

# Monthly European Technology Venture Capital Bulletin

## March 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/>.

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Dear Clients and Friends,

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

The first quarter of 2010 ended in line with Q1 2009: in short, **the market seems to have levelled**. What has changed, as commented on in our previous bulletins, is the nature of the activity which takes place in the European venture capital market.

From that point of view, March 2010 is absolutely typical of **new market realities**.

- First, **professional venture capital funds have become less relevant to the financing of innovation for the time being**.
  - Few European VC funds are genuinely active: most are still focused on refinancing their existing portfolio companies.
  - Even fewer have recent enough vintages to be able to work on early-stage transactions that may take years to mature.
  - In general VCs' appetite for risk has diminished considerably and most funds are now behaving more like smaller private equity funds working on lower mid-market deals.
- Second, money being committed to venture capital transactions tends to be "smart money" (contrary to the view usually aired by professional VCs of course!), either by **corporate investors** which see strategic reasons to commit to a particular deal, or by long term investors which are prepared and able to ride an investment through peaks and troughs because they have time (not the 10 year horizon which VC funds have) and money, a lot of it. In such a case, not only is the refinancing risk much less, but one can absorb losses much more easily than in the context of a fund whose performance is solely dependent on the c 15-20 investments it will make during its finite life. **Among these long-term investors we find a diverse group** made of high net worth individuals (HNWIs), business angels (HNWIs which have made their money from managing VC-backed companies), family offices, various hedge funds (or more often their individual partners) and other miscellaneous institutional investors including oil and natural resources money (Middle East, Russia, Africa) and even pre-IPO investors, large pension funds making the odd direct investment, and sovereign wealth funds – but only for the very large transactions.

In short, it seems that **the market is wondering whether professional VC managers add sufficient value** to tip the balance of success of their portfolio companies. Or is the venture capital game fundamentally a numbers game where deep pockets may make the difference just as well?

**For companies there is little choice other than being creative in finding new investors** as the traditional professional VC supply is running dry and the few funds still open for business are hand picking the best very opportunities, on their own terms; obviously making fund-raising much harder and much more haphazard.

By **driving new investors into the venture capital market**, such shifts may prove beneficiary to the eco-system as a whole in the end. In the meantime, **professional VC managers have to up their games** and new types of funds are being raised. In March we had:

- 3i, one on the founding fathers of the UK VC industry and one of those investors which attempted to push the VC model the most globally - to finally retreat from the VC market in the second half of the noughties, announce the closing of its €1.2bn growth capital fund. So no more VC, but investments between €25mn and €150mn in late-stage VC or mid-market companies.
- At the other end of the stage spectrum, Atomico, the VC firm set up by Skype founders Niklas Zennstrom and Janus Friis, completed its fund-raising for its second fund, raising \$165mn (€120mn) instead of the \$266 targeted, with outside investors only representing a minority of the funds provided.

Other news of funds raised also illustrates the **more creative market answers to the professional VC funding recession**:

Local authorities are stepping in, for instance Yorkshire & Humber allocating £90mn (€100mn) to various stages of venture capital financing across three funds, or the Brandenburg region allocating €15mn to early-stage venture capital (managed by bmp)

Corporates coming up with their own initiatives, for instance the European Space Agency (ESA) providing the first €15mn of a €100mn fund (managed by Triangle Ventures) to help spin off space research into the commercial sector. Or, in the US, AOL setting up a \$50mn non-for-profit foundation to encourage local news production.

Business angels ganging up such as Berlin-based Team Ventures which set up a €6mn early-stage fund to encourage young internet entrepreneurs

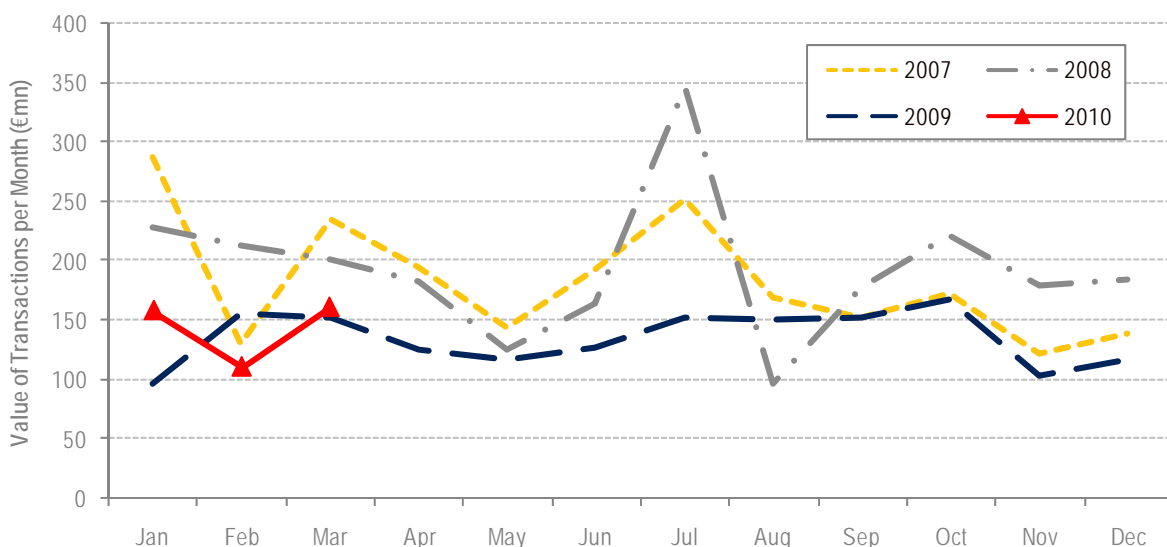
We see all this as a transition with the **VC model temporarily in retreat, but probably not beaten**, merely evolving. The top funds currently have the upper hand and will start generating super returns in the coming years which will of course create a new race to start new funds. Corporates and various institutionals will realise that driving up post valuations through sheer financial firepower is one thing, but building up sustainable companies is another: So for one Facebook, how many \$100+mn investments will really pay off? One thing is pretty clear: **capital sobriety is here to stay!** After all it is not a bad place to start to drive IRRs up – but **there is plenty more money for companies which get to the magic \$10mn revenue number with still room to grow.**

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).

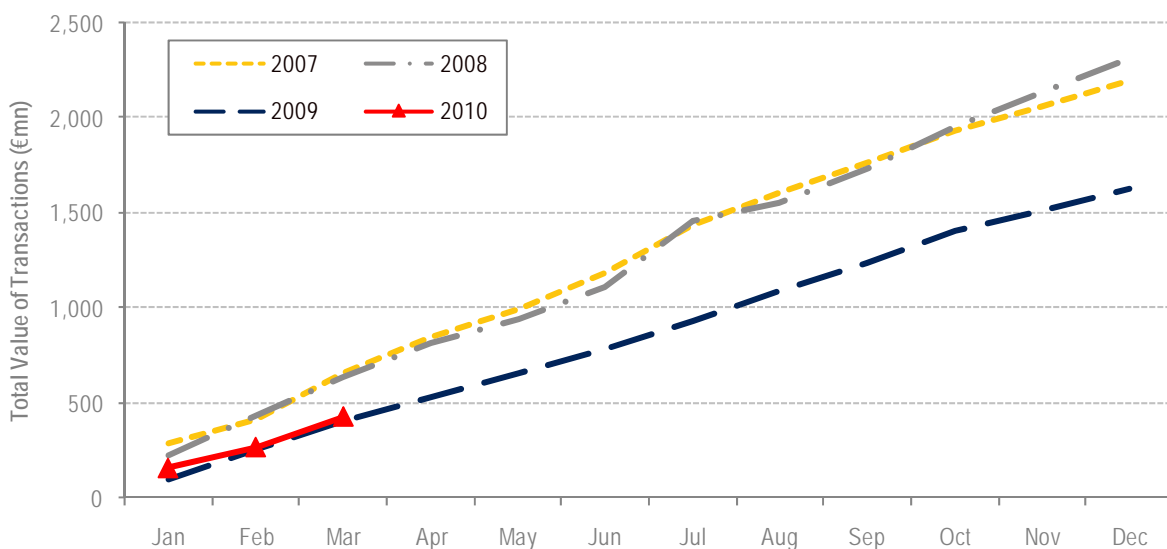
The Go4Venture Team

# Investment Summary

**Go4Venture HTI Index by Deal Value**



**Go4Venture HTI Index by Cumulative Deal Value**



This Month		2009	2010
Landmark Deals	#	1	2
	€m	56.6	53.6
Headline Deals	#	2	6
	€m	20.4	92.3
Small Deals	#	24	23
	€m	69.5	69.2
All Deals	#	27	31
	€m	146.5	215.1

Year-to-Date		2009	2010
Landmark Deals	#	1	3
	€m	56.6	80.2
Headline Deals	#	14	15
	€m	141.9	168.6
Small Deals	#	65	68
	€m	202.1	182.0
All Deals	#	80	86
	€m	400.6	430.8

# Headline Transactions Summary

Company	Sector	Round	€mn	Description	Investors
Mobileye (Netherlands) <a href="http://www.mobileye.com">www.mobileye.com</a>	Hardware	Late Stage	27.3	Developer of vision-based driver assistance systems for the automotive industry.	Goldman Sachs, Leumi, Menorah Miytachim Holdings Ltd.
Lemnis lightning (Netherlands) <a href="http://www.lemnislighting.com">www.lemnislighting.com</a>	Hardware	D	26.3	Developer of sustainable lighting based on LED technology.	Undisclosed Investor(s).
Borro (UK) <a href="http://www.borro.com">www.borro.com</a>	Internet Services	B	11.1	Online pawnbroker	Eden Ventures, European Founders Fund, Kreos Capital, RockRidge Capital Partners.
City Deal (Germany) <a href="http://www.citydeal.de">www.citydeal.de</a>	Internet Services	B	10.0	Online service enabling consumers to pool their buying power to obtain reduced price goods and services on a regional basis.	eVenture Capital Partners, Holtzbrinck Ventures, Rocket Internet GmbH, and Investment AB Kinnevik
Energy Micro (Norway) <a href="http://www.energymicro.com">www.energymicro.com</a>	Hardware	A	9.6	Designer of low-energy micro-controllers	Investinor, Northzone Ventures.
Tagsys (France) <a href="http://www.tagsysrfid.com">www.tagsysrfid.com</a>	Hardware	D	8.0	Designer and manufacturer of RFID infrastructure.	Elliot Advisors, Endeavour Vision, Add Partners, DFJ Esprit and Saffron Hill Ventures
Autoquake (UK) <a href="http://www.autoquake.com">www.autoquake.com</a>	Internet Services	D	6.7	Online car retailer	Accel Partners, Highland Capital Partners LLC
ControlCircle (UK) <a href="http://www.controlcircle.com">www.controlcircle.com</a>	IT Services	A	6.7	Provider of high availability IT storage, hosting and networking services.	Scottish Equity Partners.

Source: Go4Venture

## Key

Bold indicates lead investor(s)

\* Internal round

\*\* Led by existing investors

Company	Sector	Round	€mn	Description	Investors
Mobileye (Netherlands) <a href="http://www.mobileye.com">www.mobileye.com</a>	Hardware	Late Stage	27.3	Developer of vision-based driver assistance systems for the automotive industry.	Goldman Sachs, Leumi, Menorah Miytachim Holdings Ltd.



**Mobileye (Netherlands)**, a developer of Advanced Driver Assistance Systems (ADAS) for the automotive industry, **raised \$37mn (€27.3mn) in late stage funding from Goldman Sachs, Leumi and Menorah Miytachim Holdings Ltd.** The company will

use the funds to expand its Israeli R&D centre.

Founded in 1999 and headquartered in The Netherlands, Mobileye has an R&D centre in Jerusalem, and employs 200 worldwide.

Mobileye's ADAS uses a mono camera which acts as a third eye for the driver, monitoring the road in support of routine driving tasks such as maintaining safe following distance, staying in lane, alerting the driver of oncoming cyclists and pedestrians, etc.

Where traditional ADAS rely on an array of different sensors to produce similar effects, Mobileye's solution uses just one processor-based camera capable of tracking and processing all these images on a single hardware platform.

The company recently announced OEM agreements with BMW, Volvo and General Motors.

*Mobileye is a rarity: an Israeli company which has chosen Europe rather than the US to follow the "Israeli model" of a company from a small geography moving its headquarters while keeping R&D in its home country. Mobileye has chosen Europe because its market is high end automotive manufacturers. The Netherlands offers advantageous tax status but is also home to other large car plays such as TomTom and Tele Atlas (one and the same firm since 2007). The management, however, remains an all-Israeli affair.*

*Mobileye earned revenues of \$25mn in 2008 from a standing start in 2006, primarily from the aftermarket segment. As much as it takes time for car manufacturers to embrace innovation, once specified the ramp-up is rapid. It only needs one early adopter before others follow en masse. This will generate exponential revenue growth going forward, hence the whopping post-money valuation of \$740mn mentioned by some sources.*

*It's no wonder then that one of the largest investors in this round (with \$10-15mn) is Goldman Sachs which is eyeing the IPO mandate, together with Leumi Partners which has increased its stake with another \$5mn.*

*Commentators say the company is ready for an IPO but that shareholders would rather postpone for a year or two to achieve a higher company value. This can be described as the Facebook syndrome, i.e. a company with considerable momentum, revenues lagging compared to the profile, and a private company valuation probably higher than what public markets would support today. This is an example of clever arbitrage by private investors who are likely to reap considerable rewards for holding out, particularly for those who have been supportive of the company since the mid 2000s.*

Company	Sector	Round	€mn	Description	Investors
Lemnis lightning (Netherlands) <a href="http://www.lemnislighting.com">www.lemnislighting.com</a>	Hardware	D	26.31	Developer of sustainable lighting based on LED technology.	Undisclosed Investor(s).



**Lemnis Lighting B.V. (Netherlands)**, an LED-lighting maker, raised **\$35.7mn (€26.3mn)** in its **Series D** financing round. Participants in the round include existing investors and new undisclosed African investors. The funds will help the company expand its portfolio of LED applications and accelerate international market penetration.

Founded in 2005, Lemnis Lighting B.V. is in the vanguard of sustainable lighting solutions based on energy-efficient LED technology. The company launched its first product in 2006, an LED light bulb under the brand name Pharox. LED lights are considerably more expensive but consume a 10th of the energy that incandescent bulbs do, and last approximately 20 years. The Pharox emits the equivalent amount of light as a 40W or 60W incandescent bulb, while consuming only 6W. The long-life LED technology behind Pharox also has applications in outdoor, greenhouse and solar lighting. Lemnis Lighting was awarded the 2009 Technology Pioneer Award by the World Economic Forum and a top-10 position in the 2010 Fast Company “most innovative consumer goods companies” list. The company has offices in San Francisco, Hong Kong and Singapore.

*This large financing (a landmark deal by our definition, i.e. more than €20mn) is also one of the most unusual by European standards: a series D provided by unnamed African investors. This illustrates the diminishing importance of VC funds (currently absorbed by refinancing their existing portfolio companies) and the correspondingly growing importance of other sources of finance, either from corporates trying to get smarter at covering the innovation front, or big money trying to ride technology shifts without the diversification or refinancing risks associated with venture capital funds.*

*The African investment in Lemnis is thanks to the company's efforts to design products for territories where electricity is at a premium. Lemnis received a \$200k grant from the World Bank to roll out a light bulb coupled to a solar panel (provided by UK company G24 Innovations – featured in our Bulletin of June and July 2008) initially in Rwanda. The Clinton Climate Initiative endorsed the company.*

*Lemnis has masterfully networked to raise its profile. Last year Google distributed 25,000 Pharox bulbs to staff members as part of its Going Green initiative and the Dutch National Lottery sponsored a giveaway of 2.5mn of them in Europe. This may explain why the Series D financing valued the company at \$170mn – a valuation well ahead of what a VC would probably pay today.*

*Lemnis is incubated by Tendris Holding, an investment company set up by Warner Philips, the grandson of the founder of Philips Lighting. Tendris describes itself as “an innovative business incubator and operator in sustainable technology and services headquartered in the Netherlands”. In January 2009 Royal Philips Electronics took a 10% equity stake in Tendris for an undisclosed amount.*

Company	Sector	Round	€mn	Description	Investors
Borro (United Kingdom) <a href="http://www.borro.com">www.borro.com</a>	Internet Services	B	11.09	Online pawnbroker	Eden Ventures, European Founders Fund, Kreos Capital, RockRidge Capital Partners.



**Borro (UK)**, an online pawnbroker, raised £10mn (€11.1mn) in a **series B** round from **Eden Ventures, European Founders Fund, Kreos Capital** and **RockRidge Capital Partners**. The funds will be used to expand the service in the UK and abroad.

Borro.com launched in August 2008, positioning itself as the world's first online pawnbroker, providing short term loans against personal assets via an online and courier service and an appointment centre in Chancery Lane, in the centre of London.

Users pledge an item online; the company offers a loan figure and sends the consumer an insured package to courier the item. On receiving and checking the item, Borro advances the loan, which carries a monthly interest rate, which once repaid, releases the pledged item which is returned by insured courier. The valuation checks are conducted by Borro's team of valuation experts who have experience in high end auctioneers and salesrooms such as Sotheby's, Bonhams and Christies.

Borro is headquartered in Oxford and currently employs 12. The online nature of its business leads to smaller overheads, and as such Borro says it offers customers on average twice as much for their valuables as they would receive on the high street. The company says it grew by 2100% in 2009 alone, equivalent in value terms to the loan book growth in 2009 of the leading high street pawn chain Albemarle and Bond.

*This deal is led by existing investors and is a good example of business models returning to the first wave of e-commerce, i.e. a traditional business moving online, doing away with office costs and rejuvenating the marketing of an old fashioned service.*

*The company has attracted Sportingbet founder Mark Blandford as a board member, and its management team comes with many years experience in supply chain and logistics management, financial services provision and high end consumer markets. Its founder Paul Aitken successfully exited mobile technology startup Movota, which he sold to Bertelsmann in 2005 for an undisclosed sum.*

*This is of course a cash intensive business, even if most of the loans are very short-term (less than 6 months). Hence the mix of equity and debt provided by Kreos Capital (€600mn under management). The equity portion is provided by existing investors Eden Ventures (€191mn under management), one the UK's leading specialist early-stage investors; and European Founders Fund (€75mn under management), an investment vehicle from the Samwer brothers who feature in this issue as investors in Citydeal. Also joining in is RockBridge Capital Partners, a US investment firm traditionally focused on the hospitality industry, but probably better known for its July 2009 investment in air taxi company ImagineAir which included common equity, senior debt and leasing.*

Company	Sector	Round	€mn	Description	Investors
City Deal (Germany) <a href="http://www.citydeal.de">www.citydeal.de</a>	Internet Services	B	10.00	Online service enabling consumers to pool their buying power to obtain reduced price goods and services on a regional basis.	eVenture Capital Partners, Holtzbrinck Ventures, Rocket Internet GmbH, and Investment AB Kinnevik



**Citydeal (Germany)**, a pan-European multi-city group buying service, raised **€10mn** in **Series B** funding from **eVenture Capital Partners, Holtzbrinck Ventures, Rocket Internet** and **Investment AB Kinnevik**. Citydeal will use

the new investment to fund further expansion and related marketing activities.

Berlin-based Citydeal offers a regularly changing parade of heavily discounted products or experiences which consumers only gain access to if enough people express an interest in any particular offer within a specific timeframe.

Currently available in 40 cities across Germany, the site also serves markets in the UK, France, Italy, Spain, Austria and Switzerland. Founded in December 2009 by the entrepreneurial Samwer brothers, the company has ramped its offering in lightning quick time.

Its business model essentially clones that of Groupon, which was a pioneer of the crowd-powered group discount when it launched in November 2008. By promising businesses a minimum number of customers, Groupon can offer deals that aren't available elsewhere. Citydeal claims to be the market leader among the 15 or more Groupon clones in Germany.

*Germany's most famous imitators, Alexander, Marc and Oliver Samwer, are back. The brothers shot to fame in 1999 when their eBay clone Alondo.de sold to eBay for \$50mn after a mere 100 days of trading. In 2004 they sold their mobile phone content provider Jamba!/Jamster to Verisign for \$270mn. Now the Samwers are after the group discount market which has taken off like wildfire in Germany. Citydeal is a clone of US startup Groupon, which has to date raised \$35.8mn in Angel and VC backing from Accel Partners and New Enterprise Associates. Other German Groupon clones include DailyDeal, founded by Stefan Glanzer, an early backer of LastFM. The Samwer brothers move at high speed, attracting third parties to share risk and up the valuation. In the case of Citydeal, they set up the business via their incubator Rocket Internet in early 2009, ploughed €4mn in January 2010 and have now raised €5mn. A third round is said to be in the making. This round sees no less than three co-investors, rather an unusually large number for a €5mn round. However, if the plan is to refinance internally as the business hits milestones, having the investment partners lined up would be a very smart move. Investors include eVenture Capital Partners, Holtzbrinck Ventures (€60mn under management), the venture arm of the Holtzbrink media group and Swedish firm Investment AB Kinnevik. Citydeal launches at a time when some commentators are already observing the onset of market saturation and coupon fatigue. UK startup Keynoir addresses this with the approach of tightly restricted members-only group for luxury items.*

Company	Sector	Round	€mn	Description	Investors
Energy Micro (Norway) <a href="http://www.energymicro.com">www.energymicro.com</a>	Hardware	A	9.58	Designer of low-energy micro-controllers	Investinor, Northzone Ventures.



**Energy Micro (Norway)**, a developer of low-energy micro-controllers for battery-operated applications, **raised \$13mn (€9.7mn) in Series A funding from Investinor and Northzone Ventures.** The investment will be used to continue product

development and to expand the organisation and sales channels to support future high growth.

Headquartered in Oslo, Energy Micro was founded in January 2007 and presently employs 23 people. It develops, manufactures and markets low-energy microcontrollers which have applications in energy metering, home and building automation, alarm and security systems and medical equipment.

The company launched its first product, the EFM32 Gecko microcontroller family, in October 2009. In line with the company's aim to produce sustainable and environmentally-friendly microcontrollers, the Gecko products consume a quarter of the energy of existing 8-, 16- or 32-bit microcontrollers and have been well-received, the company says.

Energy Micro's products are particularly suitable for energy sensitive applications, such as pacemakers and defibrillators, burglar alarms, smoke detectors, sensors in an industrial automation environment, MP3 players, remote controls and RFID systems, to name a few.

*Energy Micro is representative of the high standards of European start-ups these days. Outside of internet and mobile applications where young entrepreneurs are still welcome (hence initiatives such as Seedcamp and various incubators sprouting around) or clean technology where everyone is a newbie, most other sectors demand experienced management teams with depth of domain expertise and strong existing customer relationships. Energy Micro is a case in point, with a team drawn up from the likes of Atmel, Chipcon, Nordic Semiconductor and TI. This probably explains how they managed to get their first product out in October 2009, i.e. just two and half years from starting the business. And how they were able to finance the business themselves during the period! Northzone (€373mn under management) is a European venture capital fund with a Nordic investment focus. Together with Wellington, Northzone is probably one of the most successful investors emerging from Continental Europe in the last 10 years, as illustrated by the recent announcement of the first closing of their new sixth fund, with €90mn raised on their way to a target fund of €150mn. Previous investments include Spotify, Funcom, Lastminute.com, Stepstone, Pricerunner and NextGenTel. Investinor (€281mn under management) is a Norwegian government-backed venture fund with a mission to invest in Norwegian-based, internationally oriented early growth or expansion stage companies.*

Company	Sector	Round	€mn	Description	Investors
Tagsys (France) <a href="http://www.tagsysrfid.com">www.tagsysrfid.com</a>	Hardware	D	8	Designer and manufacturer of RFID infrastructure.	Elliot Advisors, Endeavour Vision, Add Partners, DFJ Esprit and Saffron Hill



**TAGSYS (France)**, a designer and manufacturer of RFID systems, raised €8mn in a **Series D** Round from **Add Partners, DFJ Esprit, Elliot Associates, Endeavour Vision** and **Saffron Hill Ventures**.

The company will use the funds to expand its distribution channels and continue product development.

Founded in 2001 as a spin-off from smartcard pioneer Gemplus, TAGSYS employs 100 across its headquarters in King of Prussia, PA and its R&D facilities near Marseilles.

The company's RFID technology enables individual item tracking across the supply chain in the library, luxury goods, fashion retail and healthcare industries. This granular level of inventory tracking helps improve a company's overall performance and can significantly reduce the expense of tracking and managing inventory across multiple sites or branches.

TAGSYS says that in 2009, it increased revenue and improved operational efficiency by 40%. Its recent client wins include the fashion apparel firms Rica Lewis and Serge Blanco. These companies use TAGSYS solutions to track millions of clothing items, and to manage in-store inventory at leading European retailers including Carrefour, Auchan and Intermarché.

*This deal rides the RFID wave, which though it has been a long time coming, is finally happening — usually around niches relevant to a particular technology, as demonstrated by TAGSYS and other RFID businesses such as Ubisense. As an internal round, it is quite typical of current follow-on financings in European venture capital: why bring in a new investor who will challenge you on valuation, dilute your existing stake and complicate decisions at a time when it is not always clear what is the right way forward?*

*This internal round follows the appointment of new CEO Alain Fanet in February 2009, who has doubtless been instrumental in introducing the operational changes that have boosted the company's profitability. Alain has experience in the semiconductor industry, being the co-founder and former CEO of global semiconductor design firm Arteris. He also co-founded and headed up T.square, Inc., a high-performance network processing firm that was later purchased by Globespan Virata. He recently served as the President of the European Technology Tour Association, an industry body that helps up-and-coming technology companies expand internationally. As such, he is accustomed to working in a cross-Atlantic setting.*

*The deal comes after a new equity round of € 4.2mn, which TAGSYS closed in November 2009. As well as classic VC investors such as Add Partners and DFJ Esprit which will be familiar to our readers, the company's shareholders also include Saffron Hill Ventures (€29mn under management), a niche cross-stage investor operating in Europe and in the US, and Elliot Advisors, a €3bn hedge fund with a handful of private equity investments.*

Company	Sector	Round	€mn	Description	Investors
Autoquake (UK) <a href="http://www.autoquake.com">www.autoquake.com</a>	Internet Services	D	6.7	Online car retailer	Accel Partners, Highland Capital Partners LLC



**Autoquake (UK)**, an online car retailer selling used fleet cars, **raised £6mn (£6.7mn) in late series D funding from Accel Partners and Highland Capital Partners.** Kreos Capital provided a debt package as part of the deal. The company will use the funds to drive its next stage of growth.

Autoquake specialises in selling high quality ex-fleet and leasing company cars directly to consumers through its website. Founded in August 2005 and headquartered in London, it currently employs 100 people.

The company's disruptive business model tackles consumer pain points around buying a used car online. It offers a 7-day money-back guarantee and provides detailed illustrated descriptions of the cars' features. This mitigates the need for a physical showroom, helping Autoquake keep its operating costs low. The company offers car finance, warranty and insurance as supplementary products. According to Autoquake, the site received 5 million visits in 2009, with 60% of customers reserving a car within 24 hours of their first visit and 35% of customers opting for home delivery without having physically seen their purchase. Competitors in the US include CarZen, CarWale and Auto-IES.

*This deal follows the same formula as the TAGSYS deal mentioned elsewhere in this bulletin: one round of finance to help attract an experienced CEO, closely followed by another round to help that CEO put pedal to the mettle on growth plans. AutoQuake raised £4mn in March 2009 and appointed Dermot Halpin, formerly President of Expedia in Europe, as CEO in Autumn 2009. According to a Capgemini report 08/09, 44% of consumers are likely to purchase a car on the internet if they can. This is up from 30% in 2008 and only 2% in 2001. In the UK alone, 6.7mn used cars were sold in 2008 at a value of £32.4bn. Last year Autoquake reportedly exceeded its target of 15,000 cars sold, so clearly, the potential is considerable.*

*Accel Partners has dedicated funds for Europe (the latest is its December 2008 vintage Accel London III fund of €360mn) and has enjoyed a number of online successes in the last year with exits such as Playfish sold to Electronic Arts for a cool \$400mn. One of its other portfolio companies, the massively multiplayer online role-playing game (MMORPG) company Gameforge, routinely scoops up awards, including last year's Audemars Piguet 'Changing Times' European Technology Entrepreneur of the Year Award.*

*Highland Capital is a global fund with €2.4bn assets under management, whose European operations are run out of Geneva. In Europe it focuses on late-stage plays with recent investments in disruptive technology-driven business models, such as custom jewellery design and sales site, Gemvara Inc and RethinkDB, focusing on the nascent database market for solid state hard-drives.*

Company	Sector	Round	€mn	Description	Investors
ControlCircle (United Kingdom) <a href="http://www.controlcircle.com">www.controlcircle.com</a>	IT Services	A	6.66	Provider of high availability IT storage, hosting and networking services.	Scottish Equity Partners.



**ControlCircle (UK)**, a provider of high availability IT storage, hosting and networking services, **raised £6mn (€6.7mn) of Series A investment from Scottish Equity Partners**. The company will use the funds to pursue an aggressive global growth strategy.

ControlCircle was founded in January 2001 and currently employs 124 staff. The company has achieved consistent growth of 65% per year with an annual turnover of £10m.

The company offers its high availability, resilient enterprise hosting solutions across industries, attracting clients in online businesses as well as major players in the banking, accounting, legal and commercial sectors. Its flagship success story clients are KPMG, the wedding planning service Confetti and executive recruitment service owned by the Financial Times, Exec-Appointments.

ControlCircle has operations in Europe and the US East Coast, and plans to expand in Amsterdam, Frankfurt, Silicon Valley and Singapore, as well as elsewhere in Asia and South America.

The global managed IT services market is currently valued at \$9billion and is forecast by Oppenheimer & Co Inc to grow at 20% per annum.

*ControlCircle has been bootstrapped since 2001 as a service business focused on designing complex IT networking infrastructures and, increasingly operating them on behalf of clients, resulting undoubtedly in a highly recurring revenue business. Another originality of the business is its presence in the US, with offices in New York and Miami and an office opening in San Francisco in May 2010, i.e. a business well engaged in international expansion which should provide ample room for growth.*

*This is of course more of a service than a product business. But with the shift towards less risk and the growing popularity of SaaS type plays (characterised by subscription revenues, the ultimate recurring revenue stream), service businesses don't look so bad for VCs provided they are not dependent on finding new clients and new projects all the time.*

*Although technically a Series A, this is of course a later-stage deal, hence perhaps the willingness to trade off valuation enhancement against a lesser risk. The premium to size which goes with any business should help investors drive up shareholder value by a factor of 3x or more in the coming years, not such a bad result if risks are limited. Perhaps more typical of private equity than venture capital, but after all that's where many VC funds want to be these days. And it may make sense as part of a portfolio of higher risk VC assets anyway.*

*SEP features regularly in our bulletin, with recent investments such as the femtocell semiconductor company Picochip in November 2009 and I/O virtualisation products provider VirtenSys in August 2009.*

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