



**Media Release: 13 October 2014**

## **Angels flying high with software**

Angel investment is continuing at very robust levels with investment activity in the 12 months to 30 June 2014 at a record high, New Zealand Venture Investment Fund chief executive Franceska Banga said today.

Releasing the latest Young Company Finance Index, Franceska Banga said that angels invested \$23.1 million across 57 deals in the first half of 2014 - similar to the same period in 2013 - while in the year to 30 June 2014, a record \$50.1 million was invested into young companies.

### **Capital invested year to 30 June**

<b>Year</b>	<b>Amount invested</b>	<b>Number of deals</b>
2006/07	\$24,279,188	39
2007/08	\$34,309,791	51
2008/09	\$42,587,417	64
2009/10	\$47,255,258	77
2010/11	\$42,277,611	126
2011/12	\$31,147,222	95
2012/13	\$38,380,710	106
2013/14	\$50,065,173	119

The full year investment was up 30 percent on the year to 30 June 2013 when \$38.4 million was invested. Cumulatively, \$318 million has now been invested into young companies by angels since the Young Company Finance Index began measuring activity in 2006.





“The angel activity shows the early part of the tech company pipeline is in good health, which should ensure good flow through of growth companies in four to five years. The angel investment market is on track to at least equal the record 2013 calendar year in terms of both the amount invested and the number of deals done, matching the interest we are seeing in venture capital investing.

“New Zealand now has a well-established tech sector with a growing track record of success over three to four investment cycles. The emergence of significant companies – led by Xero and Orion Health – gives confidence that world-leading software companies can be developed from New Zealand. Software investments continue to dominate as a key area of interest for investors. Since the start of 2013, 45 percent of angel investment has been into software companies,” Franceska Banga said.

Angel Association chairman Marcel van den Assum said that angel investors are seeing a pleasing quality of deal flow, pitching and showcase opportunities, and with this week’s Angel Summit event and new angel clubs ramping up, this augurs well.

“Let’s see how the full year plays out but the numbers reflect the energy in the early stage angel investment world - energy enhanced by the activity seen elsewhere in the NZX growth market and various equity crowd funding initiatives. “This half year has seen a shift back to new investment from follow on. That presents a challenge to the sector to ensure that the new companies which meet targets and show promise get the follow-on or growth investment they will need. Looking at it another way, it could also suggest a further maturing in our market with investors saying ‘no’ to follow on investments when companies don’t meet milestones.”

### **Capital invested first half of each year**

<b>Year</b>	<b>Amount invested</b>	<b>Number of deals</b>
1H2006	\$7,981,667	12
1H2007	\$10,893,890	21
1H2008	\$15,685,334	17
1H2009	\$25,703,348	40
1H2010	\$29,720,027	42
1H2011	\$18,887,776	56
1H2012	\$15,236,949	48
1H2013	\$23,720,869	52
1H2014	\$23,105,072	57



By the numbers:

- The six month period saw an average deal size of \$427k – slightly below the long term average of \$462k. Around 50% of these deals were \$250,000 or less compared with 59 percent in the first half of 2013.
- Of the \$23.1 million invested in the last six months, 53 percent (\$12.4m) was follow-on investment and 47 percent new (\$10.7m). This represents a significant increase in the number of new investments. In 2013, 80 percent was follow-on and 20 percent was new.
- In terms of the stage of investment during the first six months, \$13.5 million was seed investment, \$8.8 million was at the start-up stage, and \$800,000 was at the early expansion or expansion stage. The comparative 2013 figures were \$3.1m, \$12.7m, and \$6.7m.
- The first half of 2014 saw 80 percent of deals syndicated between different angel groups – the highest level recorded - with 20 percent of deals not syndicated. Twenty-seven percent of investments were convertible loans, 52 percent were ordinary shares, and 21 percent were preference shares.
- Since 2006, by region, 54 percent of investment was in Auckland, 11 percent in Wellington, 10 percent in Christchurch, 7 percent in Dunedin, and 5 percent each in Palmerston North and Hamilton.
- Since 2006, software&services received 32 percent of the amount invested, followed by pharmaceuticals/life sciences technology (18%), technology hardware and equipment (13%), and food and beverage 9%).

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