Business Angel Networks as a Catalyst of Private Investment in Europe

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The European Trade Association for Business Angels, Seed Funds, and other Early Stage Market Players
Business Angels

**Business Angel**

**WHO**
- Private individuals, Ex. Entrepreneurs, retired, in transition or active executives/professionals

**WHAT**
- Invest between 2-5% of total wealth - ~€100k per year
- Invest €200k – 1 million per investment ~25% share of company
- Timing is open

**WHERE**
- Range of companies, technology and services

**WHY**
- Make money
- Mentor
- Socialize
- ‘Entrepreneurial’ track

Source: Go Beyond  www.go-beyond.biz
About Business Angels

Characteristics that Business Angels are seeking:

INNOVATION
AND
ENTREPRENEURSHIP
Angels and Other Finance Sources

Capital Needs

Higher Risk

Lower Risk

Time

Seed ➔ Start-up ➔ Early Growth ➔ Sustained Growth

IPO

Venture Capital Funds

Early stage and seed venture funds

Business Angels

Friends, Family & Founders

Angels help fill the ‘Equity Gap’
## Business Angels vs Venture Capitalists

<table>
<thead>
<tr>
<th>WHO</th>
<th>Business Angel</th>
<th>Venture Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Private individuals, Ex. Entrepreneurs, retired, in transition or active executives/professionals</td>
<td>Professional investors usually in a partnerships</td>
</tr>
<tr>
<td>WHAT</td>
<td>Invest between 2-5% of total wealth - ~€100k per year</td>
<td>Money raised to be invested ‘<strong>must make more money</strong>’</td>
</tr>
<tr>
<td></td>
<td>Invest €200k – 1 million per investment ~25% share of company</td>
<td>Closed period of 8 -10 years</td>
</tr>
<tr>
<td></td>
<td>Timing is open</td>
<td>Invest €5 - 20 million per investment</td>
</tr>
<tr>
<td>WHERE</td>
<td>Range of companies, technology and services</td>
<td>Technology focus</td>
</tr>
<tr>
<td>WHY</td>
<td>Make money, Mentor, Socialize, ‘Entrepreneurial’ track</td>
<td>Career, Make money, Raise a new fund</td>
</tr>
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Source: Go Beyond www.go-beyond.biz
Why do we need Business Angels?

In 2008, seed investments represented 0.6% of recorded VC investments in Europe.

- Different amounts invested
- Complementary roles

Source: EVCA Year Book 2009
Stage distribution of investments per year
About Angel Networks

"Private or semi-public body whose aim is to match entrepreneurs looking for equity with Business Angels"

WHY?

• EFFICIENCY
• LEVERAGE
• DIVERSIFICATION
European Angel Market Characteristics

Number of Business Angel Networks
# Summary of industry statistics

<table>
<thead>
<tr>
<th></th>
<th>EU</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Networks</td>
<td>334</td>
<td>300</td>
</tr>
<tr>
<td>For profit</td>
<td>31%</td>
<td>59%</td>
</tr>
<tr>
<td>Estimate n of angels</td>
<td>75k</td>
<td>250k</td>
</tr>
<tr>
<td>Investment per round</td>
<td>207k€</td>
<td>186k€</td>
</tr>
<tr>
<td>Total estimate invested annually</td>
<td>4 billion€</td>
<td>20 billion€</td>
</tr>
<tr>
<td>VC Investments</td>
<td>4 billion€</td>
<td>20 billion€</td>
</tr>
</tbody>
</table>
Results of our annual research

• Angels have continued to invest throughout 2008

• Angel networks have continued to recruit new members

• Slightly smaller number of deals, higher average amount invested

• Leverage of co-investment mechanisms in UK quasi-doubles the amounts invested in companies

> Few countries have put in place appropriate data collection mechanisms > Access to data of the companies receiving finance is key for cross referencing
ABOUT INVESTMENTS

ICT & Software
still dominating sectors –
Clean tech and health
« hot » sectors
75% of investments are in their region
About co-investments

Co-investors: BAs in other networks, early stage and VC funds
Who we are

Circa 100 members

EBAN

15 Federations – 250 angel networks + associated members

Membership
X4 in 5 years

20,000 angels

40,000 entrepreneurs

80,000 website viewers

8,000 publication readers

27 countries

Now open to seed funds

Over 100 members
The role of Government

• Fiscal incentives
  >2 countries have up-front tax incentives
  >8/27 provide some form of support
• Co-investment funds
• Support to national federation and BANs
• Capacity building schemes
• Equity guarantees
• Support to awareness raising: role models, media, BA week
• Support contact between investor groups: BA/VC
• Support fluidity of market and exit routes
Thank You

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