

# Making a date with a venture

An event that matches investors with technology start-ups suggests it is the mature companies that are likely to attract funding, writes **Maija Palmer**

London's Mayfair hotel is a good place to catch sight of celebrities such as Paris Hilton or Lady Gaga when they are in town. But last week, the glamorous venue played host to a different kind of star-spotting, as 70 investors gathered for a chance to meet the UK and Ireland's 30 hottest technology start-ups.

The UK and Ireland Tech Tour is a two-day speed-dating event that introduces young technology companies in need of money to potential investors. As one of Europe's longest established start-up showcases, it is a useful snapshot of the post-credit crunch climate for fundraising.

Investors pay more than £4,000 (\$6,100, €4,600) each for the chance to get to know the companies, which have been selected by a committee of venture capital investors. About 300 companies are whittled down to 30. The official agenda involves listening to 20-minute pitches from each company, but the real flirting is done during the breaks.

"The best bit is the bus, when you are being moved from event to event," says Frédéric Court, partner at Advent Venture Partners. "You catch up with a lot of different people."

Another investor sidles up to Klaus Nyengaard, chief executive of Just-Eat, a company that allows people to order takeaway food over the internet, to say it represents "one of the most beautiful business models I have ever seen". Mr Nyengaard has just finished his presentation, and several investors are gathered round him in the hotel's marble lobby. Cards are exchanged, hands are shaken.

Playing hard to get, Mr Nyengaard explains that he is not looking for funding immediately. The company already has profitable operations in Denmark and raised £10.5m in July, in a round led by Index Ventures, to fund its expansion into the UK and several other territories. "But this might change. We might need to raise money fast, and then I will need the contacts," Mr Nyengaard says. He pockets the cards carefully.

"I think there is a lot of competition here between the investors. They all want to seem to have the hottest companies in their portfolios," he observes.

The Tech Tour has run more than 25 events since 1998, on a not-for-profit basis, and focuses on different regions across Europe in turn. The last time Tech Tour came to the UK was 2007, when venture capital groups were still flush with cash.

"It was pretty positive in 2007. You got the feeling that people still had money in their funds, and they hadn't switched into panic mode," says Tom Ilube, chief executive of Garlik, an online identity protection company that took part in 2007.

Now, the investment climate in Europe is much harsher. Tech Tour's promotional materials boast that investors at the event represent about \$10bn in investment capital. But how much of this they are able to spend is tricky to judge. After all, investors have been unable to find buyers or market flotations for the mature companies in their portfolios and are struggling to raise new funds. Atlas Ventures recently withdrew from the European market, and others are expected to follow.

However, there is a record turnout



Hungry for expansion: Klaus Nyengaard of Just-Eat at the match-making Tech Tour event in London last week

Shaun Curry

at the event, with about 70 investors compared with the usual turnout of about 50 or 60.

"Whether investors are ready to pull the trigger or not, I don't know, but they all want to see what is going on," says Mike Reid, managing partner at Frog Capital, who has been heavily involved in selecting companies for the event and is looking to add to its clean-technology and healthcare portfolio. "A lot of investors say they are not interested in European venture investments because they are too risky. But when you ask them if they are interested in growth companies, they say 'yes'."

The profile of the companies seeking investment is very different from 2007, however. Many are more mature businesses and already in profit, reflecting a growing reluctance

among European investors to fund very early-stage companies, where the risks are very high.

Mr Court says: "Originally, it was much earlier-stage companies, with seed money or just one round of funding. This time, at the dinner, I was sitting next to a clean-tech company that had already raised £150m from institutional investors."

Victor Basta, president of the UK and Ireland Tech Tour, says: "Early-stage funding is a graveyard of failures. We wanted companies that were more mature - early teenagers - which deserve money but don't necessarily need it."

While the idea of Tech Tour is to find funding, many entrepreneurs who took part in past rounds say they did not find their investors through the event.

**'We might need to raise money fast, and then I will need the contacts'**

**Klaus Nyengaard  
chief executive  
of Just-Eat**

Mark Crosier, former chief executive of DeepStream Technologies, an electronic sensors company that attended the 2007 tour, says: "It was a great opportunity to get our name in the VC press. It was a nice experience, but we knew the tour was not going to attract the kind of investors we needed for our Series-C round directly." In fact, Wales-based DeepStream, once hailed as one of the UK's most promising technology start-ups, fell victim to the banking crisis and the ensuing dearth of available funding and called in the administrators last May. Only a few of the 2007 UK Tech Tour companies have folded although some are in semi-hibernation and have struggled to raise new money for growth.

Some investors, such as Danny Rimer, partner at Index Ventures, say a tour format does not fit with their strategy for finding investments. "We come up with an investment theme and research companies that fit that," he says, adding that his group is keen to invest in undiscovered gems, rather than companies being showcased.

Others are more positive. "We met a number of our portfolio companies at either Tech Tours or the Mobile World Congress," says Andrew Davison, partner at Scottish Equity Partners, an Edinburgh-based venture capital company that typically invests £1m-£10m in early-stage IT companies. "It didn't lead to immediate deals, but we had further meetings and then we invested, perhaps a year later. You shouldn't go into the tour expecting six hot deals that you can complete in a month."

At the very least, entrepreneurs say the Tech Tour can save them time.

"I have been through the fundraising cycle several times, and it takes a lot of legwork," says Mr Ilube. "It takes about nine to 12 months to raise money if you are starting from scratch. If you get invited on the Tech Tour, you can cut out maybe three months of that process."

Paul Brennan, chief executive of Zeus Technologies, one of this year's companies hoping to catch the eye of investors, says: "For us, it is about making people more aware of who we are... The worst time to raise money is when you are distressed."

The ultimate test of this year's event will be whether Zeus and its peers can do any better at transforming the back-of-the-bus flirtations into real spending commitments.

## Backers and founders: what they say about Tech Tour



**Paul Brennan,  
Zeus Technologies**

The Cambridge company, which manages cloud computing traffic for organisations such as the BBC and BT, took part in this year's Tech Tour. Already profitable, it last raised money five years ago from DFJ Esprit and Scottish Equity Partners.

"We are not looking to raise money but we want to make people more aware of who we are. We are also looking for relationships with other tech companies."



**Mike Reid,  
Frog Capital**

Backed by the multi-billionaire German-Spanish Engelhorn family, Frog Capital recently increased its funds under management to €100m (£86.5m, \$132m) and is looking for more digital media and IT investments.

Mr Reid has been an active member of this year's UK Tech Tour selection committee.

"We hoped to include a blend of companies from seed to mid-stage on this tour, all showing strong growth."



**Tom Ilube,  
Garlik**

Garlik, an online identity management company was part of the 2007 UK Tech Tour. It raised \$2.4m (£1.8m, £1.6m) in Series-C funding in April 2009. 3i and Doughty Hansen are investors. It hopes to break even within the next few months.

"The group VC pitches can be stressful. There is an element of who can ask the toughest, most direct question. You almost never get through your whole presentation."



**Andrew Davison,  
Scottish Equity  
Partners**

The venture capital company typically invests £1m-£10m in early-stage IT, energy and healthcare companies.

The Edinburgh group has backed successful UK businesses such as CSR, Wolfson Microelectronics and MTEM, and has participated in several Tech Tours. The firm already owns a third of Zeus Technologies, but Mr Davison says he is "not concerned about them talking to other investors".



**Mark Crosier,  
DeepStream  
Technologies**

Founded in 2004, DeepStream fell victim to the banking crisis when it started its £30m Series-C round and in 2009 the 83-employee company called in the administrators. Mr Crosier, who has started a new business, says DeepStream was too big for most of the 2007 Tech Tour investors.

"Most European investors are not that big and as soon as you are raising above £10m, the tour is probably not the best place [for] it"