



INVESTMENT COMMITTEE

Investment
Principles

2023

PURPOSE

This document outlines the principles that the KiwiNet Investment Committee (IC) considers when making decisions relating to the distribution of the PreSeed Accelerator Fund (PreSeed). The aim is to encourage consistency and transparency of IC decision making and to provide guidelines for organisations submitting PreSeed funding requests, in alignment with the purpose and goals of the PreSeed Accelerator Fund.

This document contains:

An introduction to the PreSeed Accelerator Fund (PreSeed)
• The purpose and goals of the PreSeed fund
KiwiNet IC Role
• The role of the Investment Committee.
KiwiNet IC High Level Project Assessment Criteria
• The general criteria that the KiwiNet Investment Committee will use to assess projects against.
KiwiNet IC Detailed Assessment Criteria
• A detailed breakdown of specific aspects the committee may consider when reviewing a proposal if the high level assessment is too vague.
Commercial Benefit to New Zealand
• A discussion on the variety of ways that a project can create commercial benefit for New Zealand, the most important criteria considered by the committee.
Investor Readiness
• A guide to what Investor Readiness looks like.

THE PRESEED ACCELERATOR FUND^{1,2}

The purpose of the PreSeed Accelerator Fund is to undertake early-stage technology commercialisation activities to:

- a) Maximise the commercial benefits to New Zealand from publicly-funded research
- b) Improve the commercial capability and skills of public research organisations
- c) Promote linkages between public research organisations and potential private sector partners, including industry players and capital providers, in New Zealand and offshore

¹ <https://www.mbie.govt.nz/science-and-technology/science-and-innovation/funding-information-and-opportunities/investment-funds/preseed-accelerator-fund/>

² <https://gazette.govt.nz/notice/id/2003-go5676>

These goals are achieved by progressing technology propositions through a commercialisation process towards a point of investor-readiness.

Investor Ready means: “a working prototype or similar stage at which a private sector firm, venture capital investor or other investor may reasonably be expected to be attracted, in order to advance, or to complete, the commercialisation process.”

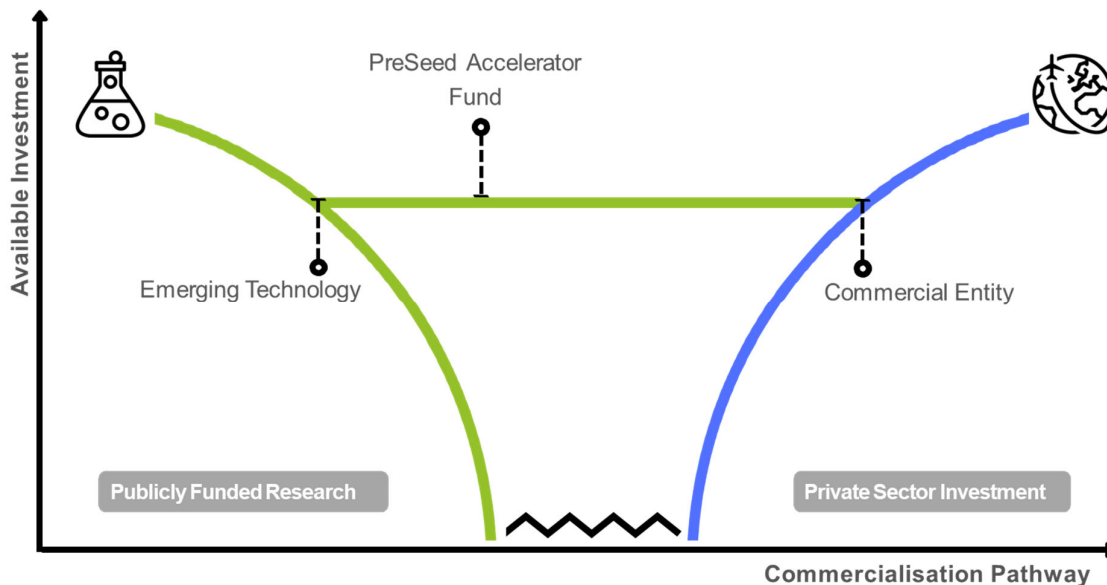
‘Investor Readiness’ is an often-moving target that is reflective of the market state, and no two projects will have the same investor ready point.

Key Identifiers for if a Project is ‘Investor Ready’:

- the project is financially sustainable or has a sustainable economic model at which point leadership of the technology commercialisation can be transferred to a downstream commercial entity to continue or complete the commercialisation process, AND
- the project can feasibly deliver on the market and/or impact opportunity identified

The PreSeed project should include an **Intellectual Property Management Plan** that sets out how it is anticipated managing the Intellectual Property Rights generated by the project will maximise benefit to New Zealand.

The end goal of the PreSeed Accelerator Fund is to attract investor interest to publicly-funded research and development.



KIWINET INVESTMENT COMMITTEE ROLE

The committee performs three main roles when reviewing project proposals and monitoring projects in the portfolio:

Investment Decisions

- Selecting projects for investment
- Monitoring previous investments

Encourage Collaboration

- Identifying opportunities for research organisations to help each other or projects to be combined.

Advice & Support

- Using combined knowledge and networks to provide advice to project leaders.
- Ensuring that project leaders have access to the support and resources they need.

If a project isn't funded

The IC's role is not just to make decisions on project funding. If a project does not get allocated investment, the IC provides clear guidance on why it was not funded and will ensure that the project leader has the support and resources needed to take the project where it needs to go. For example:

- If the project does not meet eligibility criteria, what other sources of investment could the project leader pursue?
- If the IC believe the market opportunity is not adequate, are there other opportunities for the technology that the project leader could pursue?
- If the development plan is not suitable, how can the IC direct KiwiNet management to help the project leader revise the plan?
- What expertise could the IC recommend to help the project leader address the concerns raised?
- Can someone from the IC be allocated to advise the project leader as a revised project proposal is prepared?

KIWINET INVESTMENT COMMITTEE ASSESSMENT CRITERIA

When considering a new commercial development plan, the IC considers the following areas:

1. PreSeed Eligibility & Alignment
2. Viability
3. Impact
4. Additional Benefit

For a project to be funded it must adequately satisfy the Viability and Impact criteria. Additional Benefit is not a requirement for approval, however projects providing additional benefit will be considered favourably as they may be potentially more impactful.

PreSeed Eligibility and Alignment

An initial PreSeed eligibility and alignment assessment will be made by the KiwiNet Management Team and the IC Chair, prior to the IC meeting and discussed with the project team as required. Any complex or contentious eligibility and alignment matters will be raised with the committee.

Part of the eligibility assessment is to explore alignment of the proposed commercialisation plan with the stated purpose and aims of the PreSeed Accelerator Fund. This will include an initial analysis of whether:

- the proposed end-point of the project is to reach a point of **investor readiness** for the technology, whereby a private sector firm, venture capital investor or other investor may reasonably be expected to be attracted, in order to advance, or to complete, the commercialisation process.
- the benefits to be realised are over and above those that would have occurred without the PreSeed investment.

PRESEED MINISTERIAL DIRECTION

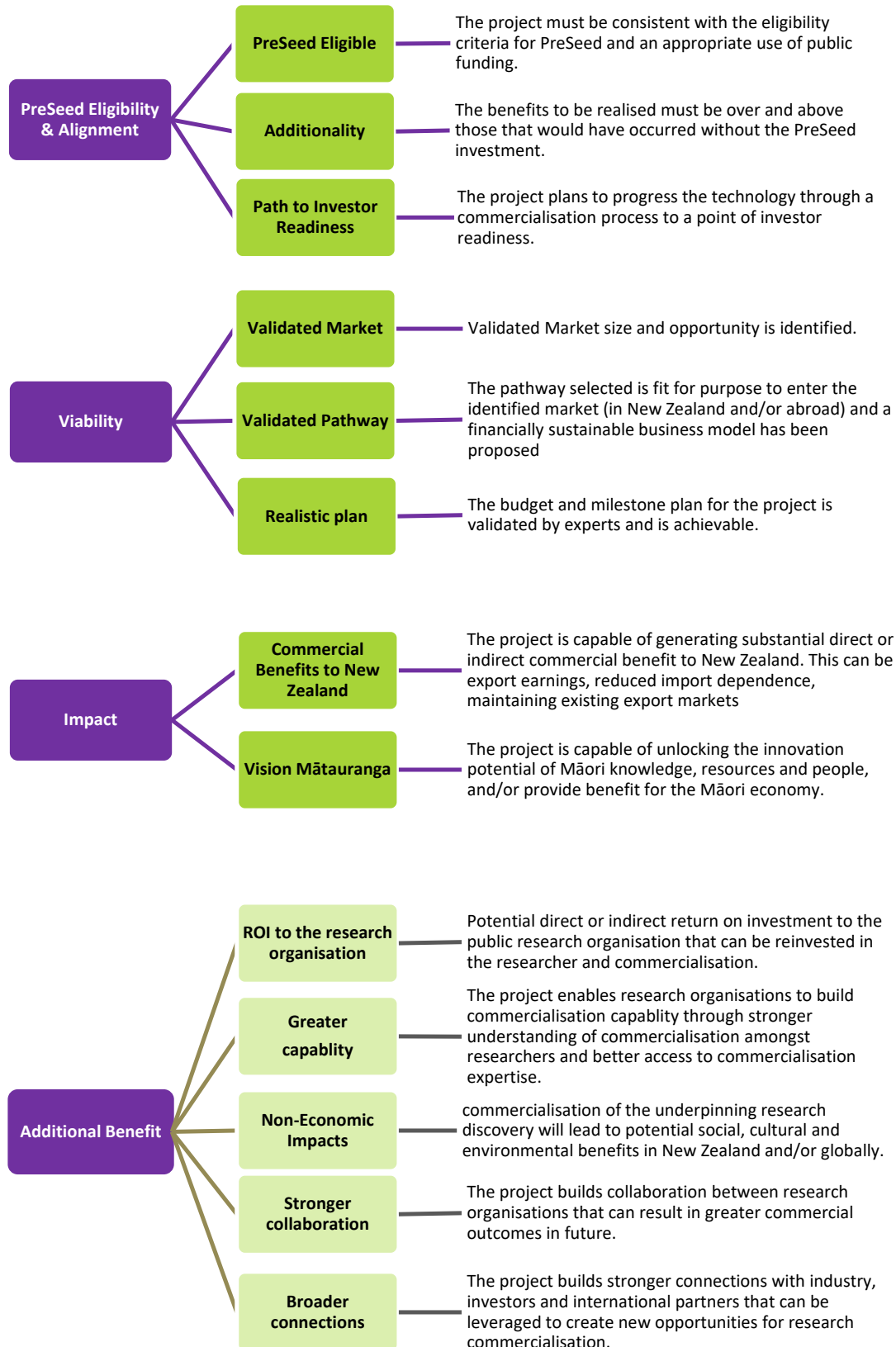
Projects that meet the scheme's objectives are eligible to receive funds from MBIE.

The scheme's objectives are to:

- maximise the commercial benefits to New Zealand of previously publicly funded research
- raise public sector providers' commercial capabilities and skills, and
- improve public sector research providers links with potential private sector partners.

In making funding decisions, MBIE will fund those projects that, in its view, best meet the following criteria:

- projects that commercialise previously publicly funded research
- have a clear link to a business strategy focused on developing projects with strong commercial potential (especially to create new exports) to the "investor-ready" point
- are likely to be started sooner and completed earlier because of the scheme's support, and
- have the potential to generate an enduring wealth creating capability in New Zealand.



KiwiNet Investment Committee Project Assessment and Guide

The table over the page contains a general guide that the KiwiNet IC may consider when undergoing the assessment of a project. The criteria are not final determining factors for whether a project is approved or declined, rather an indicator of the factors the committee may consider when making a decision.

For each Project presented the IC will consider 4 different decision outcomes:

- **Approval** - The project has satisfactorily addressed the Eligibility, Viability, Impact and Additional Benefit criteria.
- **Conditional Approval** - The project does not satisfactorily address the criteria requirements, but the IC are willing to support the project conditional on the requirement being satisfied by the set deadline.
- **Partial Approval** – The project has satisfactorily addressed the criteria to a certain point, but the committee have a Go/no-go concern or want the team to complete a particular requirement or reach a particular milestone before releasing the remaining funding.
- **Declined** - The Project does not satisfactorily address the criteria. The project owners are welcome to rework the proposal for the IC to reconsider at a later date.

KiwiNet Investment Committee Project Assessment Guide

			Requirement satisfied			Comments / Conditions / Deadlines
			Yes	Cond.	No	
Primary requirements						
Eligible	PreSeed eligible (initial assessment by KiwiNet Management)	Derived from publicly funded research.				
		PreSeed eligible expenses.				
		Appropriate co-investment committed.				
		Appropriate use of public funding.				
	Additionality	PreSeed investment is enabling or accelerating outcomes greater than what would otherwise happen.				
		PreSeed investment is enabling increased benefit to be realised for NZ than what would otherwise happen.				
Path to Investor Readiness	The project plan will progress the technology through a commercialisation process to a point of 'investor readiness', whereby a private sector firm, venture capital investor or other investor may reasonably be expected to be attracted, in order to advance, or to complete, the commercialisation process.					
Viability	Validated opportunity	Market opportunity is big enough and accessible.				
		Clear novelty & valuable unique selling proposition (USP).				
		Market opportunity & USP has been externally validated.				
		Downstream 'investor' options identified alongside validation of 'investor ready' point at which leadership of the technology commercialisation will be transferred				
		Proposed commercialisation pathway has potential to maximise commercial benefits to New Zealand				
	Realistic plan	Good team with access to the right skills & resources.				
		Realistic & appropriate Technical, IP & Commercial development plan.				
		Budget and milestone plan is efficient & achievable.				
	Realistic that the plan will progress the technology proposition to the proposed point of investor-readiness					
Impact	Commercial Benefits to New Zealand	Economic benefits to NZ are adequate relative to the amount of PreSeed investment (e.g. export earnings/ reduced imports/ protecting existing exports).				
		Options to maximise benefits retained in NZ are explored.				
		Jobs created in NZ.				

	Te Ao Māori	Mātauranga Māori appropriately considered.				
		Māori stakeholders have been appropriately engaged				
		Opportunities for tangata whenua and/or Māori economy explored				
Secondary benefits			Benefit realisable			
			High	Low	Unclear	
Spill over	ROI to research organisation	Revenue and/or contract research back to the research organisation.				
	Greater capability	Increasing the number and/or skill of research organisation staff to carry out research commercialisation.				
	Non-economic impact	Commercialisation of the underpinning research discovery will lead to potential social, cultural and environmental benefits in New Zealand and/or globally				
	Stronger collaboration	Greater collaboration between research organisations.				
	Broader connections	Greater connections between research organisations and industry/ investors/ international partners.				

KiwiNet Investment Committee Detailed Project Assessment Guide

PRIMARY CONSIDERATIONS

Eligible	Derived from publicly funded research	Project originated from publicly funded research in NZ	
	PreSeed eligible expenses	Project is working towards an investor-ready prototype or business	
		Project costs are PreSeed eligible	
		Potential to create or enhance a knowledge or technology competitive advantage for New Zealand	
	Appropriate co-investment committed	Co-investment criteria have been met and co- investment is accessible	
	Appropriate use of public funding	Appropriate use of public funding	
		Potential to cause negative publicity for research organisations or KiwiNet.	
		Potential to unfairly compete with established New Zealand companies.	
	Additionality	PreSeed investment is enabling or accelerating outcomes greater than what would otherwise happen	
		PreSeed investment is enabling increased benefit to be realised for NZ than what would otherwise happen	
Path to investor readiness	The project plan will progress the technology through a commercialisation process to a point of 'investor readiness', whereby a private sector firm, venture capital investor or other investor may reasonably be expected to be attracted, in order to advance, or to complete, the commercialisation process.		
Viable	Market opportunity is big enough and accessible	Evidence of market need / market pain	
		Evidence of size of the accessible market opportunity	
		Evidence of access to channel to market partners	
		Value proposition for channel to market partners (e.g. margins for organisations along the supply chain)	
		Evidence of market interest from potential commercial partners	
		The strength of the competition in the target market (consider both current and potential future strength)	
	Clear novelty & valuable unique selling proposition (USP)	Demonstrated novelty of the technology or expertise	
		Demonstrated value to the consumer of the unique selling proposition (USP) for this project when compared to other products	
	Market opportunity & USP has been externally validated	Confirmation of demand from potential end users	
		Confirmation of interest from channel to market partners	
Confirmation of market need by industry experts			
Validated 'investor ready' point	The level of rigour applied to the validation of the market (surveys, calls to customers etc)		
	Downstream 'investor' options identified alongside validation of 'investor ready' point at which leadership of the technology commercialisation will be transferred		

Impact	Realistic plan	Proposed commercialisation pathway has potential to maximise commercial benefits to New Zealand	Evidence of how the Pathway to market maximises commercial benefits to New Zealand
		Good team with access to the right skills & resources	Access to necessary technical expertise
			Access to necessary commercial expertise
		Realistic & appropriate Technical, IP & Commercial development plan.	Access to necessary external commercial experts as contractors or advisors
			Technical: Plan to address key technical barriers
			Technical: Demonstration that the intended outcome will be investor ready
	IP: Clear validation of clean title and who owns the technology		
	IP: Quality of patent search results and freedom to operate opinion.		
	IP: Core technology or expertise is protectable (e.g. patent, trade secret, etc)		
	IP: The overall strength of the IP position. How easy would it be to work around (in the case of a patent) or replicate (in the case of know-how)		
	Commercial: The suitability and feasibility of the proposed commercialisation plan	Commercial: The level of commitment from potential commercial partners	
		Commercial: Private co-investment secured as early as possible	
	Budget and milestone plan is efficient & achievable.	Critical point analysis: identification of milestones and clear go/no-go decision points linked to the budget	
Quality of risk assessment and mitigation strategies			
Plan will achieve 'investor readiness'	Realistic timelines and budgets		
	Identified 'investors' have the appropriate capacity and resources to continue or complete the commercialisation process, commensurate with the identified pathway		
Impact	Commercial Benefit to New Zealand	Economic benefits to NZ are adequate relative to the amount of PreSeed investment (e.g. export earnings/ reduced imports/ protecting existing exports)	Realistic that the plan will progress the technology proposition to a point of investor readiness, as evidenced and validated by identified potential 'investors'
			Quality of the analysis of expected economic returns
			Demonstrated potential to generate higher export margins for New Zealand located and owned firms
			Demonstrated potential to generate foreign exchange revenue that can be reinvested into commercialisation in New Zealand firms and research organisations
			Demonstrated potential to strengthen or protect existing exports from New Zealand that already generate substantial export earnings
			Demonstrated potential to reduce dependence on imports from overseas
			Demonstrated potential to create opportunities for other New Zealand suppliers
	Demonstrated potential to improve the productivity of existing New Zealand firms or industries		
	Demonstrated potential for the project to be a platform technology		
	Business plan explores maximising benefits retained in NZ.	Have options for maximising the benefits retained for NZ from the project been explored	
Jobs created in NZ.	Demonstrated potential to create jobs in New Zealand		
	Demonstrated potential to create new high-value jobs in New Zealand that attract higher wages and contribute to a more innovative workforce		
Te Ao Māori	Mātauranga Māori	If the project contains elements of Mātauranga Māori, it is being treated appropriately and the project is capable of unlocking the innovation potential of Māori knowledge, resources and/or people	
	Māori Stakeholders Engaged	Māori stakeholders have been appropriately engaged, particularly with respect to elements of Mātauranga Māori.	

		Tangata whenua and Māori economy	Opportunities have been explored to partner with tangata whenua and/or provide benefit for the Māori economy.
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SECONDARY BENEFITS

Spill over	ROI to research organisation	Increasing the number and/or skill of research organisation staff to carry out research commercialisation
	Greater capability	Commercialisation of the underpinning research discovery will lead to potential social, cultural and environmental benefits in New Zealand and/or globally
	Non-economic impact	Greater collaboration between research organisations
	Stronger collaboration	Greater connections between research organisations and industry/ investors/ international partners
	Broader Connections	Greater connections between research organisations and industry/investors/international partners

IMPACT

The Government invests in PreSeed opportunities to provide commercial benefit to New Zealand, in particular to raise income per capita. A critical consideration is establishing the nature and quantity of the long-term *benefit to New Zealand* arising from investing and identifying opportunities to maximise that benefit. Building stronger capabilities that enable future opportunities in areas of competitive advantage for New Zealand is a valid consideration as part of this.

Return on investment to New Zealand criteria

The Investment Committee will primarily assess New Zealand benefit as export earnings to New Zealand and high-value jobs created in New Zealand as a direct or indirect result of the project. Both these metrics lift income per capita and the international competitiveness of New Zealand. If a project is unable to substantially meet these criteria, the committee may consider alternative metrics proposed by a presenter with the following in mind.

The Investment Committee will look favourably on projects that focused on Maximising the benefit to New Zealand using the PreSeed Investment. The rate of return will vary from project to project, but the goal is to generate enough of a return to strike a balance between compensating for the high-risk nature of these projects, whilst accommodating the objectives of the PreSeed fund. The committee acknowledges that maximising the benefit to New Zealand will not always be a purely financial consideration, but evidence of a strong financial opportunity and a financially sustainable business model still needs to be present.

The committee will consider *direct* benefits including:

- Creating new high-value jobs in New Zealand – high value means adding jobs that attract higher wages or incomes than the existing average. This will typically be associated with knowledge- or technology-intensive products or services. More high-value jobs are likely to drive more innovation and competitive advantage for New Zealand.

- Growing New Zealand located and owned firms' profits through higher export margins – the degree to which the activity is located in NZ and/or the degree to which the profits are likely to be retained in New Zealand need to be considered.
- Growing investment capital available to New Zealand firms and research organisations for reinvestment into commercialisation – this may be a consideration where product or service development is likely to lead to an offshore trade sale, but where the recycling of capital back into New Zealand will provide benefit in the future.
- Strengthening or protecting an existing competitive advantage that already generates substantial economic benefits for New Zealand – this could be a technology that doesn't grow an existing market, but that lowers the risk that an existing market could be lost resulting in a substantial reduction in export earnings.
- Earning income from licensing or selling IP offshore – this is typically the least likely to result in New Zealand benefit unless it includes other initiatives that bring jobs or income to New Zealand.

INDIRECT BENEFITS

The committee will also consider *indirect* benefits such as:

- Creating or enhancing a knowledge or technology competitive advantage for New Zealand
- Creating opportunities for complementary products from the same technology
- Creating opportunities for other New Zealand suppliers
- Developing skills that can be applied elsewhere
- Creating local or international partnerships that expand NZ firms' capabilities or access to capabilities
- Opportunities to contribute to the development of the Sustainable development Goals outside of financial (Environment, Cultural and Social)

The indirect benefits are harder to evaluate and will be complementary to direct benefits.

OTHER IMPACT CONSIDERATIONS

Below are other points that the committee may consider in the context of the overall impact of the project. It is not necessary to address all these points in a proposal; however, the presenter may wish to consider whether they are relevant to particular projects.

- **Productivity** - The committee may consider the nature and extent of the impact of projects aimed at productivity improvements in existing New Zealand firms or industries. For example, whether the technology is likely to be applied widely across a major industry sector and/or how long it will take for benefits to occur.
- **Impact on existing NZ business** - The committee may also consider what negative consequences might impact on firms that already exist in New Zealand.
- **Inward foreign investment** - The committee may consider and assess instances where gaining a small share of a large pie offers an opportunity for New Zealand. An overseas firm may have essential technical skills and marketing channels that no New Zealand firm has or could easily develop.

- **Trade sales** - The committee may consider the likelihood of a future trade sale that will limit the on-going benefit to New Zealand. The committee will consider the extent to which this may be offset partially or fully by the return of investment capital back into New Zealand.
- **Ownership** - The committee may consider whether the commercialising New Zealand firm is majority foreign-owned and, therefore, whether profits will be returned overseas and to what extent this may be offset by useful employment and capability gains in New Zealand.
- **Domestic versus International licensing** - The committee will always look for opportunities to retain as much of the benefits from the commercialisation of IP in New Zealand. This will often require the committee to consider the relative merits of licensing to a large overseas company with access into international markets and capability to generate significant royalties that can be reinvested into public research organisations, versus licensing to a smaller New Zealand company that will use the technology to grow international markets. In both cases the committee will need to consider the potential returns and risks involved. The committee will also look for compromises, such as non-exclusive licences or licensing to an offshore company on condition that they retain R&D capability in New Zealand.

Return on investment to research organisation criteria

It is acceptable and necessary for research organisations to capture some level of benefit from investing in proposals. The committee believe it is important that projects can provide a reasonable return to the research organisations in order to:

- incentivise on-going research organisations commitment to commercialisation
- generate revenue that can be fed back into capability building around research commercialisation
- generate retained earnings that will reduce on-going research organisation dependence on public funding.

Returns to research organisations may not be limited to direct financial returns. They could also include on-going contract research or simply greater industry engagement between researchers and business.