



Media Release

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Finding 1000 angels

A campaign is underway to 'find one thousand angel' investors - the term given to wealthy people investing in early stage businesses.

Investors are known as 'angels' because they invest not just money but also advice, knowledge and experience to help start-up businesses to grow.

New Zealand Venture Investment Fund chief executive Franceska Banga said angel investing is a small but growing investment category and is becoming a key source of early stage capital for new firms in New Zealand.

"New Zealand produces great research and innovation but our high potential start-up companies struggle to commercialise many of these great ideas because of the difficulty in finding investors with capital and the capability to assist these companies to grow.

"Overseas, angel investing has become a vital source of capital to start-up companies. For example, in 2007 in the United States, \$25 billion was invested by angels in early stage companies. Our angel market is growing, but we would like to see significant expansion.

"We estimate there to be around 250 professional angel investors, although many more will be doing it on an ad hoc basis. A pool of around 1000 active angel investors would greatly expand the capital available to young companies.

"NZVIF, in conjunction with the Angel Association NZ and established angels, is launching a campaign to identify and educate prospective investors. We will be using established business networks and professional services companies, like accounting and law firms, to assist in finding new angel investors and promoting the asset class.

"The angel market in New Zealand is being transformed from a predominantly informal market to an increasingly professional and structured industry.

"There are now around 15 established angel groups seeking out, making and managing investments. The recently formed Angel Association NZ is also providing a key role in assisting the market to become a more established asset class," Franceska Banga said.

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Background

What is an angel investor?

Angels are, typically, ex-entrepreneurs and successful business people looking to add early stage companies to their investment portfolio. They enjoy the challenges of growing new businesses and being part of an exciting venture, as well as the financial rewards from investing. They provide not only governance by serving on boards, but also assisting companies with relationships, strategy, team building, and future fundraising.

Is angel investing risky?

Angel investors are exposed to high rewards and high risks, and expect that some investments will fail. If an angel invests in ten companies, the general rule is that four will fail, three will tread water, two will return two-to-five times the initial investment, and one will result in a return of five to ten times the original investment over a 5-10 year period, generating an overall healthy return across the portfolio. As wealthy individuals, angel investors are more comfortable with investments with a higher risk level.

What are angel groups or networks?

Increasingly, angel investors are forming angel networks and groups to share research and pool their investment capital. They can operate as a collective of private investors who band together to increase their 'deal flow' (the number of investment opportunities they see). These groups connect high-potential start-up ventures, with willing investors to facilitate the funding and success of emerging companies.

How many angel groups are there?

There are around 15 established groups in New Zealand. They include ICE Angels, Pacific Channel, Chrysalis, CureKids Ventures, K1W1 and Sparkbox in Auckland, Angel HQ & MOVAC in Wellington, the Manawatu Investment Group, Powerhouse Ventures in Christchurch, Venture Accelerator in Nelson and Upstart Angels in Dunedin. There are, however, other informal networks which operate in a similar way.

Is there a large angel investing market in New Zealand?

The angel market in New Zealand has long been predominantly informal. Over the last 2-3 years it has become increasingly vibrant with the launch of several angel networks modeled on similar organisations offshore. The New Zealand Venture Investment Fund's Seed Co-investment Fund has been a catalyst for the formation of formal angel networks and evolving practice standards – the Angel Investing Guide is an example. An Angel Association New Zealand has just been established.

What sort of businesses are suitable for angel investing?

New Zealand is producing world class intellectual property in a number of areas such as ICT, life science and niche manufacturing. This intellectual property 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. Angel investors usually seek businesses with innovative products or solutions that have international market potential. Management capability is another key factor and founders often need to bring in experienced executives to take the business to the next level.

Are angels common elsewhere?

Yes, angel numbers are growing fast in places like Europe and the United States. The US has the most developed and advanced angel investment market and the number of accredited investors who are entering the angel world is increasing each year by over ten percent. There, angel groups fund over thirty times as many entrepreneurial companies as the formal venture capital industry, and are the largest source of seed and start-up capital.