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The AUSTRALIAN PRIVATE EQUITY & VENTURE CAPITAL ASSOCIATION Limited

VENTURE CAPITAL

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Strong track record

Australian VC has backed companies such as Arana, Peplin, SEEK, Hitwise, ResMed, Cochlear and Chemgenex that have since become widely recognised leaders in their market segments.

World class innovation pipeline

Australia's strong history of innovation and entrepreneurship has led to globally-recognised products such as Wi-Fi protocols IEEE 802.11a and 802.11g and Google Maps.

Government-industry partnership in early stage VC

Government-industry partnerships in programmes such as the IIF, IIFF, Pre-seed fund and REEF have helped grow over 150 early stage innovative companies. The first IIF round saw five VC funds raise $197m, which to date have distributed $362m to their investors.

Conducive eco-system for innovative companies

Government, universities and research institutions have been central to the ongoing development of innovative technologies and services, making Australia a hotbed for new, innovative companies and ideas.

Young but compelling

While the Australian venture capital (VC) industry is young relative to its US and European counterparts, it has already developed an impressive track record in backing innovative companies. Australian VC firms have invested in around 200 companies in the last six years. Many companies that received funding from Australian VCs, such as Arana, SEEK, Hitwise, ResMed and Cochlear, are today widely recognised as leaders in their respective market segments.

More recent Australian success stories include Energy Response, a cleantech company backed by VC firm Starfish Ventures, which was sold to US-based EnerNOC Inc.; Chemgenex, a haematology specialist backed by GBS Ventures and QIC BioVentures Fund which was acquired by US biopharmaceutical company Cephalon for $225m; and Peplin, a dermatological drug manufacturer, which was acquired by global pharmaceutical company LEO Pharma for over $300m.[1]

Strong track record of Government-industry partnership in early stage VC

For over a decade, the Australian VC industry and Government have partnered in programmes such as the Innovation Investment Fund (IIF), Innovation Investment Follow-on Fund (IIFF), the Pre-seed fund and the Renewable Energy Equity Fund (REEF). These programmes have seen Government funding alongside institutional investments in VC funds that have helped grow over 150 early stage innovative companies. A 2010 review of the IIF programme revealed that the first IIF round between 1997 and 2000 saw five VC funds raising $197m, which to date have distributed $362m to their investors (including the Government).[2]

Modern science & technology infrastructure

Australia's R&D infrastructure has proven capacity to conduct ground breaking and highly commercialisable research, and attract talented scientists and researchers. This capacity is well positioned to grow even further. In the last nine years, Federal Government support for science, research and innovation has nearly doubled to $9b per year. Between 1998 and 2008, the number of PhD graduates from Australian universities increased by 77% to nearly 6,000 per year.[3] Australia now has more PhD graduates in biotech-related disciplines per capita than the US, UK and Japan.[4]

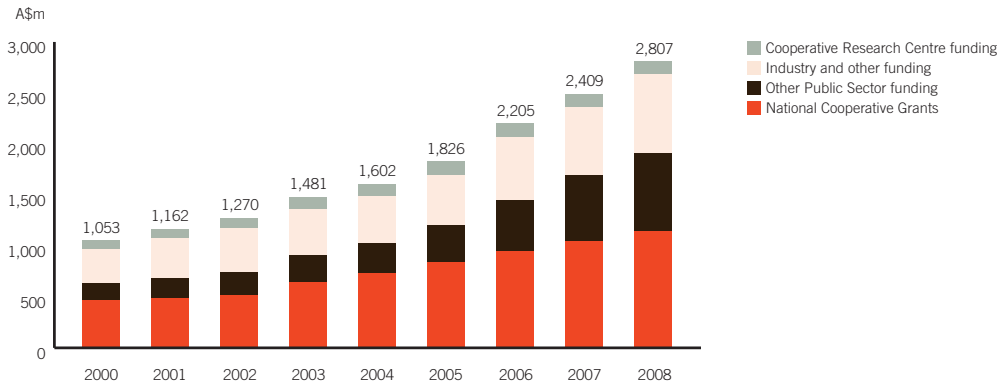
[1] Company websites

[2] Department of Innovation, Industry, Science and Research – *IIF Equity Programme Assessment 2010*

[3] Universities Australia

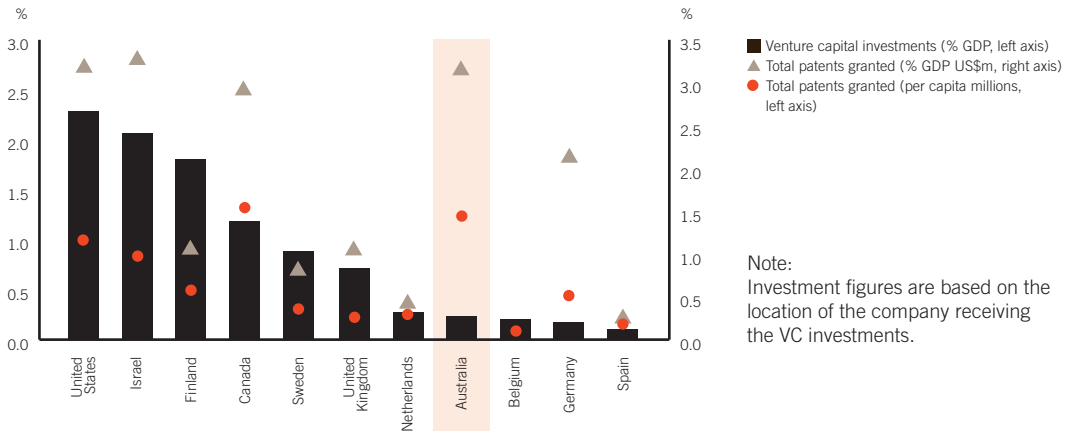
[4] Victorian Government, *Melbourne Victoria for Life Sciences*, October 2010

Figure 1: Australian universities research income (A$m)
Source: Universities Australia



World-class innovation pipeline

Figure 2: VC investments vs. patents granted in selected OECD countries (2000 – 2011)
Sources: AVCAL, ThomsonONE, EIU, WIPO Statistics Database



Note:
Investment figures are based on the location of the company receiving the VC investments.

Australia's strong history of innovation and entrepreneurship points towards a solid pipeline of commercialisable products over the coming decades. Many Australian inventions have global significance today. For example, CSIRO's US-patented Wi-Fi protocols IEEE 802.11a and 802.11g are used by most modern wireless devices across the globe. The world's first genetically-modified strain of malaria (which can be used as a live vaccine against malaria) was discovered at the Walter & Eliza Hall Institute. Google Maps was originally developed by a Sydney-based team led by the Rasmussen brothers. Gardasil, a vaccine against cervical cancer, was first developed by researchers at University of Queensland.

The expected continued strong flow of new and highly commercialisable technologies augurs well for investors in Australian VC in the coming years. The tighter post-financial-crisis funding environment, in particular, is resulting in many high-calibre early-stage companies competing even more intensely for VC investment.

Figure 3: Examles of VC-backed therapeutic drugs pipeline

COMPANY NAME	DRUG NAME/ TYPE	THERAPEUTIC AREA
Alchemia	**Generic fondaparinux HA-irinotecan**	**Cardiovascular Oncology**
Altiris Therapeutics	**ALT1188**	**Oncology**
CoDa Therapeutics	**Nexagon**	**Tissue repair**
Cortical	**Small molecule MIF inhibitors**	**Inflammation**
Fibrotech Therapeutics	**FT011**	**Pathological fibrosis**
Hatchtech	**DeOvo**	**Pediculosis (head lice)**
Pathway Therapeutics	**PWT33597 & PI3K delta**	**Oncology**
Pharmaxis	**Aridol, Bronchitol**	**Respiratory**
QRxPharma	**MoxDuo® IR**	**Pain management**
Spinifex Pharmaceuticals	**EMA401**	**Pain management**
Verva Pharmaceuticals	**VVP808**	**Diabetes**
Xenome	**Xen2174**	**Pain management**

Figure 4: Examples of VC-backed technology pipeline

COMPANY NAME	PURPOSE
bCODE Pty Ltd	**Mobile commerce platform to deliver secure tokens.**
BT Imaging	**Developer of imaging tools and software that will be used for solar cell design.**
Distra	**Payment processing solution provider.**
iCetana	**Automatic monitoring of live CCTV video streams.**
Mesaplexx	**High performance ceramic filter units to optimise spectrum usage in mobile telecommunications networks.**
Meta CDN	**Content delivery system (CDN) using storage cloud resources.**
Nitro PDF	**PDF software solutions provider.**
Threatmetrix	**Online fraud prevention solutions based on device identification technology.**