MEDIA RELEASE

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Angels consolidate during first half

Angel funds invested $20.6 million during the first six months of the year, which was $5 million lower than the same period in 2014 as the sector enters a period of consolidation, the New Zealand Venture Investment Fund's Investment Director Chris Twiss said today.

Releasing the latest Young Company Finance Index, Chris Twiss said that investment activity is healthy but angel networks and fund investors are showing more caution.

"The first half of the year saw a higher level of 'follow-on' investment into existing portfolio companies compared with 'new' investment into new companies. Over 75 percent of the investment during the six months was follow-on investment.

"Investors are a little more cautious given changes in the general economic climate. This is a trend we have seen before following periods of high investment, with angels shifting their focus to follow-on deals in subsequent years.

"The second half of 2015 will be more telling in terms of how wider events are impacting on early stage investing by angel networks and funds. It is likely the full year will be somewhat down on the previous year, reflecting a level of restraint driven by recent events in the wider economy.

"That said, there continues to be strong interest in good New Zealand technology, especially where there is a global market opportunity, and the role of risk capital stimulating and supporting start-up companies is even more important in this climate."

YOUNG COMPANY FINANCE INDEX

First half of year	Amount invested
2006	$8m
2007	$10.9m
2008	$15.7m
2009	$25.7m
2010	$29.7m
2011	$18.9m
2012	$15.2m
2013	$26.1m
2014	$25.9m
2015	$20.6m

Angel Association chair Marcel van den Assum said that the $20.6 million of investment in the first half of the year reflects consistent support for quality early stage investment opportunities.

"Angels are coming off a previous year which saw a lot of new investment. When economic conditions tighten, it is natural that investors will look to continue to support those companies in their portfolio which are doing well and meeting milestones. That is borne out by the higher level of follow-on investment we are seeing in the market.

"Nonetheless, the sector is now an important part of our capital markets, investing around $50 million a year into very young companies. Angels are a critical part of the deepening that we have seen in our early-stage capital markets over the past few years. With the emergence of crowdfunding platforms, angels will be watching how that part of the market develops over the next few years."

Forty-three percent ($8.8 million) of the investment during the first half of 2015 was into software and service companies, continuing that sector's strong performance. The next most active sector for investment was pharmaceuticals and biotechnology, which saw 16.5% ($3.4 million) of investment.

After a very busy period in the second half of 2014, the year to 30 June 2015 saw another $50 million-plus level of investment with $50.5 million invested into young companies. This is in line with the sums invested over the last three years. Cumulatively, $374 million has now been invested into young companies by angel funds and networks since the Young Company Finance Index began measuring activity in 2006.

BY THE NUMBERS

- Over the 12 months to 30 June there was investment of:
  - 2013 - $41m
  - 2014- $53m (up 29%)
  - 2015- $50.6m (down 4%)
- The six month period saw an average deal size of $388,000 – below the long term average of $480,000.
- Of the $20.6 million invested in the last six months, 77 percent ($15.8m) was follow-on investment and 23 percent ($4.8m) was new investment. In 2014 over the same period, 53 percent was follow-on and 47 percent was new.
- In terms of the stage of investment during the first six months, $9 million was seed investment, $11.1 million was at the start-up stage, and $500,000 was at the early expansion or expansion stage. The comparative 2014 figures were $13.4m, $10.4m, and $2.1m.
- The first half of 2015 saw 83 percent of deals syndicated between different angel groups and 17 percent of deals not syndicated. Thirty-one percent of investments were convertible loans, 26 percent were ordinary shares, and 43 percent were preference shares.
- Since 2006, by region, 54 percent of investment was in Auckland, 12 percent in Wellington, 11 percent in Christchurch, 7 percent in Dunedin, and 5 percent each in Palmerston North and Hamilton.
- Since 2006, software & services received 36 percent of the amount invested, followed by pharmaceuticals/life sciences technology (17%), technology hardware and equipment (12%), and food and beverage (8%).

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