

**From:** Alex Gordon <alex.gordon@clarecapital.co.nz>  
**Sent:** Thursday, 9 November 2023 3:56 pm  
**To:** Registrar  
**Cc:** Mark Clare  
**Subject:** AlphaTheta/Serato - submission of support

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Dear Members of the Commerce Commission,

We are writing regarding the proposed acquisition of Serato Audio Research Limited (Serato) by AlphaTheta Corporation (ATC) that is currently under your consideration. We strongly support this transaction proceeding, both for its New Zealand consumer benefits and for the longer-term support of the New Zealand technology industry.

### **Background on Clare Capital**

This submission is provided by Alex Gordon and Mark Clare of Clare Capital. We are the partners of Clare Capital, a Wellington-based investment bank that has supported a range of New Zealand founders and investors to realise value. We have a particular expertise in, and relationship with, the New Zealand technology sector. We have advised companies such as [homes.co.nz](#) (on its sale to Trade Me), Hatch (on its sale to FNZ) and DOT Loves Data (on its sale to ANZ). Further background on Clare Capital is available on our [website](#).

### **Serato and the DJ market**

Serato has achieved remarkable success in growing a global brand and product offering from New Zealand. The DJ market in which Serato operates continues to evolve, with a wide and ever-expanding range of hardware and software solutions available to DJs. The industry has operated to broadly support the interoperability of software and hardware solutions. Even where off-the-shelf support isn't provided, mapping functions using the MIDI standard are straight-forward to set up and ensure this interoperability.

Serato's place within the market has evolved alongside the market itself. Its expansion from the DJ software market into the music production market is a key illustration of this. While Serato's journey is impressive, it is still a relatively small company by international standards and has a shareholder base that is constrained in the expertise and capital it can provide. A transaction with ATC will open Serato up to a wide range of expertise and capital options which are not currently available. We are excited to see what opportunities this transaction will unlock for Serato's product offering and customers.

### **Global company**

We recognise the important role the Commerce Commission plays in ensuring a competitive landscape for the benefit of all New Zealanders. But we think it is also important to recognise that Serato, while being a New Zealand headquartered and owned business, serves a truly global market. New Zealanders make up a very small number of Serato's active users. This transaction will benefit all Serato users worldwide, including those in New Zealand. Even in a scenario where there are concerns about the impact of this transaction on New Zealand consumers, it is important to remember they make up a small part of the customer and revenue base for Serato.

We believe it is also critical to consider the long-term implications if this transaction was to be blocked. It has the potential to send a negative message to future founders of New Zealand technology businesses with a global customer base. There is a danger that future founders won't offer services to New Zealanders because of the potential regulatory risk of a blocked sale. A signal of that nature would not be in the best interests of New Zealand consumers or the New Zealand technology sector as a whole.

### **Supporting the next generation of New Zealand technology innovation**

We are passionate supporters of New Zealand's technology sector. Our country has developed an ability to produce world-class technology companies. Serato is a strong example of this. We know from history the success of New

Zealand technology companies has wide flow-on impacts into the sector. For instance, the growth of Trade Me and its sale, provided the capital to support countless new technology businesses in New Zealand. We want to see this continue to happen. We want founders and investors to have the opportunity to sell to new owners with the expertise and capacity to accelerate their company even further, and for those exits to support a new wave of innovation in New Zealand.

**Prior work with Serato**

In the interests of transparency, we note we have previously provided services to Serato regarding a range of strategic advisory and associated mandates. However, we are not the advisors to Serato on this transaction and we have no fee or other benefit contingent on this transaction being completed, or this submission being provided.

Regards,

**Alex Gordon and Mark Clare**  
**Clare Capital**

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