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SAM KNOWLES

YCF NEW COMPANIES

2013 ANGEL SUMMIT

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## ANGEL INVESTMENTS



## FIRST 6 MONTHS- 2012 & 2013

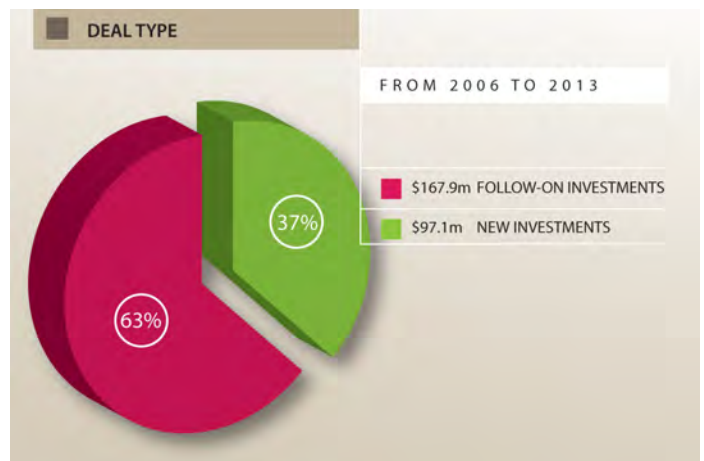
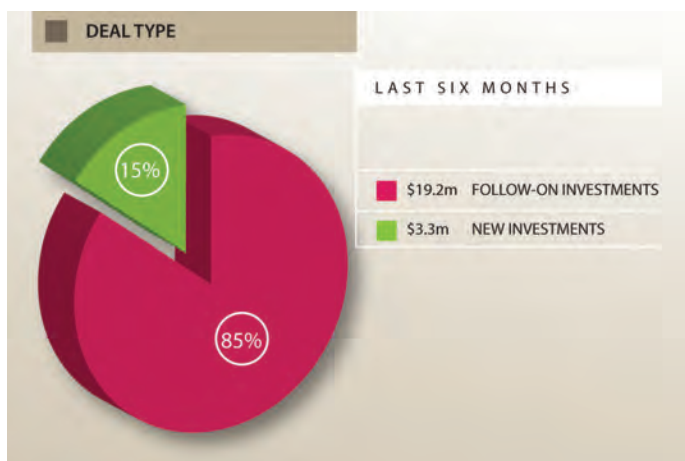
\$15m	2012
\$22.5m	2013

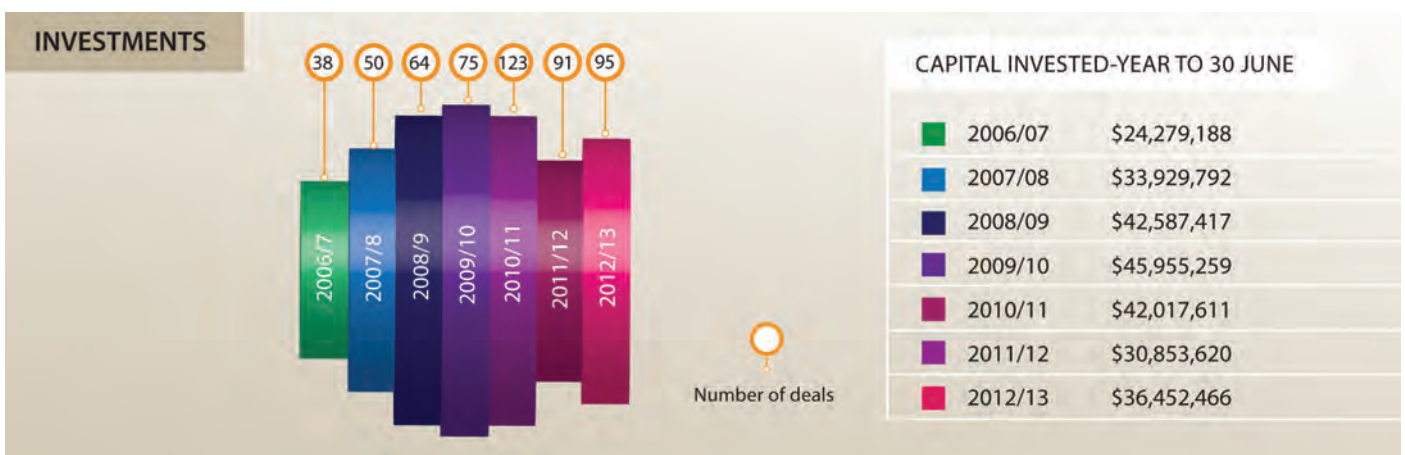
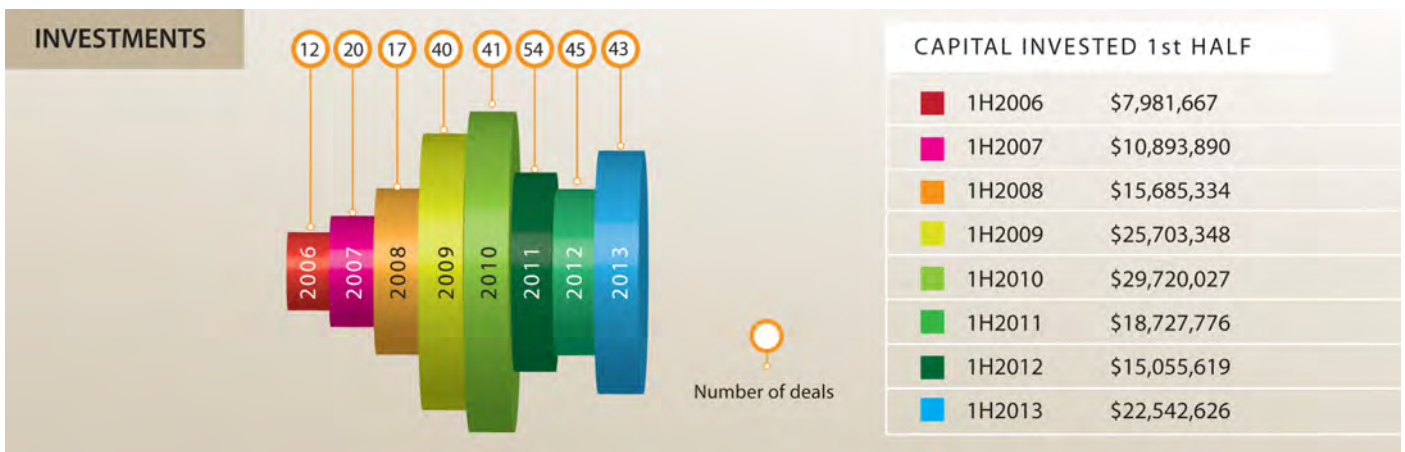
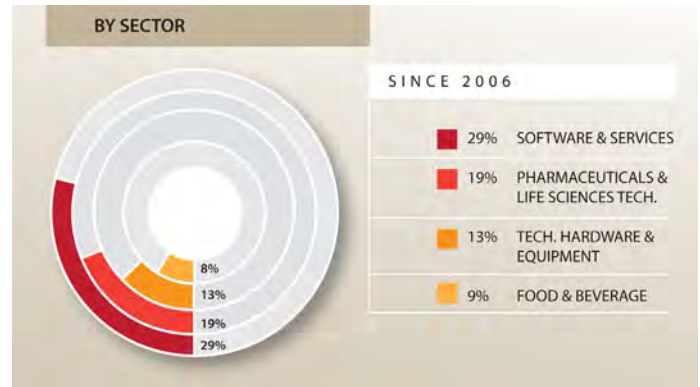
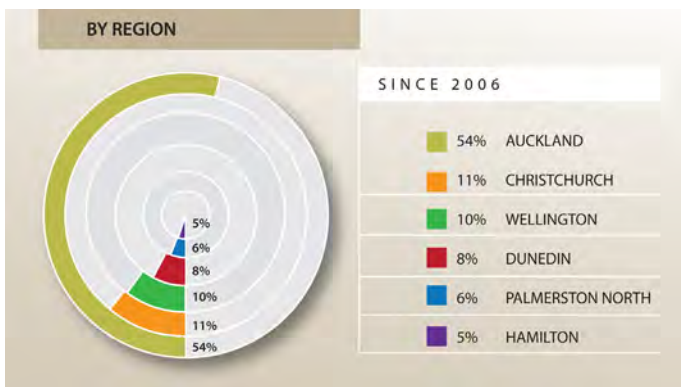
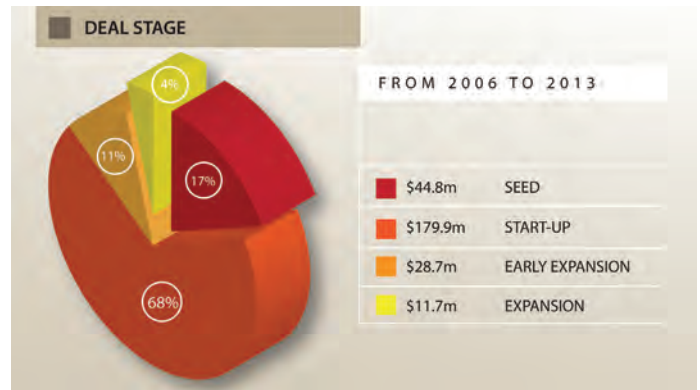
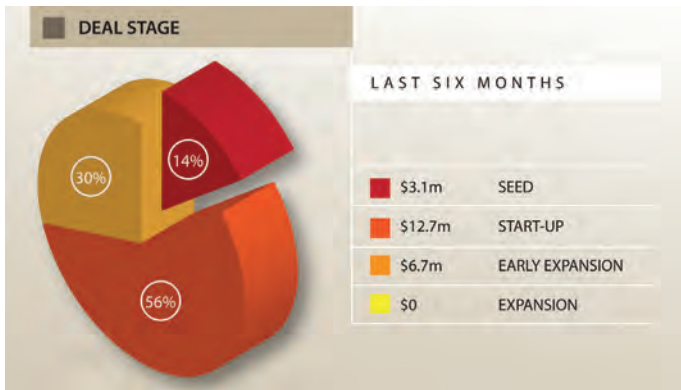
# Angels bounce back

Angel investment bounced back in the first 6 months of the year with investment up 50 percent compared to the first half of 2012, according to the Young Company Finance Index.

Angels invested \$22.5 million across 43 deals involving young New Zealand companies in the first half of 2013. In the first six months of 2012, \$15 million was invested across 45 deals.

In the 12 months to 30 June 2013, \$36.5 million was invested into young companies, up 18 percent on the year to 30 June 2012 when \$30.9 million was invested. Cumulatively, \$265.1 million has now been invested into young companies by angels since the Young Company Finance Index began measuring activity in 2006.





The first half of 2013 saw 79 percent of deals syndicated between different angel groups – the highest level recorded - with 21 percent of deals not syndicated. Thirty percent of investments were convertible loans, 49 percent were ordinary shares, and 21 percent were preference shares.



Franceska Banga  
NZVIF CEO



Angel investment has bounced back well from low levels which is positive and will hopefully continue. This is good news for the growth company pipeline. What we are also seeing is the sector maturing and becoming more professional in the way in which angel investors are operating.

Investors are showing strong support for existing companies which can demonstrate good progress. Of the \$22.5 million invested in the last six months, 85 percent – or \$19.2m - was follow-on investment. While new investments are relatively low, we expect this will pick up as more active angel investors are recruited by networks – something we are working with the Angel Association NZ to support.

Ray Thomson  
Angel Association NZ Chair



It is pleasing to see improving levels of investment in angel ventures. There is a real sense of building momentum and interest in the high growth opportunities available to angels. Growing levels of membership in angel networks should see improvements in both the quantum of funding but also the numbers of angel deals receiving funding next year. The increasing interest in the innovation sector is reflected by much greater media coverage this year and increased government interest reflected by the formation of Callaghan Innovation. These are all helping to build a positive investment climate.

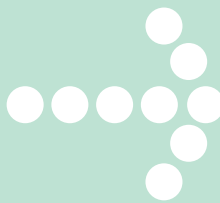
The higher proportion of funding going into follow-on rounds should be seen in a positive light. Astute investors are only pouring more money in when ventures are meeting sales and revenue targets. It is also pleasing to see the levels of syndication growing. The collaboration reflected in 4 of every 5 deals receiving money from other networks and funds shows that investors are working together. It bodes well for success as these ventures are exposed to wider networks of skills and connections to markets.



## ANGEL PROFILE

## *The lure of angel investing*

by Lesley Springall



**Sam Knowles** is best known for his role as CEO of Kiwibank. In 10 years, under his guidance, Kiwibank went from start-up to 700,000 customers, 1000 employees and more than \$20 billion under management. Since leaving the bank in September 2010, Sam's been linked with a host of companies: some big like Trustpower; some growing like Xero and dairy processing company Synlait; and some just starting out, through his involvement with Wellington-based angel investment network, Angel HQ. Sam took time out to tell us why he decided to become an angel investor...

The reality is I've always been a bit of an angel if you mean making private investments in risky ventures. But I formally got involved in angel investment when I helped set up Angel HQ about 7 years ago.



## What attracts you to angel investment?

It's not so much the returns, but the wider societal outcomes of having a vibrant investment ecosystem. Angel investment is critical to the New Zealand economy. We just don't have enough new growth businesses coming through or growing fast enough.

It also infects your whole life if you're working with people who are enthusiastic and energised.

## How many investments have you made over the years and how's it going?

Probably about 20. But a lot are just friends and family. I've made seven formal angel investments, but I've made a lot of investments in bigger, growth companies as well. The bigger ones are going exceptionally well, a couple of the smaller ones have fallen off the wagon, as you'd expect, but there are another couple which are looking very promising. But it's still early days.

It's really about the totality of your portfolio. For people who are competitive, and enjoy risk taking, angel investment is a great thing to do.

## How much time do you spend being an angel?

I don't really differentiate my angel from my next stage growth investments. I work with one mature company, Trustpower; all the rest are growth companies. Xero may employ 500 people, but it's still facing all the growth challenges of new markets.

If you're actively involved in governance, probably about six to eight companies is the maximum. But you can still actively help people on the sidelines. There are a number of people I have coffee with every month to give them some advice. And that's also great for growing your own capabilities; to be talking to people about different problems and how they might solve them.

## Is there anything that New Zealand could be doing better to support more angel investment?

We don't celebrate angel investing or risk taking nearly enough. If we want to have a first world society, we've got to have more economic growth and it's got to be high value growth – and that involves structured risk taking. Yet we're becoming more risk averse as a society.

Our universities are also not aligned to our commercialisation needs. No university in New Zealand teaches sales. Yet for every start-up, sales is the difference between success and failure.

We also need to change our legislation to make it far easier to give people equity in lieu of remuneration. We're never going to be anything like Silicon Valley if we don't give enough upside to our best and our brightest. The basis of all success in entrepreneurial societies is the ability to share.

## Any tips for budding angels?

Understanding what makes success. Be really clear what the problem is you're solving and make sure you've really thought through how you're going to get scalable growth and you've got the beginning of a great team. If you haven't got someone who knows how to commercialise products and sell them, it can be a pretty difficult problem to overcome.



## YCF New Companies

The Young Company Finance Index recorded 10 companies receiving a first round of angel investment in the first six months of 2013.



**Living Green** - An Auckland green-tech company developing eco-friendly infection control products for high value market sectors. First investment round: \$500k-750k. Lead investor: Pacific Channel.



**Footfalls and Heartbeats** - The Christchurch company has developed a manufacturing process that uses nanotechnology within the textile to produce "smart fabric" products. First investment round: \$0-250k. Lead investor: Sparkbox Ventures.



**Hunter Safety Lab** - A Wellington company which has developed safety equipment to warn shooters of other hunters wearing its detection technology. First investment round: \$250k-500k. Lead investor: Angel HQ.



**Biolumic** - A Palmerston North company developing UV lighting technology to improve crop growth within large scale horticultural systems. First investment round: \$0-250k. Lead investor: MIG.



**Tomeq** - Dunedin software company providing online competitions to participants using social media platforms. First investment round: \$0-250k. Lead investor: Otago Angels.



**Times 7 Research** - Wellington technology company which has developed radio frequency identification products that provide fast, reliable and accurate identification of assets. First investment round: \$250k-500k. Lead investor: Angel HQ.



**Invisishield** - An Auckland company with new technology in bird deterrence for high value fruit crops and other applications. First investment round: \$0-250k. Lead investor: Ice Angels.



**Indie Reign** - A Wellington media company which is developing an independent and global market-place for films. First investment round: \$750k-1m. Lead investor: Movac.



**Seat Renew** - An Auckland green-tech company which has developed a process to restore faded plastic stadium seating to near-new condition. First investment round: \$250k-500k. Lead investor: K1W1.



**The Perfect Fruit Company** - Under its 'Vocado' brand, the Tauranga food company has developed a range of avocado-based food products. First investment round: \$500k-750k. Lead investor: Enterprise Angels.

## 2013 Angel Summit

The 6th Angel Summit will be in Dunedin on 31 October-1 November. Four international speakers will be attending including Canadian entrepreneur Basil Peters (who wrote "Early Exits") and noted US angel investor Bill Payne. Singapore-based entrepreneur Hugh Mason and Sydney-based angel Stuart Fox will also be speaking.

The theme of the summit is "actually doing it" and delegates will work on deals sourced locally from Otago and Southland. A number of ventures will present and, with the assistance of experienced angels including international guests, delegates will work on the requisite term sheet, valuation and due diligence.

For more information, visit the [Angel Association NZ website](#) to register.

## Angels flocking in

The Angel Association's push to recruit more angels is seeing high interest from investors and work is underway to establish new angel networks.

Events have been held in Kapiti, Oamaru, Dunedin, Invercargill, Hamilton and Auckland which have been well attended and generated good interest. An event in Hamilton, for example, saw around 100 high-net-worths attending a discussion about angel investing.

Since the new year, the Association estimates that at least 50 new angels have been signed up and new networks and/or branches are being developed in Invercargill, Hamilton, and Taupo/Rotorua (as part of Enterprise Angels - a national women's angel network - is being founded in NZ). There are also initiatives under way to promote angel investment in Whangarei and Oamaru and Timaru, and with a group of New Zealand-Chinese angels.

## Moderate recovery for US angel market

The United States angel investor market in 2012 continued the upward trend started in 2010 in investment dollars and in the number of investments, albeit at a moderate pace, according to the 2012 Angel Market Analysis.

Total investments in 2012 were \$22.9 billion, an increase of 1.8 percent over 2011 when investments totalled \$22.5 billion. A total of 67,030 entrepreneurial ventures received angel funding in 2012, an increase of 1.2 percent over 2011 investments, and the number of active investors in 2012 was 268,160 individuals, a decline of 15.8 percent from 2011.

The data indicates that while fewer angels were active investors in 2012, those who did invest have increased their individual investments substantially, from \$70,690 in 2011 to \$85,435 in 2012, an increase of 20.9 percent.

Software remained the top sector position with 23 percent of total angel investments in 2012, followed by healthcare services/medical devices and equipment (14 percent), retail (12 percent), biotech (11 percent), industrial/energy (7 percent), and media (7 percent).

Angels decreased their investments of seed and start-up capital, with 35 percent of 2012 angel investments in the seed and start-up stage, down from 42 percent in 2011 and matching seed and start-up investing in 2010 (31 percent). Angels also exhibited a decreased interest in early stage investing with 33 percent of investments in the early stage, down from 40 percent in 2011. Expansion financing exhibited a significant increase to 29 percent of deals, up from 15 percent in 2011.

The average angel deal size in 2012 was \$341,800 and the average equity received was 12.7 percent with a deal valuation of \$2.7 million.

The yield rate (defined as the percentage of investment opportunities that are brought to the attention of investors that result in an investment) was 21.3%, a slight increase from the 2011 yield rate (18.3%).

## New rules could damage US angels

New rules designed to make it easier for US start-ups to attract investors are sparking complaints from angels who say the unintended consequence is that the rules could perversely make fundraising more difficult.

The Angel Capital Association is critical of Securities and Exchange Commission rules which emerged in July. The rules permit start-ups to openly solicit funding from investors, but include financial disclosure requirements which eliminates the ability of angels to self-certify their status. This will result in many angels refusing to participate in this type of investing, according to the ACA.

Under the JOBS Act, the SEC was tasked with lifting the ban on general solicitation for issuers privately raising capital, provided that issuers take "reasonable steps to verify" that all investors are accredited.

The ACA says that the way the SEC is going about this means that angels will refuse to provide personal financial information to an issuer who is asking them for investment.

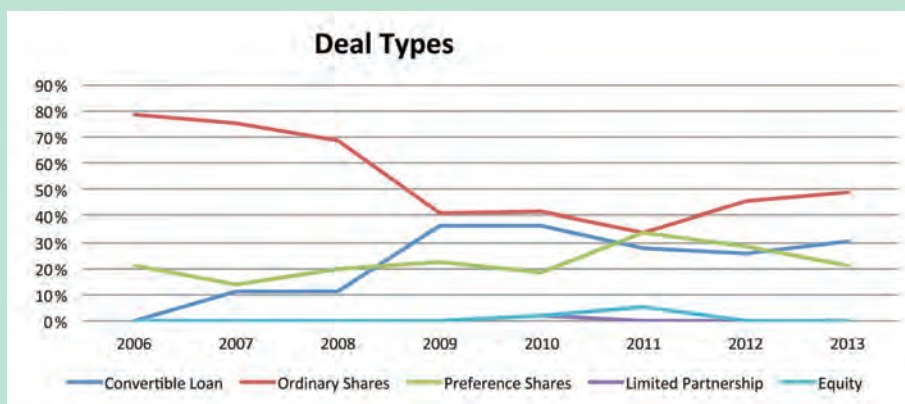
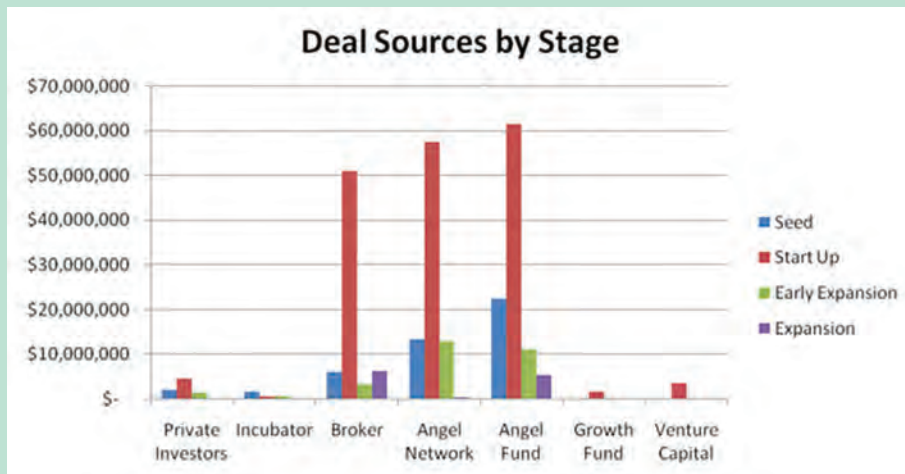
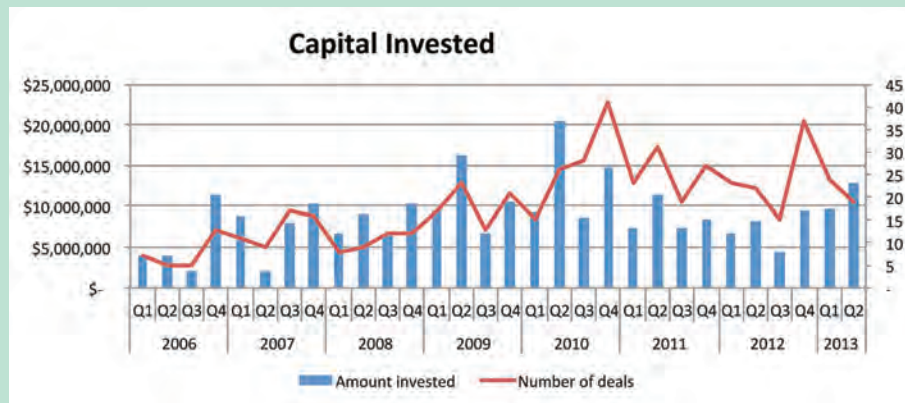
## Private Financing Deals – 1st half 2013

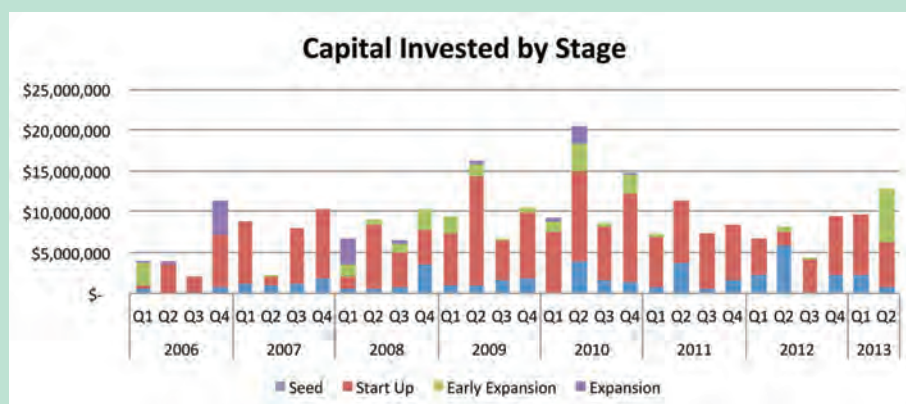
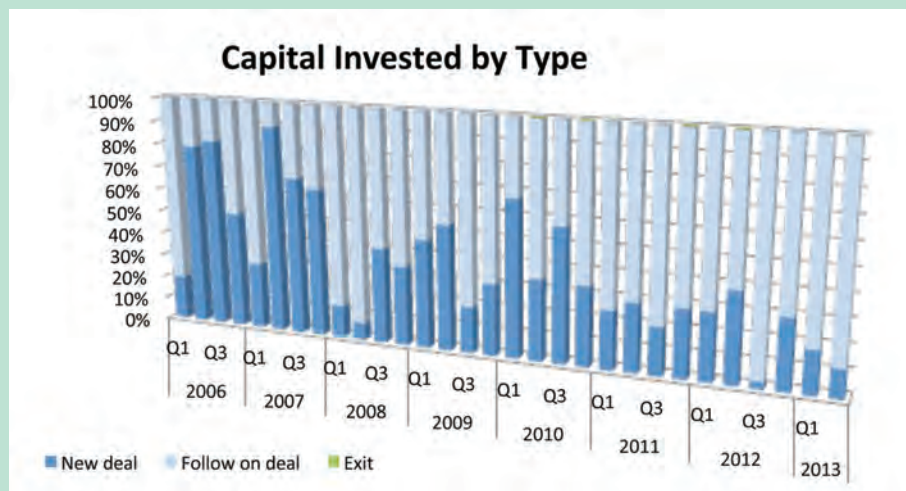
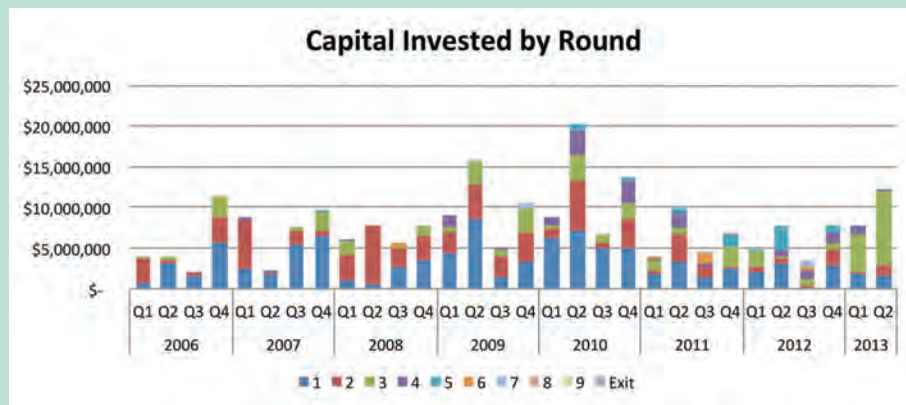
Month	Name of Company	Location	Sector	Round	Stage	Range	Lead Investor	Syndication Partners
Jan-13	Polybatics	Palmerston North	Pharmaceuticals, Biotechnology & Life Sciences	4	Seed	\$750-\$1m	Manawatu Investment Group	SCIF, K1W1
Feb-13	CropLogic	Christchurch	Software and Services	2	Seed	\$250-\$500k	Powerhouse Ventures	SCIF, Private Investors
Feb-13	Indie Reign Ltd	Wellington	Media	1	Start Up	\$750-\$1m	Movac	SCIF, Angel HQ, MIG, Sparkbox, Private Investors
Feb-13	InvisiShield	Auckland	Food, Beverage & Tobacco	1	Start Up	\$0-\$250k	ICE Angels	Private investors
Feb-13	Mobot Industries Ltd	Auckland	Capital Goods	T1	Seed	\$0-\$250k	Global From Day One	
Feb-13	Motim Technologies Ltd	Christchurch	Software and Services	T1	Start Up	\$0-\$250k	Powerhouse Ventures	SCIF, Private Investors
Feb-13	Nexus6	Auckland	Health Care Equipment & Services	3	Start Up	\$2.5m+	Cure Kids Ventures	Octa Phillip
Feb-13	Plantier Development Limited	Nelson	Household & Personal Products	T1	Start Up	\$0-\$250k	Venture Accelerator Group	SCIF
Feb-13	Podscape Holdings Limited	Auckland	Software and Services	T3	Seed	Seed	Sparkbox	SCIF, Angel HQ, Cure Kids, Enterprise Angels, MIG
Feb-13	Times-7 Research Ltd	Wellington	Technology Hardware & Equipment	1	Start Up	\$250-\$500k	Angel HQ	SCIF, Private Investors
Feb-13	Tomeq Limited	Dunedin	Software and Services	1	Seed	\$0-\$250k	Otago Angels	
Feb-13	TravelMob	Auckland	Software and Services	T1	Seed	\$0-\$250k	Sparkbox	SCIF, GD1 Nominees
Mar-13	Biolumic	Palmerston North	Software and Services	1	Seed	\$0-\$250k	Manawatu Investment Group	SCIF
Mar-13	Booktrack Holdings Limited	Auckland	Software and Services	T4	Start Up	\$500-\$750k	Sparkbox	SCIF, Private Investors
Mar-13	Hunter Saftey Lab Ltd	Wellington	Consumer Durables & Apparel	1	Seed	\$250-\$500k	Angel HQ	SCIF, Private Investors
Mar-13	Hydroxsys Ltd	Auckland	Materials	T1	Seed	\$0-\$250k	Sparkbox	SCIF, GD1 Nominees
Mar-13	Koti Technologies	Christchurch	Technology Hardware & Equipment	T1	Seed	\$0-\$250k	Powerhouse Ventures	SCIF
Mar-13	Motim Technologies Ltd	Christchurch	Software and Services	T1	Start Up	\$0-\$250k	Powerhouse Ventures	SCIF, Private Investors
Mar-13	Photonz	Auckland	Pharmaceuticals, Biotechnology & Life Sciences	3	Start Up	Confidential	K1W1	Other Angel Investors & Private Investors
Mar-13	Plantier Development Limited	Nelson	Household & Personal Products	T1	Start Up	\$0-\$250k	Venture Accelerator Group	SCIF
Mar-13	Solar Bright	Christchurch	Consumer Durables & Apparel	T1	Start Up	\$0-\$250k	Powerhouse Ventures	SCIF, Private Investors
Mar-13	Trac Plus Limited	Dunedin	Technology Hardware & Equipment	T5	Start Up	\$0-\$250k	Otago Angels	SCIF, Private Investors
Mar-13	Veritide	Christchurch	Technology Hardware & Equipment	T3	Seed	\$0-\$250k	Powerhouse Ventures	SCIF, Private Investors
Mar-13	Vesper Marine	Auckland	Consumer Durables & Apparel	4	Start Up	\$250-\$500k	ICE Angels	SCIF, Private Investors
Apr-13	Footfalls and Heartbeats	Christchurch	Health Care Equipment & Services	1	Seed	\$0-\$250k	Sparkbox	SCIF, GD1 Nominees
Apr-13	Mohio	Auckland	Software and Services	T1	Seed	\$0-\$250k	Sparkbox	SCIF, GD1 Nominees
Apr-13	SYL Research	Wellington	Software and Services	T1	Start Up	\$250-\$500k	Angel HQ	SCIF, ICE Angels, MIG, Enterprise Angels
Apr-13	The Perfect Fruit Company	Tauranga	Food, Beverage & Tobacco	1	Start Up	\$500-\$750k	Enterprise Angels	SCIF
May-13	D'Arcy Polychrome	Auckland	Materials	2	Seed	\$250-\$500k	Pacific Channel	SCIF, Private Investors
May-13	Footfalls and Heartbeats	Christchurch	Health Care Equipment & Services	T1	Seed	\$0-\$250k	Sparkbox	SCIF, GD1 Nominees
May-13	Hydroxsys Ltd	Auckland	Materials	T1	Seed	\$0-\$250k	Sparkbox	SCIF, GD1 Nominees

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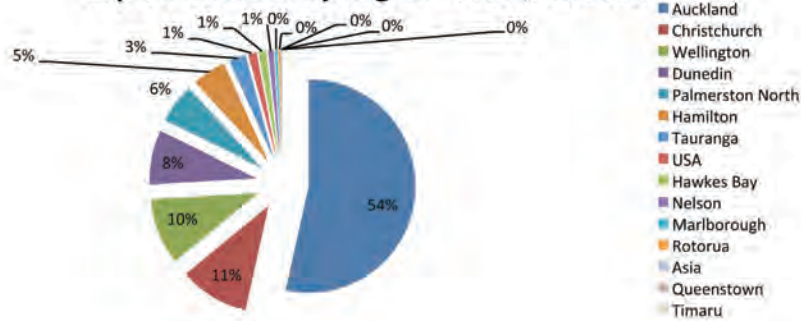
Month	Name of Company	Location	Sector	Round	Stage	Range	Lead Investor	Syndication Partners
May-13	Lifetime Health Diary	Dunedin	Health Care Equipment & Services	2	Start Up	\$0-\$250k	Otago Angels	SCIF
May-13	Living Green	Auckland	Household & Personal Products	1	Start Up	\$500-\$750k	Pacific Channel	SCIF, Private Investors
May-13	Mobot Industries Ltd	Auckland	Capital Goods	T1	Seed	\$0-\$250k	Sparkbox	SCIF, GD1 Nominees
May-13	Motim Technologies Ltd	Christchurch	Software and Services	T1	Start Up	\$0-\$250k	Powerhouse Ventures	SCIF, Private Investors
May-13	NextSpace	Auckland	Software and Services	2	Start Up	\$500-\$750k	ICE Angels	SCIF, Private Investors
May-13	Plantier Development Limited	Nelson	Household & Personal Products	T1	Start Up	\$0-\$250k	Venture Accelerator Group	SCIF
May-13	Snakk	Auckland	Software and Services	3	Early Expansion	\$2.5m+	K1W1	Publicly listed - share placement plan
Jun-13	Arc Active	Christchurch	Technology Hardware & Equipment	3	Start Up	\$1.5m-\$2.5m	K1W1	Private Investors
Jun-13	Indigo Limited	Christchurch	Technology Hardware & Equipment	4	Start Up	\$0-\$250k	Powerhouse Ventures	SCIF
Jun-13	Mohio	Auckland	Software and Services	T1	Seed	\$0-\$250k	Sparkbox	SCIF, GD1 Nominees
Jun-13	Seat Renew	Auckland	Consumer Durables & Apparel	1	Start Up	\$250-\$500k	K1W1	Other Angel Investors
Jun-13	VMG	Auckland	Software and Services	2	Early Expansion	\$0-\$250k	K1W1	Private Investors

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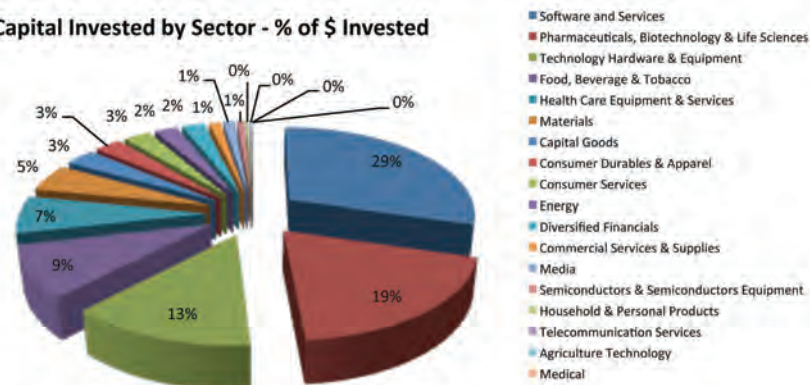




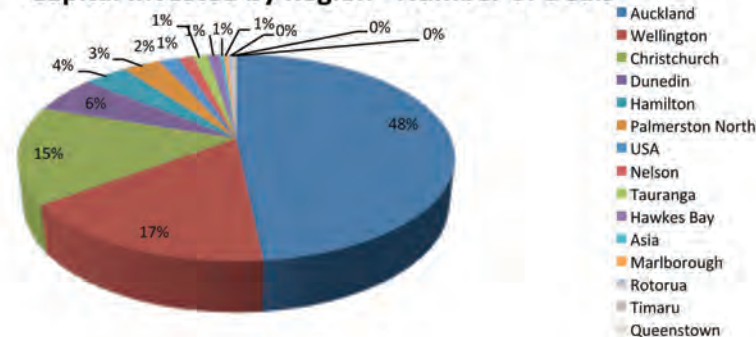
## Capital Invested by Region - % of \$ Invested

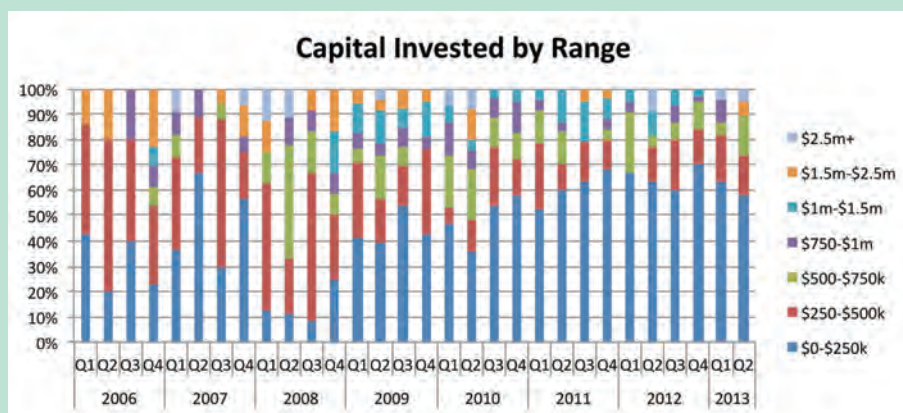
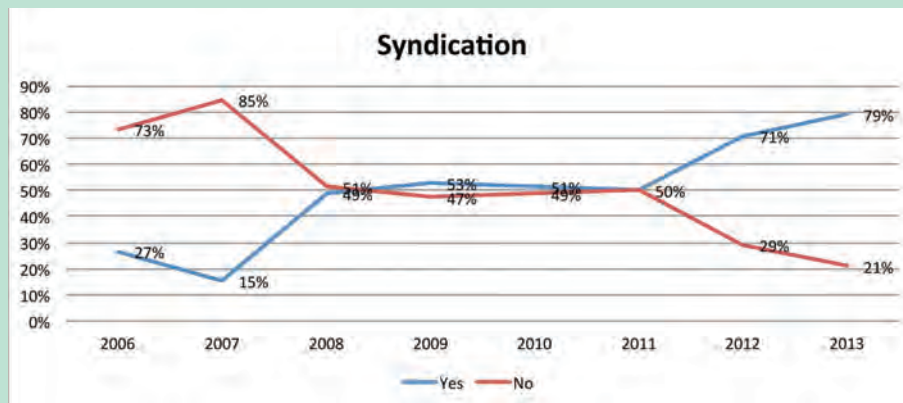
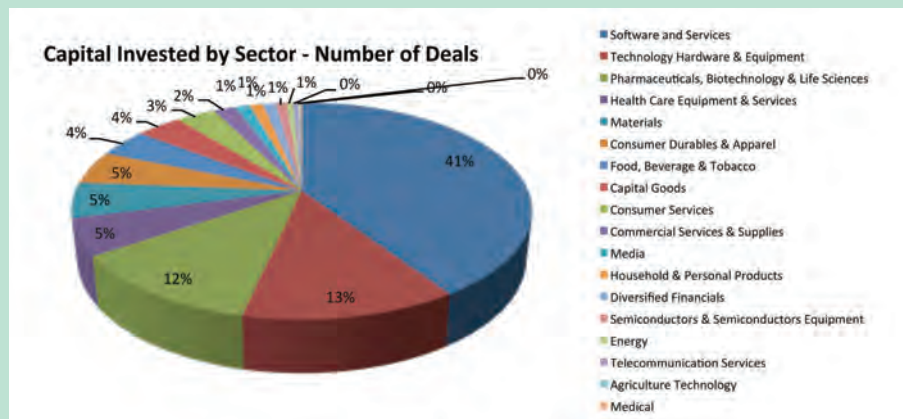


## Capital Invested by Sector - % of \$ Invested



## Capital Invested by Region - Number of Deals





New Zealand Young Company Finance

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