

The New Zealand Private Equity and Venture Capital Monitor

First half year results – January to June 2009

Welcome to the New Zealand Private Equity and Venture Capital Monitor - first half 2009

Activity over the first half of 2009 (1H09) has held up well against the global financial crisis and New Zealand recessionary conditions. The total investment level in 1H09 was generally consistent with the prior three quarters and the mid-market private equity sector once again led the way with both investments and divestments.

Headlines at a glance

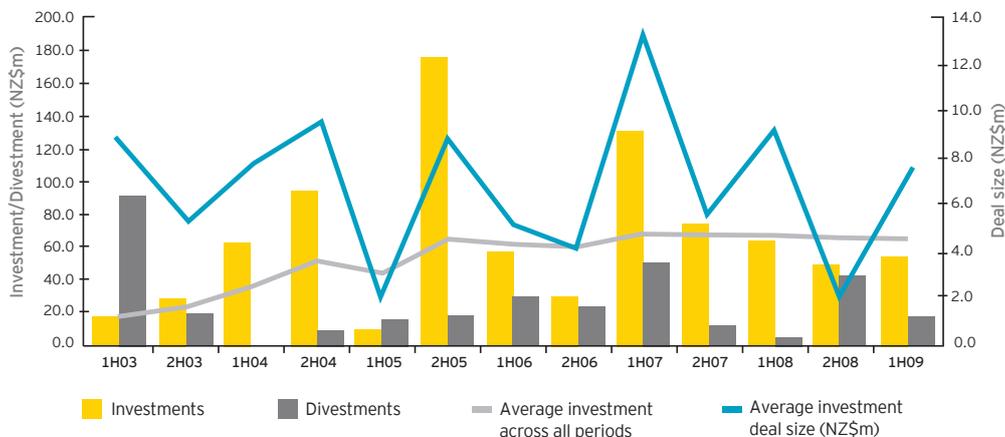
- ▶ Total overall investment of \$82.1m in 1H09
- ▶ Total mid-market private equity investment of \$52.1m over seven deals
- ▶ Total venture capital investment of \$30.0m over 41 deals

This combination of mid-market and angel activity indicates a robust six months for the New Zealand private capital industry. Top-end / LBO private equity deals have been absent since first half of FY07¹ but the mid-market strength of New Zealand investment was supported by domestic and returning Australian and international investors.

¹ We note that the announcement of a 50% investment by Quadrant Private Equity in Summerset Retirement Villages has not been disclosed in 1H09.

Mid-market private equity investment/divestment summary

The mid-market private equity sector has remained vibrant in the six month period with both investments (\$52.1m over seven deals) and divestments. The average investment size increased to \$7.4m in 1H09 from \$2.06m in 2H08.



We note that during the period Direct Capital raised a new fund of \$304m which included a commitment from New Zealand Superannuation Fund. The continued presence of significant New Zealand funds, and a number of Australian fund managers in the New Zealand mid-market arena, affirms the significance of this sector.

Venture capital investment/divestment summary

Venture capital activity was bolstered by an active angel market (\$30.0m over 41 deals), an average investment size of \$0.8m versus \$1.8m in 2H08.



Early stage activity for the first half of 2009 was driven by a very active angel sector. A clear trend is appearing which shows angels are backing existing businesses rather than investing into new companies. Venture capital fund managers have been active with a number of portfolio companies successfully raising follow-on capital both domestically and internationally.

For the angel community, the \$30 million invested in the first half of 2009 is more than was invested throughout all of 2008. It is 50 percent higher than for the first half of 2008, and over four times as much for the same period in 2007.

Angel investing activity may be compensating for the venture capital funds which were quieter after a more active second half of 2008. While the existing venture capital funds are largely fully committed, there are new venture capital funds who are currently seeking private investor support including Endeavour Capital, 2 Ignite and I-globe Treasury.

About the survey

The survey

The New Zealand Private Equity & Venture Capital survey is based on 14 responses received from Venture Capital and Private Equity participants in the New Zealand market, including firms from both New Zealand and Australia. We have also included in our analysis any publically announced information. We do note that there are a small number of industry participants that elect not to participate.

Data integrity/privacy policy

All data received through The New Zealand Private Equity & Venture Capital survey process is the property of the NZVCA and Ernst & Young. Other than for use in the monitor document, all data is subject to the principles of Ernst & Young's Privacy Policy and will not be sold or released to any other parties.

If you are aware of a colleague that did not receive a copy of the New Zealand Venture Capital and Private Equity Monitor or if you would like to participate in future surveys, please contact either Andrew Taylor or Gareth Galloway at Ernst & Young or Colin McKinnon at the NZVCA. Contact details are provided below.

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For more information about the New Zealand Private Equity and Venture Capital Monitor or to find out more about Ernst & Young, please contact one of the specialists noted below:

Andrew Taylor

Partner
Tel: +64 9 308 1069
Mob: +64 27 289 8449
andrew.taylor@nz.ey.com

Gareth Galloway

Partner
Tel: +64 9 300 7066
Mob: +64 27 489 9075
gareth.galloway@nz.ey.com

About the New Zealand Private Equity & Venture Capital Association (NZVCA)

The NZVCA is a not-for-profit industry body committed to developing the venture capital 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 venture capital and private equity environment. Members include venture capital and private equity investors, financial organisations, professional advisors, academic organisations and government or quasi-government agencies.

For further information about the NZVCA please contact:

Colin McKinnon

Executive Director NZVCA
Tel: +64 9 302 5218
Mob: +64 27 640 6406
colin.mckinnon@nzvca.co.nz
www.nzvca.co.nz

Franceska Banga

Chair NZVCA
Tel: +64 9 951 0170
Mob: +64 21 513 009
franceska.banga@nzvif.co.nz

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