

OXFORD CAPITAL PARTNERS

If non-conformity were a guarantee of success, Ted Mott's band of patient investors would be hitting the top tier of European venture. Many believe the firm is going to do just that.

KEY FIGURES



TED MOTT
Oxford Capital founder and chief executive, Mott has extensive investment experience, beginning his career at US technology corporation Corning, before occupying investment banking roles for HSBC Investment Bank and Global Asset Management, working in New York, Paris, Hong Kong and London.



VICTOR CHRISTOU
Along with Marsh (below), Christou is the firm's deep technologist, studying at Stanford University Graduate School of Business, and with a PhD in inorganic chemistry from Imperial College. Christou co-founded Opsys, a spin-out from the University of Oxford which was acquired by Cambridge Display Technology in 2002.



RICHARD MARSH
Recently appointed, Marsh was previously founder and chief executive of Datanomic, a venture-backed software company in the field of data quality management. Richard holds an MA and a PhD in Engineering from Cambridge University and an MBA from IMD in Switzerland, where he was a Sainsbury Management Fellow.



DAVID MOTT
The son and heir, Mott previously worked for Result Ventures, a European strategy consultancy. A co-founder of Oxford Capital, Mott junior has led more than 30 venture capital transactions since 1999, and is widely seen as a rising star in UK venture capital.

SURVIVING, LET ALONE PROSPERING, IN Europe's venture capital market, is not easy. Firms have quickly learnt that there is strength in numbers and in conformity. Few UK venture firms, for instance, do not have a base in either Berkeley Square in London or in Cambridge. So it is interesting that many in the venture industry seem to be pinning such high hopes on Oxford Capital Partners.

As its name suggests, the firm is fairly proud of its home, and its founders rarely miss an opportunity to list its benefits.

To others, the drawbacks are clearer: Oxford is not considered a hub of technological innovation and commercialisation in the same way as Cambridge, and there are very few other Oxford-based investors. Hedge fund Sloane Robinson has operations there, as does IP Group, which has a tech transfer agreement with the university. After that, the list starts to dwindle.

On the other hand, there is something refreshing – even exciting – about this firm that refuses to conform. At a time when many more established European firms were unable to access capital and were running out of ideas, Oxford came close to pulling off a coup.

The firm won a heated contest against 20 international venture firms and investment banks to manage two Qatar Science & Technology Park venture capital funds totalling \$130m (€83m). In April 2007, the firm created Qatar Capital Partners, together with Qatar National Bank and Ansbacher. Europe's traditional VCs sat back and scratched their heads.

Catastrophically, at the eleventh hour, cornerstone investor the Qatar Foundation withdrew from the initiative. Oxford was back at square one. But before this point, the firm was relatively unknown. Now the world had caught a glimpse of the extent of its ambitions.

The people

The firm's fierce streak of independence comes from its founder Ted Mott, an investment banker-turned-technology risk-taker. Mott is fluent in French and German, and competent in Italian and Japanese – he picked up the latter while working on a Japanese sailing boat as a teenager. His inquisitive mind has also taken him to the Papua New Guinea rainforest, where he spent time with a remote tribe he decided to visit after reading about them in a book.

Such adventures might not strike today's gap year students as exceptional, but in the late 1960s, his round-the-world hitchhiking trip gave him an important edge by the time he entered the business world.

Mott founded Oxford Capital in 1992, initially investing as a business angel, before launching the firm's first fund with family money in 1999, at the height of dotcom euphoria. The firm achieved some top-of-the-market exits, such as the flotation of software company KMS in London in 2000, which provided a return of 25 times its investment, before going the way of so many other overpriced listings of that era. More steady investments included a threefold return on the trade sale of IT and printing technology developer Tenzen to US-based Danaher in 2003.

Oxford was subsequently able to raise three follow-on funds from a variety of private sources, such as hedge fund founders, private equity executives and other wealthy individuals. It now has £40m (€50m) under management.

But despite Mott's independence, he is not above building a team in his own likeness. And that goes beyond the appointment of his son David, who joined the firm in 1999 from European strategy consultancy Result Ventures, and who now heads the investment team.

The team itself is – like the Motts – weighted to the business side. Investment bankers, accountants and financiers outweigh technologists in the in-house team. However, the firm is not blind to its knowledge gap, and has built scientific and strategic advisory panels, which are called upon on a deal-by-deal basis. Meanwhile, it recently appointed software entrepreneur Richard Marsh to its in-house team.

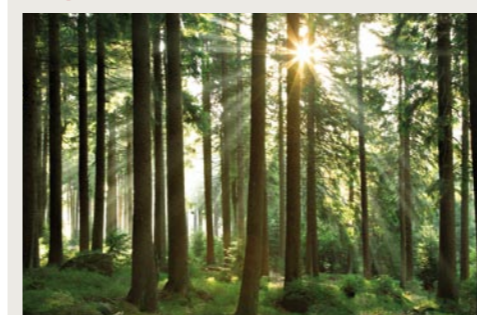
The philosophy

Oxford typically makes investments of between £500,000 and £1.5m in fundraising rounds of up to £5m, and as such, it remains one of the few investors still willing to take on early-stage investment risk. The firm leads around 70 per cent of the funding rounds in which it is involved but is happy to let common sense prevail if a co-investor has greater experience in a particular area. The firm is viewed by most portfolio companies as a knowledgeable, hands-on investor which can add significant value.

The firm invests in three key areas: life sciences, physical sciences, and information and

KEY INVESTMENTS

HELVETA



Oxford Capital Partners invested in Helveta, a producer of timber tracking systems, in early 2005. Its main product is the TracElite, which allows customers to trace timber through the supply chain. TracElite was developed with the Tropical Forest Trust to combat illegal logging and deliver online chain of custody reports. The company has received interest from the BBC, appearing on the World Service in October 2007 and taking a slot on the *10 O'Clock News* earlier this year.

INETEC

Oxford Capital helped the business become Europe's leading operator of food waste-to-energy projects. Inetec has won planning

permission to build the UK's first power station to be run on waste food and waste packaging to produce electricity and save landfills.

ARIESO

One of the firm's most recent investments, Vodafone spin-out Arieso's software aims to maintain the strength of a mobile's signal, regardless of the location of the user. "The attraction is the size of the market," says investment manager Richard Marsh. "The savings could be in the hundreds of millions for operators." Companies already using Arieso's products include O2 Group, Telefonica, AT&T Mobility, Sprint, Vodafone and Qualcomm.

GREEN BIOLOGICS

A partial answer to the world's food crisis perhaps? The company produces biofuels without using food supplies – boosting global food stocks. It has developed bugs to produce biofuels from agricultural waste instead of burning or landfill. Oxford Capital has backed the company from the lab to the marketplace.

OXONICA

Nanotechnology company Oxonica was the subject of an AIM flotation in 2005. Its Envirox fuel-borne catalyst product brings a fuel saving

of 4.3 per cent. Oxonica has also developed a sunscreen additive that absorbs UV light without forming cell-damaging free radicals.

OXFORD GENOME SCIENCES

At the forefront of the proteomics revolution, Oxford Genome has built the world's largest protein database, helping pharmaceuticals to save millions by shortening the time to launch of new drugs. The firm has gone from nil to winning three big deals in the past year.

OXITEC

Voted one of the World's Top 30 Most Innovative Companies at the Davos World Economic Forum, and recognised by the Gates Foundation as a global partner to fight malaria and dengue fever. Oxford Capital helped take it from lab to market, and to global recognition.

THE ONE THAT DIDN'T MAKE IT...

Oxford Capital's write-off rate, which stands at under 10 per cent, requires mention of Application Developments – a software business in which the firm invested £300,000 in 2006, and which recently went into administration. David Mott cites the failure as an example of the widespread venture predilection to list a company before it's ready.

communication technology, though Mott believes that many of the most exciting opportunities come from convergences in these sectors.

"Technological progress has broken boundaries – LPs understand we have a degree of insight into these pools of convergence," says Mott. "Our aim is to get in early on waves of technological advancement. We spend time dwelling on trends – like the fact that we now live longer – then we think about where we know technology is coming together."

Moving forward, the firm has also expressed a particular interest in robotics – a preserve of senior investment manager Victor Christou – and the urgent need for more effective forms of data security: one of Marsh's areas of expertise. Water treatment and delivery is another area of interest.

Oxford Capital has made a burst of investments in the sustainability technology sector in the past 12 months, although it has been active in this area since inception. It most recently led fundraising rounds in Exosect, a provider of pest management solutions, and Microbial Solutions, which is developing waste water treatment technology.

Meanwhile, exits have been thin on the ground. The firm prides itself on being a patient investor and has several deals in its portfolio that are highly promising. These include wireless network

optimisation provider Arieso, which is developing technology that could save operators hundreds of millions of pounds in lost calls, or biotech company Oxitec, which provides an insect control system using sterilisation. The latter was recently named one of the World Economic Forum's Technology Pioneers for 2008.

Deal flow

The firm's Oxford base might make it an outsider in the world of venture capital, but that doesn't mean the location doesn't make practical sense.

The team makes use of strong local ties to university bodies and research centres for a sizeable part of its deal flow. Furthermore, Mott believes Oxford is an ideal location, positioned in the centre of the UK "diamond" – two hours from technology clusters such as Cambridge, Bristol and Nottingham. A quarter of the firm's deal flow comes from Oxfordshire and 95 per cent of its portfolio companies are located in the diamond. Milton Park, just south of Abingdon, is as close to a tech hub as Oxford gets, and the firm backs four companies on the site.

"We are the centre of innovation in the UK," says Mott. "We're in Oxford because we wanted to be in the heart of the engine room. We're within two hours of most excellence clusters."

One adviser to the venture industry is more

flippant: "They are probably in Oxford because that's where Ted likes to live," he quips.

The vast majority of investors interviewed by the Spy were bullish with regards to Oxford Capital's future, and viewed them as a firm to watch. "I wouldn't be surprised to see them break through to the top tier of Europe's VCs in the coming years," says one.

"I'd expect to see them open an office in London in the next five years," ventures another.

Meanwhile, the consensus is that the firm is punching above its weight. Co-investors are particularly respectful of its willingness to take "the long view" on its investments.

And a portfolio company chairman describes the team as "very bright, they ask the right questions at the right time – they're a good team that communicates well with each other".

If Oxford Capital believes the hype surrounding it, then it is surely just a matter of time before it starts to seek institutional funds to propel it into the big time. But venture capitalists are good at talking each other up – after all, it's in everyone's interests that the market achieves a critical mass of funds.

But if institutional investors are going to be convinced that Oxford – the firm or the place – is the next big thing, it must first demonstrate, with some hard returns, that it is worth the hype. ●