



# Startup Investment

I OCTOBER I 2021

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GO HOME

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TO LEVEL UP



NZ GROWTH  
CAPITAL PARTNERS

# Go big or go home ↓



Welcome to the October 2021 edition of Startup Investment.

The startup ecosystem in New Zealand is thriving. Not only is it showing continued signs of maturity but the first half of 2021 has delivered record growth in the number of deals and capital invested, with almost \$60m invested by Early Stage Investors. Software continues to receive the largest proportion of total investment but this is now closely followed by deep tech, which received 42% of total funding during the first half of 2021.

In this edition of Startup Investment we take a closer look at value and values-based investment as a key driver for success. We start with Dawn Aerospace and UBCO that are demonstrating the ethos of “go big or go home”. For both companies, their growth journeys have been supported by investors who not only provide financial investment but also invest their time and expertise towards a shared value proposition. We share the perspectives of Katherine Sandford (early stage investor and now Chief Executive and Chair, UBCO), James Powell (Co-Founder, Dawn Aerospace) and Mark Stuart (Partner, Movac). We also speak with the founder and an early stage investor of Jobloads, which has successfully aligned their passions and purpose by taking a values based approach to investment.

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One area of the New Zealand startup ecosystem that has the potential to “go big” is gaming and virtual reality.

One area of the New Zealand startup ecosystem that has the potential to “go big” is gaming and virtual reality. This sector grew significantly during the global pandemic as people looked to find alternative sources of entertainment and social connection. While small when viewed against the global scale, New Zealand gaming companies are already making their mark, and there is considerable potential for the sector to expand.

We hope you enjoy this edition of Startup Investment.

**ANAND REDDY**  
PARTNER, PWC

# Energised ecosystem benefits from big investment surge ↓

**New Zealand's enthusiasm for early stage venture investment in the first half of the year reflects the record levels of growth in venture investment seen in other parts of the world which is inspiring.**

Typically in the first six months of the year, the community we gather this data from averages around 40 deals, and that's certainly been the case the last few years. That makes this year's 66 recorded deals significant, as does the nearly \$60m invested compared to \$33.5m in the first half of last year. This is a 60% increase in deal volume and an 78.4% increase in dollars invested. In addition, New Zealand based VCs put a further \$200m in those deals, bringing the total invested to just under \$260m.

The big surge in large rounds speaks to the continuing maturing of the ecosystem, with ten companies raising more than \$10m and nine companies raising between \$3m to \$10m. All of these companies had early angel investment and angel investors have followed on into those larger rounds.

This year's H1 data is hugely encouraging and energising, but we should be aiming higher still. It's taken us 15 years to pass the milestone of over \$1bn invested in kiwi startups and I'd like to see if we can get to the next \$1bn invested in kiwi startups in the next five years, rather than 15!

To get there will require backing and investing in ventures that are genuinely creating exponential impact and value. Growth for growth's sake and huge financial returns without a real anchor in genuine value creation is unsustainable, and is increasingly unappealing to investors.

Globally, we have so many big problems that need solving and the world needs startup founders who are determined to change the world, more than ever before.

At our Angel Association summit this year we're encouraging attendees to be braver and more ambitious under the theme "Go Big or Go Home". Kiwi founders have so much to offer the world and early stage venture investors play a crucial role in providing the capital and support to enable founders to flourish.

If we're doing early stage venture investment well in New Zealand, then a good chunk of the next \$1bn will be capital being plowed back into startups from exited founders, their shareholder team members and the investors who backed them. These will be the founders,

team members and investors who backed companies such as Vend, Unleashed, Merlot Aero, TNX, Aroa Bio, Timely, Coretex, Sequent, Rocos and Trinio Ltd.

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**Growth for growth's sake and huge financial returns without a real anchor in genuine value creation is unsustainable, and is increasingly unappealing to investors.**

Although the market is currently buoyant, inevitably there will be a correction or reset in the next few years and the vast pools of capital currently available will shrink. Early stage venture investors - who are investing as individuals - will become more discerning about where they invest and, when this happens, it will be the companies solving genuinely gritty and acute problems, where the solutions are grounded in empathy for people and the planet, that will continue to get backing and create the returns expected of the asset class.

Aotearoa New Zealand's venture investors need to be seeking out and backing value-grounded and purpose-anchored founders and companies. The good news is that there's no shortage of them entering the pipeline. Every kiwi should back or build a startup... for all our sakes!



**SUSE REYNOLDS**  
CHAIR, ANGEL  
ASSOCIATION

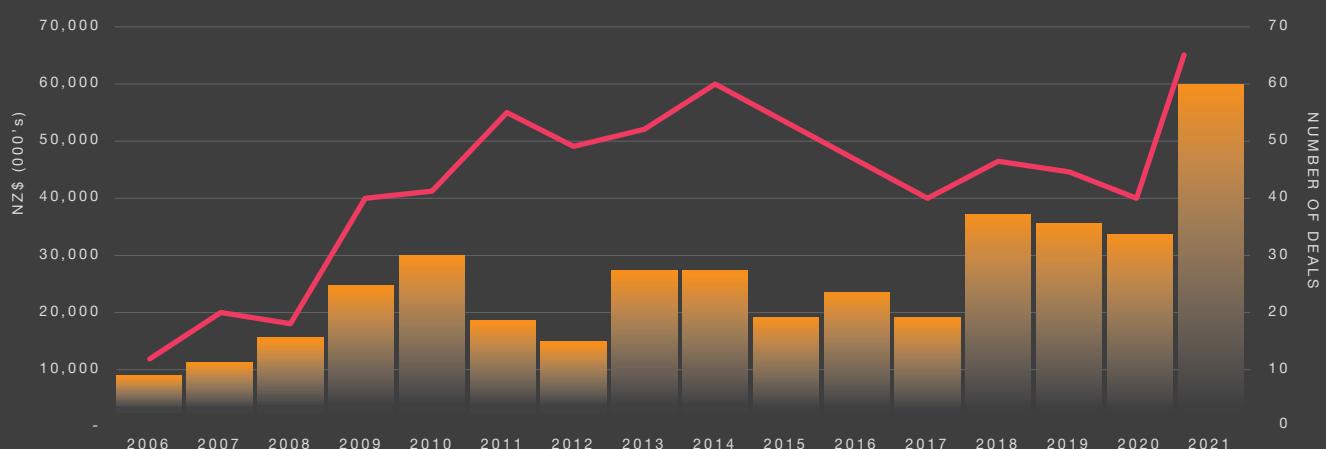
# Startup investment trends ↑

The latest Young Company Finance deal data shows that the first half of 2021 has delivered record growth in the number of deals and the amount of capital invested, with Early Stage Investors providing \$59.9m of capital funding. This has resulted in positive growth in the median deal size for both new and follow on investment, as well as a surge in the number of large rounds with 10 companies completing deals raising capital in excess of \$10m.

Early Stage Investors continue to invest in Software & Services however there is an increasing focus on deep tech, which received 42% of total invested funds (compared to 24.6% in H1 2020). Following a period of uncertainty during the first half of 2020, syndication has reduced from 85% to 76%. While this is a decline from previous years, syndication is still hugely valuable for investment as it brings a greater breadth of experience and networks from the investor base.

**TOTAL INVESTMENT PROVIDED BY EARLY STAGE INVESTORS DURING H1 (2006 - 2021)**

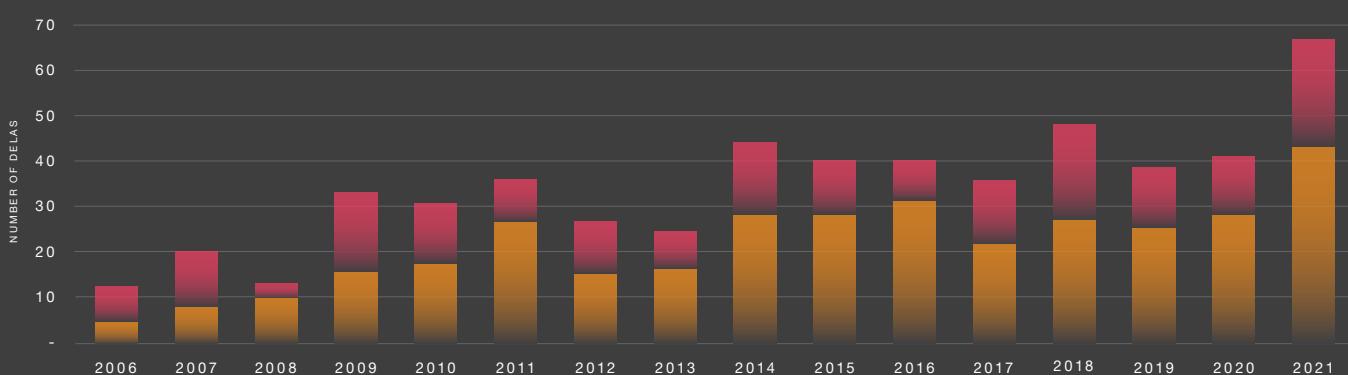
● CAPITAL INVESTED    - NUMBER OF DEALS



*The number of deals include new, follow on, tranches and exits over the years.*

**NEW AND FOLLOW ON DEALS COMPLETED BY EARLY STAGE INVESTORS DURING H1 (2006 - 2021)**

● FOLLOW ON DEALS    ● NEW DEALS



During  
**2021**  
Early stage investors provided  
**\$59.9m**  
of funding for  
New Zealand startups.

↑  
78.4%

INCREASE from the same  
period in 2020

76%  
of deals were syndicated  
(down from 85% in 2020)

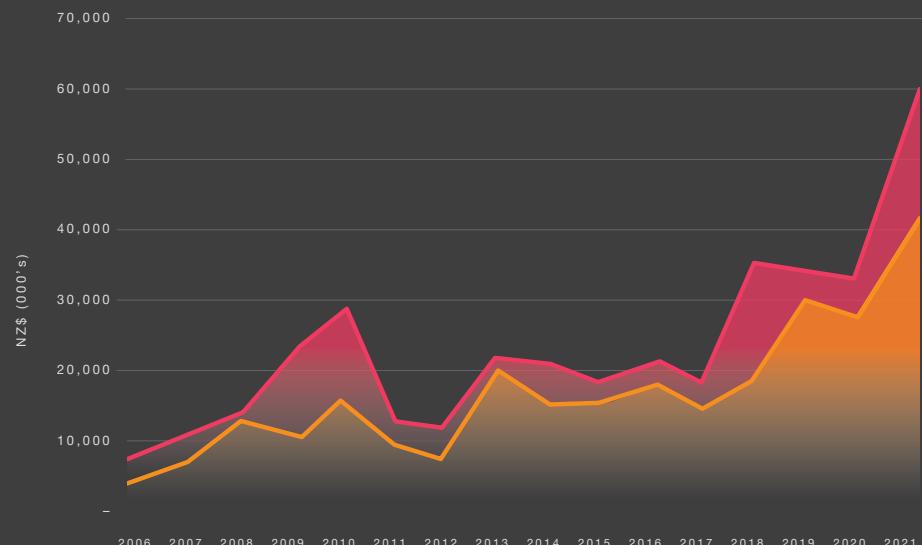
↓  
30.16%  
CONVERTIBLE  
LOANS  
(FY20 45%)

↑  
42.86%  
PREFERENCE  
SHARES  
(FY20 32.5%)

↑  
26.98%  
ORDINARY  
SHARES  
(FY20 22.5%)

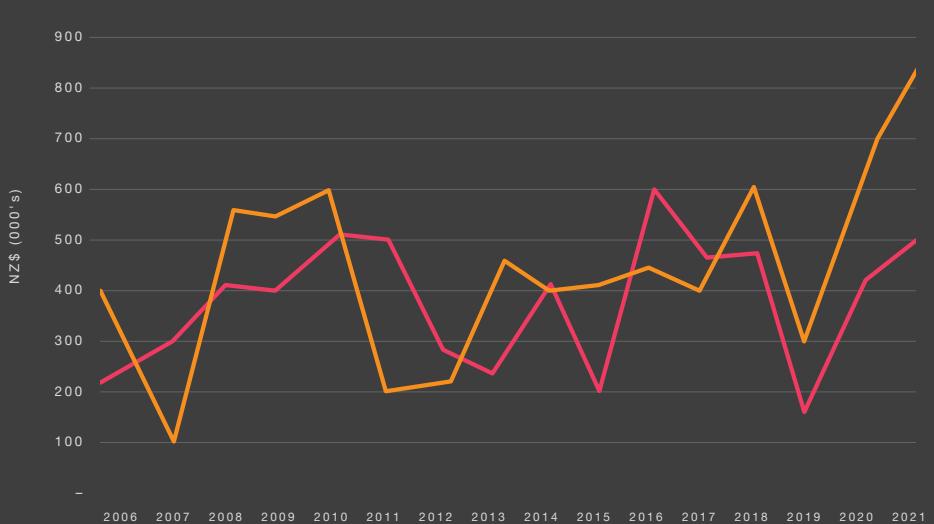
#### NEW AND FOLLOW ON CAPITAL PROVIDED BY EARLY STAGE INVESTORS DURING H1 (2006-2021)

● FOLLOW ON CAPITAL     ● NEW CAPITAL



#### MEDIAN DEAL SIZE DURING H1 (2006 - 2021)

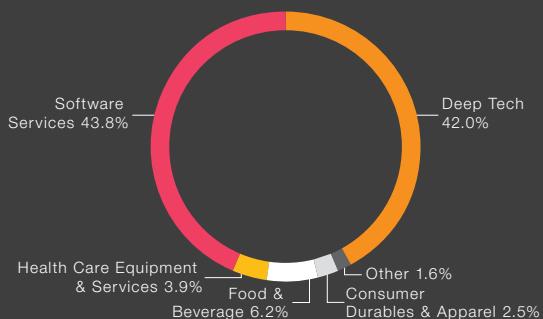
● FOLLOW ON CAPITAL     ● NEW CAPITAL



#### EARLY STAGE INVESTMENT BY SECTOR (% OF TOTAL FUNDS INVESTED DURING H1)

- DEEP TECH
- SOFTWARE SERVICES
- HEALTH CARE EQUIPMENT & SERVICES
- FOOD & BEVERAGE
- CONSUMER DURABLES & APPAREL
- OTHER

Deep Tech includes pharmaceuticals, biotechnology & life sciences, technology hardware & equipment, aerospace, and industrials.



## Maturity, resilience and growth of ecosystem highly promising

The New Zealand early-stage investment market has remained resilient despite the disruption and uncertainty caused by the global COVID-19 pandemic. After some hesitancy in H1 2020, the levels of activity (measured by the number of high quality start-up and scale-up companies seeking initial and follow-on funding) has bounced back strongly. That's clearly reflected in the 61% uplift in our Aspire Fund's deal volume and 79% uplift in amounts invested in H1 2021 compared to H1 2020.

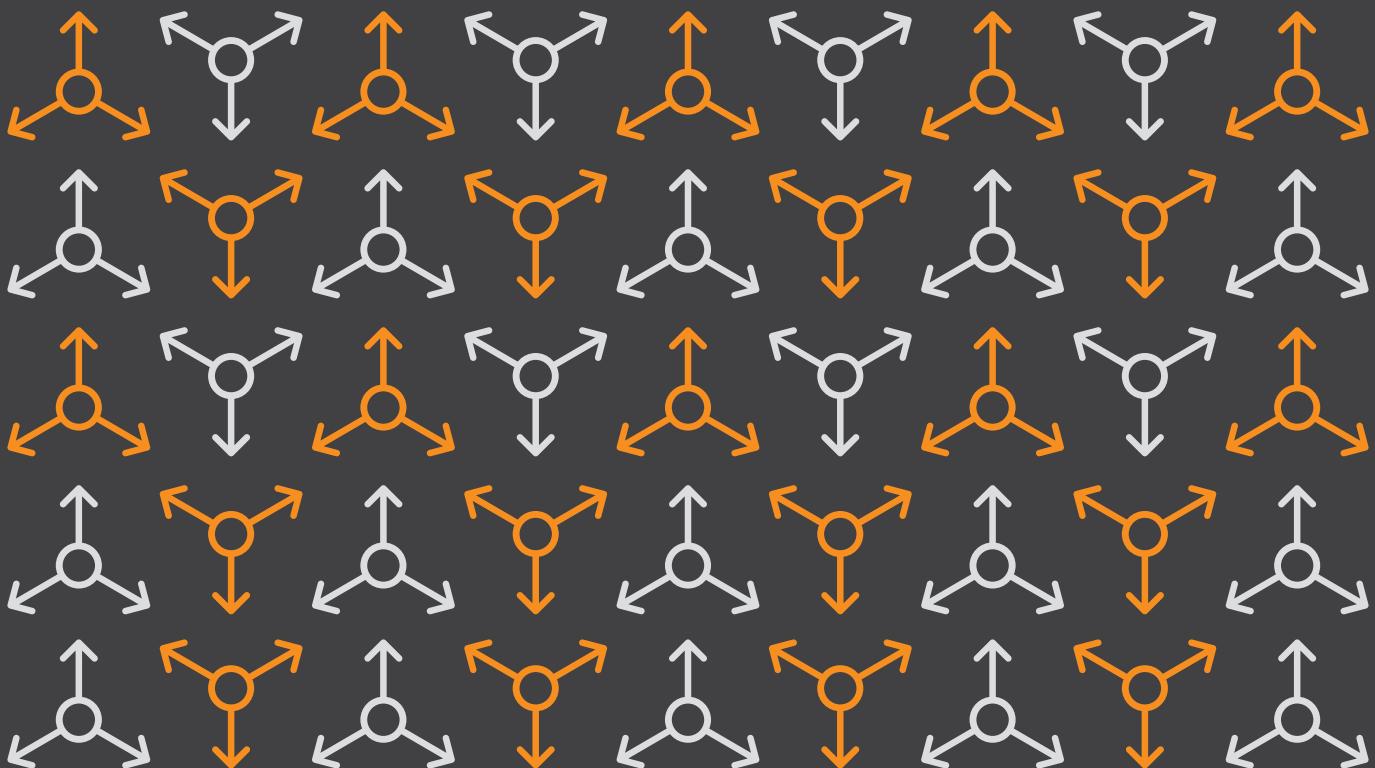
2021 is tracking to be the most active year for the start-up ecosystem since we started reporting the YCF data in 2006. There has been strong growth in the number of New Zealand start-up and scale-up companies raising capital and accelerating their growth and development. This is illustrated by 66 companies receiving nearly \$60m funding from early-stage investors and an additional \$200m from venture capital funds.

One of the key drivers of this recent growth is the implementation of the NZGCP Elevate Fund. Blackbird, Movac, Pacific Channel, Finisterre, GD1 and Nuance Connected Capital have between them raised almost \$600m (including Elevate Fund commitments) to invest predominantly at the Series A/B stage. These funds have been active, investing in 15% of all deals in H1 2021. There has also been continued appetite from other domestic and offshore venture capital firms to invest in New Zealand which is a very promising sign for future years.

As a co-investor, H1 2021 seeing syndication levels of 76% across all early-stage deals in the market, slightly down from 85% in 2020 stands out. However, we're really pleased with the growing syndication between angels and venture capital funds compared to last year. It's a promising indicator that the market is maturing in a positive direction with different investment groups working together for the mutual benefit of early-stage companies and technology innovators.



**MARCUS HENDERSON**  
INVESTMENT DIRECTOR  
NZ GROWTH CAPITAL PARTNERS



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Although 2021 has kept us in the grip of a global pandemic, there is no question that the investment ecosystem has weathered the storm well.

It's been particularly pleasing to see impressively large VC deals to New Zealand companies. They are really making their mark on the world stage and building that story-telling ability we all know we need.

In emerging sectors, we have seen an uplift in both clean tech and deep tech opportunities. Many of these have been seed raises, but bigger rounds are sure to come. They are following in the footsteps of Lanza Tech, Rocket Lab, Mint Innovation and more. It's exciting to see these sectors emerging out of New Zealand.

For the Māori economy, we have seen a real increase in the number of tech deals seeking investment. There has been a concentrated effort by Māori in this space and it is really humming, so much so that NZTE's Māori tech pipeline has more than doubled.

On the investor side, domestic investment into New Zealand companies continues to play a bigger role than it did pre-COVID. Not only is this a palatable option with border closures, but it also speaks to the growth and maturity of the New Zealand investor ecosystem. This doesn't mean, however, that cross border deals aren't happening, with our own team successfully completing deals with Australia, North American and Asian investors.

Having recently been engaged in some New Zealand perception work, I can tell you there hasn't been a better time to be a New Zealand tech company. This places the future of our economy, and especially its investment ecosystem, in a positive direction.



DYLAN LAWRENCE  
GENERAL MANAGER, INVESTMENT  
NZTE

# Uniquely Aotearoa ↓

Companies founded in Aotearoa have an excellent and well-earned reputation for their ability to punch above their weight. Small and tucked away at the bottom of the world, founders know they have to aim globally and this “Go Big or Go Home” aspiration makes them hugely attractive to investors.

To achieve this outside of a major metropolitan centre - many of which boast thriving startup ecosystems and innovation hubs - is even more of an achievement. The endeavour isn’t for the faint of heart, but regional standouts UBCO and Dawn Aerospace have catapulted internationally.

Here we look at their investment and growth journeys.

## UBCO: power your purpose

It's a story that a script writer could only dream of. Developers Daryl Neal and Anthony Clyde introduced early prototypes of their Utility Electric Vehicle (UEV) at the National Agricultural Fieldays in 2014 and came to the attention of commercialisation expert Timothy Allan by winning the Fieldays Innovation Award. Seeing the potential, Allan bought his multi-disciplinary product development company, Locus Research, into the project and the following year the three launched UBCO.

It was shortly after this that Katherine Sandford met the trio at an angel event in Tauranga. Recently returned from offshore, Katherine was looking for something to sink her teeth into.

Having worked internationally for a large global company Katherine had found herself scaling down her expectations on her return to New Zealand, and admits she didn't expect to find the same level of ambition locally.

“I got talking to the founders at this event and was blown away. Here was a hardware company that was technology driven, with global aspirations - it was a dream come true.”

As part of the angel group investment she wrote them a cheque and shortly after began working in the business a few days a week. Over time she became more and more invested in UBCO and is now Chief Executive and Chair.

Katherine describes UBCO’s startup journey as a perfect storm.

“Daryl and Anthony had a great product and the supply chain connections up through Asia, and Tim had strong commercialisation skills. Developing the brand early on meant we punched above our weight, and when



an early marketing campaign was picked up in the US things went crazy."

Rather than wait until it was perfect, UBCO put the product in the hands of customers from day one in the belief that it would result in a better outcome. After all, a product built to cope with the harsh environment of a working farm is going to be robust enough to adapt to urban needs.

"We owe a lot to those early product testers who helped us consistently improve. It also helped shape our tagline: power your purpose. UBCO is about empowering people to do the things they want and need to do - whether that's making deliveries in a city, farming, managing our native forests, or riding trails."

Having worked for a US public company, Katherine knew what would be required to be successful in international markets, and she says the business approach was mature from the outset with regards to challenges around distribution and servicing.



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I believe that the greatest impact an angel can have isn't the money, it's getting stuck in.

Funding was always going to be essential to get the business global and the founders shared the aspiration to build a \$100m business out of the gate. Even with all the odds in UBCO's favour, Katherine says it wasn't easy.

"Raising money for a hardware business is really hard because it's capital intensive to build a motorbike at scale. You need the investments and partnerships in place and the banks and debt providers won't have a conversation until that's there."

Success at each stage means redefining what the next goal is, and UBCO is eyeing up cracking \$1billion, having just completed a \$US10m convertible note round and currently raising a \$US30m Series B.

Although Katherine supports a number of startups and is well-respected in New Zealand's early stage ecosystem as a board member, adviser, mentor and investor, her preference is to focus on one big project.

"I believe that the greatest impact an angel can have isn't the money, it's getting stuck in. UBCO is the one I've chosen even though I've got 20 others that I support. I've really rolled up my sleeves because I'm so invested on a personal level. It's exciting to be part of something that's been created from nothing in NZ and the potential to be the dominant player. When my job here is done it's going to be interesting to find the next one."



KATHERINE SANFORD  
CHIEF EXECUTIVE  
& CHAIR, UBCO

## Dawn Aerospace - The future of sustainable space technologies

Can space exploration really be affordable, reusable and environmentally friendly? Dawn Aerospace co-founder James Powell believes so, with the company creating sustainable rocket-powered aircraft to facilitate suborbital and orbital flight. James founded Dawn with his brother Stefan and three European engineers in 2017. Their mission is to operate much like a fleet of aircraft, carrying satellites and cargo into space multiple times per day from all over the world.

Movac, New Zealand's largest technology investment firm, came onboard in May 2021 to help scale production of Dawn's existing in-space propulsion products, which have been sold to customers globally since 2019, and progress its suborbital plane to a fully-fledged commercial service.

Movac partner Mark Stuart was first introduced to the Dawn crew late last year, and says that despite his initial skepticism of the company's goal, once he had the opportunity to meet the team and see how much they had already achieved first-hand, he was a true believer.

"I was conscious of how much money and resources have gone into creating space planes around the world, with little success. But, the era of space commercialisation is here, and with Dawn it's a case of the right bunch of people,

in the right place, at the right time. The ideal investment for us is a massive opportunity, and they don't come as big as what this team could accomplish."

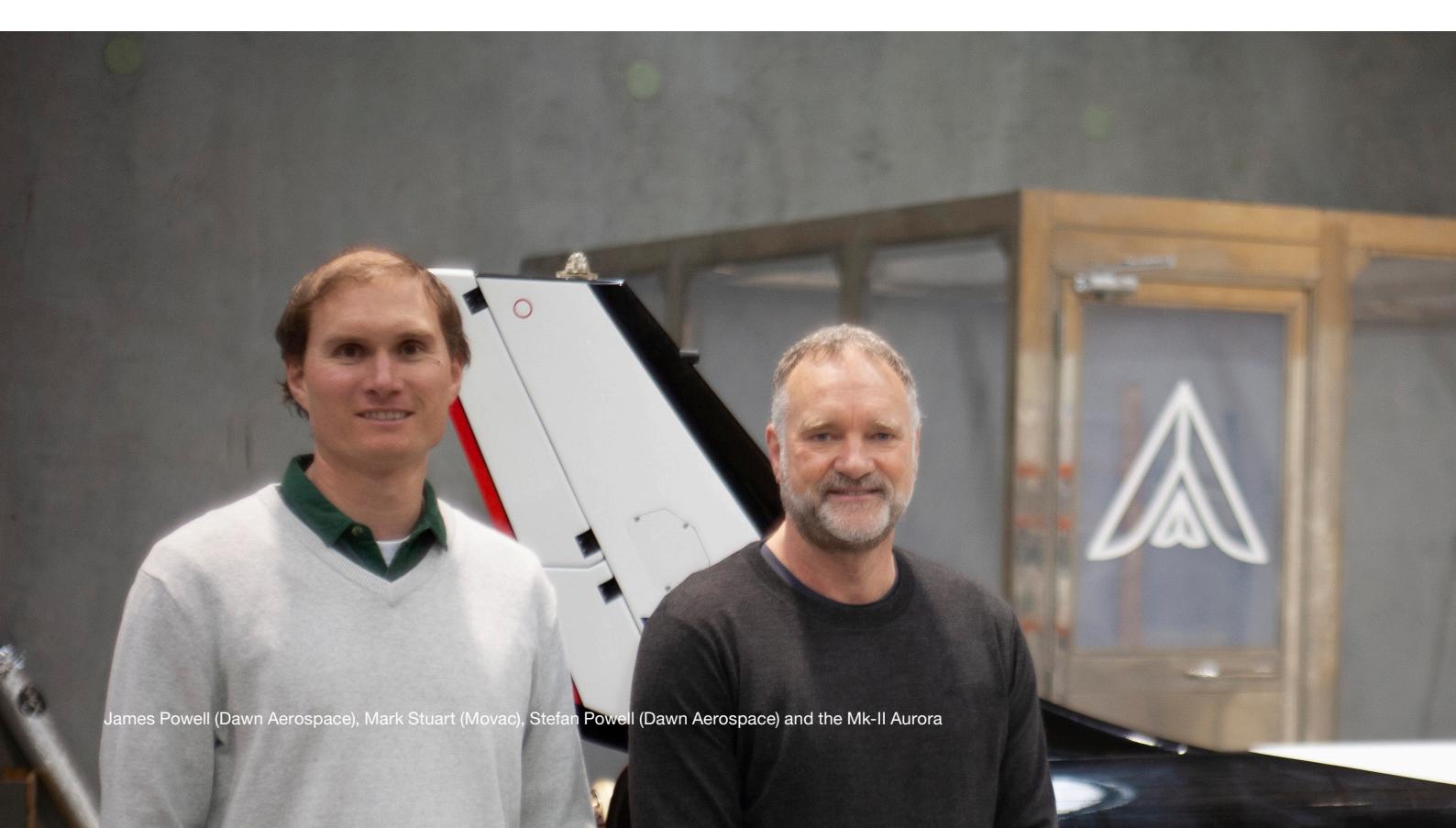
Mark says an ideal investment depends on three interconnected needs.

"It all comes down to a big market, a fantastic team and a moat - something that gives them an unfair advantage against well-funded competitors around the world. In New Zealand, we may not have the money that overseas competitors have, but we've still got to have the same ambition".

James says the financial value of investors is only half of the equation. A long-term vision and common values are also important.

"Your investors need to be strategically valuable and people who will help your personal growth, because you have to adapt fast and learn so quickly. Aerospace is a profession where people have an intrinsic love and passion for what they do, and the motivation to tackle any hurdle. You need your investor to have that same mindset."

In 2019 Dawn moved its New Zealand operation from Auckland to Christchurch, providing more space to expand. The company also has a facility in the Netherlands. James says Aotearoa provides an excellent regulatory system,



James Powell (Dawn Aerospace), Mark Stuart (Movac), Stefan Powell (Dawn Aerospace) and the Mk-II Aurora

“Epic people are what make epic things happen. It doesn't matter if the challenge you have is sales, engineering or regulation, the right people will help you find a way to make it happen.

low population density and open spaces, making it a great location for flight testing. While the Netherlands has access to specialist space technology infrastructure and industry knowledge.

Mark says one of Dawn's achievements he's most proud of is the team completing five test flights of their Mk-II Aurora suborbital plane in July 2021. The flights, which were conducted within three days, reached altitudes of 1000 metres.



“This is just one of many major milestones Dawn will achieve. With what they intend to do, they'll go down in the record books.”

Named New Zealand Hi-Tech Start-up Company of the Year in 2020, Dawn has expanded from two full-time equivalent staff in 2017 to over 50 in 2021. James credits their employee's pragmatic, passionate and cooperative attitude for fueling the company's success.

“Epic people are what make epic things happen. It doesn't matter if the challenge you have is sales, engineering or regulation, the right people will help you find a way to make it happen. That's what you need to build products that satisfy customers and to build a team that everyone wants to be part of”, says James.

James believes it's important that Kiwi startups don't limit themselves to the New Zealand market.

“From day one, you need to be thinking about how your company could make a positive impact on people around the world. Because why would you only help New Zealanders if you could also help the world be a better place? At Dawn we're constantly questioning: how can we be bigger? We're challenging ourselves to not just build better capability but completely change how we use space, how often we go there, and how we can empower humanity.”



**JAMES POWELL**  
CO-FOUNDER,  
DAWN AEROSPACE



**MARK STUART**  
PARTNER, MOVAC

# Passion and purpose: values-based investments ↓

**There is a magical spark that happens when an angel and a founder realise they share the same values. When the enterprise is purpose-led and values driven, that bond is even stronger.**

That's certainly the case for Jobloads founder Candice Pardy and angel Kirsty Reynolds, who share a similar determination to change the world.

The pair met through SheEO, when Reynolds helped Pardy with her application and selection process.

"I was reading through Candice's application and was struck by how many things we had in common; we both came from large whānau and understood the importance of family, we had experiences of childhood hardship, and we'd both had corporate journeys before embarking on our own projects. These experiences, particularly our childhoods, made me determined to create a better life for myself and that's what I saw in Candice too."

In 2019 Pardy had started her own orchard and was struggling to find a reliable source of labour.

**"I asked all my grower friends and it was pretty much each person for themselves. The conditions weren't right for the workers and there was a real imbalance. I figured there must be a way to solve the problem and came up with Jobloads.**

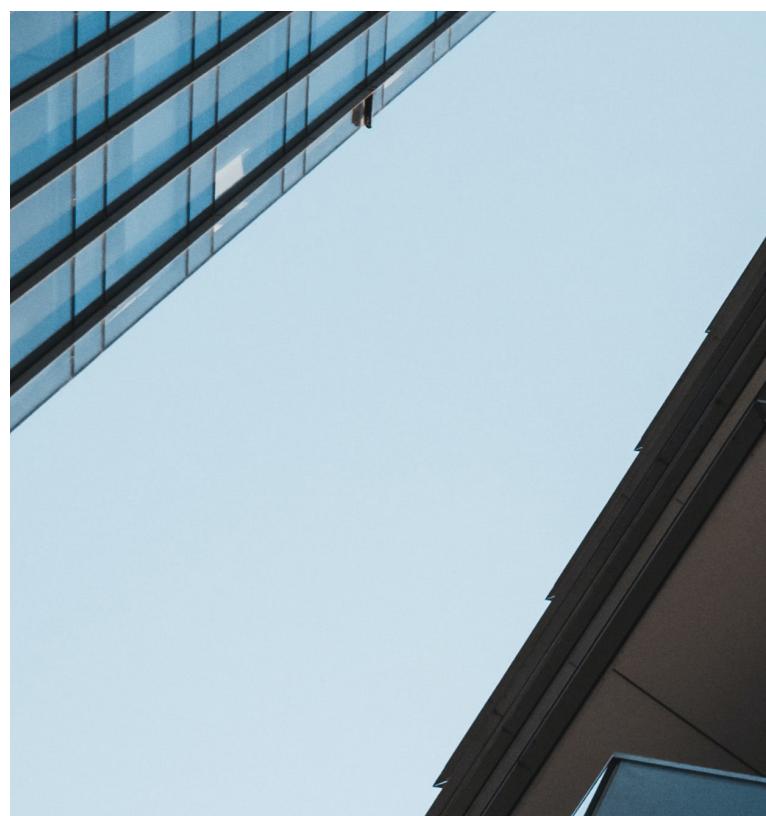
Jobloads is a digital hiring platform that connects seasonal workers with horticultural employers. What makes it different from anything that's gone before is the underlying belief that there is dignity in every job and people can find mana at work.

While an innovative idea, it was a seed that required capital to bring it to life, and Pardy says this was a challenge in the regions.

"There aren't a heap of founders or incubators - it was a hard slog. Thankfully I was nudged to apply to SheEO which is where I met Kirsty, and that was life changing."

Jobloads aims to make every job experience for seasonal workers tika (right). Pardy says the labour pool is available if the industry can provide merit-based work and freedom from discrimination.

"Aotearoa has a competitive labour market and the horticulture industry hasn't caught up with that. We need to provide ethical, more attractive working conditions - that's the sweet spot for solving the underlying problem. There are huge economic benefits for employers who provide excellent working conditions for their workers."



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It's rare to meet a founder where you feel they're doing their life's work. Candice is providing people with a pathway from minimum wage to meaningful career, and that's an important problem to solve.



Reynolds says that, traditionally, seasonal work has been seen as something people do short term, not as a viable career.

**“It hasn’t paid well and it’s difficult to create a career. Jobloads wants to provide a pathway that gives workers a CV, which is something that wouldn’t otherwise be available to them. This will help address some of the systemic issues and will shift the dial from marginal work to something that has mana and is sustainable.”**

While values-based business models don’t appeal to all investors, Pardy says it has helped her align with those that believe in the same thing.

“Values-based attracts a certain type of investor, that’s their jam. Our mission is clear, we want every job experience to be right and because there’s an underlying problem that we’re trying to solve, that drives the decision for an investor.”

Reynolds credits Pardy with having a determination and hustle that commands respect, and says it’s one of the reasons she was keen to jump on as an investor.

She says SheEO has played a huge role in Jobloads’ success to date and is an important network for women to find alternative sources of funding as they start up businesses that will have a positive social and environmental impact on society.

“We call it working on the world’s to-do list. I’m motivated by working with founders like Candice on interesting problems that are improving outcomes. One of the fundamental issues in Aotearoa is productivity and there is huge value in having diverse people looking at solutions.”

For Pardy, working to address a problem that’s worth solving is what gets her out of bed every day.

“This totally rocks my boat and is the best thing that’s ever happened to me. In the early days I was pretty naive, I did think I’d go global from day one and would attract investment quickly because I’m so passionate about the problem I’m solving. I’ve matured a lot in that space.”

The maturity Pardy speaks of is also reflected in her personal journey, where she has learnt to stand in her space.

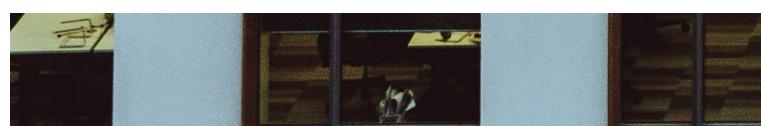
“In my corporate career I thought I had to present myself a certain way to fit in - that’s something quite common when you’re the only brown person - and I told myself that story for years. It was only when I started pitching to investors that I realised I had to start sharing my story - and it resonated with people. I stopped being ashamed of where I’d come from and could see how all the challenges of my past had brought me to where I am now.”



KIRSTY REYNOLDS  
DIRECTOR AND INVESTOR



CANDICE PARDY  
CEO, JOBLOADS





# Game on ↓

**“Games have so much potential to positively affect people. When people are together socially they are happier and healthier and gaming, particularly Virtual Reality (VR), can provide that same presence and social connection as in person.” Jessica Manins**

While the gaming sector was in growth mode pre pandemic, COVID-19 increased interest, both from new audiences and those seeking an alternative form of entertainment, alleviating boredom and loneliness during lockdown. According to Adroit Market Research, the market for gaming content is on track to be valued globally at \$US79 billion by 2025. Twitch has now become a leader in entertainment platforms - on average, 93 billion minutes are watched per month across 26.5 million daily users. On a daily basis, Twitch users are spending an average of three hours on the platform, compared to Netflix users who only spend an average of two hours streaming per day.

Globally, it's estimated there are currently 2.9 billion players and esports viewing audiences are beginning to exceed that of traditional sports. For example, the 2020 League of Legends world championship was broadcast across more than 21 platforms, in 16 languages, with viewership topping 49.95 million.

To put it mildly, gaming is huge.

## Increasing our footprint

**While small when viewed against the global scale, New Zealand gaming companies are already making their mark, and there is considerable potential for the sector to expand.**

Anand Reddy, PwC New Zealand Partner, says there is international interest in investing in the local gaming sector.

“We've seen some great successes, including companies such as Grinding Gears, KiwiNinja, MYTONA and RocketWerkz. Gaming uses a lot of creative talent - including talent from the film industry - which has been abundant and, providing the content is creative and scalable, companies are making money.”

For those used to traditional investment models based on research or product, gaming can seem completely foreign, but Reddy says that's just a matter of education.

“It's a different approach than typical tech ventures and shouldn't be viewed the same. Investment in gaming is about people, not product. Not all games will be successful and even those with great promise may be scrapped, but

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**Fresh teams can be successful, but most of the hugely successful game developers have failed before they succeeded. I'm always keen to see a team that's learnt from their failure and gone on to do a better job.**

## TIM PONTING

it's a sector that generates new IP quickly, and in that respect it's similar to film, but achieved at a lower cost.”

It's also sustainable. When M&A activity occurs, the company continues to grow in New Zealand, increasing high value job opportunities.

## Learning to understand the sector

**Tim Ponting, Establishment Director, CODE - New Zealand Centre of Digital Excellence, is a gaming industry veteran, with over 30 years experience in the sector. During his career he has been both game developer and investor, which gives him something of a unique perspective.**

Ponting says one of the most common investment mistakes is a disconnect between the games company and potential investors, with both sides failing to understand what the other is looking for.

"It's important for startups to know what each category of investor wants. An angel investor is looking for a chunk of equity in return for a small amount of money at the riskiest moment. At that point you want an angel with the experience and skill to help you, not your next door neighbour who's made money in engineering."

Meanwhile, venture capital investors are looking for high risk, high return businesses.

"They don't want to hear 'I've got this game, if you give me a \$1m I'll give you \$500k profit in two years time', that simply won't float their boat. If you're a gaming startup you need to understand the investment categories."

So what makes a good bet? According to Ponting that all depends on the kind of investment you're making. If it's for an equitable stake he says to focus on the team and not the product.

As such, he encourages investors to learn to recognise the qualities that make games developers good at what they do. These include leadership ability, creativity and - where possible - working with people who have failed.

"Fresh teams can be successful, but most of the hugely successful game developers have failed before they succeeded. I'm always keen to see a team that's learnt from their failure and gone on to do a better job."

He also warns that games don't scale or run in the same way as other businesses and says that good investment is about picking the right time. Often there will be big sales with a new release, then a drop, and small upturns. He suggests that new investors hang their preconceptions at the door and find people that know what they're talking about.

"Don't go into gaming thinking it's like software development or SaaS. Even if it's a game as a service, that's a totally different business."

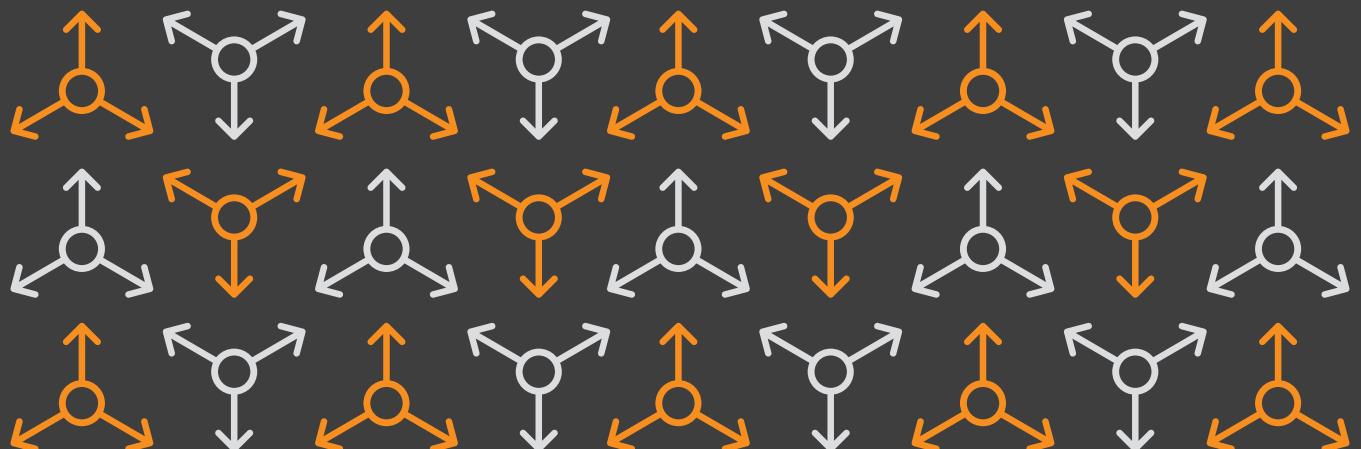
For all that, Ponting says gaming is one of the most exciting and creative sectors, and New Zealand developers bring a level of pragmatism that is unique globally.

"Kiwis are good at solving problems, they're very good at finding ways to do things that are efficient and can overcome limitations. For example, if a company can't raise lots of money to make the game they want, they may look at how they can self-fund and make a compelling game for \$500,000 so they can get to where they want to be."

Because it's a case of New Zealand versus the global market, Ponting says the local ecosystem is incredibly collaborative. People share insights, technology and data with their peers, unlike the more ruthless European and North American markets. With 96% of gaming revenues from international markets, Ponting says it makes sense for everyone to be uplifted at the same time.



**TIM PONTING**  
ESTABLISHMENT  
DIRECTOR, NZ CODE



## The power of storytelling

**One area Aotearoa is making waves is in indigenous content, driven by the demand from gamers for authentic experiences. Ponting says indigenous content is compelling because it offers an immersive experience, something that gamers crave. He points to the widely successful Never Alone, which paired world class game makers with Alaskan indigenous storytellers and elders to create a game which delves deeply into the traditional lore of the Iñupiat people.**

Ask about indigenous game content in Aotearoa and one name is on everyone's lips; Maru Nihoniho, founder of Metia Interactive. Nihoniho walks a fine line between creating compelling content and staying true to the cultural heritage that is the source of her success.

**“It would be tempting to make the content more mainstream, but what makes Metia different is the Māori content; it’s the stories and the reo, and I can’t risk that being told without the authenticity behind it,” she says.**

This means a caution in her approach in how and who she pitches investment to, which slows her growth down, but is testament to the responsibility she bears for te ao Māori on the gaming platform.

“If I do something wrong, I’m the one who’s going to be flamed - not the publisher,” says Nihoniho.

While technology has made connecting with offshore investors easier than her early startup days in 2003, when she had to be present in the markets she was selling to, there are still challenges.

“It’s definitely easier to get investment from offshore, but the hard part is knowing which publisher is the right one for your content and how to connect. What are their expectations? What are they looking for? I’m developing games that are seen as niche, so it’s important to get that pitch right.”

Increasingly Nihoniho is connecting to her audience through TikTok, which is providing an opportunity to build awareness and engagement.

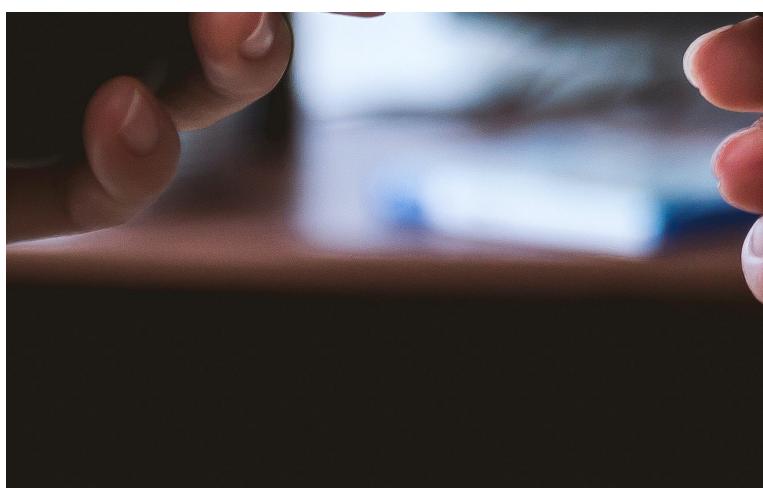
“Facebook wasn’t really working for me so I thought I’d give TikTok a go and it went off - we had 15,000 followers in a few months. It’s not just Māori but people from all over the world who want to learn about our culture.”

Nihoniho says that gaming has given her a connection to Māoritanga in a way that she hasn’t had previously.

“Throughout my schooling I went through stages of being completely disconnected from my culture. It can be hard being in an environment where people don’t look like you, or have a name they can pronounce. But when I started creating games I really identified with te reo and began to understand I was of the whenua.”

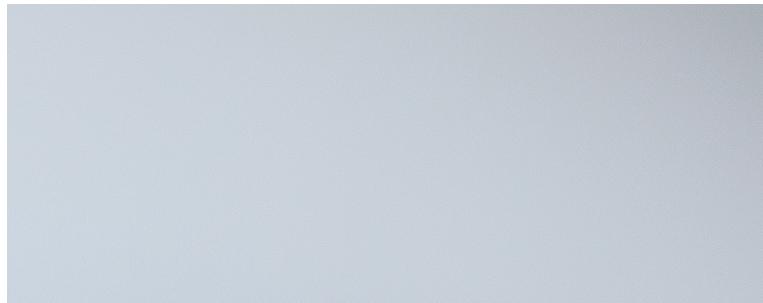
She is delighted to see increasing participation and opportunities for Māori in gaming, and is relieved to no longer be the only Māori game developer, “It takes the pressure off!”

Gaming, she says, is a great platform to tell indigenous stories as the gaming platform is fun, immersive and interactive. “It’s a powerful educational tool that doesn’t feel like learning. What better way to teach our tikanga than through the ability to experience it?”





MARU NIHONIHO  
FOUNDER METIA  
INTERACTIVE



## The future is fun

**One of the things people in the industry find so exciting is this intersection of technology and entertainment. That's certainly the case for Jessica Manins, Co Founder of social VR and gaming company, Beyond.**

**For Manins, who came to gaming after a career in theatre, film and technology, it all comes down to fun.**

“Games have so much potential to positively affect people. When people are together socially they are happier and healthier and gaming, particularly Virtual Reality (VR), can provide that same presence and social connection as in person.”

“**People may think the gaming market is saturated, but it’s not - especially in the VR space. There’s actually only around 300 titles in the Oculus Quest Store and one of the biggest performers, BeatSaber, is from a small studio. Seven of the top ten selling titles in the past two years were from indie studios.”**



Despite the size of the global market, Manins says the potential for New Zealand to make an impact is huge, particularly as it's possible to be successful as an indie game studio.

What's more, New Zealand has the ability and talent to make it happen, and can use cross over talent from the film industry. Manins says the work is done in the same engine with the same work pipeline, just with different content. “Film or games, it’s the same talent we need.”

As soon as she started working with VR Manins knew the goal was to create a global product. Aware that she would need to fund a lot of R&D, Manins began creating AR and VR experiences for clients to self fund. She says that was a particularly hard time, as VR was an emerging industry in New Zealand.

Ultimately, says Manins, this was a positive, because it meant the investors understood the model and have challenged the assumptions about the space.

When engaging with investors Manins believes honesty is important.



"I'm simply not the type of person to pretend and I'm very open around areas of weakness. I also strongly believe in kindness. That can be hard in an industry like this which, at times, can be aggressive - particularly when you're raising capital."

She admits this approach may have slowed the company's growth but says she would rather build a business based on solid foundations, than compromise for short term, possibly unsustainable, gains.

Thankfully my first investor was an entrepreneur. He had seen my work, knew me and got what I was trying to do. My second group of investors took a longer time to come on board because they needed to learn about VR, games and what we were trying to achieve.



←  
**JESSICA MANINS**  
CO-FOUNDER, BEYOND

# About Startup Investment ↓

This biannual publication is put together by PwC New Zealand ('PwC') and Angel Association New Zealand ('AANZ'), using Young Company Finance deal data supplied by New Zealand Growth Capital Partners ('NZGCP'). The purpose of this magazine is to provide insight and commentary on the startup sector in 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 co-investment 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 start-up funding activities by investors across the country.

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

 <p><b>Seed</b></p> <p>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 &lt; \$1m.</p> <p><i>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.</i></p>	 <p><b>Start up</b></p> <p>Revenues &lt;\$3M, negative cash-flow, FTE &lt;20 with incomplete senior management team, governance a mix of founders &amp; early stage investors, first investment round (if no Seed round).</p> <p><i>The purpose of Start-up investment is to enable business operations, further development of products / services, sales and international growth.</i></p>	 <p><b>Early Expansion</b></p> <p>Neutral cash-flow (EBITDA + CAPEX) based on aggressive re investment policy, structured management &amp; governance,</p> <p><i>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.</i></p>	 <p><b>Expansion</b></p> <p>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.</p>
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As the data is provided voluntarily, NZGCP cannot guarantee the completeness of the data provided and the data excludes investments into early-stage companies by corporate organisations, family offices, high net worth individuals or family & friends of the investee companies unless they have been provided by other sources (e.g. the investee companies themselves or which NZGCP has been able to obtain from other sources such as media announcements). NZGCP does not undertake to validate the information provided and therefore makes no assurances to the accuracy or completeness of the data reported.

Capturing as complete a set of data as possible enhances the reliability of the information that can be reported. NZGCP warmly welcomes other parties to contribute their data in the future editions by contacting [venture@nzcgp.co.nz](mailto:venture@nzcgp.co.nz)

# 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, structuring, strategic advisory services as well as networking opportunities. We collaborate with others in the local ecosystem including NZTE, Angel Association New Zealand, KiwiNet, and other New Zealand VC funds. Alongside publishing StartUp Investment NZ, we are sponsors of KiwiNet Awards and the NZ Hi Tech Awards.

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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 nearly 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](http://www.angelassociation.co.nz)



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