Monthly European Technology Venture Capital Bulletin May 2011

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 www.go4venture.com/research/hti.htm.

About Go4Venture

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 www.go4venture.com.

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

Dear Clients and Friends,

Please find attached the May 2011 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.

May was another strong month, in line with the sustained market activity we have been reporting since the beginning of the year. **In year-to-date terms, we are well ahead of last year**, both in terms of value (+26%) and in number of transactions (+8%). As mentioned before, **we see a dichotomy in the market, with investors focusing on larger plays** (+50% in terms of number of landmark deals of more than €20mn and in fact +123% in terms of value), while smaller transactions (less than €7.5mn - which includes a disproportionate number of early-stage transactions) are pretty much flat in numbers and even slightly down (-3%) by value.

This rush to larger deals is of course raising the question of whether the market is going through a bubble just like the one we went through in the late 1990s. Our overall feeling is that we are indeed seeing a mini bubble – except this time we seem to be going through the cycle in fast-forward. Based on how quickly the market has gone from being extremely morose to investing aggressively, or the pace at which US IPOs have moved in less than a year from hardly any (if we use Tesla's June 2010 IPO as this cycle's Netscape moment) to the Groupons and Pandoras (with highly questionable business models and no profits!), then **the cycle is not going to last 5 years (1996-2000) but more like 2 or 3 (mid 2010- end 2012?)**. Interestingly though the picture is actually quite contrasted which suggests the cycle may not play as strongly as last time, and the crash therefore may not be as bad.

Using this month's large HTI transactions as anecdotal evidence, a majority of market transactions look quite sensible investments:

- Enecsys and Nujira come across as sound bets on technologies (remember the picks and shovels argument?) supporting solar energy deployments and mobile communications respectively. Silecs could be put in the same category, with an added twist that this is essentially the next move on a restart of a promising technology which took a bit too long to happen but will make money for the later stage investors.
- Wooga and Supercell are part of the current internet enthusiasm (e-commerce, social media and mobile) and seem to be gaining traction in the market. Next Performance provides tools to measure and monetise internet businesses.
- Crocus Technology, a fundamental breakthrough in memory technology, is playing out outside the normal realm of commercialisation thanks to Russian state investor Rusnano.

In fact, of this month's large HTI transactions, only a minority (4 out of 11) raise obvious questions:

- Simfy and Yourvideocard, in the one case because of the incredible complications of making money from online music, and in the other because of the more doubtful scalability of a business model which doesn't benefit from the infinite scalability of a pure virtual play.

- The other question-marks may be Urban-Brand and 9flats which are copycat investments: even though they benefit from Europe's largest market, one can't help but be wary that their exit depends on a US buyers' market continuing to remain buoyant. Even then, with good and rapid execution, this doesn't seem to be as far-fetched as some of the Internet 1.0 bets of the late 1990s.

At a macro level, the signs of a market overheating are pretty evident. A few examples picked up from recent news:

- The Financial Times reported Jonathan Nelson, chief executive of Providence Equity Partners, an investor in Hulu and Autotrader.com, expressing concern about fast growing internet companies not allowing sufficient time for investors to do proper due diligence. As he put it: "Valuation is always debatable in the moment, but the process is very clear [and] there are troubling signs".

- In its recent IPO, Groupon encouraged a new measure of profitability which excludes marketing expenses and conveniently transforms losses into profits. This is of course a dangerous game which started with mobile telecom companies in the 1990s which pushed investors to look at profits before investments on the basis that they better reflect the profitability of a business long term. To this day, we are all suffering from the EBITDA delusion and use it far too often without discrimination, i.e. with lip service paid to the sustained nature of some of the investments which may be required to succeed in a given business open to competition.

- Microsoft bought Skype for $8.5bn, which is 3x the price paid by eBay in 2005 (not considered a bargain at the time), and $5bn more than VC investors bought the business for from eBay only 18 months ago. As much as this is creating a new reference in M&A prices (32x EBITDA if you must know), this may be more a reflection of the Microsoft CEO's position regarding the taxing question of Microsoft's profits parked offshore, than the inherent value of Skype.

- LinkedIn priced its IPO at 10x projected revenues which is rather demanding even for a company still planning to grow 60% in the next 12 months. But this has now been bettered by Pandora (IPO'ed) and Groupon (filed), two loss-making businesses. And the dreaded first day of trading surges have come back, with LinkedIn surging by 100% (before settling down below its intro price), and Pandora jumping by 60% (and now trading level). Of course, we have also witnessed the return of the controversy from insiders accusing IPO bankers of undervaluing their clients - see for instance Peter Thiel's rant a propos LinkedIn.

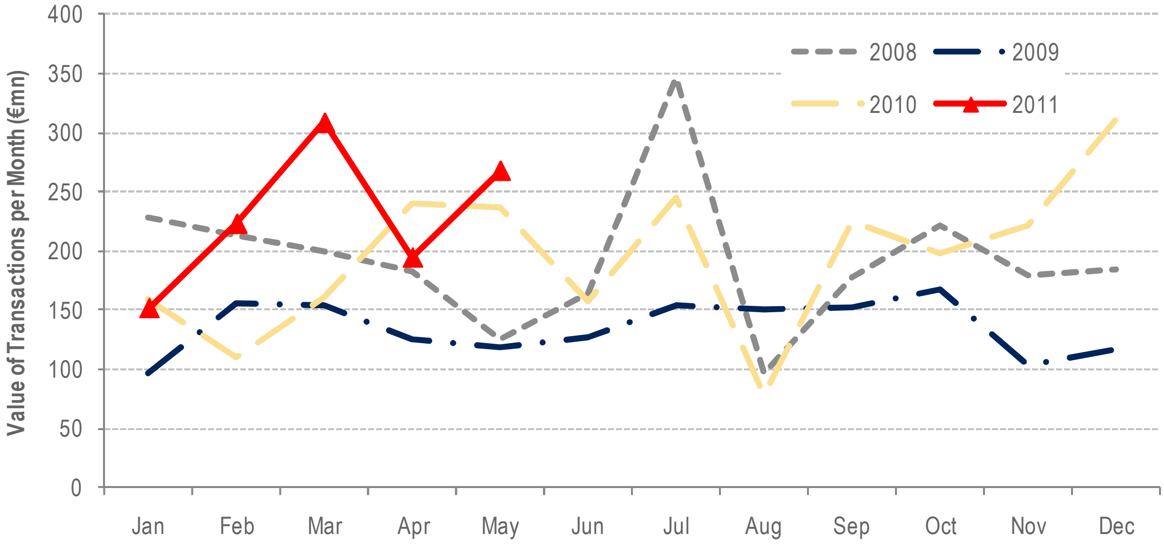
So we've all been warned. There is a bubble forming out there, but this time it will not last for very long. **This doesn't mean that we shouldn't use the more benign market conditions to finance companies more cheaply** and therefore be in a position to have more resources to drive businesses harder. But as usual, "caveat emptor" (buyer beware), be very aware!

Enjoy the reading. Please direct any questions or comments to 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.

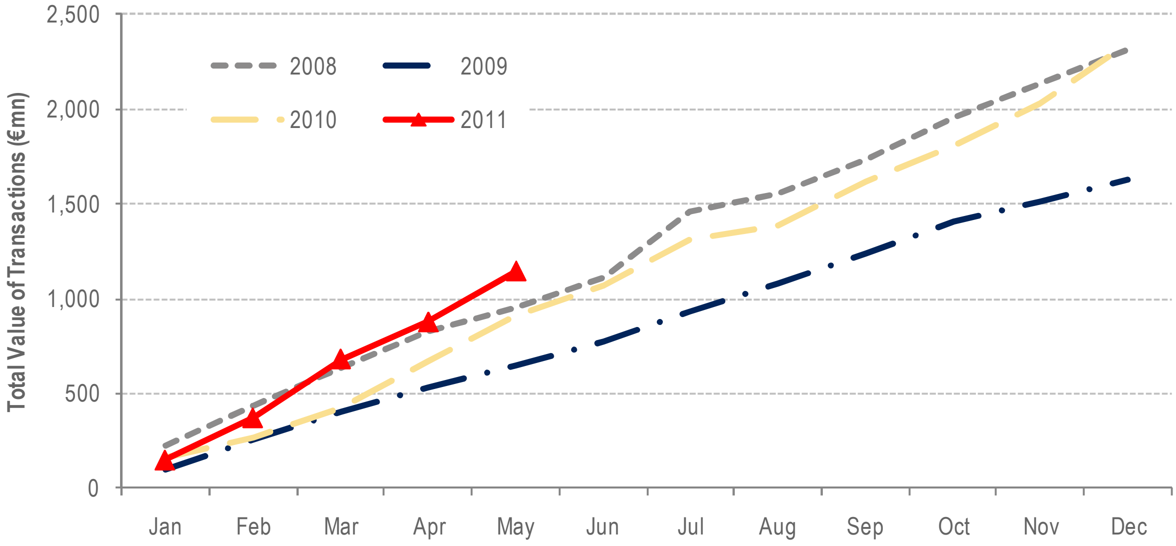
The Go4Venture Team

Investment Summary

Go4Venture HTI Index by Deal Value



Go4Venture HTI Index by Cumulative Deal Value



May		2010	2011
Landmark Deals	#	2	3
	€m	67.7	90.7
Headline Deals	#	7	8
	€m	71.3	93.6
Small Deals	#	23	31
	€m	98.4	83.6
All Deals	#	32	42
	€m	237.4	268.0

Year-to-Date		2010	2011
Landmark Deals	#	8	12
	€m	236.2	526.3
Headline Deals	#	29	23
	€m	321.9	279.7
Small Deals	#	108	122
	€m	350.3	338.5
All Deals	#	145	157
	€m	908.3	1,144.5

Large Headline Transactions Summary

(> £5mn / €7.5mn / $10mn)

Company	Sector	Round	€mn	Description	Investors
Crocus Technology (France) www.crocus-technology.com	Hardware	Late Stage	38.3	Developer of magnetic random access memories.	CDC, Idinvest, Nanodimension, **RUSNANO**, Sofinnova, Ventech.
Enecsys (United Kingdom) www.enecsys.com	Cleantech	C	28.5	Power conditioning Unit technology.	**Climate Change Capital**, Wellcome Trust, BankInvest, Goldrock.
Wooga (Germany) www.wooga.com	Internet Services	B	16.7	Social games company.	Balderton Capital, **Highland Capital Partners**, Holtzbrinck Ventures, Tenaya Capital.
Next Performance (France) www.nextperformance.com	Internet Services	Unknown	16.0	Online performance marketing services company.	Kennet Partners.
Nujira (UK) www.nujira.com	Hardware	Late Stage	11.4	Provider of power amplifiers for wireless base stations and mobile handsets.	Amadeus Capital Partners, **Climate Change Capital**, ETF, NES Partners, Individual Investors.
Silecs (Finland) www.silecs.com	Hardware	E	11.2	Specialist chemicals for the semiconductor industry.	EDBI, Tempo Capital Partners, Innovations Kapital, Finnish Industry Investment.
Simfy (Germany) corporate.simfy.com	Digital Media	B	10.0	German version of Spotify.	Earlybird Venture Capital, NRW Bank, DuMont Venture, Individual Investors.
YourVideoCard (Germany) www.yourvideocard.de	Hardware	A	10.0	Provider of personalised video greetings cards.	DuMont Venture, CFP Investments, Individual Investors.
Urban-Brand (Germany) www.windeln.de	Internet Services	A	10.0	Online marketplace for baby care products.	**DN Capital**, High-Tech Gründerfonds, Acton Capital Partners.
Supercell (Finland) www.supercell.net	Digital Media	B	8.4	Developer of browser based games.	**Accel Partners**, London Venture Partners, Individual Investors.
9Flats (Germany) www.9flats.com	Internet Services	A	7.0	Peer to peer flat rentals.	Redpoint Ventures, eVentureCapitalPartners.

Source: Go4Venture

Key
Bold indicates lead investor(s)
* Internal round
** Led by existing investors

Company	Sector	Round	€mn	Description	Investors
Crocus Technology (France) www.crocus-technology.com	Hardware	Late Stage	38.3	Developer of magnetic random access memories.	CDC, Idinvest, Nanodimension, **RUSNANO**, Sofinnova, Ventech.

Crocus (**France**), a developer of magnetic random access memories, raised **€38.3mn** in **Late Stage** funding from new investor **RUSNANO** with support from existing investors **CDC**, **Idinvest**, **Nanodimension**, **Sofinnova** and **Ventech**.

Fabless semiconductor company Crocus specialises in Magnetoresistive Random Access Memory (MRAM). Whereas conventional RAM uses electrical charge held on capacitors and requires a constant power supply to store information, MRAM uses magnetic fields and can store information even when the power is switched off. MRAM is not only faster than other non-volatile memories such as the flash RAM used in USB sticks, cameras and solid state HDDs but it will not wear out through repeated read-write cycles.

The industry expectation is that MRAM will eventually become the dominant form of memory but it is difficult to manufacture MRAM with a small feature size – roughly the size of the transistors and wires on the silicon. So for a given number of components a larger area of silicon (die) must be used for each chip and, as silicon wafers are not perfect, this decreases the yield of perfect chips per wafer and increases chip cost.

Like its American competitor and fellow venture-backed firm EverSpin Technologies, Crocus has succeeded in making chips with feature sizes of 90nm and 65nm – roughly the same as conventional RAM.

At the time of Crocus' last investment round in May 2010, the company said that it hoped for revenues by mid-2011 but did envision another round of finance and might look to strategic partners or an advance royalty payment scheme.

The additional round of equity finance has been provided by returning investors CDC Innovation (€300mn (2006); AUM €415mn), Idinvest (€315mn (2009); AUM €2.8bn), Nanodimension (€45mn (2007); AUM €47mn), Sofinnova (€270mn (2006); AUM €810mn) and Ventech (€370mn (2007); AUM €370mn) together with new investor RUSNANO.

In addition to this equity round, Crocus has signed an agreement with RUSNANO as a strategic partner to create an MRAM manufacturer called Crocus Nano Electronics (CNE) with Crocus' participation at least partly financed by its new equity investment. The $300mn JV has $125mn earmarked for setting up a manufacturing plant in Russia with a production capacity of 500 wafers per week. This is scheduled to be in operation within two years. An additional $120mn has been allocated for increasing production capacity to 1000 wafers per week. The remainder of the money is intended for upgrades to support 45nm lithographies. The CNE JV is intended to be complementary to Crocus' partnership with TowerJazz (NASDAQ: TSEM) with whom Crocus is scheduled to start production of 130nm MRAM devices in late 2011.

Sovereign fund RUSNANO, originally established in 2007 as the Russian Corporation of Nanotechnologies, supports Russia's nanotechnology industry through co-investment. Its aim is to produce a $30bn nano-technology industry in Russia by 2015. This is the second major investment by RUSNANO to feature in the HTI, the last being its investment in plastic electronics company Plastic Logic which featured in our December 2010 issue.

Company	Sector	Round	€mn	Description	Investors
Enecsys (United Kingdom) www.enecsys.com	Cleantech	C	28.5	Power conditioning Unit technology.	**Climate Change Capital**, Wellcome Trust, BankInvest, Goldrock.

Enecsys (UK), a manufacturer of micro-inverters for solar panels, raised **£25mn (€28.5mn)** in a **Series C Round** led by **Climate Change Capital** with participation from existing investors **Good Energies**, **NES Partners** (previously known as BankInvest New Energy Solutions) and **Wellington Partners**.

As described in our June 2009 issue, Enecsys was spun-out from the University of Cambridge's Engineering Department in 2003 and produces inverters that transform the DC power produced by solar cells into AC usable by the national grid. Advantages of Enecsys' technology are:

- It eliminates a number of components that reduce inverter life.
- It increases the amount of energy obtained from solar arrays by 5-20%.
- It improves safety by eliminating the need for high-voltage DC wiring.

In addition, rather than using one large inverter per array of solar cells, Enecsys uses micro-inverters which are each attached to one or two solar cells. Not only does this eliminate a potential single point of failure, but the inverters also monitor the performance of each solar module.

With feed-in tariffs for residential users and an array of carbon reduction legislation much more prevalent in Europe than elsewhere in the world, not only is Europe an ideal base for an inverter company, but Europe has 75% of the global residential solar market.

Since its last investment, the company has launched its products in Continental Europe and North America. This latest round is intended to accelerate product roll-out through expanding sales, customer service and manufacturing activities.

€28.5mn is very large for a cleantech investment. Indeed, this is the 6th largest of the almost 200 European cleantech investments that we have tracked and is much larger than the €4.3mn median transaction size.

The transaction was led by Climate Change Capital (€80mn (2010); AUM €1.1bn) which contributed £11mn or just under half of the total. Climate Change Capital will have some very relevant expertise in this area owing to its participation in an €18.8mn Series D round for thin-film solar cell manufacturer Sulfurcell in January of this year. The firm is one of the largest cleantech funds and invests €5-20mn per company primarily in Europe and usually as the lead or co-lead investor. Climate Change Capital is not atypical of cleantech investors in that it generally avoids investing at an early stage and prefers to concentrate on high growth subsectors such as power, transport, energy efficiency, waste recovery and desalination where the technology is already reasonably well developed.

In this case, the technology development had been supported by existing investors Good Energies (AUM €3.3bn), NES Partners (AUM €160mn) and Wellington Partners (€265mn (2008); AUM €800mn). Good Energies, which provides project finance for clean energy as well as acting as a VC, operates globally from offices in London, New York and Switzerland. NES Partners, formerly BankInvest's New Energy Solutions venture fund, was established in 2002 and has made 20 investments and exited 4. European technology veteran Wellington Partners focuses on digital media, technology and the life sciences. Since 1998, Wellington has made over 100 investments, over half of which have been in Europe and many have featured in our HTI Index.

Company	Sector	Round	€mn	Description	Investors
Wooga (Germany) www.wooga.com	Internet Services	B	16.7	Social games company.	Balderton Capital, **Highland Capital Partners**, Holtzbrinck Ventures, Tenaya Capital.

Wooga (**Germany**), a social games developer, raised **€16.7mn** in a **Series B** round led by **Highland Capital Partners** with **Balderton Capital**, **Holtzbrinck Ventures** and **Tenaya Capital** also participating.

Wooga is a developer of social games for the Facebook platform whose titles include Monster World, Diamond Dash, Bubble Island and Happy Hospital. Founded in 2009 and based in Berlin it released its first game – Brain Buddies – when its development team was only five strong.

The company has grown extremely rapidly. In the last two quarters it has more than doubled the number of people playing its games each month from 14mn to 30mn. While well behind market leader Zynga, which caters to over a quarter of a billion players a month, this is on a par with such well known names as Electronic Arts (EA) and Badoo. Moreover, Wooga's players are more diverse than is typical for most games, with over 70% being female.

The company's headcount has grown from five to 85 in two years and is now hiring two new employees a week with a view to reaching 150 by the end of the year. Being in Germany rather than Silicon Valley means that Wooga does not have to compete for talent with Zygna and other California-based games companies.

As with so many modern games companies, Wooga makes its money from selling virtual goods. Monster World players, for example, have bought more than 28mn magic wands – which makes Wooga the biggest supplier of magic equipment in the world!

Prior to this round, Wooga had raised only €5mn in a Series A round in November 2009 from Balderton Capital (€325mn (2008); AUM €1.6bn) and Holtzbrinck Ventures (AUM €60mn). For London-based venture firm Balderton Capital this is the fourth investment this year, the others being Wonga, KupiVIP and Livebookings.

Less well known is Holtzbrinck Ventures which is an early stage niche investor focussing purely on the internet. Based in Germany, Holtzbrinck was founded in 2000 as the venture capital arm of the Georg von Holtzbrinck Publishing Group and has made over 100 investments. Previous appearances in our bulletin include its investment in Citydeal and brands4friends.

Since its foundation in 1988, global stage-agnostic transaction leader Highland Capital Partners ($400mn (2009); AUM $3bn) has become almost as well known as some of its investee companies, which have included Ask Jeeves and Lycos. The fund has had an operation in Europe for the past 10 years, primarily focused on growth equity investments in internet and e-commerce sectors with companies such as Privalia and Spartoo. Originally operating from Geneva, Highland is stepping up the pace in Europe and recently opened a London office with 3i veteran Laurence Garrett who is soon to be joined by another partner.

Fellow new investor Tenaya Capital (AUM €625mn) is a mid-to-late stage technology specialist whose initial investments are typically $5-10mn. Relatively well known in the US, Tenaya is another example of the wave of American investors currently hunting for value in Europe.

Company	Sector	Round	€mn	Description	Investors
Next Performance (France) www.nextperformance.com	Internet Services	Unknown	16.0	Online performance marketing services company.	Kennet Partners.

Next Performance (**France**), an online performance marketing company, raised **€16mn** from **Kennet Partners**. The money will be used to support further international expansion.

Founded in 2008, Next Performance operates in Austria, Belgium, France, Germany, Italy, Netherlands, Portugal, Spain, Switzerland and the UK. The company has grown from eleven customers at the start of 2009 to more than 500 by May 2011 and delivers over 20bn online ads per year through its network.

In addition to conventional performance marketing and social marketing via Facebook, Next Performance is very keen to highlight its 're-targeting' approach to online advertising. In this approach, when a customer leaves an e-tail site without buying, Next Performance's proprietary technology is able to figure out what the potential customer was interested in, find them again if they are still within Next Performance's network and then present them with additional advertising specifically designed for that customer.

Kennet Partners (€200mn (2008); AUM €360mn) was established in 1997 and invests in both Europe and North America from its offices in London and Silicon Valley. It is happy to back companies in a wide variety of technology sectors including technology-enabled business services, digital media, e-commerce, consumer Internet and enterprise software.

This is not Kennet's first investment in online advertising. In January 2006 they provided an $8mn Series A round for British online advertising network Adviva Media. Adviva was later sold to leading industry player Specific Media in March 2008.

Kennet has deep pockets, able to invest up to $30mn on its own or up to $100mn together with syndicate partners or its institutional investors. Typically, however, investments are between $10-20mn. Despite this relatively large venture deal size, more often than not Kennet still ends up as a minority shareholder as it normally only backs mature businesses making $1mn per quarter or more. These businesses are often looking for growth capital or to finance acquisitions but Kennet has been known to cash out existing investors.

In the last decade and a half, Kennet has made 39 investments – 26 in Europe and 13 in the US. Of these, it has exited 22 – 18 of which were in Europe. Who says Venture Capital doesn't work in Europe? Indeed, Kennet's most recent exit was an IPO of French semiconductor firm and manufacturer of 4G chipsets Sequans Communications (NYSE:SQNS) at a market capitalisation of $365mn. Kennet first backed Sequans when it led a €17mn Series C round which appeared in the HTI in July 2006 and subsequently helped the firm grow its revenues from $6mn to almost $70mn.

Although Kennet Partners is a well known investor, it has been quiet in Europe since early 2009 when it participated in a €14.9mn Late Stage investment in BuyVIP. It has, however, made a number of exits in the US (FRSGlobal sold to Wolters Kluwer Financial Services, goviral sold to AOL and BuyVIP sold to Amazon) as well as some new investments.

Company	Sector	Round	€mn	Description	Investors
Nujira (UK) www.nujira.com	Hardware	Late Stage	11.4	Provider of power amplifiers for wireless base stations and mobile handsets.	Amadeus Capital Partners, **Climate Change Capital**, ETF, NES Partners, Individual Investors.

Nujira (**UK**), a provider of power amplifiers for mobile and DTV applications, raised **£10mn** (**€11.4mn**) in **Late Stage** funding in a round led by new investor **Climate Change Capital** with participation from existing investors **Amadeus Capital Partners**, **ETF, NES Partners** and unspecified **individual investors**.

Mobile web browsing is now as commonplace as making a voice call but requires much more bandwidth. We have seen a number of recent investments (Cambridge Broadband, AltoBridge) motivated by this issue. Most of these address the bandwidth capacity issue directly and focus on backhaul – the bandwidth bottle-neck between mobile base stations and a carrier's core network infrastructure.

But additional capacity is not the only issue. The higher data rates used by mobile browsers and other applications need up to ten times more power. As radio networks can account for 80% of the electricity used by wireless carriers and DTV broadcasters, this is a serious problem, particularly at a time of rising energy costs, climate change legislation and an emphasis on carbon footprints in corporate CSR programmes.

Nujira addresses the problem by increasing the efficiency of the amplifiers used – conventional amplifiers waste about 75% of their power as heat. The firm's patented technology (Coolteq envelope-tracking) works by adjusting the power supplied to the RF amplifier to match instantaneous power demand rather than constantly supplying enough to meet peak demand. This can result in OPEX savings of up to 50% and also significantly improves handset battery life.

While Nujira started out by selling its product to amplifier and base station OEMs, as described in our September 2009 issue, this round will allow it to target handset manufacturers. In addition to this, Nujira plans to target the defence industry having signed a partnership agreement with Cambridge Consultants in February 2011 and with KCB Signal Solutions in June 2011 to target the UK and US markets respectively.

Just as with Enecsys, Climate Change Capital (€80mn (2010); AUM €1.1bn) has come in as transaction leader at a late stage and is putting in roughly half (£6mn) of the money in order to commercialise technology whose development has been supported by early stage technology investors.

Technology investors Amadeus Capital Partners and NES Partners (formerly BankInvest New Energy Solutions) are well known. Although the Environmental Technologies Fund (ETF) (€130mn (2008); AUM €160mn) is an existing investor, it only came in at the last significant round (€15mn in September 2009) and is also more of a growth than a venture investor. Like Climate Change Capital, ETF prefers to invest when companies already have revenues and typically commits €5-10mn per company, possibly over multiple rounds. A number of ETF's 11 portfolio companies have featured in our bulletin including Chemrec (December 2008), Metalysis (May 2009), Kebony (November 2009) and Tag Energy Solutions (September 2010). Nor is this ETF's only deal this month. The firm also participated in a £4.5mn round for data centre and telecoms network cooling specialist 4energy.

It will be interesting to see how cleantech investors Climate Change Capital and ETF fare with what is effectively a fabless semiconductor company. While cleantech investments are not cheap, semiconductor investments are renowned for requiring large volumes of investment over a significant period of time before they bear fruit.

Company	Sector	Round	€mn	Description	Investors
Silecs (Finland) www.silecs.com	Hardware	E	11.2	Specialist chemicals for the semiconductor industry.	EDBI, Tempo Capital Partners, Innovations Kapital, Finnish Industry Investment.

Silecs (**Finland**), a provider of specialist chemicals for the semiconductor industry, raised **€11.2mn** in **Late Stage** funding in a round led by **EDBI** with participation from **Finnish Industry Investment**, **Innovations Kapital** and **Tempo Capital Partners**. The money will be used to expand research, production and customer support in Singapore where the company has recently established a new global headquarters. This will include collaboration with the Institute of Microelectronics run by Singapore's Agency for Science, Technology and Research (A*STAR).

Silecs develops and manufactures dielectrics and coatings from silicon-oxygen (siloxane) polymers for use in the semiconductor and optoelectronics industries. These are less susceptible to thermal expansion than the more conventional organic alternatives which reduces problems when chips get hot. Silecs' products also tend to have lower dielectric constants than conventional porous alternatives meaning that on-chip component densities can be increased – thus reducing costs at the same time as increasing speed. The global market for such chemicals is forecast to reach €20bn this year.

Having re-invested a large proportion of its revenues back into R&D, Silecs has a portfolio of over two dozen patents pertaining to silicon-related chemistry and a proprietary library of novel molecular precursors. Manufacture takes place primarily at Silecs' high-volume manufacturing plant in Espoo, just outside Helsinki. Unusually, this facility includes a pilot semiconductor production line that enables Silecs to test new customer processes on site.

Unsurprisingly, most of Silecs' customers are in the Asia-Pacific region in Korea, Taiwan, Japan and Singapore. As well as sales offices in all of these countries, the company also has a production capability in Japan in collaboration with Nagase. The company also has three sales offices in Europe and one in the US.

Formed in 2000 as a spin-out from Finland's National VTT Microelectronics Laboratory, Silecs is a text book illustration of the time and patience necessary for semiconductor investment. While Silecs had early backing from Silicon Valley investors Kleiner, Perkins, Caufield & Byers and Viventures Partners – at one time Silecs even had its headquarters in California – it has taken over €20mn (€7.5mn in 2004, €7.7mn in 2006 and €6mn in 2009) and a transfer of focus to the Asia-Pacific region for Silecs to gain traction with customers.

Shortly after Silecs' last investment round (€6mn in January 2009), Silecs' Singapore-born CEO Kok-Whee Teo said that the company would use the money to strengthen its sales and marketing. The company has since trebled its revenues. CEO Mr. Teo is on record as saying that Silecs' goal is to reach a turnover of €200mn by 2015.

Swedish early-mid stage life science and technology investor Innovations Kapital (€110mn (2006); AUM €330mn) deserves credit for staying power as it was already an investor in 2004. Secondary market specialist Tempo Capital Partners (AUM €200mn) provides liquidity to venture investors and bought out the early investors which may turn out to have been an extremely shrewd move.

Transaction leader and Singaporean regional investor EDBI (AUM €200mn) is the corporate investment arm of Singapore's Economic Development Board (EDB). EDBI's main focus is to grow Singapore's knowledge and innovation-intensive sectors – biomedical sciences, clean technologies, the internet and digital media.

Company	Sector	Round	€mn	Description	Investors
Simfy (Germany) corporate.simfy.com	Digital Media	B	10.0	German version of Spotify.	Earlybird Venture Capital, NRW Bank, DuMont Venture, Individual Investors.

Simfy (**Germany**), a DRM-based streaming service offering music from selected record labels, raised **€10mn** in a **Series B** round from **Earlybird Venture Capital**, **DuMont Venture**, **NRW Bank** and individual investors. The money will be used to consolidate Simfy's position in the German-speaking countries as well as to expand into the rest of Europe.

Simfy started out as a price comparison site for music downloads developed by students Christoph Lange and Steffen Wicker in 2006. It then morphed into a music sharing service where users could share their personal music collections with other users. This was legal under German law and avoided the payment of royalties – the major cost for music sites.

In 2009, following a partnership and investment from Music Networx, a venture-backed recorder and distributor of live music through its Concert Online portal, Simfy re-launched as a music-streaming business. Similar to Spotify, which had launched the year before, it operated a freemium business model with an ad-funded free service or a subscription-based ad-free version that included support for mobile devices. Unlike Spotify, the service does not yet limit the amount of free listening. In fact, Simfy and Music Networx share the same CEO – Gerrit Schumann – a serial entrepreneur whose previous business element5 developed an easy way to sell software through internet downloads and was sold to Digital River for €120mn in 2004.

Simfy is symptomatic of the wide variety of companies and business models struggling to find a way to make online music profitable. Broadly speaking these divide into truly on-demand services such as Mog.com, Rdio, Rhapsody, Simfy and Spotify and streamed internet radio services such as Pandora, Last.fm and Grooveshark. The key commercial issue is that label licenses for on-demand playback are more costly than for streaming radio.

For on-line music streaming the jury's still out as to whether a profitable business model can be found as none of the above companies have yet found a way to make serious money although many have a lot of venture funding. Some, such as Germany's ad-financed streaming service Roccatune, have gone bust.

Even internet radio service Pandora, which has 50% of the market for US internet radio, 35mn active users and has just gone public on the NYSE at a valuation of $2.6bn (19x revenues of $137mn) has yet to post consistent profits quarter-by-quarter although it is, arguably, close. Reading through Pandora's prospectus does, however, throw a lot of light on the rest of the industry. For example, Pandora makes over 85% of its revenues from advertising and only 15% from subscriptions which is a hopeful sign for ad-funded services if only they can achieve this sort of scale. Secondly, the company spends 50% of its revenues on royalties. For truly on-demand sites, this cost will be higher. Finally – and intriguingly – Pandora broadcasts only one minute of advertising per hour of listening which is much less than conventional radio.

This latest round by Earlybird Venture Capital (€130mn (2008); AUM €430mn), DuMont Venture (see next write-up) and NRW Bank brings total investment in Simfy to about €22mn.

Company	Sector	Round	€mn	Description	Investors
YourVideoCard (Germany) www.yourvideocard.de	Hardware	A	10.0	Provider of personalised video greetings cards.	DuMont Venture, CFP Investments, Individual Investors.

Yourvideocard (**Germany**), a provider of personalised video greetings cards, raised **€10mn** in a **Series A** round from **CFP & Founders Investments**, **DuMont Venture** and undisclosed individual investors.

Berlin-based yourvideocard, which has only ten employees, distributes individually designed greetings cards which contain an LCD screen, camera, microphone and speakers allowing users to record personalised greetings. Additionally every card has a mini USB port to recharge the video card and use it as storage medium for photos and videos. The firm hopes to distribute its products in shopping malls, chemist's shops and petrol stations and also wants to offer the video greeting cards to businesses for marketing use. As well as operating in Germany and Israel, in a nod to the industry's origins in China and Ancient Egypt, yourvideocard also operates in China.

The greetings card market is huge. It is forecast to reach $30.4bn worldwide by 2015, with the US and the UK being the largest markets at $7.5bn and $2.3bn respectively. Europeans are traditionally more likely to send cards, with the British sending 55 cards per capita per annum compared to only 25 in the US. Although the Germans send only about 600 million cards per year, this is still a sizeable market.

Technology investors have invested in companies such as British Moonpig.com and Dutch Greetz which leverage the internet as a way for consumers to order personalised greetings cards. Greetings cards are traditionally a high margin industry and a web-based front end can strip out the margin given to bricks-and-mortar stores such as Clinton's. Moreover, even when companies such as Moonpig allow the user to personalise their greetings card, firms such as Vistaprint have demonstrated that the marginal cost of printing-on-demand can be negligible providing that there is sufficient scale to keep the presses rolling.

Interestingly there is little sign that virtual e-cards are going to supplant traditional cards that are sent by post. The **global** market for e-cards is only about 500mn per year – about the same as the number of physical cards sent in the Netherlands – not one of Europe's larger countries.

Yourvidecard's round is a large round by Series A standards but no doubt reflects the hardware and physical components of its business model. The key risk, of course, is whether the extra effort involved – getting the card sent to themselves so that they can record a greeting before sending it on to its intended recipient – will dissuade consumers from sending video cards in preference to using a firm like Moonpig where they only have to remember someone's birthday, anniversary or Valentine's Day once.

DuMont Venture is the corporate venture arm of German publishing and media corporation DuMont. The firm invests €0.5-2mn per company in digital media and IT businesses and has built up a portfolio of 18 companies – including simfy – and made two exits. DuMont's media expertise and capabilities should be of great help to yourvideocard.

Founded in 1998 by former Rothschilds and UBS bankers, CFP & Founders Investments is the co-investment vehicle of global TMT corporate finance advisor CFP. Although they are not well known as technology investors, they were the advisors on the December 2010 trade sale of brands4friends to eBay.

Company	Sector	Round	€mn	Description	Investors
Urban-Brand (Germany) www.windeln.de	Internet Services	A	10.0	Online marketplace for baby care products.	**DN Capital**, High-Tech Gründerfonds, Acton Capital Partners.

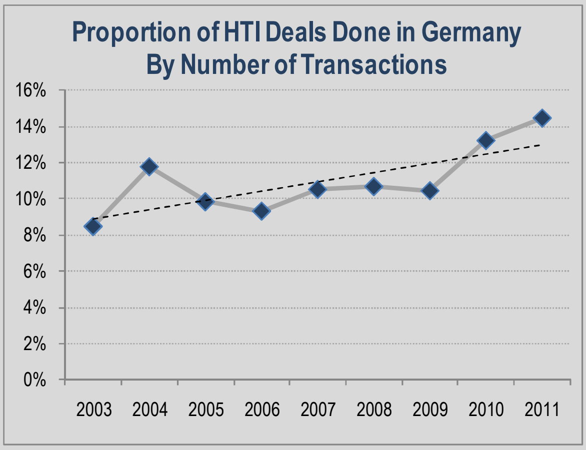
Urban-Brand (**Germany**), an e-tailer of baby products, raised **€10mn** in a **Series A** round led by **DN Capital** with participation by seed investor **High-Tech Gründerfonds** and new investor **Acton Capital Partners**. The money will be used to expand both the company's product range and also its marketing activities.

Munich-based Urban-Brand was founded in 2010 by Konstantin Urban, Alexander Brand and Dagmar Mahnel. Urban is not only a former partner at Holtzbrinck Ventures but also used to run Holtzbrinck Networks (now known as Holtzbrinck Digital Strategy Segment) – Holtzbrinck's portfolio of mature internet companies. Prior to Windeln.de, Brand was Head of EMEA Sales Operations for Siemens Enterprise Communications. This is not his first venture as he co-founded mobile marketing company 12snap in 1999.

The website name – windeln.de – is German for diapers.com and gives away both the business model and the fact that this is yet another copy-cat company. This business model is definitely proven, however, with Amazon having bought Quidsi (the parent company of diapers.com, soap.com and beautybar.com) for $540mn in cash in autumn 2010. Moreover Germany is the largest market in Europe.

According to German e-commerce trade magazine excitingcommerce.de, Windeln uses the Magento e-commerce platform which explains why the company has been able to get started so quickly. This is particularly topical as eBay has just acquired Magento for a rumoured $180mn.

With so many investments in Germany this month readers might wonder whether this is symptomatic of some longer term trend. While a single month does not make a trend, the proportion of HTI deals (i.e. European technology deals) that are done in Germany has indeed increased, particularly over the last two years. This has not yet translated into the amounts raised as, with the exception of Sulfurcell, the transactions tend to be early-stage deals. To some extent this is reminiscent of Germany's sudden enthusiasm for technology investing in the late 1990s which resulted in one of Europe's most active junior stock markets, the infamous and long dead and buried Neuer Markt.



London-based transaction leader DN Capital (€75mn (2008); AUM €100mn), is a stage-agnostic digital media and software specialist and last featured in our bulletin with a €5.9mn investment in performance marketing company the Performance Horizon Group. The firm already has exposure to the German e-tail market through a €7mn investment in Mister Spex – Germany's largest eyewear e-tailer – in September 2010. Indeed, British and other investors are increasingly doing deals in Germany as the German venture industry is underdeveloped for the size of the country.

Well known early stage investor High-Tech Gründerfonds (AUM €270mn) also featured in last month's bulletin with a €7.7mn Series B investment in drive train designer Clean Mobile. Both DN Capital and High-Tech Gründerfonds provided seed funding in September 2010. Although only launched as Acton Capital Partners (€150mn (2010); AUM €165mn) in 2008, this Munich-based new investor used to be the corporate venture arm of Hubert Burda Media and already has a portfolio of some 40 media, platform and e-tail businesses.

Company	Sector	Round	€mn	Description	Investors
Supercell (Finland) www.supercell.net	Digital Media	B	8.4	Developer of browser based games.	**Accel Partners**, London Venture Partners, Individual Investors.

Supercell (**Finland**), a developer of browser-based games, raised **$12mn** (**€8.4mn)** in a **Series B** round led by new investor **Accel Partners**, with participation from existing investor **London Venture Partners** and individual investor **Klaas Kersting**.

Supercell was founded by the same team that co-founded mobile games developer Sumea back in 1999. Having sold Sumea to California-based social games company Digital Chocolate in 2004, the team stayed on, effectively becoming Digital Chocolate's head office in Europe. They left in the middle of 2010 to found Supercell, allegedly taking a number of veteran Digital Chocolate developers with them to make up their 14 strong team. Collectively the team has published 165 games on 12 platforms.

Their objective is to develop a new sort of game – a cross between social games such as Farmville and MMORPGs such as World of Warcraft; richer than facebook games, but more socially interactive than traditional MMORPGs. Supercell has chosen to develop using Flash on top of a proprietary game engine and tool-set. The fact that any game written in Flash has to go through several layers of OS (Flash, browser, windows etc.) before it can access the local machine's hardware means that, at least in terms of graphics, it will never be able to compete with hard-core games with a machine code engine written for specific platforms. But this is not what the firm is trying to do.

The firm intends to use a free-to-play business model and generate revenues from the purchase of in-game virtual objects. One of the most interesting features is the game's interaction with facebook as a way to source friends with whom to play the game, allowing Supercell to reach a wider demographic than the usually male-dominated population of gamers.

Readers will be familiar with hyper-active lead investor Accel Partners (€340mn (2008); AUM €5bn). So far this year, our Headline Transaction Index (HTI) has tracked eight investments by Accel totalling almost €180mn, five of which have been written up in our bulletin. Accel has been steadily building up a portfolio of games companies. Accel's first investment in this area was a €5.6mn Series A investment in British firm Mind Candy in October 2006. Mind Candy is best known for its social game for children Moshi Monsters. Co-investor Spark Ventures recently sold part of its stake, valuing the company at $200mn. The firm's second foray into the games industry was an undisclosed investment in August 2007 in German MMPOG company Gameforge, best known for its popular free-mium browser-based games like OGame, BiteFight and Ikariam. We note that former Gameforge CEO Klaas Kersting has invested in this round

From an investment point of view, Accel's third games investment, $17mn in social games company Playfish in October 2008, was clearly a home run. The company was sold to legendary games industry veteran Electronic Arts just over a year later in a deal worth $400mn - $275mn in cash, $25mn in equity retention and $100mn in contingent payments. Most recently, Accel featured in our March 2011 issue with a €30mn Series A investment in Rovio of Angry Birds fame.

Existing investor London Venture Partners is a new investment firm set up by four games industry executives: former Atari CEO David Gardner, former Sony and Atari senior executive Phil Harrison, investment banker Paul Heyden and Electronic Arts VP David Lau-Kee, who combine experience in management, studio leadership, technology and finance. The firm will focus on early and seed stage investments in the games industry, including technology and services companies that support the industry.

Company	Sector	Round	€mn	Description	Investors
9Flats (Germany) www.9flats.com	Internet Services	A	7.0	Peer to peer flat rentals.	Redpoint Ventures, eVentureCapitalPartners.

9flats.com

9Flats (**Germany**), a peer-to-peer flat rental service, raised what is believed to be about **€7mn** in **Series A** funding from **eVentureCapital Partners** and **Redpoint Ventures**. The money will be used to expand 9flats across Europe.

Founded in February 2011, 9flats operates an online market for short-term private rented accommodation. Operating from offices in Berlin, Hamburg and Valencia and employing 90 people, 9flats lists over 8,000 flats, houses and apartments in some 40 countries ranging in price from €15 to €500 per night.

This is the latest in a series of peer-to-peer sites that connect buyers and sellers online. Previous examples include Seatwave and Viagogo for second-hand ticket sales, Zopa and Funding Circle for lending money, and Whipcar and GetAround for renting cars.

This deal combines two of the themes we have been exploring in this issue – increasing VC activity in Germany (at least in terms of the number of deals done) and copy-cat deals. As we have said before, there is absolutely nothing wrong with copy-cat deals – this strategy has certainly worked well for the Samwer brothers who've turned it into a business at European Founders. What is striking is the rapidity with which a good idea will now be cloned by another entrepreneur – seemingly almost simultaneously. At some stage this will start to cause problems when the clones appear fast enough to compete with the originals – particularly relevant here as the on-line accommodation industry is already quite crowded.

In this case, the company being copied is Airbnb which was founded in August 2008 in San Francisco. According to Airbnb founder Brian Chesky more than half of the angels he initially pitched to didn't return his e-mails and most of the remainder told him it was a lousy idea. They just didn't believe that people would be prepared to accommodate strangers in their own home. In an affirmation of his belief in the old truism that the most important thing is to get good people, programmer, essayist and business angel Paul Graham backed him because he liked him.

Airbnb has now booked about 1.8mn nights of accommodation lists over 100,000 places to stay in more than 13,000 cities and 181 countries and has a growth rate of 16-40% per month. After early rounds from Sequoia Capital and Greylock Partners, Airbnb is rumoured to be close to closing a $100mn round at a valuation of $1bn. Just to re-emphasise our earlier point that this industry is already quite crowded, Airbnb has recently acquired Accoleo – a small German clone of itself for an undisclosed sum and expects to have about 30 employees in Hamburg by the end of June.

In the wake of this success, investors have been keen to invest in clones. Redpoint Ventures (€330mn (2007); AUM €1.7bn), an American firm with offices on the West Coast and in China, is an early stage technology investor and provides another example of an American firm starting to pay attention to Europe.

eVenture Capital Partners is that rare animal – a fund which straddles the Atlantic to be equally at home in the US and Europe (which they view as including not just Eastern Europe, but also Russia and the Ukraine). It has also made half a dozen investments in Asia. A veteran from before the burst of the internet bubble, eVenture invests in early stage internet ventures. It also provides proof of our contention that there is nothing wrong with copy-cat businesses in that it has recently succesfully exited three Groupon clones – CityDeal (Europe), darberry (Russia) and Q:pod (Japan).

Published on 30 June 2011 by Go4Venture Advisers LLP

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