



PITCH ME BABY, ONE MORE TIME

The finalists in the \$6 Million Investment Challenge have been narrowed down to 25 from the original entrants. They're nervously practising their pitches to present soon to the investors who have \$6 million collectively up for grabs.

By Eugene Bingham

THEY CAME, they saw and an overwhelming number were more than ready to conquer. Organisers of the \$6 Million Investment Challenge were floored when about 130 companies entered. And narrowing down the field has proved harder than expected.

The challenge, organised by UK Trade and Investment and *Unlimited*, offered companies the chance to pitch for \$6 million of funding from angel investors and the opportunity to help them become export ready to move into the UK market.

"There is no shortage of companies in New Zealand looking for investment," says one of the panel that viewed the entries, Mark Robotham, general manager of New Zealand Trade and Enterprise's Escalator service. "What there is a shortage of is fresh, quality deals. The \$6 million challenge has managed to flush out some companies that have great investment potential."

After a first-stage forum where the companies heard advice on how to prepare their business for overseas growth, the field was narrowed to 52 companies that submitted a four-page business plan to push their case for inclusion in a second round of business development forums and to have a crack at making the final pitch.

Such was the quality of the field, the panel ditched plans to select just 12 companies for the second round and instead opted for 25.

"It was due to the huge variety and raw investment potential available that we decided not to restrict the finalist list to just 12 companies," says Robotham. "There should be something worth exploring in the finalist list for a variety of investor interests." The group of investors includes: K One W One, Ice Angels, Manawatu Innovation Group, Endeavour Capital, Sparkbox, Powerhouse, Upstart, Movac and No 8 Ventures.

The second-round dummy pitches were staged in Auckland, Wellington and Christchurch in late November. Companies were then invited to further fine-tune their business plans following the advice and feedback they received during the second forum. Then the revamped business plans were sent to the investors who have spent January reviewing them to decide who they want to hear final pitches from. How many companies they choose to invest in is up to them.

Some companies recently visited the UK for an in-market visit, organised by UKTI, which included networking opportunities, a visit to regional incubators and business parks, and information on issues such as tax and how to raise finance in the UK.

We simply didn't have room to profile all 25 challenge finalists so we've chosen five who impressed us with their initial business plans:

DIGI-CLIK INTERNATIONAL

Writhing in agony at his desk was possibly the best thing that ever happened in Bruce Bryant's career.

Bryant, a chartered accountant, had developed a painful arm during a busy day at the computer working on a client's GST records in 2004 when a spam email dropped into his inbox.

The email was from a US company selling an 'ErgoTouch' mouse, a device promising to reduce computer users' repetitive strain injury (RSI). The desperate accountant sent off an order, half expecting to never see anything for his money.

The mouse soon turned up in the mail, though — and Bryant's life changed. The pain disappeared and he became enthused about the mouse's business potential. He contacted ErgoTouch founder and designer Seth Alsbury and bought the Australasian distribution rights.

He sold 2,500 of the devices in New Zealand over the next few years. Over the same period, more than 40,000 were sold in the US through ErgoTouch. "I decided I had a business," says Bryant, and he liked it so much he ended up buying out ErgoTouch, taking over the online distribution rights and patents.

The new company, Auckland-based Digi-Clik International, expects to sell 50,000 of the mouse units this year, generating revenue of more than \$5 million. It has forecast revenue rising to \$20 million within three years.

To help achieve that, Bryant brought on board Brett Dodson, a business consultant with senior management and directorship experience at Thorn EMI Music, British Telecom and Sanford, and the pair plan to expand their operations into North America and Europe.

The attraction of the \$6 Million Investment Challenge was the possibility of smoothing their way into Europe. While their business relies on online sales, Bryant says that to properly develop the market he wants to place Dodson in London, setting up distribution and sales channels and marketing the products.

"You need to be represented in a market to make the most of it."

And to compete with world-leading mouse suppliers such as Microsoft and Logitech, a big sales and marketing job is required.

While Bryant and Dodson concentrate on growing the business, a designer is working on next-generation versions of the original ErgoTouch mouse, including wireless units and products for typists. Manufacturing is underway in China.

Bryant has also set up a subsidiary called Biometrics to sell devices, such as flash drives that can only be activated by the users' fingerprints.

But the mouse remains the key focus. Digi-Clik is part of Auckland University's Icehouse business incubator, and Bryant says it has changed his outlook for the company. "It's such a supportive environment and they don't limit you — they try to extend you. We say, 'we've got \$20 million ambitions', they say, 'it should be \$100 million'. These are people who have been there and done that."

The Icehouse also helped Bryant think about alternative applications for the mouse. The initial appeal to him was its ergonomic benefits, giving him relief from RSI. But he now realises it has appeal to the 'gadget' market, especially those who browse the internet for gaming, gambling, shopping and researching.

The mouse doesn't need to sit on a desktop to work, and the wireless versions can have ranges of several metres, so users are freed from having to sit hunched over their computers.

"You can just sit back with the mouse held in your hand much more naturally," says Dodson.

Success may be only a mouse click away.

TIMES-7

Time flies when you're having fun. For a company that has only been around for 18 months, Times-7 has achieved a hell of a lot.

"We've filed six patents, we've got a product that has been commercialised, and we've been paid for timing events including the Tour of Southland [cycle race]," says chief executive Antony Dixon.

It's been a whirlwind existence for the Wellington technology startup, which specialises in innovative radio frequency identification (RFID) products. RFID — a system that enables tracing of objects using a system of tags and readers — has been talked of for at least a decade as a technology which will change the world. Proponents predict its applications will be so widespread it will become known as 'the internet of things'.

But its uptake has been stalled by hiccups, such as dealing with interference and cost. Which is where Times-7 is coming to the rescue: it concentrates on finding solutions for environments traditionally difficult for RFID, such as tracking high-speed objects or mostly metallic items. It has had success with timing sports events, vehicle identification, baggage handling and gas cylinder tracking.

But Dixon is realistic about the stage of life the company is at. "We're a small company that is still really a startup," he says. "We don't have a lot of revenue and we're using up shareholder funds."

So when the \$6 Million Investment Challenge came along, Times-7 jumped at the chance. As well as the chance of securing investor funding, Dixon believes the experience of honing the company's export plans has been invaluable.

"From a company development perspective we definitely want to go to the UK and Europe so it's good that [the challenge] has given us a reason to focus on why we want to go and to get us thinking about target markets."

Since it was founded in 2006, when RFID engineers Arthur Roberts and Theo Ehlen joined up with IT entrepreneurs Dixon and Murray Andersen and former Brierley Investments director Philip Mossman, Times-7 has had the goal of moving into overseas markets.

It has fine-tuned its cycle race timing technology on local events, but it has had interest from a major US company keen to take the system global after Times-7 demonstrated it at a club racing event in Cincinnati. It aims to make its system low cost and simple enough to be attractive to organisers of small races and clubs — a huge market in cycling-mad Europe.

And its baggage handling products are proving promising, too. After figuring out how to overcome interference problems that had troubled an RFID system at Schipol Airport in Amsterdam, Holland, the company was invited to set up a trial. Success there has seen it attract attention from elsewhere, too. Dixon says he's talking to New Zealand-based global baggage handling company Glidepath about using Times-7 systems to help Glidepath clients internationally.

"We've got other product designs, such as putting tags on to objects that have a heavy-metal content, such as beer kegs," says Dixon.

After so many years of talk, Dixon believes RFID has developed to the point where it is about to break into the mainstream. "There have been lots of case studies, lots of pilots but now its moving into real, full-scale applications."

And with technology able to overcome some of the hurdles that have dogged early RFID experiences, it could well be that Dixon and his company's timing is perfect.

KEYTRACK

Lawyer Richard Galbraith is living proof that riding the residential property boom can be about more than just buying and selling houses.

Five years ago, he founded a business that has steadily grown in line with the appetite for real estate. Galbraith's company, KeyTrack, enables people to track real estate deals online. It started off as an inhouse solution for his suburban legal practice, and now encompasses more than 60 law firms around the country.

And he's hoping the \$6 Million Investment Challenge will give him the opportunity to explore expanding into Britain. "Any country where private ownership is predominant I could see KeyTrack working," Galbraith says. Research of the Australian market suggests there could be more benefits to be gained from KeyTrack there than in New Zealand. Australian real estate deals take longer to track through the system and agents don't get their commission until final settlement (New Zealand agents receive their payment once a deal is unconditional).

"It's a pretty exciting time because the company has reached a stage where further capital and human resources are required to take it where it could go," says Galbraith.

KeyTrack is an online system that enables the conveyancing process to be tracked by key parties to a property deal — lawyers, banks, real estate agents, vendors and purchasers. It also sends text or email alerts to parties at key points in the process, including when the deal has gone unconditional and upon final settlement. The system does not handle the conveyancing work itself; that is still processed by a law firm.

Galbraith built the system to deal with a problem he'd noticed at his firm Galbraiths, in Howick, Auckland. He'd bought the practice from his father and built it up, but noticed a lot of time was tied up responding to trivial queries about property deals.

"We found that we spent a lot of our day receiving calls from our clients and real estate agents and banks wanting to know how the deal was progressing and found we were repeating that advice over and over," says Galbraith. He figured it would be a lot more efficient to update everybody simultaneously through a single online point.

He conceived the idea, got the computer programs designed, and introduced it within his firm. It worked a treat, but the cautious lawyer was initially too nervous to sell it to anyone. "I wanted to bed it in for six months to make sure it worked."

Satisfied all was going to plan, he initially sold the system to a Far North legal practice. Law firms buy rights to use the software, then pay \$25 each time they use it for a deal.

The concept has grown so rapidly that in April 2006, Galbraith sold his legal practice to concentrate on KeyTrack. Now he has four staff working for him plus a team of contractors.

The website receives 800,000 hits a month. About 100,000 of those are from overseas, which led Galbraith to believe there could be an international market for KeyTrack. "I think all service industries are going to have to provide online data because there will be a call for it [from customers]."

"I've made it for conveyancing, however, I think there will be other tracking software applications."

MAKO NETWORKS

It's a little company with a big bite. Mako Networks, a business founded by former Xtra colleagues Simon Gamble and Chris Massam in 2000, is already cruising the world, nibbling away at market share, but it wants a bigger chunk.

The company sells and operates an internet security and monitoring system and claimed a world first with its modular 3G router, which operates with the two main global mobile broadband standards as well as fixed-line networks.

The target market includes small to medium-sized businesses; instead of needing their own network management staff, they can plug in the Mako box and connect to secure central servers, which record and monitor traffic and alert them to problems.

The product is sold in New Zealand under Telecom's SecureMe brand and since 2004 it has had a small presence in the UK. Then in mid-2006 it snapped up a deal in South Africa with an initial sales commitment of \$5 million a year, hawking the system via Vodacom's wireless 3G service through local distributor 5th Mountain Networks.

It catapulted to number 16 in the 2007 Deloitte/Unlimited Fast50 with revenue growth of 497% compared to number 33 the previous year. It hopes to top that ranking this year but to achieve that leap, Mako will need to expand its export earnings, currently 11.5% of revenue.

Gamble hopes the \$6 Million Investment Challenge will help it achieve that.

"Our company is currently in expansion phase and at the moment two of the areas we would like to expand to are North America and UK/Europe, and hopefully this will enable us to raise funds in the UK to assist our aspiration."

The current UK operations have involved selling through a smaller reseller channel, with growth purely organic. But Gamble thinks the company is ready to rev up its sales in Europe.

"We're at a stage where the Mako system is more fully developed," he says. "Certainly the UK and Europe market is ready and as a company we think we're ready."

It has about 20 staff, and the majority of the company is owned by Gamble, Massam, Mako CEO Bill Fisher, and employee Dennis Monks, who helped set up Xtra.

Since its beginnings, the company has had global ambitions. "Right from day one, that is the position we wanted to be in," says Gamble.

In 2006, New Zealand Trade and Enterprise helped Mako become involved in the Global Access Program (GAP), run through the University of California's Anderson School of Management. The programme matches a project team of MBA students with existing international technology companies to develop a business strategy to move them to the next stage of corporate development. Fisher says the project team worked on the company's global business entry plan.

"The single biggest finding was the need to partner and that is definitely how we will be doing it," says Fisher.

This approach favours the Mako product. Rather than landing in a market cold, it is able to hook up with existing businesses and sell through internet service providers or telecommunications firms, adjusting the product's features according to what package will work best.

"It cuts down the sales cycle because you're adding to an existing programme," says Fisher.

If the plans to take on Europe succeed, Mako will rapidly expand, but it's something that Gamble thinks the company can cope with. He says the recent steady growth "hasn't been without pain, but we've handled it pretty well".

QPOD SYSTEMS

Paul Boshier knows his company has a lucrative international breakthrough product, but he's certainly been in no rush to get it to market. Better to wait until all the kinks have been ironed out and it can live up to all its expectations, he says — even if that has taken 15 years.

"We've been conscious that you can't put a product on the market if it wasn't going to do the job," says the executive chairman of QPod Systems, which has invented a new transport and storage system for highly perishable foods. "It has got to be reliable and it has got to deliver on its claims and promises."

Boshier is finally ready to take the leap. QPod entered the \$6 Million Investment Challenge, hoping to win capital and contacts to enable it to launch into Europe, a prime market for the system. "Europe has two problems: high temperatures and low temperatures," says Boshier. Not easy if you're trying to cart meat, fruit or vegetables around the continent. "For that particular market, QPod would work as a cooler and a chiller."

"One of the focuses is about establishing a base in the UK because Europe is a big market for our particular product. Our company is going to require a significant amount of capital to fund its growth because it's reasonably capital intensive, so we need to look to bigger markets to raise capital."

The path to this point has been a long one. The company started out 20 years ago developing storage and transportation technologies. Its breakthrough came five years later when it discovered a way to hold products at different temperatures within 'pods' in a single container. But from there, much refining and testing has been needed, says Boshier. "In order to produce what we have now, it's been an evolutionary process involving research scientists in New Zealand, the United States and Australia."

Funding has come from government and industry grants — and from the pool of committed shareholders. "We're now a company with 288 shareholders in seven different countries, from Hong Kong, France, US, Mexico, Australia, Japan and New Zealand." It is majority New Zealand-owned, though it also has a strong shareholder base in Australia, and has recently won industry funding to begin trials in February for the transportation of produce in its latest generation QPods across the hot continent.

According to Boshier, the QPod system overcomes the problems of breaks in the cooling chain such as when products are being loaded and unloaded. It allows individual products to be shipped at their optimum temperature.

"When you get a highly perishable cargo, if your product is stored 1°C over recommended storage temperature, you can lose up to 10% of its shelf life," says Boshier.

Trials have shown promising results. Products that required temperatures ranging from 1°C to 5°C were successfully carried from Auckland to Rotorua by truck — a journey that usually ended with the products arriving at 8°C.

And in a promising sign for the lucrative international shipping trade, fresh lamb was transported in 1997 from New Zealand to London inside a refrigerated sea container that also contained frozen meat — a world-first shipment of fresh and frozen meat in a single container. Other shipments to the US and Germany followed in 1998 and 2000, giving QPod plenty of data to further refine its research.

Studies continue into refining ways to control not only the temperature, but the atmosphere — altering the gas levels can dramatically slow deterioration of fresh produce. That, says Boshier, would be "the Holy Grail".

For now, after 15 years' work, he's excited by the prospect of seeing the QPod in commercial use around the world. Good things, Boshier knows, may take time but they're worth the wait.