



A record year for NZ mid-market and venture-backed companies

The New Zealand Private Equity and Venture Capital Monitor, released today, highlights a strong growth in investment in New Zealand businesses in 2017.

- Mid-market investment increased to NZ\$334m, twice the 10-year average of \$161m.
- Early-stage venture investment increased to \$217m from NZ\$92m in 2016.
- Total investment and divestment activity across all investment stages reduced to NZ\$990m from NZ\$1,557m in 2016.
- The average deal value at NZ\$12.9m was lower than the average of NZ\$18.2m in 2016 but still well above the averages over the last 10 years.

EY partner Brad Wheeler says it has been a record year for mid-market investment activity, at \$333.7m. "This was driven by a higher average investment value across a wider range of transactions. It was also a record year for venture investment, with higher levels of foreign capital working with domestic early-stage fund managers to fast-track high-growth innovation."

Mid-market deals in 2017 included investments by New Zealand domiciled funds such as Direct Capital, Waterman Capital, Pioneer Capital, Pencarrow Private Equity, Maui Capital and Oriens Capital.

"Investment in private New Zealand companies continues to be led by local managers striving to accelerate growth and drive productivity gains," says Matt Riley, chair of NZVCA. "Private equity and venture-backed businesses often embrace and overcome challenges that would not have been possible without the capital and skills the industry provides."

Short-term optimism has reduced since last year and remains subdued further out due to continuing expectations of global market volatility, increasing interest rates and of the potential impact of increasing regulation.'

Buy-out private equity activity in 2017 included: Navis Capital Partners 75% stake in Mainland Poultry; Mercury Capital acquired half of Nirvana Health; and Strait Shipping was acquired by Australian based CHAMP Private Equity.

Colin McKinnon, NZVCA executive director, says: "The international interest in venture investment, alongside New Zealand investors and managers, confirms the growing presence of good quality companies and management teams. The mid-market is maturing rapidly and the angel network is developing a healthy innovation eco-system. It is pleasing to see the breadth of growth across stages this year which enhances the reputation of New Zealand private markets.

"Private equity and venture capital accelerate growth for New Zealand businesses. Growing businesses with capital and expertise improves productivity, which is good for business, and good for New Zealand."

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About the New Zealand Private Equity & Venture Capital Association

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 and quasi- government agencies.

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