


pre -

This House believes that there is a shortage of early-stage funding



*information.
technologists' company*

Venture forth

Funding stages

“A”
Early Stage

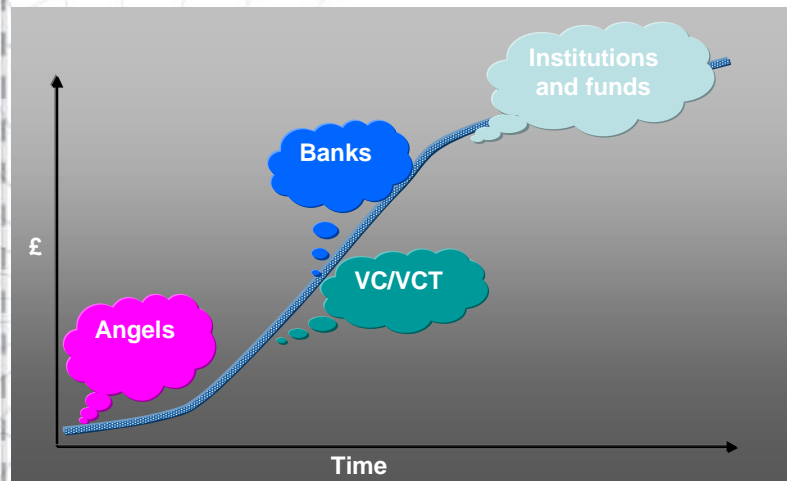
“B”
Growth

“C”
Final Private

Exit or Realisation

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"Show me the money!"



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What's happened...

- Angels only bridge a small element of the equity gap
- Government vehicles (EIS/VCT) in chaos
- The "venture" capital industry has forgotten the meaning of venture and chase larger and safer deals/MBOs
- Bank and non-asset backed debt finance has disappeared

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4



Quotes

" Our overall feeling is that there is a large opportunity but it will take time to develop and with a number of different technologies and many competitors in the market, it is very difficult to foresee which business will succeed. This is a very fast moving and very competitive space, which suggests a higher degree of risk than we would like to take in our investments."

" I'm afraid we invest only in much later stage companies and whilst IPTV is clearly an exciting prospect, it's still too far from widespread commercialisation for us to get comfortable with opportunities in this space."

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Conclusion

- Venture Capitalists have moved to low risk, larger deals and 'slam-dunk' MBOs
- Private equity model dominating
- Risk avoidance is now prevalent in the UK
- The 'risk capital' equity gap is as large as ever
- Therefore, there is plenty of money but only available to companies that don't need it
- We have abandoned our entrepreneurs by losing our appetite for risk

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