

Proventure

Summer 2008

Welcome



We've had a really busy start to 2008; a new fund, two additions to the MTI team, important developments in portfolio companies and two portfolio realisations. However, the common theme that runs through these

developments is that they are all about business building. MTI has as a summary of its corporate mission "Building Technology Businesses", and we are currently applying this to ourselves.

The establishment of the latest and fifth MTI fund, UMIP Premier Fund ("UPF") is probably the most obvious example, but since all good businesses are built around talented people, the appointments of Mark Rahn and Jayne Chace (see more detail to follow on pages 7&8) are at least as important.

In addition we shouldn't forget the bread and butter of 'building technology businesses' in what's happening in our portfolio companies. The transactions involving Hunter Fleming and Apatech, both managed with great expertise and professionalism by David Holbrook, represent the kind of output we are seeking from MTI's activity; successful companies moving on to the next stage of their development but with our contribution being recognised in terms of the value created for our investors. In addition we are happy to report on exciting developments at portfolio companies such as IntelliQ and Powerlase.

Finally it's pleasing to note that these developments are happening despite a troubled background in the wider financial community. MTI has been through enough economic cycles to recognise that whatever is happening in the economy as a whole, there are still strong returns to be made from building technology businesses.

Ernie Richardson
Managing Partner, MTI Partners

Premiere opportunity materialises for MTI

Perhaps the most important long term development for MTI is the first close of the UMIP Premier Fund ("UPF"), which took place in March. The fund is built on a partnership between MTI and The University of Manchester, and UPF represents one of Europe's largest university spin-out venture funds. MTI has secured funding from a broad range of UK and European institutional and supranational investors, including EIF (European Investment Fund), NESTA (National Endowment for Science, Technology and the Arts), Co-operative Insurance Society and others. The Fund has initial backing of €50 million (£32 million), and we believe that it is likely that the Fund will eventually close at €70 million (£50 million).

The Fund will make most of its initial investments in the

£250,000 - £750,000 range, but with the intention and the capacity to continue investing up to an average of £2m - £3m. Once it is fully invested, the Fund is expected to comprise a portfolio of approximately 20 investments. We believe that the capacity of the Fund to invest through a number of rounds of financing is a critical element of its future success.

The University of Manchester is the UK's largest university, with over 30,000 students and 4,500 academic and research staff, and is the alma-mater of 20 Nobel Prize winners.

The University has a long and successful track record in spin-outs. Companies which have emerged from the University have attracted over £200m of funding over the last 10 years, and include successes such as Knowledge Support

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Systems, Transitive and Renovo, a wound treatment company which is listed on the London Stock Exchange and valued at approx. £300m. The early stage commercialisation of the University's intellectual property through successful spin-outs will continue to be managed by The University of Manchester Intellectual property Ltd ("UMIP").

The UMIP Premier Fund will have preferred access to all investment opportunities generated by technology research at The University of Manchester, which has an abundance of 5-star research departments, and boasts some of the finest technology investment opportunities in the UK. The Fund will focus on investing in young technology companies, and will have both the ability and capacity to support their growth through follow-on investment.

Professor Alan Gilbert, President and Vice-Chancellor of The University of Manchester said:

"This is a ground-breaking initiative establishing a hugely creative vehicle for providing academics with access to the capital to develop the world-leading research for which the UK is renowned, into world-beating companies."

UPF will be managed by MTI, and will exploit the rich seam of latent opportunity within the University of Manchester to turn these opportunities into commercial success. The Fund will have access to MTI's long standing experience of turning promising technologies into world class businesses. In order

to provide local support to the fund, MTI has appointed Mark Rahn, an experienced and professional technology fund manager for UPF, who will be based in Manchester.

It was clear in our initial review of the UPF proposition that the University has a wealth of world beating technology within its research departments. This Fund will enable those ideas to gain access to the finance and business skills to turn their ideas into real business - what could be more exciting? The support of our investors like EIF, NESTA and CIS has enabled us to create one of the biggest such funds in Europe.

MTI has, with the help of The University of Manchester, established this fund which we believe is capable of transforming the entrepreneurial landscape of the University. However the fund is also a critical element in building the multi fund management strategy of MTI. The UMIP Premier Fund is one element in a new business structure which we are creating at MTI as a multi fund manager - several funds, operating at different stages, with different investors but with a common theme of building technology businesses and creating strong returns for our investors. The next element in the MTI strategy is our subsequent fund, MTI6, which will be a focused materials and med tech fund investing in the 'classic' venture stage (see page 8 for more information).

For more information on the UMIP Premier Fund, please visit the web site www.theupf.com

Comeback Kids



For seven long years, high-quality venture firms have despaired of finding someone who is even prepared to listen to their story - still less take it seriously. Many have simply faded away into the sepia tint obscurity that begins to cloud our memories of the internet bubble. All the more reason, then, to sit up and take notice of the fact that not only has MTI raised a new fund, but that a genuine seed fund that will be managed by professional, experienced venture capitalists has been raised in the UK.

With the exception of Eden Ventures (another prodigious feat of fundraising stamina and determination) one probably has to cast one's mind back to the Amadeus Seed Fund to find a similar example - and that was raised at the height of venture fundraising enthusiasm.

Moreover, the Amadeus Seed Fund was only about £10m (€12.7m), and was always designed to hand opportunities off to other funds fairly quickly.

It was also designed to work alongside the UK angel community, particularly in and around Cambridge.

But MTI's UMIP Premier Fund (UPF) is different both in its scale and its conception. The UMIP part of the name signals a primary focus on intellectual property spinning out of the University of Manchester - but this is no straight university seed fund, like Imperial Innovations.

University staff will play no part in the final decision making process; only those projects which play to the core competencies of MTI will be considered; and experienced venture partners will contribute sales and marketing expertise. MTI's US office in Boston is also expected to come into play, both assisting with business development and attracting co-investment from US venture firms as companies develop.

Size is a factor too. The fund has raised about \$65m (€41m) with a final target of \$100m - which gives it the capability to undertake significant seed-stage funding itself, without having to resort to angel rounds. However, it remains to be seen how a scenario in which they are the only professional seed investor of any size in a particular market will play out. Logically, one would not expect them to look to deploy more than about

\$3m into any one company.

Managing partner Ernie Richardson, a long-standing stalwart of the UK venture scene, is bullish on this point. "University of Manchester spinout companies have attracted £200m of funding in the past 12 years," he says. "This shows very clearly that, even given the admitted shortage of seed providers in the UK, the money is there for successful and exciting projects."

It is heartening that the UPF attracted commitments from UK pension funds - though sadly not from any international funds of funds. CIS and Greater Manchester Pension Fund have invested, alongside sources such as the European Investment Fund and the National Endowment for Science, Technology and the Arts.

However, while the successful fundraising represents a beacon of hope for the industry, it shines through an enshrouding gloom in which venture fund offerings, such as MTI's own ill-starred Fund V, flounder in a sea of investor apathy.

"We spent one and a half years trying to raise fund five," says fellow managing partner David Ward, who runs the firm's Boston office. "As others found to their cost, the environment simply wasn't ready for the story we had to tell in 2005. You can only bang your head against a brick wall for so long, so we decided to go away for a while and come back once market sentiment had changed a bit." The delay has given an opportunity for a major strategic re-evaluation of where the firm should be positioned. UPF signals a commitment to very early-stage investing - itself a rarity in the UK. However, Richardson acknowledges a factor which bedevils such operations: "In order to run a quality fund management operation, we need assets under management of about \$400m," he explains. "The problem is that if you raise all that in a single fund you will inevitably be pushed later-stage in order to put the money to work. This is not an issue in America, where both entry valuations and round sizes are much higher, but here in Europe it would make it very difficult for

us to keep the very early-stage focus."

Safety in numbers

The solution they have seized upon is to raise more than one fund, each with a slightly different stage focus. It is hoped that this will also make fundraising easier, since most LPs are even less inclined to listen to a seed-stage story than to any other venture fund pitch. MTI will accordingly shortly go to market with MTI 6, targeting between \$150m and \$200m. This will still be an early-stage fund, but will be designed to handle the A and B rounds of MTI portfolio companies. Along with the new fund will go a new investment perspective. Historically, the firm pursued opportunities predominantly across the IT sector but also made investments which, for want of a better description, many have dubbed "specialist engineering". Ironically, it is these investments - seen by some LPs as unexciting when considering offerings in the heady days of the 1990s - that have proved most successful, and where MTI now seeks to focus its efforts.

"We spent one and a half years trying to raise fund five. You can only bang your head against a brick wall for so long"

David Ward, Managing Partner, MTI Partners

For example, ApaTech, an MTI company that makes substitute bone material for synthetic bone grafts, recently came top of its class in The Sunday Times Tech Track 100 survey. It points the way to the sort of deal the team hope will form the bedrock of its portfolio in future. Originally funded by MTI as a spin-out from Queen Mary, London, in 2004, the company now has a US subsidiary, sales of £7.5m, has reached cashflow break-even and is building towards an exit. More flexible venture labelling would probably allow this to be called a "med tech" or possibly a "materials" business. Another example of materials might be PowerLase, although this also has overtones of what might 20 years ago have been called "production engineering" or

even "machine tools". The company designs and supplies not just the solid-state lasers required for various high-tech manufacturing processes, but also the very complex systems that enable their use. This was another 2004 investment - well remembered as it closed on Christmas Eve - which now has sales of around £10m and has won engineering accolades including the Manufacturer of the Year for 2007 at the Elektra Awards.

It is in these two main areas - materials and med tech - and in their areas of convergence, that MTI now intends to seek its own and its investors' fortune. Richardson cites the environmental and healthcare markets as those in which opportunities of meaningful market size are most likely to emerge.

By contrast, Global Silicon is an example of the sort of IT deal that MTI traditionally pursued, but where success proved elusive. Global Silicon was a fabless chip company and MTI, together with other venture investors, lost their money when it was closed down in 2006. Richardson is candid about the

background, is a belief that the venture world has changed, thus prompting a move into what Richardson refers to as "a 21st-century venture partnership model".

Debate continues in the industry over whether a "hard core" version of the US venture model can or will work in Europe. Is the Israeli model of moving venture companies to the US desirable? Many have found difficulties with this, but others, such as Pond Ventures, enthusiastically espouse it. Is the European angel community wealthy enough and robust enough to play the same sort of role it does in the US? Do European governments and society actually want a venture community at all? One senior financial executive said recently "at best, they tolerate it".

Just money

Many believe that it is possible for a variety of different venture models to prove successful in Europe. For example, Skype was not a product of the US venture model being applied - on the contrary, on the admission of its own venture backers it was what the Americans would call a "just money" investment. Others believe that a different sort of model will emerge; Americans fail to realise, for instance, that because of dramatically lower entry valuations in Europe, an exit of a few hundred million dollars can produce a 25-times return home run - as opposed to the several billion dollars required in the US.

One thing at least is now assured. MTI, one of the oldest names in the business, will be at the forefront of the debate, and will be putting its own ideas into practice. It is too early to give three rousing cheers for them and for European venture; that will only come when European firms begin consistently to produce acceptable returns and when European LPs stop taking their mind-control drugs.

It is though, appropriate to offer two cheers. It is MTI - and the other hardy few who have braved investor displeasure simply to survive in business - who carry the hopes of European venture for the future. This is an experiment which cannot afford to fail. No pressure, chaps.

AIM 2007: Where now for technology?



John Polden, General Partner, MTI Partners

In March 2008, following the success of the previous two years, MTI published its third report on the AIM market, in collaboration with The University of Hertfordshire under the sponsorship of London law-firm Nabarro.

The joint presentation by MTI's John Polden and Professor Colin Haslam of the University of Hertfordshire was well received by industry practitioners at the launch event at the London Stock Exchange, and the results of the report were fascinating...

The report concluded that after several years of rapid expansion, 2007 was a steadier year for AIM. 284 companies joined the market, down from 462 new admissions in 2006. By the end of 2007, there were 1,694 AIM companies (2006: 1,634) with an aggregate market capitalisation of £97.6bn (2006: £91bn). The class of 2007 raised a total of £6.6bn at IPO (average fundraising: £23m), comparing with £9.9bn raised by the 462 new AIM companies in 2006 (average fundraising: £21m). Although the number of companies coming to market has lessened in 2007, in terms of

size, AIM clearly remains the world's pre-eminent second tier market.

For the first time, in 2007, the total amount raised through secondary issues (£9.6bn) was greater than the amount raised at IPO (£6.6bn): a fact that underlines AIM's ability to deliver follow-on funding. Overall, the total amount of money raised on AIM in 2007 was £16.2bn, a 3% increase on 2006.

In terms of technology companies, 30 new firms listed on AIM in 2007 (2006: 37, 2005: 77). These newcomers raised a total of £300m at IPO (average fundraising £10m). This compares with the £532m raised by the 37-strong class of 2006 (average fundraising: £14 m) and £697m by 77 new entrants in 2005 (average fundraising: £9m).

At the end of 2005, the technology sector accounted for 13% of AIM IPO's. By the end of 2006, this figure was 8% and by the end of 2007, it had recovered to 13%. This overall trend is rather flat in relation to other sectors, principally real estate and resources. Whilst the technology sector is holding its own, the quality of investment is giving rise to concern. Although average IPO fundraisings in 2005 (£9m) and 2007 (£10m) are comparable, the level of

profitability is not. In 2005, on average, new AIM technology companies were breaking even. In 2007 however, new entrants, on average, were making annual losses of £1m. It will be interesting to see if this pattern continues in 2008 or whether harsher market conditions check this trend once more.

Of the 195 technology companies we have surveyed, 135 had a share price lower than their IPO price by the end of 2007, and roughly half of these companies were capitalised at less than £10m. Although AIM has made capital available, technology companies have produced disappointing investor returns.

What can investors take from this? Clearly, when general market confidence is low, technology companies suffer as do all companies. However, relative to other sectors, the performance of the technology sector has been disappointing. That said, we believe that the underperformance of some technology stocks could be addressed by more active and disciplined management.

Copies of the report are now available for download on the MTI web-site.

Hunter-Fleming Sale

In what represents a major transaction for a small UK biopharmaceutical company, Hunter-Fleming was acquired by the Swiss-quoted company Newron Spa in February 2008.

The deal makes perfect strategic sense for both companies - Newron, based in Milan, had a previous gap in its neurological and anti-inflammatory portfolio, which Hunter-Fleming fills perfectly. Furthermore, the development risks in each company's portfolio are now spread wider. For Hunter-Fleming this provides access to capital to develop its exciting array of medicines in a very difficult biopharmaceutical funding environment.

Newron's CEO Dr. Luca Benatti said of the deal:

"Hunter-Fleming represents an excellent opportunity for Newron to expand its late-stage development pipeline, a key element of our strategy for growth. It also enables us to expand our CNS expertise into the area of neuro-inflammation, thus broadening our overall CNS knowledge. We are impressed by the quality of Hunter-Fleming's development compounds."



MTI General Partner and Head of Life Sciences Dr. David Holbrook said:

“This is a great development in the evolution of Hunter-Fleming, in a difficult environment. It gives shareholders great upside potential within the wider Newron portfolio.”

The process of integrating the two organisations is now well under way, with a steady stream of clinical data coming out over the next two years. Much of the value in the deal rests on the progress through early human trials of Hunter-Fleming’s lead compound HF 0220, which has potential utility in Alzheimer’s disease and rheumatoid arthritis.



Simon Cartmell, CEO, ApaTech

ApaTech refinancing

It has been another remarkable year of progress for ApaTech. In September 2007, ApaTech was adjudged to be the fastest growing VC-backed Med Tech company in the UK in the prestigious Sunday Times Tech Track 100 survey. The company followed this by posting year end sales to March 2008 of £7.5 million, some 250% of last year’s total. Sales performance has been particularly strong in the US where the subsidiary is now regularly achieving sales of over \$1 million per month.

All this advancement has led to MTI’s co-investor in ApaTech, 3i, leading a major refinancing and recapitalisation of the company in March 2008. The deal has also allowed MTI to sell down some of its stake, equivalent to its original investment of £3.8 million, while still retaining close to 10% of the refinanced company, thus effectively de-risking the investment.

Dr. David Holbrook, MTI General Partner and Head of

Med Tech Investing said:

“MTI has played a pivotal role in building the business, translating it from a university-housed spin-out into an international manufacturing and marketing organisation. It is now the right time to hand over the baton - the transformation from an early-stage venture opportunity to a development capital proposition is complete.”

It is hoped that the extra £12.5 million of development capital will propel the company to a major entity over the next three years, leading to significant upside potential for MTI’s remaining stake.

As part of the deal, the board of the company has been reconfigured to more accurately reflect its more mature status. Pharmaceutical veteran Peter Chambre, who with Nigel Pitchford has led the deal on behalf of 3i’s development capital arm, replaces Nigel Gray as Chairman whilst David Holbrook and two other directors come off the board, although MTI will retain observer rights.

Queen's award for Powerlase



Les Lockwood, CEO, Powerlase

MTI investee Powerlase continues with success, and has been awarded the Queen's Award for Enterprise, recognising the company's continued successful expansion in the international marketplace, and the laser innovator's role in furthering the reputation of manufacturing excellence to an international audience.

The Queen's Awards are the UK's most prestigious business performance awards, rewarding exceptional achievement amongst UK companies. Powerlase was acknowledged in the International Trade category, for demonstrating significant growth in overseas earning.

The award was presented in recognition of continued success within the company's targeted international marketplaces, including the significant expansion into the Korean flat-panel display television (FPD) marketplace. High-profile customer deals with leading consumer electronics manufactures have led to the class-leading laser technology being used by Samsung and LG.

The ground breaking research and development work into next-generation semiconductor manufacturing

techniques was also recognised. Powerlase is currently engaged in research partnerships with leading academic and research institutions across the world, including the University of Central Florida (UCF) in US. This partnership has yielded significant research breakthroughs, resulting in the company being awarded Medallion member status at the University.

With significant inroads made in the FPD and semiconductor industries, the company is now expanding into new applications in other sectors, namely solar cell processing, micro machining and OLED displays - a rapidly developing high performance and energy efficient display technology. The company's lasers are also acknowledged as being critical elements in the global R&D programme for next generation semiconductor manufacture.

Les Lockwood, Chief Executive at Powerlase, comments:

"By working closely with our customers and partners in Mainland Europe, Korea, Japan and the United States, we have been able to identify their exact requirements and develop laser technology to meet their needs. This has really fuelled our international growth. Having our achievements recognised by the Queen's Award is tremendous for the whole team here at POWERLASE, and is a great endorsement of the team's success to date. We're very proud of the award and with the knowledge that we're helping enhance the reputation of the UK abroad."

The latest award affirms the progress of Powerlase, in which MTI first invested in 2004. 2007 saw victory at The Manufacturer Awards in the 'Design and Innovation' category, being named 'Manufacturer of the Year' at the Elektra Awards and the company being listed as the 21st fastest growing technology company in the UK by The Sunday Times TechTrack Rankings.



Malcolm Peden, CEO, IntelliQ

New CEO at IntelliQ

In April, IntelliQ Limited, the leading provider of Forensic Analysis Solutions, announced the appointment of Malcolm Peden as Chief Executive Officer and a member of the Company's Board of Directors. Peden served as Chief Executive Officer of FormScape Group Limited (another MTI investment) from 2001 until the successful sale of the company to Bottomline Technologies Inc (NASDAQ: EPAY) in late 2006.

Malcolm has an extensive background in the technology sector having previously been in senior management positions within Interleaf Inc, International Data Group Inc and Misys plc.

"I am very excited to be joining the Company during this transformational period in its evolution. IntelliQ's technology is clearly world class and with a blue chip customer base to match this, I am looking forward to taking the Company through an exciting period of growth."

IntelliQ Chairman John Polden: "Malcolm brings strong leadership and a proven track record to our Company. His broad business background and international experience will allow IntelliQ to develop from the very strong market position that it has established in Europe, to become one of the World's leading providers of Forensic Analysis Solutions."

Chevin

Former MTI investee Chevin has continued to grow since its sale to Naples, FL based software group ASG Systems in 2005. With a resurgence of corporate spending in internal systems to drive efficiency, Chevin's products have dovetailed seamlessly into, and have become an integral part of, ASG's Business Systems Process software.

Alongside this success MTI US based Managing Partner David Ward negotiated an acceleration of the earn-out element of the original transaction and concluded an all cash transaction in early April to complete MTI's consideration for the deal. Chevin was an MTI4 portfolio company.

Profile

Proventure talks to MTI Venture Partner Jayne Chace...



Jayne Chace, Venture Partner, MTI Partners

... and Investment Manager for MTI, Manchester Mark Rahn



Mark Rahn, Investment Manager, MTI Partners

QUESTION What is a Venture Partner? What does your role at MTI involve?

The term "venture partner" is probably not a familiar title in VC jargon because the concept is relatively new, reflecting the forward-thinking approach of MTI. Venture capital may focus on making wise investments, but success involves more than just making sound financial decisions. In today's dynamic and globally competitive environment, young companies benefit hugely from experienced mentoring and expertise in marketing, business development, sales and operations.

Consequently, MTI took the brave decision to adjust the standard VC business model and further enhance the team by hiring Venture Partners - with people whose skills include these additional capabilities.

At MTI, I will contribute marketing expertise when positioning MTI in new markets, raising new funds, assessing the market potential for companies that are seeking funding, and working with the management teams of portfolio companies to optimise their go-to-market plan, branding and sales tools.

QUESTION What did you do before joining MTI?

Prior to joining MTI in 2007, I was chief marketing officer and an executive board member at several global behemoths that offered products, services and outsourcing primarily to the IT

market sector worldwide. However, I have also worked in start-up companies and began my career in America as a university history professor.

My expertise is in developing brand equity, positioning and growing companies globally, developing new revenue streams and launching new products and services.

QUESTION What attracted you to MTI?

Several years ago I decided that I was tired of living on planes and in different countries, and recognised that I really enjoyed helping companies to grow and flourish. By chance, I was introduced to David Ward, Managing Partner of MTI, who recognised that many MTI portfolio companies could benefit from my "big company" experience and my extensive network. So, I became a non-executive director at Sarantel, one of MTI's portfolio companies.

After Sarantel successfully launched on AIM, I joined Logica as CMO of the Telecoms division with the intended goal of turning around the revenues and selling off the division, which I then launched as a new company. However, I always remained in contact with MTI and hoped that they could find a use for my skills.

QUESTION What is interesting/different about MTI in comparison to other VCs?

MTI is very special. Unlike many

VC firms, the MTI partners are open, collaborative, amazingly humble and really nice people - in addition to being very intelligent and highly capable. It was important for me to work with people I liked, respected and trusted, and I am very proud to be part of the MTI team.

QUESTION Which aspects of your previous roles/experience have enabled you to bring something 'different' to the table to MTI?

I think the combination of my global business experience, together with my communications and marketing expertise, this makes my contribution a bit "different".

QUESTION What are your interests outside MTI?

I really enjoy learning new things and sharing ideas with people, and love having a long workout at the gym. I used to compete in off-road motorcycling enduro contests (120 miles over hills, through water, in sand and mud) and was women's champion for 10 years when I lived in Boston. I also enjoy going to concerts, and spending time with my family and have become adept in renovating flats, having spent much time helping my children with tiling, roofing, painting, and everything in between!

QUESTION What does your role at MTI involve?

As an Investment Manager based in Manchester, my primary responsibility will be to help MTI make a success of the UMIP Premier Fund (UPF). Essentially I will be making sure that the interaction between the whole of MTI and the University works seamlessly. On a day to day level this means working with UMIP and the University to identify exciting projects, and working with the academics and the rest of MTI together to understand the commercial value of their ideas.

QUESTION Which aspects of your experience make you suitable for the role in Manchester?

I did my PhD in Manchester and then spent two years as a photonics post-doctoral researcher there. I co-founded a Manchester University spin-out, and that work brought me in close contact with MIL (the forerunner of UMIP) sparking my passion for all aspects of the commercialisation of technology. I learned a great deal about the funding, marketing and development of technology start-ups (particularly from the University sector) and broadened that further with an MBA from Manchester Business School. I subsequently worked as a consultant, researching interesting aspects of the early-stage VC industry. I then made the switch to becoming an investor. I have spent most of my career within the sphere of early-stage technology business,

Profile *continued*

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working in a broad range of capacities. The common threads have been universities and Manchester, so this new challenge with MTI and the UMIP Premier Fund makes total sense.

QUESTION ANSWER

What did you do before joining MTI?

I am leaving an Investment Manager position with Enterprise Ventures, managing investments from their Rising Stars Growth Fund - a £13.75m private sector technology seedcorn fund making investments across the North of England. I have led investments in a data centre hardware company and a very early-stage, but really exciting university spin-out in Materials Science.

QUESTION ANSWER

What attracted you to MTI?

The people. I met Ernie a few years ago when researching the VC industry in the UK, and he struck me as someone who really understands technology businesses, has incredible experience and excellent analytical and negotiation skills. All the other partners share the same attributes, which makes a formidable team. The entire organisation is very professionally managed, so I am very proud to join. The partners of MTI are definitely people you want batting for your team.

QUESTION ANSWER

What is interesting/different about MTI in comparison to other VC's?

Their classical management structure is a clear advantage and I like the fact that they are dedicated to technology investments. They seek to

really understand a sector and how it will play out before they make an investment, and I like their ideas on the management of portfolio companies. I also think they are very innovative and willing to try new things, with the classic example being David Ward's location in the US. I don't think there are many VC firms that could have closed UPF, but MTI did. They have some great ambitions for UPF and beyond, and I am looking forward to being part of it.

QUESTION ANSWER

Which aspects of your previous roles/experience have enabled you to bring something 'different' to the table to MTI?

I think it is pretty clear that all the Manchester University and university spin-out experience, from the operational side, will be a great help. Apart from that, my investment experience has generally been of technology companies at an earlier stage than is typical of MTI, including investments into virtually blank sheets of paper. This side of Venture Capital is very entrepreneurial, a little bit different and quite relevant to the university sector.

QUESTION ANSWER

What are your interests outside MTI?

I am a very keen dinghy sailor and I competitively race Merlin Rockets. I enjoy dinghy racing as it combines physical stamina and skill, analytical and tactical thinking and science in the set-up of the boat (as well as a bit of hands-on DIY and plenty of fresh air). You might catch me this summer off the coast of Cornwall sailing in the National Championships.

MTI 6 Outline

MTI is raising approximately \$150m for MTI 6, its sixth fund, to invest in 15 to 20 early stage UK and mid/northern European technology companies. It will target a 20% net Internal Rate of Return (IRR) to investors over the Fund's 10-year life.

MTI 6 will target deals that profit from two important macro trends for the coming decade:

Environment Awareness (i.e., the depletion and cost of energy and pollutants) - leading to primarily Materials Science related investments in what is called "Greentech", and

Healthcare (i.e., the need to reduce healthcare costs by focusing on preventative and diagnostic treatment as opposed to purchasing ever more expensive pharmaceuticals) - leading to primarily MedTech

related investments.

Europe creates Intellectual Property (IP) in both quantity and quality that has worldwide equivalences. Nonetheless, European venture investment activity has historically been much lower than in the US. As a result, despite an abundance of opportunity, European venture deals have cheaper entry valuations than US equivalents (2x to 3x lower pre money valuations in Europe than in the US during 2007).

MTI 6 will take advantage of the European investment-pricing environment by sourcing deals from, and investing in, the 'inefficient' European technology sector as it has done for the last 25 years. Investee companies will then be assisted in their growth by the operational expertise of the MTI team and globalised initially through MTI's US operation and potentially through more MTI worldwide offices, such as in Asia, in due course.

IN CONCLUSION

This has been an eventful start to 2008, and we expect that things will get busier in the future. As you can see from the news reflected throughout Proventure, we continue to operate in both exciting and challenging times. I hope you will draw from this edition the conclusion that MTI continues to apply the same level of commitment and professionalism to the periods of excitement as we do to our challenges.



Ernie Richardson
Managing Partner, MTI Partners