

A close-up photograph of a microchip on a circuit board, with various components and traces visible.

# Monthly European Technology Venture Capital Bulletin

**March 2009**

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

## About Go4Venture

Go4Venture is a London-based corporate finance consultancy focused on providing European technology entrepreneurs and their investors with impartial advice to help them develop and execute growth strategies.

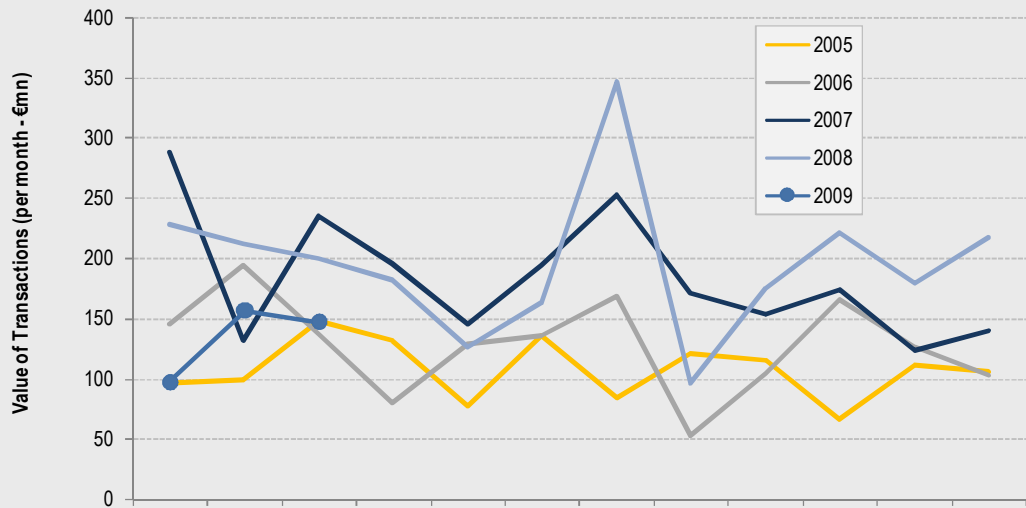
Our services encompass:

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

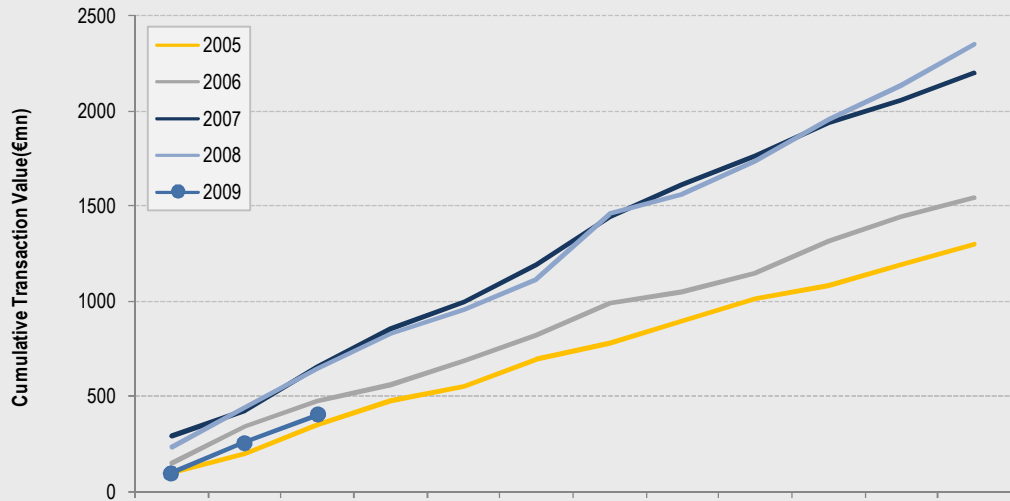
We are particularly well-known for our international equity private placement services, where we have developed a reputation second to none in Europe among international VCs.

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

Go4Venture HTI Index by Deal Value



Go4Venture HTI Index Cumulative Deal Value



- In March 2009 our HTI tracked 27 investments for a total value of €146.9mn. From a number of deals standpoint, this is nearly on par with the 29 deals tracked in the same month last year. However, from a value standpoint, March 2009 investment shows a moderate 27% drop compared to €200.4mn in March 2008, unsurprising given the current economic environment.
- Large deals continue to show weakness, reflecting the current emphasis on capital efficiency and lower deal valuation via smaller rounds. We have profiled four large deals this month (starting page 4) which meet our criteria of being greater than or equal in value to €7.5mn,

£5mn, or \$10mn for a single transaction. In March of 2008, we tracked nine deals of this size. One transaction this month, NorSun (€57.0mn), has landmark status with investment value greater than €20mn, compared to two in the same month last year.

- Total amount of venture funding year-to-date (YTD) at the end March 2009 was €407.8mn, down 36% from €641.2mn at this point last year. As of February 2009, YTD funding was down 42% compared to 2008, therefore we have seen a slight recovery from the especially dismal start to the year.
- Cleantech remains one of the few investment areas where VCs are willing to make larger investments (see NorSun on page 4 and Vertal on page 7). In addition, software companies are making a comeback (see Scansafe on page 5 and Stantum on page 6). This sector may appear to be 'old school' but is showing resilience in the current environment. Not only is this due to software's position as an enabling platform for Internet and mobile applications, but also because software-as-a-service (SaaS) is a downturn-friendly business model with high quality revenue streams. These businesses, if they can achieve sufficient size, are the kind that can IPO in the future.

### Top Headline Transactions

Company Name	Sector	Round	EUR (mn)	Description	Investors
NorSun (Norway) www.norsuncorp.no	Cleantech	C	57.0	Manufacturer of silicon ingots and wafers for high efficiency solar cells	<b>Good Energies</b> , Norsk Hydro Technology Ventures, Scatec AS
Scansafe (UK) www.scansafe.com	Software	C	10.4	Provider of security-as-a-service solutions	Balderton Capital, Montagu Newhall Associates, Scale Venture Partners
Stantum Technologies (France) www.stantum.com	Software	B	10.0	Developer of multi-touch sensing technologies	<b>Auriga Partners</b> , <b>CDC Innovation</b> , XAnge Private Equity
Vertal (UK) www.vertal.co.uk	Cleantech	A	5.6	Developer of waste management technology	<b>Foresight Group</b>

**Top Headline Transactions (cont.)**

Company Name	Sector	Round	EUR (mn)	Description	Investors
NorSun (Norway) www.norsuncorp.no	Cleantech	C	57.0	Manufacturer of silicon ingots and wafers for high efficiency solar cells	<b>Good Energies</b> , Norsk Hydro Technology Ventures, Scatec AS

- NorSun (Norway)**, a manufacturer of silicon ingots and wafers for high efficiency solar cells, **raised €57.0mn (NOK 500mn) in Series C equity led by Good Energies** and supported by Norsk Hydro Technology Ventures and Scatec AS. Additionally, the Company raised a five year loan of €74.1mn (NOK 650mn) and €51.3mn (NOK 450mn) in bank guarantee lines from DnB NOR and Nordea Bank Norge AS. The new capital will be used to expand production, fund next phase R&D activities, and further develop thin film company Sunfilm AG, established by NorSun and Good Energies.

NorSun produces monocrystalline silicon ingots from high purity raw silicon. The silicon ingots are sliced into thin wafers that are installed in solar cell modules. The Company has production facilities in Vanta, Finland and Årdal, Norway, and sells its wafers to clients such as Japan's Sanyo Electric Co and US solar company SunPower Corporation.

*NorSun AS was established in December 2005 by Norwegian renewable energy incubator Scatec AS. Scatec AS was founded by Alf Bjorseth, scientist-turned-entrepreneur who formed Renewable Energy Corporation (OSE: REC), publicly listed on the Oslo stock exchange with a market cap of €3bn (28/04/09).*

*This is the largest deal tracked by our HTI this year and our first landmark transaction of 2009, a category we reserve for rounds valued at over €20mn. Including this financing, NorSun has raised around €300mn to date including debt. However, it appears our weak economic climate is now affecting the fashionable cleantech sector, particularly investments in capital-hungry sectors like solar. According to Norwegian business newspaper Dagens Naeringsliv, this transaction is a significant down round and NorSun's equity has been repriced at €228mn from €615mn a year ago. In addition, NorSun recently announced it has shelved plans for a third production facility, although it remains part of the Company's long term strategy.*

*Lead investor Good Energies has over €3bn in assets under management and makes investments in solar, turbine-based renewables, green building technologies and other emerging clean energy areas from its headquarters in Switzerland. The fund is part of the Swiss Cofra group, a holding company 100% controlled by the Dutch Brenninkmeijer family (founders of C&A clothing store chain). Managing director George Coelho, previously of leading IT investor Balderton Capital, joined Good Energies in a notable move in May 2008.*

*Norsk Hydro Technology Ventures (NTV) is the venture capital vehicle focused on energy for Hydro ASA, a Norwegian state-owned (43.8%) energy producer and supplier of aluminium and aluminium products founded in 1905. In NorSun's current round, Good Energies raised its stake to 31% from around 20% before the capital increase, while NTV maintained its stake of 18.4%.*

**Top Headline Transactions (cont.)**

Company Name	Sector	Round	EUR (mn)	Description	Investors
Scansafe (UK) www.scansafe.com	Software	C	10.4	Provider of security-as-a-service solutions	Balderton Capital, Montagu Newhall Associates, Scale Venture Partners

- **Scansafe (UK)**, a provider of security-as-a-service solutions, raised €10.4mn (\$13.5mn) in a Series C round from existing investors Balderton Capital and Scale Venture Partners, as well as new investor Montagu Newhall Associates.

Scansafe's solutions are based on the Company's Outbreak Intelligence technology, monitoring web usage and instant messaging (IM) in real-time for viruses, malware and other unwanted content. Utilising heuristics, which uses past experience to predict the future, Scansafe's products are offered on a recurring subscription based on the customer's number of users (approximately \$5-8 per user, per month), typical of traditional software-as-a-service (SaaS) products. The Company's solutions leverage data gathered from the billions of Web transactions of its customer base in over 80 countries, managed from 10 data centres on four continents. Scansafe has offices in London and San Francisco and its customers include BMW, Conde Nast, Imperial Tobacco, LA Fitness and Paul Smith.

*Scansafe was co-founded in 1999 by a pair of investment bankers, brothers Eldar and Roy Tuvey, alumni of Goldman Sachs and Merrill Lynch respectively. Scansafe was originally focused on email filtering, but by 2003 the Company had broadened its service area to Web security as threats began spreading to other applications such as IM and voice-over-IP (VoIP). Its SaaS positioning is attractive to customers not only because of its flexibility and cost savings attributes, but also because the security platform is maintained by Scansafe itself, incorporating accumulated data from across the customer base to provide better visibility and quicker response time to threats. Competing companies include MessageLabs (sold for \$695mn in cash to Symantec last October in one of the most remarkable exits of 2008), Webroot, Websense and Zscaler.*

*Scansafe first received angel funding from the co-founders' friends and family, and then initial VC investment from London-based Chase Episode, a short-lived \$100mn Internet-focused fund set up in 1999 with support from Chase Capital Partners. Chase Episode was dissolved after Chase merged with JP Morgan, and the Tuvey brothers bought their stake in an MBO in December 2001.*

*Scansafe has raised over €30mn since it was founded. Although this is being billed as a Series C, according to VentureSource this is the Company's fourth round of external funding not including seed investment. Newcomer Montagu Newhall Associates (€814mn under management) is a US and UK-based venture capital fund of funds manager which makes direct investments in 'companies with exceptional growth potential'. Its investment in Scansafe comes from its €375mn IV fund closed in June 2008. Scale Venture Partners (€832mn under management) and Balderton (€1.5bn under management) previously supported Scansafe's €12mn round in 2007. At that time, Balderton was still under the umbrella of Silicon Valley-based Benchmark Capital.*

**Top Headline Transactions (cont.)**

Company Name	Sector	Round	EUR (mn)	Description	Investors
Stantum Technologies (France) www.stantum.com	Software	B	10.0	Developer of multi-touch sensing technologies	Auriga Partners , CDC Innovation, XAnge Private Equity

- **Stantum Technologies (France)**, developer of multi-touch sensing technologies, **raised €10.0m (\$13mn) in a Series B round led by Auriga Partners and CDC Innovation**, with XAnge Private Equity also participating. The Company previously raised €1.8mn in July 2007 led by XAnge, supported by Galia Gestion and Aquitaine Creation Investissement. Funding will be used to develop sales and marketing in Asia, Europe and the US, as well as expand R&D and the base of its license manufacturing partners.

Based in Bordeaux, Stantum is an original equipment manufacturer (OEM) for multi-touch solutions, and its SMK series of development platforms are targeted at equipment manufacturers for mobile phones, personal navigation devices (PNDs), mobile internet devices (MIDs), notebook computers and other appliances. Recently Stantum has partnered with handwriting recognition company Vision Objects to develop MyScript, an application which captures handwritten script and allows for the simultaneous manipulation of multiple screen objects. At the Mobile World Congress in February 2009, Stantum announced its TouchPark framework which can run on operating systems such as Android, Symbian and Windows Mobile as well as semiconductor platforms Freescale i.MX, ST Nomadi and Texas Instruments Zoom.

*Previously known as JazzMutant, Stantum was founded by Julien Olivier and childhood friends Guillaume Largillier (Chief Strategy Officer and former CEO) and Pascal Joguet (CTO) in 2002. Early products included the Lemur, designed for musicians and sound engineers to control and customise music production using multi-touch computer screens. The Lemur was adopted by a number of major musicians including Bjork, Daft Punk and Nine Inch Nails. With its mid-2007 financing round, Stantum moved on to leverage its multi-touch recognition technology within the broader mobile and tablet PC user interface (UI) market.*

*The advent and subsequent popularity of the touch screen-based iPhone has clearly put Stantum on a collision course with Apple, especially given the international patent application filed by Stantum in 2004, ahead of Apple. Stantum is strongly positioned to service other phone manufacturers who are being aggressively hit by the iPhone's popularity and user interface. The strength of Stantum's value proposition lies in the fact that it works with resistive screens (as opposed to the capacitive screens used by iPhone), which are cheaper and consume less power, an advantage as screens become larger in the future.*

*This is a purely Gallic play, as this Bordeaux-based company now has three French VCs on its board. CDC Innovation (€415mn under management) and Auriga Partners (€325mn under management) now have board seats with this round in addition to XAnge Private Equity (€274mn under management).*

**Top Headline Transactions (cont.)**

Company Name	Sector	Round	EUR (mn)	Description	Investors
Vertal (UK) www.vertal.co.uk	Cleantech	A	5.6	Developer of waste management technology	Foresight Group

- **Vertal (UK)**, a developer of waste management technology, **has raised a Series A round of €5.6mn (£5mn) from the Foresight Group**. Vertal will use the funds to build the Company's first food waste recycling plant in Mitcham, South East London. The plant will have a capacity of 70,000 tonnes per annum and is expected to be operational within 12 months. Vertal is working on the roll out of other UK plants in partnership with stakeholders such as commercial food waste producers, local authorities and retailers.

Founded in 2006, Vertal has developed a type of accelerated thermophilic aerobic digestion (ATAD) technology which decomposes food and animal waste and produces bio-fertilisers that can replace those derived from petrochemicals. Biodegradable organic waste that can be recycled by Vertal's technology includes supermarket food returns, commercial catering waste, and restaurant/hotel waste. The Company owns the global rights to its process, named 'Verti-CAL', and partners with other companies to provide food waste collection.

*Vertal's aerobic-based technology in essence acts like a giant composter. While basic ATAD has been used for many years for waste water treatment in the US, Vertal has enhanced its ATAD process so that it completes recycling in only 72 hours and operates solely on food waste. Interestingly, the Company's process enables it to not only generate revenue from waste treatment, but also from the direct sales of its commercial agriculture-grade fertilisers made from the waste itself.*

*Recycling food waste has been the focus on increased attention as governments continue to look at various ways, including increasing taxes and restrictions on food waste producers, to reduce landfill mass and non-CO<sub>2</sub> greenhouse gas emissions. Sainsbury's, the UK's third largest supermarket chain, recently announced in December 2008 that it is investing £9mn in a joint venture with food recycler BiogenGreenfinch (who uses anaerobic, rather than aerobic, technology) over the next 2 years so that it can entirely manage its own food waste. With this investment, Sainsbury's estimates that it can save £2mn in waste management and landfill tax fees per year, and will receive a portion of the revenues from the sale of electricity generated by the food waste processing plants.*

*Foresight's investments in the recycling sector include 2K Manufacturing (producer of a wood substitute from recycled plastics, covered in our January 2009 HTI newsletter), AWP Environmental (generator of power from waste, covered in our June 2008 edition), Closed Loop Recycling (recycler of waste plastic bottles into food packaging), Lynwood (producer of products from recycled plastics), and O-Gen (generator of renewable electricity from biomass). With €367mn under management, Foresight seeks to make venture investments in environmental infrastructure as well as general private equity investments. Nigel Aitchison, a Foresight industrial partner with 18 years of experience in the waste industry, joins Vertal's board with this round. Previously he was a director of Shanks Waste Management Limited.*

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