



# Monthly European Technology Venture Capital Bulletin

## Summer 2006

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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](http://www.go4venture.com/resources/hti.htm)

### About Go4Venture

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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.

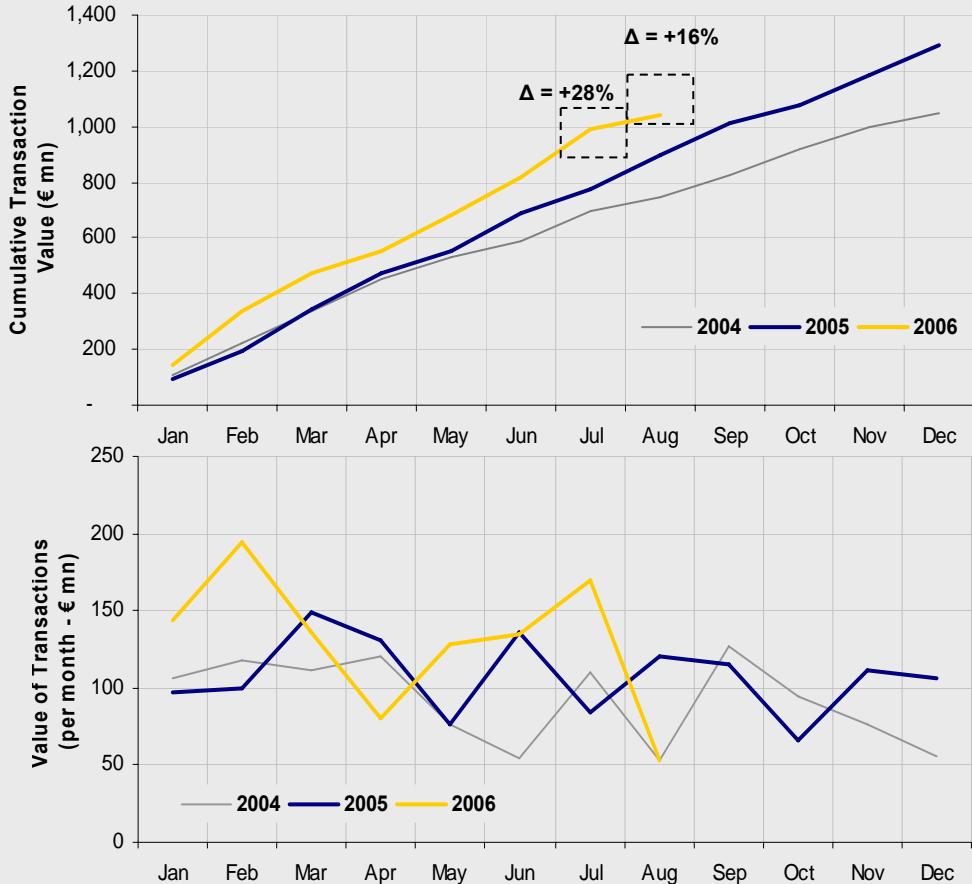
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July had the highest activity since February

August was not quiet

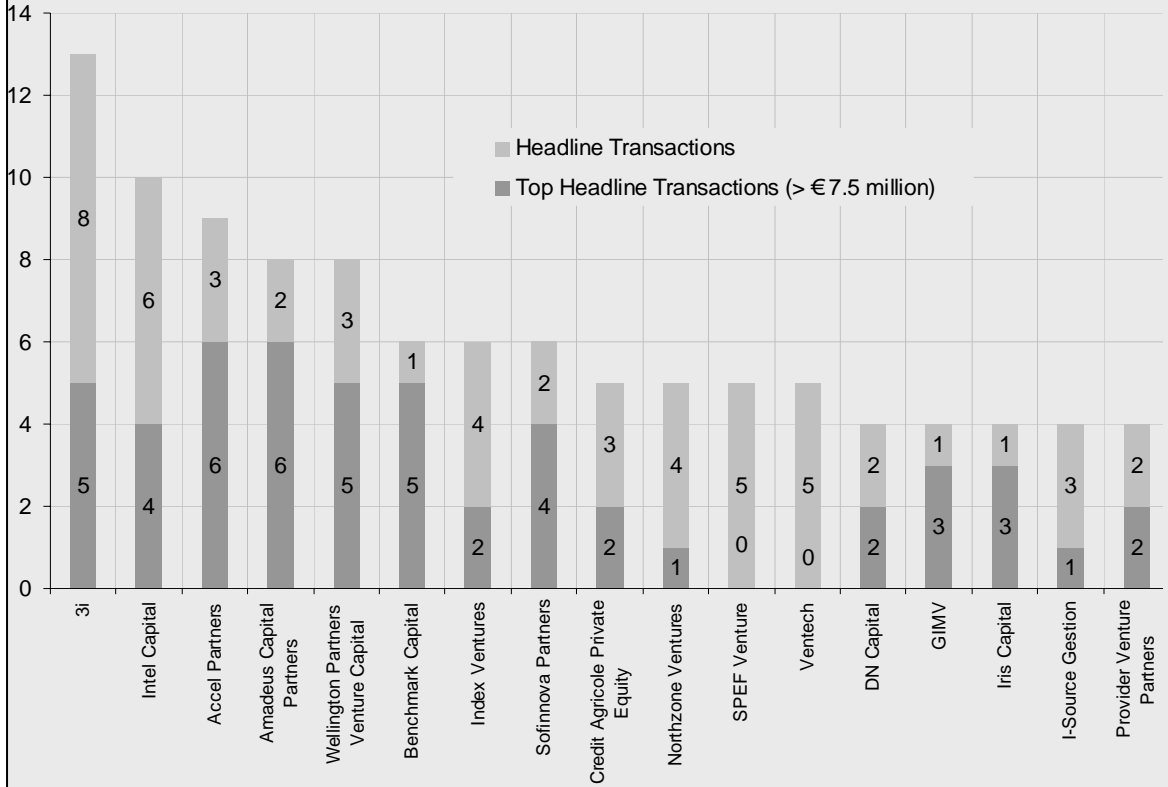
Intel Capital, 3i and Amadeus have been the most active

## Headline Transactions Index



- July was the most active month in terms of capital raised since February this year. Together about €222 million has been raised in July and August 2006 as compared to the €206 million that was raised in July-August 2005 and the €164 million in July-August 2004.
- On a cumulative basis **the index is well ahead compared to the same period last year**: 16% compared to the same period last year (€1,040 million this year to end of August as compared to €895 million for the same period last year).
- **Intel Capital (5 investments), 3i (3) and Amadeus Capital Partners (3) have been the most active investors during the holiday recess**, with Accel Partners, GIMV and Sofinnova Partners also making more than one investment.
- We have now added a chart describing the stage of investment by number rather than by value. This shows significant early-stage activity at the beginning of the year, and more re-financings of existing companies between May and July. We would venture that this does not represent a trend but rather seasonality. What is comforting is the reasonably high level of early-stage activity so far this year.

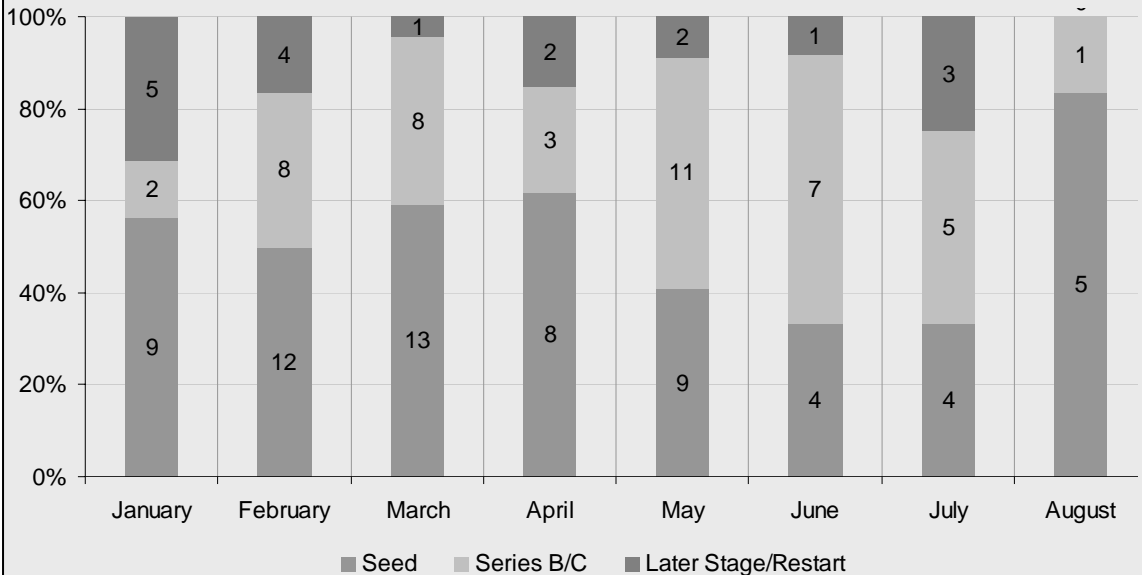
## Most Popular Investors having more than 3 deals between Jan 06 and Aug 06



3i takes the lead with thirteen investments so far this year

Intel and Accel not far behind

## Investment by Stage and Volume between Jan 06 to Aug 06



A total of 215 investors in the first half of this year

Substantial Seed round funding as compared to B/C or later rounds

## Top Headline Transactions - July

A record breaking  
11 deals above  
our €7.5 million  
threshold

Company	Sector	Series	Size €mn	Description	Participants
CoreOptics (Germany) <a href="http://www.coreoptics.com">www.coreoptics.com</a>	Telecom Hardware	D	23.3	Provider of transponders, transceivers and IC solutions for 10 Gb/s and 40 Gb/s metro, regional and long haul optical networks, and the Internet.	Atila Ventures Crescendo Ventures European Venture Partners <b>GIMV</b> High Tech Private Equity Quest For Growth TVM Capital
Sequans Communication SA (France) <a href="http://www.sequans.com">www.sequans.com</a>	Application- specific hardware	C	17.0	Provider of silicon and embedded software for WiMAX-based systems.	Add Partners Cap Decisif <b>Kennet Venture Partners</b> Vision Capital T-Source SG Asset Management
CacheLogic (Saviso) (UK) <a href="http://www.saviso.com">www.saviso.com</a>	IT professional services	C	16.6	Provider of technology consulting, application development, and solution design services.	3i Group <b>Amadeus Capital Partners</b> Cambridge Gateway Fund Pentech Ventures
Clear2Pay (Belgium) <a href="http://www.clear2pay.com">www.clear2pay.com</a>	Application Software	Later	15.7	Provider of Internet-based e-payment solutions.	<b>AGF Private Equity</b> Big Bang Ventures <b>GIMV</b> Intel Capital Quest For Growth TrustCapital Partners
Aggregator Television (UK) <a href="http://www.aggregator.tv">www.aggregator.tv</a>	Television Services	A	13.2	Developer of niche TV content to specialist audiences.	<b>3i Group</b> <b>Amadeus Capital Partners</b> <b>Intel Capital</b>
Nomad Holdings (UK) <a href="http://www.uknomad.com">www.uknomad.com</a>	B2C	A	11.8	Provider of network independent data communications and services.	<b>Amadeus Capital Partners</b> T-Mobile Venture Holding
Newnham Technology (UK) <a href="http://www.newnhamresearch.com">www.newnhamresearch.com</a>	Application- specific hardware	B	11.0	Provider of technologies and ways to connect displays to computers.	Atlas Venture Benchmark Capital <b>Esprit Capital Partners</b>
Njini Inc. (UK) <a href="http://www.njini.com">www.njini.com</a>	Application Software	B	10.8	Provider of software for data life cycle management.	Accel Partners Add Partners <b>Intel Capital</b>
Wiggle (UK) <a href="http://www.wiggle.co.uk">www.wiggle.co.uk</a>	B2C	Buyout	10.7*	Online retailer of accessories for the outdoor pursuits market.	Isis Equity Partners HSBC (debt financing)
Accent (Italy) <a href="http://www.accent.it">www.accent.it</a>	IT professional services	A	10.5	Provider of design and consulting services for integrated circuit design and fabrication.	CAPE <b>Sofinnova Partners</b>
VoiceObjects (Germany) <a href="http://www.voiceobjects.com">www.voiceobjects.com</a>	Application Software	D	9.0	Provider of voice application management systems (VAMS).	Enjoy Venture Management SAP Ventures T-Venture Holding <b>TeleSoft Partners</b> <b>Wellington Partners</b>

\* Plus €6.9 million of debt financing

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

## Top Headline Transactions - August

4 deals above our  
€7.5 million  
threshold

Company	Sector	Series	Size €mn	Description	Participants
Grisoft (Czech) <a href="http://www.grisoft.com">www.grisoft.com</a>	Application Software	B	12.5	Developer of anti-virus security software.	<b>Intel Capital</b> Enterprise Investors
Netvibes (France) <a href="http://www.netvibes.com">www.netvibes.com</a>	IT Professional Services	A	12.0	Provider of Web page creation tools.	<b>Accel Partners</b> Index Ventures
Replisaurus Technologies (Sweden) <a href="http://www.replisaurus.com">www.replisaurus.com</a>	Semiconductor	B	11.2	Provider of process technology for semiconductor manufacturing.	ForetagsByggarna KTH Seed Capital <b>Northzone Ventures</b> <b>Wellington Partners</b> <b>Venture Capital</b>
Travel Meta Search (France)	B2C	A	8.0	Providers of a new generation metasearch engine that enables European and Asian internet users to find competitively priced airline tickets, hotel rooms, car rentals and holiday rental accommodation.	<b>Sofinnova Partners</b> Walden International

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

## Top Headline Transactions - July

- **CoreOptics (Nuremberg, Germany)**, a provider of transponders and transceivers for ultra high-speed (10 and 40 Gbps) optical networking applications in the telecom and enterprise sector, **has raised €23.3 million in a Series D round led by GIMV and Quest for Growth**. Existing investors Atila Ventures, Crescendo Ventures, European Venture Partners, High Tech Private Equity, and TVM Capital also participated in the round.

*The investment in CoreOptics illustrates a return to favour of the optical component segment, driven not only by the resurgence of the telecom services sector but also high speed requirements of the enterprise market transitioning to virtualised storage. It is also worth highlighting GIMV as lead investor. GIMV ([www.gimv.be](http://www.gimv.be)) is one of the lesser known giants of European private capital, partly because they've invested mostly in Belgium, France and, to a lesser extent, the UK and Germany. They also made few new investments in 2005 but so far this year have made at least four investments, including Metris, Dialog Imaging Systems, Xanadu and Clear2Pay, one of which figured as a top headline transaction (investment round of more than € 7.5 million). As a quoted fund on Euronext (Brussels: GIMV) GIMV have access to considerable resources and is able to make investments as small as € 3 million and perhaps as high as ten times that amount. Simply having experience of working in multiple countries makes them stand out as one of the few European VC operators confident enough to invest throughout Europe.*

- **Sequans Communications SA (France)**, which develops fixed and mobile WiMAX chipsets for both user devices and base stations, has raised a **€17 million Series C round of financing led by Kennet Venture Partners**. Existing investors (Add Partners, Cap Decisif, T-Source, SG Asset Management and Vision Capital) also participated in the round. Sequans will use this new funding to grow sales and customer support, and to further accelerate the development of their product range.

*Sequans is one of the world leaders in WiMAX chipsets, together with other startups such as PicoChip and Wavesat, and giants such as Intel and Fujitsu. Sequans owes its success to Georges Karam and his team, mostly drawn from Pacific Telecom, the previous startup Karam worked at (sold to Juniper Networks in 2001 for \$200 million). The investment is led by Kennet Capital, who is better known for backing revenue generating businesses than as a semiconductor specialist. However, Kennet have at least one investment in the space (Chipidea, a mixed signal processor IP company), and Sequans is already generating significant revenues. It is worth also pointing out that Michael Elias, who led the investment for Kennet, is a fluent French speaker, having worked several years in Paris. (Cultural affinity still counts when investing in Europe)*

**Top Headline Transactions (cont.)**

- **CacheLogic (UK)**, have closed a **Series C round of financing for €16.6 million led by Amadeus Capital Partners** together with 3i Group, Cambridge Gateway Fund and Pentech Ventures. CacheLogic provides traffic management software to allow service providers to manage the use of broadband efficiently. In particular CacheLogic has developed Velocix, a media distribution delivery platform leveraging P2P technologies and essentially providing a Content Delivery Network (CDN) at a fraction of the cost of traditional CDNs.

*CacheLogic is an example of a company which has developed deep technical expertise (whilst not burning too much cash – approximately €5 million) to eventually find its sweetspot as market opportunities emerge more clearly. It is also another example of a substantial investment made in conjunction with the appointment of a senior industry executive, this time Pat Chapman-Pincher who used to head up UUNet International, the European, Asian and Latin American operations of UUNet (part of WorldCom). It is often reassuring for VCs to bring in professional management who have experience (and the yearning!) of running much larger organisations – but as in gardening, making sure the graft flourishes is also a challenge in itself.*

- **Clear2Pay (Belgium)**, a developer of secure, timely and streamlined payments processing systems using modern Service-Orientated Architecture (SOA) principles, has raised **€15.7 million in a later round of funding with AGF Private Equity and GIMV as co-leads**. Existing investors Intel, Quest for Growth, TrustCapital, Big Bang Ventures and Clear2Pay's management also participated.

*Clear2Pay is led by experienced entrepreneur Michel Akkermans, who (for those who remember) built FICS who was one of the high-flyers of European software startup scene in the late 1990s (now Nasdaq-quoted S1 Corporation). Clear2Pay's investment round should have made it in the June edition of our VC Bulletin as the press announcement came out on June 29 but was only relayed in the professional press a few days later. As a result, this Bulletin edition has two investments led by GIMV (see CoreOptics, above). Note also the presence of AGF Private Equity, a Paris-based VC fund which is developing a reputation for smart, if sometimes somewhat unusual, investments (see for instance their investment in CAST – [www.castsoftware.com](http://www.castsoftware.com) – a company quoted on the Paris Stock Exchange).*

## Top Headline Transactions (cont.)

- **Aggregator Television (UK)**, a developer of niche IP TV content targeting specialist audiences, has closed a **Series A round of financing for €13.2 million co-led by 3i, Amadeus Capital Partners and Intel Capital**. The funding will be used to roll out a series of offerings over the next two years, in time for a launch of the service early 2007.

*Aggregator is an interesting investment in many respects. First, this is clearly a convergence play, with a mix of content and technology delivered over telecom lines: a true TMT (Technology, Media and Telecom) or TIME (Telecom, Information Technology, Media and Entertainment) investment. Second, this is a substantial Series A round by European tech VC account, especially for a business with less than 10 people. Finally, it is worth pointing out that the company was seeded by Amadeus in 2005.*

*Among large European VCs, Amadeus is one of the most involved in seeding investments, first with their 2001 Amadeus Mobile Seed Fund and, earlier this year, with the Amadeus and Angels Seed Fund (AASF). The AASF is an Enterprise Capital Fund, i.e. a fund with the UK government providing subsidised funding. Although some other large funds are involved in seed funding, they tend to keep it quite confidential (the hit rate is by definition modest). Amadeus, on the contrary, makes a concerted and public (...ish – this is private equity after all!) effort while working in synergy with business angels and dedicated specific resources. We are convinced that seed investing should be carried out by larger funds (only they have the depth of resources and expertise to nurture early-stage investments over several rounds). We look forward to seeing Amadeus' example being emulated by other European funds. For more about seed investing best practice, see the recent research from the University of Exeter that can be found on [http://www.sobe.ex.ac.uk/news/news\\_detail.php?id=65](http://www.sobe.ex.ac.uk/news/news_detail.php?id=65).*

## Top Headline Transactions (cont.)

- **Nomad Holdings (UK)** has closed a **Series A round of financing for €11.8 million led by Amadeus Capital** with T-Mobile Venture Fund as a co-investor. Nomad Holdings owns Nomad Digital, a telecom service operation, and Nomad Spectrum, a hardware designer, which together allow Nomad to design, install and operate broadband networks onboard trains. Their business model is to acquire broadband franchises from train operating companies and sell rights to use to service providers for particular applications. The company already operates on the London to Brighton line and is in the process of expanding internationally.

*Founded in 2002, Nomad was one of the first companies in the UK to offer WiFi services such as hot-spot deployment and WiFi roaming services. They have now found their niche in the deployment of internet services on trains. Both Chairman Nigel Wallbridge and CEO Graeme Lowdon have considerable entrepreneurial experience. Nigel was the former President of C&W Americas and was previously CEO of Interoute, the pan-European telecom services supplier. He also started a number of telecom services related companies, including Wide Area Markets which he eventually sold to J2C, where he met Graeme who was Operations Director. J2C was an operator of online marketplaces for various verticals which closed mid 2001 after raising £50 million in Feb 2000 and racking up losses in excess of £35 million. As poet Heinrich Heine once remarked: "Experience is a good school but the fees are high". More to the point, it is comforting to see that not all the experience from the bubble has been lost and that now the European venture scene benefits from this generation of executives.*

- **Newnham Technology (UK)** has closed a **Series B round of financing for €11 million led by Esprit Capital Partners**, with Atlas Venture and Benchmark Capital also joining in. Newnham has a unique technology for connecting displays to computer using standard networking technologies such as USB 2.0. Applications include driving multiple screens from one single PC, easily adding screens to a PC with a single graphics card.

*It is worth noting that in conjunction with this round the company has appointed to its Board heavy weight David Mooring, former President of Rambus Inc, a world leader in high speed interface licensing technologies. Also, the company is presenting itself as headquartered in Palo Alto, CA, "with main R&D and product development activities in Cambridge, UK". No doubt this will facilitate interactions with US partners (and future buyers of the company), following the well-established example of successful Israeli companies.*

*Also worth pointing out is that Newnham is one of the first investments of the new Esprit Capital, formed from the merger of London-based late stage investor Cazenove Private Equity with Cambridge-based early-stage fund Prelude Ventures. This makes for a powerful combination and it will be interesting to watch the enlarged team tackle opportunities outside the UK, which the size of their fund should allow them to target.*

## Top Headline Transactions (cont.)

- **Njini (UK)**, a provider of intelligent storage management software, has closed a **Series B round of financing for €10.8 million, led by Intel Capital**, together with existing investors Accel Partners and Add Partners.

*Co-founder, Chairman and CTO Phil Tee is the archetype serial entrepreneur with two companies already under his belt: Micromuse (acquired by IBM for \$865 million in Dec 2005) and Riversoft (acquired by Micromuse for \$64 million in 2002). Phil and co-founder Mike Swoboda (they worked together at Rivesoft) were joined in 2005 by CEO David Jones, previously President and CEO of Network Physics, a US application performance management appliance supplier. The appointment of David Jones is again a good illustration of the trend (and ability) of European startups to involve experienced industry executives sooner rather than later.*

*Intelligent storage management is a red hot area, at the confluence of storage virtualisation (with the obvious cost benefits) and information management (with their compliance and knowledge management benefits). This is obviously an emerging space where a large number of startups are experimenting with a variety of approaches and technologies. Getting Intel Capital to back the company (as a lead investor – which historically has been unusual for Intel Capital) is a real coup and will help establish Njini as one of the leading contenders in the space.*

- **Wiggle (UK)**, an online retailer of accessories for the outdoor pursuits market have been backed by **Isis Equity Partners as part of a €17.6 million refinancing** package, including €10.7 million from Isis in equity and €6.9 million in debt financing from HSBC. Wiggle has experienced explosive growth in the last three years, with sales growing from £2.7 million to £11.8 million.

*The €10 million investment from Isis is obviously not traditional venture capital. This is a buyout deal (with Isis owning 42% of the business as a result of the transaction) except that typical buyout houses focus on larger transactions. Interestingly, Wiggle is a good example of the maturity of the e-commerce sector which has now become just another plank of the technology intensive retailing industry (what a change 5 years make!). Such success can only encourage tech VCs to look at other technology intensive industries to make them their own as bona fide investment grounds (e.g. medical devices, etc).*

## Top Headline Transactions (cont.)

- **Accent (Italy)**, a global provider of microelectronics product design services (and related IP), has closed a **Series A round of investment for €10.5 million from Sofinnova Partners** and CAPE Natexis (Franco-Italian Private Equity buyout fund).

*Accent used to be a joint-venture between ST Microelectronics and Cadence Design Systems. The investment is the result of the decision by STM to divest its majority holding in Accent (although Cadence remains a minority shareholder). Once again, this is not pure venture capital but rather a small buyout in a sector that requires considerable expertise. It is rather interesting to see a VC fund and a buyout group acting in concert. Just as we predict that the European tech buyout market will explode in the coming years, we expect to see more of these alliances between VC and private equity players.*

- **VoiceObjects (Germany)**, a provider of carrier-grade VoiceXML application servers for the deployment of self-service customer applications, has raised a **Series D round of financing of €9 million from existing investors**: Enjoy Venture Management, SAP Ventures, T-Venture Holding, TeleSoft Partners and Wellington Partners. The company has recently moved its headquarters to San Mateo, CA, coinciding with the appointment of new CEO Beatrix V. Infante and more recently SVP Marketing Bonnie Crater and CFO Kendra Borrego.

*VoiceObjects is an example of a European startup following up best practice in the enterprise sector: moving its headquarters to the US, adding US management expertise, decent funding (\$35 million in total) and a tight Board (CEO, non-Exec Chairman, and one VC – Wellington Partners in this instance). It is also worth highlighting that VoiceObjects is one of the few European startups with a female CEO – and she is American. The European scene has much room for development in more ways than one.*

**Top Headline Transactions - August**

- **Grisoft (Czech Republic)**, a developer of anti-virus software with 25 million users worldwide, have **raised €12.5 million in a Series B round of funding led by Intel Capital**. Grisoft is based in the Czech Republic with offices in the United States. Well known for the free edition of its AVG anti-virus software, Grisoft has started commercialising its offering by introducing more advanced products, including firewalls. This is a business model which ZoneLabs successfully followed until its acquisition by Check Point for approximately \$205 million in December 2003.

*This is the second appearance of Grisoft in the Top Headline transactions, following its first round of external financing in September last year also led by Intel Capital and Enterprise Investors ([www.ei.com.pl](http://www.ei.com.pl)), a private equity fund focused on Poland and Central and Eastern Europe (CEE). It is worth noting that in September 2005, investors took control of the company, making it more of a buyout rather than venture capital investment. Interestingly Grisoft remains the only CEE company to feature in our index.*

- **Netvibes (France)**, a provider of Ajax desktop (allowing users to gather all their favourite web feeds in one place) has raised **€12 million in a Series A round of financing led by Accel Partners** together with original investor Index Ventures. This war chest is intended to allow Netvibes to keep ahead of competition by attracting top executive talent at all levels.

*We commented on Netvibes seed financing in our cover note of the March 2006 edition of our VC Bulletin. At the time we stated that the market is pretty crowded and that the right connections would make the difference among players vying for the top spot. Adding Accel to Index Ventures as investors, with a € 12 million Series A as a result, is better than most of the other startups in the space, including Benchmark's Pageflakes (May 2006 Series A for an undisclosed amount). It is actually rather satisfying to see such an ambitious project emerging from the European market, despite strong competition from a variety of other US startups, as well as established players such as Microsoft and Google. Please note however that the backers are US VCs operating in Europe (Accel, Benchmark) or European funds operating on US-style basis (Index Ventures), i.e. bold investments in the constant search for 10x returns.*

## Top Headline Transactions (cont.)

- **Replisaurus Technologies (Sweden)**, which develops advanced non-lithographic plating technology for semiconductor manufacturing, has raised a **Series B round of funding for €11.2 million led by Wellington Partners and Northzone Ventures**. Replisaurus has won prestigious industry awards, and the investors have raked in new top management that have operating experience in the same field.

*Replisaurus confirms Wellington's successful drive outside its German home market, and NorthZone's ability to work with other top notch international investors. This transaction is also a good example of additional experienced management being drafted in to help the historical founders, thanks to the pulling power of a substantial round and brand name investors. This is becoming an increasingly (if still relatively rare) feature of the European venture capital landscape and a good example of VC's value-added.*

- **Travel Meta Search (France)**, a new generation of metasearch engine focusing on the travel market, has **received €8 million in financing in a Series A led by Sofinnova Partners**, together with Walden International ([www.waldenintl.com](http://www.waldenintl.com)), the San Francisco-based VC with offices across Asia. TMS is the result of the merger of Fare.net, a Singapore-based startup, and Coelis, a French developer of "shopbot" technology, which allows mining the web in search of the best rates (regardless of the provider - including low-cost airlines in the case of air fares - making sure the consumer gets a full picture of the best prices available).

*Metasearch engines for verticals is a red hot topic (search engine 2.0), particularly for travel which represents one of the main categories in the consumer internet space. Travel metasearch engines, led by Kayak (supported by Sequoia Capital among others – see [www.kayak.com](http://www.kayak.com)) and Sidestep (financed by Trident Capital – see [www.sidestep.com](http://www.sidestep.com)), have so far focused on the US market, where airline and hotel groups dominate the market, making aggregation much easier. TMS by contrast is focused on the Asian and European markets, where the travel supplier offering is more fragmented. It is worth noting that TMS is a Singapore-based company, although the CEO is a French national based between France and Singapore.*

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