



# Monthly European Technology Venture Capital Bulletin

**May 2008**

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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

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.

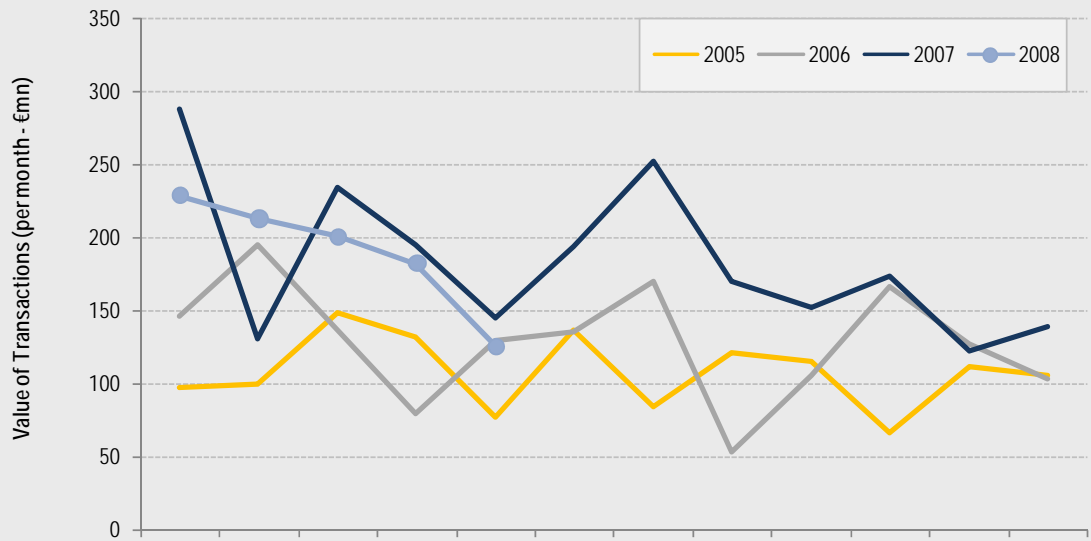
Our services encompass:

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

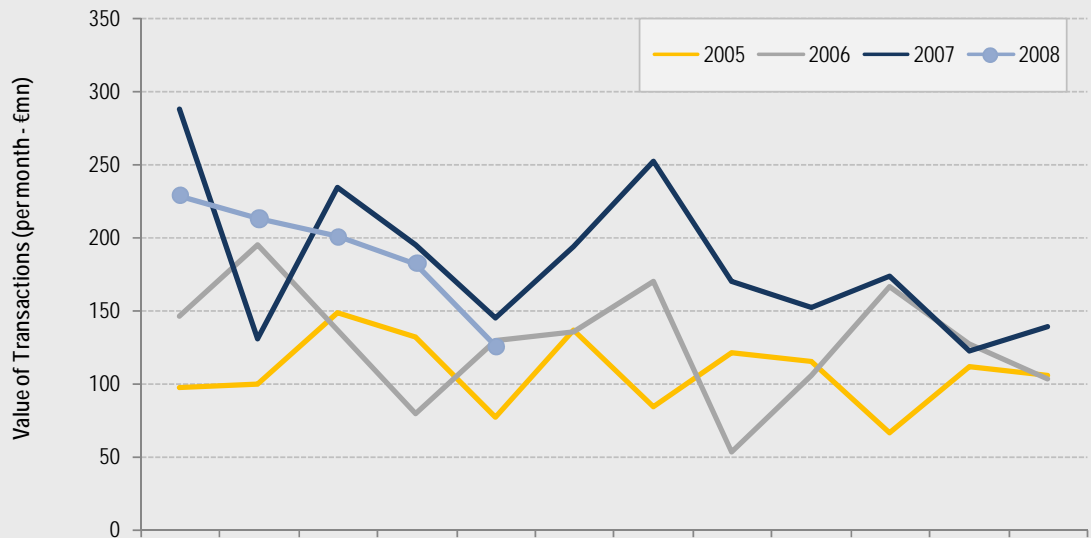
We are particularly well-known for our international equity private placement services, where we have developed a reputation second to none in Europe among international VCs.

Further Go4Venture research is available on our web site at [www.go4venture.com/resources/research.htm](http://www.go4venture.com/resources/research.htm)

Go4Venture HTI Index by Deal Value



Go4Venture HTI Index by Deal Value



- For May 2008, we tracked 26 transactions for a total investment value of €125.6mn according to our proprietary Headline Transaction Index (HTI), 13% lower in value but with the same number of investments as in the same month last year. The sequentially lower number of deals and value of investment we see in May versus April follows general seasonal trends we have seen in prior years.
- Of our May deals, five were large deals (what we define as  $\geq$  €7.5mn, £5mn, or \$10mn), and one, Ubidyne (€21.8) has landmark status with investment value greater than €20mn. This is nearly in line with May 2007 (four large deals, two of which had landmark status),

therefore large deal volume appears to be holding up with no solid indication of market slowdown. This May, there is an emphasis on large Series B rounds: four out of the 5 large deals for the month, including Ubidyne, were Series B. The remaining large deal was a later stage round for CoreOptics, valued at €16.1mn.

- The market is continues to change shape according to our initial predictions for the year, with Series A rounds on a downward trend and cleantech investment strengthening. We note that none of the large deals in May 2008 were Series A rounds. We did not have any Series A or seed investments at this level in the prior month either, although we saw them in January, February, and March. In addition, two of the five large transactions this month are either solidly in the cleantech sector or have a 'green' component to their story: Ubidyne, providing digital wireless transmission technology that uses less power than traditional analogue offerings, and Novel Polymer Solutions (NPS), developer of environmentally-friendly polymers (plastics).
- Entering the summer months, the VC market appears to be holding up better than we expected even if deceleration is creeping in. In the last slowdown, there was a distinctive drop off in venture investment that is not playing out this time around. Instead, in addition to the emphasis on cleantech and the movement away from early stage investment mentioned above, we also see the market shifting focus towards internationalisation of investor participants, later stage rounds, and alternative sources of capital outside traditional VC.

### Top Headline Transactions

Company Name	Sector	Round	EUR (mn)	Description	Investors
Ubidyne (Germany) www.ubidyne.com	Hardware	B	21.8	Provider of digital radio transmission technology for wireless and mobile communications infrastructure	<b>Doughty Hanson Technology Ventures</b> , Accel Partners, BayTech Venture Capital, TVM Capital
CoreOptics (Germany) www.coreoptics.com	Hardware	Later	16.1	Provider of 10/40/100 Gbps optical networking subsystems	<b>GIMV</b> , Crescendo Ventures, High Tech Private Equity, Quest For Growth, T-Venture Holding, TVM Capital
Wyplay (France) www.wyplay.com	Hardware	B	10.0	Provider of digital home entertainment devices	<b>Elaia Partners</b> , A Plus Finance, Sofinnova Partners
Openbravo (Spain) www.openbravo.com	Software	B	7.7	Developer of open source ERP and PoS solutions	<b>Amadeus Capital Partners</b> , <b>GIMV</b> , Adara Venture Partners
Novel Polymer Solutions (UK) www.novelpolymers.com	Cleantech	B	6.3	Developer of environmentally-friendly polymers	<b>Environmental Technologies Fund</b> , Advantage Growth Fund, individuals

**Top Headline Transactions**

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Ubidyne (Germany) www.ubidyne.com	Hardware	B	21.8	Provider of digital radio transmission technology for wireless and mobile communications infrastructure	Doughty Hanson Technology Ventures, Accel Partners, BayTech Venture Capital, TVM Capital

- **Ubidyne (Germany)** a provider of digital transmission technology for wireless communications, has raised **€21.8mn (\$34mn)** in a **Series B round of funding led by Doughty Hanson Technology**, with BayTech Venture Capital and existing investors Accel Partners and TVM Capital participating. Founded in 2005 by Dr. Clemens RheinFelder, previously VP Engineering at Siemens Communications and co-inventor of the Common Public Radio Interface (CPRI), and Beat Mueller, previously head of the Telematic Division within Burkhalter Group and CEO of Burkhalter Net Works in Switzerland, the Company offers standards-agnostic, all-digital (as opposed to traditional analogue-based), transmission technology. The Company's product line, such as its remote radio head, has roots in CPRI, a radio interface specification which eliminates the need for coax cables on the cell tower between the baseband controller and antenna. In June 2008, the Company was selected as a mobile innovation winner by GSM Association, the global trade organisation for the mobile industry, and will go to the GSMA World Congress in Barcelona.

*The propagation of digital broadband on a global basis is increasing the demand for technologies that can provide the required infrastructure. Hence, we have seen large investments in WiMAX companies this year (Sequans, Enforta) and now this landmark investment in Ubidyne, one of the largest VC investments in the wireless equipment space in recent memory. Companies participating in Ubidyne's market are not only providing next-generation technology for current metropolitan mobile markets, but also for developing countries and remote areas. Whether this investment marks a turnaround in telecommunications equipment is unknown, but it is a distinctly positive data point in a market that has seen a 26% drop in annual investment since 2003 (VentureSource).*

*Ubidyne offers a disruptive technology with increases in coverage, capacity, equipment size and energy consumption when compared to traditional analogue base stations and antenna providers. The fact that Ubidyne offers clear ROI to its customer base as well as environmental benefits is a strong selling point as all organisations are keen to establish their green credentials and are sensitive to environmental considerations.*

*New Ubidyne investor Doughty Hanson Technology Ventures operates from London and Munich, and was started by two colleagues from Intel Corporation in 2000. With \$272mn under management, the firm focuses on early-stage investments and is related to Doughty Hanson & Co., one of the largest independent private equity firms in Europe. Early-stage investor BayTech Venture Capital (€186mn under management), who primarily focuses investment in France and Germany, has also joined as a new investor in this round. Partners from both Doughty Hanson and BayTech Venture Capital join Ubidyne's board of directors with the funding. VC stalwart Accel Partners, with \$4bn under management, returns to support Ubidyne for this round, as well as Munich- and Boston-based TVM Capital (\$1.3bn under management).*

**Top Headline Transactions (cont.)**

Company Name	Sector	Round	EUR (mn)	Description	Investors
CoreOptics (Germany) www.coreoptics.com	Hardware	Later	16.1	Provider of 10/40/100 Gbps optical networking subsystems	GIMV, Crescendo Ventures, High Tech Private Equity, Quest For Growth, T-Venture Holding, TVM Capital

- **CoreOptics (Germany)**, provider of 10/40/100 Gbps optical networking subsystems, **raised €16.1m (\$25m) in a later round of funding by existing investors.** Although the press release does not specify names or who led the round, the lead investor was GIMV, supported by Crescendo Ventures, High Tech Private Equity, Quest for Growth, T-Venture Holding, and TVM Capital. The Company has U.S. offices in California, Manchester UK, and New Hampshire in addition to Germany, and employs over 129 engineers.

Founded in 2001 by ex-Lucent Technologies employees, CoreOptics' chips and subsystems support ultra high-speed networking applications and are focused on reducing network impairment and distortion, and therefore the need for service providers to invest in costly equipment such as optical compensators and amplifiers. The Company offers a second-generation 10 Gbit/sec IC, and all subsystems and components for 40 Gbit/sec systems. CoreOptix is also focusing on solutions for the 100 Gbit market.

*Over the past few years, the number of devices with access to the Internet (internet-enabled mobile phones, PDAs, laptops, and home entertainment systems) has dramatically multiplied, and applications such as IPTV and VoD require high network capacity. These trends increase demands on the network, and hence costs for the service provider. By remaining highly focused on reducing costs for network service providers, CoreOptics is concentrating on the needs of its customer base and ensuring demand for its chips and subsystems in the future.*

*This round represents the ninth for CoreOptics if one counts the debt raised over the years. The Company has raised \$90mn to date - as we have stated in the past, it takes a lot of funding to grow a chip company to a meaningful size. CoreOptics has a substantial revenue base (in 2006 after its last major round, the CEO stated that the Company was on track for \$40mn in revenue in 2007) and is likely ripe for an IPO after this round.*

*This is an internal round with funds solely coming from existing investors: GIMV (largest VC/private equity firm in Belgium with €1.2bn assets under management), Crescendo Ventures (Palo Alto-based VC with €915mn assets under management), High Tech Private Equity (private equity technology growth investor with €150mn assets under management), Quest for Growth (Belgian VC with €80mn assets under management), T-Venture Holding (corporate VC arm of Deutsche Telekom with €623mn assets under management) and TVM Capital (German VC which has raised over €1.6bn in six funds). The number of investors (as well as the number of nationalities represented) that have been involved in all of CoreOptics rounds is indicative of the trend we see towards broader international syndication for ambitious European companies.*

**Top Headline Transactions (cont.)**

Company Name	Sector	Round	EUR (mn)	Description	Investors
Wyplay (France) www.wyplay.com	Hardware	B	10.0	Provider of digital home entertainment devices	Elai Partners, A Plus Finance, Sofinnova Partners

- **Wyplay (France)**, a provider of digital home entertainment devices, **raised €10mn in a Series B funding round led by Elai Partners**, with Sofinnova Partners and A Plus Finance participating. Founded in 2006, the Company has developed a modular platform entitled Media Center, which is designed to provide an all-in-one experience for consumers to view and manage their digital content from multiple devices on their TV sets, including video, music and photos. Media Center supports several formats and interfaces, including HD, and is known for its simple user interface. Wyplay acts as an OEM or ODM supplier for retail and operator customers, developing off-the-shelf and tailor-made multimedia platforms. Its first commercial product is due for launch in Fall 2008 under leading brand names.

Wyplay is based in Marseille, France, and its senior executives and founders all hail from NEOTION, a French high tech company focused on digital television. This round of funding, which was closed 18 months after the first round led by Sofinnova Partners, brings total capital raised for the Company to €14mn. With the new capital, Wyplay plans to increase R&D, its international presence, and technology lead.

*There is currently substantial change and disruption happening in the television and video market. The traditional broadcast television model is rapidly decreasing in importance owing to technology enhancements, including PVRs, VoD, and handheld devices, as well as the proliferation of broadband in the home and the emergence of the internet as a fully functioning video entertainment platform. Today's consumer increasingly wants to control when, what and how they are entertained. Wyplay's product line directly taps into this trend by allowing the customer the ability to capture, manage and manipulate video and other digital entertainment at an individual level.*

*This round of funding is unusual owing to the fact that Elai Partners, a relatively small fund with €50mn under management, is lead investor over the much larger Sofinnova Partners, who has €900mn under management and led the first round for Wyplay. Both funds are based in France. Elai Partners may be small, but it is ambitious as it is one of the only French funds with offices in London since AXA refocused all its VC activities back to Paris. In the UK, Elai has already invested in Inforsense, an Imperial College spin-off developing data analytics for the pharmaceutical industry. A Plus Finance is a small French asset management and fund of funds firm with €55mn under management.*

Top Headline Transactions (cont.)

Company Name	Sector	Round	EUR (mn)	Description	Investors
Openbravo (Spain) www.openbravo.com	Software	B	7.7	Developer of open source ERP and PoS solutions	Amadeus Capital Partners, GIMV, Adara Venture Partners

- Openbravo (Spain)**, a developer of open source Enterprise Resource Planning (ERP) and Point-of-Sale (PoS) solutions, has **raised €7.7mn (\$12.0mn) in a Series B funding round led by Amadeus Capital Partners and GIMV**, with Adara Venture Partners also participating. Openbravo has its roots in the Engineering School at the University of Navarra, Spain, where two of the Company's founders, Nicolas Serrano and Ismael Ciordia, were developing a management system for the university in the mid-1990's. The two of them founded Tecnica (now Openbravo) in 2001 which focused on combining web capabilities with ERP solutions, eventually concentrating on an open source business model. The source code was eventually published in April 2006. Initial investment for the Company was provided by Sociedad de Desarrollo de Navarra (SODENA), a government fund headquartered in Navarra that focuses on business development for the region.

Openbravo targets the small- to medium-size business that are do not need the Goliath applications of the legacy players (Oracle/Peoplesoft, SAP) and who may find that they can get the same functionality for free when compared with the next tier providers (Lawson, Microsoft/Great Plains, Sage, etc.). The Company's product line provides the standard elements of an ERP solution (procurement and warehouse management, production management, project and service management, and financial management), but also provides a web-based interface. In addition, Openbravo offers a Java-based open source PoS solution which enables SMEs in retail to manage sales, inventory, service and returns.

*Openbravo claims that its latest round is the largest fundraising round to date for an open source ERP company. Open source is obviously an area of great interest to VCs owing to the success of companies like Red Hat in the US and mySQL in Europe. The availability of open source applications that are robust enough to entrust with running core processes of a business has now reached a turning point. In addition to Openbravo, other open source companies that are making inroads in the market include Compiere and SugarCRM, both based in the Silicon Valley.*

*Openbravo is an interesting illustration of the increasing internationalisation of European VC activity. The Company was initially funded by a Spanish government entity (SODENA), but is now being backed by two notable international funds: Amadeus Capital Partners of the UK with €460mn under management, and GIMV, a large private equity/venture capital firm headquartered in Belgium with €1.2bn under management. Openbravo is the second large investment for GIMV that appears in this month's HTI (defined as deal value >= €7.5mn, £5mn, or \$10mn). Adara Venture Partners, located in Madrid with €75mn under management, supported the round. Adara focuses mainly on Spain- and Portugal-related investments, but also seeks investments outside of Spain for diversification and to also build alliances within the rest of Europe.*

**Top Headline Transactions (cont.)**

Company Name	Sector	Round	EUR (mn)	Description	Investors
Novel Polymer Solutions (UK) www.novelpolymers.com	Cleantech	B	6.3	Developer of environmentally-friendly polymers	Environmental Technologies Fund, Advantage Growth Fund, individuals

- **Novel Polymer Solutions (UK)**, developer of environmentally-friendly polymers, raised €6.3mn (£5.0mn) in a Series B round of funding round led by Environmental Technologies Fund, with participation from Advantage Growth Fund and individual investors. Novel Polymer Solutions, or NPS, was founded in 1993 and acquired the license to its radiation-initiated polymerisation technology from the UK government, who had developed the technology through defence-related projects. NPS now has partnerships with large industrial companies in multiple industries, including paper additives, paint, flooring, automotive, carbon industries and building materials. Early markets for NPS's products include replacing PVC in the building sector, protective clothing and safely transporting cleaning agents. NPS will use the new funds primarily to increase commercial presence.

NPS's technology is differentiated by its cleantech appeal as well as performance. Volatile Organic Compounds (VOCs) currently used in plastics have adverse impact on the environment. Newer replacement materials, called polyolefins, have distinct disadvantages, particularly in the area of adhesion of protective coatings and paints, limiting their use. NPS's products (based on their LoVOC materials) have zero or very low VOCs, are much more easily tailored to multiple uses, and can be easily recycled. In addition, NPS's technology is radiation UV-curable, which uses significantly less energy than high-temperature processes. On the performance side, the Company's technology can adhere previously impossible surfaces and offers micro-encapsulation of highly corrosive chemicals.

*NPS represents the best aspect of certain cleantech investments: that these companies can not only offer environmental benefits, but also technology that performs better than what is currently available. The Company was initially funded by Advantage Growth Fund, a local investment fund, who returns for this round. Local investment funds are becoming more prominent on the venture capital landscape owing to the fact that they do not shy away from the hard work of early stage investing, an area which is of decreasing importance to many commercial VC funds. The Advantage Growth Fund is a £20mn fund managed by Midven Limited and invests solely in UK West Midlands SMEs. Its funds are from Barclays Bank, the European Investment Fund, HSBC, Millpoint West Ltd, the Royal Bank of Scotland, the Small Business Service (Dti), and the universities of Warwick, Coventry, Aston, Birmingham and Central England. It can only invest up to £250K in any one company at one time and no more than £500K in total over time. This is distinctly different than the 'Silicon Valley' approach of large investments that are generally not restricted by geographical or other factors.*

*This current round was led by Environmental Technologies Fund (ETF), who joins the board with its funding. This investment is ETF's third after closing its first fund totalling £110mn in March 2008. ETF is one of the first European dedicated cleantech funds and was founded by former 3i executive Patrick Sheehan.*

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