



2019: Looking Busy

In this newsletter we look back at some highlights and lessons, as well as some of the key shifts in the economy which we see having a major impact on businesses moving forward.

Despite the unsettled economy, we are having a busy start to the year following the completion of the arrangement of a large mezzanine debt investment in late December, a number of M&A and Capital Raising transactions due to settle in the near term, and a flurry of new corporate advisory engagements beginning.

On the Horizon

The Circular Economy

2018 marked a paradigm shift towards sustainable business and the circular economy. According to a Nielsen report that polled 30,000 consumers, 73% of millennial consumers are willing to pay more for sustainable goods. This generational shift towards sustainable living is an exciting opportunity for budding entrepreneurs in New Zealand, some of which are already making waves in their local circular economies.

Our [Circular Economy Thought Piece](#) highlighted New Zealand's disappointing

contribution to global waste which over the past 5 years has seen us climb to the 4th largest waste producer per capita globally. These statistics stand in stark contrast to New Zealand's "Clean & Green" image which many kiwi's still delude themselves into believing is true.

This presents an exciting opportunity for entrepreneurs in New Zealand as the desire for "impact investments" amongst the investing community has increased tenfold over the past three years. There has never been a better time to either start or grow a sustainable business!

On the 16th of April, Armillary will be hosting an event in partnership with the Sustainable Business Network (SBN) at our Wellington office. This event will be tailored to suit small businesses operating in the circular economy and will cover topics from capital raising options for start-ups right through to business advisory and exit readiness strategies. Our friends at Crengle Shreves & Ratner will also be available at the event to answer any legal questions member of the SBN may have.

To assist us in preparation for this event, please indicate your interest by emailing [Josh Schreiber](#).

Highlights

Transactions and advisory

Armillary was involved in a number of transactions during 2018. Several of these transactions have progressed to the due diligence phase and we expect these to close later this quarter.

The broader M&A market has seen some exciting transactions, and globally almost 41,000 transactions have taken place with a total value of more than US\$3.5 trillion in 2018. Nearly 15,000 of those deals have occurred in the APAC region.

Consumer Discretionary led the way in M&A activity with 1,068 transactions occurring in APAC, followed closely by Information Technology at 963 transactions. 1,252 Private Placements were made in Information Technology companies in 2018.

Lessons from 2018

Crowdfunding

It seems that every other week there's a new story about a Crowdfunding campaign that's left investors with much to be desired. The largely unregulated Crowd Funding industry places the onus on the Crowd Funding platforms to impose their own standards of due diligence and disclosure requirements on investees, and whilst these standards are not codified, the commercial standard of some of these Crowd Funding campaigns has been questioned.

We believe that Crowd Funding has its place in capital markets, and we encourage firms to consider this capital raising path when pursuing their growth strategy. However, standards must be upheld, or the confidence of investors will be tarnished. As we have commented a number of times, investees' disclosure information needs to be challenged by the platform operator - not just accepted at face value. Investors need to pay attention to the level of review work done by the platform operator and quality of the information provided when considering an investment.

With Crowdsphere, our approach is to focus on investee governance, solvency, reasonableness of the offer, and information disclosed before we launch the campaign on platform.

Income Outcome

We hosted a record number of Income Outcome courses across New Zealand in 2018. We appreciate the positive feedback we've received and would like to thank those who chose to improve their financial acumen and understanding at one of our training courses.

Current Activity

NZTE

After seven & a half years Leon Grandy has stepped away from his role as NZTE's Commercial Advisor for the IGF Fund. During his tenure, invested assets grew from \$6m in 10 investments to over \$80m committed to over 880 grants.

An advisory panel has been established to replace Leon and we are delighted that Geoff Davis has been appointed as one of these external advisors. We have no doubt that Geoff will be able to continue Leon's good work.

“This will likely be my best opportunity to support businesses for the benefit of NZ. It's been a pleasure and honour to serve.” - Leon

Advisory Engagements

Blockchain Tech Start-Up

We are raising capital for an equity stake in a blockchain related start-up that is targeting the intellectual property industry. The raise is about to close.

Transaction size \$1.2m.

Viticulture Management Company

We are completing a valuation and business plan assessment prior to a planned capital restructure.

Building Products Distribution & Installation

We are acting on behalf of two different vendors in the sale of their businesses.

Transaction sizes c.\$5m and >\$10m.

Industrial Vehicle Distributor

We are acting on behalf of the purchaser in the sale of a controlling stake of the business. Transaction c.\$5m.

Notable Appointments

In 2018, several of our directors were appointed to new board positions:

David Wallace

David has been appointed Chair of the Start-Up Queenstown Lakes (SQL) Trust board. SQL is building an entrepreneurial framework in the Queenstown Lakes district. <http://www.entrepreneurship.co.nz/>

Leon Grandy

Leon has taken up a position on the board of Noble Services.

Martin Gray

Martin has been appointed to the advisory boards of both SETEK (a medicinal cannabis manufacturer) and UUNZ (a tertiary education provider based in Auckland).

We look forward to working with you in the year ahead



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