



Monthly European Technology Venture Capital Bulletin

November 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.

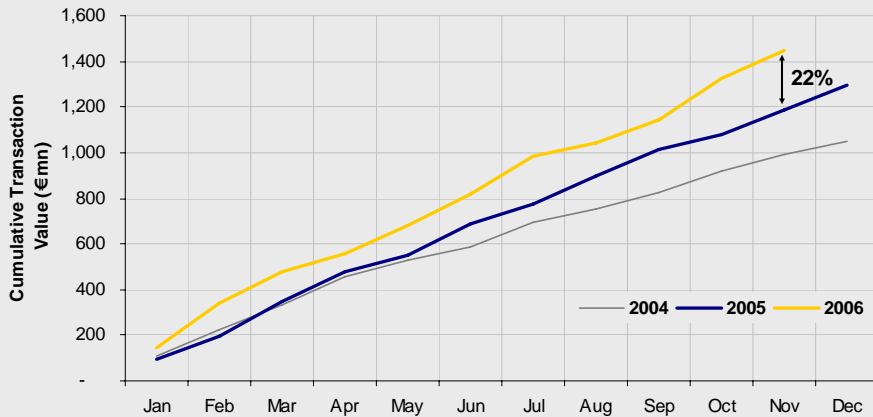
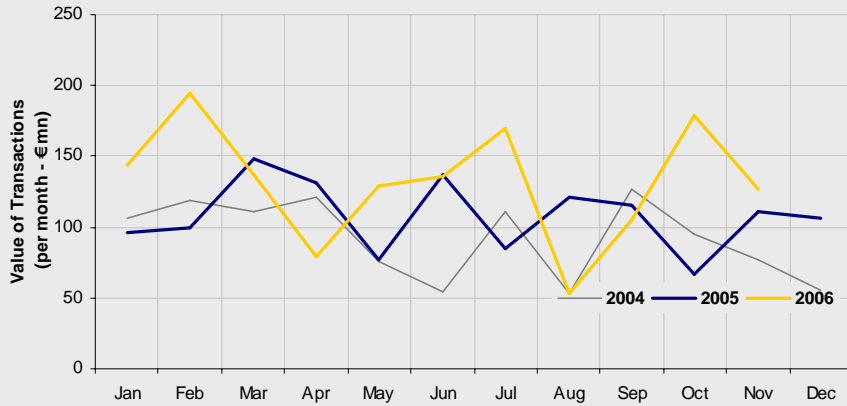
Our services encompass:

- 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

Fund-raising surged this month by 22% versus November last year



The HTI will close 2006 at an all time high

- €126 million was invested in November to drive the Headline Transaction Index 22% over November last year.
- 2006 is on the way to closing at an all time high since we started publishing the Headline Transactions Index in October 2004 and in fact since we started recording HTI data internally in August 2002.
- European venture capital continues its internationalisation, a theme we have commented on strongly since the inception of Go4Venture, with Irish, Scandinavian, Austrian, Italian and Spanish companies now making regular appearances in this bulletin. As the market further develops the next frontier will be Eastern European: for a possible hint, refer to the announcement of Cisco Capital making another €2.6 billion available for short-term inventory financing to channel partners in Central and Eastern Europe, Russia, The Commonwealth of Independent States, Middle East and Africa (as well as Latin America).

European VC continues to internationalise

Top Headline Transactions

7 deals above our
€7.5 million
threshold

Company	Segment	Stage	Size €mn	Description	Participants
Picisel Technologies (UK) www.picisel.com	Mobile Software	C	36.9	A developer of software products to create, publish, and display content on mobile phones.	Undisclosed Investors
3V Transaction Services (Ireland) www.3v.ie	Internet B2C	A	20	A pay-as-you-go voucher payment system for safe online shopping based on VISA	Atlas Venture Benchmark Capital
TTTech (Austria) www.tttech.com	Application Specific Hardware	B	20	A developer of time-triggered systems technology, which increases the reliability of electronic networks in automotive and aerospace applications	firstVentury Audi
Netsize (France) www.netsize.com	Internet B2C	Late Stage	13.2	A wireless application infrastructure provider that allows operators and content providers to deliver and bill for mobile content	123Venture GemVentures GRP Partners Partech International Rothschild Gestion
Identec Solutions (Austria / US) www.identecsolutions.com	Semiconductors	Late Stage	10	An RFID technology provider specialised in long-range wireless tracking	SAM Private Equity Gamma Capital Partners Individual Investors RFID Invest Sustainable Performance Group
Ekahau (Finland / US) www.ekahau.com	Localisation Software	C	9.3	A wireless technology company whose technology location-enables Wi-Fi networks	Nexit Ventures 3M Corporation Individual investors Sampo Group
WAYN (UK) www.wayn.com	Internet	A	8.6	A social networking site with a focus on travel and lifestyle	Esprit Capital Partners Individual Investors

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

- **Picisel (UK)**, a developer of mobile phone software, secured **€36.9 million** from undisclosed American and Japanese investors in its **Series C round of fund-raising**. Its products allow mobile phone users to create, publish, and display content on mobile phones. Its mobile PDF viewer in particular has met with rave reviews, even cited as more pleasant to use than reading a PDF on a PC. Picisel also brought Flash 7 to the mobile before its creator, Macromedia

Picisel is a shining example of a British technology company started by Asian entrepreneurs, still a rarity in the UK whereas Asian entrepreneurs represent a sizable number of all Silicon Valley startups.

The company has reached world-class status with comparatively little equity capital, making good use of debt which suggests a business generating strong cash-flows already. Including the present Series C, the company has raised €64.4 million in equity and €26.9 million in debt. This Series C is most likely a pre-IPO round in which institutional investors are invited to participate with a view to increasing their returns at the time of the actual floatation.

Top Headline Transactions (cont.)

- **3V Transaction Services (Ireland)**, a pay-as-you-go voucher payment system for safe online shopping, raised **€20 million in a Series A round led by Atlas Venture**, joined by Benchmark Capital. After applying online, customers can purchase vouchers ranging from €20 to €350 that can be used wherever VISA is accepted. The vouchers are processed as a debit card transaction, rather than as a credit card, which is cheaper for the merchant. The voucher outlets are usually the same newsagents and supermarkets where people can top up prepaid mobile phones. The PIN number and three digit security number required for a VISA transaction are sent to the user separately via SMS or email for increased security.

The Irish pilot has generated 60,000 customers since late 2005, 33% of which have a credit card and 98% of which have a bank account. Consumers clearly believe that the vouchers offer additional safety over their existing ability to make payments. The product was recently launched in the UK with 24,000 voucher outlets. The money raised is to be used for a 2007 launch in Germany, the Netherlands and Spain.

Benchmark Capital had already backed John Nagle (co-founder with CEO Kieron Guilfoyle) in the MBO of alphyra in 2003, a consumer payment network. 3V itself had already been doing business for two years prior to this first round. It is also worth noting that much of the money will go into marketing expenses, including a €3 million marketing campaign for the November launch of 3V Vouchers in the UK. So on two counts this transaction breaks usual VC rules: keeping the entrepreneur focused on the business at hand (Nagle is still CEO at alphyra) and not using large sums of money for marketing campaigns (something which was very common during the heyday of the bubble). No doubt this portrays the power of serial entrepreneurs and the growing confidence coming back to European venture capital.

Such a transaction illustrates how much the European VC market has come of age but also how much the bar has been raised for budding entrepreneurs.

Top Headline Transactions (cont.)

- **TTTech (Austria)**, an aerospace and automotive electronics firm, completed its **€20 million Series B round in a transaction led by firstVentury** joined by Audi, a customer of TTTech since 2001. The company offers a complete software development environment for the design of reliable real-time actuation systems such as brakes or steering, including hardware and chip models. TTTech was spun out from Vienna University of Technology in 1996 to commercialise early research in drive-by-wire systems. The company initially competed with the FlexRay Consortium, a consortium of major automotive companies and their semiconductor suppliers. The dispute was settled when TTTech joined the FlexRay Consortium in March 2005 and broadened its focus to aerospace applications.

As a transaction involving an Austrian company, this is another example of venture capital reaching parts of Europe where traditionally it was simply not available. The initial €3.4 million of financing was provided by individual investors and two early-stage funds from the University and Erste Bank, Austria's largest bank. This second round is lead by firstVentury,

firstVentury is based in Heidelberg and is supported by SAP co-founder Klaus Tschira. It made the investment from its Aeris Technology Fund, which held its first close on €40 million in November 2006 after 3 years of fund-raising from family offices and high net worth individuals from Germany, Switzerland and the UK.

Also worth nothing is that Audi is joining the round. Again, as the cycle picks up, we are seeing corporates coming back to investing in technology startups. For another example, please refer to 3M investment in Ekahau (see below).

Top Headline Transactions (cont.)

- **Netsize (France)**, a wireless content infrastructure provider, has raised **€13.2 million in a late stage financing** by existing investors GemVentures, GRP Partners, Partech International and Rothschild Gestion and joined by new investor 123Venture. The company offers a service to mobile operators and content providers which manages mobile content and corresponding billing transactions. The service gives its customers a central interface to deliver mobile content and bill for access to over 350 mobile operators, with premium billing access in 32 countries. Netsize was given the Red Herring 100 Europe Award for Innovation last May. The fund-raising aims to expand coverage of mobile content into music, videos and games as well as expanding mobile business applications into wireless telematics, field service automation and supply chain management.

From its humble beginnings as an SMS infrastructure provider, Netsize has become a sizeable mobile content delivery service platform, with revenues of €108 million in 2005. In the process, the company has faced off other service providers such as End2End, acquired in February by MACH, a provider of interoperator mobile data and billing solutions .

The firm is also unusual in that it was started by two brothers, Stanislas and Laurent Chesnais, who serve as CEO and CTO respectively (usually VCs shy away from family associations). More importantly, this is one of the rare cases where the founder has successfully transitioned to be the CEO of an established business.

This is the sixth equity financing which takes the company to over €55 million equity raised. This shows how willing VCs are prepared to support successful businesses rather than rushing them to a premature IPO event.

The new investor in this round is [123Venture](#). This Paris based fund of funds manager has over €230 million under management from over 10,000 investors. They have so far invested in around 100 companies and 14 funds across Europe.

Top Headline Transactions (cont.)

- **Identec Solutions (Austria/US)**, an RFID technology provider, raised €10 million in a late stage deal led by **SAM Private Equity**, joined by Gamma Capital Partners, RFID Invest, Sustainable Performance Group and individual investors. Its technology is used for long-range wireless tracking applications in manufacturing and logistics. Identec will use the money to finance development of an expanded portfolio of long range RFID products and further European and North American expansion.

Identec Solutions makes a second appearance in our Top Headline Transaction category in less than 6 months. Back in June 2006 Identec raised €11.8 million in a funding round led by RFID Invest. This is another example of fund-raising in rapid succession or of a funding round being extended to support rapidly growing European technology companies. Other examples include Sequans Communications which extended its July Series C round by an undisclosed amount in November and, in October 2006, Icera extending its March Series C by €15.8 million. This is a healthy sign of a deepening European VC market for well-run, young technology firms.

Lead investor [SAM Private Equity](#) is a pioneer of cleantech. Started in 2000 and headquartered in Zurich, the fund focuses on energy, materials, water and agricultural technology investments. SAM PE is to be spun-out from SAM Group under the name of Emerald Technology Ventures. This coincides with the purchase of a majority shareholding in SAM Group by Robeco. Robeco is the asset-management arm of Rabobank, the world's only AAA-rated non public-sector bank.

Top Headline Transactions (cont.)

- Ekahau (Finland/US)**, a Wi-Fi localisation technology company, has secured **€9.3 million in a Series C financing** round led by **Nexit Ventures**, joined by 3M Corporation, Sampo Group and individual investors. Ekahau is the only software solution that allows the accurate positioning of people, assets, inventory and other objects using existing wireless enterprise networks. 802.11a/b/g Wi-Fi network performance can also be recorded, visualised, analysed and optimised. The company has also received a further €3 million in venture loans and government funding, which together will be used to fund international expansion and R&D.

We see an increasing number of firms being funded which offer technology and/or services in the localisation market. In the case of Ekahau, the company offers a Wi-Fi based solution, rather than using cellular network technology, RFID or Bluetooth. We expect to see continued technological diversity driven by the variety of potential business and retail applications.

Like an increasing number of ambitious European firms, Ekahau has moved its headquarters to the US in order to facilitate partnerships as well as improve its exit potential, either via M&A or through a possible NASDAQ listing.

- WAYN (UK)**, a social networking site focused on travel and lifestyle, has successfully completed its **Series A round, raising €8.6 million in a deal led by Esprit Capital Partners** together with individual investors. Where Are You Now (WAYN) members can upload profiles and photos, search for other users and keep friends and family informed of their travel plans. With users across 220 countries, the site expands by up to 35,000 members each day. The company is already profitable and the funds will allow WAYN to increase its range of online and offline products as well as expanding its team and upgrading its back office IT in Poland.

Like 3V Transaction Services, this firm is another example of how standards are being raised in European venture capital through the participation of business angels, i.e. entrepreneurs who themselves have the ability to re-invest part of their success into other entrepreneurs' businesses. This brings more than money into a growing business – their experience, credibility and contacts can be invaluable.

Top Headline Transactions (cont.)

In the case of WAYN, the initial funding came from the founder of Friends Reunited, successful entrepreneur turned business angel Steve Pankhurst. This allowed WAYN to build its business for three years and reach a customer base of 7 million users.

As part of the Series A, a glittering list of entrepreneurs participated as individual investors: Brent Hoberman of lastminute.com, Adrian Critchlow and Andy Phillips of Active Hotels, Hugo Burge of Cheapflights and Constant Tedder of Jagex. Hoberman will join the board as Chairman from January 2007.

Esprit Capital, the result of the merger of Cazenove Private Equity (better known for focusing primarily on later stage firms) and Prelude Ventures (a Cambridge-based early-stage investor), is now bringing its commendable discipline to bear on earlier stage ventures. Part of their modus operandi is to pair entrepreneurs with experienced management and/or board advisors where possible. This is surely a smart way to increase the success rate of Series A funded companies.

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