

MARK CROSIER SAYS...

“Whilst we had to rely on James at ICON and his knowledge of the funding market to manage the process for us, the biggest challenge for me was to keep the team motivated, focused and committed. Trying to keep a team of people with mortgages, young families and other obligations together, without salaries, with Christmas fast approaching, was no small feat!”



NAME: *DeepStream Technologies* CEO: *Mark Crosier*  
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# *(Digital) – Breaking with Tradition*

When the electrical switchgear company that [Mark Crosier](#) and his four colleagues worked for was taken over by a US corporation, they faced a bleak future as the new owner decided to close the R&D department.

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When the electrical switchgear company that Mark Crosier and his four colleagues worked for was taken over by a US corporation, they faced a bleak future as the new owner decided to close the R&D department.

The team either had to disband and go their separate ways or invest their redundancy payments to start up in business for themselves. It was time for a leap of faith, and the decision that led them to establish DeepStream Technologies was certainly not an easy one. They all had wives and children to support and mortgages to pay, but they also knew that they had a superb team, great market knowledge and expertise, as well as some truly innovative new product ideas.

The challenge was palpable, but could they secure sufficient financial backing to make it work? The idea that Mark and his team developed was to enable a digital signal processor to be combined with sensors so that DeepStream could then design and manufacture in virtually any three-dimensional shape. This meant that sensors could be designed to fit inside existing products such as digital circuit breakers, electrical devices and a variety of other appliances.

*What were the initial challenges facing the team?*

Having made the decision to go it alone, we knew that we would require significant investment and probably from more than one source. To understand our options as a start-up and where to start looking for funding was the first major hurdle.

As if funding for a start-up wasn't going to be difficult enough, we also decided to set up a fully-automated manufacturing base in the UK to protect our IPR, rather than attempt a complex sub-contract or outsourced operation. This was going to make for an interesting few months! We met with James at ICON Corporate Finance, who worked with us to explore what our funding requirements and strategic options were. We then set about developing a plan appropriate for the venture capital community. The starting point was having a good plan, not only outlining strategic direction, but also addressing the key issues that potential investors would focus on.

James worked hard to get us into meetings with a selection of highly qualified and experienced investors and soon a consortium of interested parties began to take shape.

We were also introduced to Doughty Hanson Technology Ventures and HSBC Technology Banking and progress came rapidly. We eventually closed on a round of funding which would see both parties committing funds up to £10 million alongside a substantial RSA grant.

What made the difference to successful fundraising was being able to speak with investors with relevant experience. We hadn't the luxury of trying to educate our audience and accessing the most appropriate contacts quickly was vital."

*What lessons did you learn?*

"Securing that all important reference customer should not be underestimated! Someone else's willingness to invest in your product changes the complexion of the deal."

"An engineer by profession, it pains me to admit what became blindingly apparent, that investing is not all about the technology. Having the best technology in the world is worthless unless you are unable to sell it. Venture capitalists want to understand how you can develop and grow a great company rather than the underlying technology and, as such, your commercial strategy is paramount. Who are your customers? What are your strategic relationships? What sales channel strategy will you adopt? Who will compete with you? And, how will you defend yourselves? If you don't know your markets and how you will penetrate or grow them, how can you expect someone else to back you?"

*Would I do it again?*

"I thought only recently how exciting a period in my life the fundraising process was. I have learnt an enormous amount from the exercise, but cannot recommend highly enough that you make sure you have the right team of people behind you - and I include the quality of your advisers in that. Without doubt I would do it again."

*What is life like post-investment?*

"No less frenetic! The pace has not relented and the challenges have certainly grown. As well as the usual concerns about maintaining product development, winning new customers and managing the company's growth, my board is relishing the challenge of recruiting, managing and motivating our ever expanding team.

We are very lucky to have Doughty Hanson as our investors. They bring a wealth of experience, contacts and strategic support well beyond their financial investment. I would certainly advise other entrepreneurs to do their own due diligence on their investors to make sure that there will be a good fit culturally and personally. Remember that you will have to work with these people for the long-term, so do your homework." \*

*DeepStream Technologies is now one of the UK's fastest growing companies and certainly one of the most important domestic manufacturing start-ups in recent years. Within a year of completing funding the company has already secured contracts worth in excess of £10 million and has grown to a team of 30.*



[Nigel Grierson](#), Managing Director, Doughty Hanson Technology Ventures, tells ICON what he looks for in a deal.

“When I am reviewing an investment I am looking for three things:

1. Is the company run by an outstanding management team?
2. Is the product or service addressing a big market segment?
3. Does the product or service have potential to attain a leadership position in that segment?

Technology businesses will always have to navigate unknown and uncharted territory as they develop. Pretending they know this is the right market segment and the right technology for the next five years is a little like crystal-ball gazing. However, a talented management team that thinks like a business, will know how to overcome hurdles and is more likely to succeed in business.

When I met the DeepStream founders, it was clear that this was a team that not only had all the technical skills and knowledge to execute its plan, but also had the passion and commitment to succeed. This was a team that was thinking like a business as well as thinking like engineers.

Today, the team has delivered to its plan and is clearly excited at what it has achieved and what is ahead. I am excited too – they have a real focus on increasing shareholder value in their business.”\*

Is it a good time to sell  
my business?

The answer to this frequently asked question is perhaps one of the most important decisions entrepreneurs and shareholders need to get right. Sell too early and you can miss out on significant value, sell too late and you might have completely missed the opportunity and it could be a long wait to the upswing of another cycle.

## *The time of your life*

To sell at the top is perfect timing. The problem is that none of us can predict when we reach that key moment, that's called getting lucky, but what are the factors to look out for to ensure we do 'get lucky'?

The first thing to remember is that, generally, it does not 'just happen'. Creating a successful sale requires action, momentum and the 'going after' of the right and relevant buyers. Creating the deal - is what getting the right advisor on board is all about. The right adviser will help create the right deal at the right time, with the right buyer at the right price.

*Technology acquisitions continue to break records*

Timing is everything. The technology sector has been undergoing increasing acquisition activity recently. We have seen momentum building over the past 18 months, with companies previously seen as non acquisitive becoming acquisitive and the new raft of, now over 1400, AIM listed companies all seeking growth as they embark on their ambitious plans. All this activity is combined with very strong levels of interest in UK companies from the international acquirers and technology giants.

Across all technology segments we are seeing a range of activity not experienced since 1999/2000 and increasingly the IT giants are very active buying the present day technology start ups?

The UK develops some of the worlds leading technology companies. We may struggle to get them to the size of some of the global technology giants, particularly the US majors, but the UK is a sought after location for the international acquirers and those UK companies delivering growth and earnings represent sought after assets. As the acquisitive momentum across all technology segments builds those companies with sound fundamentals are suitably positioned to benefit.

At ICON, our most recent transactions have all been to the overseas acquirers with very strong activity coming from US and EU buyers.

You do not have to be big to be beautiful but you do need to have something they want and if you are strategically important to your acquirer, you will get a premium value for your company.

Finally the wider M&A market is extremely buoyant and certainly the big deals have a significant impact on fuelling acquisition confidence which filters directly through to the mid and smaller end of the market.

As a business, ICON is certainly experiencing significant levels of activity with healthy competition from acquirers for deals.

*So what does this mean? In short, it is a very good time to sell a business.*

However, whilst all the market dynamics are strong, you must ensure that you also have strong trading dynamics within your company. Acquirers do not want to buy headaches. Earnings, growth and positive cash flow are essential - the stronger the growth the better the price. Remember it's very difficult to sell a business which has reached a plateau or even worse on the slide. It is also very difficult to sell a business which is in a sector which is in decline or is notoriously lumpy. The best time is always on the up.

As any good surfer will know good waves come in threes and if you can hit all three waves: the wave of growth in trading results; the wave of strong sector activity and the general wave of confidence rolling through the M&A market, then you can get an exceptional ride and may even get to buy the surf beach!

These factors generally do not prevail for long, however, act now and remember a 'quick deal', start to finish, can take six months.

The market is good, prices are good, the buyers are international and UK technology companies are some of the world's most sought after assets. So, if you are thinking about it, now is the time to act on it. Call ICON, we have the relationships, the global reach and the knowledge. \*

Text

Alan Bristow

# Icon's 'IT Giants' Series



The inaugural evening of ICON's ["IT Giants Series"](#) commenced with Chris Baker, Vice President and Head of Consulting for the Oracle Corporation in the UK, Ireland and South Africa. Former Financial Times journalist Richard Rivlin posed the questions and moderated a question and answer session

*RR: One of the hot themes that you have mentioned to me is 'agility in a changing world'. Clearly this is as important for large corporates as for smaller companies. What does agility mean to Oracle specifically?*

**CB:** One of the things we have had to learn over the years is how to change personally with the market place and to understand how quickly it's changing. I joined Oracle eight and a half years ago. At the time our primary business was databases. Very few of the companies we were competing with at the time even exist today, they've been absorbed, and the same is starting to happen on the applications side. So we have had to learn how to be agile in the market place we work in.

We also recognise that IT is a fundamental part of most businesses today whether they are small, medium or large. IT infrastructure is fundamental to their existence and things are changing all the time, so it's about trying to work out how that change works for us. We are not focusing on trying to sell products to our customers, but on taking a much more of an advisory role.

*RR: Does that mean that Oracle today is a collection of account managers trying to understand other businesses priorities, with an understanding of IT beneath that, or is it the IT will always be first?*

**CB:** In the old days you sold the customer what they wanted. The truth today is that most customers don't know what they need and you have to educate them to understand what they need. So the agility issue is that we have to move from selling a product to becoming an adviser and it's a journey to do that.

*RR: What is your perception of innovation today in: business, Oracle and the companies you work with?*

**CB:** The first thing is that there is a big difference between invention and innovation. To me innovation is applied invention. There are a lot of

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companies that are good at inventing things, but not many are good at taking that and turning it into commercial reality.

The key is to make sure companies can put their skills and focus into the thing they are doing and not divert their skills into IT. This is why we are working increasingly with companies like ICON who are dealing with companies which need funding, but need funding to make the innovation come through in the business world. Our view is that we should be taking away a lot of the IT headaches that these companies have.

I am working with a company at the moment and they have a proposition that will go across the world. I can't say much more than that at present, but they need some very, very specialist security skills and architectural skills, but they only need them for about two or three months. So we said to them: "We know you're pre-funding, so you are running very lean, but we will do a deal with you so that we support you now and you can give us money back later as you grow."

The incentive for both of us makes sense. It's in my interest to promote that company and it's in its interest to work with us so that it can have access to the skills and products it couldn't normally afford. This spurs the innovation and it releases the company to get on and do what it's good at. I think IT companies have a huge part to play in both global and in UK businesses. In the UK we're very good at invention, but not so good at turning that invention into innovation and I think this is where IT businesses can really help British industry.

If you listen to Tom Peters who wrote "Re-invent" or Kell Norstrum who wrote "Karaoke Business", the thing that is going to make the difference in the western world is creativity and intellect. Tom Peters said "If you think you can sell it cheaper than Wal-Mart or produce it cheaper than China, you're wrong". There is no point even going there. You've got to be in the value curve, you've got to use that creativity and intellect, you've got to be at the value end, and I think the UK and Europe have the opportunity to really be very strong in that place.

*RR: There is a sense that Oracle is one of these global goliaths and its scale means it doesn't have a direct perspective on the new emerging technology in the IT space. How do you keep track of what's going on?*

**CB:** We work with smaller companies much more than the market place believes. Very recently we held an innovation forum event where we brought together many pre-IPO companies, venture capitalists and corporate financiers like ICON. Part of the purpose of that forum was to have a discussion about how you turn innovation into something that makes sense. So the idea that Oracle is only interested in the big corporates is not true. Certainly it's where we made our profits that fund everything else, but we also invest a great deal of money to make sure that we work with the customers as they are coming through.

*RR: Why is it that Europe, relative to its brain power, does not seem to generate the same amount of champions as the United States?*

**CB:** We still have conservatism. The old adage that the US celebrates failure and we bury people is probably still true. A lot of people who have been successful have been through the mill a number of times and I think that's important. I think we should encourage people to learn from the things they've got wrong. I think it's incumbent on companies like Oracle to share, obviously not the commercial and confidential stuff, the experience we have of people that are successful and some people who aren't.

*RR: How do you view the emerging economies of China and India and the impact they are likely to have on Innovation in the UK?*

**CB:** China and India are the two countries that the western world has to be clear about. I work a great deal with India. In fact about 20% of

my manpower is offshore in India and it makes me much more competitive in the UK market place. They are extremely competent people. However, when it comes to invention and innovation I'm not so sure. I think the UK has an opportunity now to dominate the design, invention and innovation side. But we need to remember that India generates 300,000 qualified engineering graduates every year, which is a

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CHRIS BAKER

pretty awesome number of people coming into the market place, and we should not ignore them. We need to recognise the fact that everyone said, before the dot com boom, that Silicon Valley couldn't deliver!

*RR: In terms of corporate finance activity in 2004/05 you've made multiple acquisitions. What is innovative about those companies that makes Oracle HQ want to get out its cheque book?*

**CB:** I would put it in these terms. Our strategy is a result of market conditions in an industry that is going through significant consolidation. Customers want to work with less suppliers but they also want strategic IT partners, who help them to turn IT systems into competitive business advantage. The companies Oracle acquires help to bring innovative talent into the Oracle Corporation so that we can explore niche areas and new markets on behalf of our customers.

*RR: It can't be easy if you've made so many acquisitions to transport those values into the businesses you're digesting, so what's the process that Oracle applies to do that?*

**CB:** The first answer to that is speed. We believe in integrating people we acquire very, very quickly. If you look at PeopleSoft, we acquired it on the 28th December 2004 and, in my region, it was fully integrated from a contractual and personal basis into my organisation by 1st March 2005. We also cross train people in whatever the acquisition is.

Every one makes mistakes but if you do things at speed, things don't fester. If you have problems then you deal with them immediately. Culturally it's always interesting for people who come from a small company, people can find it very refreshing that they don't have to do everything for themselves anymore and they have a huge market place to work in.

*RR: Most SME's dream of being bought by an Oracle with suitcases full of cash. Can you explain how UK companies get on your radar in terms of acquisitions?*

**CB:** Acquisitions are driven by the President's office in the US. From Europe we may make recommendations referring the people we feel are important in our marketplace and those will be considered. It is about mutual self-interest; we want to make smaller companies successful because that's what makes us successful.

My view is that if the smaller company and the larger company understand what the overall goal is then you may be able to achieve something together. If those goals aren't aligned, it doesn't mean either of them is wrong but it means they shouldn't waste any more time. \*

*This interview formed part of ICON's "IT Giant's Series" that also includes: Evenings with Alistair Baker, MD of Microsoft UK and John Woodget, MD of Intel UK amongst others. Please see our website [www.iconcorpfin.co.uk](http://www.iconcorpfin.co.uk) for further information about these and other forthcoming events in the IT Giants Series.*