

PRIVATE EQUITY NEWS

www.penews.com

Mapping the achievements of the most influential European firms

Fundraising is a sign of success and the venture capital sector is enjoying a boom after the sterile period following the dotcom disaster, writes James Mawson

1 Coller Capital

AUM \$7.8bn in last three secondaries funds, of which a substantial minority is in direct venture capital investments

This fund \$4.8bn (2007)

Last fund \$2.6bn (2002)

Key people Jeremy Coller, doyen of secondaries market. Of the 10 other partners, Timothy Jones is responsible for origination, while Erwin Roex, former head of secondaries at Netherlands-based private equity investor AlpInvest, is on the board of Forbion.

High points Substantial majority of its last three funds have gone into venture capital through direct secondaries deals and corporate venturing partnerships. Its most recent public deals were with UK-listed defence research company QinetiQ, oil group Shell, Dutch bank ABN Amro's life sciences venture capital spin-out Forbion and telephone equipment company Lucent. It is Europe's largest venture capital investor. **What the firm said** We have a larger appetite for venture capital than most secondaries players.

What the critics said Consistent investors that go for the trickier end of the market. Its 2001 purchase of Bell Labs' corporate venture portfolio from Lucent Technologies kick-started the market in direct private equity investments.

2 3i

AUM £7bn in funds plus balance sheet

This fund Plans to invest more than \$1.5bn over the next five years

Key people Jo Taylor is managing partner of the 49 staff in venture capital for 3i, which excludes its growth capital and small and medium-sized investments division. He is also chairman of the UK trade body's venture committee. Ian Lobley is a senior partner; Jean-David Chamboredon heads its Paris office; Christian Siegele is head of venture capital in Stuttgart, Germany and the hire of Jonas Risberg from Sweden's most prolific venture capital investor, InnovationsKapital, last year was a coup for its Stockholm office.

High points Exits of DocMorris and ProStrakan in healthcare and Cambridge Silicon Radio in technology.

What the firm said Over the next five years, we will invest €1.2bn to help entrepreneurs realise their potential to become leaders in their fields. We typically invest between €2m and €50m from seed to late stage across IT, healthcare and cleantech.

What the critics said Badly burnt by the dotcom bust after 2000, the firm has moved towards taking larger stakes in later stage businesses, while closing many of its UK regional offices to develop its international network.

3 Index Ventures

AUM €1bn

Last fund €350m (2007)

First fund \$180m (1999)

Key people Co-founders David and Neil Rimer and Giuseppe Zocco. Other partners are Danny Rimer, Bernard Dallé, Francesco De Rubertis and Michèle Ollier,

while venture partners are Mark de Boer and Saul Klein.

High points Being an early round investor in internet telecoms company Skype, alongside Mangrove, Bessemer and Draper Fisher Jurvetson, gave it an estimated 100 times its money. The firm has also seen big wins from the sale of social radio broadcaster Last.fm to US media group CBS.

What the firm said We like to back companies that aren't down the middle of the pitch. We look for quirky businesses that cut across the grain. We try to make the most disruptive play in each sector we target. Aims to invest \$3m to \$10m (double this over the life of an investment) in technology and life sciences, although sometimes invests as little as \$500,000 in seed rounds.

What the critics said Index has been described as the premier venture capital group in Europe and arguably in the top five in the world. Its focused investment strategy of a few years ago, which generated stellar returns, is in danger of becoming a "spray and pray" as it has made 11 investments in the first six months against a stated average target of six to 10 in a year, according to Dow Jones VentureOne.

4 Balderton

AUM \$1.5bn

Current fund \$550m (€457.6m) Nov 2006

Last fund Benchmark's Europe II fund at \$375m (2004)

Key people The firm's general partners are Johan Brenner, George Coelho, Mark Evans, Ynon

Kreiz, Barry Maloney and Jerome Misso, with Klaus Hommels among its venture partners.

High points Set up seven years ago as the first European arm of US tier-one firm Benchmark Capital, the operation has spun off and was renamed Balderton. The firm raised a \$550m Europe III fund in November and its main investments in the European technology sector include Finland's Habbo Hotel, a teen social networking site; Sweden's MySQL, an open-source database business; and Ireland-based Setanta Sports, an international sports pay-TV broadcaster.

What the firm said Our strategy is to be the first investor in technology-driven companies that seek to create new markets with significant growth potential. We focus on early-stage investing and take a labour-intensive, service-oriented approach in markets where we have direct experience. These include enterprise software and services, communications and security, semiconductors, mobile computing, consumer services and financial services. Our investments range from as little as \$100,000 to \$10m or \$15m. Typically, we invest \$3m to \$5m initially and expect to invest \$5m to \$15m over the life of a company.

What the critics said Impressive record from its 60 investments, backed up by sizeable exits this year. However, although it will remain close to its former parent Benchmark, spinning out is never easy. But with two thirds of its dealflow coming from its portfolio company network and a strong team, it is well positioned.

5 Sofinnova Partners

AuM €900m

This fund Sofinnova Capital V €385m (2005)

Last fund Sofinnova Capital IV €330, (2000)

Key people Jean-Bernard Schmidt is managing partner and stepped down as chairman last summer, having been with the firm since 1973, a year after it was formed. Denis Lucquin is chairman, having come from the life sciences division. Monique Saulnier is managing partner and chief financial officer of Sofinnova Partners. IT managing partners are Olivier Protard and Jean Schmitt while Antoine Papiernik is managing partner in life sciences alongside Lucquin. Gérard Hascoët, David Hytha Bernard and Gilly Piero Martinotti are venture partners.

High points The oldest French venture capital group, Sofinnova hired Olivier Sichel, former chairman and chief executive of France Télécom's unit Wanadoo, as partner in its information technology group last summer. Floated the largest biotechnology company, Addex Pharmaceuticals of the past three years.

What the firm said Sofinnova Partners is an independent venture capital company based in Paris. We have special relations with Sofinnova Ventures, our sister firm based in San Francisco. We invest primarily in companies in information technologies and life sciences in France and other European countries. A limited portion of our investments is made in the US. We invest in start-ups and early-stage companies with ambitious projects. The minimum unit investment is €500,000. Up to €20m may be invested over several rounds of financing.

What the critics said Having made 22 investments in the first half, Sofinnova is on track to beat last year's 25 deals and could begin another fundraising round in the next year or two. It remains ahead of Natixis' venture capital operation Seventure Partners, which has €400m under management.

6 TVM Capital

AuM €1.3bn

This fund TVM Life Science Ventures VI €240.3m (2005)

Last fund TVM V Information Technology €128m (2002)

Key people Helmut Schühlsler, managing partner in life sciences and chairman of European trade body, EVCA, this year. Other IT managing partner is Friedrich Bornikoel. Alexandra Goll, Axel Polack and Hubert Birner are general partners in life sciences and Christian Claussen and Hans

Schreck are their peers in technology.

High points The company changed its name from Techno Venture Management last year. Schühlsler has become EVCA chairman during a crucial time as it reorganises into three divisions. Last year's flotation of Switzerland's biotech company BioXell was TVM's first exit from its sixth life sciences fund.

What the firm said In its technology and life sciences investment efforts, TVM Capital focuses on creating global businesses that benefit from access to science, management talent and capital in Europe, the US and Asia by being lead or co-lead investor.

What the critics said Schühlsler's role in EVCA meant it pipped Wellington to the top 10, despite its rival's chairman, Rolf Christof Dienst, becoming head of the BVK, the German trade body. Solid fundraising and deal record but starting to look lightweight compared with its Anglo-Saxon peers.

7 Intel Capital

AuM \$6bn

Funds Central pot

Key people Arvind Sodhani has been president of Intel Capital since 2005, and oversees the group's external investment activity as well as being responsible for new business incubation.

High points This year the firm has led the second round investment in chipmaker Mirics Semiconductor. Intel Capital invested \$1.07bn in 163 deals last year with about 60% of funds invested outside the US, of which a dozen were in Europe. In 2005 it invested \$265m in 140 deals in 19 countries.

What the firm said Since 1991, Intel Capital has invested more than \$6bn in nearly 1,000 companies in more than 40 countries. In that time about 180 portfolio companies have been acquired and another 155 have gone public on exchanges around the world.

What the critics said Increasingly large bet on global technology investments by several deals brings into question its ability to handle the companies.

8 Tudor Ventures

AuM \$15bn, of which \$500m is in venture capital through Tudor Ventures

This fund Tudor Ventures III \$262m (June)

Last fund Tudor Ventures II \$400m

Key people Managing partner Bob Forlenza, who founded the operation in 1994, while other

partners are Carmen Scarpa and Rick Ganong. In Europe understood to be using a top-tier venture capital group to source deals.

High points Some of its better known investments, which have gone public, include Cambridge-based Art Technology Group, North Billerica-based Avici Systems and Tampa-based Switch & Data Facilities. Spent an estimated £100m in European deals in first half of year.

What the firm said Launched in 1994, Tudor Ventures focuses on mid and late-stage technology companies. It typically invests between \$7m and \$15m in each of its portfolio companies and most often acts as a lead investor in four communications, internet infrastructure, enterprise applications, financial and business services and media and retail.

What the critics said One hedge fund manager that is expanding into European venture capital. Concentrated in later-stage companies within a few years of flotation and bidding up prices.

9 Kreos Capital

This fund Kreos III (2006) €200m close

Last fund Kreos II (2004) aims to invest €400m by 2010

Key people Founding partners are Ross Ahlgren, Maurizio PetitBon, Raoul Stein and Mårten Vading.

High points Invested €130m of debt financing in the first five months of the year in 25 venture capital companies to bring its completed closes to 200 transactions in 12 countries in Europe and Israel.

What the firm said Previously known as European Venture Partners, Kreos is Europe's largest and leading venture debt provider and manages third-party institutional money from a dozen financial sponsors, including Merrill Lynch, Deutsche Bank and the European Investment Fund.

What the critics said Innovative addition to the European venture scene and offers entrepreneurs finance.

10= Abingworth

AuM \$1.25bn

This fund Abingworth Bioventures V £300m (February)

Last fund Abingworth Bioventures IV \$350 (2003)

Key people Stephen Bunting has been managing director for the past five years. Other partners are Joe Anderson, Tim Haines and Genghis Lloyd-Harris, while Andy Sandham is the venture partner.

High points Closing Europe's then largest life sciences fund in

February, which was its eighth. Last year, Abingworth completed eight exits, including six from European firms including PowderMed UK, which was acquired by Pfizer. Abingworth also participated in seven financings including Ablynx of Belgium, which develops next generation antibodies, nanobodies, HealthCare Brands International of the UK, marketing over-the-counter products, and Intelligent Medical Implants of Switzerland, developing a retinal stimulator for visual perception in blind people.

What the firm said Founded in 1973, Abingworth has offices in London, Cambridge, Menlo Park, California and Boston. Abingworth's investments range from \$1m to \$25m, averaging about \$15m per investment after private rounds of financing.

What the critics said Impressive record and team and able to carry out strong exits as pharmaceutical groups look for pipelines. Larger fund will be required as drug development becomes more expensive.

10= SV Life Sciences

AuM \$1.6bn, including the International Biotechnology Trust, a London Stock Exchange-listed investment trust with a market cap of \$210m

This fund SV Life Sciences fund IV \$572m (February)

Last fund SV Life Sciences fund III \$393m (2003)

Key people Managing partners of the SVLS investment team include James Garvey, Kate Bingham, Lutz Giebel, Eugene Hill, David Milne and Michael Ross.

High points Closing its fourth fund at the same size as peer Abingworth.

What the firm said SV Life Sciences, formerly Schroder Ventures Life Sciences, provides finance to businesses at all stages of development in the human life sciences sector and invests between \$1m and \$20m in North America and Europe. Will consider innovative investments in other regions.

What the critics said Tied with Abingworth for influence and equally strong.

The next in line

12 DFJ Esprit

13 Eden Ventures

14 Wellington

15 Amadeus

16 Atlas

17 Accel

18 Mangrove

19 Pi Capital

20 Unilever Ventures

Collier rises highest among the green shoots of venture

Collier Capital is the elephant in the room of European venture capital.

Hidden by its preference for backing start-ups when others have given up, or working with corporate venturers rather than sharing a funding round with others, Collier is understood to have delivered the best returns of any large European venture capital group. It is also the biggest investor in Europe, having invested billions over the past decade and so is the most influential venture capital firm, according to Financial News.

The firm is reluctant to talk and its announcements are driven by those selling stakes to it, such as QinetiQ, Lucent, BT and Forbion.

However, even this limited information reveals some of the smartest thinking about intellectual property and growing companies of any private equity firm. Returns to investors in venture capital funds have been dismal.

A survey by Collier Capital found only 4% of European investors were achieving net returns of more than 16% from their European venture capital portfolios, which was the lowest percentage of any private equity asset class.

But this average hides the green shoots of success among the top firms. Preliminary private equity performance benchmark data compiled by Thomson Financial revealed top quartile venture funds returned 23.5% a year since launch

to December 31, 2006.

Unlike the buyout industry, where nearly every firm can raise another fund, venture capital fundraising is a gauge of success, according to participants. Several firms, such as Abingworth, SV Life Sciences and Balderton in the top 20 have just raised record funds or are about to come to the market with big plans.

Despite poor investor sentiment – European venture capital is in last place for investor attraction – there has been a fundraising boom. This follows a period after the dot-

com crash when many firms struggled to raise capital.

Preliminary data for 2006 compiled for the European Private Equity and Venture Capital Association by Thomson Financial and PwC showed €16bn (\$21bn) of funds raised were allocated to venture capital. This was up almost 50% on the €11bn raised in 2005, and the second highest amount raised for venture capital after the record of €22bn in 2000.

More than €11bn was invested in venture capital last year. There was also more early-stage activity, with 42% of the completed rounds in Europe having been seed and first rounds, the highest as a proportion since 2001, compared with 36% in the US.

Venture capital investors and firms have been encouraged by a few success stories, such as that of internet telecom operator Skype, social radio company Last.fm, and the opening of eastern Europe to investment.

A strong exit market, whether trade sale or flotation, would reverse investor concerns. Collier's survey found two thirds thought there were too few or weak sale options while more than half of respondents said the market was fragmented and there were an insufficient number of strong venture capital groups.

But limited domestic competition attracts US firms, with Highland Capital joining Index Ven-



Jeremy Collier: Collier Capital

tures in Geneva while Sequoia, Bessemer, Draper Fisher Jurvetson and others are planning their approach. DFJ has taken a stake in UK-based Esprit, in what could become a powerhouse competitor, according to venture capital firms.

Small venture capital firms are back in charge in Europe, pushing aside large rivals. In Germany, Wellington's chairman Rolf Dienst has taken the top job at its trade body, the BVK, while Helmut Schühlsler, head of local peer TVM Capital, will run the European umbrella organisation for the next year.

Top European venture capital investors – by number of deals June 30, 2007

Investing firm	No of deals
Sofinnova Partners	22
Seventure Partners	11
Wellington Partners	11
Index Ventures	11
3i Group	10
Atlas Venture	10
YFM Group	9
TVM Capital	8
Viveris Management	8
Quester Capital Mgmt	8

Source: Dow Jones VentureOne