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THE BUSINESS OF ANGEL INVESTING IN NEW ZEALAND: A GUIDE

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MINISTER'S FOREWORD

It is my great pleasure to provide a foreword for The Business of Angel Investing in New Zealand: A Guide.

Angel investment into promising New Zealand businesses represent the seeds of our economic future. A vibrant angel investor market therefore is vital to the growth of the New Zealand economy.

Angel investors come in all shapes and sizes, including wealthy individuals, successful business people, professionals, young entrepreneurs, corporate executives and investment syndicates. However, the most important thing these angels have in common is that they have an interest in investing into young, high potential New Zealand businesses.

In many ways, angel investing epitomises the Kiwi spirit of giving it a go, achieving success, and in turn, passing on hard-won wisdom and experience to the next generation. It is a way to give something back, as well as an opportunity to achieve a return commensurate with the risks taken.

I believe there are many people in New Zealand who have both the means and the interest to invest into the early stage market, but are not aware of the opportunities or how to go about it. The purpose of this Guide is to help those potential angels to find their way, and to help them to make informed decisions.

For these reasons, I am proud to support this Guide, and look forward to a greater number of Kiwi angels investing into our future globally successful companies.

Hon Trevor Mallard
Minister for Economic Development

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INTRODUCTION

What is the business of angel investing?

The Business of Angel Investing in New Zealand: A Guide has been written by the New Zealand Venture Investment Fund (NZVIF) as a definitive guide to angel investing in New Zealand.

Why the business of angel investing?

Discussions with industry players have demonstrated that many angel investors without a background in investing in early stage companies (often referred to as angel investing) want to understand the fundamentals of how to make money from this activity; that is, the **business** of angel investing.

The purpose of this Guide is to provide a resource for those interested in angel investing and who are keen to learn the basics in a simple how-to guide, developed by NZVIF with the assistance of experienced angels active in New Zealand. The goal is to educate and inform new and existing angel investors, increase the number and likelihood of successful angel investments within the New Zealand angel market, and accelerate the development of the New Zealand angel market.

Who is NZVIF?

NZVIF is a Crown Owned Company that invests in seed, start-up and early stage New Zealand businesses. Investment is always alongside matching private capital. NZVIF investment capital is provided to companies either indirectly through investments into private sector venture capital funds (the VIF Venture Capital Fund) or directly alongside angel investors (the NZVIF Seed Co-Investment Fund). NZVIF is also committed to developing and educating the early stage investment market through initiatives like The Business of Angel Investing in New Zealand: A Guide.

10 good reasons to become

1 **Make money:** Angel investing can deliver superior investment returns.

2 **Give something back:** Angels have the chance to mentor entrepreneurs. Having founded and grown companies themselves, many angels have empathy for the extent to which entrepreneurs personally have to grow to lead their companies and to accomplish their visions. Angels often feel that if they had had similar coaching when they were building their own companies they would have reached greater heights or avoided some of their mistakes.

3 **Deal flow:** Get early access to high potential deals.

4 **Contribute to New Zealand Inc.:** Through the nurturing of our next big companies, supported by the capital and business acumen of angels.

5 **Involvement without immersion:** Angels enjoy the adrenaline rush of emerging company volatility, but without the 80-hour weeks and the burden of ultimate responsibility for the company. Angels do not want to be full time venture capitalists. They want the flexibility of investing without the pressures of raising funds, managing investors' expectations and optimising Internal Rates of Return (IRR).

an angel investor

6

Excitement, fun, passion: Since most angels no longer have to work to support themselves, they invest because they enjoy investing in start-ups, and know that they can contribute their experience. And Angel investing is genuinely exciting.

7

Be part of a network/club/team: Angels enjoy maintaining or building their personal networks with similarly interested people while helping the companies.

8

Keep up with trends: Keep abreast of rapidly evolving technologies or markets and understand the potential opportunities.

9

Benefit all New Zealanders: Some angels take great pride in the fact that the products developed by the companies in which they invest save lives, make people's lives better or benefit the wider New Zealand economy.

10

Avoid retirement: Get off the golf course and relive your glory days, back your ability to pick and nurture winners, and re-use your hard won wisdom. Angels keep their minds sharp through dealing with the business issues faced by the companies and gain all the benefits of the intellectual challenge.

1 A BACKGROUND TO ANGEL INVESTING

Angel investment in non-public equity markets – the big picture

Angel investment is a subset of the portion of the non-public (private) equity markets in New Zealand that targets young companies at the start of their lives and is a key source of capital for the 60 percent of companies not represented in the public markets. The public equity market in New Zealand, represented by the New Zealand Stock Exchange, constitutes around 40 percent of New Zealand's GDP. Non-public, or unlisted, companies therefore represent a significant segment of New Zealand's economy that is effectively out of reach for the average investor.

Private equity is a subset of alternative assets and reflects all equity investment into unlisted businesses, and public companies where the investment has the character of a private equity transaction. Private equity offers the opportunity to access the large amount of business activity that is not captured by listed companies. Private equity investments can range from early angel investing in companies at seed and start-up stages to far larger investments such as the purchase of companies like Kathmandu, Independent Liquor and Tegel by private equity funds. Angel investment occurs at the seed and start-up phases of businesses. The below chart explains the scope of private equity.

Early Stage			Expansion		Buy-out/in	Turnaround
Seed	**Start-Up**	**Early Expansion**	**Expansion**	**Late Expansion**	**Mgmt Buy-Out**	**Workout**
Capital will enable the development, testing and preparation of a product or service to the point where it is feasible to start business operations.	Capital will enable actual business operations to get underway. This includes further development of the company's product(s) and initial production and marketing.	Capital is provided to initiate or expand commercial production and marketing but where the company is typically or likely to become cash flow negative.	Capital is provided for the growth and expansion of a company which may or may not break even or trade profitably. Capital may be used to finance increased production capacity or market or product development, or provide additional working capital.	Capital is provided for financing the expansion of a company that is producing, distributing and increasing its sales volume and to help a company to achieve critical mass to position it for an initial public offering.	Capital is provided to enable operating management to acquire an established business or product line.	Capital is provided at a time of operational or financial difficulty with the intention of turning the company around.
VIF Venture Capital Fund						
Seed Co-investment Fund						

A 2004 Infometrics report on the angel capital market estimated the scale of angel capital in New Zealand to be roughly $1 billion of invested and un-invested capital, representing somewhere between 1,000 and 20,000 individuals.[1]

Given the extent to which angel capital 'seeds' new business in New Zealand, it is apparent that a vibrant angel capital market is vital to the growth of the New Zealand economy, as it represents a kick-start to the innovative and entrepreneurial spirit at the heart of economic transformation.

There are enormous advantages associated with angel investing: it can be immensely rewarding personally, it can deliver superior investment returns, it can provide early access to high potential deals, and it can contribute to New Zealand's growth through the nurturing of our next big companies, supported by the capital and business acumen of angels.

To realise these advantages, angel investors need to be informed about the business of angel investing. This Guide is intended to help anyone with the interest, experience, capital and energy to become a smart, sophisticated angel investor.

This Guide outlines the nature of angel investment, how to evaluate a deal, how to close a deal and how to manage your investment. These critical steps in the investment process, as outlined by experienced and successful angels, will assist you to avoid the common pitfalls, minimise your risk and maximise your return, be it financial or otherwise.

What are angel investors?

The term 'angel' can suggest a saintly benefactor, however angel investors (or simply angels) are usually high net worth individuals[2] who provide capital for start-up businesses, usually in exchange for equity stakes. Angels fill the so-called equity gap, which is the gap between the ability of founders and friends to fund the growth of a business, and alternative funding sources such as banks, venture capital or the public equity market.

Unlike venture capitalists, angels typically do not pool money in professionally managed funds; rather they invest directly into companies. Angels are often significantly involved in assisting the business in a management, governance or mentoring capacity and are sometimes referred to as bringing 'smart money' to the deal.

Angels invest in companies that have exhausted other sources of funding and either can't, or don't want to, grow organically off the cash flows of the business. They are too high risk for bank loans and plan to grow fast. These companies vary enormously, ranging from high technology, to retail, to service companies. They often have unique intellectual property (IP), a significant market opportunity, creative founders and an innovative product or service. They represent a significant chunk of the future successful businesses of New Zealand.

A common aim of angels is to reduce the time it takes for a business to become successful. In the New Zealand angel investment sector, angels typically invest $20,000 to $250,000 per business and are usually involved in two to 10 investments. Many invest in industries with which they are familiar, as they feel most comfortable investing in businesses they understand and where they believe they can add the most value.

Angels tend to invest in close geographic proximity to their homes (usually within 100 kilometres) and they often syndicate with other angels to mitigate risk. It is becoming more common for angels to invest through syndicates, which allows angels to collectively invest up to $2 million per deal.

They usually become directors on the company board and once the company has grown to a certain size, angels often step aside to give later stage investors seats on the board.

A broad division can be made between 'hobby' angels and 'sophisticated' angels. Hobby angels treat investing as a hobby, do not take as disciplined an approach to investing as sophisticated angels, and are less likely to make successful investments. Simply put, this Guide is designed to promote and inform a more sophisticated approach to angel investing, one that is more likely to result in successful investments.

Angels come in all shapes and sizes

Entrepreneurial Angel – an investor that has 'been there, done that' and built up and sold a business.

Trailblazer Angel – an experienced investor from a venture capitalist network who likes to grow their own venture capital opportunities.

Retired Angel (a 'Godfather') – an angel who has retired but still has the energy, capital and interest to invest and pass on their wisdom.

Guardian Angel – an investor with lots of relevant industry expertise, a strong network, and an interest in providing valuable advice.

Operational Angel – an investor with experience in senior corporate roles; they know how operations work.

Hands-off Angel – a busy professional who doesn't have the time to be anything but a passive investor.

Disciple Angel – an angel who trusts and follows the decisions and instincts of other angels.

Serial Angel – an angel who has done it before and likes to do it over and over.

Tire-kicking Angel – an angel who likes to look at the deals but isn't sure if they want to commit to investing just yet.

Who do angels save?

Angels, as the name suggests, can be business saviours. Many prominent New Zealand businesses today thrive because they received the benefit of angel investment in their early days. The examples below outline three New Zealand companies that have received early angel investment and prospered.

Trade Me is the most obvious example. When Trade Me required extra capital to sustain the rapid growth of its early days, Sam Morgan approached some angel investors with whom he had previously worked while he was an IT consultant at accountancy firm Deloitte. Those early angels have now profited handsomely from the exit of Trade Me through a trade sale to Fairfax Media for $700 million.

Another significant example is Living Nature, a rapidly growing organic cosmetics manufacturer based in Kerikeri. The founder, Suzanne Hall, created Living Nature in 1987 in order to sell ethical, natural, chemically free skincare products. It now has a staff of over 80 and turns over more than $10 million per year. Trish Birnie, the late wife of Bill Birnie the former Fay Richwhite investment banker, became involved in the early 1990s with capital to allow the company to enter a rapid growth phase. The capital has allowed the company to develop strong business systems and carve out a niche as a high end product in the US$150 billion international cosmetics market.

Right Hemisphere is another well known Kiwi company that started in 1997 and sought angel investment soon after from the likes of software entrepreneur and angel Scott Gilmour. The company's 115 staff develop complex 3D products for the likes of Nasa and Boeing and it expects to make $20 million in export revenue in 2007. Its research and development office is based in Auckland and its head office is in California. It has also received significant backing from heavyweight United States venture capitalists Sequoia Capital Partners and Sutter Hill Ventures, underlining its huge potential.

One of the most prominent angel investors in New Zealand over the past 10 years is Stephen Tindall, who has provided angel capital for many young New Zealand companies through his K One W One investment vehicle. To date he has invested in over 30 companies and been instrumental in helping to establish such companies as Puredepth, Neuren Pharmaceuticals, Phitek Systems, Cabco and LanzaTech. Stephen has also invested into a number of New Zealand based venture capital funds.

Why choose to become an angel?

Angels, like all other investors, invest to make money. Angels invest primarily to get a return on their investment that is commensurate with the risks taken, but there are many other motivating factors. For example, many angels derive satisfaction from being able to 'enable the visions' of other entrepreneurs. Motivations include:

- *Desire to give back:* Angels enjoy the chance to mentor entrepreneurs. Having founded and grown companies themselves, many angels have empathy for the extent to which entrepreneurs personally have to grow to lead their companies and to accomplish their visions. Angels feel that if they had had similar coaching when they were building their companies they would have reached greater heights or avoided some of their mistakes
- *Involvement without immersion in start-ups:* Angels enjoy the adrenaline rush of emerging company volatility, but without the 80-hour work weeks and the burden of ultimate responsibility for the company
- *Fun, passion, commitment:* Since most angels no longer have to work to support themselves, they invest because they enjoy investing in start-ups and know that they can contribute their experience
- *Networking benefits:* Angels enjoy maintaining or building their personal networks with similarly interested people while helping the companies
- *Technology and markets:* They keep abreast of rapidly evolving technologies or markets and understand the potential opportunities
- *Intellectual challenge:* Angels keep their minds sharp through dealing with the business issues faced by the companies
- *Creation of societal benefits:* Some angels take great pride in the fact that the products developed by these companies save lives, make people's lives better or benefit the wider New Zealand economy
- *Control of time:* Angels do not want to be full time venture capitalists. They want the flexibility of investing without the pressures of raising funds, managing investors' expectations and optimising IRR.[3]

Case study: Perry Knight interview

Perry Knight is a long-time successful investor in early stage companies, and was one of the founders of the ICE Angels network, the largest angel investing network in New Zealand.

Q: Tell us about your early experiences of angel investing.

"My initial angel investing experience was as the major investor for a number of deals. In terms of scale this meant about $100k or a 20% stake in the company. While I loved the challenge, there was a downside in that the success of the deal became very dependent on me as the major investor.

"In those early days, I tended to focus on the opportunity (deal) rather than the individual behind it; hard won experience now tells me that the individual is the key. No matter how comprehensive the due diligence process, individual shortcomings may not present themselves for years, so the relationship with the founder is vital."

Q: So your early experiences drew you towards angel networks?

"Absolutely. Angel networks carry many advantages, largely being the benefits of shared investments and experiences, and the chance to meet and work with like-minded people who genuinely want to help fledgling companies. Generally, angel networks attract successful people who have sold their businesses and who are looking to help young companies.

"However, I also continue to work outside the angel network community, investing in some opportunities directly or with other investors. Interestingly, in my view angel networks, despite their obvious benefits, do not monopolise deal flow."

Q: What makes a good angel investor?

"In my view to be a successful angel you need to be an optimist, and need to be able to keep the potential upsides of a deal in focus. You must know when to help and when not to help. Moreover, you have to be willing to take a risk. Angel investors, while generally like-minded in terms of goals, can come in all shapes and sizes, with different risk appetites and comfort zones. Many new angel investors have never really gambled with their own money, which makes it difficult for them to assess and evaluate objectively.

"Angels also need to think about the way in which they contribute. While some take a seat on the board, it is important that the sum total of investors collectively helps the business to reach its potential.

"If I am directly involved it is generally hands-on as a consultant or mentor to the actual founder. This is where I get the most satisfaction, mentoring and helping to shape an opportunity to maximise its potential.

"In terms of size and scale, a new angel investor should be aiming to build a minimum investment portfolio of eight to 10 investments of at least $10,000 each, funded by money that they can afford to lose."

Q: What do you look for in a deal?
"In terms of deals, I look for opportunities that have the potential for substantial profit in a global market, and they must involve an innovation that is world class.

"Evaluation of a deal can be incredibly difficult, but in simple terms I need to know what the achievable net revenue and gross margin will be, say five years out.

"On top of this I ask myself questions like, is the innovation truly world class, is the business sustainable, what further investment will be needed, what will it be worth in the future, what return will this offer me, and bottom line, what is the probability of business success?"

Q: Once you have made your investment, what happens?
"Post-investment, if I have no direct involvement with the business I tend to rely on the information they provide me, and wish them luck. If I have a more direct involvement, I take a keener interest in terms of performance, and the development of the founder."

Q: Do you see typical deal structures changing?
"As the New Zealand angel investment market matures and becomes more sophisticated, I believe we will see more venture capital style deal structures with attendant preferential arrangements for investment and some funding held back pending the achievement of milestones."

Q: Would you recommend angel investing to someone else thinking of it?

"Absolutely. Aside from the fact that I find this far more rewarding and exciting than playing golf or collecting rent, I do it because I am addicted to the opportunity. If you have the experience, capital, networks and energy for investment into young New Zealand companies, and you understand the risks and rewards of the unique investment territory where the industries of tomorrow are shaped, you should consider becoming an angel."

Risk and return

It may be obvious given the difficulties of starting businesses, but angel investing is high risk. Angel investment may be illiquid (it is more difficult to convert the equity into cash) for long periods of time, it is difficult to predict how your investment will turn out, and you are investing more in people, ideas and a view of the future that is frequently not shared or understood by the rest of the world.

Studies (as demonstrated by the IRR chart below) have shown that out of every 10 businesses invested in four fail, three are the 'living dead' deals which are not going anywhere, two will return between two and five times the initial investment while one will be a 'home-run' returning five to 10 times. Angels therefore are usually looking for investments that return upwards of 25-30% IRR p.a. to compensate them for their failed investments.

United Kingdom research found rates of return from 128 exited investments to be as follows:[4]

Table 1: IRR breakdown	
More than 100%	10%
50-99%	13%
25-49%	13%
0-24%	24%
Negative IRR	40%

What attributes are important for a successful angel?

Not all angels are made equal; some are content to be passive investors, while others are more active, taking seats on the board and providing ongoing support to the company. However, for an angel to be successful there are a number of common attributes:

- Genuine independent wealth
- An understanding of their own appetite for risk and a willingness to accept risk
- An ability to assess entrepreneurs and make decisions based on a combination of gut feeling and due diligence
- A willingness to step back and let those in whom they have invested take control and make mistakes with their money
- A readiness to adapt to new information and new technologies
- An understanding of the essentially illiquid nature of angel investment
- The ability to be pragmatic, patient and have realistic expectations
- The experience of having been there before i.e. have experience of growing a young company
- An awareness of their own strengths and weaknesses to be able to know how they can add value to the business
- Access to networks that can assist young businesses to grow
- The desire, interest and energy to make a difference.

How can an angel add value to a business?

For many angels, angel investing is about much more than simply investing money in a business. An active angel can bring significant benefits to a business that may make all the difference between success and failure.

The axiom 'it's all about the people' is absolutely true of angel investing. The ability to be able to work well with the founder is critical to the success of the investment. The personal relationship between the founder and the angel is like a marriage, one in which communication and trust are essential for a prosperous partnership. Good angels are not 'control freaks'; they are there to guide the Chief Executive Officer (CEO) rather than overburden them with too much advice and too many lessons.

Angels can recruit board members or executives, coach management, facilitate further funding rounds and assist with financial structuring and customer and alliance building, as well as other support areas including acting as interim CEO or strategy development.

Many angels bring with them networks that are crucial for opening doors and opportunities for a young company. An investor and an entrepreneur are in a serious relationship so it is critical that the angel's skills and experience match the company's needs and that the company and the angel can work well together.

What is the difference between an angel and a venture capitalist?

Angels and venture capitalists are in many ways symbiotic actors. Angels may need venture capitalists for follow-on investment, while the venture capitalists thrive on the deal flow of angel grown and nurtured companies.

Angels tend to invest in younger companies and accept higher risks than venture capitalists. Angels also tend to leave the entrepreneur a larger portion of their business than venture capitalists in order to align the interests of the entrepreneur with those of the other shareholders, and because, as more capital is invested, their share of the business will inevitably dilute. Properly incentivised founders are critical to the success of a company, and a good angel recognises this.

Angel investment in New Zealand ranges up to $1 million per deal while venture capitalists invest anywhere from $500,000 to $10 million per deal.

Table 2: Key differences between venture capitalists and angels

	Venture capitalists (professional)	Angel (semi-professional or deal by deal)
# of deals	8-12	2-10
Portfolio size	$30-$50 million	$100,000-$2 million
Structure of deals	Preference, convertible notes, protective provisions	Ordinary shares
Source of money	Manage investors' money	Own money
Investment style	Actively involved with company, professional approach	Can be actively involved, mix of hobby and professional approaches
Board	Always on board	Usually but not always on board
Size of stake	Up to 75%	Usually less than 30%
Return expectations	10 year funds and exit all businesses at that stage. 20%+ p.a. return expectation	Can afford to be more flexible, invest in cash flow businesses and invest for variable terms
Fund structure	Other investors invest in the venture capital company	Often invest in their own name, sometimes through their own investment company

To summarise, angel investing is a crucial part of any vibrant and growing economy. It provides the life-blood of capital and wisdom to businesses early in their growth phases, and while it is often unstructured and low profile, it is in dollar terms a very significant segment of potential business financing. If you believe you have the experience, capital, networks and energy, angel investing could be for you.

Key questions from experienced angels

- Have you watched experienced angels in action? Successful angels adopt an informed approach to their investing; learn from others' mistakes and learn how to mitigate your risks.
- Know your strengths and weaknesses; what do you bring to the table?
- Why are you doing this? Understanding your motivation for being an angel will allow you to be an angel rather than an entrepreneur, because it is very difficult to be both.
- What can you offer other than money? Angel investments succeed when angels invest expertise, experience and networks alongside money.
- What is your relationship with the founder like? This is critical.

2 SOURCING DEALS

The next step for a new angel is to know how to go about 'doing' it. This starts with how to get access to investable propositions – deals.

Deal flow

'Deal flow' is the flow of deal propositions that an angel receives. Successful and established angels tend to have access to good deal flow, which affords them a wide range of investment choice. Conversely, new angels might have low deal flow – a reflection of their untried status, their low profile or their small network of contacts.

Potential sources of deals can include:

- Friends and family
- Investment brokers and financial services firms
- Other business contacts
- Formal investment clubs and networks
- Direct approaches from firms with requests for investment
- Self identified investment opportunities.[5]

As demonstrated above, deal flow can come from a wide variety of sources including: organised investment clubs and networks; groups hosted in association with individual Economic Development Agencies and business incubators; legal and accounting practices; and personal networks. The biggest driver to high deal flow is the personal network of the individual angel.

For this reason, it is highly recommended that you enlarge your personal network by joining an angel network or investment club. Not only will you increase your contacts, you will gain valuable exposure to deal flow and the types of deal that are out there.

Another benefit of being part of an angel network or investment club is that the increased number of opportunities allows you to compare several deals, and learn from more experienced investors how to separate the good deal from the bad. Eventually you will be able to 'smell' a good deal and one which isn't. This valuable experience will help you look before you leap. NZVIF's co-investment partners have access to significant deal flow which they actively unearth from universities and Crown Research Institutes, source from their extended networks, or simply receive unsolicited from entrepreneurs.

Pre-screening questions

In a 'pre-screen', angels read a business proposal or listen to a pitch from an entrepreneur. Angels will be looking for answers to some specific questions at this stage to decide whether to proceed to the next step, due diligence. These questions include:

- *What is the market need?* – what consumer or business problem currently exists that is looking for a solution?
- *Does this product or service fill that market need?* – this is not always a deal breaker as products that partially meet a market need can, and usually are, modified to find the best approach to market
- *What is the size of the market?* – the market needs to be of a sufficient size (or growing rapidly) to provide the revenue growth required for a reasonable return in a reasonable timeframe
- *Can you deliver?* – does the entrepreneur have personal credibility; have they convinced you they can deliver on their business plan?

In addition, angels often decide on geographic and industry specific grounds whether to proceed, according to their own personal investment criteria and comfort levels.

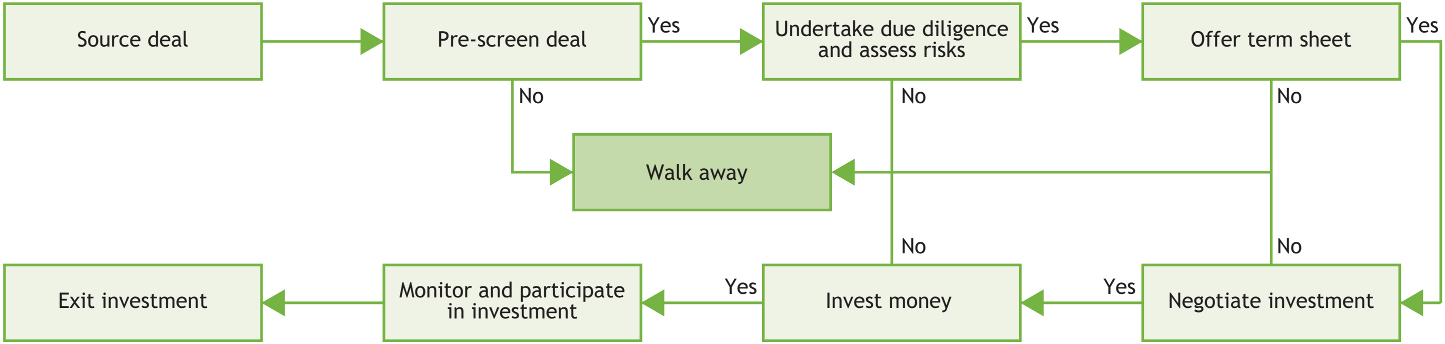
3 EVALUATING A DEAL

Unlike the public equity markets, an angel investment can be more like a blank canvas, with little or no historical data, research reports, security or track record on which to base an investment decision. This contributes to the innately higher risk profile of angel investing.

In order to achieve a desired return on investment, you need to balance the return for which you are aiming with a comprehensive analysis of the risk associated with the investment. The idea is to evaluate a deal quickly and minimise the risks involved by taking a structured approach in analysis.

Put simply, an angel investor must mitigate the risks of an investment as much as possible in order to achieve the returns that they require.

The process is outlined in the flow chart below:



Due diligence

'Due diligence' is a term that describes the research an angel conducts to gather facts of a material nature on an investment proposition in order to redress the imbalance in information between the investor and the entrepreneur. It is intended to ensure that the angel has a clear view of the pros and cons of a potential investment.

Due diligence will often be carried out with the assistance of accountants, lawyers (including specialists in IP) as well as industry and scientific experts who can validate the opportunity. The information developed through due diligence provides the angel with a risk analysis of the investment, which forms the basis for a decision on whether to proceed or not.

Due diligence process examines the history of the company and entrepreneur, the present state of the company and the potential future risks and rewards. The goal of due diligence is to de-risk the investment as far as possible by finding out what it is you don't know.

A robust due diligence process will mean that the company will undergo an investigation and evaluation of its operations, financial numbers, management, company and management track record and the industry in which it operates, and a verification of material facts and any terms and conditions relating to the deal prior to investing.

Many angels note that a rigorous due diligence process results in a more disciplined investment approach and will likely reduce the chances of unpleasant surprises in the future.

Key aspects looked at by an angel during the due diligence are summarised below into five broad risk areas:

Market risk

Market risk exists when the market does not need or want the product or service the business is proposing, and projected sales do not materialise. An angel should find out whether people will pay money for this solution to their need, and how large this market is. This is often done by talking to potential customers and asking them if they would be interested in such a product or service.

Most successful angels are looking for large potential international markets as the New Zealand domestic market is often too small for the returns required.

Growth potential is important here as the market may be crowded or may not even exist, requiring significant investment in market education. This will involve an investigation of the competitors in the market and the key assumptions made by the entrepreneur in assessing the market potential.

Agency risk

Agency risk exists where you trust an agent (the entrepreneur) to execute the business plan. Angels can reduce this agency risk by conducting due diligence on the agent. This involves formal (using a third party agency) and informal reference checking on the entrepreneur to test their capability to deliver what they say they can deliver. It is here where a successful track record becomes so important. If the entrepreneur has a history of building successful businesses, they are far more likely to be able to make this potential new investment a success.

Many angels are investing in people rather than the product. The right product with the wrong team courts disaster, but the wrong product with the right team can still be successful.

Angels want to see enthusiasm and dedication from the management as well as integrity, the ability to accept advice, financial and emotional commitment to the company, confidence and leadership.

There needs to be a well balanced team with complementary skill sets. Good chemistry between the management and the investor is of crucial importance in ensuring a productive relationship. Key hallmarks of a good start-up management team include:

- The ability to conserve capital
- The ability to execute the business plan efficiently
- Relevant industry and business experience
- The ability to 'turn on a dime' if necessary to make changes or hard decisions in order to get the business on course
- They are a balanced team – technical, sales and marketing, financial and operational. They work as a team and complement each other
- They are motivated and incentivised properly
- They understand their market and the needs of their customers.

Technology risk

An angel will invest in a business that provides a genuine solution to a real problem in the market. Many solutions involve technology and IP that provide the central basis for the value proposition of the business.

The key thing an angel needs to know is whether this technology is real. This means, is the product unique, has it been validated as substantive, has the product been, or can it be, patented, and is there freedom to operate (FTO) in the marketplace?

Protection of IP can be a very difficult area because a patent is only as valuable as the financial capacity of the entrepreneur to protect it. Experienced angels note that it is often useful to explore alternative tactics to protect IP, such as being the first to market, creating visibility and awareness in your market and ensuring you can stay ahead of your rivals by continually evolving your products or services. This may often be the best strategy for companies that do not have a product or service that is easily patented or copyrighted.

In the initial due diligence, an angel needs to see that the company has FTO in selling a particular product or service. A basic search costs around $5,000 and is a step regarded as mandatory by experienced angels.

This involves making sure that there is no infringement of existing patents and if there is, understanding the potential for workarounds or the possibility of licensing agreements with existing patent holders. In New Zealand, under certain circumstances it is possible to apply for government grants to conduct FTO searches and patent applications.

Negotiation over the value of IP often begins with a wide divergence of opinion between what angels and entrepreneurs think the IP is worth. Typically, angels use a combination of what it has cost the entrepreneur to develop that IP (including 'sweat equity'), the potential market for that product, its lifetime in the market, and the potential value in the future.

As is often the case, the agreed value 'all depends', so it is recommended that an angel consult with independent experts who understand the technology to assist in coming to a reasonable valuation of any IP.

Mitigating technology risk is crucial and requires industry experts to check the validity and assess the risks before any investment decision is made.

Business risk

The business risk for a company is the risk associated specifically with the company that may prevent it achieving its objectives.

With a new business, much of this risk concerns the validity of the business plan and model and the likelihood of that business plan and model making money. The due diligence analysis of future business risk will assess the long term likelihood of the business plan and model being implemented successfully and what sorts of barrier might prevent the business achieving its business goals.

This typically involves deconstructing the business plan and testing all of the assumptions against a variety of different scenarios, including worst case scenarios. Again, the track record of the management team is of paramount importance in mitigating business risk, and in avoiding some of the more common pitfalls.

Investment risk

A successful investment will have a clear route to a profitable realisation in mind, be it through an exit or through cash flow and distributions.

When investing in a growing company, the odds are that this will not be the only funding round and you will not be the only investor. The management of investment risk requires a forecast of the future funding needs and an understanding of the potential for 'down rounds'.

The stark reality is that even if a company is successful and investors make money, there is often a delay in investors making their return, while the early investors can make minimal or no return because of successive discounted funding rounds.

Rather than 'invest and forget', angels must work out how to minimise their investment risks by participating in any future funding rounds and being realistic about the need for further capital injections.

Case study: Nick Gerritsen interview

Nick Gerritsen is one of New Zealand's leading business start-up experts and knowledge brokers. Through his company, Crispstart, Nick has been involved in significant offshore capital raising, including Christchurch based companies SYFT Technologies and Nano Cluster Devices.

Q: What is your approach to deal making?

"Every deal is different and the markers of success are different. I try to build human capital by working with the inventors and scientists to get them to a decision point around new investment. I have to be focused on which skill set will enable a deal to be successful. It's about the founders and what they want to achieve.

"With SYFT and Nano Cluster Devices I spent a lot of time with the founders asking them how much time they wanted to spend at the company versus doing their professional jobs of inventing things. This discussion enabled them to make the decision on outside investment with more confidence and empowered them to the next threshold of their development as scientist-entrepreneurs."

Q: What observations would you make on the New Zealand angel investment market?

"Angel investment should be about creating as much value as quickly as possible through filing intellectual property patents, engaging with international markets and establishing contact with venture capitalists. Unfortunately New Zealand hasn't engaged with, or delivered continuously onto the international stage and subsequently our engagement with international markets is lumpy. Angels should start this process as early as possible with their investments and refine what their value proposition really is. The clarification of what the international risk appetite is for your investment will affect your decisions going forward, as it may well be impossible to attract follow-on capital if the technology is immature or too risky."

Q: Take us through an example of an investment with which you've been involved.

Celsias (www.celsias.com) has been three years in gestation. It came about from a meeting I had with an expert in the Kyoto Protocol space. It became apparent that the small to medium enterprise market was being left out of being able to participate in Kyoto, as it is mostly oriented towards larger businesses. It took two years to refine the business proposition, and then we constructed a team around it. Our ability to have conversations with the market overseas helped us decide what the business could be and how much capital and what skill sets we required. Talking early to venture capitalists had direct, immediate benefits to the formation of our business plan. For our business, speed to market was important. Celsias was built from nothing to something in a very short time, quickly and efficiently building value. The angels involved deserve recognition for the value that they brought to the business – Celsias has delivered early angels a 100% increase in the value of their investment in a couple of months."

Working with entrepreneurs

While entrepreneurs are the key to any successful investment, they are also one of the bigger risks.

Entrepreneurs need to be nurtured and guided rather than constrained by an angel seeking to eliminate all risk from an inherently risky investment.

Entrepreneurs are passionate and can be irrationally exuberant at times, so an angel should be prepared to harness this energy into driving the business in the right direction. Working with the entrepreneur is about managing each other's expectations about the value and potential of, as well as control over, the company.

Many experienced angels have observed the existence of the 'control freak' founder, an entrepreneur who cannot accept any loss of control, either in negotiating a fair price or later when the founder may be asked to step aside for someone more suited to taking the company to its next stage of development.

One angel recommended clarifying the expectations of the founder in the initial negotiations by discussing how they see their future role as the company grows, and developing a clear understanding of the strengths and weaknesses they bring to their role.

In short – the angel should understand and balance the founder's need for control and their ability to take advice on board, as well as ensure the entrepreneur understands when and how an eventual exit may be achieved.

In summary, get good advisors to help you in the due diligence as you cannot do it alone, find out what the standard terms are by asking those who have negotiated and closed deals before, be sure to have an exit plan and stick to it, ensure you can work with the company and its founders and, if you aren't experienced, let others do the work by co-investing with a lead investor in a network. Essentially you should start as you mean to go on with rigorous discipline and an understanding of the risks.

Case study: Andrew Duff interview

Andrew Duff is a Director at an international investment bank. He co-founded Sparkbox (www.sparkbox.co.nz), New Zealand's first professional angel company, with Henry Tait. Sparkbox is a Seed Co-investment Fund co-investment partner.

Q: What is Sparkbox's approach to investing?

"In selecting our investments, we look for committed founders and company management who have enthusiasm, integrity and a strong, clear vision for their company. We select companies that address large global markets with reasonably short lead-in times, with products that are clearly differentiated, and which include intellectual property supported by patents."

Q: In addition to the usual due diligence, what is your key focus in evaluating a deal?

"The Sparkbox investment philosophy firstly looks at the individual, then the market and finally the idea or concept. The characteristics which are important for us in a founder are:

- *Honesty and integrity*
- *Smart and intelligent*
- *Driven and committed, for example they have a bunk bed over their desk and are not a lifestyle entrepreneur*
- *Clarity of thought, a creative problem solver with strong lateral thinking*
- *Industry experience but more importantly learns from experiences*
- *Financially aware, with a base competency required*
- *Certainly not an empire builder or control freak, thereby remaining in touch commercially with the market, shareholder needs and exit opportunities*
- *Feels incentivised to succeed by the investment deal structure*
- *Strong presentation and communication skills*
- *Easily adapts to changing market conditions and challenges.*

"Only once we are comfortable that the founder possesses these key skills and attributes will we invest time evaluating their market and idea. Once proven, we work closely with these honest, talented, tough and committed entrepreneurs to pull together or evaluate their deal structure and financial, marketing, sales and capital raising plans."

Q: Describe the typical relationship between a founder and angel in early stage deals.

"There must be a mutual respect between the founder and any angel to enable the founder to get on and execute the agreed plan under strong board supervision. It is important to be able to mentor effectively without controlling the founder. The founder must have a clear vision as to what they want to achieve and when it is time to pass the ball to an experienced management team and step out."

Q: How does Sparkbox support a founder throughout the early growth phases of a business?

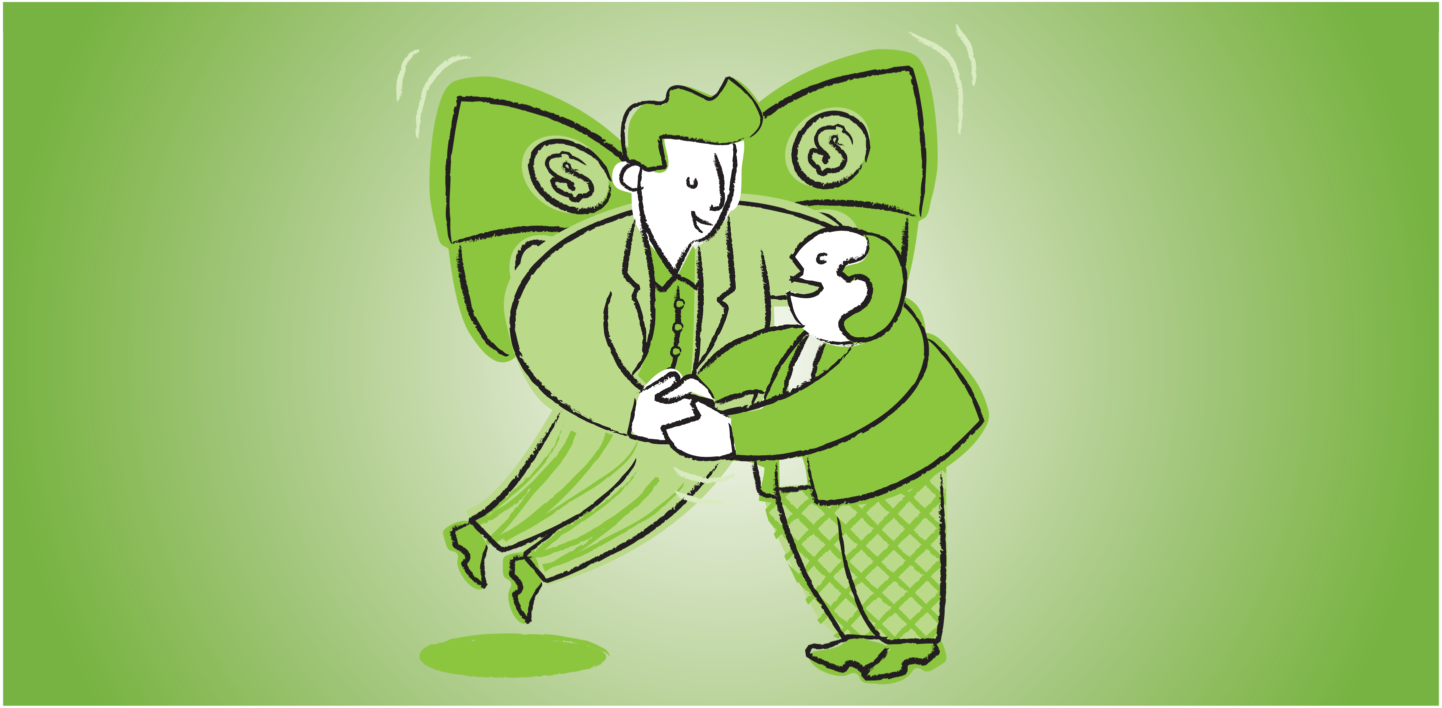
"It is important to develop your own networks and share experiences with both founders and other angels alike. You need to be able to provide the founders with the skills and experience they need, as and when they need them. We are fortunate to be able to access a strong and diverse talent pool of seasoned professionals and advisors who assist founders in all business areas ranging from deal structuring to closing sales."

Q What advice do you have on building a portfolio of angel investments?

"Adopt your investment strategy, be consistent and diversify. The current growth in the number of quality New Zealand early stage opportunities and the angel market itself should naturally lead to diversification. Consistency takes discipline. We have consistently applied our investment philosophy as it applies to evaluating individuals, from our initial investment in First Rate (www.first–rate.com) to our latest, ECKey (www.eckey.com). In both these opportunities the individuals involved met all of our key characteristics. In angel investing you can often accept calculated market, business or technology risks but the individual must be stellar in all respects."

Key questions from experienced angels

- Have you used your personal and angel networks to access deal flow? The more deals you see, the more you will recognise good ones.
- Is your due diligence thorough? Robust pre-screening and due diligence can save you nasty surprises later. Get good advisors to assist you in this.
- Have you clarified the expectations of the entrepreneur post-investment? Any disagreements later on can get ugly.
- Have you considered letting others do the work by investing alongside a lead investor?



4 CLOSING THE DEAL

The hallmarks of a good deal involve the ability to add value to the business as well as have a plan to exit at a profit. Once you believe you are able to do this as an angel you are ready to access some attractive deal flow through your networks, find a deal that you like the look of, and assess the risks involved in the investment. Once you have done that, all you need to do is close the deal and make the investment. So, how do you close the deal?

Deal closing is a process that covers the period of negotiation between the angel and the entrepreneur, beginning with a Term Sheet that includes the value of the business and the price of new shares, the structure of the deal, the incentives for management and any protective provisions an angel may want to use, and ending with a final Investment Agreement.

Closing a deal will generally proceed more smoothly if the right people are involved to assist the negotiations at appropriate times. Experienced advisors include lawyers and accountants experienced in early stage investing who have access to resources such as standard term sheets and Investment Agreements.

What is the process?

Once a company has gone through an angel's pre-screening and due diligence process, there are further meetings in which the angel may seek more information to resolve any outstanding questions.

Following resolution of any outstanding items, the two parties proceed to the term sheet stage in which they will negotiate key commercial issues on valuation and control. If there are multiple investors the Term Sheet process may take some time before everyone agrees to the terms; in this case having a syndicate with a lead investor can speed the process up.

What is a Term Sheet?

A Term Sheet is a non-binding document that outlines the key commercial terms of a proposed investment.

Investors use a Term Sheet to achieve preliminary and conditional agreement to those key terms and as the basis for drafting the investment documentation. It is designed to save investors having to use lawyers at this early stage. It uses common terms and is a commercial negotiation rather than a legal one.

With the exception of certain clauses (commonly those dealing with confidentiality, exclusivity and sometimes costs and break fees), the provisions of a Term Sheet are not usually intended to be legally binding. As well as being subject to negotiation of the final legal documentation, a Term Sheet will usually contain certain conditions which need to be met before the investment is completed. These are known as *conditions precedent.*

When all agree upon the Term Sheet it forms the basis for the *Shareholders'* and *Subscription Agreements* (although frequently these are combined into a single Subscription and Shareholders' Agreement or *Investment Agreement*).

The Investment Agreement will usually contain details of the investment round, including the number and class of shares subscribed for, the payment terms and *representations and warranties* about the condition of the company and its key assets. A disclosure letter will usually qualify the representations and warranties and supporting documents that specifically set out any issues that the founders believe the investors should know prior to the completion of the investment.

The Shareholders' Agreement will usually contain investor protections, including *consent rights,* rights to board representation and *non-compete* restrictions. The *Constitution* will include the rights attaching to the various share classes, the procedures for the issue and transfer of shares, the holding of shareholder and board meetings and, most importantly, articulate the framework within which the board operates. A standard constitution is available from the New Zealand Companies Office and this is often modified so as to better represent the needs of the shareholders. The final document may be a legal opinion by your lawyer which states whether the agreement as negotiated reduces your risks adequately.

Once agreed, a Term Sheet should be provided to lawyers to be drawn up into an Investment Agreement. Most substantive issues should have been settled by this stage so the drawing up of the Investment Agreement should be relatively quick.

Common terms

Common terms on a Term Sheet can include:

- Type of share
- Valuation of the business
- Milestones that need to be reached before tranched investment is released
- Anti-dilution protection (full or weighted average ratchet)
- Key-person insurance
- Pre-emptive rights on new share issues
- Drag- and tag-along rights
- Voting rights
- Protective provisions
- Representations and warranties
- Board of directors
- Exit arrangements
- Employee share option plans (ESOPs).

At first these terms might seem confusing, nonetheless it is useful to become familiar with all the different terms and understand their purpose in an Investment Agreement. Many of these terms confer extra protection on the investor and provide for the mitigation of certain risks.

The term sheet is intended to be simple to understand and save the investor and investee lawyers' fees. Negotiation tends to revolve around the value of the business and if, and how far, the terms are weighted in favour of one party or the other.

In practice, the investor usually has an advantage because the company needs the new investment to continue growing. The angel needs to balance this natural advantage with the need for a good relationship between the entrepreneur and angel.

There are many information sources available including 'A Guide to Venture Capital Term Sheets' located at the New Zealand Venture Capital Association (NZVCA) website,[6] which has a comprehensive introduction to term sheets and an explanation of what they mean in practice.

Valuation

Key to the return an angel will make on an investment is the price paid for their stake, which forms the basis of the investment risk.

Therefore, the most contentious term is often the *pre-money* valuation of the business. This tough conversation with the entrepreneur should be about the investment, not about what is fair.

Negotiations are a delicate balancing act between the desire by the entrepreneur and early investors (such as friends and family) to see an increase in the value of their investment and not to have that investment diluted, and the desire of the angel to pay no more than they need to, in order to ensure an acceptable return.

The process of valuation is usually an informal one involving a variety of methods such as:

- Altering any existing financial forecasts with the angel's own projections (for example adding one year and dividing projected revenue by 10)
- Benchmarking the value against those of similar companies in the same industry, at a similar development stage and with comparable management
- Working backward from a figure you think the company will be worth in the future and working out your required return, giving you a present value figure
- Using convertible notes or debt, which lets the angel convert their loan into equity at the next funding round and allows a value to be set at this later stage.

A common observation made is that angels frequently pay too much at this early stage. Over optimistic initial valuations can affect later stage negotiations with new investors, with entrepreneurs and angels obviously resistant to 'down rounds' which dilute their holdings.

Therefore, an angel and the entrepreneur are better off agreeing on a more sensible valuation to create more opportunity and flexibility in later funding rounds. Furthermore, angels who overpay tend not to receive returns commensurate with their risks and are then less able to continue investing in angel capital.

Case study: Grant Ryan interview

Grant Ryan is both an entrepreneur and an angel investor. He is the founder of Eurekster Inc, has led research into new and emerging technologies, and is a Director of the NZVIF.

Q: Can you tell us about some of your investments?

"I have invested in a variety of ideas:

- $25,000 software business – living dead (probably worth nothing)
- $10,000 manufacturing business – living dead
- $60,000 software business – now worth probably $500,000
- $100,000 manufacturing business – too early to tell but promising.

"I guess the key lesson there is that angel investing is inherently risky and you should diversify your investments, because not all of them will succeed.

"That said, my heart is more on the entrepreneurial side of the fence, because I find it more satisfying to be an active entrepreneur, than a more passive investor."

Q: What about one investment in particular, Eurekster?

"Eurekster started life called Real Contacts. The founding investment of $100,000 came from someone who was looking to work with the company (and who is still with the company).

"The second round of investment came from two locals who had invested into similar sorts of deals before, and their knowledge of the process was invaluable – they invested about $300,000.

"Eurekster emerged from a joint venture with Real Contacts and SLI-Systems, and rapidly moved to a funding round of angel capital in the US of about NZ$2 million. Raising money in the US can only really be done with some level of management over there. Eurekster only has one direct New Zealand investor, a very experienced investor who was convinced very quickly as to the merits of the deal. We have just closed a formal venture round of about NZ$7 million (from overseas venture capitalists).

"So far so good, I am very comfortable with the way Eurekster is progressing."

Q: How did you go about finding investment?

"I found investors through my existing networks and word of mouth; in fact, I had already met them around the local technology scene.

"Although some people tend to regard the traditional source of start-up finance (from family and friends) as being somewhat risky, I find it important because it comes with a strong existing element of trust and efficiency, which might take considerable time to build up to a similar level with professional investors."

Q: What would you say to other budding entrepreneurs?

"Raising capital is never easy; it can be a lengthy and difficult process. My advice for entrepreneurs is that potential investors will notice your passion and enthusiasm, along with the evidence to back up your claims.

"Your expectations must be realistic. Peter Jackson did not go straight to receiving finance to make The Lord of the Rings*, he instead built a track record over a number of years, from* Bad Taste *to* Heavenly Creatures.

"In my experience, first time entrepreneurs will find it difficult to raise much capital, and have to demonstrate that they can do a lot with the money. Second time around it becomes a lot easier.

"It is also important to have good quality directors on your board. In principle, the board should work as a formalised form of mentoring, and I have always found dealing with my board a valuable process as an entrepreneur.

"As a founder, as soon as you have investors, you have an obligation to them; however, this should not be seen as a bad thing. Investors will have expectations, but anyone in serious business should be aware of these anyway."

Q: How difficult is the valuation process?

"Entrepreneurs, and inexperienced angel investors, often complicate the valuation process. Valuation is really quite simple; the company is worth whatever people are prepared to pay for it, no more no less. Supply and demand is the reality of valuation.

"That said, valuation can be a real sticking point. I have found it helps to find more than one potential investor to raise the level of demand. Once you have created a level of demand it is up to you to tell a compelling story."

Q: Are you confident that the outlook for angel investing is strong?

"Angel investment is an essential part of a vibrant economy and there will always be a way for strategic capital to meet up with strong propositions.

"New Zealanders are good at creating innovative products; what they tend not to be so good at is the commercialising of their ideas. For every Sam Morgan, there are many entrepreneurs with wonderful ideas who do not succeed.

"This commercialisation gap is something that experienced angel investors can help to address with their capital and expertise, along with initiatives such as NZVIF. I believe there are many investors out there, although there is a hidden level of investment in New Zealand of investors who like to operate exclusively.

"This 'hidden' level of both formal and informal angel investment is an important part of the high growth business community, and is just one of the reasons why I am optimistic about the future of angel investing in New Zealand."

Incentives

For any business, the employees are its most important asset. It is important that the key people in the business be incentivised in some way to encourage them to create value for the shareholders.

There are various structures available to encourage management to perform. Most common is that management holds a stake in the business.

It is common for entrepreneurs to maintain a significant stake in the business to ensure an incentive to perform. Alternatives include ESOPs, optional convertible notes and cash bonuses linked to milestones.

Experienced angels recommend that up to 20 percent of company equity is reserved to incentivise key personnel. NZVIF recommends that you seek professional taxation advice when structuring any incentive arrangement to minimise any adverse tax implications for the business and the employees.

Many angels spoken to noted that they would not pay a CEO more than $100,000-$120,000 p.a. and preferred to use other incentives linked to the performance of the business.

To know if entrepreneurs believe in the company strongly enough, angels like to see ‘skin in the game’ either through the sacrifice of time or through the commitment of the entrepreneur’s own capital in the company.

Structure

The structure of a deal involves the type of equity that is invested.

Typically, angels in New Zealand prefer to invest in ordinary shares. The advantages of ‘ordinaries’ are that they are uncomplicated, speed up negotiations, communicate a level of trust to the company that the angel is not out to take advantage of the existing shareholders, and demonstrate a belief that the angel is willing to share equal risk at this early stage.

Alternatives to ordinary shares include preference shares, which rank ahead of ordinary shares in any liquidation and may include other rights. One experienced angel encourages New Zealand angels to use sophisticated financing tools such as preferential shares to increase protection from founders who often prove to be too optimistic in their forecasts.

Convertible notes, which convert to shares at a later date, can also be used as they allow angels to avoid any dilution risk in the next funding round. A major strength for both entrepreneur and angel is that convertible notes can be placed very quickly and can be used as bridging finance before a more long term investment is negotiated.

Milestones and tranching

It is increasingly common for investors to stage their investments in tranches, which link to milestones that the company has to reach before the next investment tranche of money.

The milestones relate to steps the company should reach before it gets to the next stage in its development and needs another funding round. It is important that there is a clear understanding around the milestones and no ambiguities exist that could cause problems later between investors and management. Non-attainment of a milestone is often a trigger point for the re-examination of the company. Potential rights of the investor include the right to renegotiate further milestones, the choice not to invest any more until the milestone is met, the right to a renegotiation of equity shares and the right to a change in management.

It is also important to understand the types of milestone available to the investor. They can include:

- Reaching specific sales or revenue targets
- Closing specific sales contracts
- Completing a production version of a product
- Filing a patent.

Tax implications

It is highly recommended that an angel investor invests on capital account, however it is important to note that the rules determining whether or not taxation of capital gains applies to angel investments revolve around the rather ambiguous concept of intention at the time of investment.

The key point to note is that tax implications on angel investing can be complex and are liable to change. It is recommended that you consult your tax professional prior to investment.

Key questions from experienced angels

- Closing a deal will occur more smoothly if you involve the right advisors at the right time. Have you been doing this?
- Have you taken the first step to closing the deal by agreeing on a term sheet that outlines the key terms of an agreement?
- Hidden shareholders: have you worked through any old promises by the entrepreneur that may have been made for equity or other payment, in return for work undertaken pre-investment?
- Existing debt: angels want to fund growth, not repay existing debt. Have you ensured that existing debt is taken on by the entrepreneur and converted to equity?
- Have you appropriately incentivised key personnel?
- Have you considered 'milestoning' or tranching investment to ensure management focus?

5 POST-INVESTMENT

There are many different types of successful angel investor and there are many different approaches to angel investing, however there are some key lessons common to most, if not all, angel investments. Now that you have made an investment, the hard work starts to build the business into something successful. These investments will most likely take years to develop fully and there will be significant challenges and changes along the way. This calls for the angel to be flexible as the staff, product or service and market change. You will probably need to invest more money as the company grows and you will need to be clear about the exit opportunities in order to realise your investment.

As an angel investor, you should be clear about what value you are adding to the investment. Your involvement in a business can range from being a mostly passive investor attending the annual general meetings, to sitting on the board, to actively working in the business as an interim employee.

Angel as director

An angel will often become a director following an investment into a young company. If this happens it is important for the angel to be aware of the responsibilities of being a director. Depending on the financial resources of the business, it is often important to have an independent director or chairperson who sets the tone of professionalism so that the board focuses on strategic issues rather than operational issues.

It is common for new investors to become too concerned with day to day running as opposed to the big picture. One experienced angel noted that if an investor wanted to run a business operationally they should start their own company. The transition from hands-on entrepreneur to objective and strategic director can be hard but is absolutely necessary for a successful relationship between the investor and the entrepreneur.

Case study: Matt McKendry interview

Matt McKendry is a Partner in the Growth Solutions division of Deloitte and is responsible for the business investment Escalator service funded by New Zealand Trade and Enterprise, which helps young companies to become investment ready. Matt offered to describe a case study of a deal on which he has worked.

Q: What drove the angel's desire to invest in this company?

"The company was invested in by a number of investors in relatively small amounts each. They were investing in the brand; it had an attractive market position in a niche deemed attractive with good growth propositions. The money was to grow the business infrastructure and build early sales. In other words, funding to scale the business. Market demand was strong and the product had market validation."

Q: What happened post the investment?

"There were strong tensions between the founders and the investors resulting from personality clashes and clashes in business philosophy. There was a resultant re-jigging (read meltdown of relationships) of shareholdings and a recapitalisation as some angels bowed out and were replaced by other investors. The business remains fundamentally on track."

Q: What were the wider lessons learnt?

"There was a need to have clear expectations by all of the partners going in (both the founders and the investors). This meant a clarification of everyone's role in the future. For the investors working in the business it meant clarifying if they were passive shareholders, directors or working directly in the business. Roles needed to be clearly scoped and defined.

"Make sure there is independence on the board, especially if shareholders and directors who are working in the business then turning up to the board meetings are not able to separate their operations role from their governance role. There is a need for one director to be independent from operations. The role of that person is to separate operations from governance. This can be done by way of the Shareholders' Agreement.

"I worked on another deal which also provided lessons. This company was smaller than the one already mentioned. The investors invested in the management team rather than the brand or the product. Their modus operandi was quite hands off. They trusted that the management could do the job of fulfilling the business plan.

"In this case, they met once every two months with the management. This allowed a good separation between operations and governance. The existence of an advisory board prior to the investment also meant the management was already aware of how the separation should work."

Further finance

Many companies will have need of further capital investment within a reasonably short timeframe to fund further development and growth.

One experienced angel noted that many New Zealand angels and entrepreneurs do not plan far enough ahead. He suggested looking at further financing, be it debt or equity, on day two of making your investment. Young companies have a number of non-equity avenues to further funding including debtor, trade and asset financing, factoring, the Export Credit Office and government grants from Technology NZ, the Foundation for Research, Science and Technology, Investment NZ and other bodies.

On the equity side, this will most likely include follow-on funding from existing shareholders or new angels or going to public markets in an initial public offering (IPO). Other sources include management buy-ins and trade investors willing to take a strategic stake. Many also look to venture capital involvement for a business to grow further.

The possible involvement of venture capitalists raises important issues for angel investors. Many venture capitalists are of the opinion that the main reason why angel involvement in a business makes it unattractive for them to invest is that angels give start-ups overly high, unrealistic valuations, and that angels need to better understand valuation methodology. Therefore, early engagement by angels with later potential investors (be they venture capitalists or otherwise) is imperative, with some angels advocating 'priming' potential new investors so that they can then communicate what they want to see before investing.

Exiting a business

Angel investing can take time. Exiting a business and achieving a realisation on your investment can sometimes take more than 10 years after your initial investment.

The inherent illiquidity of angel investing limits the potential exit paths to just a few fairly well defined routes. The table below outlines the typical exit routes for angels. Not surprisingly, with four out of every 10 investments failing completely, the most common exit is by liquidation, realising a loss for investors. Trade sales to other industry participants are also very common while a few businesses are sold to other investors such as management. Buy-outs by venture capitalists are not common as venture capitalists do not tend to offer exits for existing shareholders and many of these businesses are still too high risk or do not offer enough promise for venture capitalists.

The below table displays some of the most common exit methods:

Table 3: New Zealand Infometrics survey[7] on exit methods

Sale of ownership stake to one or more third parties	42.3%
Sale of ownership stake to existing owners	39.2%
Business ceased operations	28.4%
Business acquisition or merger	26.3%
Business was liquidated	13.9%
IPO (sell-down on public market)	10.8%
Other	2.6%

Respondents were asked to mark all that applied

Experienced angels recommend always maintaining an eye on the eventual exit strategy as this will discipline your investment decisions. There should be a shared vision between management and investors as to a realistic timeline to divestiture.

This will assist you in making your first investment, but in order to be diversified you need to invest in more than one company. Doing it all yourself is hard; co-investing with others and taking a more passive role is a better way to expand your exposure while not increasing your time commitment.

Key questions from experienced angels

- Further capital investment is often needed, so have you planned for the likelihood of further funding requirements?
- Angels and the board need to engage with any potential new investors as early as possible. Have you done this?
- Angels should consider tranching their investment and linking it to milestones to reduce agency risk. Have you done this?

6 TIPS FROM EXPERIENCED ANGELS

This section has been compiled from interviews with some of New Zealand's most successful angels and is intended to ensure that some of their hard won experiences will allow future angels to avoid their mistakes.

How much capital should you put up? Why diversify your investment?

In many ways, angel investments are significantly different from share, property or commodity investments.

The ability to measure risk is often a subjective exercise rather than an objective one, and thus the applicability of the Portfolio Theory is less useful. However, the basic theory of diversification holds. The more investments in which you invest, the more you are spreading your risk should one or more of your investments fail (which some will most likely do). You are also gaining more exposure to the potential blockbuster company destined to return 10 times or more on your investment.

Similarly, the increasing prevalence of angel networks allows angels the ability to invest smaller amounts alongside other angels, increasing their exposure to a larger number of companies than otherwise might be the case.

In New Zealand, the development of the Seed Co-investment Fund (Seed Fund) by NZVIF allows matching 1:1 funding up to $250,000 per deal for Seed Fund partners, allowing greater diversification and increased risk mitigation.

Syndication

Syndication or co-investment is where a group of angels invest together into a company.

This is an increasingly common practice as the benefits can include: the ability to invest in larger deals, increased diversification, a sharing of due diligence costs, learning from experienced angels, a larger network of contacts, a stronger position when negotiating a valuation, and an increased ability to follow on in later funding rounds. Syndicates are increasingly organised through angel networks where standard term sheets and processes speed up and simplify negotiations. The downside is that it can potentially take much longer for a large group of investors to agree to the terms of a deal unless a lead investor takes responsibility for negotiating on the syndicate's behalf.

The lead investor is usually the angel who puts up most of the money, who may also have specific industry knowledge and who co-ordinates the other investor angels. Sometimes the lead investor has the authority to negotiate on behalf of the other investors so negotiations are simplified.

Case study: Rod Drury interview

Rod Drury is a prominent 'technologist' and entrepreneur. Amongst many other things, Rod is on the board of Trade Me, sold his company After-Mail to US based Quest Software, won the Hi-Tech Entrepreneur of the Year award at the 2006 PWC New Zealand Hi-Tech Awards and recently listed online accounting software company, Xero, on the New Zealand Stock Exchange.

Q: What led you to angel investing?

"I would not describe myself as a professional angel investor, more as an early stage angel investor. I am in it because I want the industry to grow, I want to help build a pipeline of talent, and I want to help develop ideas that I can use.

"The sorts of things in which I am most interested are the development of ideas and tools that are going to be personally useful and interesting to me. In order to do that, what I have now done is invest into a group of young people in an informal incubator type arrangement to help make these ideas happen."

Q: Can you tell us about one of your current projects?

"Plan HQ is an interesting project in which I have been a very early angel investor. It is a real time, online, collaborative, intuitive business planning tool for the Web 2.0 environment. Essentially, it will enable any business to build and share a business plan online. It is something that I have always wanted to use so I have a strong interest in seeing it happen.

"For Plan HQ the rough process has been to take the initial smart idea, build a team around it of talented people, and provide the initial angel funding to take it from '0 to 60', or from the smart idea phase to what I consider the real business stage, the stage where revenue starts and value builds. Plan HQ is currently in the private beta stage and is close to launch.

"For Plan HQ, as with most new initiatives, the cost line has been easier to predict than the revenue line. I have provided all of the early angel investment capital for Plan HQ so far, however I think that there may be a need, post-launch, to raise a small amount of additional funding that could come from other angel or venture capital investors."

Q: What advice could you give to a budding entrepreneur?

"I have said before that I believe entrepreneurship is a series of many steps, particularly for the first time entrepreneur.

"Raising capital does take time but becomes much easier once you have a successful record of accomplishment. If you are a new entrepreneur, you may find that your first successful idea costs you a lot of equity, but as you build a track record, you will inevitably be able to start negotiating better deals.

"Raising capital is not just about dollars either. If possible, strategic capital, which is money that comes with networks, ideas, and guidance, is preferable.

"I prefer entrepreneurs to have skin in the game, so in terms of deal valuation and investment terms as an investor I tend to make sure everyone involved has a real stake in the project.

"The New Zealand angel investment community is quite small, so there are no secrets and most of the experienced investors get to see the bulk of the deals. It is very common to see deals on their third or fourth circuit around the traps.

"This means that budding entrepreneurs have to make their first pitch short, sharp and compelling; otherwise, the deal will fast become jaded.

"I constantly receive potential deals. This means that I do not really want to spend a lot of my time sorting through the proposition, so the pitch needs to be a high quality one pager that makes it easy for me, or any other potential investor, to see the key details.

"I want to see that they have really thought about the business, because I generally do not have the time to coach people to reach that point. I can tell quickly if someone has really thought about it, and when that happens it gives their proposition an excellent start.

"Talent is the area in which there is a shortage, not necessarily in terms of technology talent, but in terms of high quality generalist smarts and talent, or what I see as the ability to project manage an idea and really make it happen. Tim Norton at Plan HQ is an example of a young person who has excellent generalist talent."

Q: What are your views on the New Zealand angel investment community?

"I think there are many different types of angel investor, from the very early stage investors, of which I am one, to the later stage professional angel investors who in many ways are not that far removed from venture capitalists.

"The New Zealand angel investing market really has two tiers, the top tier being the very early stage investors, whose capital is used to create a business and ready it for later stage investment, and late stage professional angel investing, which is not that different from venture capitalists.

"In my personal view angel investing is about real angel investing, that is, high risk and fast cycle, as opposed to the late stage, more risk averse professional investors.

"NZVIF and other great initiatives notwithstanding, our relatively small scale and shallow capital pools means that many of our finest young IT opportunities bypass the New Zealand investor market and head straight to the west coast of the US, where the really big global deals are going on.

"Our shared challenge as investors is to help our high potential young companies think global but with local investment."

Portfolio construction

The experienced angels interviewed in this study have invested between 5% and 50% of their net available wealth into angel capital.

This wide range represents the variation in risk appetite, as well as their starting wealth (for example, it is easier for someone worth $20 million to invest 50% than someone worth $2 million).

Most angels do not invest more than 5-10% of their net available wealth in angel capital in order to maintain a diversified portfolio. Many angels also construct portfolios across different industries to increase their diversification.

Follow-on investment

Follow-on investment refers to further capital funding of the company after initial investment.

Many experienced angels note that because of the lack of sophistication of New Zealand angels and entrepreneurs, they routinely underestimate the level of capital required to support their companies' growth. Kiwi investors often do not understand the large investment required for further product development and international expansion.

Therefore, when additional capital is required, many angels tend not to be able to invest as much in second rounds. This can be exacerbated if the subsequent round is a down round (a common event) where the price paid per share is less than the initial round of investment, meaning the value and size of the stake held by an angel are likely to be diluted significantly.

In order to protect the value of their investment, experienced angels use a general rule of thumb of retaining at least 25-50% of their funds for potential follow-on funding. This range represents the limits of financial resources of some angels and their desire to diversify across more companies instead. Following on is a key golden rule through which angels can back their winners and protect their positions from being 'washed out' in future funding rounds.

Dilution example

In this example, an angel (Investor 1) invests $400,000 in a company in exchange for 40% of it. Since the entrepreneur owns all 600,000 shares of the company, the angel is offering to buy 400,000 new shares in order to acquire 40%, a per share price of $1.00. Pre-money is $600,000 and post-money is $1,000,000 with the angel's stake worth $400,000.

Table 4: Inital investment

	Investment	Price per Share	Shares	%	Post-financing Value
Founder			600,000	60%	$600,000
Investor 1	$400,000	$1.00	400,000	40%	$400,000
Total			1,000,000	100%	$1,000,000

A second investor (Investor 2) comes along and offers to invest $500,000 for a 50% stake, equivalent to $0.50 per share. The angel and entrepreneur are unable to participate in this round. Since the angel paid $1.00 per share, the 400,000 shares costing $400,000 are now worth $200,000 (400,000 shares x $0.50 per share). The value of the angel's investment has been diluted as well as the stake of the company they own, from 40% to 20%.

Table 5: Follow-on investment

	Investment Price	Price per Share	Shares	%	Post-financing Value
Founder			600,000	30%	$300,000
Investor 1	$400,000		400,000	20%	$200,000
Investor 2	$500,000	$0.50	1,000,000	50%	$500,000
Total			2,000,000	100%	$1,000,000

Angel networks

New Zealand has had a recent proliferation of angel networks of varying sophistication.

Some organise investor events where prospective companies that have been pre-screened pitch to member angels. Other angel structures are based around high net worth individuals who often employ managers to screen prospective deals.

Angel networks include the Auckland-based ICE Angels, Sparkbox and Chrysalis Ventures, the Christchurch-based Powerhouse Ventures and the Dunedin-based Upstart Angels. In addition to these existing networks, new networks are being established nationally. They are designed to present investable propositions to their members and have extensive governance structures and standard documentation in place to ensure investing is as uncomplicated as possible. For a first time angel, attending an investment evening allows an easy and supportive entry into this world, with experienced investors offering good advice. Experienced angels recommend that a 'new' angel join an angel network to learn from experienced angels and gain access to vetted deal flow. Please contact NZVIF for more information on your local investment network.

Key questions from experienced angels

- Have you reserved as much again for follow-on investment or risked dilution? Investments will usually take more funding rounds and take longer than you think.
- Have you joined an angel network to gain experience and access to deal flow?
- Have you constructed a portfolio of angel investments to spread your risk?

Assuming you want to be angel, to be successful in your investing long time angels recommend that you:

- Take a portfolio approach by spreading your investments across a wide range of industries and companies
- Co-invest with others in order to take advantage of their experience, skills and pooled capital
- Not invest all your money upfront in order to reserve some for follow-on investment and to protect your shareholding
- Be patient with your investments and have fun!

Finally, it is worth re-emphasising that angel investing is high risk. You cannot have an understanding of what will fail and what will not, therefore you must take steps to mitigate your investment risks, and avoid putting all your eggs into one basket.

Summary

An angel investor is a wealthy individual who provides capital, and often expertise, to early stage businesses. Angels typically invest their own capital, however a small but increasing number of angel investors are forming angel networks to share knowledge and pool their investment capital. Angel capital fills the gap in start-up financing between the 'three Fs' (friends, family and fools) of seed capital.

Angel investments are exposed to high risks and thus require a high return on investment. Because a large percentage of angel investments fail, professional angel investors seek investments that have the potential to return at least 10 or more times their original investment within five to 10 years. This return is generally through a defined exit strategy, such as plans for an IPO or trade sale.

Angel investors are people with significant capital to invest, often retired entrepreneurs or executives, who may be interested in angel investing for reasons in addition to money. These include wanting to keep abreast of current developments in a particular business arena, mentoring another generation of entrepreneurs, and making use of their experience and networks on a less than full time basis. In addition to funds, angel investors can often provide valuable management advice and access to important contacts and markets.

The angel market in New Zealand has long been an underground movement, supporting New Zealand companies to become successful. Over the past two to three years it has become increasingly vibrant with the launch of several angel networks, which has seen angels replicating similar organisations on the west coast of the US. The spread of expertise and systems has allowed indigenous angel networks to become rapidly good at their jobs, which is to facilitate investment into young high growth companies with the potential to go global.

New Zealand is producing world class IP in a number of areas such as information and communication technology, life science and niche manufacturing. This world class IP is behind the creation of a significant number of early stage companies that need angel involvement to succeed. Angel investors are enabling these companies to grow in scale and to become an increasingly strong and positive force for New Zealand's economic growth.

The top 10 pieces of advice for angel investing are:

1. Co-invest with others
2. Join an angel network
3. Diversify your portfolio
4. Retain money for follow-on investment
5. Work well with the founder
6. Use advisors you trust
7. Link investment to milestones
8. Mitigate your risk with thorough due diligence
9. Invest your expertise, experience and networks
10. Enjoy yourself!

7 GLOSSARY

Angel: A wealthy individual who invests in entrepreneurial firms. Although angels perform many of the same functions as venture capitalists, they invest their own capital rather than that of institutional and other individual investors.

Anti-dilution: A protective provision that allows investors to reprice their stock if later funding rounds are down rounds. Full ratchet anti-dilution clauses will effectively reprice the investors' shares (by issuing additional shares to the investors) at the lower issue price of the 'down round', while a weighted average ratchet will reprice at the weighted average of each price (according to respective amounts subscribed).

Burn Rate: the timeframe for a company to use up a capital injection e.g. $1 million per year burn rate is the same as a negative cash flow of $1 million per year.

Conditions Precedent: A contractual obligation that requires one party to the contract to fulfil its obligation before another party to the contract is required to fulfil its contractual obligation.

Consent Rights: Rights that mean certain actions cannot be taken by the company without the consent of the holders of a majority (or other specific percentage) of their class or series of shares.

Dilution: A reduction in the fraction of a firm's equity owned by the founders and existing shareholders associated with a new financing round. Also known as getting 'washed out'.

Distribution: Cash or the value of stock payments to investors after the realisation of an investment in a company.

Diversification Theory: This describes the reduction in risk for an investor if they invest across a broad range of assets. Geographic diversification is also possible.

Down Round: A round of financing where investors purchase shares from a company at a lower valuation than the valuation placed upon the company by earlier investors, resulting in the share dilution of existing shareholders.

Drag-along Rights: A mechanism ensuring that if a specified percentage of shareholders agree to sell their shares, they can compel all other investors to sell, ensuring that a prospective purchaser can acquire 100% of the company.

Due Diligence: Research performed by angels on a company, including its operations, financial details, management, track record, the industry in which it operates and the verification of material facts and any terms and conditions prior to investing.

Early Stage: Companies carrying out product development and initial marketing, manufacturing and sales activities.

Follow-on: Capital that is invested after the initial investment; indicates a new funding round where shareholdings may change depending on whether existing shareholders participate or not.

Freedom to Operate: Companies undertake freedom to operate searches to ensure that the commercial production, marketing and/or exporting of a new product, process or service does not infringe the intellectual property rights of others.

Fully Diluted: Fully diluted valuations are calculated on a fully diluted equity basis. This includes all equity, loans (if convertible), options, share commitments to founders and lead employees, and other financial instruments that affect the value of the company.

Holding Period: The amount of time an investment remains in a portfolio.

Horizon Return: An IRR calculation between points in time where the beginning point is variable and the end point is fixed. An example would be the three, five and 10 year returns ending 31/12/07.

Investment Philosophy: The stated investment approach or focus of an angel.

IRR (Internal Rate of Return): The discount rate that equates the net present value of an investment's cash inflows with its cash outflows. This is equivalent to the yield on the investment.

Lead Investor: Member of a syndicate of angel investors usually holding the largest stake, in charge of arranging the financing and most actively involved in the overall investment.

Liquidation Preference: The order in which investors receive any liquidation proceeds. Often later investors will have preference over earlier shareholders.

Liquidity Event: A liquidity event usually refers to the method by which the investor realises an exit from the business i.e. converts shares to cash. It can also refer to new investors entering the business through a financing event.

Milestone: A significant achievement by a company that is often linked to tranched investment. For example, a company may need to achieve certain milestones before receiving additional funding from its investors.

Pay to Play: Specific investment provisions which require an existing shareholder to participate in subsequent funding rounds (especially down rounds) where non-participation will most likely result in the dilution of their stake and the conversion of their preferred shares into ordinary shares.

Portfolio Theory: A theory that describes how risk averse investors can construct portfolios in order to optimise market risk for expected returns, emphasising that risk is an inherent part of higher reward.

Post-money: The valuation of a company after a funding round is completed.

Pre-emptive Rights: Pre-emptive rights enable an angel to maintain their percentage ownership in a company by purchasing a pro rata share of stock sold in future financing rounds.

Pre-money: The valuation of a company before a funding round is completed.

Ratchets: Full ratchet and weighted average ratchet clauses can apply to stock as well as convertible securities. For convertible securities a full ratchet adjusts the conversion price to the lowest price at which a company subsequently sells its ordinary stock regardless of the number of shares of common stock the company issues at that price. A weighted average ratchet adjusts the conversion price according to a formula that takes into account the lower issue price and the number of shares that the company issues at that price.

Realised Multiple: The ratio of total gain/(loss) to the cost of realised investments e.g. 10 times.

Representations and Warranties: Statements made by the parties to the new investors that refer to past or present facts or matters that are important to the deal.

Seed Stage: An investment strategy involving portfolio companies which have not yet fully established commercial operations, and may also involve continued research and product development.

Tag-along Rights: A mechanism to ensure that if one investor or founder has an opportunity to sell shares, the other shareholders are also given that opportunity on a proportionate basis.

Trade Sale: Sale of a portfolio company to another company, typically operating in the same industry.

Tranches: An arrangement whereby the new investment capital is split into a number of stages, with the size of tranche and valuation pre-agreed. Investment of subsequent tranches is subject to the attainment of agreed milestones.

8 WHERE TO GO FOR FURTHER INFORMATION

Investor networks

Bio Commerce Centre – www.biocommerce.co.nz
Creative HQ – www.creativehq.co.nz
ICE Angels – www.iceangels.co.nz
Powerhouse Ventures – www.cii.co.nz
Sparkbox – www.sparkbox.co.nz
Upstart Angels – www.upstart.org.nz

Other

Connect New Zealand – www.connectnewzealand.com
Escalator – www.escalator.co.nz
New Zealand Venture Capital Association – www.nzvca.co.nz
New Zealand Venture Investment Fund – www.nzvif.co.nz

9 REFERENCES

1 *New Zealand's Angel Capital Market: The Supply Side* by Infometrics Limited for the Ministry of Economic Development, June 2004, www.med.govt.nz/upload/2708/angel-investment.pdf.

2 Under the Securities Amendment Act 2004, for companies to seek capital without a prospectus they must seek an exemption to market to 'eligible persons'. 'Eligible persons' are wealthy, experienced in investing money, or experienced in the industry or business to which the security relates. Wealthy is defined as someone who has net assets of at least $2 million or has had an annual gross income of at least $200,000 for each of the last two financial years. This is a broad guideline as to the profile of a sophisticated angel. Angels are very diverse, however, and this description does not cover every type.

3 *Venture Support Systems Project: Angel Investors,* by Lucinda Linde (Marlin Capital) and Alok Prasad (Pittiglio, Rabin, Todd & McGrath) under the direction of Kenneth P. Morse and Matthew Utterback of the MIT Sloan School and Howard Stevenson and Michael Roberts of the Harvard Business School, February 2000, www.angelcapitalassociation.org/dir_resources/research.aspx.

4 From Mason C.M. & Harrison R.T. (2002c). Is it worth it? The rates of return from informal venture capital investments, *Journal of Business Venturing*, May 2002.

5 *New Zealand's Angel Capital Market: The Supply Side* by Infometrics Limited for the Ministry of Economic Development, June 2004, www.med.govt.nz/upload/2708/angel-investment.pdf.

6 *A Guide To Venture Capital Term Sheets,* Andrew Lewis (Simpson Grierson) and NZVCA, www.nzvca.co.nz/IndustryTools.aspx.

7 *New Zealand's Angel Capital Market: The Supply Side* by Infometrics Limited for the Ministry of Economic Development, June 2004, www.med.govt.nz/upload/2708/angel-investment.pdf.

New Zealand Venture Investment Fund

The NZVIF investment team has been investing in New Zealand venture capital funds and angel investments since 2002. It manages two funds, the $160 million VIF Venture Capital Fund and the $40 million Seed Co-investment Fund. As at June 2007 it has committed $78 million to six venture capital funds (BioPacific Ventures, Endeavour i-Cap, iGlobe Treasury, New Zealand Innovation Fund, No 8 Ventures and TMT Ventures) and has entered into five angel co-investment partnerships (Chrysalis Ventures, ICE Angels, Powerhouse Ventures, Sparkbox and Upstart Angels) with up to $20 million of capital available for investment. As at June 2007, the combined funds have invested close to $40 million into over 40 companies.

More information is available at www.nzvif.co.nz

NZVIF Team:

Back Row: Julian van de Wetering, Richard Palmer and Richard Llewellyn.

Front Row: Franceska Banga, Ruth Malo, Sue Maher and Aaron Tregaskis.

A cornerstone investor in a vibrant early stage venture capital market

New Zealand venture Investment Fund Limited

THE BUSINESS OF ANGEL INVESTING IN NEW ZEALAND: **A GUIDE**

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