



VENTURE CAPITAL AND LATER STAGE PRIVATE EQUITY AUSTRALIA

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NOTES

INTRODUCTION

Venture Capital and Later Stage Private Equity (VC&LSPE) is high risk capital directed towards businesses with prospects of rapid growth and/or high rates of returns. They are an investment not only of money, but also of skills and time. This publication presents information on financial contributions to venture capital and later stage private equity investments.

The Australian Bureau of Statistics (ABS) undertook the first survey of venture capital for the period 1999-2000 and has since undertaken this survey annually with the financial support of the Department of Industry, Innovation and Science.

The ABS has conducted all surveys with the advice and assistance of users of these statistics, industry bodies and data providers.

DATA CUBES

Additional data are available on the ABS website including longer time series for all publication tables (except Table 4).

ABBREVIATIONS

\$b	billion (thousand million) dollars
\$m	million dollars
ABS	Australian Bureau of Statistics
ADI	Authorised deposit-taking institution
ANZSIC06	<i>Australian and New Zealand Standard Industrial Classification, 2006 Edition</i>
ANZSIC93	<i>Australian and New Zealand Standard Industrial Classification, 1993 Edition</i>
AVCAL	Australian Private Equity & Venture Capital Association Limited
GDP	gross domestic product
IPO	Initial Public Offer
LBO	leveraged buyout
LSPE	Later Stage Private Equity
VC	Venture Capital
VC&LSPE	Venture Capital and Later Stage Private Equity

David Kalisch
Australian Statistician

SUMMARY OF FINDINGS

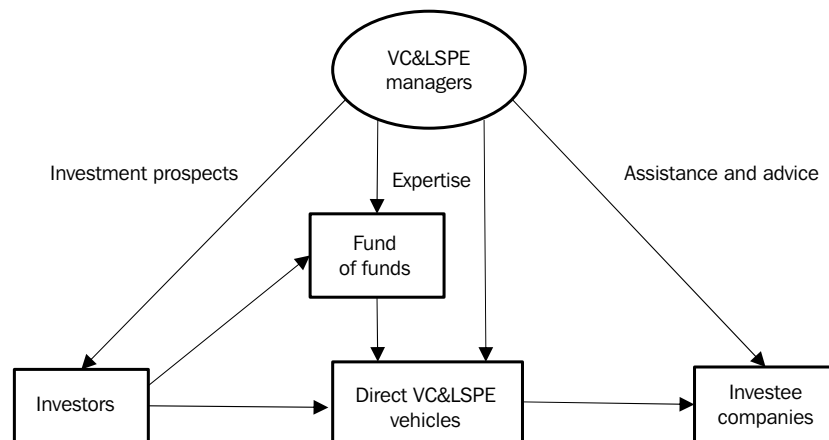
INTRODUCTION

Investors in Venture Capital and Later Stage Private Equity (VC&LSPE) are generally sophisticated individual investors or institutional investors such as pension (superannuation) funds. Investments in VC&LSPE vehicles are mainly organised in the form of either trust funds or corporations. VC&LSPE trust funds obtain investment commitments from investors, which are drawn down over time. They return net capital (original capital plus profit minus loss) as investments are realised. VC&LSPE vehicles organised as corporations are able to choose to make distributions to investors (including parent corporations) or to retain capital for further investment. Investors in corporations may liquidate their investment by sale on the secondary market.

There are two types of VC&LSPE vehicles: direct VC&LSPE vehicles which generally place investments directly in investee companies; and indirect VC&LSPE vehicles that pool funds and generally place investments with direct VC&LSPE vehicles. These are called fund of funds.

The investment decisions of the vehicles are made by a VC&LSPE manager, who is generally a skilled business person and/or financial analyst. The VC&LSPE manager provides assistance and advice to the investee companies. The value of committed funds is the capital pledged by investors, representing the maximum amount that the fund may draw down from investors. A quantity of this commitment will have been paid in by investors (drawdowns) and the remaining quantity yet to be paid in (unused commitment).

The usual relationship between the investors, managers, vehicles and investee companies is shown below. While this represents the usual relationship, variations can occur e.g. a fund of funds may co-invest with another fund manager.



OVERVIEW

The value of funds committed to VC&LSPE investment vehicles increased in 2014-15. As at 30 June 2015, investors had \$19,946m committed to investment vehicles, a rise of 8% on the \$18,514m committed as at 30 June 2014. Most of the committed funds were sourced domestically, with 68% of commitments from Australian investors (residents), down from 73% as at 30 June 2014 and 77% as at 30 June 2013. The value of funds committed by non-residents rose \$1,408m (29%). Resident pension funds contributed \$8,392m to total committed capital (42% of total funds committed).

SUMMARY OF FINDINGS *continued*

OVERVIEW *continued*

SOURCE OF FUNDS OF VC&LSPE VEHICLES

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	\$m	\$m	\$m	\$m	\$m	\$m
Commitments by investors	17 262	16 546	19 268	19 777	18 514	19 946
Drawdowns from investors	12 224	12 216	13 069	14 198	13 603	15 121
Unused commitment	5 039	4 330	6 199	5 579	4 912	4 825

Committed funds drawn down from investors totalled \$15,121m as at 30 June 2015, an increase of 11% on the \$13,603m committed funds drawn down as at 30 June 2014.

Committed funds of \$4,825m were yet to be called on as at 30 June 2015. These undrawn commitments can be classified by preferred stage of investment, with \$1,320m undrawn by funds which prefer to invest in companies in the Venture Capital (VC) stages.

Total valuations of all investments by VC&LSPE investment vehicles (\$8,802m in 693 investment deals) rose 11% on the \$7,907m reported as at 30 June 2014. Investment deals were reported by 210 vehicles.

The value of investments as at 30 June 2015 represented 0.55% of GDP, up from 0.50% of GDP as at 30 June 2014. Over the same period, both VC and LSPE investments rose as a proportion of GDP (0.11% to 0.12%, and 0.39% to 0.43% respectively).

VALUE OF INVESTMENT BY VC&LSPE INVESTMENT VEHICLES

	2012-13			2013-14			2014-15		
	VC	LSPE	Total	VC	LSPE	Total	VC	LSPE	Total
Value of Investment (\$m)	1 707	6 641	8 348	1 692	6 215	7 907	1 937	6 866	8 802
GDP(a) (%)	0.11	0.44	0.55	0.11	0.39	0.50	0.12	0.43	0.55

(a) In calculating VC&LSPE ratios, the most recently published annual GDP values were sourced from the Time Series Spreadsheet Table 36 *Australian National Accounts: National Income, Expenditure and Product, Sept 2015* (cat. no. 5206.0) - Gross domestic product: Current prices (original, derived, annual), series ID: A2304617J.

VC&LSPE managers reviewed 9,567 investment proposals during 2014-15 and conducted further analysis on 1,256 of those, with 151 new investment deals being made. These 151 new investments totalled \$1,383m in value. In addition to this, 150 follow-on investments were made in existing VC&LSPE deals to a total value of \$415m.

SUMMARY OF FINDINGS *continued*

OVERVIEW *continued*

SUMMARY TABLE, VC&LSPE INVESTMENT—2013-14 and 2014-15

		VC		LSPE		BOTH VC&LSPE	
		2013-14	2014-15	2013-14	2014-15	2013-14	2014-15
<i>New investments</i>							
Deals	no.	74	101	34	50	108	151
Value	\$m	191	177	742	1 206	933	1 383
<i>Follow-on investments</i>							
Deals	no.	104	104	33	46	137	150
Value	\$m	104	206	152	209	255	415
<i>New and follow-on investments</i>							
Deals	no.	178	205	67	96	243	301
Value	\$m	295	383	894	1 414	1 189	1 798
<i>VC&LSPE proposals</i>							
Viewed(a)	no.	6 131	7 291	2 002	2 276	8 133	9 567
Further considered(b)	no.	697	972	209	284	906	1 256

- (a) Number of investment proposals viewed by all VC&LSPE managers.
 (b) Number of investment proposals that underwent further analysis by VC&LSPE managers, i.e. significant negotiations with owners, indicative bid made or due diligence undertaken.

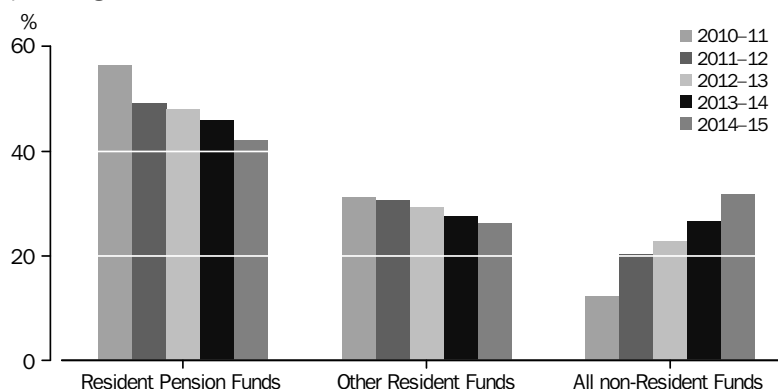
ANALYSIS OF RESULTS

INVESTORS

There were \$19,946m committed to VC&LSPE investment vehicles as at 30 June 2015. Of this, \$4,571m was committed via fund of funds investment vehicles.

The following graph presents committed investment from VC&LSPE investors by type of investor for the period 2010-11 to 2014-15. Resident pension funds (42%) were the largest source of funds, in terms of committed funds to VC&LSPE investment vehicles.

COMMITMENTS FROM INVESTORS BY INVESTOR TYPE,
percentage of total investment in VC&LSPE vehicles—2010-11 to 2014-15



VC&LSPE MANAGERS AND INVESTMENT VEHICLES

There were 121 active VC&LSPE managers who were managing 210 VC&LSPE investment vehicles. Of the 121 active VC&LSPE managers, 48% reported that they prefer to invest in VC investments only, 27% prefer LSPE investments only and 25% prefer to invest in both VC and LSPE investments (refer to paragraph 13 of the Explanatory Notes regarding the stages of investment). The following table shows the breakdown of managers and vehicles by preferred category of investment.

VC&LSPE MANAGERS AND INVESTMENT VEHICLES, by focus of fund—2013-14
and 2014-15

	VC&LSPE MANAGERS		VC&LSPE VEHICLES	
	<i>no.</i>	<i>%</i>	<i>no.</i>	<i>%</i>
2013-14				
VC only	61	49	92	42
LSPE only	37	30	95	43
Both VC & LSPE	27	22	34	15
Total	125	100	221	100
2014-15				
VC only	58	48	94	45
LSPE only	33	27	81	39
Both VC & LSPE	30	25	35	17
Total	121	100	210	100

The stage of investment preferred by VC&LSPE fund managers was related to the value of the fund's assets. VC&LSPE vehicles with less than \$10m in total assets mostly focused on VC only investments (58%). While VC&LSPE vehicles with more than \$25m in total assets were mostly focussed into LSPE investments only (43%).

ANALYSIS OF RESULTS *continued*

VC&LSPE MANAGERS AND INVESTMENT VEHICLES *continued*

VC&LSPE MANAGERS PREFERRED STAGE OF INVESTMENT (a), by investment vehicle assets—2014-15

	VC only	LSPE only	Both	Total
	no.	no.	VC&LSPE no.	no.
Less than \$10m	31	8	14	53
\$10m to less than \$25m	13	5	3	21
\$25m or more	14	20	13	47
Total	58	33	30	121

(a) Refer to paragraph 13 of the Explanatory Notes

VC&LSPE investment vehicles had net assets of \$9,673m as at 30 June 2015, a rise of \$280m from 30 June 2014. The majority (50%) of the 210 VC&LSPE vehicles were trusts.

As at 30 June 2015, 102 of the 210 VC&LSPE vehicles were participating in a government program, an increase of four investment vehicles from 2013-14.

The majority of returns on investment to investors are through exits from investments. The value of exits through trade sales was \$571m in 2014-15.

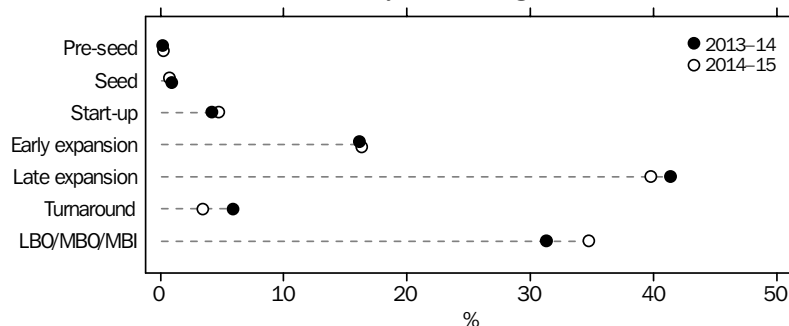
VC&LSPE vehicles used three valuation methods in 2014-15 (refer to paragraph 15 of the Explanatory Notes regarding valuation basis). Directors' valuation (142 vehicles) was the most frequently used method, followed by cost value/book valuation (43 vehicles), and independent valuation methods (25 vehicles).

INVESTEES COMPANIES

At the beginning of the 2014-15 financial year there were 652 active VC&LSPE investment deals valued at \$7,907m. During the 2014-15 financial year \$1,383m was invested in new VC&LSPE investment deals, and an additional \$415m of follow-on investment was made to existing VC&LSPE deals. Following revaluations and exits of investee companies during the year, there were 693 continuing VC&LSPE investment deals valued at \$8,802m at the end of the 2014-15 financial year.

Investee companies in the late expansion stage accounted for \$3,505m or 40% of the total value of investments at the end of the 2014-15 financial year.

PERCENTAGE VALUE OF INVESTMENT, by investee stage(a)(b)



(a) Refer to Glossary for investee stage definitions.

(b) For further information on interpreting these data, refer to paragraph 21 of the Explanatory Notes.

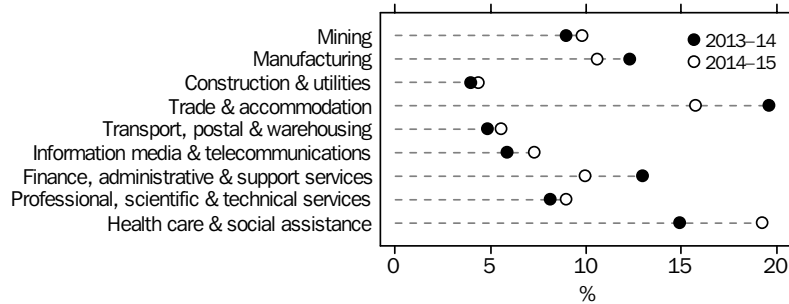
ANALYSIS OF RESULTS *continued*

INVESTEES COMPANIES *continued*

The majority of the total value of investments was in VC&LSPE investee companies with head offices in New South Wales and Victoria (41% and 17% respectively), while offshore investee companies accounted for 15% of total investment in 2014-15.

In 2014-15, the Health care and social assistance industry had the highest proportion of VC&LSPE investment (19%), followed by the combined Trade and accommodation industries (16%).

PERCENTAGE VALUE OF INVESTMENT, by industry of investee(a)(b)



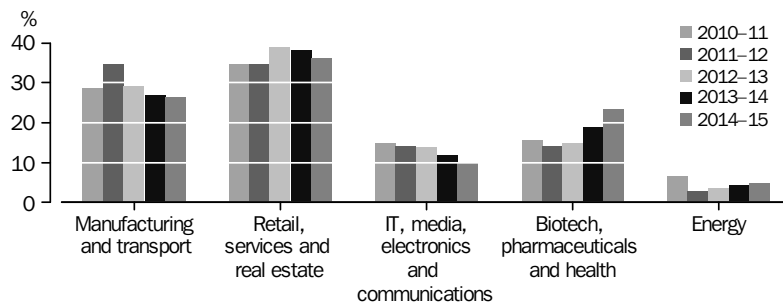
(a) Based on the Australian and New Zealand Standard Industrial Classification, 2006.

Refer to paragraphs 17 and 19 of the Explanatory Notes.

(b) For further information on interpreting these data, refer to paragraphs 21 and 22 of the Explanatory Notes.

When analysed by activity, as defined by the Standard & Poor's Global Industry Classification Standard, the Retail, services and real estate group of activities attracted the largest share of investment, with \$3,174m or 36% of total investment as at 30 June 2015. This was followed by the Manufacturing and transport group of activities, with \$2,308m or 26%.

PERCENTAGE VALUE OF INVESTMENT, by activity of investee(a)(b)



(a) Based on Standard and Poors Global Industry Classification Standard.

Refer to paragraph 20 of the Explanatory Notes.

(b) For further information on interpreting these data, refer to paragraphs 21 and 22 of the Explanatory Notes.

VALUE OF INVESTMENT BY VC&LSPE VEHICLES IN INVESTEE COMPANIES—2009-10 to 2014-15

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	\$m	\$m	\$m	\$m	\$m	\$m
Investments at beginning of year^(a)	7 903	8 912	8 700	7 652	8 348	7 907
Additions to investment value during the year						
New vehicles and projects	800	928	924	919	933	1 383
Follow-on investments	444	286	250	203	255	415
Unrealised gains in companies	496	224	-3	1 068	409	1 103
Exits and other decreases in value (at balance sheet valuations)						
Trade sales	450	1 403	1 648	1 037	806	571
Initial public offers	155	np	np	np	np	473
Buybacks	81	np	np	np	np	np
Write-offs	40	44	63	94	352	174
Other ^(b)	5	179	461	149	405	np
Investments at end of year^(c)	8 912	8 700	7 652	8 348	7 907	8 802

— nil or rounded to zero (including null cells)

np not available for publication but included in totals where applicable, unless otherwise indicated

(a) The balance sheet value of all ongoing investee companies by VC&LSPE vehicles at the beginning of the financial year.

(b) Other exits and decreases in value not elsewhere specified. In previous years, this was labelled 'left the industry'.

(c) Equals the balance sheet value of 'investments at the beginning of the year' plus 'Additions to investment value during the year' minus 'Exits and other decreases in value'.

	2013-14				2014-15			
	Investment deals		Value		Investment deals		Value	
	no.	%	\$m	%	no.	%	\$m	%
New investments during the year								
Venture Capital								
Pre-seed	7	6	2	—	18	12	4	—
Seed	22	20	12	1	33	22	30	2
Start-up	27	25	51	5	26	17	64	5
Early expansion	18	17	126	13	24	16	80	6
Total Venture Capital	74	69	191	21	101	67	177	13
Later Stage Private Equity								
Late expansion	np	np	np	np	26	17	351	25
Turnaround	np	np	np	np	8	5	47	3
LBO/IPO/listing	16	15	383	41	16	11	808	58
Total Later Stage Private Equity	34	31	742	79	50	33	1 206	87
Total	108	100	933	100	151	100	1 383	100
Follow-on investments during the year								
Venture Capital								
Pre-seed	4	3	1	—	8	5	3	1
Seed	18	13	6	2	14	9	7	2
Start-up	37	27	44	17	43	29	48	12
Early expansion	45	33	53	21	39	26	148	36
Total Venture Capital	104	76	104	41	104	69	206	50
Later Stage Private Equity								
Late expansion	20	15	68	27	22	15	65	16
Turnaround	4	3	np	np	6	4	14	3
LBO/IPO/listing	9	7	np	np	18	12	130	31
Total Later Stage Private Equity	33	24	152	59	46	31	209	50
Total	137	100	255	100	150	100	415	100

— nil or rounded to zero (including null cells)

np not available for publication but included in totals where applicable, unless otherwise indicated

(a) Refer to Glossary for stage of investee company definitions.

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	\$m	\$m	\$m	\$m	\$m	\$m
COMMITMENTS BY INVESTORS						
Non-residents						
Pension funds	68	196	756	845	891	848
Other	1 163	1 860	3 163	3 664	4 038	5 489
Residents						
Pension funds	10 429	9 352	9 452	9 502	8 492	8 392
Authorised deposit-taking institutions	205	149	202	126	83	110
Trading enterprises	1 416	1 173	1 268	1 208	972	988
Governments in Australia	1 004	1 042	1 510	1 462	1 600	1 492
Life insurance offices	341	341	324	260	220	254
Trusts	1 247	1 050	1 031	994	920	908
Other residents	1 390	1 383	1 561	1 716	1 299	1 465
Total	17 262	16 546	19 268	19 777	18 514	19 946
Of which, invested through a fund of funds(b)	4 651	5 383	5 228	5 202	4 866	4 571

DRAWDOWNS FROM INVESTORS						
Non-residents						
Pension funds	np	np	144	303	444	611
Other	663	784	1 185	1 854	2 128	3 366
Residents						
Pension funds	7 358	7 472	7 422	7 765	7 195	7 066
Authorised deposit-taking institutions	np	np	158	np	np	np
Trading enterprises	1 132	923	1 072	1 049	909	912
Governments in Australia	712	757	944	941	990	1 089
Life insurance offices	331	334	318	254	np	np
Trusts	914	834	877	np	761	737
Other residents	865	925	949	1 052	922	1 051
Total	12 224	12 216	13 069	14 198	13 603	15 121
Of which, invested through a fund of funds(b)	2 573	3 840	3 724	3 884	3 778	3 788

UNUSED COMMITMENT						
Non-residents						
Pension funds	np	np	612	542	446	237
Other	500	1 076	1 978	1 810	1 910	2 123
Residents						
Pension funds	3 072	1 880	2 031	1 737	1 297	1 326
Authorised deposit-taking institutions	np	np	44	np	np	np
Trading enterprises	284	251	196	159	63	76
Governments in Australia	292	285	566	521	610	403
Life insurance offices	10	7	6	5	np	np
Trusts	334	216	154	np	159	171
Other residents	525	459	612	664	377	414
Total	5 039	4 330	6 199	5 579	4 912	4 825
Of which, invested through a fund of funds(b)	2 078	1 543	1 504	1 318	1 088	783

np not available for publication but included in totals where applicable, unless otherwise indicated
(a) Closing balance of all VC&LSPE vehicles operating during the financial year (i.e. cumulative stock).
(b) Capital sourced from investors which were invested through a fund of funds, into a direct vehicle.

4

SOURCE OF FUNDS OF VC&LSPE VEHICLES(a), by VC&LSPE vehicles' preferred stage of investment(b) — 2014-15

	Venture Capital	Later Stage Private Equity	Total
	\$m	\$m	\$m
COMMITMENTS BY INVESTORS			
Non-residents			
Pension funds	np	np	848
Other	1 042	4 447	5 489
Residents			
Pension funds	1 805	6 587	8 392
Authorised deposit-taking institutions	np	np	110
Trading enterprises	255	733	988
Governments in Australia	581	911	1 492
Life insurance offices	23	231	254
Trusts	397	512	908
Other residents	405	1 060	1 465
Total	4 710	15 236	19 946
Of which, invested through a fund of funds(c)	575	3 996	4 571

DRAWDOWNS FROM INVESTORS			
Non-residents			
Pension funds	np	np	611
Other	588	2 778	3 366
Residents			
Pension funds	1 457	5 609	7 066
Authorised deposit-taking institutions	np	np	np
Trading enterprises	213	698	912
Governments in Australia	413	676	1 089
Life insurance offices	np	203	np
Trusts	283	454	737
Other residents	311	740	1 051
Total	3 390	11 730	15 121
Of which, invested through a fund of funds(c)	462	3 326	3 788

UNUSED COMMITMENT			
Non-residents			
Pension funds	np	np	237
Other	454	1 670	2 123
Residents			
Pension funds	349	978	1 326
Authorised deposit-taking institutions	np	np	np
Trading enterprises	42	35	76
Governments in Australia	168	235	403
Life insurance offices	np	28	np
Trusts	113	58	171
Other residents	94	320	414
Total	1 320	3 506	4 825
Of which, invested through a fund of funds(c)	113	670	783

np not available for publication but included in totals where applicable, unless otherwise indicated
(a) Closing balance of all VC&LSPE vehicles operating during the financial year (i.e. cumulative stock).
(b) Refer to paragraph 13 of the Explanatory Notes.
(c) Capital sourced from investors which were invested through a fund of funds, into a direct vehicle.

	2012-13	2013-14	2014-15
	\$m	\$m	\$m
New Commitments			
Total non-residents	300	np	1 058
Residents			
Pension funds	184	68	475
Authorised deposit-taking institutions	—	np	np
Trading enterprises	6	np	65
Governments in Australia	np	301	np
Life insurance offices	np	—	np
Trusts	np	95	103
Other residents	82	66	229
Total	704	1 245	1 981
Of which, invested through a fund of funds(a)	np	np	42
Capital Called			
Total non-residents	359	587	920
Residents			
Pension funds	465	267	304
Authorised deposit-taking institutions	np	np	np
Trading enterprises	47	18	47
Governments in Australia	98	174	160
Life insurance offices	np	np	np
Trusts	38	75	105
Other residents	101	104	162
Total	1 109	1 231	1 728
Of which, invested through a fund of funds(a)	306	269	242

— nil or rounded to zero (including null cells)

np not available for publication but included in totals where applicable, unless otherwise indicated

(a) Capital sourced from investors which were invested through a fund of funds, into a direct vehicle.

6

VC&LSPE VEHICLES AND ASSETS, by type of legal organisation and program participation—2012-13 to 2014-2015

	2012-13		2013-14		2014-15	
	Vehicle	Asset Value	Vehicle	Asset Value	Vehicle	Asset Value
	no.	\$m	no.	\$m	no.	\$m
<i>Type of Legal Organisation</i>						
Listed company	12	415	12	321	9	318
Unlisted company	44	188	43	400	36	571
Trust	121	6 410	111	5 641	104	4 888
Other	54	2 922	55	3 604	61	4 329
<i>Any participation in a government assistance program</i>	96	2 862	98	3 920	102	5 368
Total	231	9 935	221	9 966	210	10 105

7

VC&LSPE VEHICLES, by valuation method and value of assets, by focus of fund(a)—2013-14 and 2014-15

	2013-14				2014-15			
	VC only	LSPE only	Both VC and LSPE	Total	VC only	LSPE only	Both VC and LSPE	Total
	Vehicle no.	Vehicle no.	Vehicle no.	Vehicle no.	Vehicle no.	Vehicle no.	Vehicle no.	Vehicle no.
<i>Valuation Method</i>								
Directors	55	70	20	145	61	66	15	142
Independent	5	13	9	27	np	np	15	25
Cost/Book	32	12	5	49	np	np	5	43
<i>Value of assets held</i>								
Less than \$10m	62	38	16	116	55	26	15	96
\$10m to less than \$20m	11	np	np	23	19	10	6	35
\$20m to less than \$40m	12	12	3	27	10	10	4	24
\$40m to less than \$60m	4	8	6	18	np	9	np	15
\$60m to less than \$80m	np	np	—	5	np	4	np	6
\$80m or more	np	24	np	32	5	22	7	34
Total	92	95	34	221	94	81	35	210

— nil or rounded to zero (including null cells)

Np not available for publication but included in totals where applicable, unless otherwise indicated

(a) Refer to paragraph 13 of the Explanatory Notes.

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	\$m	\$m	\$m	\$m	\$m	\$m
Assets						
<i>Non-residents</i>						
Unlisted equity	1 011	1 120	1 023	892	1 220	1 290
Listed equity	123	309	303	210	167	119
Other	330	322	88	167	113	103
Total non-resident assets	1 464	1 751	1 414	1 269	1 499	1 512
<i>Residents</i>						
Cash and deposits	645	792	524	380	638	522
Debt securities	837	1 091	1 115	1 245	1 548	1 752
Listed equities	457	570	364	406	989	1 260
Unlisted equities	6 381	5 660	5 359	6 245	4 665	4 557
Other venture capital funds	503	487	np	84	np	41
Other equity	24	15	np	9	np	np
Other financial	557	445	240	241	520	361
Non-financial	323	105	63	55	68	np
Total resident assets	9 726	9 165	8 085	8 665	8 467	8 592
Total assets	11 190	10 916	9 498	9 935	9 966	10 105
<i>Liabilities</i>						
Borrowings	329	248	182	248	133	206
Other	657	407	237	195	440	226
Total liabilities	986	655	419	443	573	432
Net assets	10 204	10 261	9 079	9 492	9 393	9 673
<i>Expenditure and income</i>						
<i>Selected expenditure</i>						
Management fees	257	250	198	250	211	255
Performance fees	9	27	5	43	87	43
Interest expenses	23	10	20	28	4	26
Wages and salaries	61	26	29	26	26	11
Taxation	17	11	27	20	3	1
Professional services	37	25	44	59	222	258
Other outlays	132	107	187	195	134	211
<i>Selected income</i>						
Interest receipts	198	220	167	193	180	379
Dividends received	109	141	150	256	314	236
Other inflows	117	213	143	181	271	231

np not available for publication but included in totals where applicable, unless otherwise indicated

	2012-13		2013-14		2014-15	
	<i>Investment deals</i>	<i>Value (a)</i>	<i>Investment deals</i>	<i>Value (a)</i>	<i>Investment deals</i>	<i>Value (a)</i>
	no.	\$m	no.	\$m	no.	\$m
<i>By location of investee company head office</i>						
New South Wales	232	3 413	198	3 012	238	3 649
Victoria	168	1 750	164	1 566	156	1 510
Queensland	83	1 095	69	1 079	77	1 269
South Australia	29	279	23	203	np	np
Western Australia	61	500	60	678	50	438
Tas., NT and ACT	36	41	23	31	np	np
Overseas	111	1 270	115	1 338	118	1 320
<i>By industry of investee company</i>						
Agriculture, forestry and fishing	np	np	np	np	np	np
Mining	50	617	48	710	50	861
Manufacturing	114	1 064	97	971	89	932
Construction and utilities	54	419	45	313	42	384
Trade and accommodation	65	1 376	56	1 549	65	1 388
Transport, postal and warehousing	27	468	23	383	26	490
Information media and telecommunications	69	492	79	464	119	641
Finance, administrative and support services	45	1 420	36	1 027	34	878
Professional, scientific and technical services	115	483	112	643	113	787
Health care and social assistance	116	968	98	1 179	91	1 692
Other industries	np	np	np	np	np	np
<i>By activity of investee company(b)</i>						
Manufacturing and transport	162	2 428	141	2 121	156	2 308
IT, media, electronics and communications	185	1 169	162	940	194	873
Retail, services and real estate	132	3 237	121	3 011	125	3 174
Biotechnology, pharmaceuticals and health	193	1 220	181	1 495	176	2 039
Energy and utilities	48	294	47	340	42	407
<i>By stage of investee company(c)</i>						
Pre-seed	21	12	19	14	29	20
Seed	72	57	71	73	65	64
Start-up	118	362	103	331	118	415
Early expansion	228	1 276	207	1 275	206	1 438
Late expansion	159	3 575	129	3 271	145	3 505
Turnaround	31	564	28	467	34	302
LBO/IPO/listing	91	2 502	95	2 477	96	3 059
<i>By age of investee company</i>						
Less than one year	12	75	32	63	33	29
One year to less than five years	187	730	170	564	204	923
Five years to less than ten years	237	1 988	202	1 993	198	2 035
Ten years or more	284	5 554	248	5 288	258	5 815
Total	720	8 348	652	7 907	693	8 802

np not available for publication but included in totals where applicable, unless otherwise indicated

(a) Balance sheet value of ongoing investee companies as at the end of the financial year.

(b) Refer to paragraph 20 of the Explanatory Notes.

(c) Refer to Glossary for stage of investee definitions.

10

NUMBER OF INVESTMENT DEALS, by value of investments(a)— 2011-12 to 2014-15

	2011-12	2012-13	2013-14	2014-15
	<i>Investment deals</i>	<i>Investment deals</i>	<i>Investment deals</i>	<i>Investment deals</i>
	no.	no.	no.	no.
<i>Value of investments</i>				
Less than \$0.5m	235	222	171	181
\$0.5m to less than \$1m	80	69	63	81
\$1m to less than \$2m	90	61	63	69
\$2m to less than \$3m	49	53	44	43
\$3m to less than \$4m	44	25	34	27
\$4m to less than \$5m	28	32	26	24
\$5m to less than \$10m	88	72	75	81
\$10m to less than \$20m	72	65	68	71
\$20m or more	118	121	108	116
Total	804	720	652	693

(a) Balance sheet value of ongoing investee companies as at the end of the financial year.

EXPLANATORY NOTES

THE SURVEY

1 This publication presents statistics on Venture Capital and Later Stage Private Equity (VC&LSPE) for the period 2009-10 to 2014-15.

2 The 2014-15 VC&LSPE survey was fully funded by the Department of Industry, Innovation and Science. The survey was first conducted for the 1999-2000 reference period, with results released as a feature article in the *Managed Funds, Australia* (cat.no. 5655.0)—December quarter 2000 issue.

3 The VC&LSPE survey aims to have full coverage of all resident VC&LSPE vehicles in enterprises that meet the definitions of venture capital and later stage private equity.

SURVEY DEFINITIONS

4 Venture Capital (VC) is defined as high risk private equity capital for typically new, innovative or fast growing unlisted companies. A venture capital investment is usually a short to medium-term investment with a divestment strategy with the intended return on investment mainly in the form of capital gains (rather than long-term investment involving regular income streams).

5 Later Stage Private Equity (LSPE) is defined as investment in companies in later stages of development, as well as investment in underperforming companies. These companies are still being established, the risks are high and investors have a divestment strategy with the intended return on investment mainly in the form of capital gains (rather than long-term investment involving regular income streams).

6 As VC&LSPE vehicles invest in a business, they become part owners and may require a seat on the company's board of directors. They tend to take a minority share in the company and usually do not take day to day control. The investment managers provide support and advice on a range of management and technical issues to assist the company to develop its full potential.

7 Fund of funds which invest mainly in other VC&LSPE funds are included within the scope of this survey. This type of fund pools investments from a range of investors and mainly places its investments with other VC&LSPE funds who then invest in unlisted companies. Direct investments in unlisted companies may occur, but are typically undertaken as a co-investment with another fund manager who manages the investment.

SCOPE AND COVERAGE

8 The population frame of investment managers included in the survey was constructed from lists of participants in government programs (including Pooled Development Fund, Innovation Investment Fund, Venture Capital Limited Partnerships, Early Stage Venture Capital Limited Partnership), membership of AVCAL, the Australian Venture Capital Guide, business directories and venture capital journals.

9 The statistical unit for the VC&LSPE survey is the resident VC&LSPE fund (vehicle), however, the reporting unit is the resident fund manager.

10 Organisations which were not considered VC&LSPE funds for the purposes of this survey included organisations with a principal activity of providing non-financial support to seed industries. For instance, incubators (typically providing office space and support) set up by either a state government or by way of a Commonwealth grant facilitate seed enterprises in their efforts to get the business into a position of growth. The incubator may offer grants, seed funding, reduced office rental, mentors, marketing contacts and access to office equipment. Only those incubators with significant equity investment in seed enterprises were included in this survey.

11 Investments by non-resident VC&LSPE funds in Australian investee companies are out of scope of this survey. In addition, non-institutional investors such as "business angels" (private individuals investing in private equity) are also excluded. Funds sourced from non-residents and Australian funds investing in non-resident companies are in scope.

EXPLANATORY NOTES

CHARACTERISTICS OF VC&LSPE ACTIVITIES	<p>12 The following are typical characteristics of VC&LSPE activities.</p> <ul style="list-style-type: none">▪ The VC&LSPE industry receives a large number of approaches from individuals and groups of individuals who have what they believe to be good business propositions.▪ A small number of these may receive more thorough examination, and decisions are made on which proposals will receive more funding.
STAGES OF INVESTMENT	<p>13 The following describes various stages at which a VC&LSPE vehicle may make investments.</p> <ul style="list-style-type: none">▪ Venture Capital (VC) refers to the pre-seed, seed, start-up and early expansion stage of investment.▪ Later Stage Private Equity (LSPE) refers to the late expansion, turnaround and buy-out or sale stage of investment.
TYPES OF CAPITAL	<p>14 The VCLSPE survey uses the following definitions for type of capital sourced from investors.</p> <ul style="list-style-type: none">▪ Commitments from investors: capital pledged by investors, representing the maximum amount that the fund may drawdown from investors. Committed capital is cumulative.▪ Drawdowns from investors: for funds, this represents cumulative called capital. This is the amount of capital committed by investors that has actually transferred to a venture capital fund in aggregate for the life of the fund, and is also known as paid-in capital. Calls made, but not yet received, are excluded. For companies, drawdowns from investors represent paid-up capital as at the end of the year.▪ Unused commitments: the unutilised portion pledged by investors, which is yet to be received.
VALUATION BASIS	<p>15 The VC&LSPE industry uses a variety of valuation methods for the equity they hold in the investee companies. The valuation methods may vary between organisations and are defined below.</p> <ul style="list-style-type: none">▪ Assets valued by directors' valuation: assets may be valued by the directors taking care to undertake valuations with integrity and based on a common sense approach. This will need to be logically cohesive and subject to a rigorous review procedure under the direction of senior management and possibly non-executive directors.▪ Assets valued by independent valuation: the fund may choose to engage a registered independent valuer who will then value the asset based on the current market movements and environment.▪ Assets valued at cost/book value: the cost of the asset at time of purchase by the fund is the preferred method, at least for the first 12 months. <p>16 As of 2012-13, the AVCAL method was no longer an applicable valuation method type. AVCAL had adopted the International Private Equity and Venture Capital (IPEV) Valuation Guidelines, replacing the former Venture Economics method. If an organisation followed the AVCAL/IPEV guidelines, their chosen valuation method would be based on who carried out the valuation of investments.</p>
INDUSTRY CLASSIFICATION	<p>17 Industry groupings are based on the Australian and New Zealand Standard Industrial Classification, 2006 (ANZSIC06). The industry groupings consist of these ANZSIC06 division categories:</p> <ul style="list-style-type: none">▪ Agriculture, forestry and fishing includes Division A 'Agriculture, Forestry and Fishing'.▪ Mining includes Division B 'Mining'.▪ Manufacturing includes Division C 'Manufacturing'.▪ Construction and utilities includes Division D 'Electricity, Gas, Water and Waste Services' and Division E 'Construction'.

EXPLANATORY NOTES

INDUSTRY CLASSIFICATION *continued*

- Trade and accommodation includes Division F ‘Wholesale Trade’, Division G ‘Retail Trade’ and Division H ‘Accommodation and Food Services’.
- Transport, postal and warehousing includes Division I ‘Transport, Postal and Warehousing’.
- Information media and telecommunications includes Division J ‘Information Media and Telecommunications’.
- Finance, administrative and support services includes Division K ‘Finance and Insurance Services’ and Division N ‘Administrative and Support Services’.
- Professional, scientific and technical services includes Division M ‘Professional, Scientific and Technical Services’.
- Health care and social assistance includes Division Q ‘Health Care and Social Assistance’.
- Other industries includes Division L ‘Rental, Hiring and Real Estate Services’, Division O ‘Public Administration and Safety’, Division P ‘Education and Training’, Division R ‘Arts and Recreational Services’, and Division S ‘Other Services’.

18 VC&LSPE data prior to 2012-13 are based on the Australian and New Zealand Standard Industrial Classification, 1993 (ANZSIC93).

19 For further detail on ANZSIC06 classifications see *Australian and New Zealand Standard Industrial Classification (ANZSIC) (cat. no. 1292.0)—issue, 2006 (Revision 2.0)*.

ACTIVITY CLASSIFICATION

20 The activities reported have been classified using Standard & Poor’s Global Industry Classification Standard. This classification is commonly used internationally. Further information can be found at <http://www.spindices.com/resource-center/index-policies/>.

DATA QUALITY

21 Care should be exercised when analysing investee company data. The number of investee companies represents the number of investments that VC&LSPE investment vehicles have made, and not the total number of companies that have received funding. In some cases an individual company may receive funding from several different VC&LSPE investment vehicles.

22 Industry and activity of VC&LSPE investee companies’ were self-classified by VC&LSPE managers at the time of reporting. Some organisations may have experienced difficulty in classifying their investee companies. Care is taken to ensure correct and consistent application of industry and activity classifications.

EFFECTS OF ROUNDING

23 Any discrepancies between totals and sums of components in the tables are due to rounding.

RELATED STATISTICS

24 Related ABS publications which may also be of interest include:
Australian System of National Accounts (cat. no. 5204.0)—annually;
Australian National Accounts: National Income, Expenditure and Product (cat. no. 5206.0)—quarterly;
Australian System of National Accounts: Concepts, Sources and Methods (cat. no. 5216.0)—issue, 2014;
Australian National Accounts: Finance and Wealth (cat. no. 5232.0)—quarterly;
Managed Funds, Australia (cat. no. 5655.0)—quarterly;
Standard Economic Sector Classifications of Australia (SESCA) (cat. no. 1218.0)—issue, 2008 (Version 1.1);
Australian and New Zealand Standard Industrial Classification (ANZSIC) (cat. no. 1292.0)—issue, 2006 (Revision 2.0).

EXPLANATORY NOTES

RELATED STATISTICS
continued

25 An alternative (non-ABS) data source can be found at:
Australian Private Equity and Venture Capital Association Limited website
<http://www.avcal.com.au>

26 Data available on request:
The ABS may be able to provide additional data for this survey on request.

GLOSSARY

ADI	An authorised deposit-taking institution, e.g. a bank, credit union, etc.
Asset value	Total gross assets (including derivatives, cash, debt securities, and other financial and non-financial assets).
Committed funds	Capital pledged by investors, representing the maximum amount that the fund may drawdown from investors.
Deals	The investment made by a VC&LSPE vehicle into an investee company. Typically an investee company will be the subject of a single deal from a single fund. However it is possible for an investee company to receive investment from multiple VC&LSPE vehicles and therefore be the subject of multiple deals.
Debt securities	Borrowings which may be traded on secondary markets. Short term debt securities include bills of exchange, commercial paper and promissory notes. They generally have an original term to maturity of 30 to 180 days. Long term debt securities have an original term maturity of more than one year, and include bonds, debentures, convertible notes, and non-participating preference shares. They do not include derivatives.
Drawdowns from investors	For VC&LSPE investment vehicles, this represents the amount of capital committed by investors that is actually transferred to a VC&LSPE investment vehicle in aggregate for the life of the fund, and is also known as paid-in capital. For VC&LSPE investee companies, drawdowns from investors represents paid-up capital as at the end of the year.
Early expansion	An investee company which is operational and has product in the market place. The investee company will show significant revenue growth, and may or may not be profitable.
Follow-on investment	A subsequent investment made by a VC&LSPE manager who made a previous investment in the company; generally equal to a later stage investment in comparison to the initial investment.
Fund of funds	This type of fund pools investments from a diverse range of investors and mainly places its investments with other VC&LSPE investment vehicles who then invest in investee companies. Fund of funds may directly invest in unlisted companies, but these investments are typically undertaken as a co-investment with another VC&LSPE manager.
Governments in Australia	Comprises all government units of the Australian government, each state and territory government, and all local government authorities.
Investee company	The company in which the venture capital or later stage private equity investment has been made.
IPO	Initial Public Offering (IPO) is a type of public offering where shares of stock in a company are sold to the general public, on a securities exchange, for the first time.
Late Expansion	Current product improvement or new product development. Continued revenue growth. Approaching, or at, profitable operating levels.
Later Stage Private Equity	An investment in companies in the late stage of expansion, turnaround and buy-out or sale stage of investment. The risks are still high and investors have a divestment strategy with the intended return on investment mainly in the form of capital gains (rather than long-term investment involving regular income streams).
LBO/LBI	Leveraged buy-out/in (LBO/LBI) involve the acquisition of a product or business from either a public or private company often utilising a significant amount of debt and little or no equity.

GLOSSARY

Life insurance offices	Life insurance offices must be registered with the Australian Prudential Regulation Authority (APRA). Life insurance offices offer insurance for death or disability and also offer investment and superannuation products. Generally, they have the word “life” in their legal name. They include friendly societies, but exclude insurance companies offering house, car and marine insurance.
Listed shares and units	Shares in resident companies and units in resident trusts quoted on the Australian Stock Exchange (ASX). Does not include equity derivatives or shares in foreign companies.
Non-residents	Any individual, business or other organisation domiciled overseas. Foreign branches and foreign subsidiaries of Australian businesses are regarded as non-residents.
Paid-in Capital	See Drawdowns from investors.
Pension funds	Provide benefits for their members on retirement, resignation, death or disablement. A superannuation fund usually takes the legal form of a trust fund. Includes pooled superannuation trusts (PST), approved deposit funds (ADF) and public sector superannuation funds.
Pre-seed	An investee company in the process of setting up. Product is in research and development stage.
Residents	Any individual, business or other organisation domiciled in Australia. Australian branches and Australian subsidiaries of foreign businesses are regarded as Australian residents.
Sale/IPO/Listing	The investment in a business with the intention of listing on the stock exchange, eventually offering shares to the public.
Seed	An investee company in the process of setting up. Product at testing or pilot production stage.
Start-up	The investee company is not yet fully operational. May or may not be generating revenue.
Total assets	See Asset value.
Trading enterprises	Those businesses which are owned and controlled by all levels of governments and which produce goods or non-financial services for sale at market prices.
Trust funds	Public unit trusts issue units to the general public within Australia and invest the pooled monies. They must have registered a prospectus with the Australian Securities and Investment Commission (ASIC). Some are listed on the ASX. There are two broad types of public unit trusts: property and trading trusts; and financial trusts such as mortgage, fixed interest and equity trusts.
Turnaround	Financing provided to a company at a time of operational or financial difficulty with the intention of improving the company’s performance. The company may not be profitable, its product turnover stagnant and/or with flat or declining revenue.
Unlisted equity	Equity in resident unlisted trusts and resident unlisted participating preference shares.
Unrealised gains/losses	The change in the market value of any equity that will only be realised on the sale of the equity.
Value of Investment	The balance sheet value of investment in investee companies at the start or end of a financial year.
Vehicle	Funds or pooled funds (where capital is sourced from the fund manager and investors) for investment in investee companies and are mainly organised in the form of either trust funds or corporations.

GLOSSARY

- Venture Capital** High risk private equity capital for typically new, innovative or fast growing unlisted companies. A venture capital investment is usually a short to medium-term investment with a divestment strategy with the intended return on investment mainly in the form of capital gains (rather than long-term investment involving regular income streams).
- Write-offs** Writing down of a portfolio company's holdings to a valuation of zero, with the fund receiving no proceeds from their investments.

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