

Media Release

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US academic sees progress in NZ venture capital

A review of New Zealand's venture capital industry is recommending continued government involvement in the sector to build on the 'encouraging but modest' growth in venture capital activity.

The NZ Venture Investment Fund commissioned international consultancy firm LECG to review venture capital development in New Zealand. Harvard Business School professor Josh Lerner co-authored the report.

The report's conclusions are that:

- Venture capital has the potential to contribute very significantly to New Zealand's economic growth, and to the level of innovation and efficiency of its young and emerging businesses.
- Venture capital is an important complement to publicly and privately funded R&D, university and CRI research programmes.
- Developing a viable venture capital industry is a long term task, and is not easy. It requires prolonged commitment from those involved directly and from policy makers.
- Over recent years the growth in New Zealand's venture capital activity is encouraging but modest.
- Government should maintain a steady and predictable policy with respect to the development of a venture capital market. The global financial crisis will have slowed the ability of the VIF Venture Capital Funds to grow and exit their investee businesses over the medium term.
- Venture capital fund managers may find it challenging to raise further funds without government assistance.
- Government support is likely to be necessary for at least the next generation of funds. If this is accepted, it suggests the government should be viewing its involvement in this sector for at least another fifteen years (assuming each generation of fund is about ten years).

NZVIF chief executive Franceska Banga said the report demonstrates the multiplier effect as a result of the government's investment.

"To date, the government's share of investment has been around \$70 million spread over six years into venture capital funds. That investment has been the catalyst for over \$300 million of private investment into promising New Zealand companies.

"The report shows that New Zealand's venture capital market is growing, and our standing based on international benchmarks is improving. I hope the report contributes to the debate on how to build further progress in the development of a thriving venture capital industry in New Zealand."

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