



the New Zealand advantage

Private equity
& venture capital
investment
in New Zealand



the New Zealand advantage

Diversify your deal flow

**“Entrepreneurial
powerhouse, leading
the world in the
creation of small and
medium-sized enterprises”**

The Economist magazine

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Pipeline to some of the world's best investment opportunities



The Economist magazine has described New Zealand as an “entrepreneurial powerhouse, leading the world in the creation of small and medium-sized enterprises”.

At the forefront of these enterprises is a group of small, ambitious, high-growth and globally focused companies.

Many are investment ready. Some are generating revenues and some are at break even or are profitable, and they have moved beyond the ability of the small, but rapidly growing, domestic New Zealand capital market to fund their growth.

New Zealand’s private equity and venture capital (VC) firms, however, represent a deal flow pipeline for their international counterparts to reap the rewards of some of the world’s best investment opportunities.





Home to unique innovation & impressive returns

New Zealand's private equity market is poised for growth and its young VC industry has an established pipeline for entrepreneurial innovation.

Mid-market private equity has matured with some current managers involved in their third fund. Activity dropped in the mid-market in 2009, however the average investment size increased 14 percent compared with 2008.

Private equity/buyout fund managers have an impressive record of returns.

The VC industry has also grown quickly from a standing start in 2002. Since 2002, VC investment has grown from US\$12 million a year to US\$34 million in 2009.

The New Zealand private equity and VC markets face the challenge of raising enough capital for the requirements

of companies emerging from a local hot bed of innovation-inspired entrepreneurship.

This innovation is driven by a unique set of national circumstances, including a young country, geographical isolation and a small market of just over four million people.

From this environment entrepreneurs have emerged who have the space to think, can-do attitudes and an ability to make more from less.

The best and most ambitious of these entrepreneurs, based in a market in the top three in the world for ease of doing business and economic freedom, are now focused on global markets and looking for capital.

NOTE: CURRENCY CONVERSIONS FROM NEW ZEALAND DOLLAR TO US DOLLAR BASED ON 10-YEAR AVERAGE EXCHANGE RATE OF 0.6090 (RESERVE BANK OF NEW ZEALAND DATA).

the New Zealand advantage

- » **1st in the world for protecting investors in 2010 (World Bank)**
- » **2nd in the world for overall ease of doing business in 2010 (World Bank)**
- » **3rd in the world for economic freedom in 2009 (Fraser Institute)**
- » **An extensive network of free trade agreements that includes China, ASEAN countries and Australia**
- » **“New Zealand has been able to ride out the global financial crisis better than many other advanced countries.”
The International Monetary Fund, 2010**
- » **A business-friendly taxation system that supports capital expansion, research and development and international investment**
- » **Proactive Government support for international investors to relocate and/or collaborate with New Zealand companies**

Private equity/buyout

	2006	2007	2008	2009
Number of firms	16	22	21	21
Investment	\$690m	\$696m	\$68m	\$74m
Number of deals	35	25	30	15
Divestment	\$134m	\$158m	\$28m	\$274m

US\$ CONVERSIONS FROM NEW ZEALAND DOLLAR TO US DOLLAR BASED ON 10-YEAR AVERAGE EXCHANGE RATE OF 0.6090 (RESERVE BANK OF NEW ZEALAND DATA)

SOURCE: THE NEW ZEALAND PRIVATE EQUITY AND VENTURE CAPITAL MONITORS

New Zealand has a large percentage of unlisted companies, and many of these companies are increasingly likely to look to expansion capital and to private equity/buyout for funding.

A survey has shown that the private equity exit option has grown rapidly in popularity among business owners, to the point where more than half of respondents would consider private equity investment in their companies.

The global financial crisis has impacted on the industry. Overall activity is back to levels of 2003 and 2004. New Zealand's performance compares well with European private equity deals which have fallen to a 15-year low.

Between 2003 and 2006, growth in mid-market investment was primarily driven by investment from New Zealand funds. Investment from this source was relatively stable between 2008 and 2009.

In 2006 and 2007 Australian funds stepped up their activities in New Zealand to become the leading source of investment, especially for large private equity investments (over US\$100 million). This dropped away in 2008 and 2009, accounting for the drop in the value of deals.

Players at the top end of the New Zealand market have been focused on optimizing existing portfolio performance and 'bolt-on' acquisition opportunities.

The New Zealand PE and VC overview

Venture capital

Seed & start up

Up to US\$3m

Expansion capital

US\$3m - US\$30m

Private equity

Mid-market/buyout

US\$30m plus



Venture capital

	2006	2007	2008	2009
Number of firms	7	7	7	7
Investment	\$46m	\$50m	\$40m	\$34m
Number of deals	77	60	52	93
Divestment	\$1.3m	\$6.1m	0	\$10.4m

US\$ CONVERSIONS FROM NEW ZEALAND DOLLAR TO US DOLLAR BASED ON 10-YEAR AVERAGE EXCHANGE RATE OF 0.6090 (RESERVE BANK OF NEW ZEALAND DATA)

SOURCE: THE NEW ZEALAND PRIVATE EQUITY AND VENTURE CAPITAL MONITORS

Although the New Zealand VC industry has seen rapid growth, it is still in its infancy by international standards. Before the establishment of the Government-backed fund of funds, the New Zealand Venture Investment Fund (VIF) in 2002, there was only one dedicated VC fund in the market.

During 2009, VC investment was solid with a big increase in the number of deals, but with a lower investment value. The increased activity was helped by the expansion of the seed and start-up sector. There was significant investment in health and bio sciences companies and increases in food and beverage and technology investment.

The New Zealand VC industry sees good investment opportunities in sectors that are viewed as relatively defensive in the current environment. They are also ones in which New Zealand has competitive advantages, including food, medical devices and health services.

REGULATIONS AND TAX: New Zealand has an internationally recognized standard limited partnership framework. The framework is based on that of the United States state of Delaware, which is regarded as the 'gold standard' for investment vehicles. Features include:

- generally no restrictions on the type of business or activity in which limited partnerships can engage, in New Zealand or offshore
- the wide scope of 'safe harbor' activities along with a high level of strategic control open to limited partners
- the ability for partnership gains and losses to be directly attributed to partners – their personal tax status will govern how they are taxed.

New Zealand does not have a capital gains tax and partners usually will not be subject to New Zealand tax on capital gains.

GOVERNMENT BACKING: The New Zealand Government has given the VC industry strong backing financially and has helped create a supportive regulatory environment.

The centrepiece of its support is the VIF. In 2010, the VIF had US\$122 million of funds under management, US\$97.5 million in a VC fund of funds and US\$24.5 million in an early-stage direct investment fund.



‘An entrepreneurial powerhouse’

“New Zealand, despite its geographical isolation, has turned itself into an entrepreneurial powerhouse, leading the world in the creation of small and medium-sized enterprises, thanks in part to enlightened government policies.”

The Economist magazine, 2009

New Zealand business innovation is special. It's driven by a unique set of national circumstances:

- » A young country**
- » Geographical isolation**
- » A small market of just
over four million people.**

This environment has produced entrepreneurs with the aptitude to generate new ideas that challenge the expected, who have can-do attitudes and an ability to make more from less.

Allied with few barriers to starting up and running a business, and a first-world, market-led economy, New Zealand has become a hot bed of innovation-inspired entrepreneurship.

At the forefront is a group of small, ambitious, high-growth and globally focused companies. Some planned to be global from day one; others have rapidly outgrown their home markets.

Many are investment ready and have moved beyond the ability of the domestic New Zealand capital market to fund their growth.



At the forefront is a group of small, ambitious, high growth and globally focused companies.

New Zealand companies already well established in world markets include:

- Right Hemisphere, a software company backed by Sequoia Capital and Sutter Hill Ventures. The San Ramon, California-headquartered company's customers include eight of the top 10 US aerospace and defense companies and 10 percent of Fortune 100 companies
- baby buggy maker phil&teds, which has seen rapid sales growth in the United Kingdom, Europe, the US and Australia. More than 80 percent of its sales come from products less than three years old
- global software company Orion Health, which is a leading provider of clinical workflow and integration technology for the healthcare sector
- functional ingredients company BioVittoria produces a natural sweetener for the food and beverage and dietary supplement industries. Its lead product Fruit-Sweetness™ is the first fruit-derived, calorie free sweetener to achieve FDA GRAS Notification status.

These are examples of venture capital and private equity backed New Zealand businesses that are delivering outstanding international success.



SECTORS: The companies are often in sectors where New Zealand has either a strong competitive advantage or is establishing a track record for producing innovative, cost-effective products and services. These sectors include:

INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT): New Zealand's rapidly growing health IT community is an example of how demand for innovative products and services in a small home market, and tight budgets, can be leveraged into significant international sales. About 70 percent of New Zealand health IT company sales are in international markets.

The same formula can be seen in other ICT niches such as navigation software, wireless infrastructure and transport and logistics. New Zealand-developed customer information system technologies have captured about a third of all North American retail energy marketer installations.

CREATIVE INDUSTRIES: New Zealand screen production, digital animation and post-production companies, through films such as Avatar, the Lord of the Rings trilogy and the Narnia movies, have sparked international recognition of New Zealand's creative industries.

Other creativity-based enterprises making names for themselves include New Zealand's television commercial, fashion and book publishing companies. The creative industries as a whole have been growing at a rate of about 9 percent a year.

SPECIALIZED MANUFACTURING: New Zealand's marine industry is another example of how geographical advantages – in this case a 9,000 mile (15,000 kilometer) coastline and universal proximity to the sea – when combined with innovation and engineering and design abilities can lead to world-leading products. Winning the America's Cup twice has helped New Zealand marine products become a benchmark for high performance and advanced technology.

A mix of human and natural competitive advantages can also be seen in other New Zealand manufacturing enterprises, such as in food processing, agricultural equipment and aviation.


FOOD AND BEVERAGE: The food and beverage sector's ability to produce internationally recognized safe, healthy, convenient and high-quality products is the heart of the New Zealand economy. The sector contributes around 10 percent gross domestic product and half of all New Zealand's exports. In a world short of protein, New Zealand is one of its most efficient producers.

BIOTECHNOLOGY: New Zealand has one of the fastest-growing biotech sectors in the world. Between 2004 and 2009 the number of New Zealand biotech organizations increased 140 percent.

Research and technologies are focused where New Zealand excels, such as in agriculture and forestry. This has seen the development of world-class research strengths across agricultural, food, industrial and environmental biotechnology, along with human healthcare, incorporating human therapeutic development and medical technologies.

CLEANTECH: New Zealand has growing capability in emerging cleantech areas such as sustainable biofuels from algae and plant and timber residues, renewable energy, novel industrial and transportation technologies and sustainable agriculture. Approximately 250 companies and organizations are researching, developing and commercializing clean technologies in New Zealand.

These companies include Lanzatech, which has developed a proprietary platform to produce the lowest-cost fuel ethanol on a scale larger than is currently being envisioned elsewhere. Investors in the company, jointly based in Denver, Colorado and Auckland, New Zealand, include Khosla Ventures, headed by Vinod Khosla, co-founder of Daisy Systems and founding Chief Executive Officer of Sun Microsystems.



“New Zealand has been able to ride out the global financial crisis better than many other advanced countries.”

The International Monetary Fund, 2010

Business environment

New Zealand is a stable, English-speaking democracy with a modern, efficient and welcoming business environment.

TAXATION: New Zealand's business-friendly taxation system supports capital expansion, research and development and international investment.

The corporate tax rate is 30 percent for all companies, domestic or international. New Zealand has:

- no capital gains tax
- double taxation agreements with 35 countries, including the US, leading European Union countries, China, Singapore and Australia.

FREE TRADE AGREEMENTS: New Zealand has established an extensive network of free trade agreements that includes:

- China
- ASEAN (Association of Southeast Asian Nations, including Indonesia, Malaysia, the Philippines, Singapore and Thailand)
- Australia.





CAPITAL MARKETS: Compared with other OECD countries, New Zealand's capital markets, particularly its equity-related markets, are small relative to the size of its economy. However, tax changes and a workplace-based retirement savings scheme have begun to lay the groundwork for future growth.

- Listed equity markets in New Zealand are relatively small and illiquid by international standards.
- Private equity markets are also small when compared with more developed markets across the venture, expansion and buyout segments.
- Debt securities markets are small in New Zealand and most non-government securities are dominated by banks with some issuances by major corporates.
- The New Zealand foreign exchange market is part of the 24-hour global market. Global New Zealand dollar markets, including foreign exchange derivatives, are very large.

The International Monetary Fund said New Zealand's banking sector had "weathered well the global crisis" and was profitable, with low levels of non-performing loans.

REGULATIONS AND LEGAL: New Zealand has a world-class financial regulatory system. In the World Bank's 2010 Ease of Doing Business report, New Zealand ranked number one in the world for protecting investors. The legal system is based on English law and the country is party to international agreements on investment disputes and intellectual property rights.

The market is well served by leading global accounting and other professional service providers. New Zealand is ranked:

- the world's least corrupt country (Transparency International's 2009 Corruption Perceptions Index)
- 7th in the world for quality of intellectual property protections (The Global Competitiveness Report 2009-10).

In principle New Zealand has no restrictions on the level of foreign investment, apart from land. There are also no foreign exchange restrictions on the transfer of capital, profits, dividends, royalties or interest into, or from, New Zealand.

COMMUNICATIONS: New Zealand has fully digital exchange networks and high-capacity fibre-optic communications links to the US, Australia and Asia.

Broadband connections are growing rapidly and major international communications companies active in New Zealand include Vodafone, Alcatel Lucent and Australia's Telstra as well as Telecom New Zealand.

The Southern Cross Cable (co-owned by Singtel Optus, Verizon and Telecom New Zealand) connects New Zealand with the US and Australia, delivering 620 gigabit/s of fully protected bandwidth with a current capability to increase protected capacity to 3.6 Tbps.

The market is well served by leading global accounting and other professional service providers.

INFRASTRUCTURE: Efficient local and global logistics underpin New Zealand's export-focused economy. About 35 international airlines offer passenger and freight services from three main international airports spread throughout the country. New Zealand has an extensive and modern road and rail transport system. Thirteen deep-water ports are served by around 20 global and regional shipping lines.

INNOVATION AND ENTREPRENEURSHIP: New Zealand has a highly innovative and entrepreneurial culture. New Zealanders have become adept at creating and commercializing innovative products and services such as World leading GPS oscillators and 3D graphics applied to manufacturing. The salary structure in New Zealand's research and development community is typically less than half that for equivalently skilled employees in the US.





A popular model for New Zealand's high-growth, globally focused companies when they outgrow their home markets is for them to receive international investment and to move their headquarters to leading offshore markets while often leaving their research and development activities in New Zealand.

HUMAN RESOURCES: New Zealand's deregulated labor market is based on voluntary union membership, individual employment contracts and actively recruiting skilled overseas staff.

Flexible labor policies ensure low employee add-on costs and minimal losses of work days to industrial action. New Zealand is undergoing rapid cultural diversification through immigration, leading to increased social and business links, particularly with the Asia Pacific region.

In 2010 New Zealand was ranked 15th in the world for employment flexibility by the World Bank.

EDUCATION: New Zealand's workforce is well educated, flexible and multi-skilled. More than three-quarters of the population aged 25 – +64 years have secondary or tertiary education qualifications well above the OECD average.

There are well resourced centers of learning in all main centers and five universities are ranked among the top 100 in the Asia Pacific region.

SUSTAINABILITY: Sustainability and the environment underpin the New Zealand economy. The nation's wealth rests on an ability to combine human innovation and the country's key natural assets – clean water and clean soil.

New Zealand, compared with many countries in the world, has an abundance of clean air, clean water, protein, energy and distance from global threats.

COSTS OF LIVING AND LIFESTYLE:

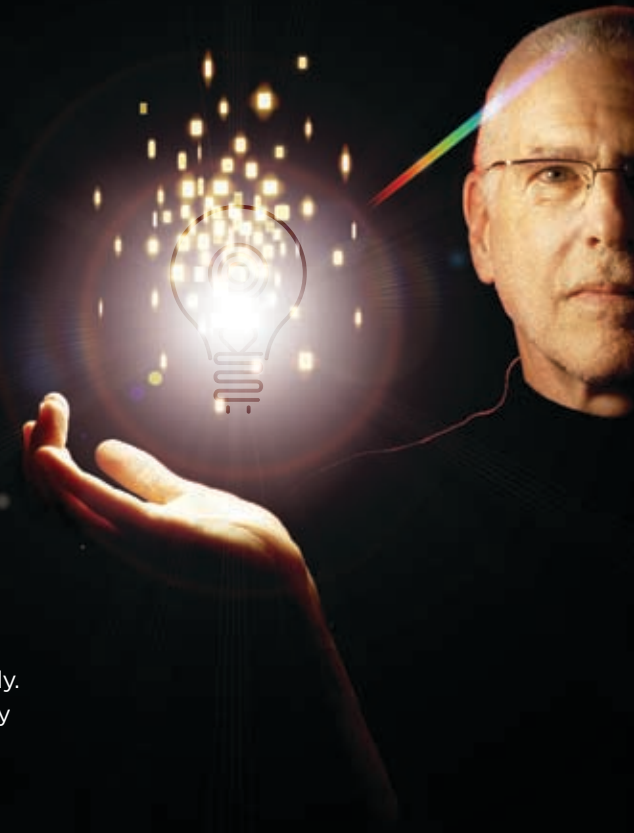
New Zealand's business day overlaps with the afternoon in North America, much of Asia's day and early morning in Europe.

- New Zealand was ranked fifth in International Living's 2010 survey of countries offering the best quality of life, including cost of living, culture and leisure, environment, climate, health and safety.
- Auckland is the fourth best place in the world to live according to the Mercer worldwide quality of living survey (2009). Wellington is ranked 12th.

Opportunities

Significant opportunities for international funds to invest in New Zealand private equity and venture capital include:

- The New Zealand private equity market is relatively embryonic by global standards and, with few private equity players in the lower mid-market, competition for deals is low and yet demand for “smart” capital is high.
- The prevalence of a significant and rapidly growing private equity market in Australia has significantly enhanced the exit options and likely value achieved for New Zealand mid-market players. Secondary buyout deals to Australian private equity firms will become much more common.
- New Zealand’s Anglo-American capitalism, laws and culture mean it is an ideal “experimental laboratory” for developing products and services that will scale globally. This should create the opportunity for many more globally scalable companies that can be backed by private equity.



- Those private equity players that have undertaken deals recently have seen unusually strong returns. This is because structurally New Zealand's industries tend to have the characteristics of oligopolies and companies within these industries are in reach of a mid-market fund (US\$30 million to US\$100 million).
- There is limited private equity activity (and competition) for deals over US\$100 million.
- Supply of deals will increase substantially – a large number of medium-to-large businesses are set to come onto the market as their baby boomer owners look to exit.
- Private equity is positioned to play an increasing role in mergers and acquisitions. New Zealand private equity activity, as a percentage of mergers and acquisitions, is low (less than a third that of the US).
- New Zealand VC-backed businesses can be easily transferred to foreign markets to access further capital and the necessary networks.

To learn more about investment opportunities and how to invest in New Zealand, please contact Investment New Zealand: www.investmentnz.govt.nz or email info@investmentnz.govt.nz



Contacts

Industry Associations

COMPANY	CONTACT	CONTACT NUMBER	WEBSITE
New Zealand Private Equity and Venture Capital Association Inc	Colin McKinnon	+64 9 302 5218	www.nzvca.co.nz
Angel Association of New Zealand Economic Development Agencies of New Zealand	Andy Hamilton	+64 9 308 6200	www.theicehouse.co.nz
Incubators New Zealand	Mark Robotham	+64 9 377 1482	www.edanz.org.nz
	Lyn Hatrick	+64 9 921 9509	www.incubators.org.nz

Private Equity

COMPANY	CONTACT	CONTACT NUMBER	WEBSITE
AMP Capital Investors New Zealand Ltd	Nick Dobson	+64 4 494 2205	www.ampcapital.co.nz
Central Capital Management Ltd	Rory MacGillcuddy	+64 21 884 490	www.centralcapital.co.nz
Direct Capital Private Equity Ltd	Ross George	+64 9 307 2562	www.directcapital.co.nz
Endeavour Capital	Neville Jordan	+64 4 499 5140	www.ecap.co.nz
Maui Capital Ltd	Paul Chrystall	+64 9 377 9377	www.mauicapital.co.nz
Pencarrow Private Equity Ltd	Shawn Beck	+64 4 499 9190	www.pencarrowpe.co.nz
Pioneer Capital Partners	Randal Barrett	+64 9 304 0838	www.pioneercapital.co.nz
Rangatira Ltd	Ian Frame	+64 4 472 0251	www.rangatira.co.nz
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Contacts

Venture Capital

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iGlobe Treasury Management Ltd	Tony Bishop	+64 9 915 3401	www.iglobetreasury.com
No 8 Ventures Management Ltd	Jenny Morel	+64 4 499 2029	www.no8ventures.co.nz
2Ignite	Greg Sitters	+64 21 523 223	www.2ignite.co.nz
TMT Management Ltd	Ross George	+64 9 307 2562	www.directcapital.co.nz
GOVERNMENT	CONTACT	CONTACT NUMBER	WEBSITE
NZ Venture Investment Fund	Franceska Banga	+64 9 951 0170	www.nzvif.co.nz

Investment New Zealand

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Investment New Zealand is New Zealand's national investment promotion agency. We are a specialist unit within New Zealand Trade and Enterprise, New Zealand's national economic development agency. Investment New Zealand actively assists international corporate investors to:

- relocate their businesses to New Zealand
- establish greenfield operations
- invest in and work with New Zealand companies in global ventures.

The New Zealand Private Equity and Venture Capital Association Inc (NZVCA)

The NZVCA is a not-for-profit industry body committed to developing the VC and private equity industry in New Zealand. Its core objectives include the promotion of the industry and the asset class on both a domestic and international basis and working to create a world-class VC and private equity environment. Members include private equity, VC and angel investors, financial organisations, professional advisors, academic organisations and government and quasi-government agencies. www.nzvca.co.nz

References

The New Zealand Private Equity and Venture Capital Monitor 2009; Ernst & Young, NZVCA.

Contacts

Private equity funds

AMP CAPITAL INVESTORS

AMP Capital Investors is a specialist investment manager with more than US\$8 billion in funds under management in New Zealand. As a wholly owned subsidiary of AMP Limited, it operates independently, with a pure investment focus, but benefiting from the resources of its parent. With more than 200 in-house investment professionals throughout New Zealand, Australian and Asia, and a carefully selected global network of investment partners, AMP Capital offers significant depth and breadth of investment expertise. It has been recognized for its quality of investment team, skills and resources by winning the Morningstar Fund Manager of the Year award in 2009.

www.ampcapital.co.nz

CENTRAL CAPITAL REGIONAL FUND

Central Capital Regional Fund LP is a boutique US\$30 million fund providing early-and late-stage expansion capital and appropriate expertise for regional growth businesses located south of Auckland and north of Wellington. Through an extensive network of regional investors, professional services firms and other contacts it has access to proprietary deal flow. The geographic area of focus has a number of attractive growth opportunities and exhibits the defensive qualities of the primary sector. Deal flow will consist of tightly held private companies often 'below the radar' of larger funds.

www.centralcapital.co.nz

DIRECT CAPITAL

Established in 1994, Direct Capital is New Zealand's leading private equity firm, having raised in excess of US\$340 million through eight institutional funds. Its private equity funds have achieved net annual returns in excess of 20 percent since establishment and its latest fund achieved a net IRR to December 2008 of 30.1 percent. Its investment team has been together an average of 13 years of its 15-year history. Direct Capital invests in mid-market private equity investments in New Zealand and Australia, focusing on succession buyouts, expansion deals and pre-IPO investments in businesses with enterprise values between US\$17 million and US\$85 million.

www.directcapital.co.nz

Contacts

Private equity funds (cont)

ENDEAVOUR CAPITAL

Endeavour Capital is a leading private equity company, investing predominantly in SMEs based on science and technology spanning cleantech, biotech, advanced manufacturing and ICT. Investment capital is provided for early development and expansion companies capable of scaling to meet global market requirements. Endeavour has had two successful Funds for export companies and is now raising capital for a third international Fund. This third Fund brings together General Partners from the UK, US and New Zealand and has a tax-efficient structure for international investors. Our model is to provide an exchange of Intellectual Property between international partners, with investment from the same regions, to grow companies and then exit into high value markets. Endeavour GPs have had considerable experience in successfully exiting companies by either international IPOs or trade sales.

www.ecap.co.nz

MAUI CAPITAL

Maui Capital is a New Zealand-based independent private equity firm providing capital to mid-market New Zealand and Australian businesses, comprising a team of highly experienced individuals who have invested and worked across a broad range of industries delivering some of the industry's best investor returns in New Zealand.

Maui Capital currently manages the Maui Capital Indigo Fund, a private equity fund, with committed capital of US\$180 million. Prior to establishing Maui Capital in 2008, members of the Maui Capital Team set up, managed and invested the highly successful Hauraki Funds at Goldman Sachs JBWere.

Maui Capital will commit substantial energy, focus and expertise on building, growing and developing a small number of the very best mid-market New Zealand and Australian opportunities. Maui Capital believes long-term success requires more than buying and selling well, and that out-performance beyond the short-term relies on the ability to consistently create value within each investee business.

www.mauicapital.co.nz

PENCARROW PRIVATE EQUITY

Pencarrow is New Zealand's longest established private equity manager and has invested more than US\$130 million in 25 New Zealand companies since 1993. It specializes in the New Zealand mid-market, undertaking management buyouts and management buyins and providing expansion capital and replacement capital for New Zealand companies with enterprise values in the range of US\$10 million to US\$60 million. It likes to commit equity worth US\$5 million to US\$15 million. Pencarrow looks for businesses with clear and sustainable competitive advantages and where it can leverage its capabilities, networks and experience.

www.pencarrowpe.co.nz

Contacts

Private equity funds (cont)

PIONEER CAPITAL

Pioneer Capital is a growth capital investor in companies originating from New Zealand and expanding in large international markets. The Pioneer Capital team has experience in founding, operating, investing in and guiding companies through all stages of growth through to liquidity events in all major geographic markets – 29 investments, 11 listings and six other divestments.

Pioneer's current portfolio comprises a mix of expansion-stage companies with combined revenues of over US\$100 million and is performing well. Pioneer Capital invests its own capital alongside its limited partners, comprising institutional and family office investors.

www.pioneercapital.co.nz

RANGATIRA LTD

Rangatira is an investment company with assets of over US\$94 million. It has a portfolio of local and international investments across a wide range of sectors. Generally the company pursues private equity investment in small to medium-sized New Zealand companies, complemented by holdings in a range of publicly listed New Zealand and Australian companies. In the private equity sector, Rangatira prefers to co-invest with the key executives managing the business. Investments are usually made taking a long-term position in companies that are well founded and well managed with good growth potential. Although most of Rangatira's investment activity is in New Zealand and Australia, from time to time the company will consider opportunities elsewhere, especially where there are synergies with Rangatira's existing business interests.

www.rangatira.co.nz

WATERMAN CAPITAL

Waterman is a private equity firm targeting expansion capital, management and succession buy-out opportunities in small to mid-market companies. These companies form the heart of the New Zealand economy and offer significant growth potential providing they can access adequate capital and suitable skills. Waterman has a long term, value adding investment philosophy and takes a prudent approach to borrowing. As a manager it takes an active interest in all of its portfolio companies.

www.waterman.co.nz

Contacts

Venture capital funds

BIOPACIFICVENTURES

BioPacificVentures is a specialist life sciences venture capital fund with a difference. It focuses on a unique regional strength “down-under”, which is the convergence of food and health. Both New Zealand and Australia are powerful food-exporting nations and both are highly competitive in biotech. So where these two fields meet, which is occurring in a consumer-led boom, this region is generating unprecedented investment opportunities. BioPacificVentures has invested close on US\$60 million in just three years in this sector and has attracted multinationals such as Nestlé, Procter & Gamble and Sanofi-Aventis, either to its fund or to its portfolio of companies. Its investments include novel foods and beverages, disease prevention technologies and health and wellness among others.

www.biopacificventures.com

IGLOBE TREASURY MANAGEMENT

iGlobe Treasury Management is a technology-focused fund with the objective of leveraging competitive strengths across the Pan Pacific region with local presences in each of the United States, New Zealand, Australia, Singapore and Taiwan. The experienced management team is well supported by a far-reaching network of venture partners, investors, industry experts and technical advisors.

www.iglobetreasury.com

NO 8 VENTURES

No 8 Ventures is New Zealand's most experienced venture capital fund manager, investing in high growth companies from early stage through to pre-listing. No 8 Ventures builds a winning portfolio by accessing the companies with the best potential, working intensively to build their teams and focus their strategy and connecting the companies internationally. Investors like the unique variety and diversity of the No 8 Ventures portfolio – current portfolio companies include those across aerospace technology, Java for telecommunications, cancer therapeutics, medical robotics and the GIS industry. By accelerating the development of these businesses No 8 Ventures aims to make outstanding returns for its investors.

www.no8ventures.co.nz

2IGNITE

2Ignite is New Zealand's first early-stage seed venture capital fund to partner with the New Zealand Government through the New Zealand Venture Investment Fund (NZVIF). 2Ignite has developed a strong sourcing and co-investment strategy with partner networks in New Zealand to ensure access to the best opportunities on offer, and is looking to engage with early stage US venture capital firms to form investment partnerships that benefit its portfolio companies in global markets.

www.2ignite.co.nz

TMT VENTURES

Established in 2000 in partnership between Direct Capital and Advent International, TMT focuses on the telecommunications, media and IT sectors. Seed investor for TMT was Telecom New Zealand; it has been joined by corporate investors Alcatel-Lucent and Ericsson, plus several New Zealand institutional and private investors. TMT is one of the fund managers for the Government-backed NZVIF portfolio. TMT is proud to have invested in some very exciting new technologies and, jointly with its corporate investors and partners, works with its portfolio companies on growth and value-creation strategies.

www.directcapital.co.nz/TMT-Ventures.aspx

Orion Health

Healthy returns



Name:	Orion Health
Sales:	c.US\$40 million per annum
Based:	Head office – Auckland, New Zealand. North America offices – Santa Monica, CA; Boston, MA; Edmonton, Canada. Offices in the United Kingdom, Spain and Australia
Markets:	Global
Ownership:	Private company
Major investors:	Zeus Capital and Pioneer Capital Partners
Growth:	Long-term revenue CAGR of 25 percent
Products:	Enterprise software for clinical workflow and integration technology for the healthcare sector
Forecast:	Confidential. Revenue growth is expected to continue at least at the same rate

In March 2010, United States President Barak Obama signed off healthcare reforms, including a dramatic boost to the use of Health Information Technology (HIT) such as electronic health records.

Under the American Recovery and Reinvestment Act, payments and incentives worth US\$19 billion will be available for US health providers to adopt and implement HIT.

This is recognition of the ability of technology, such as Orion Health's clinical workflow and integration products to, in the words of President Obama, "cut red tape, prevent medical mistakes and help reduce healthcare costs by billions of dollars each year".

Most countries throughout the world are wrestling with similar issues.

The RAND Corporation calculated in 2005 that HIT could save the US health system up to US\$162 billion annually by improving the way medical care is managed. It also estimated that only 15-20 percent of US physician offices had adopted some version of an electronic medical record (EMR) system.

About the same time, thanks to technology supplied by companies like Orion Health, 95 percent of New Zealand physicians used EMR systems and about 80 percent reported receiving information back from almost all of their patient referrals.

This high uptake, along with the early adoption of HIT in New Zealand, has provided a strong development platform – and a competitive advantage – for New Zealand HIT offerings in global markets, says Orion Health CEO, Ian McCrae.

He says New Zealand HIT companies also have an advantage over other international health application solution providers as they are not burdened by legacy systems that have to be managed and maintained.



Strengths:	Platform design means it is easier to integrate with other applications and produce a unified view for users. Consistently ranked No.1 or No.2 for its integration and messaging module (which can lead bigger sales). Distribution through strong partnerships with the big systems integrators (e.g., Oracle, Sun, HP), yet sufficient critical mass for its own direct sales
Staff:	270+
Vision:	Be the number one supplier of healthcare information systems globally

“Orion Health is extremely well placed to take advantage of the US Government’s HIT package, which many in the industry believe to be their greatest opportunity ever,” says McCrae.

Worldwide, information on 35 million patients is available to healthcare workers through Orion Health’s clinical workflow and integration technology.

Clients include top US medical center the Lahey Clinic, the UCLA Medical Center, the US Centers for Disease Control and Prevention and several of the United Kingdom’s NHS Trust hospitals.

Orion Health’s Rhapsody™ Integration Engine helps the New York State Department of Health to process Medicaid claims from health providers throughout New York State. The department handles an estimated nine million separate claims from hospital discharges a year.

Orion Health is among the top 100 healthcare IT companies in the US, as ranked by Healthcare Informatics. The company is in expansion mode in North America, Europe, the Middle East and Asia.

Matthew Houtman of investor Pioneer Capital says they were attracted to Orion Health because of the company’s:

- strong operational fundamentals, including a quality product
- strong market prospects as it expands globally
- robust sales pipeline
- positive cash flow and fixed cost base, which should service substantially larger scale
- consolidation opportunities in the sector
- excellent management team
- presence in the resilient healthcare market.

During the recession the HIT industry has shown itself to be more resilient than most.

Houtman says most health providers are being forced to cut costs and have become very selective about where they invest. “In this environment spending money on HIT, with its relatively fast return on investment, has a lot of appeal.”

www.orionhealth.com

phil&teds

Going places

phil&teds®

Name:	phil&teds
Sales:	US\$85.5 million (2008)
Based:	Wellington, New Zealand
Markets:	United Kingdom, Europe, United States and Australia
Ownership:	CEO Campbell Gower and Pencarrow Private Equity
Growth:	80 percent (2008)
Products:	Infant mobility such as buggies and travel cots
Forecast:	60 percent growth
Strengths:	Innovative design, engineering and marketing.
Staff:	65
Vision:	create ultra adaptable products that enable parents to live a dynamic life, with kids in tow (and adapt and survive the crazy world of parenting)
Exports:	95 percent plus

New Zealand “kids & travel” company phil&teds registered off the charts when private equity manager Pencarrow Private Equity put the company’s customers through a ‘propensity to recommend’ test ahead of taking a cornerstone shareholding.

The customers were from that notoriously difficult to please group: parents with young children.

Pencarrow Executive Director Nigel Bingham says that after considerable growth in the brand and product range, a leading international consultancy ran the same test in the US. Their assessment was that they had never seen anything like the phil&teds’ result. The test is based on a high correlation between the propensity to recommend and future sales growth.

phil&teds has confirmed the connection.

Global retail sales grew 82 percent in 2008 to more than US\$85 million, mostly in the United Kingdom, Europe, Scandinavia, the United States and Australia.

phil&teds products – including their unique ‘inline’ buggies, ultra light travel cots, the world’s most compact portable high chairs, backcarriers, car seats and branded accessories – are sold in over 2000 stores in 50 countries. The stores are mainly high-end independent retailers that fit the company’s sophisticated, yet irreverent, branding.

These retailers include:

- Mothercare International worldwide (30 markets)
- Buy Buy Baby and Babies R Us in the US.

phil&teds expects rapid growth to continue. Its design and marketing teams are now 10 times bigger than three years ago which has resulted in a rapidly expanding product range to match phil&teds growing recognition as a leading global brand.

In 2008 the company launched 10 new products and more than 80 percent of sales come from products less than three years old.

Speed to market, ongoing innovation and product evolution are key to the company’s success. It has been nominated for an unprecedented four successive innovation awards at the leading global baby products fair, Kind & Jugend.



“Sales grew 80 percent in 2008 to more than NZ\$85 million, mostly in the United Kingdom, Europe, the United States and Australia”.

The company sees its flagship 3-wheeled ‘inline’ buggies, which are still in an early stage of adoption in key markets such as the US and continental Europe – as a huge and relatively untapped market.

In Australia and New Zealand, which were the original early adoptors of all terrain style buggies, 3-wheeled buggies represent about half of all strollers sold. Of those, phil&teds (and its recent acquisition: Mountain Buggy) own approximately 40 percent of the market.

The brand has relatively low penetration in continental Europe, yet in the past two years has become a noted ‘brand of choice’ in key centres (notably New York, New England, San Francisco) of the lucrative US market. There are significant growth opportunities in these markets as brand awareness increases and demand moves beyond a tipping point. Should the company command as many dollars per birth in the US as it does in Australia, for example, it will be a billion dollar company. And this is considered a genuine target by the management.

Pencarrow invested alongside phil&teds chief executive and owner, Campbell Gower. It was attracted by:

- the opportunity for rapid scaling of well-designed products into offshore markets. Pencarrow had experience with other New Zealand design-led companies

- distinctive, highly visible products supported by compelling point of sale presentation
- the potential in the infant mobility products category and phil&teds brand positioning where growth and margins could be sustained as wealthy parents increasingly looked for products that complemented their lifestyle
- the strong leadership and vision of the CEO
- the company’s very lean business model with manufacturing, logistics and distribution outsourced while retaining the core value-added functions of design, branding, marketing and intellectual property.

In March 2009 phil&teds acquired one of its key global competitors, Mountain Buggy, which provides very compelling synergies with phil&teds and will significantly extend phil&teds global leadership position.

Mountain Buggy joins a growing stable of bolt-on phil&teds businesses, including:

- mokopuna merino™ baby clothing
- bam! nursery hardware
- Hubco, a designer and marketer of car roof racks and accessories
- Mahu Mother & baby skincare.

www.philandteds.com **www.mountainbuggy.com**
www.mokopuna.com **www.whispbar.com**
www.mahunatural.com

Right Hemisphere

3D communications across the enterprise



Name:	Right Hemisphere
Based:	San Ramon, California and Auckland, New Zealand
Markets:	Global
Ownership:	Venture-backed private company
Major shareholders:	Sequoia Capital, Sutter, Hill Ventures, SAP Ventures, Pioneer Capital Partners, No 8 Ventures
Sales:	US\$20 million
Products:	Enterprise software to enable visual content solutions
Forecast:	30% for 2010
Strengths:	Category leadership, strong customer base, recurring revenue model, integration with market leaders
Staff:	73
Vision:	Global leader in the product graphics management market

Right Hemisphere aims to be the global leader in visual enterprise solutions – a US\$2 billion market that is transforming the way businesses use product design content to accelerate time to market, reduce product lifecycle costs and increase revenue.

Its customers include eight of the top 10 US aerospace and defense companies and 10 percent of Fortune 100 companies. Its strategic partners include SAP and EMC who have integrated Right Hemisphere technology into their products.

The San Ramon, California and Auckland, New Zealand-based company received additional growth capital in March 2009 from its leading investors Sequoia Capital, Sutter Hill Ventures, SAP Ventures and New Zealand's Pioneer Capital Partners.

To establish a global reach beyond its strong US base, Right Hemisphere is looking to expand its presence in new markets including Japan, Europe and India. Its growth strategy also includes extending Right Hemisphere product use throughout large organisations.

Right Hemisphere software can be used for a range of functions across an enterprise including engineering, manufacturing, customer service and support, technical publications, interactive training, sales and marketing and design collaboration.

It unifies, synchronizes and delivers product data already available in corporate systems such as computer-aided design, product lifecycle management, manufacturing engineering systems and enterprise resource planning. This information can then be automatically delivered into commonly used business documents, manufacturing instructions, maintenance and repair processes and sales and marketing collateral.



“Right Hemisphere software can be used for a range of functions across an enterprise including engineering, manufacturing, customer service and support, technical publications, interactive training, sales and marketing and design collaboration.”

Right Hemisphere has picked up numerous awards including:

- outstanding sales achievement at the 2009 American Business Awards
- finalist in the Software Industry Sales Team of the Year category at the same awards
- making it onto the 2007 Manufacturing Business Technology magazine's list of top 40 Emerging Software Vendors
- Start magazine's company to “Keep an Eye On” in its annual Hottest Companies of 2005 awards.

The investment case that attracted Pioneer Capital included Right Hemisphere's:

- unique application – with category leadership that had the appeal of using existing customer company information
- scalability and application of its products across the customer enterprise
- strong market prospects with manufacturers seeking an integrated solution for visually enhanced communication
- robust sales pipeline, capitalising on a recurring revenue model
- sector consolidation
- product integration with market leaders such as SAP.

www.righthemisphere.com

Zephyr Technology

Going to extremes



Measure life... Anywhere

Name:	Zephyr Technology
Products:	Remote physiological sensing systems using fabric sensors and monitoring software for research, sports, defense, first responders and healthcare
Markets:	United States, United Kingdom, Europe and Singapore
Ownership:	iGlobe Treasury, Motorola Ventures, Alsop Louie, private individuals
Headquarters:	Annapolis, Maryland, US
Research and Development and production:	Auckland, New Zealand

New Zealand is famous for its endurance athletes – think mountaineering, triathlon and running – and its ability to generate new ideas. So it was natural it should produce a company like Zephyr Technology with its innovative physiological and biomechanical monitoring technology.

Zephyr is a global leader in the remote physiological monitoring industry, supplying patented smart fabric sensors and monitoring software to sports, research, defense, first responder and healthcare organizations. Its customers include NASA, Stanford University and the United States Department of Homeland Security.

Zephyr's products, which measure heart rate, respiration rate, temperature, activity and posture in real time, are designed to perform during extreme activities.

The company has focused on validation markets early which has lead to traction in larger markets including US defense and fire fighters. Key channel partners have been identified and selected on the way as a key to growing sales rapidly.

New Zealand's iGlobe Treasury Management provided Series A funding in 2006, recognizing the then three-year-old company's high growth potential in an emerging market. iGlobe saw that the technology had very broad applications and was patent protected.

Zephyr's core technology can be comfortably integrated into other products, creating OEM and licensing opportunities.

In an example of a partnership between New Zealand and overseas capital, Zephyr's potential has also attracted Series B funding from US-based early stage technology investor, Alsop Louie Partners.



“Zephyr has developed
fundamental
technology in sensors
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where people risk
their lives everyday
protecting others”

“Zephyr has developed fundamental technology in sensors and communications and worked hard to figure out how to apply that technology to important markets where people risk their lives everyday protecting others,” says Gilman Louie, a partner of Alsop Louie Partners and director of Zephyr Technology. “We like working with companies that have a big idea that can be broadly applied and we love working with dedicated, creative entrepreneurs like Zephyr CEO Brian Russell.”

Zephyr’s products log or export data wirelessly unnoticed by the wearer using radios already worn for voice communication, allowing genuine field-based, high-quality data to be collected in a hassle free way. Products include:

- BioHarnessT which enables physiological monitoring in the field. Sold with Zephyr’s research software or to integration customers that build it into larger systems, for example AD Instruments in Dunedin, New Zealand and BIOPac Santa Barbara, California
- The Team System, designed to be used anywhere in a sports stadium and used to measure up to +64 athletes at once. The system automates fitness tests and allows in depth data analysis of an entire team. Used to measure fitness and protect against heat stroke. Recently sold to the 49ers, NFL team in San Francisco

- FRS 1000, uses Motorola hand-held radios to monitor and protect fire fighters and first responders such as Hazmat teams and bomb disposal teams
- DPS 1000 - uses type encrypted radio for special forces for real time command control and remote triage.

All products include:

- proprietary BioSense algorithms that remove noise due to body-sensor-movement and determine the health and condition of individuals represented as a simple Red, Orange or Green. This allows a coach or commander to get on with the task at hand and intervene if a person’s health deteriorates
- OmniSense software that interprets the vital sign and biomechanical data for easy interpretation by non experts.

In combination these products enable Zephyr to sell complete physiological status monitoring solutions with built in alarms, fatigue and fitness assessment and real time assessment of athletes, personnel or patients.

iGlobe expects Zephyr to continue to dominate the physiological and biomechanical monitoring niche. The initial markets are first responder and defense. Ultimately the same technology can be productized into age-care, remote telemetry and even consumer products.

www.zephyr-technology.com

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