

## Escalator Service

### INTRODUCTION

The New Zealand Trade and Enterprise (NZTE) Escalator service is aimed at assisting business growth by providing innovative small to medium sized enterprises (SMEs) and entrepreneurial New Zealanders with skills and assistance to access investment opportunities.

Through the Escalator service eligible participants needing capital to expand, diversify or commercialise a new concept can develop a greater understanding of the issues around funding business growth, learn when additional investment is needed, what the options are and how to progress. Some may also gain help in securing equity investment and/or a strategic partnership from the specialist Escalator brokers.

Companies or entrepreneurs showing strong potential to attract investment are eligible for the Escalator service, which is provided throughout New Zealand for NZTE by four independent brokers and EDANZ (Economic Development Association of New Zealand).

The Escalator service has been developed to address one of the main hurdles to growth for the thousands of SMEs and entrepreneurs in New Zealand – the lack of access to and understanding of equity/venture capital or strategic partnerships.

Attracting and accessing this kind of investment is hard work for businesses. It requires having a business opportunity that offers potential for growth and a return to the investor, and both the business and the investor sharing the same passion and vision for the business' potential.

The Escalator service involves a process of working with eligible businesses and entrepreneurs to determine whether there are investment opportunities for them in the market. Not all businesses will be able to attract a suitable investor and in these cases the Escalator brokers will work with each business to help them access other programmes to support their growth.

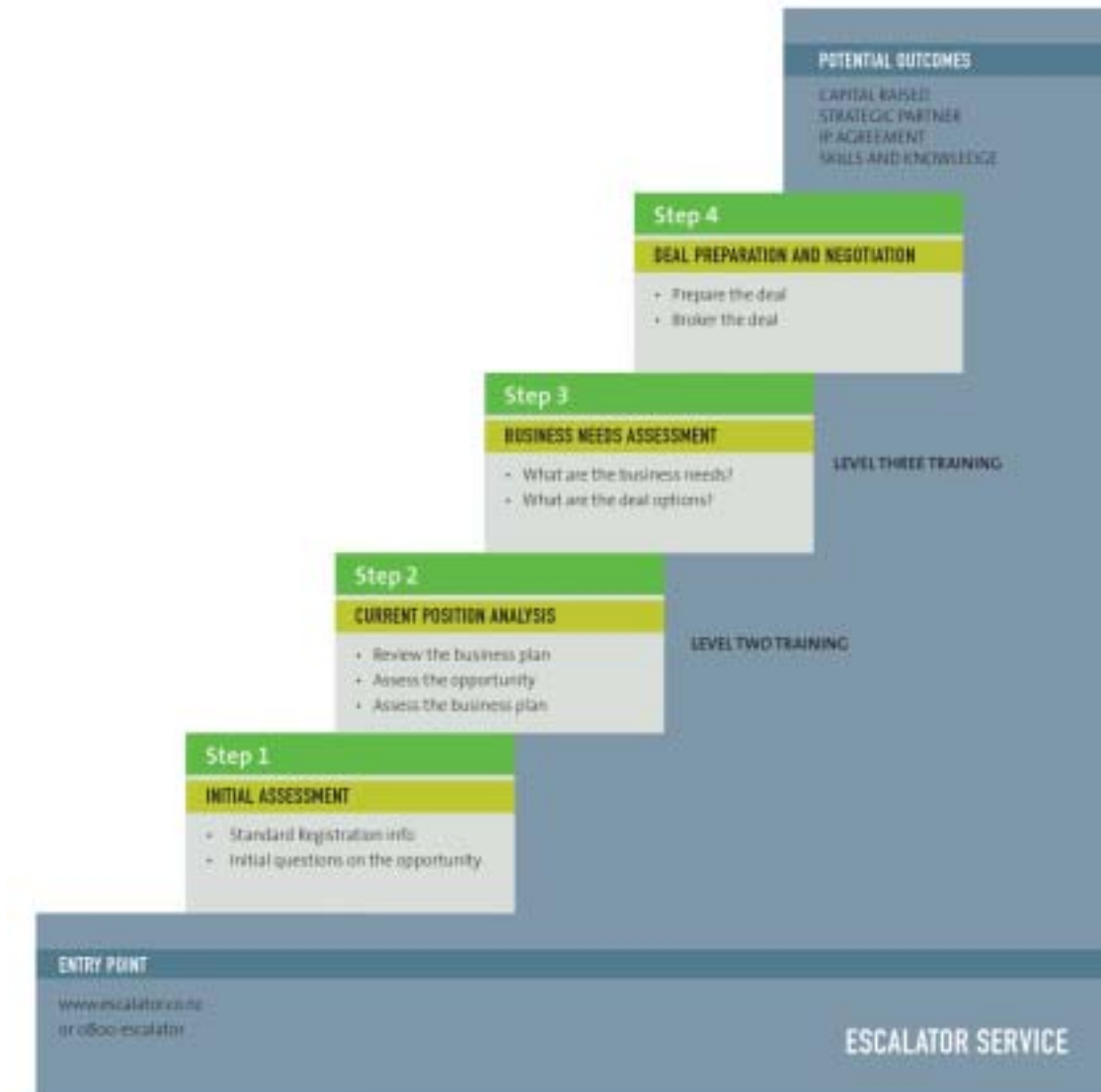
### WHAT DOES THE ESCALATOR SERVICE INCLUDE?

The Escalator service offers:

- General information and assistance online at [www.escalator.co.nz](http://www.escalator.co.nz) from a qualified Escalator help desk employee (0800 822 748)
- Assessments of your business/concept and its investment potential
- Investment-specific workshops at two levels (dependent on selected participants' level of investment readiness)
- Brokering expertise and assistance to raise capital up to \$5 million (Please note: no lower limit exists.)
- Strategic partnership negotiation expertise and assistance

- Co-ordination, where applicable, with agencies and advisors such as accountants, lawyers, patent attorneys, share brokers, technical experts, government assistance programmes and other funding institutions.

## WHAT ARE THE STEPS IN THE PROCESS?



### Step 1: Initial Assessment

You will need to complete the Escalator assessment form (available from [www.escalator.co.nz](http://www.escalator.co.nz) or by contacting the Escalator help desk 0800 822 748). It allows the Escalator help desk to collect the basic information needed to complete an initial appraisal of your business/concept.

The information gathered includes:

- Contact details
- Business information (e.g. industry/sector, turnover, years operating)
- Business details (e.g. overview of business plan, marketing plan, operations management, financial position and current situation)
- Details of proposed business or investment opportunity.

Upon completion of the initial assessment by the Escalator help desk you will be recommended for one or more of the following:

- Investment Ready Training (provided as part of NZTE's Enterprise Training Programme, see page 6)
- A current position analysis
- Another NZTE service or programme
- Business assistance from an alternative private or public sector organisation (outside the Escalator service).

### **Step 2: Current Position Analysis**

If after your initial assessment you are recommended for the next step of the Escalator service then you will need to complete a current position analysis (or provide a current business plan) for review by the appropriate Escalator service provider.

The following components will be assessed in this analysis:

- Stage of your company
- Competitive advantage
- Cash position of your business
- Governance/Management
- Past performance
- Market opportunities
- Technical capabilities
- Level of intellectual property

Once the current position analysis is completed you will be recommended for:

- An investment-specific workshop and/or
- A business needs assessment; or
- Other business advisory services (outside the Escalator service)

### **Step 3: Business Needs Analysis**

If after the current position analysis you are referred on for a further business needs analysis then at this stage the appropriate Escalator service provider will review your business in more detail and complete an analysis of your business' needs and the deal options available.

The following components will be involved:

- Company needs analysis
- Intellectual property strategy and position/mapping
- Competitor information
- Alliances / synergies required
- Preliminary valuation
- Deal alternatives
- Changes required to optimise deal outcome
- Technical strategy and position

Upon completion of the business needs analysis you will receive feedback that summarises the business opportunity and issues that would affect your ability to attract investment.

The deal broker will also make a recommendation to refer you to:

- Deal preparation and negotiation services; and/or
- An investment-specific workshop; or
- Other business advisory services (outside the Escalator service)

#### **Step 4: Deal Preparation and Negotiation**

If you reach this step your business may now be offered an opportunity to enter into a mandate agreement with the appropriate Escalator service provider.

If you choose to pursue an agreement you would receive a number of mutually agreed services including:

- Pre-due diligence review
- Alliance / partner identification
- Deal structuring
- Intellectual property review
- Director appointment
- Legal review
- Investor identification and negotiation
- Financial review and valuation
- Offer document
- Term sheet structure and negotiation
- Due diligence management

Once the deal preparation is completed the deal broker(s) will facilitate negotiation and brokering aimed at achieving one of the following outcomes for your business:

- Successful raising of capital up to \$5 million
- Strategic partnerships facilitated
- Intellectual property licensing agreement secured

#### **Investment-Specific Workshops**

As part of the Escalator service you may be referred to investment-specific training workshops. The objective of these workshops is to improve your awareness of the issues and requirements of accessing investment.

The workshops will cover the following topics:

- Venture capitalists
- Stages of growth
- Value chain and business model
- Capital planning and cashflow
- Intellectual property
- Valuations
- Types of deals – equity/non-equity
- Preparing for the deal - non disclosure agreements, information memorandums, flyers, term sheets, due diligence files and shareholders agreements

#### **Escalator help desk and online information**

Please visit [www.escalator.co.nz](http://www.escalator.co.nz) or contact the Escalator help desk (0800 822 748) to find out more about the service.

You can request a free information pack that includes:

- The Investment Ready Guide
- A list of Enterprise Training Providers and information on the preliminary Investment Ready Training they provide
- More information on the Escalator service providers
- The NZTE Guide to Services and Programmes
- Escalator brochure

## WHO PROVIDES THE SERVICE?

The Economic Development Association of New Zealand (EDANZ) and Deloitte are the private sector partners contracted to deliver the Escalator service on behalf of NZTE, along with their three sub-contracted specialist brokers – all detailed below.

**EDANZ (Economic Development Association of New Zealand)** is a national body that promotes economic development, business growth and export opportunities in New Zealand. It represents the interests of independent Economic Development Agencies and economic development units within local authorities, city and district councils. EDANZ partners with key government agencies. It promotes best practice and business excellence and acts as a conduit for investment capital between investors and business.

**Deloitte** brings together over 700 specialists providing New Zealand's widest range of high quality professional services. The firm focuses on audit, tax, technology and systems, risk management, corporate finance, human capital and business advice for growing organisations. Its people are based in Auckland, Hamilton, Wellington, Christchurch and Dunedin, serving clients that range from New Zealand's largest companies to smaller businesses with ambition to grow. Deloitte's local experts draw on best practice and innovative methodologies from around the world as part of Deloitte, whose 120,000 employees globally serve over half of the world's largest companies.

**I Grow New Zealand Ltd** is a niche corporate finance adviser that specialises in advising New Zealand's high growth businesses and investors in the private equity and venture capital markets. It specialises in working with SMEs that have the potential to generate significant rewards for shareholders, investors, employees and the wider economy. I Grow works with parties who want to invest in New Zealand's entrepreneurial sectors as well as with aspiring companies who require additional capital or strategic capability to achieve their goals.

**Ignition Partner** specialises in helping companies grow. It is driven by two of New Zealand's most experienced venture advisers - John Cunningham and Chad Wilkie. Ignition Partner works with Crown Research Institutes, SMEs and corporates, helping them to expand outside New Zealand. It assists companies with strategies for growth from innovation, on going licensing, strategic alliance and capital raising deals. Ignition has a particular strength in training. John Cunningham has lectured in the Waikato University Master of Technology Management programme for a decade and Chad Wilkie has recently been conducting LaunchPad workshops for established companies.

**Realize Technology** specialises in technology commercialisation. It helps public research organisations, universities, private businesses and entrepreneurs to prepare their technologies, products and ideas for market. When technologies are fully developed and ready for commercialisation, Realize works with the business through the next steps to creating new enterprises in conjunction with corporate partners. This includes evaluation and protection of intellectual property, company formation, technology licensing, finance raising, marketing, commercial and general management, early stage partnering, and securing permanent experienced management staff.

## WHAT DOES THE ESCALATOR SERVICE COST?

NZTE covers the majority of the costs of the Escalator service. The only cost to you is a fee on successful capital raising, set at up to 8% of capital raised under \$250,000 and at 5.5% of capital raised between \$250,000 and \$5 million. This is payable to broker after capital has been raised.

Please note: NZTE and the Escalator service providers do not invest directly in the businesses or entrepreneurs that use this service. Rather they provide an opportunity for participants to develop the skills needed to access investment opportunities. Some participants will also be offered assistance in trying to broker a deal. Any capital raised is from investors – not from NZTE or the Escalator service providers.

Naturally all deals are subject to normal commercial considerations of potential investors/partners and there is no guarantee that any Escalator service participant, even at the deal broking stage, will succeed in attracting investment.

Participants may choose to contract with the Escalator service providers for other purposes but NZTE does not cover the costs of that work.

### **INVESTMENT READY TRAINING**

Preliminary Investment Ready Training is available under NZTE's Enterprise Training Programme, delivered by specialist training providers around New Zealand. It involves generic training and information about raising capital in a series of workshops that aim to help business people learn about the type of finance they require and how they can access funding from investors.

For more information on this training please visit [www.nzte.govt.nz/enterprisetraining](http://www.nzte.govt.nz/enterprisetraining) or call NZTE's Enterprise Hotline on 0800 555 888.

### **INVESTMENT NEW ZEALAND**

Investment New Zealand is the national investment promotion agency and a division of NZTE. It actively promotes New Zealand as an investment destination, working closely with New Zealand companies and foreign investors on significant opportunities. Investment New Zealand looks to match high growth potential New Zealand businesses with current and potential international investors and also supports the management of multi-nationals' New Zealand subsidiaries to attract further investment from their overseas parents. Investment New Zealand typically gets involved in projects exceeding US\$5 million and will seek assistance from Escalator service providers with identifying and qualifying appropriate investment-ready opportunities.

To find out more information please visit [www.investnewzealand.govt.nz](http://www.investnewzealand.govt.nz)

### **FOR MORE INFORMATION**

The Escalator web site ([www.escalator.co.nz](http://www.escalator.co.nz)) and Escalator help desk (0800 822 748) both provide general information on the Escalator service. From the Escalator web site you will also be able to access venture capital news, articles, and resources.

The Escalator Help Desk is staffed by a qualified person who is linked to networks of professionals and other organisations that you can be referred to for help if the Escalator service is not appropriate. It operates from Monday to Friday, 9.30am to 4.30pm.