Monthly European Technology Venture Capital Bulletin June 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 June 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.

We are coming to mid-year and there is **a growing sense of optimism in technology investing**. If one looks at the Headline Transactions Index (HTI) figures for June 2011 vs. the same month last year, we are at a comfortable 50+% increase by value. The equivalent figure year-to-date is a solid 30+%. As mentioned in our last issue, this is driven primarily by Landmark deals (>€20mn), whose number has doubled to 20 compared to the same time last year, trebling in value, and resulting in **Landmark transactions now representing nearly half of the market by value** as measured by the HTI.

From a practical standpoint, this means that **the raising of funds is becoming slightly easier** as reflected by the high level of activity in June:

- Flemings Family & Partners (FF&P) Private Equity (London, UK) announced the first close of its third club fund on £47mn (€53mn), with 58 investors, including FF&P, its clients and a single institutional investor. It is noticeable that such a seasoned investor is getting back into the market.
- Up and coming VC Nauta Capital (Barcelona, Spain) closed its third fund at €100mn. Nauta has been gathering momentum with successive investments in the internet space in high profile companies such as Flirtomatic, Privalia and, more recently, Groupalia. Interestingly, it still took them close to two years between the first and final closing.
- Zouk Ventures (London, UK), a survivor of the first internet bubble explosion which smartly moved to late-stage cleantech investing in the early 2000s, closed its second cleantech fund at €230mn, slightly ahead of its €200mn target.
- New manager Open Ocean (Espoo, Finland) held its first close at €40mn. The team behind Open Ocean are primarily ex-MySQL managers, an example of a new breed of funds in Europe: entrepreneurs rather than ex consultants, bankers, etc i.e.: previously successful, so bringing a level of confidence whilst not oblivious to execution challenges; and of course independently wealthy and therefore able to put a sufficient amount of their own money at risk to attract LPs.
- Finally, CDC Entreprises (Paris, France) announced a €400 million digital ventures fund (as part of the French state's €1.4bn National Endowment for the Digital Society (FSN)). Known as FSN PME, the fund will invest up to €10mn in early-stage companies, with the aim to make 30 investments by the end of 2011.

As usual the US has done even better: Accel announced their Growth II Fund, which they managed to close in two months at €1.35bn, nearly double the amount of Growth I Fund in 2008. Interestingly they also announced their IX Fund (for venture investments) at $475mn, i.e. approx.10% down compared to the previous in the series, a $520mn 2007 vintage fund. Together, these two Accel funds represented half of the VC money raised in the US in Q2 2011, showing the **growing concentration of the LPs' money on**

established managers. It also demonstrates that **LPs are still wary of venture and really want growth equity;** or at least situations where exits are within reach and delivering a substantial outcome.

Of course, every VC is now rebranding itself as a late-stage investor (just like everything is being painted in cleantech). With this in mind, LPs (and investors in general) are getting fascinated by what is happening at the internet end of the market, which seems to enjoy near supernatural scalability and speed of execution (remember the New Economy?). As reported before, there is a sense of **feeding frenzy, fed by generous amounts of cash sloshing around in search for alpha**, and by desperation for return so as to be prepared to take the tech risk.

By any measure, it is difficult to believe that DropBox, a firm which has raised $7.2mn so far (in 2007), should now raise $200 or $300mn (including "a secondary component of less than 50%" according to an unnamed source from TechCrunch) at a $5-10bn valuation – all this on the back of 25 million registered users. Ditto when Zynga files its IPO at between $15-20bn for a business which "only" did $597mn in revenues in 2010 ($96mn net profit) and is expected to double this year: in short 15-20x projected revenues and let's call it 75x to 100x projected earnings, and a valuation which would make them as valuable as the world's two biggest video-game makers (EA and Activision Blizzard) combined. This seems a mix of wishful thinking (finding a new source of return in the middle of the barren desert of ex-growth developed economies) and **what is sometimes called momentum investing but can be best described as a giant legal Ponzi scheme**. In the process, **internet investors are dropping all notion of capital efficiency in exchange for sheer land grab**, the scourge of Bubble 1.0. We are ending up with a two speed venture market with large funds prepared to ride the bubble (their managers are rich enough to take the ride – at worse they will just retire when things pop) and driving valuations up across the board in the process.

If we are not careful **in Europe, we might end up with the worse of both worlds**: a handful of funds cherry picking the best deals at increasingly inflated prices, and a sea of regional and tax-subsidised funds creating the wrong entrepreneurial DNA. **What Europe needs is a new breed of VC fund managers who mix experience, entrepreneurship, international reach and quiet self-confidence** to work on what Europe knows how to do best: build capital efficient companies (where **Europe has a genuine competitive advantage vs. the US** – see the convincing case presented by European VC Earlybird) until the business model is demonstrated before lighting up the rocket. We'll graduate to momentum investing once we've made real money first for our LPs!

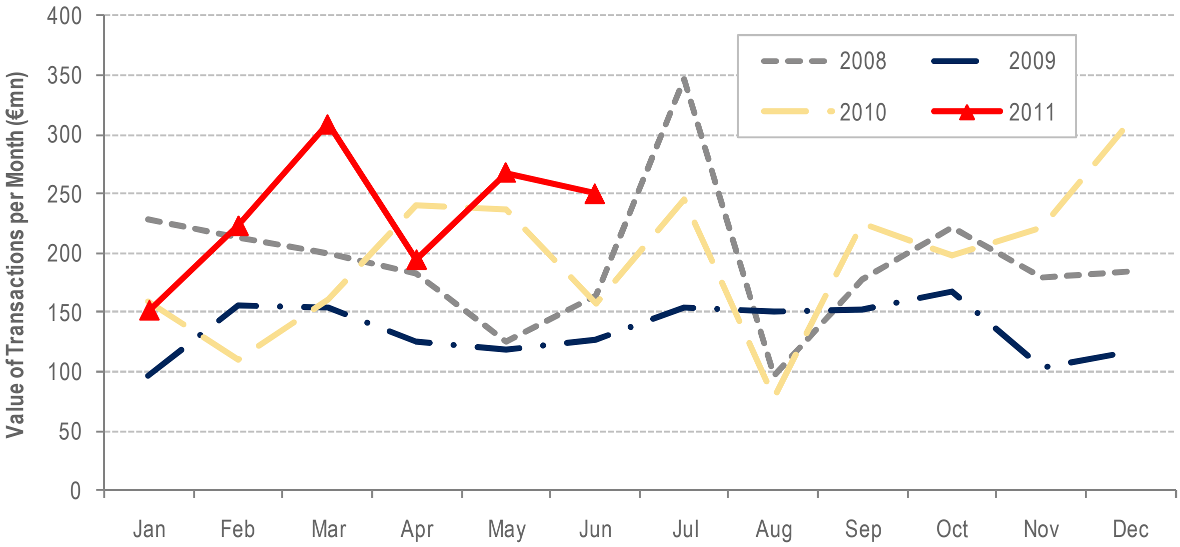
Enjoy the reading. Please direct any questions or comments to vcbulletin@go4venture.com. If you do not wish to receive future HTI updates from us, please send an email with the title "unsubscribe" to vcbulletin@go4venture.com.

The Go4Venture Team

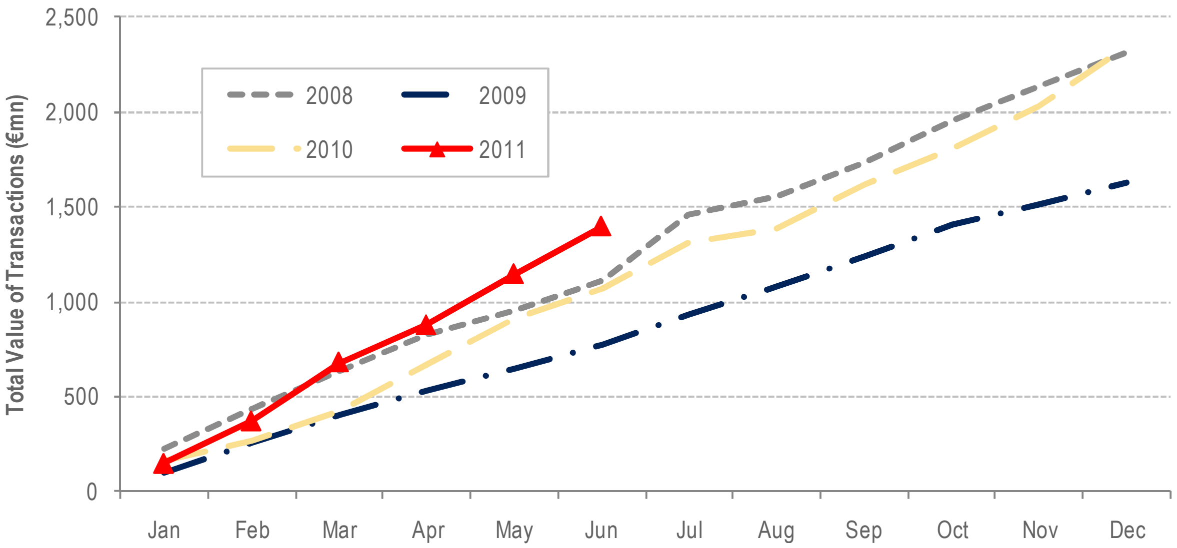
PS: Please note that we didn't include a write-up for PCH which announced $30mn (approx. €21mn) on top of the €22mn raised earlier this year and featured in our March 2011 edition. New investors include Northbrooks Investments – wholly owned by Singapore investment company Temasek and individual investor J. Christopher Burch, a well-known US entrepreneur and business angel.

Investment Summary

Go4Venture HTI Index by Deal Value



Go4Venture HTI Index by Cumulative Deal Value



June		2010	2011
Landmark Deals	#	-	4
	€m	-	135.7
Headline Deals	#	4	6
	€m	54.0	62.9
Small Deals	#	32	18
	€m	104.0	51.4
All Deals	#	36	28
	€m	158.0	250.0

Year-to-Date		2010	2011
Landmark Deals	#	8	16
	€m	236.2	662.0
Headline Deals	#	33	29
	€m	375.9	342.6
Small Deals	#	140	140
	€m	454.3	390.0
All Deals	#	181	185
	€m	1,066.3	1,394.5

Large Headline Transactions Summary

(> £5mn / €7.5mn / $10mn)

Company	Sector	Round	€mn	Description	Investors
Wimdu (Germany) www.wimdu.com	Internet services	A	62.6	Airbnb Clone - a social platform providing accommodation for travellers.	Rocket Internet, Investment AB Kinnevik.
Avantium Technologies (Netherlands) www.avantium.com	Cleantech	Late Stage	30.0	Developer of a process for the production of eco-friendly plastics from biomass.	Aescap Venture, Aster Capital, Capricorn Venture Partners, De Hoge Dennen Capital PE, Dutch Government, ING Commercial Banking, Navitas Capital, **Sofinnova.**
Shazam (United Kingdom) www.shazam.com	Internet services	Late Stage	22.2	Music recognition service for smartphones.	DN Capital, **Kleiner Perkins Caufield & Byers**, **Institutional Venture Partners**.
PCH International (Ireland) www.pchintl.com	Hardware	C	20.9	Provider of supply chain management services for the consumer electronics industry.	Northbrooks Investments, Individual Investors, Norwest Venture Partners, Triangle Peak Partners, Cross Creek Capital, Fung Capital.
Ercom (France) www.ercom.fr	Telecom Services	Late Stage	18.0	Provider of measurement, testing and secure communications solutions for mobile and wireless networks.	Alven Capital, A Plus Finance, Capzanine, **Fonds Stratégique d'Investissement**, OTC Asset Management.
Enablon (France) www.enablon.com	Software	Late Stage	10.4	Provider of sustainability management software.	ETF.
Aldebaran Robotics (France)*** www.aldebaran-robotics.com	Hardware	C	9.0	Manufacturer of humanoid robots.	CDC, Crédit Agricole Private Equity, **Intel Capital**, I-Source Gestion.
Neul (United Kingdom) www.neul.com	Hardware	A	9.0	Developer of wireless network technology.	Cambridge Angels, **DFJ Esprit**, IQ Capital, Management.
Sapato (Russian Federation) www.sapato.ru	Internet services	C	8.3	Online shoe retailer.	Direct Group, eVenture Capital Partners, **Intel Capital**, Kinnevik.
Mendor (Finland) www.mendor.com	Medical Technology	B	8.1	Provider of diabetes management products.	Biothom, Finnish Industry Investment, Finnvera Venture Capital, Ilmarinen Mutual Pension Insurance, Life Sciences Partners, **Risto Siilasmaa**.

Source: Go4Venture

Key

Bold indicates lead investor(s)

* Internal round

** Led by existing investors

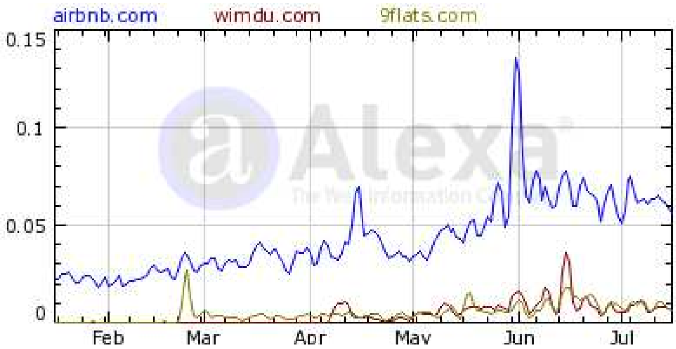
*** Client of Go4Venture Advisers

Company	Sector	Round	€mn	Description	Investors
Wimdu (Germany) www.wimdu.com	Internet services	A	62.6	Airbnb Clone - a social platform providing accommodation for travellers.	Rocket Internet, Investment AB Kinnevik.

Wimdu

Wimdu (**Germany**), an AirBnB clone, raised a **€62.6mn Series A** round from **Kinnevik** and **Rocket Internet**. The money will be used for further international expansion.

Just like 9flats which featured in last month's bulletin, Wimdu is a clone of US–incorporated peer-to-peer bed and breakfast company Airbnb. Founded in 2010, Wimdu already has 400 employees and offices in 15 countries and claims to be advertising more than 10,000 places to stay. Wimdu also owns and operates a Chinese-language version of its business – Airizu.com – which has only marginally less traffic than Wimdu and 9flats.



Although 9flats, Airbnb and Wimdu are private companies, we can get an idea of relative market share by comparing what proportion of internet users view their sites as measured by Alexa (see figure). Incorporated at roughly the same time, Wimdu and 9flats are neck and neck. Both advertise in the order of 10,000 places to stay. Including Airizu would put Wimdu ahead of 9flats, but both are quite a long way behind Airbnb. Airbnb dominates in the US and has a more extended global reach, with a presence in over 180 countries, although Wimdu and 9flats presumably have better European coverage.

In discussing 9flats last month, we noted both the Samwer brothers' talent for copying good business ideas and the fact that good ideas are now cloned so rapidly they can pose a competitive threat to the originals. This transaction exemplifies both these things.

The Samwer brothers invested in Wimdu through their Berlin-based internet incubator Rocket Internet, which had previously provided seed funding in 2010. Unlike the Samwer brothers' other early stage investment vehicle, the European Founders Fund, Rocket is a true incubator and can provide a variety of both business and technical expertise to its companies through its ten man team. The brothers are also behind tech news website Deutsche Startups,

Listed Swedish investment firm Kinnevik (SS: KINVB) invests across a much wider range of sectors – paper and cardboard, telecom services, media, internet, micro-finance, agriculture and bioenergy. While much larger, Kinnevik has a close association with the Samwer brothers, having paid €35mn for an equity stake in Rocket in February 2010 with warrants which would allow it to increase its shareholding to 25%. As with some previous Rocket investments, Kinnevik has also made a direct contribution of €25mn to this round, together with warrants allowing it to double its stake to €50mn.

This round is roughly \$90mn – not far short of the \$112mn that Airbnb has just raised from Andreessen Horowitz and Digital Sky Technologies at a valuation of about \$1bn. This transforms what should be a business with low capital requirements into a capital intensive one, where money will be used to expand internationally through SEO warfare and acquisitions. With total investment in 9flats to date less than \$10mn, perhaps 9flats investors Redpoint and eVenture Capital Partners can look forward to an early exit.

Company	Sector	Round	€mn	Description	Investors
Avantium Technologies (Netherlands) www.avantium.com	Cleantech	Late Stage	30.0	Developer of a process for the production of eco-friendly plastics from biomass.	Aescap Venture, Aster Capital, Capricorn Venture Partners, De Hoge Dennen Capital PE, Dutch Government, ING Commercial Banking, Navitas Capital, **Sofinnova.**

Avantium (**Netherlands**), a provider of products and processes for the manufacture of biofuels and plastics, has raised **€25mn** in a **Late Stage** round led by **Sofinnova** with support from new investors **Aster Capital** and **De Hoge Dennen Capital PE** together with existing investors **Aescap Venture**, **Capricorn Venture Partners**, **ING Commercial Banking** and **Navitas Capital**. In addition, the company has secured a subsidy and innovation credit of €5mn from the Dutch Ministry of Economy, Agriculture and Innovation (EL&I).

Part of the money has been used to buy out shares held by DFJ Esprit, AlpInvest, Eastman, EDBI and Pfizer. The remainder will be used to complete the construction of a pilot plant in Geleen in the Netherlands to demonstrate the manufacture of the eco-friendly polyester poly-ethylene-furanoate (PEF) using Avantium's YXY technology platform.

Founded in 2000 as a spin-off from Shell, Avantium started as a contract R&D organisation for the chemical, oil and pharmaceutical industries. In 2005-06, Avantium started to sell research tools and develop its own research programmes, metamorphosing into an IP and products-based company. Venture investment of €18mn in October 2008 allowed the company to accelerate its proprietary research programmes and ultimately led to the development of what is now its core product YXY. In April 2011, the company span out its pharmaceutical CRO business in order to focus exclusively on YXY and its cleantech chemicals business.

YXY (pronounced icksy) is a patented catalysis-based technology platform for the production of chemicals, such as the acids HMF and MMF (generically known as furanics), from biomass. This is important as furanics can be used to make eco-friendly alternatives to oil-based plastics and fuels. The potential importance of furanics has been realised for decades but previous attempts to manufacture them commercially failed owing to the instability of furanics and led to high production costs.

As an example, furanics can be used to produce the poly-ethylene-furanoate (PEF) – an eco-friendly alternative to the ubiquitous Polyethylene terephthalate (PET) used for plastic bottles. YXY may therefore allow Avantium to help produce the first fully bio-sourced plastic bottles.

This is transaction leader Sofinnova's (€260mn (2006); AUM €810mn) second investment in alternative energy, the first being a €13.7mn round for hydrogen storage company McPhy in July 2010.

Of the other new investors, Aster Capital (€100mn (2011); AUM € 136mn) was founded in 2000 as Schneider Electric Ventures. It has since expanded its investor base to include energy and transport company Alstom and fine chemicals producer Rhodia, in order to focus on energy and environmental start-ups in Europe, North America and Asia. De Hoge Dennen is a family owned investment company based in the Netherlands. De Hoge Dennen makes both direct and indirect investments in medium-sized Dutch companies with enterprise values of €10-100mn.

Existing investor Aescap Venture (AUM €100) focuses on medical and life science companies. As it had led Avantium's previous round of €18mn as recently as September 2008, the terms under which even earlier investors were bought out were presumably not sufficiently attractive. Cleantech and healthcare specialist Capricorn Venture Partners (€40mn (2010); AUM €110mn) and ING Commercial Banking will both be well known to our readers. Dutch family investment vehicle Navitas Capital was founded in 2008 as a cleantech investment vehicle.

Company	Sector	Round	€mn	Description	Investors
Shazam (United Kingdom) www.shazam.com	Internet services	Late Stage	22.2	Music recognition service for smartphones.	DN Capital, **Kleiner Perkins Caufield & Byers**, **Institutional Venture Partners**.

Shazam (**UK**), a music recognition service for smartphones, raised **$32mn** (**€22.2mn**) in a **Late Stage** round co-led by **Kleiner Perkins Caufield & Byers** and **Institutional Venture Partners (IVP)**. Existing investor **DN Capital** also participated. The money will be used to fund expansion into the television market with Shazam TV and possibly also acquisitions.

Shazam was founded in 2000 in the US by Berkeley Business School graduates Chris Barton and Philip Inghelbrecht together with Stanford PhD Avery Wang. The idea of using a mobile phone to identify unfamiliar music occurred to Barton while trekking in the Himalayas in 1999.

Even at the height of the boom, however, mobile investment was still relatively new and in order to find seed funding the trio ended up moving from Silicon Valley to London. When the service launched in 2002, it was initially a niche service which people would use two or three times for the novelty value and then stop. Like a number of other applications, this changed with the advent of the iPhone's App Store in 2008. Apple now ranks Shazam as the fourth most-downloaded App of all time. Still headquartered in London, Shazam has grown to more than 100 employees with offices in Palo Alto, New York, Los Angeles and Seoul. It is now available in 30 languages and is used by 150mn users to identify four million popular tunes every day.

Shazam does not normally charge for downloading its application. Revenues come from a mixture of advertising, selling music via iTunes and being paid by carriers to provide the app to their users. Revenues from music sales and advertising are both likely to grow in the wake of two recent deals. In January, Shazam announced partnerships allowing iPhone and Android users to buy music from Spotify. More recently, the company agreed deals with NBC and MTV, based on a CPM fee structure, allowing Shazam users to identify TV content and access related web links. Early signs indicate that making advertising interactive like this gives high conversion rates.

Other recent additions to the company's product are Shazam Friends – combining social networking with music – and Shazam LyricPlay – allowing users to get lyrics synched to whatever they are listening to.

While keeping Shazam's database of popular music up-to-date is a challenge, the company's business model does have one key advantage. Unlike streaming music providers, such as Simfy, which must spend half their revenues on licensing, Shazam's cost base is extremely low.

Shazam is not unique, however. Yahoo recently bought three month old start-up IntoNow for a rumoured $20-30mn. IntoNow uses similar technology to Shazam to let users tell their friends which TV programmes they are watching. In response, Shazam has not been slow to spend the money and in June 2011 acquired music search engine Tunezee as the basis for its new LyricPlay service.

Returning investor Kleiner Perkins Caufield & Byers (€140mn (2010); AUM €2,750mn), which numbers Al Gore and Colin Powell amongst its partners, continues the recent trend for renowned American venture firms to invest in Europe. Co-lead and new investor Institutional Venture Partners (IVP) (€520mn (2010); AUM €1,830mn) is another premier name from the US specialising in late-stage venturing and growth capital. Pan-European early-stage venture firm and existing investor DN Capital (€75mn (2008); AUM €100mn), which has supported Shazam since 2003, also participated.

Company	Sector	Round	€mn	Description	Investors
Ercom (France) www.ercom.fr	Telecom Services	Late Stage	18.0	Provider of measurement, testing and secure communications solutions for mobile and wireless networks.	Alven Capital, A Plus Finance, Capzanine, **Fonds Stratégique d'Investissement**, OTC Asset Management.

Ercom (**France**), a provider of measurement, testing and secure communications solutions for mobile and wireless networks, raised **€18mn** in a **Series C** round led by **Fonds Stratégique d'Investissement** with support from existing investors **Alven Capital Partners**, **A Plus Finance**, **Capzanine**, and **OTC Asset Management**. The money will be used to accelerate development of Ercom's 4G/LTE products, for acquisitions and to support international expansion in North America and Asia.

Founded in 1986, Ercom has two lines of business – the measurement and testing of communications networks and secure communications. In particular, Ercom's Cryptosmart range of products delivers a high level of security to corporations wishing to enable remote working capability over mobile communications. Very much a technology-focused company, over 80 of Ercom's 90 employees are engineers and the company has a portfolio of more than 20 patents.

Lead investor Fonds Stratégique d'Investissement (FSI) is France's state investment vehicle supporting high technology companies with 51% of their funds provided by the Caisse des Dépôts et Consignations (the French state bank) and 49% directly by the French Government. With a mandate to support rather than profit from the French economy, FSI normally takes minority stakes and co-invests where possible.

The existing investors are the same Paris-based syndicate who came together for Ercom's €12.0mn Series B round in May 2009. Alven Capital Partners (€100mn (2008); AUM €150mn) is a conventional venture firm which invests principally in France. Focusing on internet, media and technology deals between €200k and €5mn, Alven has made 50 investments since its inception in 1999, 25 of which it has exited.

Fund manager A Plus Finance (AUM €330mn) runs a number of independent funds dedicated to venture capital, funds of funds, film finance and real estate on behalf of both institutional and retail investors. Founded in 1998, the company focuses principally on cleantech, e-commerce, healthcare, media and software deals, often as transaction leader. Alven's investments frequently contribute to our Headline Transactions Index but rarely feature in our bulletin as they are typically early stage and below our €7.5mn threshold. Excluding Ercom, seven of A Plus' investments with a total deal value of roughly €20mn have contributed to our index so far this year.

Founded in 2004, sector agnostic buy-out specialist Capzanine (€250mn (2007); AUM €565mn), which financed Ercom's MBO in 2007, makes mezzanine and venture investments in companies valued €20-300mn. Capzanine's track record consists of some 30 investments and 15 exits.

OTC Asset Management (AUM €250mn) focuses mostly on technology and the life sciences although they will invest in other sectors showing significant innovation. OTC normally takes minority stakes for €0.5-3mn and has a preference for being either lead or co-lead in its transactions. Again, OTC concentrates primarily on France although it will invest in the rest of the EU.

Company	Sector	Round	€mn	Description	Investors
Enablon (France) www.enablon.com	Software	Late Stage	10.4	Provider of sustainability management software.	ETF.

Enablon (**France**), a provider of sustainability management software, raised **€10.4mn** in **Late Stage** finance from **ETF**. The money will be used to support expansion in Europe, North America and Asia.

Enablon was founded in Paris in 2000 as a provider of software to help track non-financial measures of business performance. Its three founders – Dan Vogel, Marc Vogel and Philippe Tesler – are all still with the company as CEO, CTO and CEO North America respectively. Enablon's timing was perfect, with their products becoming available just ahead of the plethora of legislation and regulatory requirements relating to Corporate Social Responsibility (CSR), corporate governance, carbon trading and the environment that has been passed over the last decade. The company's software can now deal with CSR, sustainable supply chain management, energy and carbon management, risk management and corporate governance.

Enablon's software is used by over 250 multinationals including such well known names as Alcatel-Lucent, BASF, Bosch, Cadbury, Carlsberg, L'Oréal, PepsiCo, Total and Volkswagen. It is also used by numerous SMEs and has a total user base of some 200,000. Enablon has offices in Paris, Chicago, Houston, Madrid and Montreal, and, through its partnership network, it operates in more than 130 countries.

Unusually for a software company, Enablon has managed to patent its web-based infrastructure. Coupled with the firm's web-based development environment, this means that, unlike mature and more generalist industry providers such as SAS and SAP, Enablon's products lend themselves naturally to cloud-based SaaS deployment.

Importantly for Enablon's blue-chip customer base, the company's software can also be deployed in-house, running on a corporate customer's own infrastructure. The era of the corporate mainframe may be long gone, but many blue chips still prefer to run software on their own 'heavy iron' or mainframe equivalents – an issue which has tripped up several SaaS providers.

The Enablon investment is typical of the trend we see in cleantech investing – a dearth of mature investment opportunities and therefore a tendency to broaden what cleantech investing means. These days the definition is being stretched to include any technology which reduces waste, energy consumption or does good to the planet. Without being too cynical, this is much the same as an investor redefining its mission as investing in profitable companies!

ETF (€120mn (2008); AUM €160mn) is by now a familiar name in our bulletin having led a number of relatively large cleantech deals in the recent past. Examples have included Nujira (featured in our last issue) and Tag Energy Solutions (September 2010 issue). This deal is in the middle of ETF's sweet-spot of €5-15mn and will give ETF some interesting cross-selling opportunities across its investment portfolio.

Company	Sector	Round	€mn	Description	Investors
Aldebaran Robotics (France) www.aldebaran-robotics.com	Hardware	C	9.0	Manufacturer of humanoid robots.	CDC, Crédit Agricole Private Equity, **Intel Capital**, I-Source Gestion.

Aldebaran Robotics (**France**), a manufacturer of humanoid robots, raised **$13mn** (**€9.0mn**) in a **Series C** round led by **Intel Capital** with support from existing investors **CDC Innovation, I-Source Gestion and Crédit Agricole Private Equity** (Disclosure; Go4Venture Advisers were the financial advisers to Aldebaran on this transaction). The money will be used to further expand in research and education, and prepare the company's entry into the consumer market.

Set up in 2005, Aldebaran Robotics was the world's first company to go after the consumer robotics market with an affordable, fully programmable, humanoid robot. In short, Aldebaran picked up where Sony left off when it dropped its AIBO product line a year later. Aldebaran's vision is to focus on robots that people can afford and eventually graduate to full-size human robot assistants, as falling hardware prices allow. In the meantime, the aim is to provide the best inexpensive fully featured mechatronic platform and let developers (both individual and corporate) come up with applications. By contrast, most other robot suppliers focus on single task robots (e.g. iRobot's Roomba vaccum cleaner) or expensive human-size prototypes (e.g. Honda's Asimo). Aldebaran's current product – a two foot tall programmable humanoid robot called NAO with facial and voice recognition and location awareness – has been available since 2008 and is currently sold to the educational and research markets. 1,500 have been sold in 35 countries. The next step is to co-develop applications with corporate partners who have experience and distribution reach in particular verticals, with healthcare and personal services being a priority. Examples of applications include robot companions for children in hospitals or the monitoring of elderly people in the home. Interestingly one of the first applications is the treatment of autistic children, developed by a team at the University of Notre-Dame in the US. NAO will progressively be launched as a consumer product sold direct to consumers, as the range of applications available broadens, starting with individual developers, then early adopters, etc.

Aldebaran recently announced that it would make its middleware software layer open source by the end of 2011. The aim is to stimulate the consumer robotics market just as generally available programmable home computers stimulated the PC market in the 1980s.

For lead investor Intel Capital (€35mn (2008); AUM €1,580mn), this might be the first external investment in robotics, but Intel itself has been conducting robotics research for the past decade. According to Intel "Over the past decade Intel has been conducting a considerable amount of research on difficult tasks such as movement in unstructured environments, gripping and vision processing. Through working with Aldebaran we hope to be able to leverage this expertise and combine it with the business' innovative product offerings to deliver unique and exciting solutions across a range of sectors."

Aldebaran was first backed in 2008 by CDC Innovation (€300mn (2006); AUM €415mn) and I-Source Gestion (€6mn (2009); AUM €190mn), which were joined by Crédit Agricole Private Equity (€600mn (2008); AUM €2,800mn) two years later. All three financial investors participated in this round.

Company	Sector	Round	€mn	Description	Investors
Neul (United Kingdom) www.neul.com	Hardware	A	9.0	Developer of wireless network technology.	Cambridge Angels, **DFJ Esprit**, IQ Capital, Management.

Neul (**UK**), a developer of wireless network technology, raised **£8.0mn** (**€9.0mn)** in **Series A** funding in a transaction led by **DFJ Esprit**, with participation from **Cambridge Angels**, **IQ Capital** and the management team.

The company's name comes from the Gaelic word for cloud and is pronounced like the word 'fuel'. Formed in Cambridge in 2010, Neul is developing wireless networking products that use the TV 'white space' spectrum – frequencies which are allocated to broadcasting but not used locally. With the imminent demise of analogue TV broadcasting, more of this spectrum is becoming available.

The race to develop technologies using this spectrum was started by the Federal Communications Commission's decision to open up this part of the spectrum to unlicensed devices late in 1998. Like WiFi, this portion of the spectrum could be used to provide broadband IP connectivity. Unlike WiFi, which uses long wavelength radio waves, white space networking devices operate at UHF or VHF frequencies – much shorter wavelengths and much higher energies. The practical implication is that the range of a whitespace networking base station will be much more than the 20m or so typical of WiFi hotspots.

This has two commercial implications. Firstly, 3G telecoms carriers currently operate at even higher frequencies within only 30MHz of spectrum for which licenses cost billions. By contrast, there is up to 150MHz of high quality white spectrum available which will be available free of charge – at least until local governments cotton on to the fact that they can make money from it. Secondly, 'white networks' would require far fewer base stations before reaching an IP backbone.

Neul announced its first product – NeulNET – just before this investment. NeulNet is the first radio system specifically designed for TV white space that meets all FCC/Ofcom regulations and can deliver up to 16Mbps at a range of 10km. There are two obvious applications. Firstly, according to Neul, the market for machine-to-machine (M2M) communications – the so-called internet of everything – is growing at a CAGR of 23% in terms of the number of devices deployed. For most M2M applications, 2G or 3G modems are too expensive and/or consume too much power, whereas Neul's products could deliver battery lives in excess of a decade. The number of connected devices is expected to reach 50bn by 2020. Secondly, with analogue television signals receivable even in the Shetland Islands, white space could provide universal broadband access even in sparsely populated rural areas without the capital costs of wired network infrastructure.

It is worth noting that Neul has developed a royalty free, open network standard called "Weightless". Given the management team's influence, there is every possibility that this will end up as the industry standard.

While backing entrepreneurs with a proven track record is highly desirable, it is rare for investors to be offered such a dream team. Three of Neul's founders were responsible for co-founding CSR in 1999 – one of Europe's most successful fables semiconductor companies which, after four rounds of venture investment, listed on the London Stock Exchange in February 2004. The remaining member of the senior management team used to be Director of Technology Resources at UK Communications regulator Ofcom.

Lead investor DFJ Esprit (€70mn (2003); AUM €470) is well known. Cambridge Angels is a group of high net worth technology and bio-technology entrepreneurs. Since inception in 2001, the Cambridge Angels have invested £16mn in 33 companies including AlertMe and Nujira. Early stage specialist IQ Capital (€30mn (2006); AUM €40mn) invests £100k - £3mn in both tech and non-tech businesses.

Company	Sector	Round	€mn	Description	Investors
Sapato (Russian Federation) www.sapato.ru	Internet services	C	8.3	Online shoe retailer.	Direct Group, eVenture Capital Partners, **Intel Capital**, Kinnevik.

Sapato (**Russia**), an online retailer of shoes, raised **$12mn** (**€8.3mn)** in a **Series C** round led by **Intel Capital** with participation from the **Direct Group**, **eVenture Capital Partners** and **Kinnevik**. The funds will be used for marketing and to provide working capital for increased scale.

From a venture point of view, Russia is now being treated almost as an extension of Europe. In particular, it is another potentially large market in which to clone American business ideas with a view to selling them back to the Americans as an exit.

Launched in 2010, Sapato is an e-tailer of shoes and accessories similar to Zappos – the US e-tailer founded in 1999 which received half a dozen rounds of venture finance before being sold to Amazon for $1bn in 2009. Sapato stocks some 5,700 products from over 200 brands. By May 2011, the company had a turnover of $2.8mn from about two million customers per month, some 100,000 of which were active.

Just as in Germany, Russia has a relatively small venture capital industry for the size of the market providing plenty of opportunities for foreign investors. For Intel Capital (€35mn (2008); AUM €1,580mn), despite having invested over $10bn in more than 1,140 companies in 49 countries, this is the first e-commerce investment in Russia. Given Intel's global viewpoint – in 2010 44% of Intel's investments ($144mn) were made outside North America – we would not be surprised to see Intel doing further deals in the region.

Also, just like in Germany, the size of the market makes it attractive to those looking to clone business ideas which have been successful elsewhere. Indeed, Sapato's only competitor is another Zappos clone – Lamoda – which was launched in early 2011. Moreover, Sapato was initially funded by Moscow-based Fast Lane Ventures, an internet incubator founded by Pascal Clément and Oskar Hartmann, two foreign entrepreneurs who have been operating in Russia for the past decade and longer. Readers may remember Mr. Hartmann from KupiVIP in our April issue where we commented that, in some ways, he resembled the Samwer brothers. Not only this, but of Fast Lane's ten investments so far, the majority are clones of business ideas which have been shown to work elsewhere.

Returning investor eVenture Capital Partners, whose investment in another clone – 9flats – featured in last month's bulletin, is an early stage internet-focused venture capital firm with roots in Bertelsmann's digital investments of the early 2000s. The firm invests in both North America (through its BV Capital III fund) and Europe, Russia and the Ukraine (through its eVenture I fund). Ideally preferring to come in as a first venture investor, the firm currently has eight companies in its European portfolio. It has made a number of exits in the past twelve months, including CityDeal, darberry and Q:pod (sold to Groupon).

With the cloning Zeitgeist so prevalent, it is perhaps unsurprising to find the footprints of the Samwer brothers around this investment. As we described in our coverage of Wimdu, Kinnevik (SS: KINVB) is very strongly linked with the brothers who are the best known exponents of venture cloning.

The remaining investor is Direct Group, a key investor in Fast Lane Ventures with whom it shares its CEO Pascal Clément. Direct Group specialises in investing in and partnering with companies seeking to establish themselves in the extremely fast-growing Russian market. With its 25 investments to date, Direct Group is developing a reputation for extremely rapid execution.

Company	Sector	Round	€mn	Description	Investors
Mendor (Finland) www.mendor.com	Medical Technology	B	8.1	Provider of diabetes management products.	Biothom, Finnish Industry Investment, Finnvera Venture Capital, Ilmarinen Mutual Pension Insurance, Life Sciences Partners, **Risto Siilasmaa**.

mendor
The new diabetes movement

Mendor (**Finland**), a provider of blood sugar monitors for diabetics, raised **€8.1mn** in a **Series B** round from **Biothom**, **Finnish Industry Investment**, **Finnvera Venture Capital**, **Ilmarinen Mutual Pension Insurance**, **Life Sciences Partners** and Finnish entrepreneur and angel investor **Risto Siilasmaa**. Unusually for such a syndicated investment, the transaction was led by Mr. Siilasmaa. The money will be used as expansion capital.

Mendor was founded in 2005 by five individuals from universities in and around Helsinki. Having been successful in the Finnish national business plan competition Venture Cup, they set up Mendor in 2006.

Rather than going for what most diabetics consider the Holy Grail – a non-invasive glucose monitor – Mendor has focused on developing products that make life better for diabetics by reducing the amount of 'stuff' they have to carry with them to manage their diabetes. Mendor has done this using a combination of:

- An integrated measuring device the size of a mobile phone which contains enough testing strips and needles to measure glucose for several days without needing to reload.
- Cloud-based glucose monitoring software allowing diabetics to track and manage their diabetes without having to carry records around with them.

Perhaps surprisingly, Mendor's device is one of the first to integrate a lancet, test strips and meter in one package. California-based Intuity Medical (formerly known as Rosedale Medical) has developed a similar device but not yet received approval from the FDA.

For such a large transaction to be led by an individual, even a successful entrepreneur such as Risto Siilasmaa, is extremely unusual. Siilasmaa made his money from Finnish anti-virus and IT security company F-Secure Corporation (formerly Data Fellows), which he founded in conjunction with Petri Allas in 1988. F-Secure listed on the Helsinki Stock Exchange in 1999 towards the height of the dot-com bubble. Risto sits on the Boards of a number of companies in the region including Blyk, Nexit Ventures and Nokia.

Early stage life science specialist Biothom is part of family office and private Finnish investment firm the Thominvest Group and invests in the US, Finland and Sweden. Government owned Finnish Industry Investment (€135mn (2008); AUM €380mn) makes a broad range of investments. It does not have a particular sector focus and has made 75 direct investments and over 90 investments in funds. Finnish pension company Ilmarinen invests primarily in fixed-income, stock and real estate but has roughly €1bn dedicated to venture and other speculative investments.

Returning investor Finnvera Venture Capital (€12mn (2005)) is part of Finnvera – a State-owned company which started out providing loans, guarantees and credit export guarantees but diversified into venture investments in the mid-2000s. As one of the world's largest healthcare and biotech investment firms, with offices in Amsterdam, Munich and Boston, Life Sciences Partners (LSP) (€150mn (2006); AUM €500mn) invests in both public and private firms. In April of this year, LSP launched a life science fund on the Euronext.

Published on 29 July 2011 by Go4Venture Advisers LLP

48 Charles Street
Berkeley Square
London
W1J 5EN

+44 (0)20 7529 5400
vcbulletin@go4venture.com

Disclaimer

This report has been prepared and issued by Go4Venture Advisers LLP who are authorised and regulated by the Financial Services Authority.

All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however no representation, warranty, or undertaking, express or limited is given as to the accuracy or completeness of the information or opinions contained in this report. Opinions contained in this report represent those of Go4Venture Advisers LLP at the time of publication. This research is non-objective. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment. Furthermore, as the information contained in this document is strictly confidential it may not be reproduced or further distributed.

The value of investments and any income generated may go down as well as up. Past performance is not necessarily a guide to future performance. Investors may not get back the amount invested. This publication is not intended to be relied upon in making any specific investment or other decisions. Appropriate independent advice should be obtained before making any such decision.

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