

# Monthly European Technology Venture Capital Bulletin

## June 2010

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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 <http://www.go4venture.com/research/hti.htm>.

## About Go4Venture

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Go4Venture Advisers LLP is a London-based corporate finance advisory 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 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 information is available at <http://www.go4venture.com/>.

Go4Venture Advisers LLP is authorised and regulated by the Financial Services Authority (FSA).

Dear Clients and Friends,

Please find attached the June 2010 edition of Go4Venture's Monthly European Technology VC Bulletin, including the latest results from our proprietary Headline Transaction Index (HTI) which tracks technology private financing deals as reported in the press.

June 2010 was less impressive in terms of numbers compared to May, but we are **still well ahead of 2009 year-to-date and broadly in line with cumulative mid-year 2007 and 2008**. So somewhat similar to the macroeconomic environment, there is a market sentiment that the worst has passed, but there is still some anxiety as to what is next.

From a funding standpoint, June was unremarkable, except by the broad variety of sectors, countries, stages, types (including a PIPE!) and investors represented. In terms of investors, this is another instance of a trend we have highlighted before, the **diversification of market participants financing venture capital stage companies**, partly as a response to the shrinking VC industry, and partly as a move towards smarter transactions involving investors (including corporates but also high net worth individuals) who have a direct expertise in the industries concerned.

The good news this month was **an unusually large number of exits, including two M&A of more than €100 million** (the benchmark for large exits in VC-land), and a \$1 billion Nasdaq IPO:

- QlikTech (originally from Sweden, now relocated to the US) priced its Nasdaq IPO valuing it at approx. \$940 million. Backers include Accel Partners, CapMan, Jerusalem Venture Partners and IndustrieFonden.
- Priceminister (France - initially backed by 3i, family office Quilvest and later by Atlas Venture, through the merger with Atlas portfolio company Mixad) was acquired by Japanese ecommerce giant Rakuten for €200 million in cash. Priceminister was one of the price comparison web site pioneers way back in 2001.
- Exalead (France - backed by investment conglomerate Qualis) was sold for €135 million to Dassault Systemes. Exalead is a web-scale search engine for enterprise search.

In the current volatile environment it is obviously not just good news and **some other announcements were of course more subdued**:

- Swedish software company EpiServer had to withdraw its IPO on the Stockholm OMX stock exchange (now owned by Nasdaq) which would have valued the company at c. €100 million. Investors include Amadeus and NorthZone.
- Lingerie and swimwear ecommerce early-entrant Figleaves (backed by Balderton) was sold for a meagre £11.5 million to direct home shopping specialist N Brown. Figleaves had sales of £23 million in the year to June 2010.

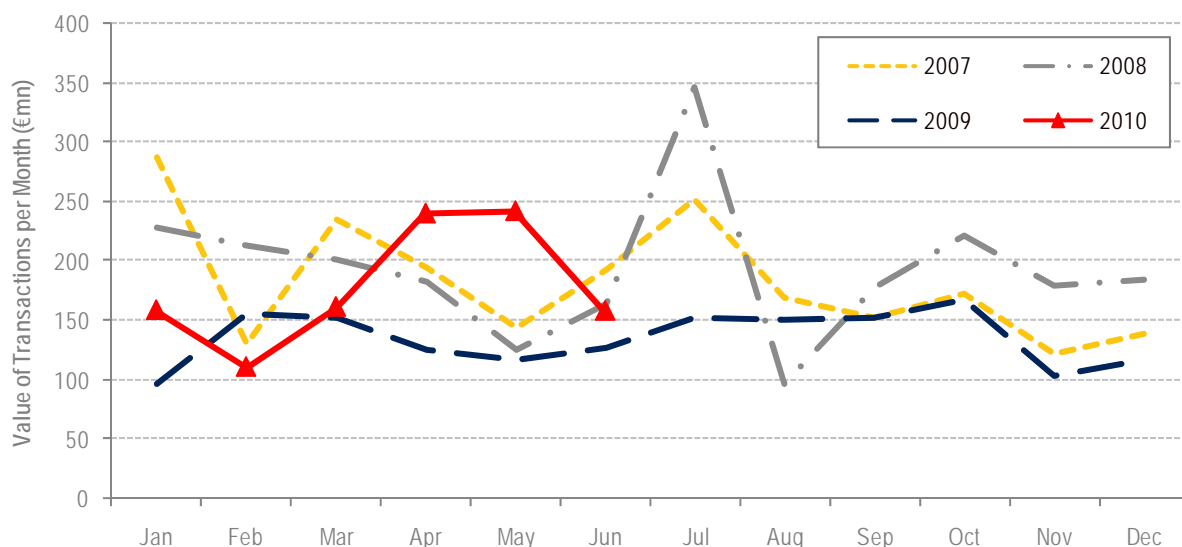
Could it be, as some would have it, **the breaking down of the VC model?** You may want to follow the debate at [GigaOM](#) which makes the case for the disconnect between capital efficient internet start-ups and money deployment machines called VCs. For a broader perspective beyond the narrow internet prism, check the [University of Chicago Booth School of Business study](#), which argues that the current environment is nothing particularly extraordinary in the context of a 30 year history of the VC industry. In fact, when discussing with old hands from the VC business, it is pretty clear that **many VCs are convinced that 2009 and 2010 will probably be great vintage years** as depressed markets, low VC supply, low valuations, and miracles worked out by resource-constrained entrepreneurs make for great returns eventually when future M&A and public markets provide attractive exits.

Enjoy the reading. Please direct any questions or comments to [vcbulletin@go4venture.com](mailto:vcbulletin@go4venture.com). If you do not wish to receive future HTI updates from us, please send an email with the title "unsubscribe" to [vcbulletin@go4venture.com](mailto:vcbulletin@go4venture.com).

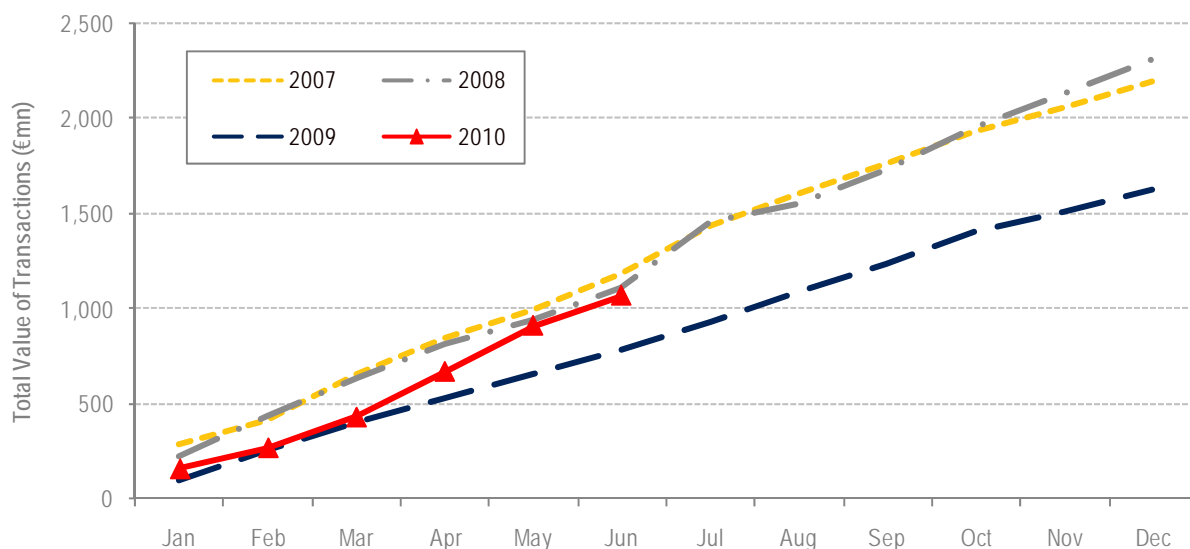
The Go4Venture Team

## Investment Summary

*Go4Venture HTI Index by Deal Value*



*Go4Venture HTI Index by Cumulative Deal Value*



This Month		2009	2010	Year-to-Date		2009	2010
Landmark Deals	#	0	0	Landmark Deals	#	1	8
	€m	0.0	0.0		€m	56.6	236.2
Headline Deals	#	4	5	Headline Deals	#	31	34
	€m	44.9	60.7		€m	324.86	382.5
Small Deals	#	26	35	Small Deals	#	134	150
	€m	82.4	97.3		€m	390.56	452.2
All Deals	#	30	40	All Deals	#	166	192
	€m	127.3	158.0		€m	772.02	912.9

## Large Headline Transactions Summary

(> £5mn / €7.5mn / \$10mn)

Company	Sector	Round	€mn	Description	Investors
picoChip (UK) <a href="http://www.picochip.com">www.picochip.com</a>	Hardware	Later*	16.4	Provider of femtocell and digital signal processing (DSP) silicon for wireless infrastructure.	Atlas Venture, Highland Capital Partners, Intel Capital, Pond Venture Partners, Rothschild Ventures, Samsung Ventures America, Scottish Equity Partners
BullionVault (UK) <a href="http://www.bullionvault.com">www.bullionvault.com</a>	Internet Services	A	15.1	Provider of an online gold investment platform.	Augmentum Capital, World Gold Council
Vopium (Denmark) <a href="http://www.vopium.com">www.vopium.com</a>	Telecom Services	PIPE	13.5	Mobile phone version of Skype.	<b>Raghuvinder Kataria</b>
GetJar (Lithuania) <a href="http://www.getjar.com">www.getjar.com</a>	Internet Services	B*	9.0	Distribution portal for mobile phone apps.	<b>Accel Partners</b>
P2i (UK) <a href="http://www.p2ilabs.com">www.p2ilabs.com</a>	Hardware	C**	6.6	Provider of liquid-repellent nano-coating technology	Naxos Capital Partners, Porton Capital, Rainbow, Swarraton Partners, Unilever Ventures

Source: Go4Venture

### Key

**Bold** indicates lead investor(s)

\* Internal round

\*\* Led by existing investors

Company	Sector	Round	€mn	Description	Investors
picoChip (UK) <a href="http://www.picochip.com">www.picochip.com</a>	Hardware	Later*	16.4	Provider of femtocell and digital signal processing (DSP) silicon for wireless infrastructure.	Atlas Venture, Highland Capital Partners, Intel Capital, Pond Venture Partners, Rothschild Ventures, Samsung Ventures America, Scottish Equity Partners



**Picochip (UK)**, the provider of digital signal processing (DSP) solutions for wireless infrastructure, raised **\$20.0mn (€16.4mn)** of **late stage** in an **internal round** from existing investors **Atlas Venture, Highland Capital Partners, Intel Capital, Pond Venture Partners, Rothschild Ventures, Samsung Ventures America** and **Scottish Equity Partners**.

Originally a provider of programmable Digital Signal Processing (DSP) silicon for telco operators, over a period of almost a decade and with investment of \$110mn, Picochip has positioned itself as a leader in femtocell technology and claims to be on track for 50% quarter-on-quarter revenue growth.

First conceived as a low-cost consumer product, a femtocell is a base station for mobile phones and other cellular devices. Mobile operators then realised that femtocells could be used to extend mobile coverage indoors – for example in offices – to supplement coverage from conventional macrocells and to provide additional bandwidth in congested urban areas. Femtocells can also be used to deliver Fixed-Mobile Convergence (FMC) with conventional mobile handsets rather than requiring new dual-mode handsets.

Rapid uptake of smartphones has resulted in a huge growth in data traffic and hence a demand for femtocell technology. Vodafone launched the first femtocell network in Europe in July 2009 and at least a dozen cellular network operators now have femtocell solutions - including AT&T and Verizon in the US, NTT DoCoMo and China Unicorn in the Far East and SFR and Optimus Telecomunicações in Europe.

PicoChip claims to be the only company shipping large volumes of femtocell silicon with 25 customers including Alcatel Lucent (which supplied Vodafone), ip.access, Sagem and Ubiquisys. Industry analyst ABI reports more than 60 carriers engaged in femtocell trials and forecasts femtocell shipments exceeding 40 million units by 2014. ABI also identified the top three femtocell vendors as Ubiquisys (direct and also supplying NEC and Motorola), ipAccess (direct and supplying Cisco) and Alcatel Lucent – all of whom use picoChip.

*Picochip last featured in our HTI bulleting in November 2009 when it raised €13.4mn aimed at steering the business towards IPO. At the time, it was envisioned that an IPO would take place in late 2010 or early 2011. Nigel Toon, a co-founder of Icera who left to become picoChip CEO in February 2009, said of the investment that “it strengthens our balance sheet and fully funds us through to IPO.”*

*So what happened? Equity markets are recovering and IPO volumes are expected to follow. Actually, it's not so much what happened as how fast it happened. Almost at the same time as picoChip announced its last funding round, industry analyst ABIresearch® reduced its 2009 femtocell forecast from 790,000 units to 350,000 units. In other words the market was lagging about six months behind expectations.*

*Not only does ABI remain bullish on the sector, but according to picoChip the round was oversubscribed, indicating that, unless everybody is engaged in some form of delusional group-think, the market will still reach forecast volumes and picoChip will still IPO – just a little later than anticipated. For further details on the well-known investors see our November 2009 issue.*

Company	Sector	Round	€mn	Description	Investors
BullionVault (UK) <a href="http://www.bullionvault.com">www.bullionvault.com</a>	Internet Services	A	15.1	Provider of an online gold investment platform.	Augmentum Capital, World Gold Council



**Galmarley (trading as BullionVault.com) (UK)**, provider of an online gold trading platform for retail investors, raised **£12.5mn (€15.1mn)** in **Series A** funding from **Augmentum Capital LLP** and the **World Gold Council**.

Those of us old enough to remember business before the internet can also remember a time when share ownership was restricted to institutions and wealthy individuals. The 'big bang', electronic trading and the internet changed all that. Nowadays almost anyone can trade shares.

Until recently, however, gold still had a certain cachet. Private investors could only gain exposure to precious metals either indirectly through ETFs, spread-betting etc. or expensively by purchasing and storing bullion coins. Unless wealthy, however, they were unable to access the prices available in the professional bullion market as the market deals only in 'Good Delivery Bars'. These are certified 99.5% pure, weigh 400 troy ounces and cost over €300,000 each.

Just like its competitors GoldMoney.com, Galmarley (trading as BullionVault.com) is a market maker which allows private investors to buy fractions of a bar in increments of a gram, or about €24, and to have their gold stored in professional vaults in London, New York or Zurich. Investors pay only commission and custody fees (which include insurance) as following the EU Gold Directive of 2000, investment grade bullion is free of stamp duty and VAT. Spreads and storage costs are about a tenth of the equivalent for bullion coins.

As of June 2010, BullionVault held 20 tonnes (€660mn) of gold and 62 tonnes of silver for 18,500 customers in 97 countries. As Gold is deemed to be simpler than many financial instruments, the London Gold Bullion Market is regulated under English property law rather than the FSA.

*Unusually for a financial services company, BullionVault was founded by IT professionals Paul Tustain, Alex Edwards and Kris Jenkins who still own 64% of the company. Tustain founded electronic settlement software company SAM Systems in 1990 which grew to settle \$120bn of business a day and was sold in 2005 to Exchange Systems Technology (EST), which in turn was sold to Ffastfill two years later for approximately £5 million. Tustain was also an early investor in Betfair which was set up by his bridge partner.*

*Founded with £275k of seed funding for software development, Galmarley raised £3.5mn from private individuals to provide working capital and inventory. Last year Galmerley enabled close to £300 million worth of gold transactions resulting in net revenues of £4.6 million with a net profit of £2.5 million.*

*Augmentum Capital was founded last year by Tim Levene (former commercial director of Betfair) and Richard Mathews (also formerly of Betfair), and is backed solely by RIT Capital Partners - the FTSE listed investment trust of the Rothschild family. Augmentum invests between £3 and £10mn for significant minority stakes in technology and e-commerce companies in the UK and Hong Kong.*

*This is the first time the World Gold Council – a trade association owned by 15 of the major gold mining companies – has taken a stake in a company. Although neither a conventional VC nor a corporate venture arm, their participation is entirely conventional and includes the appointment of Marcus Grubb – Managing Director, of Investments – to BullionVault's board. As a trade association, the World Gold Council clearly had some leverage as BullionVault claims to have turned down a larger offer in order to work with them.*

Company	Sector	Round	€mn	Description	Investors
Vopium (Denmark) <a href="http://www.vopium.com">www.vopium.com</a>	Telecom Services	PIPE	13.5	Mobile phone version of Skype.	Raghuvinder Kataria



**Vopium (Denmark)**, a VoIP telecom service for mobile phones, raised €13.5mn (\$16.5mn) in a round of funding with private investor Raghuvinder Kataria buying a majority stake in the quoted company. Vopium will use the funding to expand internationally and challenge VoIP juggernaut Skype.

NYSE Euronext-listed Vopium (EURONEXT: MVLOP) is a competitor to Skype, Fring, Jajah (acquired by Telefonica in December 2009 for just over \$200mn) and Voxofon that gives mobile phone users call and SMS savings of 50-90% using VoIP technology. All that is required is a downloadable app, which is available for over 500 different Symbian, Windows Mobile, Blackberry and java-supporting handsets. After a million downloads, Vopium has over 250,000 active users in 49 countries.

Established in Copenhagen in 2006 by Tanveer Sharif, Imran Sadiq and Brian Sussemiehl, Vopium initially targeted immigrants looking for cheap international calls. Not requiring a change of phone company or proximity to a web-connected PC, Vopium appeals to a wide range of consumers and the company IPO'd in 2008. Vopium's biggest markets are Scandinavia, the UK and Australia.

*This deal is unusual in two ways. Firstly, for regulatory reasons, PIPEs have traditionally been rarer in Europe than the US. Secondly, while VC PIPE deals have become more common of late, it is rare to see a PIPE done by an individual. The deal rationale, however, is entirely conventional.*

*Founded in 2006, Vopium raised €4.3mn in May 2008 from private Luxembourg-based investment company Enex Group and IPOed on the Paris OTC market in July 2008 in what was effectively a private placement and introduction. As the first Danish company ever to list on the Paris Marché Libre, Vopium initially did very well and reached a market cap of €26mn within a few months. The stock did less well in the downturn.*

*Enter stage left Raghuvinder Kataria who, alongside well-known entrepreneur Sunil Bharti Mittal, was one of the early investors in Indian telecommunications company Bharti Airtel. Bharti went public in 2002 and now has revenues of \$8bn from 180 million customers in 18 countries. Kataria bought \$16.5mn of common stock through his investment company gaining himself a controlling interest.*

*From Vopium's point of view, a PIPE enables the company to raise money in difficult environment. For such a small amount, it is also likely to be cheaper than a follow-on offering, with the share discount (5-15% for traditional PIPE deals) less than that payable to an underwriter. From Kataria's point-of-view, the attractions are the same as for any other VC investor – the ability to buy shares at a discount to the public price and acquire a significant stake at a fixed price rather than pushing a stock higher by buying on the open market. PIPEs can be even more attractive when public markets are trading at low values anyway.*

*As the majority shareholder, Kataria has big ambitions – aiming to take on Skype in the mobile segment and gain 10 million customers within a few years. This is a tall order as at peak hours, Skype reports 23 million users online and accounts for 12% of global international calling minutes. Vopium, on the other hand, has only one million users with 10,000 of them online at peak hours.*

Company	Sector	Round	€mn	Description	Investors
GetJar (Lithuania) <a href="http://www.getjar.com">www.getjar.com</a>	Internet Services	B	9.0	Distribution portal for mobile phone apps.	Accel Partners



**GetJar (Lithuania)**, a provider of mobile application distribution services, raised **€9.0mn (\$11.0mn)** in a **series B internal round** of funding by existing investor **Accel Partners**. The funding will be used to develop its consumer facing sites in order to fuel growth.

With over 75,000 mobile apps, two million downloads a day, 318,000 registered developers and over 2,000 supported devices, GetJar is the world's second largest app store by number of downloads. Although smaller than the Apple App Store, GetJar targets *open* smartphone platforms such as RIM's Blackberry, Google's Android and Symbian devices rather than the closed iPhone ecosystem.

Developers can publish apps for free on getjar.com and its companion mobile site m.getjar.com. Apps are also distributed indirectly through mobile operators and handset providers. GetJar's revenues come from advertising – either using fixed advertising to raise brand awareness or using CPX (as opposed to CPC) advertising on a per download basis.

Distribution channels that were mainstream prior to 2008 – operator portals and on-device pre-loading by OEMs – are now the primary channel for less than 5% of developers. App stores like Getjar and developers' own websites now dominate with the total number of such stores having risen from 8 to 38. Moreover, the global app market of 7 billion downloads worth \$4.1bn in 2009 (\$1.5bn in Europe) is forecast to rise to 50 billion downloads worth \$18bn by 2012 - valuing the mobile app market at more than the global CD market.

Unsurprisingly, therefore, in the past year GetJar has tripled its employees, quadrupled its number of downloads per month and signed partnership deals with Sprint as well as winning the Meffy, Tiecon50 and Mobile Excellence awards. However, there are problems. Fragmentation by handset is a known problem for developers and there is an emerging fragmentation by geography. The average selling price for an app in North America is \$1.09 compared to \$0.20 in South America and \$0.10 in Asia.

*With \$6bn under management and a track record a quarter of a century long which includes names such as Facebook, Veritas and Walmart.com there is little more to be said about Accel Partners. European investments are made out of Accel London III, a \$525 million.fund raised in 2008.*

*Although like so many current deals this is an internal round, there is no sense in which this investment is simply stalling for time. The money will be used to help GetJar innovate one step ahead of the ever increasing number of app portals in an extremely fast-moving market.*

*Also interesting is the relatively small amount of finance GetJar has needed to attain its number two position. This is the first time GetJar has sought investment since Accel's \$6mn initial investment in 2007.*

*GetJar's CEO and founder is serial entrepreneur Ilja Laurs. Born in Lithuania when it was part of the Soviet Union but educated in the US thanks to a student exchange programme, Laurs has launched over 20 successful projects - including Lithuania's largest hotel reservation system LithuanianHotels.com, mobile payments service MicroPay.lt and mobile games studio Gaxo Interactive. In 2009, Informa Telecoms & Media included Laurs in the Top 40 most influential people in mobile communications.*

Company	Sector	Round	€mn	Description	Investors
P2i (UK) <a href="http://www.p2ilabs.com">www.p2ilabs.com</a>	Hardware	C**	6.6	Provider of liquid-repellent nano-coating technology	Naxos Capital Partners, Porton Capital, Rainbow, Swarraton Partners, Unilever Ventures

**P2i** (UK), the provider of liquid-repellent nano-coating technology, raised **£5.5mn** (**€6.6mn**) in a **series C** round of funding from existing investors **Naxos Capital Partners, Swarraton Partners and Unilever Ventures** who were joined by **Porton Capital and Rainbow**. The funding will be used to support international growth.

P2i's abbreviated name belies its origins as Porton Plasma Innovations Ltd. – a spin-out from the MoD's Defence Science and Technology Laboratory in 2004. Its patented liquid-repelling technology uses a nano-layer of polymer molecularly bound to the surface of a product using an ionised gas to reduce surface tension to ultra-low levels – roughly one third that of PTFE.

With overall revenues up more than three times year-on-year and royalty payments from technology licensing up over six times, P2i is really beginning to scale. Key to continued success are six new multi-year license deals in 4 target markets - electronics (hearing aids), lifestyle (sports footwear), energy & filtration (industrial filters) and military (clothing).

The company has recently doubled its work force and scaled up its operations, with a presence in Europe, North America and Asia (China, Singapore, Thailand and Indonesia).

*Naxos Capital Partners ([www.naxos-capital.com](http://www.naxos-capital.com)) is a European, sector agnostic, mid-market private equity firm. Naxos invests €2mn to €20mn per deal mid-cap transactions of up to €100mn. With nine companies in their portfolio and €300mn under management, Naxos differentiates itself by claiming superior M&A experience and a focus on waiting for the right exit rather than a limited investment timeframe.*

*London-based early stage technology specialist Swarraton ([www.swarraton.com](http://www.swarraton.com)) focuses on energy, nanotechnology and materials and medical technology primarily in the UK. Although it has a portfolio of only half-a-dozen companies, Swarraton has a strategic partnership with \$150mn New York based Village Venture, a seed and early stage venture capital firm focusing on the consumer media/retail and financial services sectors, and its associated partner funds.*

*Despite its name, Porton Capital is not a government entity but a commercial fund management group. The company was founded by Harvey Boulter who was lead advisor to the MoD on the division of the Defence Evaluation Research Agency (DERA) into the Defence Science and Technology Laboratories (DSTL and QinetiQ). The £8.5mn Rainbow Seed Fund by contrast, was founded by the Department for Business, Innovation and Skills to commercialise publicly funded research.*

*Strategic investor Unilever Ventures operates across healthcare, cleantech & environmental services, water, media and consumer products. They invest at any stage from seed capital to buy-outs but are obviously primarily looking for synergy with Unilever and its existing brands and products.*

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