

# Proventure

Business news from MTI

AUTUMN 2004

## Welcome



Welcome to the autumn 2004 edition of *Proventure*.

It is encouraging that we are able to report signs of fresh activity and optimism in the European tech venture arena, after too many years of despondency. This improving environment is seen in both MTI's own portfolio and in the wider market. We continue to see good quality new investment opportunities and current portfolio companies show impressive evidence of improvement. However, the key change is in the general exit market, which is demonstrating a level of strength unforeseen just 12 months ago.

MTI's portfolio companies continue to make strides. We have news of Sarantel (invested Feb 03), which is winning contracts and expanding production. Plus, IntelliQ (invested Oct 02) continues to secure major contracts from amongst the UK's leading retailers.

As you will see from the main article opposite we believe that the buoyant tech market is leading to greater opportunities, which is bringing fresh optimism in the European tech sector. This is a much more encouraging environment in which to be raising our fifth fund, MTI5, for which initial marketing to existing MTI investors has already begun. More anon!

*Ernie Richardson*

**Ernie Richardson**  
Chief Executive

## Technology funds turn the corner

**Recent private equity surveys show green shoots of recovery starting to appear. Two-thirds of BVCA member firms recently indicated that they had enjoyed favourable trading conditions in the past quarter.**

In the technology sector in particular, the BVCA survey showed that the amount invested increased 50 per cent to £817m in 2003 from £546m in 2002.

Even more interestingly, the study showed that funds raised in 2003 by UK private equity firms are up by 14 per cent to £8,889m, with US investors contributing 38 per cent or £3,347m; albeit most of this was taken up with mega buy out funds such as Permira and Terra Firma.

### Exits

By contrast there is investor scepticism about the prospects for European tech venture fund-raising. This is a consequence of the weak state of the exit market, which is seen as a key requirement before investors commit anew to this sector. But, is this situation changing?

Already there are signs of renewed interest from buyers

MTI is one of the UK's leading providers of specialist venture capital to UK technology companies that are at an early stage in their development or are undergoing a period of major strategic change.

The MTI investment team comprises experienced technology managers with strong operational backgrounds and are typically investing sums between



in venture-backed technology companies across Europe. According to *Real Deals*, early stage technology companies have sold more than €1.9 billion in the past six months, and this activity appears to be accelerating. Earlier this year we had IPOs from the likes of Wolfson Microelectronics and the trade sale of MTI-backed ACG. More recently there has been the IPO of Cambridge Silicon Radio and the trade sale of KVS to Veritas.

### Acquisitions

US companies are buying businesses again. But why are they looking towards Europe rather than closer to home? The simple answer is that M&A is becoming a world market; US buyers will source their tech acquisitions wherever the best deals and the best

technology is available – Menlo Park, Manchester, Munich, or Mumbai! European acquisitions open up fresh markets and they are also on average cheaper than similar domestic companies. For example, on the New York Stock Exchange technology stocks trade at around 25 times Price-Earnings, while in London the figure is nearer 15. With that sort of differential, all trade buyers will buy the best companies wherever they are located.

So, with the question over exits now being answered convincingly it would appear that the key ingredients required for a healthy tech venture market are now aligned. It is reasonable to assume that Europe may soon follow the US where 2004 has seen fund-raising for venture return to healthier levels.



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# Investee News

## The sky is no longer the limit for antenna manufacturer Sarantel whose products are set to make their debut in space.

Its GeoHelix M antenna has been selected by Surrey Satellite



Technology for their new global positioning system, Palmsat, set to launch next year.

Sarantel CEO David Wither said: "By extending ourselves to be included in satellites, we can clearly demonstrate how adaptable and technologically advanced our antenna really is. Space exploration leaves no room for poor performance and

we were delighted to find our product met the challenge."

Over the summer Sarantel announced four major new contracts besides the exciting space adventure.

In each case, the contract was awarded on Sarantel's ability to provide GPS functionality that is not affected by



the proximity of the device to the human body or the angle at which the device is held, and the antenna's ability to be integrated with GSM without loss of performance.

And in June this year Sarantel was selected by the European Tech Tour Association as one of the top 25+ high-growth privately-held technology companies in England.

### Eurocom Telecomunicazioni

Eurocom will integrate the GeoHelix antenna in its new APLS lapel-microphone, enabling users, such as police officers and security guards, to

be tracked and located to within five meters by central control during a call out or security alert.

Eurocom is Italy's main distributor and manufacturer of complimentary products for Motorola's PMR land mobile products.

### d-Media Systems

d-Media Systems, a Taiwan consumer products firm, is using Sarantel's GeoHelix GPS antenna in the new version of its "In-View" Pocket PC N-911.

The antenna gives the PDA GPS functionality for the first time by offering accurate positioning in a range of difficult and hostile environments, helping users to plot routes and locate services quickly and easily.

### Precisa

Precisa, a Swiss wireless technology and measuring instruments specialist, has integrated Sarantel's GeoHelix GPS antenna into the Secufone, a smartphone with a personal alarm and service button.

The Secufone is aimed at care associations and nursing homes, which will be able to provide people in their care

with a simple mobile phone, which has an easy-to-operate alarm. The smartphone will also be targeted at rescue organisations and security firms.

### Nemerix

Sarantel has been selected to supply its GPS antenna to Nemerix, a fabless semiconductor company and creators of the world's lowest power GPS chipset.

The Nemerix GPS SDIO Card reference design enables SDIO card manufacturers to deliver GPS capabilities to mobile and digital consumer products. Built into the Nemerix GPS SDIO card, the Sarantel antenna enables it to receive a GPS signal. It is extremely lightweight and ideal for business travellers and sports enthusiasts.

Sarantel is currently raising further funding to support its sales and marketing activities and expand its capacity. It will also be launching several new products at the end of 2004 on the back of these GPS market successes.

For further information see [www.sarantel.com](http://www.sarantel.com)

## Big savings for IntelliQ clients

IntelliQ, the retail analytics company, is rapidly gaining dominance with its RetailKey solution. In 2004 it has already booked double the revenue of its entire previous year. IntelliQ's CEO Khuram Kirmani said: "Our value proposition is compelling and results have been achieved incredibly quickly."

**"IntelliQ's clients include Bhs, B&Q, Phones4U, USC, Argos and Lloydspharmacy."**

RetailKey targets the losses that drain a staggering 20 per cent of operating profit from many retailers. It delivers a measurable return on investment within the first year by pinpointing and helping reduce employee fraud, error and process weakness.

Nigel Terry, Head of Loss Prevention at Bhs, said: "In the first year of using the system, total shrinkage was significantly



reduced. For every pound recovered, an additional pound is saved by deterring potential future shrinkage." Other clients include B&Q, Phones4U, USC, Argos and Lloydspharmacy. With a typical deal size of £150k, IntelliQ is well on its way to a target of £8m annual income in the UK alone.

IntelliQ is also bringing a basket analysis solution to the retail marketplace. Mr Kirmani commented: "We believe the market opportunity for this solution exceeds our existing products; one client saved £120k through a single piece of analysis."

Beyond retail, IntelliQ is exploring a value proposition for the financial services sector based on its loss prevention experience and could also look for overseas growth.

At the core of all IntelliQ solutions is a unique and innovative data mining platform designed specifically for large, complex data volumes and optimised for unconstrained data analysis; by asking a series of open-ended questions, users can explore unlimited, readily-available data.

MTI is currently the only institutional investor in IntelliQ. John Melotte, who oversaw the investment and participates on the Board, said: "It was apparent to MTI that IntelliQ's technology gave it a clear differentiator, which, together with a strong value statement in Retail, underpinned our investment decision. We are now starting to see strong opportunities emerge from the considerable effort in developing IntelliQ's market position and model."

For more information, visit [www.Intelliq.com](http://www.Intelliq.com)



MTI executives have been supporting the industry with speaking engagements at the Private Equity world's leading conferences.

At Capital Creation, in Cannes in September, Ernie Richardson was on the panel for the fund/investor debate "Developing a winning succession planning strategy to fully prepare junior staff and keep your investors happy".

In Paris, earlier this month, MTI partner David Ward was a panellist at the Super Investor conference for the discussion "Examining the factors influencing LPs' resource allocation strategies in 2005 when faced with a flood of GPs coming into the market".

Ernie also spoke at Super Investor on "Serial Entrepreneurs – The Missing Element in European Venture?".