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# Venture capital funding for technology sector

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*Mark Shuttleworth's venture capital company, Here Be Dragons (HBD), is looking to make at least one more investment of between R10-million and R25-million in local, early-stage businesses this year.*

"Although the focus is on all companies offering innovative products with the potential to expand internationally, experience has shown that technology remains a sector in which scalable companies have a high potential to expand fast," said Julia Fourie, HBD CEO.

It is for this reason that technology remains one of the top three sectors in which the USA is channelling venture capital funding. "As venture capital is a high-risk, high-return industry, it is important that the companies in which HBD invests have the ability to grow at a higher than average rate."

Locally, HBD has had great success in the technology sector, with companies including OrderTalk, a sophisticated online ordering solutions company for the food service industry, Clicks2Customers and EDH, which pioneered 3D radar tracking services.

OrderTalk has created the world's most sophisticated outsourced online ordering solution for the food service industry. The software allows restaurant chains to quickly acquire an online ordering facility on their websites. With the software, restaurant patrons are able to place real-time orders over the internet, regardless of the complexity of the order. The software can easily be integrated with point-of-sale systems, as well as with live calls to a customer contact centre.

The first version of the software was developed in 1998, specifically for restaurant chain Jason's Deli by co-founder Hilton Keats. With business partner and lawyer-turned-entrepreneur, Patrick Eldon, the software was adapted and the business expanded commercially to meet the growing need for online ordering solutions.

With offices in Cape Town and Los Angeles HBD believes that OrderTalk has the potential to grow enormously in scale, with the growing number of restaurant outlet chains and growing convenience of online ordering.

## 3D radar tracking

Local software development company EDH has led the way in 3D radar tracking devices



Fig. 1: Steven Sollinger, CEO of Clicks2Customers and Henry Johnson, CEO of EDH.



Fig. 2: Eben van Heerden, HBD portfolio and investment manager; Julia Fourie, HBD CEO and Patrick Eldon, OrderTalk CEO.

including those used to measure the speed of tennis serves at Wimbledon, as well as similar applications for cricket, golf and military.

## Clicks2Customers

A company that specialises in pay-per-click campaigns for a global, blue-chip clientele, Clicks2Customers develops and manages campaigns from its offices, using proprietary

software. This technical and geographical advantage has enabled Clicks2Customers to deliver a superior service at more attractive rates.

The company was formed in 2003 on the back of a massive growth in internet traffic and an increasing dependence on search engines to navigate through a vast number of websites

and even more web pages. The refinement of the e-commerce business model also saw a parallel growth in the pay-per-click and search engine optimisation industry, and under the umbrella of its holding company, Incubeta Holdings, Clicks2Customers quickly made its mark – growing its client base by 40% in the past 18 months. It has invested thousands of man-hours in designing its business intelligence software. Media Manager, its trading platform, is now in its third iteration and allows the company to fully integrate its data analysis tools with search engines, making for seamless and super-fast response times.

“If we can partner with quality companies through tough times, there should be substantial rewards to be reaped in later years,” said Fourie. As HBD takes a three- to five-year outlook on the business potential of an investment, its focus is not only on this year’s problems but also next year’s opportunities. HBD believes that although tough economic times can make or break young companies, such times present interesting opportunities to invest in companies with sound and tested businesses.



Fig. 3: Online ordering schematic.

“There are many talented South African businesses with the potential to make it on a global stage but fail due to lack of guidance, funding and expert knowledge. These companies often try to grow too quickly or to go the road alone,” she said. “Success takes courage, and in partnering with our investment companies, we offer not only capital but expert advice and mentorship too.”

Key to successful partnership is finding the right fit between HBD and the investment company, as sharing the same goals and ideals maximises the chance of success. It is important that applicants do their homework, assessing the goals and philosophies of the investment partner against their own. Applicants should have a solid understanding of their business needs, and must be able to present a sound business plan, taking into account the relevant economic outlook.

“The nature of venture capital is to invest in early stage businesses, assisting them to grow and become more profitable, with a view to selling the investment to another partner within a three to five year period,” said Fourie.

Companies wishing to apply to HBD for venture capital funding will first need to meet the specific investment criteria before undergoing the process of due diligence. Most importantly, investments will only be made in local businesses with tried and tested products. The company must have been generating revenue for the past six months, and show potential to expand exponentially.