



Monthly European Technology Venture Capital Bulletin

October 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.

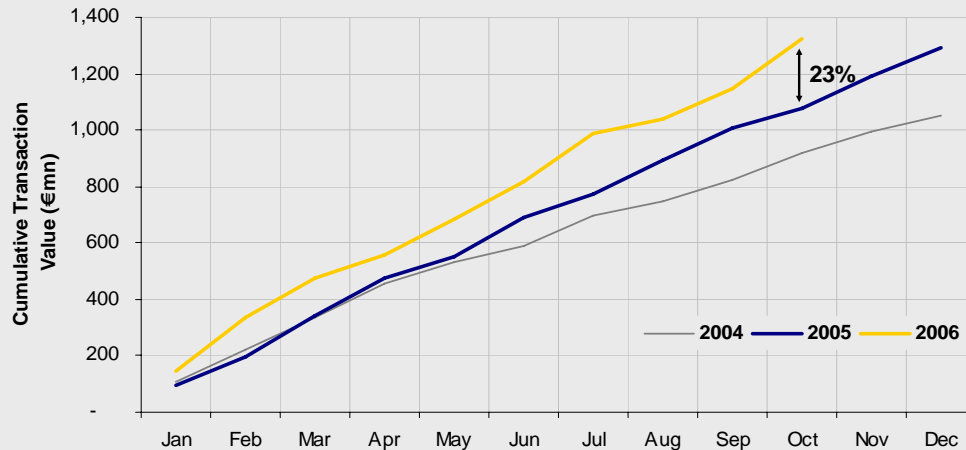
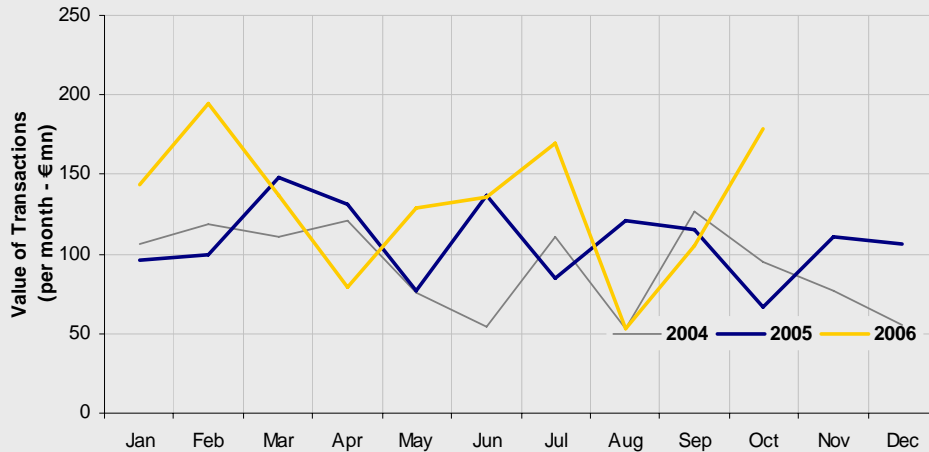
Our services encompass:

- 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 16% versus September



Healthy deal-flow sustaining the VC financing recovery

- €178 million was invested in October to give a healthy up-tick in the Headline Transaction Index of 16% over September and 23% over October last year.
- 2006 has continued to outstrip the fundraising of both of the last two years in terms of both the cumulative amount of money raised and the cumulative number of transactions, reinforcing our view of a year-on-year recovery in VC financings.
- Nine top headline transactions were made this month with several particularly large transactions, including the **€32 million of expansion capital financing for Empruntis** and the **€15.8 million extension of Icera's Series C financing**.
- **3i, Baytech Venture Capital, Benchmark Capital and FF&P Private Equity** were the most active investors in October's larger deals, each involved with two deals over €7.5 million.

Empruntis and Icera are among several large deals this month

Top Headline Transactions

9 deals above our
€7.5 million
threshold

Company	Segment	Stage	Size €mn	Description	Participants
Empruntis (France) www.empruntis.fr	Internet B2C	Expansion Capital	32	Online broker of retail financial products allowing real-time comparisons of banking and insurance products.	3i
Icera (UK) www.icera.com	Fabless Semiconductors	C	15.8	Fabless semiconductor manufacturer for cellular technologies.	3i
Igglo (Finland) www.igglo.com	Internet B2C	A	12.5	Online estate-agency service provider. Buyers can make offers for houses that sellers advertise on the website.	Benchmark Capital Taivas Group Individual Investors
Open-Plug (France) www.open-plug.com	Mobile Software	C	11.6	A mobile platform software developer. They offer an abstraction layer which runs on top of proprietary platforms and exposes a LINUX interface to application developers.	Baytech Venture Capital SG Asset Management Auriga I-Source Gestion Siparex Group Sophia Euro Lab
OB10 (UK) www.ob10.com	Internet B2B	Late Stage	10.8	A global business-to-business e-invoicing network.	FF&P Private Equity Individual Investors
Tpack (Denmark) www.tpack.net	Telecoms Equipment	C	10	A developer of linecards for carrier Ethernet applications. Their solutions are used to enable Triple Play, bridging new and existing technologies	InnFond Slottsbacken Venture Capital Vaekstfonden
Virtensys (UK) www.virtensys.com	Fabless Semiconductors	A	9.5	Technology that allows the building of data centres that can self-balance to workload, self-configure and self-heal in event of failures using PCIe I/O virtualisation.	Scottish Equity Partners Celtic House Venture Partners GIMV
InforSense (UK) www.inforsense.com	Business Intelligence Software	B	7.9	High performance computing and large scale data mining for decision making, developed at Imperial College, London.	Imperial Innovations Elaia Partners FF&P Private Equity Sitka Partners
Spodradio (Germany) www.spodradio.com	Mobile Applications	B	7.9	Mobile radio and podcast hub, enabling live, interactive, personalised and on-demand radio and podcasts to mobile phones.	Benchmark Capital Europe Baytech Venture Capital

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

- **Empruntis (France)**, an online retail financial broker, secured **€32 million** in expansion capital for a **40% stake** in the business by **3i** in its first round of fund-raising. Empruntis' site allows consumers to compare mortgage, banking and insurance products. It is the largest French online loan-broker, facilitating 80,000 applications per month. Empruntis' business is driven by partnerships with more than 120 providers from the banking and insurance sectors. The company remains a purely online commission-based outfit, with no branch offices. Empruntis plans to extend its model to loan refinancing, personal insurance and tax-exempt products to double its brokerage business by 2010.

Top Headline Transactions (cont.)

This is 3i's second large B2C transaction in the French market in less than a year, following their investment in SeLoger.com in November 2005, a leader in online real estate listing services. 3i clearly position themselves at the top end of the VC market with large and rather late-stage transactions. In the Empruntis transaction, 3i acquired the stake of some of the original shareholders, Pechel Industries (a private equity firm managing €250 million) and Aurinvest (a business angel network structured as an investment fund), giving the transaction a buyout flavour. As the market for IPOs remains fairly fragile, we expect to see more of these transactions in which larger funds take the baton from smaller initial shareholders. This is a model which is common in the buyout market but more difficult to implement in the VC sector, as valuations are much more volatile.

It is also worth noting that this large deal has been followed up this November by a €25 million mezzanine bond investment by European Capital, a €6 billion Paris-based buyout firm. Together with the 3i investment, Empruntis has increased its financing by a total of €57 million in less than two months.

- **Icera (UK)**, a fabless semiconductor firm specialising in software-only modems for mobile phones, secured a **€15.8 million extension to its March 2006 Series C** round, taking its third round of financing to €49.9 million. The financing came courtesy of **3i**. Icera's Livanto processor is software programmable and able to support multiple wireless standards. The platform can be applied as a field-upgrading platform as new infrastructure and standards are implemented in the market.

Icera has now raised over €86.7 million in total, making it one of the most heavily financed European startups. An extension of a round is something unusual and the total amount of financing raised is itself out of the ordinary for Europe. At the same time, Icera is clearly setting its sights high since it claims to have developed a disruptive new software architecture for cellular phones, allowing them to support multiple standards such as HSUPA, WiMAX or mobile digital television. There is much debate in the industry as to which approach will win between software-modifiable all-encompassing solutions a la Icera and highly optimised 'one-standard-only' implementations (e.g. Nanoradio for WiFi). Icera's gamble is considerable, all the more so that it has yet to announce customers. The fact that the company was started by Stan Boland of Element 14 fame must help (sold to Broadcom for €673.3 million in 2000).

Top Headline Transactions (cont.)

- **Igglo (Finland)**, an online estate-agency, has raised **€12.5 million** in a **Series A** round led by **Benchmark Capital**, joined by existing investor Taivas Group (a WPP subsidiary) and individual investors. As stated on their web site, Igglo is turning the estate agent model on its head by allowing potential buyers to make offers on any home. Home details are initially uploaded by Igglo from public information sources, with entries containing photographs, maps and statistics of residential properties in the area. Home owners who want to proactively sell their homes are encouraged to add content, e.g. pictures, etc. Since its launch in Helsinki in June 2006, Igglo has become the third largest estate agent in Helsinki, with 300 transactions on the back of 50,000 weekly visitors. Its pricing structure is half that of the local competition and the funding objective is to expand that model on a European basis.

Igglo is a good illustration that there are still new models to be invented leveraging the power of the internet (and cheap computing resources!). This is the archetypal Web 2.0 play, with users encouraged to add their own content, creating a powerful community/network effect. It is also worth noting the old business model of cutting the prices of existing players by half – which has to be a key driver of success. Also worth noting is a VC investor (Benchmark) committing funds based on a fairly small result sample: Helsinki only, 6+ months history and, after all, only 300 transactions. Then again, Benchmark has significant experience when it comes to real estate markets, being an early investor in ZipRealty in the US (now floated).

- **Open-Plug (France)**, a mobile platform software developer, raised **€11.6 million** in a **Series B** funding round co-led by **Baytech Venture Capital** and **SG Asset Management**, joined by existing investors Auriga, I-Source Gestion, Siparex Group and Sophia Euro Lab. Open-Plug offers an abstraction layer which runs on top of proprietary platforms without a noticeable performance penalty, and exposes a LINUX interface to application developers. As well as revamping outdated proprietary phones, Open-Plug's solution also componentises existing applications, which then allows handset manufacturers to add or remove any application component at a click of a mouse, making it very easy to produce customised phones for specific operators.

Top Headline Transactions (cont.)

Open-Plug is a good example of the sheer technological brilliance that can be found in Europe. Whether Open-Plug will succeed in convincing handset manufacturers (including the top 6 – Nokia, Motorola, Samsung, SonyEricsson, LG, Siemens/BenQ) to adopt its technology and open their proprietary platforms remains to be seen. Nevertheless, the substantial investment should allow the company to fund its commercialisation phase. Since its inception the company has scooped up a number of technology awards, most recently the top prize at the inaugural Asian Mobile Innovation Awards.

Please note: Go4Venture advised Open-Plug on its fund-raising process.

- **OB10 (UK)**, a B2B e-invoicing network, raised **€10.8 million** in a **later stage** deal led by **FF&P Private Equity** and joined by some of the existing investors. Using OB10's service, accounts departments in Europe, North America and Asia can receive invoices directly into their financial systems and send electronic invoices to customers without having to install new hardware or software.

OB10 is the former Open Business Exchange which was started in May 2000. OB10 is one of the few survivors of this period. Like most of them, it's been through hell and back. But for those investors who stepped in at the right time, and have deep enough pockets to see the company through to profitability, this type of opportunity could represent substantial returns (for another example of patience rewarded see Vistaprint, the online business card printing startup that is now a Nasdaq-quoted company).

Please note that this is an internal round led by FF&P Private Equity (Fleming Family and Partners Private Equity), a private equity fund whose clients include the Fleming Family, other wealthy families, high net worth individuals, charities and institutions. FF&P PE already made its mark investing in a Top Headline Transaction in February 2006 when they were the lead investor in Anam, a Dublin-based provider of messaging infrastructure. In October, they featured in two of our headline transactions, OB10 and InforSense, which we see as another sign of family offices and high net worth individuals slowly returning to technology investing.

Top Headline Transactions (cont.)

- **Tpack (Denmark)**, a developer of linecards for carrier Ethernet applications, raised a **€10 million Series C** from InnFond, Slottsbacken Venture Capital and Vaekstfonden. The company's FPGAs and associated software are customised for carriers that seek to implement Ethernet/MPLS over SONET/SDH networks and carrier Ethernet services in general. Tpack's solutions are used to enable Triple Play, bridging new and existing technologies.

Tpack is also a survivor of the early 2000s era (it was started in 2001), with a number of management changes since then. Interestingly, existing investors InnFond, a €40 million Copenhagen-based fund, and Slottsbacken, a €120 million Stockholm-based fund, re-invested alongside state-backed €300 million investment company Vaekstfonden. This suggests that Tpack may be still some time away from demonstrating strong results. Part of the difficulty is that Tpack sells its technology to equipment vendors which will in turn specify Tpack when finalising their designs for carrier Ethernet equipment – a rather complicated and lengthy process.

- **VirtenSys (UK)** closed a **€9.5 million Series A** round of funding led by **Scottish Equity Partners**, joined by Celtic House Venture Partners and GIMV. The company develops a technology which allows I/O virtualisation based on the PCI Express standard. The technology gives system developers the ability to build self-managing IT computing centres, which automatically load-balance and self-heal in the event of failures..

The company was incorporated in December 2005 and already employs 30 people – a swift ramp-up from start to funding. The majority of the VirtenSys team used to work at the Integrated System Division of Xyratex, a British storage area network company. Many successful startups have a cohesive team that has worked together before. Inasmuch as this is an advantage at the beginning, one of the challenges is to eventually broaden the team with other DNA. This is particularly challenging when it comes to identifying investors who may help the company grow internationally. This is an area where we at Go4Venture often help with: how to identify the best investors (regardless of where they are located), adding our network of contacts to those of existing management and existing VCs. Existing investors know their home country VCs best, yet often lack knowledge of international VCs.

Top Headline Transactions (cont.)

- **InforSense (UK)**, a high performance computing and data mining solutions company, finalised a **€7.9 million Series B** round of funding led by **Imperial Innovations**, joined by FF&P Private Equity and existing investors Elaia Partners and Sitka Partners. The company's technology was initially developed at Imperial College, London and allows integration of data sources, information and analysis tools for business analysis and risk modelling.

InforSense is one of those companies which show that there can be life in a seemingly over-invested sector through technological excellence and specialisation (initially pharma in their case). The company is in the field of business intelligence, a sector dominated by a handful of giants who are themselves consolidating in the search (no pun intended!) of scale. The real prize is of course making sense of data, and transforming data into information – a theme which will offer never ending opportunities as the amount, formats and immediacy of data explode. Next to the giants will thrive niche players, which themselves will eventually be consolidated into larger players.

It is also worth pointing out that this is one of the largest positions of Imperial Innovations, Imperial College's now AIM-quoted technology transfer company. By floating, Imperial Innovations has given itself the means to follow through on its early-stage participations, a possibility which many early-stage funds do not have to the same extent. Other early-stage funds usually have their returns depleted as they are diluted to irrelevance during follow-on fund-raising rounds.

Finally it is worth highlighting that among InforSense's investors are Elaia Partners, a Paris-based early-stage fund that has made the effort of having a London office to improve its deal-flow from abroad. Again, another example of the more international (and therefore complex!) VC market we all have to deal with (and take advantage of).

- **Spodradio (Germany)**, a mobile radio and podcast portal, received a **€7.9 million** round of **Series B** funding led by **Benchmark Capital**, joined by existing investor Baytech Venture Capital. Spodradio's site enables live, interactive, personalised and on-demand radio and podcasts to mobile phones. Spodradio has partnered with radio providers, mobile operators and handset manufacturers. The investment is to be used to drive international expansion and develop new services.

Top Headline Transactions (cont.)

Spodradio is Benchmark's second investment this October (together with Igglo). Benchmark is one of those investors that has decided to focus heavily on the internet. This is not such a surprising strategy given that eBay pretty much made Benchmark! Here are some of the Internet-related Top Headline Transactions Benchmark participated in over the last 12 months in Europe: Rebtel Networks, a Swedish VoIP services provider, Weeworld, a UK mobile community portal and Zopa, a UK online personal finance exchange.

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