New Zealand **Venture Investment Fund**

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Angels soar a tech sector flourishes

Angel investing surged in 2013 with a record $53.2 million invested into young New Zealand companies in 2013, reflecting growing investor confidence in the technology and innovation sector, New Zealand Venture Investment Fund chief executive Franceska Banga said today.

Releasing the latest **Young Company Finance Index**, Franceska Banga said that investment activity was up 80 percent on the $29.9m invested in 2012, and, cumulatively, $297.7m has now been invested into young companies by angels since the Young Company Finance Index began measuring activity in 2006.

“There was a marked surge in investment into software and services. Companies in the sector attracted $25.4m of investment – an increase of over 140 percent on the $10.5m invested in 2012. Health sector companies also saw a large rise with $6.9m of investment in 2013 compared with $1.7m the previous year.

“Growing investor confidence in the New Zealand technology sector led to a marked surge in investment activity during the year, with software and services leading the charge. While the strong performance of NZX listed technology companies such as Xero, SLI Systems and Pacific Edge undoubtedly spurred much of the renewed market appetite, the surge in angel investing also reflects the strong pipeline of new opportunities coming into market.

“NZVIF’s Seed Co-investment Fund – which co-invests alongside angel investors - also had its biggest year yet, with $6m invested into 22 new and 31 follow-on investments. The private sector invested a further $19m alongside SCIF. It is heartening to see the angel investing ecosystem in such good health.”

Angel Association of NZ chair Marcel van den Assum said the substantial increase in investment last year shows the enthusiasm angels have for supporting entrepreneurial endeavour and the economic value this generates.

“The high level of follow on investment re-enforces angels’ commitment to businesses with potential, and recognises that it takes time and effort to achieve results.

“Because our formal angel community is relatively young, we shouldn’t be surprised to see investment levels and outcomes fluctuate. This reflects the risk of angel investing and reinforces the importance of consistency in policy and process to provide a base of certainty in very uncertain new markets. Offsetting risk are the rewards, including the upturn in IPO, venture and private equity activity, which represent successful angel investment outcomes and engender increased confidence in early stage ventures."

By the numbers:

- 2013 saw a larger average deal size ($497,486) than in 2012 ($298.968). In 2013, 58 percent of investment deals were $250,000 or less compared with 67 percent in 2012.
- Of the $53.2m invested in 2013, 80 percent ($42.8m) was follow-on investment and 20 percent $10.5m) was new investments.
- In terms of the stage of investment, $13.8m was seed investment, $29.6m was at the start-up stage, and $9.2m at the early expansion stage.
- 2013 saw 79 percent of deals syndicated between different angel groups, a continuation of the trend to greater collaboration between angel groups.
- 2013 saw 26 percent of investments in the form of convertible loans, 51 percent were ordinary shares, and 22 percent were preference shares.
- Since 2006, by region, 55 percent of investment was in Auckland, 10 percent in Christchurch and in Wellington, 7 percent in Dunedin, and 5 percent in Palmerston North and in Hamilton.
- Since 2006, the software & services sector saw 32 percent of the amount invested, followed by pharmaceuticals/life sciences technology (19%), technology hardware and equipment (12%), and food & beverage (8%).

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