

## ● 'No matter the technology, or the money you still need top people'

The Henry Macleod Partnership Explains...

**The single most critical blockage to, organisational success is people; all ambitious businesses intent on success must view their human resource as their most valuable asset.**

There cannot be a board meeting at which developing existing or attracting new talent and experience does not figure high on the agenda. For many CEO's the motivation and the need to develop a strong and supportive working partnership with a professional and knowledgeable Executive Search Firm has never been greater. Such partnerships have proved their value time and time again in the USA, where they have been developed for many years and where they have successfully supported the growth of what are now multi national corporations.

European organisations are only now beginning to recognise, in the face of dwindling resources and increased competition, when getting it right - first time - is all market opportunity will allow, that they too need to forge close and long term resourcing partnerships with qualified and contemporary thinking Executive Search Companies.

Contemporary Executive Search businesses have recognised the changing dynamics of the markets they serve and the increasing difficulty of applying title based research within a market where role rarely reflects title.

Contemporary Executive Search Companies set out to be highly supportive and to accept total responsibility for the very critical part they play in growing and developing their clients businesses. Henry Macleod Executive Search is just such a company. It operates at the interface between people and business, where real and measurable operational effectiveness can be achieved in an environment where both the pace, and the magnitude, of change seem to be increasing exponentially.

**YOU CAN CONTACT PAUL STEVENSON AT  
THE HENRY MACLEOD PARTNERSHIP ON 01753 880313**

[paul@hmp.co.uk](mailto:paul@hmp.co.uk)

## Thinking of selling your company?

In total confidence call ICON 0117 922 0505

We have the knowledge, the know how and the expertise to maximise value.

Its a powerful combination

Authorised by The Institute of Chartered Accountants in England and Wales to carry on Investment Business

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**ICON**  
CORPORATE FINANCE



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"From inconsequential beginnings  
dynasties are begun" Balzac

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CORPORATE FINANCE



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## Autumn Seminars

The ICON Corporate Finance Autumn Seminar Series are being scheduled:

- Corporate Finance Strategies For Hi Tech Companies
- Maximising Value On Selling Your Company
- E-commerce - Virtual business with virtual profits? Real business with real profits?

Dates and venues are on their way. To obtain priority booking e-mail: [seminars@iconcorpfin.co.uk](mailto:seminars@iconcorpfin.co.uk)  
You will be notified by e-mail of the firmed up dates and venues. Also watch out for those spontaneous events - you will be warned.

### HOT TIP

By registering for notification of events through the website, you will always receive a 30% discount on the cost of the seminars.

## DEALS IN BRIEF

Purple Technology, providing software solutions for mobile computers, **raises £500 000.**

Confetti.co.uk, on-line wedding organiser, **raises £1.25 million.**

The Landscape Channel, tv and video programmes for cable and satellite, **raises £1 million.**

Trifour Computer Systems, data base software **raises £750 000.**

Appliednet, the software and IT consultants **raises £750 000.**

Weston Antennas, earth station antennae, **raises £1 million.**

Web based information service, mondus.com, **raises £3 million.**

In a joint university challenge bid, the Bristol and Bath Universities **win £3.75 million.**

## OVERSEAS

In the US 139 new technology funds raised in 1998.

A total of £17.3 billion committed.

Now thats impressive. In the UK we might not have the quantum but we do have some very good investors in technology companies.

## WHO'S HOT?

The top three making this edition for their early stage investments are:

**Quester - 3i - Advent**

Next editions top 3?

## The **ICON** Technology Channel

An on-line investment channel for the private equity investor.

If you are a high net worth individual and are interested in hi-tech investment opportunities, then either register your interest on the ICON Technology Channel on our web site, or simply give us a call. By subscribing, you will be periodically informed about high quality investment opportunities in private limited technology companies in the UK.

The ICON Technology Channel provides opportunities to invest in UK technology companies at all stages of development. These investments generally attract tax reliefs for UK residents. The technology companies ICON advises are usually seeking early stage funding of between £500 000 - £2 million. In some instances these investment opportunities maybe syndicated with leading venture capital investors or are for smaller or larger amounts. Minimum investment levels for syndicated opportunities circulated to individual investors in the technology channel are set at £10 000, there is no maximum. You do not have to invest, you get the opportunity.

The ICON Technology Channel also welcomes the involvement of the potential private equity investors in the appraisal of opportunities or in non-executive roles within technology companies. The diverse skill base of the Technology Channel can add significant value to the investments.

Private equity portfolio investment in unquoted UK technology companies provides opportunities for significant capital appreciation on sale or flotation of companies.

This is the channel for the private equity investor.

For more information, visit the **ICON Technology Channel** on the web site or contact **ICON**

**Subscription is free**



## SOFTWARE Business Network

SBN is a not for profit organisation whose purpose is to help the growth of companies in the software and services sector in the UK. Registration is free of charge and will put you on the contact list for business growth events and other services.

[sbn@cssa.co.uk](mailto:sbn@cssa.co.uk)

Please e-mail with details of your name, company name, number of employees, full address, postcode, telephone number and e-mail, further details will be sent.

press release  
contribution?

[editor.icon66@iconcorpfin.co.uk](mailto:editor.icon66@iconcorpfin.co.uk)

To obtain priority booking e-mail:

[seminars@iconcorpfin.co.uk](mailto:seminars@iconcorpfin.co.uk)

Give us your views, comments, exasperations or press releases about what is going on in your space. We need to know.

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## CREATING & DEVELOPING THAT 'MUST HAVE' WEB-SITE

OK, so we all know we are going to get mega rich by setting up our highly effective web commerce retail site but where is that first slug of cash going to come from to build it.

These sites are not your average £1,500 spend and usually start from a minimum cost of at least £100,000 - with no upper limit. That cash is not always lying around and that's before the advertising and marketing spend.

What are the options, well the first call should be ICON e commerce Team who have the innovative solutions to make it happen.

The Icon e commerce Team is a volatile mix of money, creativity, interactivity, entrepreneurship, jurisprudence and digital common sense. We have the solution.

Call us on **0117 922 0505** or e-mail: [ecommerce@iconcorpfin.co.uk](mailto:ecommerce@iconcorpfin.co.uk)

### HOT TIP

Don't believe the chat that VC's never invest in deals less than £5 million, they do and we know them. We also know the ones that invest significantly more.

## No Fear - Aethos Communications



**AETHOS**

Dave Edwards left Hutchison Telecom in Bristol in 1994 as Director of Engineering with a great career ahead, but he had the entrepreneurial drive to do it for himself.

In 1994 he took the plunge with a colleague Richard Russell. Aethos was created with a vision and some bright ideas, five years later the business was sold for £47 million – what a result.

**So what was it that the company did which made it such a success.**

Well it was in a great market sector, which was and is experiencing rapid growth – mobile telecoms and it had developed some great software products for this market, such as mobile phone prepaid software.

**So how fast was the company growing?**

Dave Edwards said. 'The growth of the business was frightening, when we sold the company in December 1998 we had over 160 employees and turnover shooting through the £20 million barrier. When we first conceived the company we had a very good idea of the type of products we wanted to develop but nonetheless when you start seeing them take off and the company growing at an incredible pace it becomes an extremely exhilarating environment.'

Looking back Dave considers they got the strategy about right, but he has one word of warning for the first time entrepreneurs, 'don't go to the venture capital market too early'.

**Dave went on to say:**

'In the first year we generated revenues from providing consultancy services and this funded our product development. At this time we talked to a lot of VC's and they were not interested in what we were doing because they perceived the products as simply design concepts. Twelve months later however it was a different story, we had managed to sell both our products and at this point we revisited the VC market. We then found ourselves in the enviable position of every VC we presented to wanting to invest - we then made sure we got in the right investor on terms which were attractive to us. Thereafter the partnership with our investors worked very well.

The first crucial step to our success however was having that crazy streak and self-confidence to take that first entrepreneurial action to leave the comfort of a large organisation. That was the most critical decision Richard Russell and myself had to make – and we made that decision in a bar in Atlanta, Georgia.'

**What a day that turned out to be!**



**AETHOS - THE FACTS:**  
Started 1994 - value zero  
Sold 1998 - value £47m

## Laying Effective Marketing Foundations

How many times in the past have you seen fantastic technology slip into obscurity, and mediocre technology become fantastically successful? Quite often, I'd guess. In fact you don't have to look too far past the desktop to find some well-known examples...

So, why is it that some early stage technology companies manage to make the leap into commercial success and others don't? Well, a large part of it is to do with this thing called 'marketing'. But what if you haven't got hundreds of thousands of pounds to throw at advertising campaigns, or huge partner programmes, or direct mail, or public relations? How can you hope to succeed?

If there's one rule that every emerging technology company should adhere to when communicating with external (and internal) audiences, it's get your story straight. Communications is about telling a story. Where did you come from? What are you doing now? And most importantly in the technology industry, what's your vision for the future?

These questions need to be answered on every level, from product to corporate, for internal and external consumption. From the answers will fall your organisation's vision for itself and the industry it operates in, the definition of your brand, your key product and corporate messages, your target audiences - the foundations, in fact, of effecting marketing. If you tackle it in an organised, structured way, it will happen and you'll be on your way to success.

If you'd like some help with the process, please feel free to drop me a line on **0181-242 4066** or e-mail me on [sallyd@evus.co.uk](mailto:sallyd@evus.co.uk)

**Sally Doherty, EVUS Ltd**

EVUS Ltd is a marketing consultancy for emerging technology companies

### Useful Telephone Numbers:

British Venture Capital Association **0171 240 3846**

Software Business Network **01242 676 548**

ICON Corporate Finance **0117 922 0505**

## Choosing your venture capitalist

### Advice for the first time entrepreneur:

Ask the question - how can my choice of VC help to maximise the value of the business?

Don't be totally focused on price. The highest valuation is not necessarily the best offer. Think beyond the price. Consider the depth of the VC's pockets further funding rounds are a characteristic of hi tech investments.

Ask about the VC's views on syndication - do they have the reputation to attract other financial resources?

Does the VC firm have the experience in your sector to add to your potential?

Has it stuck by companies in difficult times.?

Also never forget the investing process takes time - allow at least 4 to 6 months.

Also subsequent funding rounds do not happen overnight, always think ahead and plan the finance strategy.

Think carefully about your business model and the presentation to the VC's. It will all be rigorously tested.

Be clear on your route to market - there is a massive gulf between developing world class technology

and successfully turning it into a commercial success.

Carefully evaluate the funding requirement - it can have a significant impact on value and the choice of VC.

Make sure there is the chemistry with the preferred investor, you will be together a while it should be a pleasant and successful experience.

Finally never forget you are in business to make money.

At ICON, we have the knowledge.

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Give us your views, comments, exasperations or press releases  
about what is going on in your space. We need to know.

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## IPO'S FIRST TIME

Yes, its happened for the first time in history, in 1998, Europe outperformed the USA by listing more IT, media and communications companies. Home Run!

EUROPE 155  
USA 147

## NEW ICONS

New ICON Brian Parker, aged 39, has a wealth of experience in acquisitions, corporate sales and equity valuations. Prior to joining Icon Brian was head of equity research at Credit Lyonnais Securities Asia. He has considerable experience of M&A transactions in the UK, USA & Europe - Contact Brian on: [brian@iconcorpfin.co.uk](mailto:brian@iconcorpfin.co.uk)

## 3i Technology Team

As Europe's leading venture capital company, 3i invests in virtually all industry sectors.

Moreover, 3i is the largest venture capital investor in technology businesses. Technology companies - be they life science or IT based - have been the 'buzz' sector for UK investors for a number of years, with all acknowledging their unrivalled potential for rapid growth and strong returns.

The difficulty in attracting external funding to support early stage development is still seen as one of the main reasons why European companies are failing to live up to their counterparts in America's Silicon Valley. But investors' efforts to overcome this 'equity gap' are bearing fruit, with the 'Cambridge phenomenon' - the UK's very own Silicon Fen - one of the most obvious success stories.



3i's role in this success is unquestionable. 3i has over 20 years experience of investing in technology and life science companies, and in the year to 31 March 1998, 3i committed a record investment of £195 million in this sector alone, outstripping the technology investment of any American venture capitalists by both number and value. Currently 3i is making some 170 new technology investments per annum. The value of 3i's technology portfolio stands at £707 million with investment in 506 businesses as at 30 September 1998. 3i invests in early stages through to IPO with its 60-strong Technology Team investment executives across the UK and continental Europe. They watch for novel, leading products comprising ambitious quality management teams. The ability and integrity of the management and the growth potential of the business are the key factors 3i considers when deciding whether or not to invest.

Contact Mike Reid at the 3i Technology team on 0117-9277412

## Red Herring - Venture Market Europe 1999

It has never been a better time to be in technology and it certainly has never been a better time to be raising venture capital for technology - the time is now.

ICON Corporate Finance presented at the Red Herring 'Entrepreneurs Workshop' on 'Maximising Valuations' and Alan Bristow from ICON said, 'It was a fantastic 3 days as it is probably the only time in the calendar that you get some of the UK's and Europe's leading entrepreneurial technology companies all in the same place with the potential funders and the world's leading advisers to these businesses.' Alan went on to say, 'there is tremendous excitement about the internet, e-commerce and the technology businesses which are emerging in Europe and this is attracting significant interest from the existing and new overseas venture capitalists coming into the market.'

Over the three days ICON Corporate Finance met with many of the new VC's establishing footholds in the UK and it appears the choice for the raising capital for the UK's early stage companies is going to broaden substantially over the next few years. It also appears if some of these new VC's deliver on the talk then some of the deal structures are going to be far better for technology companies. - That's great news.



If you are raising capital contact ICON - no one can match our bandwidth of relationships for raising equity for technology companies.

## MUST VISIT WEBSITES

[www.thestreet.com](http://www.thestreet.com)

[www.siliconalleyreporter.com](http://www.siliconalleyreporter.com)

[www.iconcorpfin.co.uk](http://www.iconcorpfin.co.uk)

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'THE INTERNET CHANGES EVERYTHING'

Bill Gates

# e-COMMERCE

IGNORE AT YOUR PERIL!

## BLOW YOUR MIND WITH THESE FACTS

In 1998 \$7.8 billion of trade was done on the internet in the USA.

In 2003 this is forecast to be in excess of \$100 billion.  
(Source: Forrester Research)

Another report by IDC forecasts Western Europe's ecommerce revenues to increase from \$6.6 billion in 1998 to in excess of \$220 billion by 2002.

32% of British businesses surveyed said they planned to create a web site this year.  
(Source: Sunday Times, 24.5.99)

14% of homes in the UK already have access to the internet...

...by 2003, that number is predicted to have more than doubled to 35%

...and by 2007, the number is predicted to have risen to over 70%  
(Source: Goldman Sachs)

On average, six out ten companies across Europe are using the internet to buy and sell products and services, compared with fewer than one in ten in 1997  
(Source: Sunday Times, 24.5.99)

The internet creates for a huge opportunity to gain real competitive advantage. However, as it seems to be the accepted wisdom that an internet year is equivalent to seven ordinary business years, that either provides a most attractive small window of opportunity, or a huge opportunity to lose market share to your key competitors.

Whilst achieving funding for major e-commerce ventures may well be a clearly understood process, there are other equally important issues that also need to be understood and fully prepared for as an integral part of rolling forward the project. In future issues of Icon66, we will aim to provide a useful overview of the realities of creating an effective e-business environment. We will look at the integration of web sites with existing systems and ensuring that existing infrastructures are capable of coping with the exponentially increased demands that your web site will generate. In this issue, we address the importance of ensuring that your web site - the front end of all these other ambitions - is all that it needs to be.

Firstly, recognise that your e-commerce website is a sales and marketing tool (and nowadays, it is arguably the case that web design and build has become 80% creative driven and only 20% technology). A well designed, highly interactive site with good functionality will encourage prospective customers to use it and return to it - as will the simple commitment to keeping the site fresh and up-to-date. Historic sites, and even previously dynamic sites that have not been maintained, do not compare with the new feature heavy sites increasingly common on the web. It is of paramount importance that your website reflects the visual language of your whole organisation and that it has been produced with the same attention to brand values as your more traditional printed literature - and exactly the same considerations apply when defining the brief.

The internet really is developing at a pace previously unimaginable. The internet still carries a degree of novelty value independent of, and in addition to, its real usefulness as a sales and marketing or communications tool. Features of visual functionality add impact and even a sense of wonder. Intelligent interactive design and clever use of dedicated or even legacy database information is able to radically redefine the dialogue you currently enjoy with both your customers and business partners. To apply all available e-business permutations is undoubtedly prohibitively expensive, also frighteningly complex (and even the most enlightened project managers are unlikely to be fully up to speed). But what you can not afford to do is nothing. If you adopt that approach, the problem will just become an increasingly larger issue to address in the future. The most simple advice we can offer is to do something - now! In the first instance, invest in the acquisition of knowledge. The implementation of even the most limited ambitions will enable your business to take the first steps on the ladder of gaining that invaluable understanding of the opportunities available.

What is absolutely critical to the success of e-commerce ventures is vision. Many of our clients have in the first instance, been introduced to these particular opportunities through articles in the business press, others evangelised to the opportunities available by some visionary individual. Vision is an invaluable commodity - the e-commerce team at Icon can help you understand the internet and e-business, and introduce you to individuals or businesses who have the track record of achieving success in their part of this highly volatile mix.