

# Proventure

Business news from MTI Partners Limited

SPRING 2003

## Welcome



Welcome to the spring issue of Proventure...

Proventure will regularly bring you the latest news from MTI, together with information on companies in which we have invested and advice on various aspects of venture capital.

At MTI we pride ourselves on our knowledge of the technology sector, the needs of companies in the early stages of development and most importantly on our hands-on operational experience. On page four there is a Q&A feature with MTI's Partner David Ward, highlighting some of the criteria he looks for in an investee company.

We believe that teamwork is the key to successful relationships with investees and in our case study you will see the results of the teamwork between MTI and iOra, the leading provider of offline networking solutions in Europe and the US.

2003 is an important milestone for MTI as we celebrate entering our third decade. There will be more about how we have grown over the past 20 years in later issues.

2002 was a solid year for MTI with four deals completed, plus a fifth early in the new year and two trade sales.

Dr Paul Castle  
Chief Executive

## Sarantel receives a good reception

**One of MTI Partners' latest investees in the mobile communications field is sending out all the right signals – and receiving all the right responses!**

MTI led a three-way, £3.5 million investment round in the exciting young miniature antenna developer, Sarantel, which has just won a major mobile handset contract in the US. MTI was joined by

**“We are keen to support innovative devices of this type, which combine clever technology with an identified and receptive market.”**

VCF Partners (the original investors) and eTechnology VCT.

Recent US regulations will require all new mobile phones to transmit the caller's location when calling the emergency number, 911. Sarantel's GPS antenna is ideal for this application as it works alongside the handset antenna without interference. The miniature antennae are highly efficient and emit exceptionally low levels of radiation into the human body.

In addition, consumers are already buying and using Sarantel-based products, such as an accessory that clips into a personal handheld organiser,

transforming it into a GPS-driven navigation system.

The high efficiency and low interference qualities of Sarantel's antennae could also be critical in making third generation handsets more efficient and PC manufacturers are realising that high-performance antennae can offer wireless-LAN and Bluetooth users more reliable communications.

MTI's Partner David Ward said: “The sophistication of Sarantel's technology will have a lasting impact on mobile phone use. We are keen to support innovative devices of this type, which combine clever technology with an identified and receptive market.”

Sarantel's CEO Barrie Foley added: “The first closing of this crucial funding demonstrates that in a tough market both investors and users are convinced by our technology. Demand for



Barrie Foley,  
Sarantel's CEO



our products is taking off rapidly and more than 1,000 electronic device makers worldwide are interested in them.”

► Founded in September 2000, Sarantel specialises in high-performance antennae for mobile devices, pioneering a new design and highly effective manufacturing process.

► The new funds are to be used for marketing and to continue development of Sarantel's next generation product sets.

► The fund raising received extensive press coverage in VentureWire Alert, Electronics Weekly and New Media Age.

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

**MTI, the UK's leading early stage high technology venture capital fund manager, is an independent firm with a remit to provide risk capital and management resources to British technology companies in the early stages of their development or recovery.**

Investments will range up to £5 million, although larger amounts can be accommodated, and return on investment is sought principally

in the form of capital gain. MTI is now established as one of Europe's principal venture capital fund managers, with funds managed aggregating £157 million. MTI's fourth fund, MTI4, had its final closing in January 2001 with commitments of £104 million and was heavily oversubscribed.

Founded in 1983, MTI has invested in more than 50 early-stage and start-up technology businesses throughout the UK, and its stable of funds has demonstrated best-of-breed

performance in the sector, with superior composite net returns to investors over the 20 years since then.

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# Case Study

## iOra has all the answers

Offline working and information management are vital for today's growing mobile workforce. MTI investee, iOra, provides the answers for some illustrious customers – Shell, HP, BT, the US Navy...

**iOra's product suite enables organisations to provide mobile and remote employees with continuous access to work-based applications and essential corporate information.**

Its solutions are underpinned by a "web virtualisation" technology and Epsilon, a groundbreaking differencing technology.

The company was founded with angel investment in 1997, which marked the beginning of the iOra we know today. Following successful rounds of equity financing, with the establishment of a growing client base, iOra holds an enviable position as the leading provider of offline networking solutions in Europe and the US.

MTI first invested £2 million in 1999, then in 2001 led a funding round that raised a further £10 million from Cazenove and business partners. MTI's involvement has been wide ranging and includes assisting with relocation, the introduction of financial controls and systems and some recent senior management appointments.

MTI's Chief Executive Paul Castle said: "We believe passionately in the companies in which we invest and seeing an organisation grow to the point where it can win international

contracts of the calibre that iOra has been securing is extremely exciting for both the company and us."

### **Anchors aweigh...**

The latest prestige customer to come aboard is the US Navy.

Using iOra's Epsilon Technology and two-way offline portal solution, the US Navy can get up-to-date safety information, medical procedures, technical support, and training for onboard personnel to and from its fleet.

**"Seeing an organisation grow to the point where it can win international contracts of the calibre that iOra has been securing is extremely exciting for both the company and us."**

The previous solution was to deliver information on compact discs. Obviously, depending on a ship's location, this could take months, resulting in delayed updates to critical data.

This latest contract is proof of the adaptability of iOra's technology, as co-founder and CTO Paddy Falls explained: "Usually, end users are enterprises with mobile knowledge workers such as consultants, sales teams and field engineers. The US Navy requirements go well beyond the typical commercial enterprise needs in terms of volumes of data, bandwidth availability and strict compatibility and security."



iOra's technology has helped the US Navy to support its plans to make its Distance Support portal available to navy personnel at sea.

### **BT calls**

iOra's Mobile Intranet is also supporting the big guns of BT's Major Business Sales and Services team which has been increasing sales with the aid of its Knowledge Management initiative.

The 1,500-strong team now has permanent access to BT Today and Infopower, BT's award-winning sales portal. Mobile Intranet provides offline access to business information which, through high-speed synchronisation, is rapidly and securely updated whenever the user connects again – even over wireless GPRS and 3G connections.

Head of BT Knowledge Management, Simon Mills said: "People spend around 40 per cent of their time away from the office. Now, with iOra, they have 100 per cent access to critical knowledge and we anticipate further increases in productivity, customer service and success."

➤ In March BT won the UK Technology Partnering and Investment Forum CIO Innovator of the Year (sponsored by CIO Connect and Computer Business Review) with its iOra solution.



iOra and MTI's relationship was profiled in a feature on Backers & Founders in the Financial Times on March 13, 2003. For a copy see [www.ft.com/backers](http://www.ft.com/backers).

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

## MTI Guides you through the investment timeline

Introduction	Week 1	Week 2	Week 3-4	Week 5-
Investment timescales can be affected by various factors such as the deal's complexity, the requirement for syndication and extent of due diligence. Stories from the dot.com boom years of deals negotiated and cheques signed over cocktails have to be taken with a healthy pinch of salt. Today's deals are done in the real world. But, while the timeline (right) is typical, deals can be achieved more quickly – Digital Communication Technologies, in which MTI invested in 2001, took just six weeks from first meeting to completion.	Business plan received by MTI for review by a relevant investment executive. If it appears to meet with MTI's investment criteria a first meeting is arranged.	First meeting with potential investee company.	Business plan analysis and customer referencing, with submission to MTI Executive Committee in Week 4. If approved, In-Principle Offer issued to investee, subject to external due diligence.	External due diligence examines the technology and the product, as well as the commercial, financial and management aspects of the business, whilst finance staff work on business plan numbers and sensitivities.



The March European Venture Capital Association conference in Geneva included a keynote speech by Richard Holbrooke, former US ambassador to the

United Nations. His diplomacy skills could be used by investors wondering how best to contend with the latest theme of transparency currently sweeping the US and quickly heading for Europe.

How open and transparent should private equity investors be with their investors and with the media's increasing demand for information? This was one of the main discussion areas and is a subject that could become a minefield for funds keen to do their best, but unwilling to supply their performance figures to all and sundry.

The publication of performance data, against a backdrop of US pension funds such as CALPERS and UTIMCO electing to make their data available, could see the emergence of a groundswell of opinion demanding ever greater transparency. The freedom of information laws in the US could force public institutions to make information available if requested. The UK and Continental Europe does not have to contend with the same factors, but what invariably starts as a light breeze in America can rapidly escalate into a gale force wind by the time it reaches Europe.

In what has historically been a shielded market place calls for greater information are likely to grow. Dealing with these calls should make for good business for advisors and investor relations specialists, and maybe also for lawyers acting for unhappy investors questioning the performance of these funds in court, if they think they have a possible case to answer.

But litigation is not necessarily the answer. Investors must respect that private equity is by its nature private. Why should the best firms present a more level playing field to their peers and lose a competitive advantage by releasing all their information? With so many divergent interests involved in this debate, expect it to run and run...

Richard Rivlin is Director of Bladonmore, the publishing and training company, and contributing journalist to Real Deals and The Business.

## Investee News

### Regio secures healthy future

**Product content management company, Regio, has signed a five-year deal with NHS Purchasing and Supply Agency (NHS PASA) to modernise its procurement catalogue system.**

Founded in 1991, Regio provides rich and flexible product content management solutions for suppliers and buyers. MTI led an investment syndicate to provide MBO/development funding in January 2001, enabling Regio to expand and to compete for contracts such as this.

MTI's Partner John Polden said: "Regio has won this contract

against stiff competition – 128 companies originally expressed interest in the contract to overhaul the NHS's catalogue system.

"We have been working with the company for nearly two



**"We have been working with the company for nearly two years to help it expand into new markets and land major pieces of business. Regio's technology is second to none, as it has demonstrated by this win."**

years to help it expand into new markets and land major pieces of business. Regio's technology is second to none, as it has demonstrated by this win."

Everyone in the supply chain will benefit from Regio's eCatalogue solution – the

suppliers, who will maintain their individual product lines, the NHS PASA teams of catalogue and contract managers, who will see improved processes, and the purchasing managers who will have quick and easy access to full and accurate product information.

NHS PASA influences around half of the £7 billion spent on purchasing goods and services in the NHS.

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

### IntelliQ detects high rewards

**Rapid progress in turning technology into solid benefits for customers has attracted an MTI investment of £1 million for business analytics company IntelliQ.**

IntelliQ employs advanced data mining and visualisation techniques in its software products and services to allow companies to investigate relationships within very large data sets. Applications include the detection of fraud by retail employees through the analysis of point-of-sale terminal information.

The investment was made by MTI4 and sees MTI's Partners John Melotte and John Polden



[www.intelliq-global.com](http://www.intelliq-global.com)



joining the IntelliQ board.

John Melotte commented: "MTI was attracted to IntelliQ not only by the excellence of its underlying KnowledgeKey technology but also by the rapid progress the company has made in turning that

technology into a product that has already delivered substantial benefits to customers in retail and other sectors. For example, the system allows fraud investigators to explore very large data sets in an ad hoc manner, frequently recovering its implementation costs within months."

IntelliQ's Chief Executive Khuram Kirmani, added:

"Even during the investment process, the advantages of having the support of one of the UK's leading venture capital investors was demonstrably clear. MTI's involvement endorses the compelling proposition that IntelliQ takes to the market."

For more information, visit [www.intelliq-global.com](http://www.intelliq-global.com)

## metable

9 Week 10 Week 10 Week 10-12 Week 12

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# Keeping it Personal

## Proventure talks to MTI's Partner David Ward...

### How long have you been with MTI and what did you do before?

I joined in 1999. Before that I was Sales Director with a venture capital-backed engineering group. I was also CEO of one of its subsidiaries – a high tech start-up.

### Why did you join MTI?

My experiences of venture capital – both positive and negative – certainly influenced my decision to “change sides” to VC in general and select MTI in particular.

### Which areas of technology do you specialise in?

Material science, but I also have experience of start-ups and venture-backed businesses plus general management skills, so at MTI I am comfortable investing in a broad range of technologies including IT/communications software.



### What recent technologies have you been involved with?

Call centre services and technology, security software and digital imaging software and services. I led the investment in Sarantel, the high-performance antenna company (see front page).

### Do you bring anything else to your investee companies besides finance?

Knowledge of the sector in which a company operates is important – but we don't need to be as good on the specific technology as they are. Most start-ups have the ideas and intellectual property but need help developing the strategy

and structure to grow into a successful business.

Investing is personal. The relationship between MTI and the investee company lasts an average of five years so it's important they are comfortable with our style and have a good working relationship with the investment executive, who is likely to spend about a day a week assisting them and will always sit on the investee's board as a non-executive director.

### How do you manage the potential conflict between your roles as a Shareholder representative and as a Director of an investee company?

As a Director of an investee my overriding duty is naturally to act in the company's interests. We often also represent the major shareholder, so there is a danger that an investee will agree with me because of that. My advice is based on solid experience – but I'm not necessarily always right! I find the best relationships are based on dialogue and openness.

### Is there a key criteria you look for in your investee companies?

We are looking for solid technology that is either patented or unique enough to be patented, rather than just ideas. That way we can place a value on the intellectual property, which should address a substantial market place – in the order of hundreds of millions of pounds/dollars. We also expect to see the technology at the beta test stage – that is, an example that can be tested with a potential customer. We see hundreds of proposals annually and only invest in six to eight a year.

### Away from MTI what are your interests?

My wife Heidi, a native Chicagoan, and I enjoy travelling. At Christmas we were in Russia – one of those places that, growing up, we both thought we'd never be able to see. Moscow was -29°C, though, colder even than the technology investment market can seem at times!

## MTI News

### EVENTS

#### 20th Anniversary

As MTI enters its third decade in July 2003, plans to celebrate this impressive milestone are well advanced. For further details see the summer issue of Proventure.

### EVENTS

#### Venture

MTI's Chief Executive Dr Paul Castle is a member of the Advisory Board of the Venture Journey Europe conference, organised by VentureOne and Ernst&Young, and planned to be held in the autumn.

The annual, pan-European event offers up-to-the minute insight on the issues facing today's entrepreneurial and venture capital communities, bringing together venture capitalists, the companies they invest in, and the institutions that fund them.

Venture Journey Europe promotes original business solutions by providing a forum for collaboration and information exchange between entrepreneurs, venture capitalists, private equity professionals, and service providers from Europe, the US, Israel and Asia.

## INDUSTRY ISSUES

### BVCA guidelines

MTI's Chief Executive Dr Paul Castle has been contributing as a member of the BVCA Investor Relations Committee to the recently-released disclosure guidelines, and the valuation guidelines, which are currently in exposure draft. The BVCA has also published guidelines on the structure of limited partnership venture capital funds.

The limited partnership structure gives tax transparency – investors are treated as investing directly in each portfolio company – and affords investors the protection of limited liability. The combination of those features and the flexibility to document commercial terms to suit the requirements of a particular fund make the limited partnership vehicle well-suited for private equity and venture capital funds.



For more information, visit [www.bvca.co.uk](http://www.bvca.co.uk)

## INDUSTRY ISSUES

### MTI funds update

MTI's first fund, Managed Technology Investors, which raised £9 million, was established in 1983 and has now terminated.

A second fund, MTI Ventures, followed in 1990 and raised £15 million. Its life has recently been extended by a further two years and a few remaining investments in this fund are to be realised.

A third fund of £30 million, MTI3, which was raised in 1997, is fully invested and has generated early returns to investors.

MTI4 raised £104 million in 2000, of which approximately 50 per cent has been committed and all the active investments remain in the portfolio.