

American gate may open for NZ firms

Sixty Australian and New Zealand companies will come under scrutiny in October from some cash rich American venture capital firms. Business Editor DENE MACKENZIE investigates why New Zealand companies would appeal.

After four years of consolidation, United States venture capital firms are ready to invest again and they are considering Australia and New Zealand as destinations for their cash.

Some of the best the trans-tasman neighbours have to offer will be on display in California's Silicon Valley in October.

American executives wanted to find the hot new companies coming out of Australia and New Zealand, ANZA Technology Network executive director David Cannington said this week.

Investment New Zealand director Ross Campbell told the *Otago Daily Times* that some of Dunedin's success stories, like Fisher & Paykel Appliances, Natural History New Zealand and Taylormade Media Ltd, were great examples of why New Zealand was such a good place to do business.

ANZA, a non-profit organisation based in San Francisco to promote ties between Australian, New Zealand and US technology companies, will bring together 60 Australian and New Zealand businesses and about 50 US venture capitalists at the October 26-28 conference.

Information, communication, environmental and agricultural companies from Australia and New Zealand are expected to attend the ANZA Technology Gateway to the US conference.

Collaboration between Australia and New Zealand on those types of promotions was not unusual, Mr Campbell said.

"We need to provide a level of confidence about the prospects of companies and deals for venture capitalists to be interested. We demonstrate why they should be thinking about Australasia for their investment rather than China, India or Malaysia."

Mr Cannington said American venture capitalists were far more positive heading into this year's conference compared with the past two years ANZA had staged the event.

"There's been a huge change in mind-set and optimism this year compared to the previous years.

"Venture capital firms have money to invest and are looking for proven technologies that have some traction.

"That's why they're looking toward countries like Australia and New Zealand because what's great about them is they already have revenue so they treat Australia as a good test market.

"They look at the technologies and say OK, they've been fine-tuned in the Australian and New Zealand market place, they're ready to go with the right kind of support management and financing in the US if they've got a competitive edge," he said.

Microsoft, Silicon Valley Bank, Macquarie Bank, Minter Ellison, Air New Zealand, Deacons, Austrade, New Zealand Trade and Enterprise and Australia's state governments are backing the conference.

The conference was a gateway into the US market for Australian and New Zealand technology companies, Mr Cannington said.

Mr Campbell said that once the venture capitalists were interested in the concept of trans-tasman investment, then it was time for New Zealand companies to say why this country was a better investment destination than New South Wales, Queensland or Victoria.

Because of New Zealand's pastoral background, scientists had developed expertise in areas not found in Australia and the country's technology companies had expertise not found as readily in Australia.

However, it was not an easy job. American venture capitalists typically looked at 200 prospective investments but eventually only invested in four to eight companies.

The "rule of thumb" was that for every 10 investments, two would be "outstanding", two or three would fail and the balance would be ordinary performers, he said.

The investors were looking for high growth companies: ones that had the ability to sell a greater number of products or services into the US at a price that was profitable to the company and investors.

"If both of those things happen, you have wealth creation," Mr Campbell said.

New Zealand had world-leading companies, according to Mr Campbell and during the interview, he paid tribute to the international recognition gained for the country from Dunedin-based F&P Appliances, Natural History NZ, Taylormade and the biotechnology companies that had been developed out of the University of Otago.

Success bred success and being able to leverage off successful companies was essential.

F&P Appliances needed high-quality New Zealand-made goods and services included in its products that were going offshore to remain leaders in the appliance industry, he said.

Natural History had a reputation second only to the BBC for its wildlife documentaries.

An Auckland company had developed an "impressive record" for technology by turning CAD images into three-dimensional designs.

"That creates the expectations that New Zealand companies have this expertise. *Lord Of The Rings* showed New Zealand's film-making expertise but also showed the attraction of New Zealand as a tourist destination."

Companies associated with *Lord Of The Rings* worked on other films like Will Smith's *I Robot* and Russell Crowe's *Master and Commander*, he said.

New Zealand has a proven investment record. Australian investors have invested nearly \$20 billion directly into New Zealand; the United Kingdom \$7.3 billion; US \$5.6 billion and the Netherlands \$5.1 billion. Japan, Hong Kong, Singapore, Canada, Germany and Norway also invest here.

There are four venture capital funds established as joint ventures between New Zealand investment firms and offshore-based managers, some of who had strong links with the country through family connections.

Mr Campbell said venture capitalists were essential for the growth as they could provide strong links into offshore markets.

Economic Development Minister Jim Anderton is a keen supporter of venture capital and start-up funding.

In an interview yesterday, he said he remained "gob smacked" at the creativity and innovation on display everywhere he went in New Zealand.

After a recent tour of Scandinavian countries, Mr Anderton was impressed by the Nokia philosophy of exporting value not weight.

"I have been preaching that theory every chance I can as it encapsulates the best and the worst of New Zealand."

For many years, the country was an exporter of commodities - bales of wool and frozen carcasses. The challenge for the future was to export value not weight as that would secure the future of the economy.

New Zealand innovation was weightless and could be exported easily. It was also high value intellectual property.

"When I sell New Zealand to overseas entrepreneurs and investors I tell them they will find New Zealand is a mountain of good ideas and the willingness to be flexible.

"Being small and at the bottom of the world, we have had to work harder to reach markets and solve problems for ourselves."

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