

**MEDIA RELEASE**

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**Angel funds invest record \$69m in 2016**

Angel networks and funds invested a record \$69 million into young New Zealand companies in 2016 – a 13 percent increase on the previous record set in 2015 - New Zealand Venture Investment Fund investment director Bridget Unsworth said today.

Releasing the latest Young Company Finance Index, Bridget Unsworth said the second half of 2016 was an especially strong period with investment of \$46.1 million, following the trend in recent years which has seen surges of investment activity in the second half of the year.

“This is an excellent result. The continued strong growth of angel fund investing was notable for the fact that while the transaction volume dropped by 15 percent, the amount invested by angel groups and funds increased by 13 percent.

“This indicates angel funds are continuing to back the winners for follow-on rounds. While it means fewer portfolio companies get funded, the high performing ones are able to close larger sized capital rounds. We see this as healthy development.”

The new companies funded by angels were at a very similar levels in 2015 (40) and 2016 (41), meaning the pipeline is steady.

Eight start-up companies raised investment rounds of more than \$1.5 million which together totalled \$20.4 million. This accounted for 44 percent of total investment amount in the second half of 2016. Five companies out of this eight are software technology companies.

Chair of the Angel Association of New Zealand Marcel van den Assum said it is great to see the early stage investment community continuing to sustain a solid level of investment.

“Annual investment has exceeded \$50 million for the last four years and grown by an average of \$5 million per annum to reach nearly \$70 million last year.

“This is a highly credible performance for a country where our startup ecosystem is still only a decade old and our early stage capital markets are still maturing. A concerted NZ Inc approach is required if we are to leverage the outcomes we aspire to see generated from our investment, and to sustain the performance of our startup ecosystem.

“In this respect it is good to see more money going into fewer deals and businesses attracting significant follow-on investment. This suggests a tighter focus by investors on those companies which are performing. It will give the deepening growth capital providers in New Zealand – venture capitalists, corporate venture and strategic investors - more confidence to invest in angel-backed companies.”

<b>YOUNG COMPANY FINANCE INDEX</b>	
<u>Year</u>	<u>Amount invested</u>
2006	\$21.4m
2007	\$29.5m
2008	\$32.6m
2009	\$43.2m
2010	\$53.1m
2011	\$34.8m
2012	\$29.9m
2013	\$53.1m
2014	\$56.4m
2015	\$61.2m
2016	\$69.0m
<b>Total</b>	<b>\$483.7m</b>

The \$69 million was invested across 112 deals compared with \$61.2 million across 132 deals in 2015. Cumulatively, \$483.7 million has now been invested into young companies by angel groups since the Young Company Finance Index began measuring activity in 2006.

2016 saw \$37.8 million investment into the software and services sector, which continued to be very attractive to investors. Pharmaceuticals was the next most attractive investment sector in 2016, receiving \$8.9 million of investment, up from \$3.6 million in the previous year.

#### **BY THE NUMBERS**

- 2016 saw a \$616,000 average deal size – much higher than the overall average (\$487,000).
- Of the \$68.9m invested in 2016, 70 percent (\$48.5m) was follow-on investment and 30 percent (\$20.5m) was new investment. New investment in 2015 was \$18.6m.
- In terms of the stage of investment, \$17.5m was seed investment, \$34.1m was at the start-up stage, and \$13.8m at the early expansion/expansion stages. The comparative figures for 2015 were \$23.4m for seed, \$32.6m for start-up and \$4.6m for early expansion/expansion.
- 66 percent of deals were syndicated between different angel groups.
- Of the type of investment instruments used by angels in 2016, 20 percent of investments were convertible loans, 59 percent were ordinary shares, and 21 percent were preference shares.
- Since 2006, by region, 55 percent of investment was in Auckland, 12 percent in Wellington, 10 percent in Christchurch, 6 percent in Dunedin, and 5 percent in Palmerston North, and 4 percent in Hamilton and in Tauranga.
- Since 2006, software & services received 42 percent of the amount invested, followed by pharmaceuticals/life sciences technology (15%), technology hardware and equipment (10%), and food & beverage (7%).

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