



MEDIA RELEASE

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Seed Co-investment Fund investment cap raised

The Government has given the New Zealand Venture Investment Fund the green light to increase from \$8 million to \$12 million the amount it is able to invest annually alongside early stage private sector investors through the Seed Co-investment Fund (SCIF).

This decision was made after a thorough industry consultation process and was announced at the recent Angel Association conference in Christchurch, where Economic Development Minister Phil Twyford confirmed that SCIF continues to play an essential role in supporting the angel market. He also confirmed that the amount the fund can invest in any single company would remain at the current level of \$1.5 million.

NZVIF chief executive Richard Dellabarca said that raising the annual investment cap to \$12 million anticipates the expected continued growth in private capital entering the market and the rising demand for investment from early stage companies.

“While it does not mean SCIF will allocate that amount each year, it gives the fund the flexibility to allocate more capital both into new investments and into follow-on investments in high performing companies in its portfolio.

“This is positive for the introduction of the new \$300 million Venture Capital Fund (VCF), which the government announced in this year’s budget and currently has legislation to establish before Parliament. There will be a need for continuing growth in the pipeline of early stage companies to provide good opportunities for later stage Series A and B investors who will be part of the VCF programme.”

Mr Dellabarca said that the New Zealand angel investment sector has grown significantly since 2006 when SCIF was first established.

“In 2006, annual angel investment in New Zealand was around \$20 million. Over \$110 million was invested in 2018. This reflects the significant growth in start-up activity hoping to follow in the footsteps of notable successes like Xero, Rocketlab, Pushpay and TradeMe - as well as the increased size and number of funding rounds start-up companies need along their entrepreneurial path.

“There are, however, still gaps in the market. Our investment levels remain well below other countries, like the United States and Europe, where our early stage, high growth companies are competing against significantly better funded competitors.

“New Zealand’s median annual seed investment was about a fifth of the global median in 2012. Last year, our median seed investment was around half the global median. This represents good progress in the growth of our angel sector but much more needs to be done to support our early stage, high growth aspirational start-ups.

“Auckland is a particularly strong region for angel investment, and attracts over 70 percent of the private angel investment capital while less than 30 percent of angel investment is into companies outside Auckland.

“SCIF, to some extent, has been meeting the gap in regional angel investment with nearly half of SCIF’s investment into companies outside Auckland.

“Similarly, prior to the fund’s programme changes in 2017, SCIF was restricted to co-investing alongside accredited angel networks. While SCIF co-invested alongside 11 angel networks, 65 percent of its deal activity was limited to just three angel groups.

“Since the removal of this restriction, SCIF has been able to invest with a broader network of over 50 investment partners across New Zealand to get capital to New Zealand entrepreneurs. In addition, SCIF has been able to investigate and assess a far broader range of opportunities than previously considered.

“A notable development since those changes has been significantly increasing private capital inflows relative to SCIF into this asset class . In 2012, SCIF’s investment comprised over 16 percent of the total angel investment. In the most recent year, SCIF constituted about 6 percent of the market.

“In the last two years there has been a \$60 million aggregate investment increase in private investment into this asset class, while in the same period SCIF only increased its aggregate investment by \$1.1 million. Rather than crowding out private investment, SCIF has arguably been helping, alongside other investors, to catalyse significantly more private investment.”

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