

# The New Zealand Herald

## Endeavour takes 40pc stake in Derceto

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By ADAM GIFFORD

Endeavour Capital has bought a 40 per cent stake in software developer Derceto, one of the largest investments made so far under the Government-backed Venture Investment Fund scheme.

Derceto, a spin-off from New Zealand engineering firm Beca, makes software which cuts water companies' power bills by optimising water-pumping schedules.

Director Bryce Whitcher said Derceto was targeting the 200 largest United States water utilities, which each serve more than 200,000 customers.

A Derceto system is already being used at East Bay Municipal Utility District, which services 1.2 million customers in the Oakland area of California.

Based on the first eight months operation, East Bay expects Derceto will save it US\$500,000 (\$686,000) a year in energy costs, meaning the system will pay for itself in two years.

Since October, 15 other utilities have expressed interest or signed up.

"We need the money to grow the business. We will double our staff over the next 12 to 18 months and we need to put more people on the ground in the US," Whitcher said.

Sales vice-president Simon Bunn said installing Derceto had been a year-long project, from the initial feasibility studies and system design and development back in New Zealand to going live.

"It is highly customised. Every water system is unique, from the pumps and automation systems they use to the energy companies they deal with," Bunn said.

"Predicting water-use patterns involves complex mathematics. A lot of people have tried to solve this problem without success.

"We have probably been able to solve it because we are a New Zealand company. In the US, consultancies are narrow - you can find people to specify a control system but they will never have used one in anger.

"Here we specify, we help install, commission, help operate so we have a much more pragmatic view of what is possible and not possible."

Whitcher said while Beca could have funded development, it thought Derceto

had better prospects as a standalone entity.

Endeavour Capital was chosen because of the experience of partner Denis Row, who spent more than two decades in California building up engineering-related software companies.

Row, who joins the Derceto board, said Endeavour was impressed by the professionalism of the team coming out of Beca and the effort they had put in to develop the product.

"Derceto has identified and solved a market need and it now needs to move quickly to capitalise on its position," Row said. "You can't go into the US market on a shoestring.

"We want to get the company to a cashflow positive, standalone business in less than two years."

### **Certified proof**

- \* A Derceto system is already live at East Bay Municipal Utility District in Oakland.
- \* It services 1.2 million customers.
- \* Based on the first eight months' operation, Derceto will save East Bay US\$500,000 a year in energy costs.
- \* This means the system will pay for itself in two years.
- \* Since October, 15 other utilities have expressed interest or signed up.