

# Monthly European Technology Venture Capital Bulletin August 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 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 August 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.

As expected, **August was a slow month** due to the long European Summer holiday. Although August 2010 was noticeably slower than August 2009, combined figures for July and August show nearly exactly the same number of transactions for an equivalent amount in 2010 compared to 2009. So not so much to report this month, with **the overall direction remaining the same and year-to-date numbers well ahead of 2009**.

What is worth highlighting is that the three written up headline transactions (more than £5mn, €7.5mn or \$10mn depending on the currency used in the official press release) all relate to substantial late-stage transactions (even if one is technically a Series A) led by US investors. As we often quip, **the best pan-European venture capital investors tend to be the US funds** (usually based out of London). Probably something to do with **level of ambition and confidence** which home grown VCs (and their investors, the Limited Partners) have yet to master to similar levels as far as tech investment is concerned.

Interestingly, **there were also a few other such examples at the private equity end of the tech investment spectrum** (for companies with positive cash-flows) where again, in two of three cases, the investor was a US fund:

- Francisco Partners, a tech only private equity firm with approximately \$5 billion in capital, acquired a majority stake in French publicly-listed company EmailVision, a provider of email marketing software, with the intention to take the company private, in the process spending over €46 million;
- Summit Partners (\$11 billion under management) took a \$100 million (€77 million) minority stake in antivirus specialist AVAST Software (headquartered in Prague, Czech Republic); and finally
- HG Capital (£2.4 billion under management - about €2.9 billion) led the acquisition of Italian accounting software company TeamSystem for €65 million (11x EBITDA!) from Bain Capital.

As argued before, we view these larger transactions as a sign of **a maturing market for innovation financing**, which will therefore warrant a growing interest from Limited Partners. In order to capture the opportunity, General Partners will want to follow the examples of leading US VC funds and **move beyond European investors' often too acute obsession for capital efficiency**: great companies cannot be built on a shoe string!

Hopefully we are all learning. **Next month our bulletin will feature In3Depth Systems** (disclaimer: one of our clients), which has just announced an initial €8 million strategic investment from telecom operator Belgacom and regional development fund SRIW as part of an ambitious, two-tranche, Series B to close by

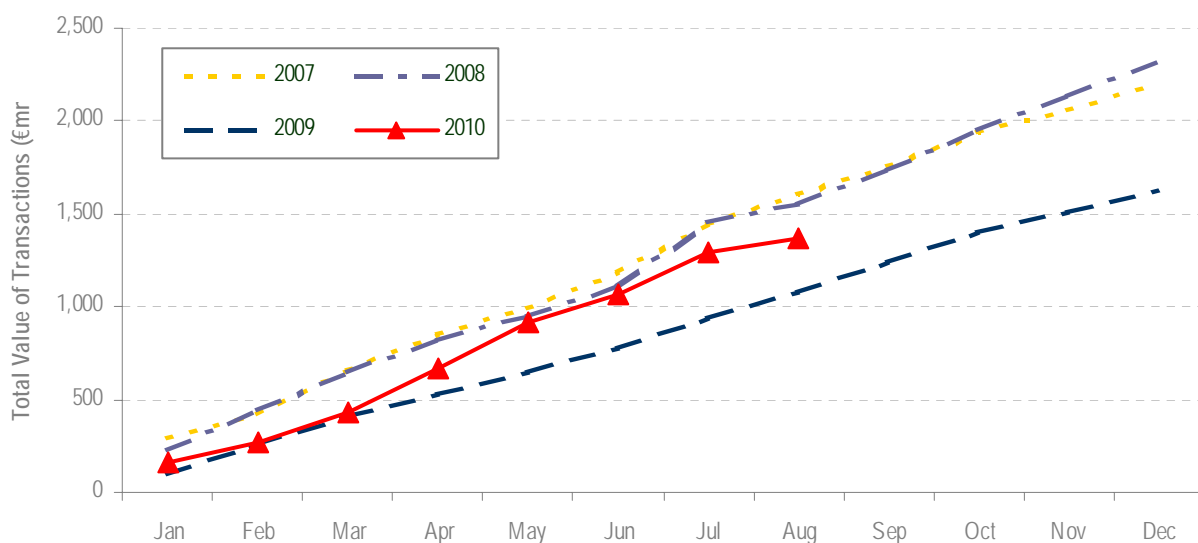
year end. In3Depth is one of two companies in the world today which delivers complete offering to install 3D gesture-based solutions, from the 3D camera to applications – think of Tom Cruise in the Minority Report. In3Depth's focus is on set-top-boxes and TVs. The other player in the space is Microsoft with a proprietary solution for gaming on the CPU-rich Xbox. Ambitious investors welcome!

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).

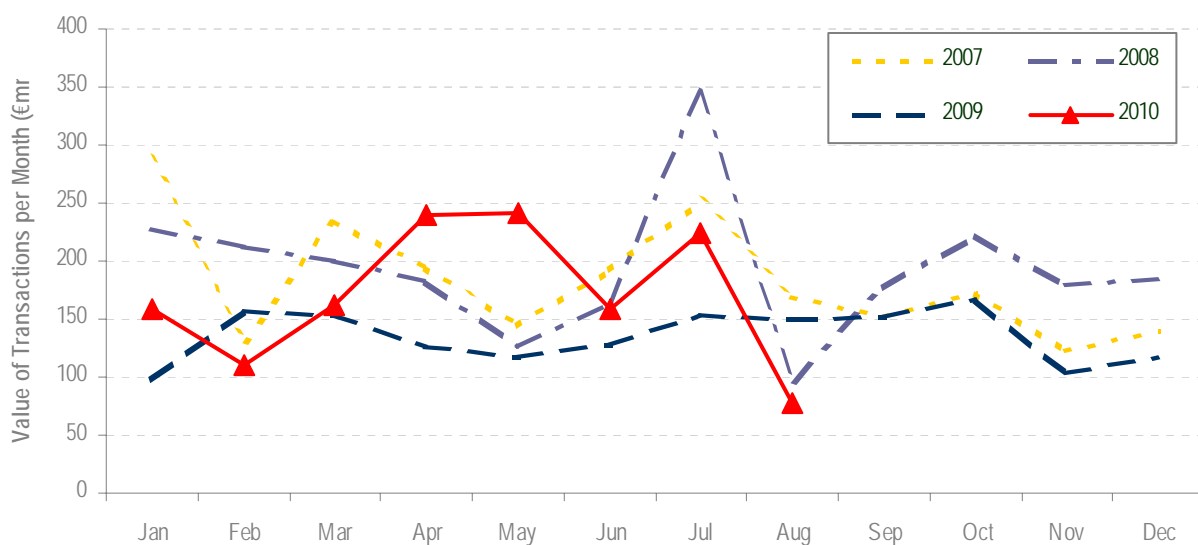
The Go4Venture Team

## Investment Summary

*Go4Venture HTI Index by Cumulative Deal Value*



*Go4Venture HTI Index by Deal Value*



This Month		2009	2010
Landmark Deals	#	2	1
	€m	67.7	37.0
Headline Deals	#	5	2
	€m	51.8	17.5
Small Deals	#	11	11
	€m	31.1	33.8
All Deals	#	18	14
	€m	150.6	88.3

Year-to-Date		2009	2010
Landmark Deals	#	4	10
	€m	145.6	323.2
Headline Deals	#	41	43
	€m	430.9	481.1
Small Deals	#	168	185
	€m	508.9	578.0
All Deals	#	213	238
	€m	1085.4	1,382.3

## Large Headline Transactions Summary

(> £5mn / €7.5mn / \$10mn)

Company	Sector	Round	€mn	Description	Investors
Showroomprive ( France) <a href="http://www.showroomprive.com">www.showroomprive.com</a>	Internet Services	A	37.0	Social shopping e-tailer of designer clothing.	<b>Accel Partners</b>
Telepo(Sweden ) <a href="http://www.telepo.com">www.telepo.com</a>	Telecom Services	C	10.0	Unified Communications as a Service software company	Accel Partners, Investor Growth Capital
Notonthehighstreet.com (UK) <a href="http://www.notonthehighstreet.com">www.notonthehighstreet.com</a>	Internet Services	C	9.1	Online retailer providing a single storefront for over 1600 specialist vendors.	Greylock Partners, <b>Index Ventures</b>

Source: Go4Venture

Key

**Bold** indicates lead investor(s)

\* Internal round

\*\* Led by existing investors

Company	Sector	Round	€mn	Description	Investors
Showroomprive (France) <a href="http://www.showroomprive.com">www.showroomprive.com</a>	Internet Services	A	37.0	Social shopping e-tailer of designer clothing.	Accel Partners



**Showroomprive.com (France)**, an e-tailer of reduced price designer clothing and accessories, raised **€37.0mn**, in **Series A** funding from **Accel Partners**.

The money will be used to increase warehouse capacity and make acquisitions.

Showroomprive is a members-only shopping club offering time-limited sales of male and female designer clothing, accessories and cosmetics at reductions of 50% to 70%. The company was founded three years ago by French internet entrepreneur Thierry Petit and David Dayan, an entrepreneur in stock clearance and private offline sales. Dayan had previously been running Showroom 30 - a 1000m<sup>2</sup> three-floor physical showroom outlet in Paris, which is now part of showroomprive.

The company entered the Spanish market this year and has plans to expand into the UK and Germany in 2011. With a 27,000m<sup>2</sup> depot capable of servicing 10,000 orders per day, showroomprive has five million members and a 2009 turnover of €75mn. This should be compared with European market leader vente-privee, which has more than ten million members and a 2009 turnover of just under €700mn. Showroomprive is smaller than vente-privee, which already operates in France, Germany, Italy, Spain and the UK, but both companies are showing extraordinary rates of revenue growth and claim membership growth of the order of the order of a few hundred thousand per month.

*As we said last month when we covered Balderton's €7mn investment in my-wardrobe, fashion e-tailing has come of age now that the technology can cope and recent exits have proved the concept. Social selling through membership clubs and fashion e-tailing in particular are among the hottest investment sectors.*

*The three Samwer brothers, who seem to have perfected the art of building clones of US start-ups and selling them to the originals, provide recent examples of both. Alongside Swedish Investment bank AB Kinnevik, Tengelmann and previous backer Holtzbrinck Ventures, they recently made an undisclosed investment in German shoe e-tailer Zalando through their vehicle Rocket Internet. Zalando is a clone of American e-tailer Zappos that was sold to Amazon for \$1.2bn in 2009. On the social selling side, the brothers sold the assets of German CityDeal to US Groupm in May.*

*Well-known investor Accel is carving out a track record in both social selling and e-tailing. Not only was it an investor in Groupon but this year it also put \$20m each into America's ModCloth and Russia's KupiVIP. Moreover, being an early investor in facebook gives Accel insight into the social network aspect of selling. According to Ryan Sweeney, partner at Accel, not only is social selling "coming of age" as retailers look to create an online community to sell products but "Given our unique insight into the social graph through our relationship with Facebook, it's something we thought would happen for a while but we can now clearly see the momentum".*

*The size of the minority stake that Accel bought has not been disclosed, but France's vente-privee raised €180m from the sale of a 20% cent stake to Summit Partners back in 2007. The size of this Series A round makes it a good example of what we said in the overview last month about activity at the top end of the market and a strong interest in growth equity. Despite the size of this series A round, both founders will stay on after the deal.*

Company	Sector	Round	€mn	Description	Investors
Telepo(Sweden ) <a href="http://www.telepo.com">www.telepo.com</a>	Telecom Services	C	10.0	Unified Communications as a Service software company	Accel Partners, Investor Growth Capital



**Telepo (Sweden)**, a provider of telecoms software to service providers and large corporates, raised **€10.0mn** in **Series C** funding from existing investor **Accel Partners** and **Investor Growth Capital**. The money will be used to

fund product development and expanding the companies geographical footprint.

Founded in 2004, Telepo develops software which provides Unified Communications (UC) services to large corporates and carriers across PCs, VoIP systems, mobile phones, conventional fixed line and SIP phones and traditional PBXs (Private Branch Exchanges). In addition to giving the end user a single personal number, a consistent experience across all devices and Fixed Mobile Convergence (FMC), Telepo also provides group and collaborative functions such as tele-conferencing, IVR (Interactive Voice Response or telephonic menu systems) and call centre functionality.

This is achieved using a pure software system running over the public internet and through corporate firewalls. In other words Telepo's product can be deployed using a SaaS model via the Cloud. This also has the advantage of low cost initial deployment, short time to revenues and the possibility of a pay-as-you-grow charging structure. So far, Telepo caters to 16 Service Providers in five countries and claims a 280% growth in the number of end users last year.

*Although revenues have shown rapid growth and losses have started decreasing, the last publicly available turnover figure from 2008 was still only at the level of €2.6mn. Given its potentially high margins, the hope is that international expansion will rapidly convert this revenue growth into profitability.*

*Appearing for the second time in this issue, Accel Partners has supported Telepo since it provided initial funding of €4.0mn in June 2006. Many sources are confused over whether the current €10.0mn round is a series B or series C investment. VentureSource reports it as Series C while the company itself reports it as Series B. The reason for the confusion is that there was an intermediate round of €4.5mn in December 2008 – again by Accel but this time supported by Europe's largest venture debt provider Kreos Capital. Kreos provides both debt and growth capital from inception to late stage, typically investing €150mn - €200mn per annum in individual deals of between €1mn and €15mn. Total commitments to date amount to over \$1bn. Investor Growth Capital (IGC - [www.investorab.com](http://www.investorab.com)) appears in our bulletin only rarely – the last time being in May 2009 with its €16.1mn Tobii Technology investment. IGC is the venture capital arm and wholly owned subsidiary of Investor AB - the largest listed industrial holding company in Northern Europe with assets of more than SEK153 billion(€16bn). IGC itself has 30 investment professionals managing assets of \$1bn with offices in the US, the Far East, Stockholm and Amsterdam. IGC prefers to be a minority shareholder with investment sizes ranging from \$3mn to \$30mn.*

Company	Sector	Round	€mn	Description	Investors
Notonthehighstreet.com (UK) <a href="http://www.notonthehighstreet.com">www.notonthehighstreet.com</a>	Internet Services	C	9.1	Online retailer providing a single storefront for over 1600 specialist vendors.	Greylock Partners, <b>Index Ventures</b>



**Notonthehighstreet (UK)**, e-tailer of goods from small and niche companies, raised **£7.5mn (€9.1nm)** in a **Series C** round led by **Index Ventures** with **Greylock Partners** participating.

Refreshingly, Notonthehighstreet has a completely different business model to many of the recent e-tailing deals. Rather than pool the buying power of consumers in some form of membership club – so-called social shopping – notonthehighstreet pools lots of different retailers in a single shopping basket. Having many small niche businesses on a single umbrella site means that development costs are effectively shared, thus giving small businesses the kind of professional online shop-front they could not normally afford.

The company was founded by serial entrepreneur Holly Tucker in 2005. Tucker had previously run an off-line business called ‘Your Local Fair’ which put on themed local fairs and events where local small businesses could sell their goods. Realising that the only thing holding this company back was the uncertainty of British weather – where one day of rain could wipe out months of work – Tucker teamed up with former colleague Sophie Cornish and took the business on-line. By specialising in unique and personalised items not found in today’s large-scale and commoditised high street chains and maintaining stringent quality control by rejecting 95% of would be vendors, the company provides something consumers can’t find elsewhere and avoids competing with e-bay shop-fronts.

The company’s turnover grew from £100,000 in 2006, to a projected £14.0mn in 2010. This is generated by more than 1,600 small businesses selling over 35,000 different products. With another 40 small businesses applying to join every day this success looks set to continue.

*Although VentureSource lists this as a Series C round, there had been significant seed funding. Discounting the £5,000 initial investment in ‘Your Local Fair’, business partners Tucker and Cornish founded initial development with £140k of their own money.*

*Focussing on the big picture, but not breaking even in the first year, the founders left it very late to raise additional finance and had to sell a significant minority stake to raise £400,000 from AIM-listed, £33mn market capitalisation, early-stage investor Spark Ventures in 2007. Not too much should be read into the fact that Spark has not continued to invest – Spark changed its investment policy at an AGM in August 2009 to focus on realising its existing portfolio rather than make new investments, although follow-on investments are still permitted. The firm raised an additional €1.3mn of series B funding in 2008 from Venrex LP, owner of Smythson and stakeholder in a number of high growth luxury and gift businesses..*

*With over 80 current investments across all stages of the life science and technology sectors, Index appears regularly in the HTI. Interestingly, this is the second time Greylock has appeared in our bulletin in as many months, which reflects Europe’s growing importance for Greylock following Laurel Bowden’s appointment as a London-based Partner in 2008.*

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*This report has been compiled by Jean-Michel Deligny, Managing Director – for and on behalf of Go4Venture.*

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