

Building Billion-Dollar Babies

BY JENNIFER L. SCHENKER

QlikTech, a start-up born in Sweden that pioneered a disruptive new approach to business intelligence software, negates some common myths about Europe: European companies are mostly copycats, they don't scale, and they need to hire American executives to drive the business.

QlikTech thrived by first targeting small business customers that were below the radar of business intelligence software companies like Business Objects and Cognos. Then it began to cut into their businesses; today it considers IBM, SAP, Oracle, and Microsoft as competitors. The company launched an initial public offering on the NASDAQ in 2010, reaching its current valuation of \$1.5 billion the year it went public.

Its David versus Goliath success story is symbolic of the maturation of Europe's tech sector, which is starting to produce a greater number of companies with the chops to become global players. Now, a team of executives that helped build QlikTech is setting out to ensure that Europe continues to produce even more billion-dollar babies. Later this month four former QlikTech executives and a Danish private equity investor will unveil Zobito, a new \$50 million fund aimed exclusively at helping companies scale. The focus will be primarily, but not exclusively, on Europe.

THE CHALLENGES OF SCALING-UP

The idea to create Zobito came from Måns Hultman, a Swede who served as QlikTech's CEO from 2000 to 2007, and its chairman from 2004 to 2009, the years that defined QlikTech's strategy and created the momentum that carried QlikTech to its successful IPO in 2010.

QlikTech originally focused on search and visualization but its technology also hit a sweet spot: helping companies to more easily access key data and cut the time to install the technology from months and years to weeks or even days.

But as many European companies learn the hard way, strong technology does not automatically translate into strong

business. Hultman stepped in as CEO in 2000 to help out. At the time the company was in the red and had only one sales guy, who had already resigned. Hultman made the decision to have the company focus uniquely on business intelligence software and enter the market by targeting mid-sized Swedish manufacturing companies as clients. The client list grew rapidly and so did revenues: during his tenure as CEO, QlikTech's sales shot up from \$2 million to \$80 million and by the time he stepped down from the board revenue had mushroomed to \$153 million.

So why the name Zobito? It is a variation of the Italian word Subito, which is what Italian waiters say when you order an espresso in a café. It means "coming right up" but in reality it could take 30 seconds or half an hour. One never really knows. It is the same with start-ups, says Hultman. Some companies need longer than others to get the job done and that is something that VC funds have difficulty accommodating.

Hultman, who left Qliktech in 2009, has spent the last three years advising and seeding a new generation of young European companies. It was through this experience that he realized that scaling remains an issue for European start-ups.

"I did not see the same kind of firm foundation for growth we had at QlikTech," says Hultman. "People do not seem to have the right kind of structure in mind and do not even understand what market they are in."

While Hultman has tried to help start-ups grow from a position of board mem-



JENS SCHRÖDER

Schröder, a Danish citizen, has extensive experience in private equity. In 1988 he was the co-founder of the first Nordic Private Equity Fund, Procuritas, which still is one of the most successful PE companies in the region. He left Procuritas in 1995 to conclude a management buy-in of Thomée-Hörle, which at the time had +\$150M in revenues. In 2006 he founded SIC 2006 LP Private Equity Club, a vehicle to share investments in his closest network. Schröder has experience as non-executive chairman of numerous medium-sized businesses in Sweden, the Baltics and in Germany.



JONAS NACHMANSON

Nachmanson, a Swedish citizen, was QlikTech's chief technology officer from 1995 to 2011. He was a member of QlikTech's executive team for more than 15 years. His biggest achievement at the company was the creation of the company's QlikView product. His main responsibility was R&D strategies and implementation. Before QlikTech he worked for Tetra Pak in various roles.

ber, he says that model does not work very efficiently. Board members usually receive the materials only a couple of days in advance. They fly in for a board meeting that lasts for four hours. The first three hours focus on the things that have happened and only one hour is spent on what will happen or the company development

plan, says Hultman. So, he sees the need for a fund that will invest in both early-stage and growth-stage companies but also coach management "to define the market in the right way, define the offering in the right way, and most importantly to try and organize the execution."

Hultman sees Zobito as a complement,



MAGNUS LINDHE

Lindhe, a Swedish citizen, worked for QlikTech between 2001 and 2012. He is credited with building the company's unique and highly-successful sales model together with Markus Roithmeier, and was also instrumental in creating and deploying QlikTech's value-based management model. He served as VP Nordic between 2001 and 2009 and as VP Global Services between 2009 and 2012. He previously worked as managing director for Mactive Media (now AteX), where he was in charge of the media division globally. Between 1991 and 1996 he was a partner in a Nordic consultancy company focusing on change management projects in the media industry including the leading TV, radio and newspaper companies in Scandinavia.



MANS HULTMAN

Hultman, a Swedish citizen, was QlikTech's CEO from 2000-2007, and its Chairman from 2004-2009, the years that defined QlikTech's strategy and created the momentum that carried QlikTech to a very successful IPO in 2010. During his tenure as CEO, QlikTech's sales grew from \$2 million to \$80 million and by the time he left the board revenue had grown to \$153 million. Hultman sits on several boards, (including Informilo's), and is a frequent and popular speaker and panelist. Hultman has thirty years of experience within IT, has invested in growth companies since 1992, and was previously a partner with Sundet Investment AB.

rather than a competitor to traditional venture capitalists. "VCs typically have lots of experience in high-level strategy, helping out with hiring and networking and of course with financial events of various kinds," says Hultman. "The main criticism I hear from the entrepreneurs is that they need more coaching

on the operational side. I hear the same message from everyone, they go to VCs for the money and high-level strategy but they are clearly disappointed with VCs' ability to help them on the operations and execution."

So why the name Zobito? It is a variation of the Italian word Subito, which is



MARKUS ROITHMEIER

Roithmeier, a German citizen, was part of QlikTech's management team from 2002 to 2008. He is credited with building QlikTech's sales model together with Magnus Lindhe. Roithmeier also took charge of building QlikAcademy, QlikTech's value-based program for recruiting, developing, and managing talent. After leaving Qliktech he served as VP Global Sales and Marketing for Jedox, a Business Intelligence software provider. In his early career he worked for several consulting firms including the London-based PA Consulting Group, specializing in value-based sales and marketing projects.

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FOCUSING ON GAPS IN THE MARKET

Most VC firms raise money from big pension funds or insurance companies or wealthy individuals. These funds have a life time of seven to ten years. When the fund sells its investments, the proceeds are distributed to the investors in the fund – the limited partners. If the returns are above, say, eight percent, then the excess profits are split 80/20 between the limited partners and the management company. The funds are set up to exit after a set period of time, and then the money needs to be returned to the limited partners. "That is what drives lot of exits," says Hultman. "The start-ups are not necessarily mature or ready for an exit but the VCs need to close the fund. This is not very healthy for the companies; the entrepreneurs know this and are against it but they have no choice."

However, so-called evergreen funds, which are often funded by individual wealthy investors, don't face the same pressures; they can stay invested for 15 years or 20 years. "This changes the mathematics," says Hultman, giving start-ups

the time they need to grab a decent share of the market. "We are structuring our fund to behave like an evergreen so we will never force an entrepreneur to an exit if it is not the right thing for it to do," he says.

Zobito will focus on coaching companies to look for gaps in the market and then target those niches. Hultman points to two European companies that made a killing by doing just that: one was the first to introduce a margarine targeted towards people who wanted to lose weight; the other was the first to design ski boots for people who did not want their feet to ache after spending a day on the slopes.

QlikTech had its own market revelation: it was the first to target SMEs with business intelligence software, a huge market that no one else had addressed.

Zobito wants to help the next wave of start-ups discover gaps in the market and go after them. "We want to contribute to the change," says Hultman. "We are seeing a change already. The start-ups I see today are much better than the companies I saw 10 years ago. Clearly entrepreneurs have been inspired by the successes that have come out of Europe already. I wouldn't be surprised if over the next ten years many more billion-dollar companies come out of Europe and if we can help in that process I would be very happy."