MEDIA RELEASE

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Angels solid during first half

Angel fund investment was solid with $22.9 million invested during the first six months of the year, according to the latest Young Company Finance Index. The result was $3.3 million (or 17 percent) higher than the same period in 2015, although below the strong first half year periods seen in 2013 and 2014.

New Zealand Venture Investment Fund investment director Bridget Unsworth said the $22.9 million was invested across 46 deals, of which 78 percent ($17.9m) was follow-on investment and 22 percent ($5m) was new investment.

"This split was similar to the first half of 2015 and shows that investors were primarily supporting existing investments rather than funding new companies, following a period of much larger investing into new deals in the second half of 2015."

Forty-six percent ($10.3 million) was invested into software and service companies, continuing that sector's strong performance. The next most active sector for investment was pharmaceuticals and biotechnology with 20 percent ($5.6 million) of investment.

Local early stage companies continue to attract overseas investors' attraction. In addition to the $22.9 million of local investment, the angel-backed companies attracted a further $8.5 million from international strategic investors.

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	$19.6m
2016	$22.9m

Angel Association chair Marcel van den Assum said it was great to see continued strong commitment from angel investors.

"We all know that angel investment stands or falls on the quality and volume of deal flow. There is no shortage of either at the moment with good opportunities also emerging from accelerators. This is very positive but it does create 'pipeline'-pressure. Great deals will only be sustained with deeper pools of non-angel growth capital as angel-backed companies develop and need new capital to continue to deliver on their potential.

"Follow-on rounds continue to dominate, reflecting an appetite to realise business potential and generate returns. Pleasingly, we are now seeing angel groups distinguishing between follow-on for companies meeting milestones and targets, rather than follow-on to keep investments alive.

"Emerging angel networks in Canterbury and Taranaki will gain confidence from this level of activity and their addition to the sector will support the increasing demand for capital and capability.

"It is pleasing to see the growing trend towards biotech investment, which should be an area of real strength for New."

After a very busy period at the end of 2015, the 12 months to 30 June 2016 saw $64.5 million invested into young companies, continuing the strong trend over the past few years. Cumulatively, $438 million has now been invested into young companies by angel funds and networks since the Young Company Finance Index began measuring activity in 2006.

Three angel-backed companies launched crowdfunding rounds and raised $1.87 million (all from Equitise).

BY THE NUMBERS

- Over the 12 months to 30 June there was investment of:
  - 2014- $52.9m
  - 2015- $50m (down 5%)
  - 2016 - $64.5m (up 29%)
- The six month period saw an average deal size of $497,000 – slightly higher than the long term average of $471,000.
- Of the $22.9 million invested in the last six months, 78 percent ($17.8m) was follow-on investment and 22 percent ($5m) was new investment. In 2015 over the same period, 77 percent was follow-on and 23 percent was new.
- In terms of the stage of investment during the first six months, $5.6 million was seed investment, $16.4 million was at the start-up stage, and $830,000 was at the early expansion or expansion stage. The comparative 2015 figures were $8.6 million, $10 million, and $500,000.
- The first half of 2016 saw 64 percent of deals syndicated between different angel groups and 36 percent of deals not syndicated. Twenty-four percent of investments were convertible loans, 59 percent were ordinary shares, and 17 percent were preference shares.

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