Startup Investment

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ANGEL ASSOCIATION NEW ZEALAND

NZ GROWTH CAPITAL PARTNERS

Market cools in 2022 but long-term trend remains positive

Welcome to the Autumn 2023 edition of Startup Investment

After two years of record deal activity, the market seems to be resetting to pre-pandemic levels with 2022 experiencing a drop in deal volume and capital amount compared to the significant increase that occurred in 2021. Importantly though, the long-term trend is still showing clear growth in startup investment.

While there is a cooling of the market as compared to last year, and an associated need to carefully navigate uncertain economic conditions, the potential for growth and innovation remains high.

In the second half of 2022, early stage investors invested $118m in startups, matched by an additional $117m of funding from Venture Capitalists (VCs) for a total transaction value of just under $230m. This activity continues to create the companies of the future, driving growth and innovation in the economy.

While unsettling, a slowing economy can actually be a good thing for some companies, as it forces businesses to focus on what is important and it means that startups built on strong foundations, with a focus on creating long-term value, will thrive in the long run.

It is important to remember that we have been here before. During the 2008 Global Financial Crisis (GFC) the funding environment for startups was challenging and impacted many early stage companies. While this current period is nowhere as extreme, what emerged from the GFC was a new breed of entrepreneur and some incredible companies – such as Xero, Rocket Lab and Lanzatech.

“While unsettling, a slowing economy can actually be a good thing for some companies, as it forces businesses to focus on what is important and it means that startups built on strong foundations, with a focus on creating long-term value, will thrive in the long run.

In this issue we lean into this theme, exploring the contribution of startups founded during the GFC and the innovation that has since generated entire ecosystems and put Aotearoa New Zealand on the world stage. We also explore the next generation of companies to emerge from these ecosystems and look at the contribution they are making to a brighter, more sustainable future.

JOELLE GRACE
PARTNER, PWC LEGAL

Ecosystem shows resilience despite drop in investment levels ↓

Startup founders are by definition optimistic, and the best ones have deep reservoirs of resilience and tenacity. Even in challenging economic conditions, they remain defiantly ambitious for huge change and the value and impact they want to create.

So it's no surprise to see that in 2022, while the levels of investment and deal activity fell back from the heady heights of 2021, we are still on an upwards trajectory.

I am thrilled to see this.

When we reported on the 2021 year, I said there was no way our investment levels could grow at 60% a year, year on year and I think we can now agree that 2021 was an outlier year.

I talked about how it had taken us 15 years to invest $1b in startups and how I hoped we would invest the next billion dollars in five years. Hitting the "next billion in five years" would require investment at the same level as 2021. This would get us to the point, in about 10 years where we are investing over a billion dollars every year. Last year our startups received $230m of investment, so we are on track.

> "Even in challenging economic conditions, they remain defiantly ambitious for huge change and the value and impact they want to create.

If we want to be part of solving the world's big problems and grow world-changing startups out of Aotearoa New Zealand addressing climate change, developing new sources of protein, dealing to social inequity and curing disease, this is the scale of capital and investment we are going to need… and more!

In 2021 our investors took part in over 170 deals. Last year we dropped back to about 140 deals, which is more in line with pre 2021 years. We first did over 100 deals in 2010, as we came out of the GFC and, in recent years, have averaged about 120 deals per annum. We should expect to see the deal numbers increase as we grow the startup ecosystem and the number of startups we are generating.

Startup Genome's assessment of New Zealand's startup ecosystem, completed earlier in the year, revealed we have about 2,400 startups, with over half based in Auckland. Startup Genome told us the optimal number of startups for a nation our size is about 5000, or about 1000 startups per million people.

The call to action in this edition of Startup Investment is to support and encourage more investment in startups. We only learn by doing and we have a whole lot more "doing to be doing" if we are going to change the world and generate the returns – financial, social and economic – we aspire to see our startups generate.

SUSE REYNOLDS
CHAIR, ANGEL ASSOCIATION NZ

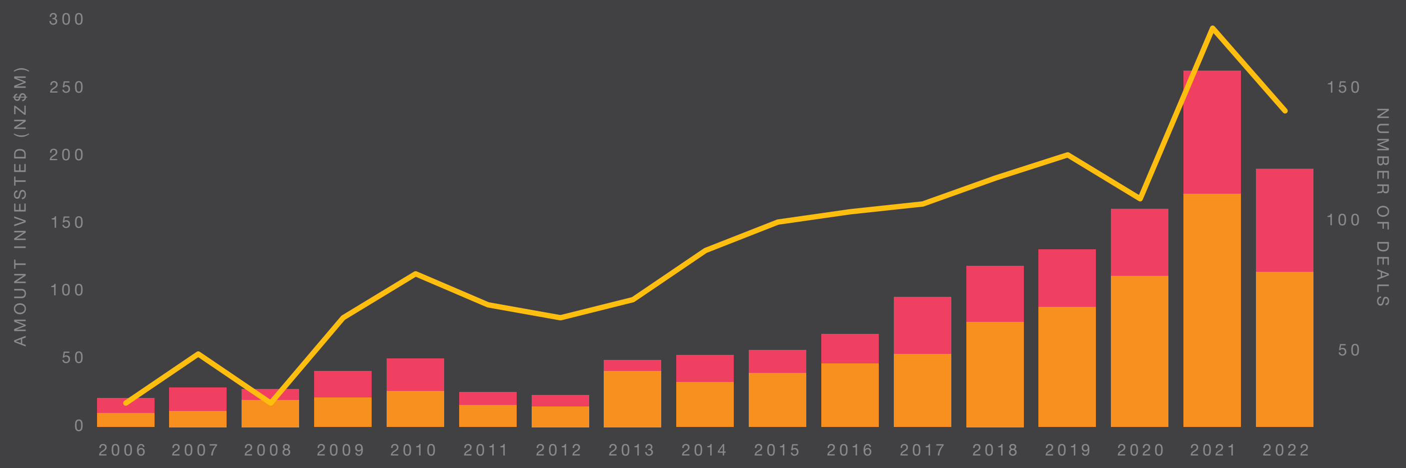
Startup investment trends – what the data shows ↑

The latest Young Company Finance deal data shows that in the second half of 2022 a total of 76 deals were funded by Early Stage Investors with over $112m capital funding provided. An additional $117m of funding was provided by VCs, bringing the total transaction value to just under $230m. However, across the full calendar year, 2022 had an 18% and 28% drop in deal volume and capital amount compared to 2021. It should be noted that 2021 was an exceptional year with abundant capital offshore and, following the launch of Elevate and the rebound post COVID, record VC capital deployment onshore. In comparison to 2020, which saw the start of the global pandemic, there was a 31% increase in deal volume and an 18% increase in capital. Capital invested grew at a 5-year (2018 to 2022) CAGR of 12.4%.

Software remains the most funded sector, receiving 45% of total funding, followed by Deeptech which attracted 34% of total funding. Among DeepTech verticals, Cleantech received the most funding with 72%, followed by Healthtech 13% and Space Technology 12%.

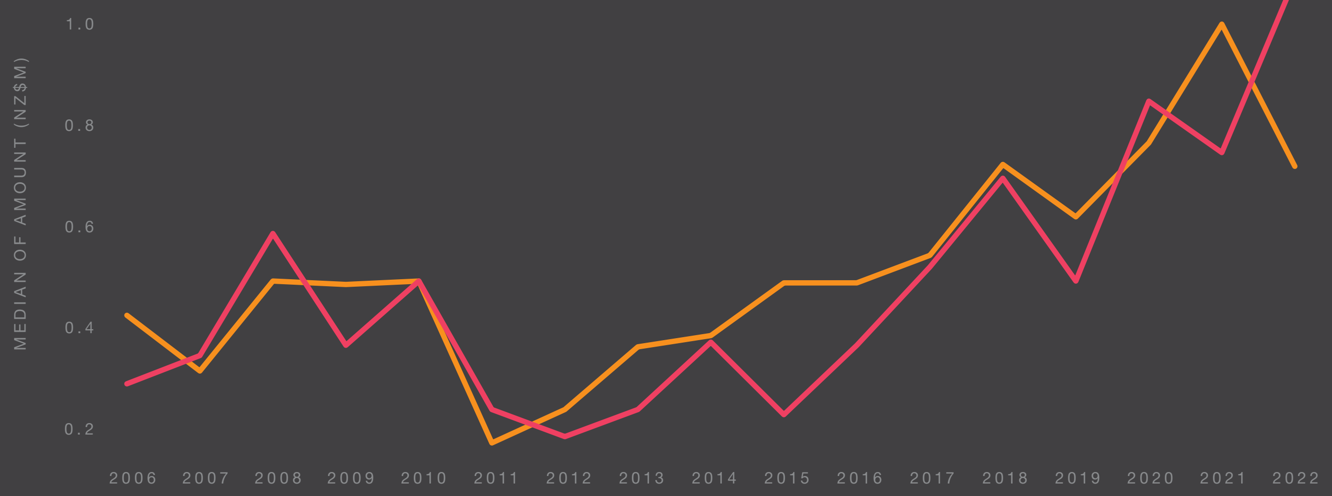
TOTAL INVESTMENT PROVIDED BY EARLY STAGE INVESTORS (2006 – 2022)

● FOLLOW ON CAPITAL ● NEW CAPITAL ▬ NUMBER OF DEALS



MEDIAN DEAL SIZE

▬ FOLLOW ON CAPITAL ▬ NEW CAPITAL



During the second half of

2022

Early Stage Investors provided

$112m of funding for Aotearoa New Zealand startups

43% decrease from the same period in 2021

74% of deals were syndicated

Across all transactions, 60% of deals were participated by VCs at various stages, 17% of them were investments by offshore VCs.

Deal types completed during the second half of 2022 were as follows:

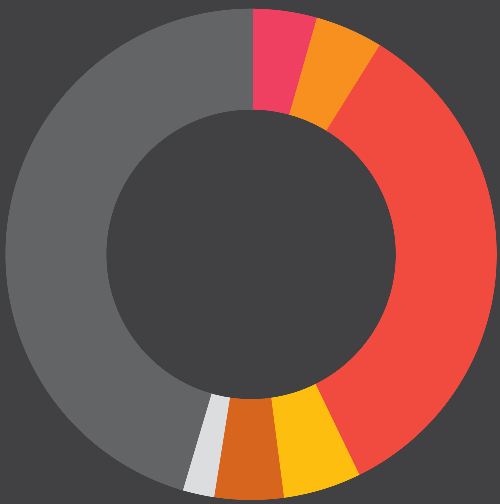
30% New deals

70% Follow-on deals

Around 57% of deals had round sizes above $1m, 13% above $5m and 9% above $10m

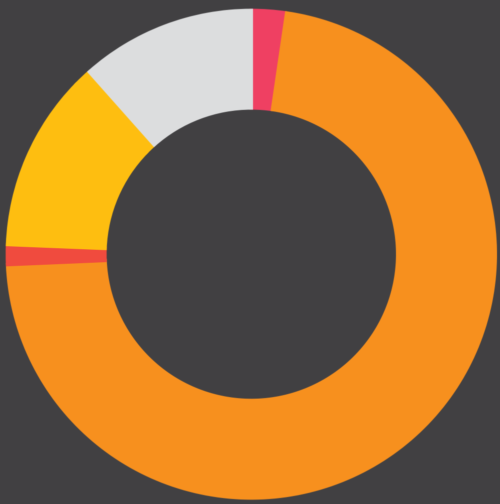
EARLY-STAGE INVESTMENT BY SECTOR (% OF TOTAL FUNDS INVESTED DURING H2 2022)

- AI AND BIG DATA 4.43%
- CRYPTOCURRENCY/BLOCKCHAIN 4.46%
- DEEP TECH 33.95%
- FOOD TECH 5.13%
- GAMING 4.55%
- OTHER 2.07%
- SOFTWARE 45.41%



EARLY-STAGE INVESTMENT IN DEEPTECH BY SUB-SECTOR (% OF TOTAL FUNDS INVESTED DURING H2 2022)

- AGTECH 2.31%
- CLEANTECH 72.01%
- OTHER DEEPTECH 1.31%
- HEALTHTECH AND LIFE SCIENCES 12.81%
- SPACE TECHNOLOGY 11.55%



Investment in early-stage ecosystem shows sustainable growth ↓

The record levels of investment in 2021 were always going to be a hard act to follow. During that period, the early-stage investment ecosystem in Aotearoa New Zealand benefited from favourable monetary conditions, including record low interest rates and global quantitative easing programs. These conditions created buoyant capital markets and, with Elevate's launch, significant growth in capital raised by domestic funds. This, combined with pent-up capital demand from fast-growing startups, resulted in record early-stage funding in 2021.

> "Despite economic turbulence, great founders don't build for short to medium-term gains but rather to solve massive fundamental societal problems, thereby creating long-term and lasting value, irrespective of transient economic conditions.

In last year's report, we cautioned that economic headwinds were gathering and, in particular, increasing inflation and rising interest rates were major risk factors. Tightening monetary policy reduced liquidity, which had a negative impact on valuations and available capital for investment. While the effect was most pronounced in the public markets and late-stage VC, the earlier investment stages were not immune to some recalibration. This has borne out in the data for 2022, where investment levels pulled back (by 18%) from the lofty levels of 2021 but encouragingly settled on a longer-term, more sustainable growth trend.

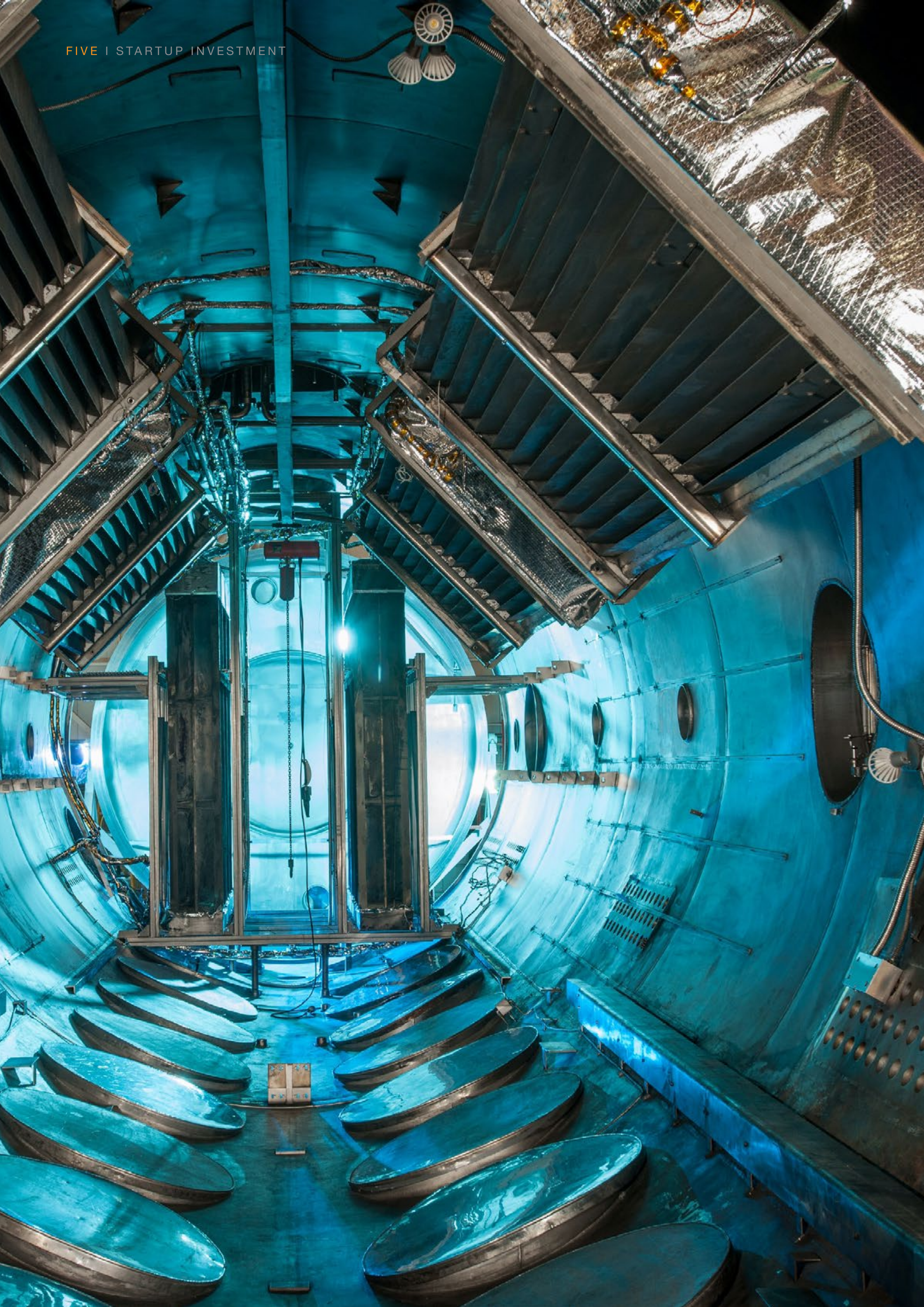
Investment levels and deal activities are up 18% and 31%, respectively, when compared to 2020, with a longer-term CAGR (2018 to 2022) of 12.4%. The split in investment between new and follow-on funding (30% vs. 70%) and between software and other technologies (45% vs. 55%) remains consistent with previous years. Encouragingly some sub sectors such as Cleantech, Healthtech, and Aerospace which attracted the largest pools of investment capital, are showing signs of traction and the promise of building critical mass.

However, the economic turbulence is by no means over, as can be seen by recent high-profile banking failures. We expect high interest rates to continue to apply pressure to the early-stage ecosystem in the short to medium term, making it harder for young companies to grow as fast. Capital raising will continue to be more difficult and we will see further downwards pressure on valuations. It is also likely that we will see an acceleration of startup failures as investors become more selective.

Despite this, great founders don't build for short to medium-term gains but rather to solve massive fundamental societal problems, thereby creating long-term and lasting value, irrespective of transient economic conditions.

As investors, we should share this vision of our founders and keep backing bold ideas that can transform industries on a global scale. This is one of the key lessons from the GFC and the dot-com bust - we need to keep backing early-stage ventures to continue building the pipeline of company's solving the world's problems. The markets and economic conditions will eventually improve and we need to support innovators in getting to the stage where they can scale. Indeed, some of the best venture capital vintages in history have come during periods of economic uncertainty. Further, with time running out to address climate change, now is the time to back the most ambitious founders with ideas to help the world solve this enormous, time-critical issue. We continue to believe that startups have the potential to solve the world's environmental and social issues and we are proud to keep supporting them to do so.

JACQUES RICHTER
ASSOCIATE INVESTMENT DIRECTOR, NZGCP



Supporting startups through uncertain times to promote economic growth

With market factors changing constantly and at pace, the operating environment becoming more complex, and the cost of capital being more expensive now than in the past few years, investors and founders in the startup space need a supportive and connected environment in order to thrive. At NZTE, we're proud to play our role in nurturing that environment so that businesses can grow and succeed on the global stage.

NZTE works with startups in Aotearoa providing resources and guidance to navigate the complex economic environment. We help startups explore new markets, clarify their value proposition, assist with capital raising collateral, and connect with prospective investors.

NZTE Investment works closely with startup accelerators and incubators to identify startups with high-potential as they aim to scale up their businesses. With our expertise, connections, and resources, we help emerging companies in Aotearoa pivot and innovate through changing market conditions, assisting with strategy and capital raise preparation.

In addition to this, we provide guidance and resources for established businesses so they can grow and expand into new markets. We have a network of offices around the world, staffed by experts in international business, who can provide insights and connections to help businesses succeed in new markets.

Ultimately, our goal is to create jobs and promote economic growth in New Zealand. By supporting startups and businesses to grow and succeed on the global stage, we believe we can drive economic prosperity and build a brighter future for New Zealand.

ANNABELLE GLAZEWSKI
RINGATOHU HAUMI - PĀKIHI
INVESTMENT DIRECTOR - COMPANIES

From early promise to resilience: reflecting on Aotearoa New Zealand's startup ecosystem 15 years after the GFC

Fifteen years ago, the state of the startup ecosystem in Aotearoa New Zealand was still in its early stages. Although there were only a small number of startups and investors in 2008, there were already some promising developments in the industry, particularly in the areas of software, biotechnology and clean technology.

The aspirations of startups at the time were generally focused on growth and expansion, with many looking to establish themselves as leaders in their respective fields. This was particularly true for software and technology startups, seen as having the potential to disrupt traditional industries and create new markets.

During this period companies such as Xero, LanzaTech, Rocket Lab, Orion, Vend and 2Degrees were on their way to establishing Aotearoa New Zealand as a hub for innovation and driving economic growth.

From an investor perspective, Aotearoa New Zealand was viewed as a relatively untested market, but one with significant potential. Successful exits, such as the sale of Trade Me to Fairfax Media for $750m in 2006, validated the potential of the ecosystem and put the country on the map.

However, in mid-2007 the events that started the 2008 Global Financial Crisis began to unfold. The impact on Aotearoa New Zealand was swift and severe, with businesses facing significant challenges due to a fall in consumer demand and reduced access to credit.

Yet, within this period was opportunity. As established companies downsized, there was an increase in talented, experienced workers looking for new opportunities, which provided startups with access to leading professional talent. Meanwhile, while the GFC led to a decline in traditional funding sources, it led to the emergence of new funding sources including crowdfunding, peer-to-peer lending and government grants. And the disruption in many industries created opportunities for innovative solutions.

Vend, a cloud-based point of sale (POS) software company, was founded in 2010, in the aftermath of the 2008 GFC. At the time, many retailers were struggling with the economic downturn and looking for ways to cut costs and increase efficiency. Vend's software allowed retailers to process transactions, manage inventory, and analyse sales data from a cloud-based platform, reducing the need for expensive on-site servers and software licenses.

Like Vend, many of the companies that emerged from the GFC have continued to thrive and can provide insights for the startups and their investors of today.

LanzaTech: Turning waste into gold

Founded in 2005 by Dr Sean Simpson and Dr Richard Forster, LanzaTech specialises in developing sustainable solutions for industrial carbon emissions.

One of the initial challenges the founders had to overcome was the development of their proprietary microbial technology which converts waste gases from industrial processes into low-carbon fuels and chemicals. This has the potential to reduce greenhouse gas emissions by over 70% compared to traditional fossil fuels.

Despite some skepticism from investors about the technology, LanzaTech was able to secure funding with initial funding of $3m from the New Zealand Foundation for Research Science and Technology, followed by $30m from global investors in 2011.

In 2011, LanzaTech formed a joint venture with one of China’s largest steel companies to build a pre-commercial plant, and then fully commercial plant outside of Beijing. The commercial plant became operational in 2018 and has the capacity to produce 46,000 tons of sustainable ethanol annually. LanzaTech has since expanded its operations to the United States, India and Europe, and has partnerships with companies such as BASF, Mitsui, and Suncor.

Today, LanzaTech’s technology is recognised as a leading example of the circular economy. The company has created high-value jobs, particularly in the science and engineering fields, and helped put Aotearoa New Zealand on the map as a hub for innovation and sustainability.

“

You learn from your mistakes, you pivot when you need to, and you celebrate the wins, no matter how small they may be. That’s what makes the journey of a startup so rewarding and so fulfilling.

DR SEAN SIMPSON

Rocket Lab: from startup to aerospace powerhouse

In 2006 Peter Beck had a vision for a rocket launch company that could provide affordable and frequent access to space for small satellites.

With tenacity and perseverance, that startup vision grew into a powerhouse in the aerospace industry, with customers including NASA, the U.S. Air Force and a range of commercial entities.

Rocket Lab faced several early-stage challenges, including securing funding, developing and testing rockets, and obtaining regulatory approvals. In the early days, Peter Beck had to convince investors that there was a market for small satellites and that Rocket Lab had the technology to meet the demand. The company also faced technical challenges in developing the lightweight engines and avionics systems required for its rockets.

The company had to be innovative and find new ways to fund its growth and was successful in securing contracts from several private and government organisations.

Peter Beck, driven by his passion and supported by a strong team of engineers and experts, was resilient and in 2009, just three years after its establishment, Rocket Lab became the first private company in the Southern Hemisphere to reach space.

As the company has continued to grow, so has its contribution to Aotearoa New Zealand's startup ecosystem, creating new opportunities for entrepreneurs and investors in the aerospace and technology sectors. Rocket Lab has attracted significant investment to Aotearoa New Zealand and created high-value jobs in science and engineering, as well as creating a range of supporting jobs in logistics, manufacturing, and software development. Today, it is valued at more than NZD $3 billion.

Xero: an unconventional path to global success

Xero, founded in 2006 by Rod Drury and Hamish Edwards, started in a small, cramped Wellington apartment with a handful of employees. A year later in 2007 Xero made history for an early stage technology initial public offering (IPO) on the New Zealand Stock Exchange, driven by its ambitious vision for growth and its innovative approach to accounting software being delivered online.

Since then, Xero has continued to grow and expand its product offerings. The company's focus on cloud-based accounting software was well-timed, as more businesses began to embrace cloud-based technologies. By offering an alternative to traditional desktop accounting software, Xero was able to establish itself as a leading player in the industry globally.

Xero has been unconventional in other areas, not just its unique approach to accounting software and funding growth. The company has a strong commitment to innovation and development, and its approach to social responsibility and sustainability – such as becoming carbon neutral certified – sets it apart.

Xero's success and global reach has helped to raise the profile of the New Zealand fintech industry, and inspired other entrepreneurs and investors to explore opportunities in the sector. Today, Xero is a global small business platform with 3.5 million subscribers and has an extensive ecosystem of connected apps and connections to banks and other financial institutions. It is a FIFA Women's Football partner and runs programmes such as Xero Small Business Insights.

FACT BOX

Five lessons angel investors learnt from the GFC

1 Diversification
Angel investors who had diversified portfolios were better able to weather the storm and recover their losses.

2 Due diligence
Many investors suffered losses during the crisis because they had invested in startups that lacked a solid business model, a sustainable revenue stream, or a clear path to profitability.

3 Patience
Many investors panicked during the crisis and sold their investments at a loss, rather than waiting for the market to recover. Angel investors need a long-term perspective, especially in times of economic uncertainty.

4 Relationship building
Investors who maintained open lines of communication and provided support to their portfolio companies were better able to help them navigate the crisis. Angel investors should develop strong relationships with their portfolio companies, providing guidance, mentorship, and support.

5 Flexibility
Many investors had to adjust their investment strategies and risk tolerance in response to changing market conditions. Angel investors today need to be similarly flexible and adaptable, willing to adjust their strategies as needed in response to changing market conditions and economic uncertainty.

Five lessons startups learnt from the GFC

1 Cash is king
Startups realised that they needed to be frugal and conserve cash to survive during a downturn. This meant cutting costs, reducing headcount and delaying expansion plans.

2 Focus on profitability
Many startups learned the hard way that growth at all costs is not sustainable. Instead, they began to focus on achieving profitability and building sustainable business models that could weather economic downturns.

3 Diversify funding sources
Startups realised that relying solely on venture capital funding was risky, and began exploring alternative sources of funding, such as debt financing, crowdfunding and government grants.

4 Agility is key
Startups needed to be agile and adaptable to survive in a rapidly changing business environment. This meant being open to pivoting their business models, responding quickly to market changes and embracing new technologies.

5 Build a resilient team
The GFC highlighted the importance of having a team that is flexible, adaptable and committed is crucial during tough times.

A journey towards a $1b future

Aotearoa New Zealand's startup ecosystem has come a long way in the past 15 years, with entrepreneurs and investors working together to create innovative businesses that have created jobs and developed cutting-edge technology. In this article we take stock of how far we've come and consider the aspirations we should have for the next 15 years if we are to reach our goal of a $1b startup space.

One of the keys to reaching this goal is to focus on the strong sectors of our startup ecosystem. Fintech, Cleantech, and Aerospace are particularly strong sectors, each with unique strengths and opportunities for growth. Here we explore the sectors and the companies that are shaping them.

Transforming the financial landscape

From online payment systems to peer-to-peer lending platforms, Fintech startups are using technology to disrupt traditional financial models and provide consumers with more accessible, convenient and affordable services.

According to the 2022 NZ Fintech Insights Report, Fintech is one of the country's fastest-growing tech export sectors, with global revenues of nearly $2b and a five-year compound annual revenue growth of 32%.

The sector's growth has been driven by a number of factors, including a supportive regulatory environment, access to capital and a highly skilled workforce. The New Zealand government has actively promoted the growth of the Fintech industry with initiatives such as the Fintech Innovation Lab, which provides funding and mentoring to startups.

Sharesies: making investment more accessible

Investment platform Sharesies was launched in 2017 by Sonya Williams, Leighton Roberts, Brooke Roberts, Ben Crotty, Martyn Smith and Richard Clark, with the goal to provide an easy and affordable way for New Zealanders to invest in the stock market.

The founders noticed that there were limited options for people who wanted to invest without having large amounts of money. Sharesies removed that barrier by introducing fractional investing, which allows you to buy and sell fractional shares in companies and funds, rather than having to buy whole shares. This disrupted the traditional investment industry and along with a user-friendly platform, education, and a community-driven approach, Sharesies grew rapidly.

In 2019, the company raised NZ$7.5 million in funding from investors, including Trade Me founder Sam Morgan. In 2020, Sharesies reached a major milestone, surpassing 100,000 users. In 2021 Sharesies raised NZ$50 million in funding, and expanded its offering to share trading on the ASX, Nasdaq, CBOE and NYSE. In 2023 with 500,000+ investors on the platform, Sharesies introduced an on-call savings account, and a Kiwisaver scheme which offers a self-select option for everyday investors for the first time.

Sharesies has received considerable praise for its contribution to the market. In 2018, it won the Good Returns award for Innovation and in 2019, it won the Emerging Business award at the New Zealand Hi-Tech Awards. In 2022 Sharesies topped Kantar's Customer Leadership Index for the second year running.

> “We had a lot of people tell us that what we were doing was impossible, that the big banks and financial institutions would never let us disrupt the industry. But we believed in our mission and kept pushing forward.
>
> LEIGHTON ROBERTS, SHARESIES CO-FOUNDER AND CO-CEO

Hnry: changing the game for self-employed workers

Hnry provides a full suite of accounting services for self-employed individuals, comprising banking and payments, tax and compliance, insurance and accounting software. The company was founded in 2017 by James and Claire Fuller who, having been self-employed themselves, believed there should be a better solution to the problem of time-consuming tax and financial administration.

At that time there were no such tailored services for self-employed individuals, who have unique financial circumstances and needs. As such, Hnry's focus on providing a customer-centric solution for the self-employed, was a market disruptor and game changer.

Hnry has quickly grown into one of Australasia's largest specialist accountancies with a customer base in the tens of thousands. In 2021, the company raised $16 million in a funding round led by US-based investment firm Left Lane Capital, which it has used to expand its services and grow its customer base and, in late 2022, it closed $35 million in Series B funding, led by Australia's AirTree Ventures.

As well as continuing to expand, the company has been actively involved in supporting and promoting other startups in the ecosystem. For example, the company has partnered with organisations such as Startup Dunedin and Lightning Lab to provide mentorship, funding and support for early-stage companies.

> "It's been an incredible journey so far, building a product from scratch that has the potential to make such a positive impact on people's lives. Starting a company is not easy, but it's incredibly rewarding to see how far we've come, and we're just getting started. Our mission is to empower self-employed people and freelancers to focus on what they do best, by taking care of their tax, compliance, and financial admin. We're excited about the future of Hnry and the role we can play in supporting the growing independent workforce.

JAMES FULLER,
HNRY CO-FOUNDER & CEO


PRINT
Hnry

Paving the way for a sustainable future

At a time when the world is grappling with the challenge of decarbonising the global economy, a new generation of cleantech innovation is poised to play a key role in accelerating the transition to net zero.

Aotearoa New Zealand firms have built a strong reputation for world class IP addressing global market opportunities and challenges, combined with a maturity that can be quickly scaled into global markets. Our 'can do' attitude helps to push through roadblocks to develop truly unique IP, which is highly attractive to investors.

There are strengths we can play to and continue to build on. Aotearoa New Zealand has an international reputation for farming and food production, and is well known for efficiency and innovation, with strong potential to be a leader in low-emissions agriculture.

We've also produced a number of successes, backed by good partnerships with universities – such as the MacDiarmid Institute's partnerships with Avertana, Mint Innovation and Aquafortus – and innovative models such as KiwiNet. Now in its 10th year, KiwiNet is unique in the world, being the only place where public research organisations voluntarily join forces and pool funding to get research discoveries investor ready.

However, the importance of the ecosystem and seed funding for startups cannot be underestimated, particularly for deep technology startups that may need up to a decade of research and development before products are available for commercialisation. It's what makes incubators and funders such as Outset Ventures so valuable, with a commercial laboratory and workshop facilities, a six-month pre-incubation 'Launch Lab' programme, and a $10m deep tech fund raised with Icehouse Ventures that will back 20–30 ventures over the next three years.

Zincovery: turning industrial waste into a valuable resource

"Our mission at Zincovery is to decarbonise zinc recycling, creating a sustainable future for the industry and the environment. We're proud of our progress and grateful for the support we've received. As we scale up, we remain committed to driving lasting, positive change in both the industry and our planet.

JONATHAN RING,
CO-FOUNDER OF ZINCOVERY

Zinc waste is a major environmental concern, but Christchurch-based company Zincovery is helping to change that.

In 2017, Professor Aaron Marshall was approached by industry to solve their waste problem. Aaron enlisted Jonathan Ring to research technologies that could solve this problem as part of a Master's project. As a result of this research they founded Zincovery in 2019, having developed technology that can recycle zinc from waste using 70% less energy than current methods and producing a sixth of the carbon dioxide.

Zinc is the fourth-most used metal and an essential resource in renewable energy, vehicles and infrastructure. Recycling zinc is critical for preserving this resource for future generations, but it comes with a high emissions cost. Zincovery's technology solves this problem by processing collected waste more efficiently, turning what was once an environmental hazard into a valuable resource.

The startup journey hasn't been easy for Zincovery, as the initial iteration of the technology wasn't financially viable. However, the team pivoted and have attracted $4m in funding from both local and offshore investors. The company has already made significant strides, winning the prestigious Callaghan Innovation C-Prize and the Breakthrough Innovator Award

With the support and resources to validate, build and scale the business, Zincovery is ready to scale up and sign large commercial agreements with customers and suppliers. The company has huge potential for growth, with the global market opportunity estimated at over $10b per annum and growing.

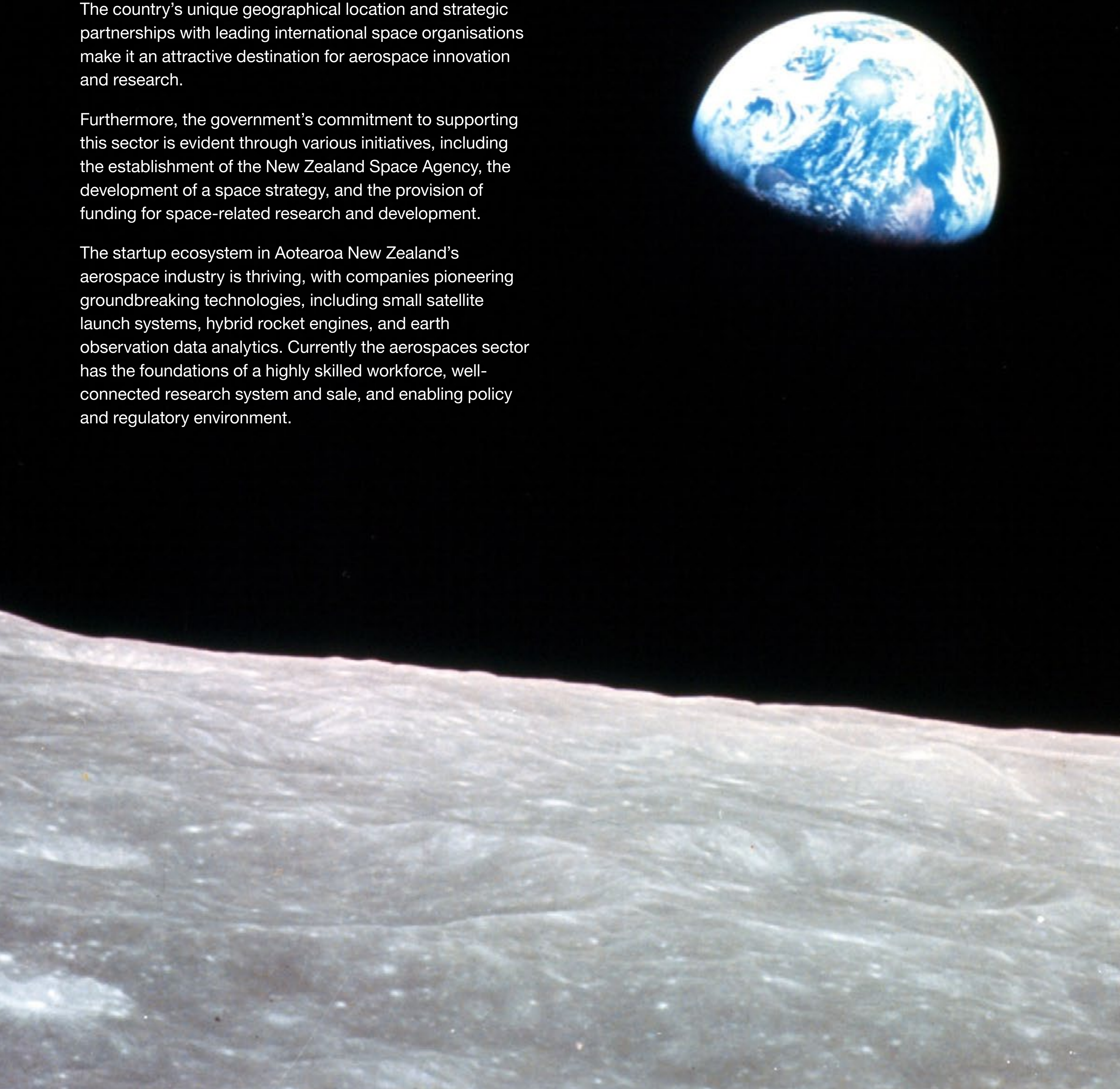
→ Poised for multi-billion dollar growth by 2030

Aotearoa New Zealand's aerospace sector is a burgeoning industry with immense potential for growth. In 2019 the estimated contribution of the space sector was $1.69b (around $600b globally) and is expected to be a multi-billion sector by 2030.

The country's unique geographical location and strategic partnerships with leading international space organisations make it an attractive destination for aerospace innovation and research.

Furthermore, the government's commitment to supporting this sector is evident through various initiatives, including the establishment of the New Zealand Space Agency, the development of a space strategy, and the provision of funding for space-related research and development.

The startup ecosystem in Aotearoa New Zealand's aerospace industry is thriving, with companies pioneering groundbreaking technologies, including small satellite launch systems, hybrid rocket engines, and earth observation data analytics. Currently the aerospaces sector has the foundations of a highly skilled workforce, well-connected research system and sale, and enabling policy and regulatory environment.



Dawn Aerospace: revolutionising space exploration with sustainable tech

Kiwi Stefan Powell met co-founders Jeroen Wink, Tobias Knop and Robert Werner while studying at Delft University of Technology, Netherlands. They, along with Stefan's brother James, went on to found Dawn Aerospace in 2018, a space transportation company with a mission to provide more sustainable and scalable ways to access and move around in space.

They already have a successful commercial arm of the business, providing green satellite propulsion systems to commercial satellite builders. They currently have 57 thrusters in space on 12 operational satellites with a further 200 pieces in production. They're on track to become the largest supplier globally of green propulsion technology.

They also have a spaceplane in development – a rocket-powered plane that will deliver payloads to orbit from a runway, multiple times a day, significantly reducing both cost & waste compared to the current rocket-launch model.

The Mk-II Aurora spaceplane completed its first rocket powered-flights from Glentanner Aerodrome, Aoraki Mt Cook, in March 2023 after previously completing 47 flights with jet engines. The Mk-II is a suborbital plane that will have applications in Earth observation, atmospheric research, climate monitoring, communications, microgravity research, and many more. But importantly, it's a technology demonstrator for the Mk-III, which will deliver commercial payloads to space.

In addition to their in-space propulsion revenue and various research grants, Dawn completed a $3.5M seed round in 2018, followed up by a $20million series A in 2022 valuing the company at $170million.

> “We believe we are on a path to completely upend the economic model of space launch and potentially create new business models for suborbital and other markets along the way. In the meantime, we have a viable business in space propulsion which gives us a solid foundation as a company.
>
> STEFAN POWELL, CEO

Pyper Vision: clearing the way for air travel

Since childhood, Emily Blythe had envisioned a technology that would solve one of aviation's main causes for flight disruption, fog. Coming from an aviation family, the interest and curiosity to solve this issue grew to be a passion for Emily. In 2016, Pyper Vision became a leading company in tackling airport visibility through its fog dispersal technology.

Emily had three key focuses when it came to Pyper Vision's growth journey: working through regulations, customer alignment, and scalability. The company needed to navigate regulatory compliance issues related to the use of its fog dispersal technology in airports and build strong relationships with customers, including airport authorities and airlines, to ensure their technology met the specific needs of the aviation industry. Finally, they had to focus on scalability in order to meet growing demand for their products and services.

Today, Pyper Vision has grown into a team of experienced product developers, operators and managers working together to develop high-quality solutions and has secured backing from the government.

"To see an idea that has been formulating in my head since I was young, through to a fully fledged company is a dream come true. I get to collaborate with talented people working hard and innovating to tackle a global $12b problem within an industry I'm incredibly passionate about. To be on such a mission together is very special.

EMILY BLYTHE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ASTRIX

Astrix Astronautics: empowering small satellite missions

What started as a university project in 2019 amongst three students has grown into a USD$5m company that empowers innovative small satellite missions by offering reliable and cost-effective power systems. Astrix Astronautics is the brainchild of co-founders Fia Jones, Max Daniels and Will Hunter, who have designed a revolutionary deployment technology.

Since its conception, the Astrix founders have faced challenges in their journey to become a seed-funded startup. It began with an Auckland University competition, “Auckland Programme for Space Systems”, in which they were to find a way to benefit humanity from space using a one-use satellite. During this project they learnt that, regardless of mission types, power was the common issue.

Through Fia’s tenacity, the team were able to capture the attention of Peter Beck and worked alongside Rocket Lab to secure their first launch. In 2021, the company raised a pre-seed round of $500,000 to get their device into space with the support of Rocket Lab providing a free launch.

Despite facing a few economic issues and experiencing delays to its planned launch due to COVID-19, Astrix Astronautics persevered. They wanted to showcase how their deployment technology could provide dramatically lower costs while still generating copious amounts of power. Still, at a lower cost, and in saying so, they have designed technology around the problem rather than finding a problem for it to solve. In due time their efforts paid off as Astrix Astronautics successfully launched Copia, the future of scalable and affordable power generation, into space in early May 2022. Fia departed from the company in early 2023, and Will and Max have since stepped into their roles, focusing on gaining customer traction. Now, they have MoUs that indicate millions of dollars in a sales pipeline.

Astrix Astronautics is now in its second year since establishing itself as a startup. It has been supported by significant names in the aerospace industry, including Rocket Lab, and acquired its first customers, Fleet Space - an Australian satellite communications company and space exploration.

> “Starting a business has so far been a challenging and fulfilling way to change the world for the better. The creative freedom and requirement for bold ideas is difficult to get elsewhere. Two years in, with flight heritage and several partnerships with customers, we are excited to continue in our journey to remove supply chain constraints in the space industry. This is an critical technology for many of our customers, enabling mission such as connectivity in remote areas and environmental monitoring to proceed with greater efficacy and at a greater scale.

WILL HUNTER

About Startup Investment ↓

This biannual publication is put together by PwC New Zealand ('PwC'), Angel Association New Zealand ('AANZ') and New Zealand Growth Capital Partners ('NZGCP'), using Young Company Finance deal data supplied by NZGCP.

The purpose of this magazine is to provide insight and commentary on the startup sector in Aotearoa New Zealand and what it means to invest in startups as an asset class.

We welcome your feedback on our content and suggestions for future editions.

NZGCP Young Company Finance deal data

NZGCP Young Company Finance deal data represents data collected from NZGCP's own investments, together with details of the transactions reported to NZGCP by its coinvestment partners as well as other early-stage investors in New Zealand. The data includes that provided by selected angel groups, incubators, university funds and venture capital funds which invest in early-stage companies. The data aims to cover the majority of startup funding activities by investors across the country.

NZGCP Young Company Finance deal data classifies investment into the following categories:

Seed

Often pre-revenue, negative cash-flow, managed by founders and part time employees, little formal governance / nascent Board of Directors, generally no prior investment, round size <$1m.

The purpose of seed investment is to enable development, testing and preparation of a product / service to the point where it is feasible to start business operations.

Startup

Revenues <$3M, negative cash-flow, FTE <20 with incomplete senior management team, governance a mix of founders & early stage investors, first investment round (if no seed round).

The purpose of start-up investment is to enable business operations, further development of products / services, sales and international growth.

Early Expansion

Neutral cash-flow (EBITDA + CAPEX) based on aggressive re investment policy, structured management & governance.

Generally an investment into a company at this stage will be used to build out the sales and marketing teams, establish / expand offshore offices and / or scale up its production facilities.

Expansion

An investee company is in the mid-expansion stage of its development if the investment provides capital to expand commercial production and marketing and where the company is normally breaking even or trading profitably. Generally, Venture Capital investments.

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About PwC

PwC is dedicated to helping startups with great ideas make their way in the world. We provide support through tailored financial reporting, tax advisory and compliance, legal advice and support, structuring, strategic advisory services as well as networking opportunities. We collaborate with others in the local ecosystem including NZTE, AANZ, NZGCP, KiwiNet, and other New Zealand VC funds. Alongside publishing StartUp Investment NZ, we are sponsors of KiwiNet Awards and the NZ Hi Tech Awards. Please get in contact using the details below if you'd like to know more.

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About AANZ

AANZ exists to support the creation of New Zealand born, world changing businesses delivering exponential financial, social and economic returns through mutual support, connectivity and collaboration. AANZ is working to increase the quantity, quality and success of angel investments in New Zealand and in doing so create a greater pool of capital for innovative start-up companies. It was established in 2008 to bring together New Zealand angels and early-stage funds. AANZ currently has 50 members representing over 900 individual angels associated with New Zealand's key angel networks and funds. Since 2006 over $1bn has been invested in 1500 deals. AANZ works with NZ Growth Capital Partners, PwC New Zealand and a number of public and private sector partners. For more, please visit: www.angelassociation.co.nz

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About NZGCP

New Zealand Growth Capital Partners (NZGCP) was established by the New Zealand Government in 2002 to build a vibrant early-stage technology investment market in New Zealand. We aim to achieve our vision by supporting Kiwi tech companies, innovators and investors to become world class. Alongside operating our Elevate and Aspire funds which are designed to stimulate private investment into this space through a fund of funds and co-investment model, we also have a market development mandate that includes sponsorship and support of programmes, events and other initiatives to benefit the ecosystem.

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