tendency to "retire" has been a major hindrance to the development of the European IT market, as clearly documented in a 2005 paper on European software industry leaders by Adam Hale of Russell Reynolds. Unsurprisingly Cazenove has followed the CEO who they backed successfully before at KVS, a classic Silicon Valley-style VC investment strategy.

- **Zopa (UK)**, the London-based consumer lending and borrowing exchange has closed a **€12.4mn series B investment round led by Bessemer Ventures** together with existing investors Benchmark Capital and Wellington Partners. This round of funding is intended to help Zopa expand in the US. Zopa has gained considerable traction since its launch in March 2005 and is now listed in four of the UK's leading best-buy tables. Zopa makes use of credit ratings provided by Equifax before making a match between a good borrower and lender, capturing a commission in the process. The absence of a bank in between gives both sides a distinct advantage.

Zopa (which stands for Zone of Possible Agreement) is one of the new breed of European startups which follow the so-called "Israeli model", i.e. after proving its business case in its home country Zopa is now moving straight to the US (the world's largest market) rather than trying to replicate its model in the rest of Europe (too fragmented and therefore too complicated, time-consuming and costly). This is increasingly proving to be the right approach for enterprise software (where the strategic buyers are usually based in the US) but is more controversial for consumer plays such as Zopa. No doubt Zopa is trying to exploit its "first of a kind" model by contrast with other consumer plays where Europe usually follows the US.

Top Headline Transactions (cont.)

- **Ip.Access (UK)**, the Cambridge-based provider of communication hardware for mobile wireless service operators has raised a **€12.2mn Series A round** led by Scottish Equity Partners (SEP) together with Intel Capital Corporation and Rothschild & Cie Gestion. Ip.Access was founded in 1999 as a spin-out from TTPCom to provide mobile operators with solutions to improve in-building cellular coverage. The company produces the world's smallest base station receiver, the 'nanoBTS'. It also provides base station control hardware and offers a centralised management tool which oversees multiple base stations and gives the wireless service operator complete control of the network.

This is another example of the financing of a spin-off, a growing trend in the European VC industry as mentioned in the case of EnvironmentIQ. Coincidentally, this is SEP's second investment to feature this month, demonstrating SEP's aggressive deployment of capital. Rothschild & Cie Gestion is a relative newcomer in the European VC industry (the fund has ten investments and about €60mn under management). It is one of the few Paris-based players prepared to venture outside its home market (other examples include Partech International and Sofinnova), having previously invested in the likes of Esmertec (Switzerland) and Chipidea (Portugal).

- **MEDIAN Technologies (France)**, a developer of software for medical image analysis, has closed a **€10mn Series C round** led by Draper Fisher Jurvetson ePlanet Ventures. Existing investors AGF Private Equity and Auriga Partners also participated. This round of funding will be used for the expansion of MEDIAN Technologies' portfolio of Clinical Applications and CAD Products bringing the cumulative finance raised so far to €16mn.

MEDIAN Technologies provides a good example of software technology applied to the medical field as medical equipment moves from analogue to digital, offering new investment opportunities for IT VCs in the medtech sphere. The company was featured in the November 2005 edition of the European Tech Tour (www.techtour.com), when a group of international VCs visited France.

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