

FUNDS

German venture: not all bad

There seems to be some light at the end of the tunnel when it comes to European venture. Munich-based Wellington Partners has reached a final close on Wellington Partners III Technology Fund at €150m, exceeding its original target of €120m. The team undertook six months of pre-marketing for the fund and officially started fund raising in summer 2004 with a first close in December 2004.

In addition to its cornerstone investor, the European Investment Fund, further investors include Access Capital, AGF Private equity, AlpInvest, CDC, Global Vision – MPC, Messerschmitt Stiftung, National Innovation Fund of Kazakhstan, Swiss Re, VCM, VenCap, von Braun & Schreiber, Westfälische Provinzial and Württembergische Versicherungen. The team was advised by MVision of London and SJ Berwin of Munich.

Hellmut Kirchner of German fund-of-funds manager VCM said: "To find first class venture funds in continental Europe is not easy. But I'm positive. We are seeing a number of first class management teams aged between 30 to 35. And you have a number of first class VC fund managers in Germany such as Wellington, Target and TVM."

Wellington founder Rolf Dienst says the biggest challenge when fund raising was the perception that German venture capital is difficult to impossible. The success of the fund raising he said was down to the strong support of Wellington's long term investors. Most of the new investors had a 'wait and see' approach and only came in at the second closing when they had seen who else had committed to the fund.

He said: "Over the past seven months, interest in European venture capital on the part of leading institutional investors has risen sharply. We began our fund raising activities in a very difficult environment. However our three successful exits in 2005 and our expanded team helped to assure successful fund raising."

Since the beginning of the year, Wellington Partners has sold Ciao to Greenfield Online, NaWoTec to Carl Zeiss, Meiosys to IBM and had a successful IPO with net mobile. Eric Archambeau, formerly with Benchmark, was also recently brought on board as a new general partner. At Benchmark, Archambeau played a key role in launching the firm's European activity, leading and co-leading a number of deals across Europe, such as Betfair, Orchestra and Activiti, as well as pioneering an active Entrepreneur in Residence program. At Wellington, Archambeau, an engineer who holds a PhD in information technology and an MBA, will be focusing on Internet services, enterprise software and semiconductor opportunities.

Formed in 1991, Wellington Partners invests in startups throughout Europe in the fields of information and

communication technology and life science and manages total funds of around €400m. To date, the firm has invested in over 75 companies and has sold 23 of them at a profit, four of these via an IPO.

Wellington Partners III Technology will invest in approximately 20 European technology companies in the electronics, ICT services, security and software sectors. The fund made its first investment in April 2005 in French-based software company NexWave, which specialises in embedded software for consumer electronics.

General partner Bart Markus says of the investment: "NexWave's technology comes from France, its sales and marketing organisation is managed in Silicon Valley and its major accounts are located in Asia and the US. That makes NexWave a prime example of our strategy: to invest in innovative European technology companies and support them in their swift global expansion."

Dienst is convinced this approach will continue to offer attractive returns in the future. "We want to finance world class leaders to make Wellington Partners III technology one of the best European venture capital funds of the 2005 vintage."

Words of advice Dienst offers to those already established VC players struggling to raise a venture fund in the current climate: "Produce good results and first of all secure the support of your existing LPs."



Rolf Dienst