



## Mid market grabs venture capital money

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Investment in Kiwi businesses by private equity and venture capital funds has jumped 89 per cent to \$294.4 million in 2010 from \$155.4m the previous year.

The New Zealand Private Equity and Venture Capital Monitor, jointly published by Ernst & Young and the New Zealand Private Equity and Venture Capital Association, shows the increase is driven by interest in the mid market, the segment where businesses are valued up to \$150m.

Private equity funds made 82 investments worth about \$130m in the mid market, more than double the value of the 78 investments worth \$58.7m made in that category in 2009.

Normally mid market transactions attract equity investment of around \$30m, the current level for private funds based in New Zealand. Transactions above this level are normally outside the range of domestic funds but are accessible to larger Australian and international funds.

E&Y partner Andrew Taylor says the doubling of mid-market investment affirms "its stability and capacity to weather recent volatility in financial markets".

He says private equity deals overall continue to increase in value and number as market confidence grows with "a broad range of opportunities emerging for persistent and astute investors".

NZVCA chairman Kerry McIntosh says conditions for private equity gradually improved throughout last year, resulting in the highest level of activity since 2007 before the global financial crisis.

Venture and early stage investment activity grew 177 per cent to \$94.4m from \$34m in 2009, boosted by international investments of \$45m.

With most, if not all, of the domestic venture and early stage funds fully invested or close to, investment in the \$2m range continued at the same subdued levels as 2009.

McIntosh says raising new venture and early stage funds is still challenging both here and internationally.

Until new funds are established, the New Zealand market will continue to have limited capacity for early stage deals in the \$2-10m range, he said.

Total divestment, or exits made by private equity funds, decreased in number and value in 2010. There were five exits valued at \$108.7m, compared to eight valued at \$390m in 2009.

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