

EBAN

STATISTICS **COMPENDIUM**

EUROPEAN EARLY STAGE MARKET STATISTICS

2017



7.3 B

**TOTAL AMOUNT INVESTED
BY BUSINESS ANGELS IN €**

INTRODUCTION

The Statistics Compendium is Europe's most extensive annual research on the activity of **business angels** and **business angel networks**. It provides information on the overall early stage market and on how business angel networks operate, as well as insight into their investment attitudes.

EBAN's Statistics Compendium is based not only on the information provided by European business angel networks (hereafter BANs), Federations of BANs, individual business angels and other validated early stage investors who responded to EBAN's Survey, but also based on data published in 118 sources amongst which include: in Dealroom, Zephyr database, Crunchbase, Startup Watch, European Commission National Venture Capital Associations, governmental BA co-investment funds and fiscal incentive reports, and national and regional research studies on angel investment.

The information featured in the EBAN 2017 Statistics Compendium was collected in 2018 and reports on activities which took place in 2017. Data from EBAN's members was collected through a web form activated from the EBAN website or directly e-mailed to the Secretariat of EBAN through a pre-formatted survey. Phone interviews with experienced angels, network managers and other experts were also conducted. The figures presented in this report are not representative of the entire European market, despite the fact that they cover 38 European countries, which is a new record for EBAN statistics. EBAN started collecting data in 2000, and has been publishing the statistics since then. Moreover, it is important to point out that the number of respondents differs y-o-y and not all the identified players participated in the survey. The figures presented in the report are based on current prices, which take into account also the effects of inflation and exchange rates. Also, the survey falls short on accounting for the so called "invisible market", which represents a consistent portion of overall business angel investments, and which is estimated in this study using a multiplier of 10 applied to the size of the "visible" market.

EBAN expresses its gratitude to all contributors who provided data to the current research.

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DISCLAIMER

Due to its nature, the early stage investment market, especially the business angels investment market, is difficult to quantify. An important percentage of the total investments made are informal and not publicly reported. The estimate of the percentage of the invisible market is based on a study commissioned by European Commission to CSES about the Business Angels market in Europe. In some countries, the deals done through the “visible market” (BANs, Federations) are not published, so in some cases the estimates may not correspond to the exact amounts invested by business angels. However, EBAN matched information from different sources to validate the estimates for each particular market, in order to have a higher degree of confidence on the data that is published.

Knowing the underlying limitations of the publication, our main objective for this document is to provide a better understanding of the European early stage market.

The current compendium comprises information collected through direct surveys from business angel networks, national federations and other early stage investors.

Additional data were collected from different sources, namely Dealroom, Zephyr, Crunchbase, market reports, EU Commission publications, national publications, press articles and research papers, and other early-stage actors in Europe.

The European Commission study “Understanding the Nature and Impact of the business angels in Funding Research and Innovation” has been prepared for the European Commission, however it only reflects the views of the authors, and the Commission cannot be held responsible for any use which might be made of the information contained therein.

More information on the European Union is available on the internet (<http://europa.eu>).

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EXECUTIVE SUMMARY

The size of the visible and invisible business angel market in Europe increased to 7.3 billion Euros in 2017, a growth of 9% from 2016, remaining the main equity market for early stage SMEs and European start-ups. For comparison, angel investment in the US has reached an estimated 23.9B US dollars¹. The business angel community in Europe grew to 337.500 investors which closed 39,990 deals in 2017. Overall, taking into consideration other early stage investors operating in Europe, the sector which includes, early stage VCs and equity crowdfunding, reached €11.4b of investment in 2017. However, when including the capital raised through ICOs, the overall early stage investment market reaches €13.2b. Within the visible market, the United Kingdom continues to be the leading country with 107.7 million euros invested in 2017 and 98 million euros in 2016. Just as Germany comes second in with 77 million euros of angel investment in 2017, followed by France and Turkey with 63 and 52.3 million euros respectively. Despite the strong performance of mature markets, it is important to highlight the continuing success of smaller players such as Estonia and Poland, noting the growing prominence of younger angel communities, which tend to have higher investment-to-GDP ratios than older established angel communities.

The main sector of investment in 2017 was FinTech and ICT, followed by growing healthcare and media sectors.² Pre-seed and seed stage companies were the recipients of the largest share of investments in 2017 with start-up and expansion companies also being increasingly targeted by investors in 2017.³ Cross-border investment in 2017 indicated that business angels are still keen to invest closer to home, partly due to the fact that each country has their own regulations on start-up ecosystems, and they do not always benefit from tax incentives if they invest abroad.

Co-investment continues to rule, although more business angels are starting to shift from investing with other business angels to investing through early-stage funds.

The most relevant evidence of angel activity in addition to the investment *per se*, is the number and level of activity of business angel networks across Europe. Since 2012, business angel network growth has stagnated, suggesting a trend of consolidation as the number of business angel networks in Europe remained virtually stable between 2013 to 2017. Internal dynamics appear strong, however, as membership numbers steadily grow higher and networks lose few members year to year. Although providing a critical and wide range of services to entrepreneurs and investors, BANs and angel Federations are not yet monetizing adequately the service they provide and are still relying mostly on funding from external/parent organisations, mainly public funding.

¹ Jeffrey Sohl, "The Angel Market in 2017 Angels Remain Bullish for Seed and Start-up Investing," Center for Venture Research: 1-2, <https://paulcollege.unh.edu/research/center-venture-research>.

² "Venture Capital Investments by Sector, Selected European Countries," 2017, , doi:10.1787/entrepreneur_aag-2017-graph121-en.

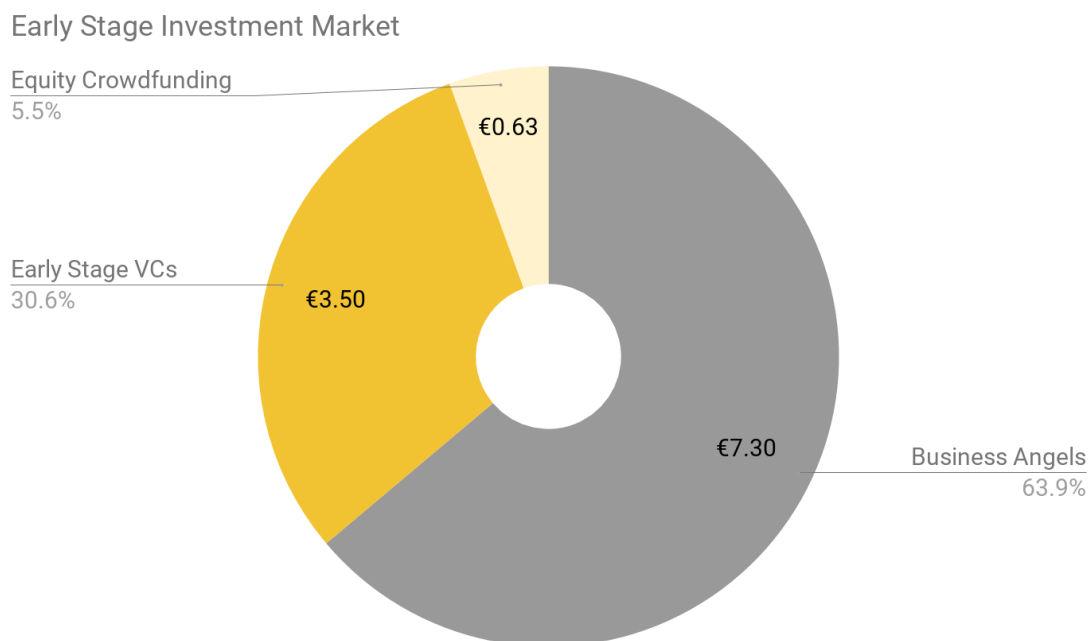
³ "Annual European Venture Capital Report 2017 Edition," Dealroom.co, February 02, 2018, , <https://blog.dealroom.co/wp-content/uploads/2018/02/Dealroom-2017-vFINAL.pdf>.

OVERVIEW OF TOTAL EUROPEAN EARLY STAGE INVESTMENT

EBAN, initially created as the European Business Angels Network, has in recent years extended its reach to include other types of actors and investors in the European early stage investment ecosystem. As a result of that enlarged commitment, we start this report with an overview of the European early stage investment market, comprised of information primarily collected by EBAN as well as data recently released by Invest Europe on early stage investments and the EU Commission on equity crowdfunding.⁴ In comparison to last year, measurements of the crowdfunding market have become more precise as the market grows in scale and importance.

The total European early stage investment market, when including ICOs is estimated to be worth **13,2 billion Euros**. When excluding ICOs, however, the investment market estimate is approximately **11,4 billion Euros**. Business angels represent the biggest share of the investment market with 7.3 billion Euros of investment, followed by the venture capital industry investing 3.5 billion Euros in early stages.⁵ Equity crowdfunding investments have been growing quickly and are expected to continue at a fast pace. Initial Coin Offerings, at 1.75 billion Euros, has also been included as of 2017 to keep up with our rapidly changing investment landscape.⁶

Figure 1. Main areas of early stage investment in Europe, in € billion



⁴ EU Commission 2017 "Identifying Market and Regulatory Obstacles to Crossborder Development of Crowdfunding in the EU," Ec.europa.eu: 201-530, https://ec.europa.eu/info/sites/info/files/171216-crowdfunding-report_en.pdf.

⁵ "European Private Equity Activity 2017," Invest Europe, May 02, 2018, , <https://www.investeurope.eu/media/711867/invest-europe-2017-european-private-equity-activity.pdf>.

⁶ European Union, "European Financial Stability and Integration Review 2018," Ec.europa.eu: 75, https://ec.europa.eu/info/sites/info/files/european-financial-stability-and-integration-review-2018_en.pdf.

OVERVIEW OF EUROPEAN ANGEL MARKET

The European angel investment market increased 10%, at current prices, from 2015 to 2016 and 9% from 2016 to 2017, reporting a new record of 7,3 billion Euros of investment. Over the past years, the market has been growing in terms of total amount invested as well as the number of business angels, but in 2015 we saw a slight drop in number of investments, indication of the effect of increased BA co-investment funds and syndication among angels.

Figure 2. Breakdown of angel investment by visible and non-visible market; Investment values in €M

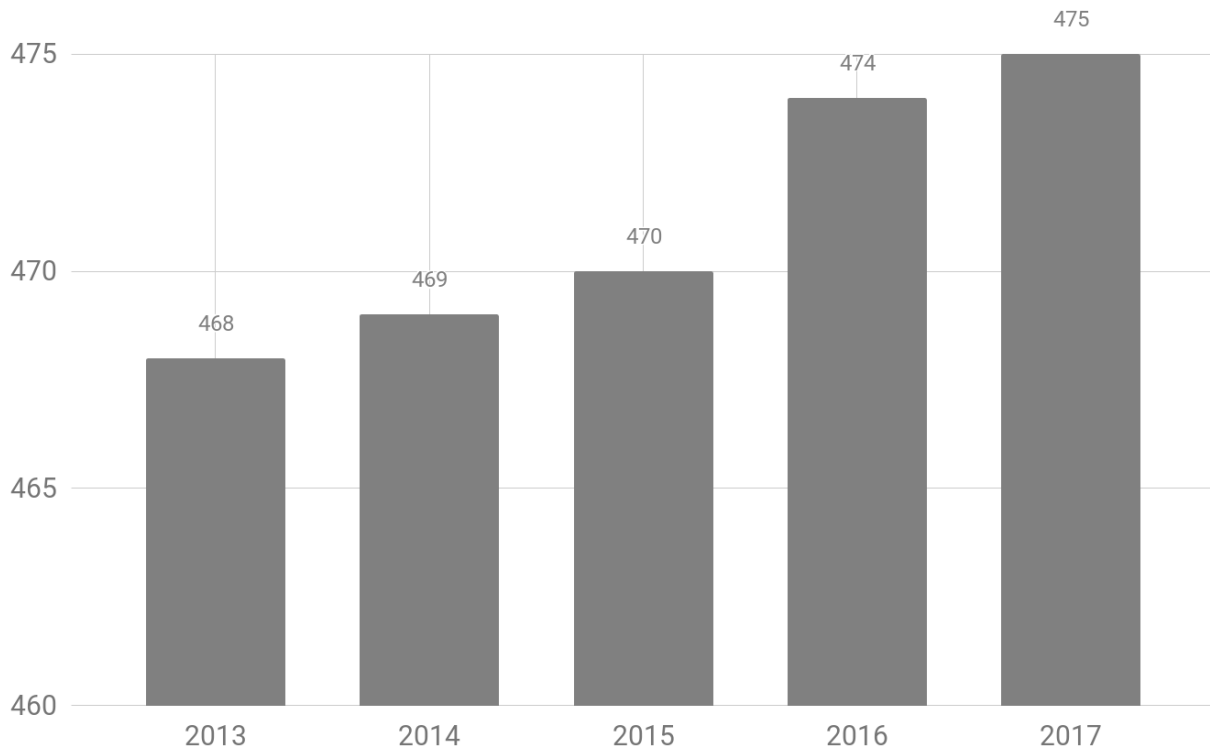
	2014	2015	2016	2017
Visible market	578	607	667	727
Share of visible market	10%	10%	10%	10%
Non-visible market	5,203	5,462	6,005	6547
Total Investment	5,781	6,069	6,672	7,274
# Investments	33,210	32,940	38,230	39,390
# Business Angels	288,900	303,650	312,500	337,500

As the table above shows, we can only perceive angel investment through the visible part of the market. The estimation of the invisible market is an assumption EBAN considers taking into consideration previous surveys and reports published⁷. As for 2017, we considered a visible market of 10%, at the same level of the one reported in 2014, 2015 and 2016. The visible market encompasses activity undertaken by investors gathered in business angel networks and either having a direct relation with EBAN or those reporting through a federation. It also comprises networks from which access to information is limited but its existence and activity is known by other players of the industry, such as National Venture Capital Associations. Finally, we used databases such as Dealroom.co and Zephyr where start-up investments are reported, which specify investors and groups involved in financing rounds.

Business angel networks had been growing in number at an average of 17% from 2003 through 2012, but began to level off in 2013. Since 2013, the number has remained virtually stable from 2013 till 2017, demonstrating consolidation in the market as networks become more formalised.

⁷ “Evaluation of EU Member States’ Business Angel Markets and Policies” CSES, 2012

Figure 3. Number of active business angel networks in Europe



ANGEL INVESTMENT BY COUNTRY

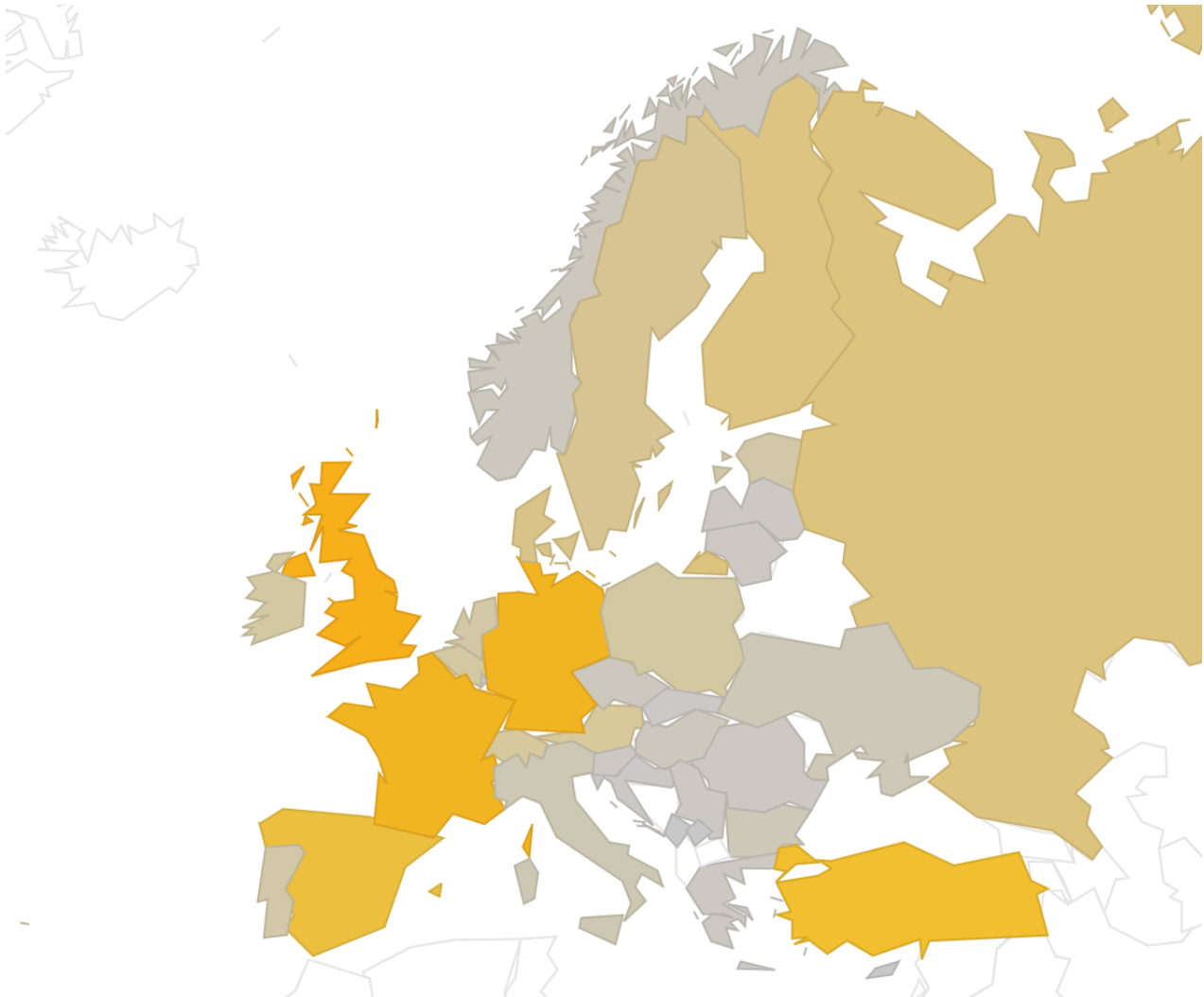
As the following clearly shows, the United Kingdom continues to lead the European angel market with €107.7 million of investment in 2017, up 9.2% from 2016.

Figure 4. Angel investment by country, visible market statistics

Country	No. BANs	No. BAs	No. Inv.	Total BA Inv. 2017, €M	YoY	Total BA Inv. 2016, €M	YoY	Total BA Inv. 2015, €M	YoY	Total BA Inv. 2014, €M	Avg. Inv per BAN 2017, €M
United Kingdom	67	8000	864	107.7	9.2%	98	2.1%	96	10.3%	87	1.6
Germany	40	1963	192	77	51.0%	5	15.9%	44	18.9%	37	1.9
France	70	5000	509	63	47.54%	42.7	2.4%	42	10.5%	38	0.9
Spain	46	3149	213	56.4	-14.4%	66	20%	55	4.5%	52.6	1.2
Turkey	15	1560	354	52.3	11.28%	47	51.6%	31	38.4%	14.7	3.4
Russia	24	234	166	48.8	42.6%	34.2	17.1%	29.2	-3.8%	30.3	2.0
Finland	6	663	260	27	-49.6%	53	45.2%	36.5	5.8%	34.5	4.5
Denmark	1	230	198	25.7	12.2%	22.8	15%	20	1.0%	19.8	25.7
Sweden	12	807	96	22.4	-0.1%	22.4	2.7%	21.8	5.8%	20.6	1.8
Austria	4	362	39	20	-9.9%	22	34.9%	16.3	8.6%	15	5.0
Switzerland	10	677	163	17.2	8.1%	15.9	6.7%	14.9	5.6%	14.1	1.7
Belgium	2	439	45	16.2	34.5%	12	4.3%	11.5	9.5%	10.5	8.0
Poland	5	475	47	14.5	14.7%	12.6	2%	12.3	30.0%	9.5	2.8
Monaco	1	15	6	14.5	-	-	-	-	-	-	0.97
Ireland	12	770	45	12.8	-23.3%	16.7	15.9%	14.4	15.2%	12.5	1.0
Netherlands	20	1200	84	12.8	2.4%	12.5	2.4%	12.2	4.27%	11.7	0.6
Portugal	20	594	21	12.4	-26.6%	16.9	-27%	23.4	-15.9%	27.8	0.6
Estonia	1	128	225	11.3	28.1%	8.82	32.2%	6.6	38.9%	4.8	11.3
Italy	9	450	20	10.8	-23.4%	14.1	15.1%	12.2	4.7%	11.7	1.2
Ukraine	1	59	35	7.8	52.9%	5.1	-%	-	-	-	7.8
Bulgaria	4	105	42	7	40.0%	5	16.5%	4.2	30.0%	3.3	1.7
Czech Republic	1	201	42	6.1	22.0%	5	-%	0	-%	0	6.1
Norway	6	350	23	4.7	-0.85%	4.7	2.1%	4.6	48.4%	3.1	0.7
Hungary	1	120	73	4.4	-20.0%	5.5	-%	0	-%	0	4.4
Luxembourg	1	107	32	4.1	4.07%	3.9	57.2%	2.5	150.0%	1	4.0
Romania	3	50	24	3.4	163.0%	1.3	-%	0	-%	0	1.1
Latvia	1	75	34	2.9	18.8%	2.4	221%	0.7	230.4%	0.2	2.9
Greece	4	52	19	2.7	-14.3%	3.2	18.52%	2.7	50.0%	1.8	0.6
Slovenia	1	74	16	2.5	-23.0%	3.2	75.68%	1.8	17.0%	1.5	2.5
Serbia	1	55	22	2.4	6.1%	2.3	9.52%	2.1	16.6%	1.8	2.4
Malta	1	20	2	2.4	-	-	-%	-	-%	-	2.4
Lithuania	1	118	9	1.9	72.7%	1.1	-8.33%	1.2	-42.8%	2.1	1.9
Slovakia	3	88	1	1.8	-14.3%	2.1	20%	1.7	31.5%	1.3	0.6
Croatia	1	24	4	1.1	2.94%	1	191.3%	0.3	-12.5%	0.4	1.0
Cyprus	1	40	2	0.7	33.33%	0.7	20.97%	0.6	-12.6%	0.7	1.0
Kosovo	1	17	15	0.6	36.00%	0.5	-28.57%	0.7	-%	0	0.6
Montenegro	1	10	2	0.1	-	-	-%	-	-%	-	0.01
Macedonia	3	17	1	0.02	-	1.4	27.27%	1.1	37.5%	0.8	0.01

Germany, France, and Turkey are the following biggest players in the Early Stage Investing market.

Figure 5. Geographic Heat Map of Overall National Investment



The following chart (Figure 6) illustrates the evolution of business angel investment by country. We observe many European countries showing strong growth while some mature markets like Portugal, Spain, and Finland showed a decrease compared to 2016. The Turkish market⁸ is rapidly expanding and Russia showed growth again in 2017 after several years of decline due to turmoil in the country. Russia is an especially impressive case with the sixth-highest amount invested and the third largest nominal increase in investment volume for the year of 2017 behind France and Germany.⁹ We are delighted to announce three new countries that appear on this chart for the first time – Malta, Monaco

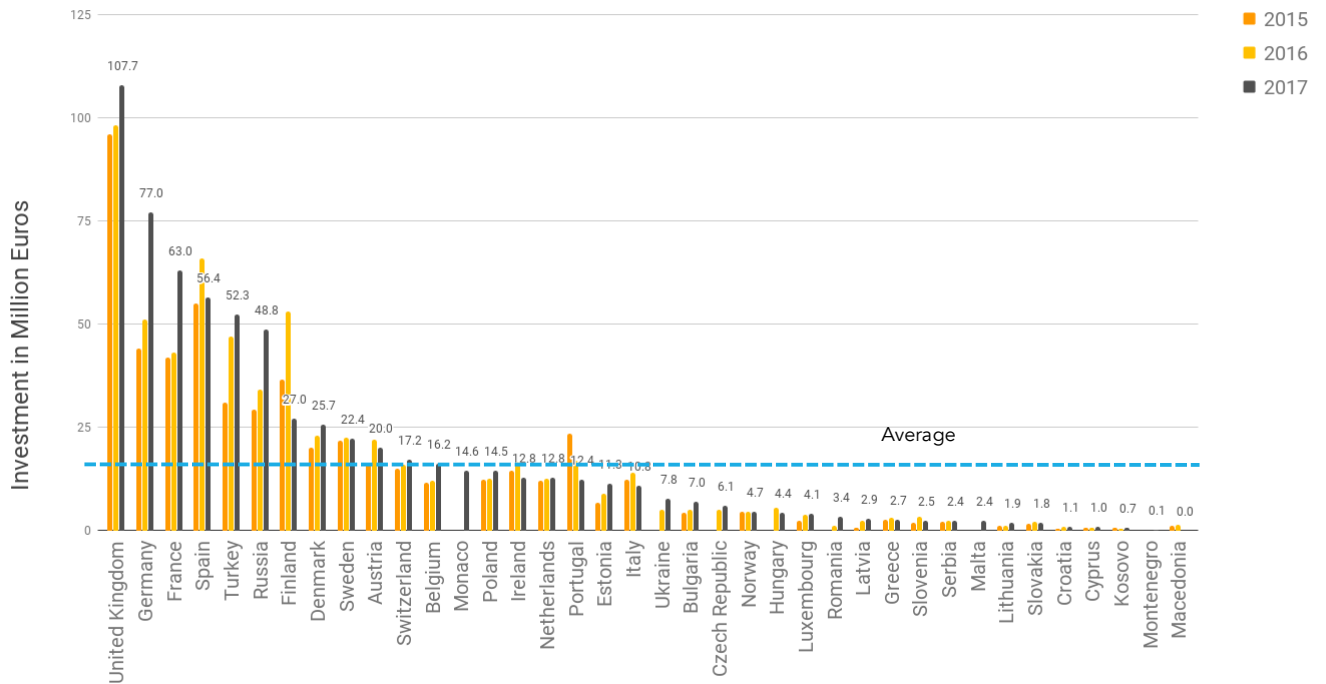
⁸ Deniz Bayhan et al., "Entrepreneurship & Technology Commercialization Report 2017: Global Trends and Specific Look at Turkey," TTA Turkey: 26, accessed January 2018, http://ttaturkey.org/upload/haberler/Entrepreneurship_TechCommReport2017_final.pdf.

⁹ "Venture Russia 2017 Results," Naima Russia: 10, http://naima-russia.org/workspace/uploads/article-files/venture_russia_2017_results_rb_partners_rmg_partners_1.pdf.

and Montenegro – bringing the total of observed countries in this Compendium to 38, the highest record yet.

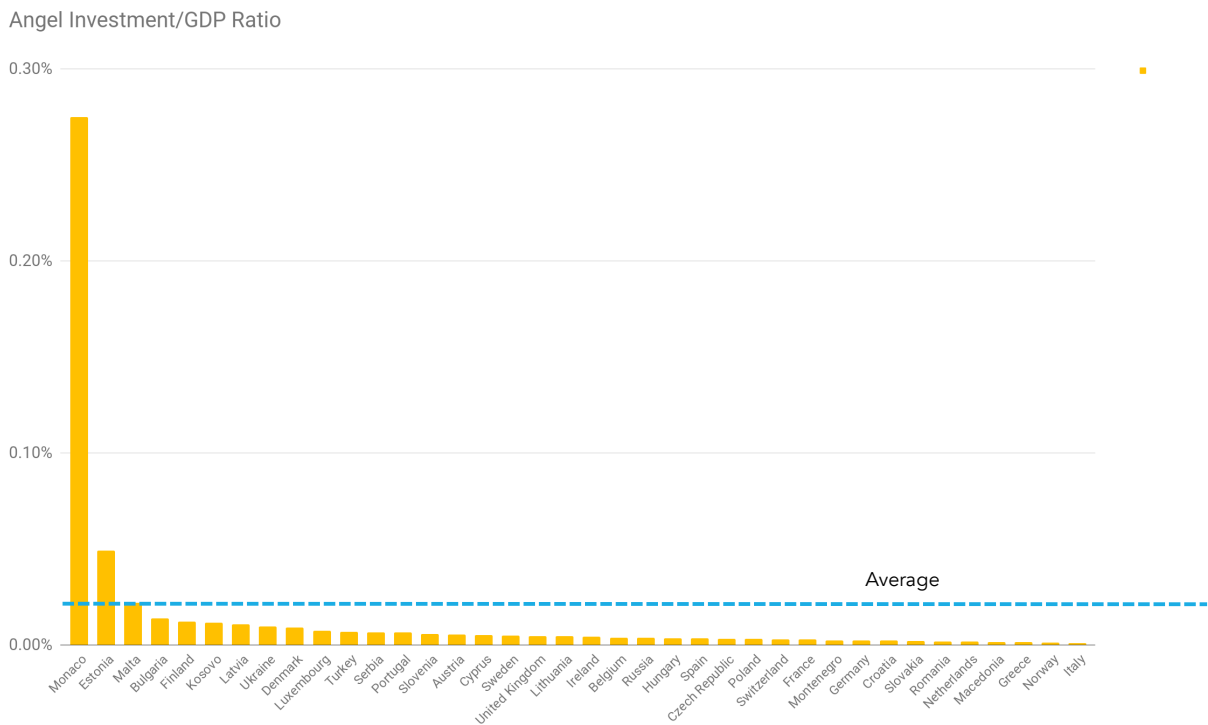
Figure 6. Amounts of angel investment by country in 2015-2017, €M; visible market statistics

BA Total Investments 2015-2017



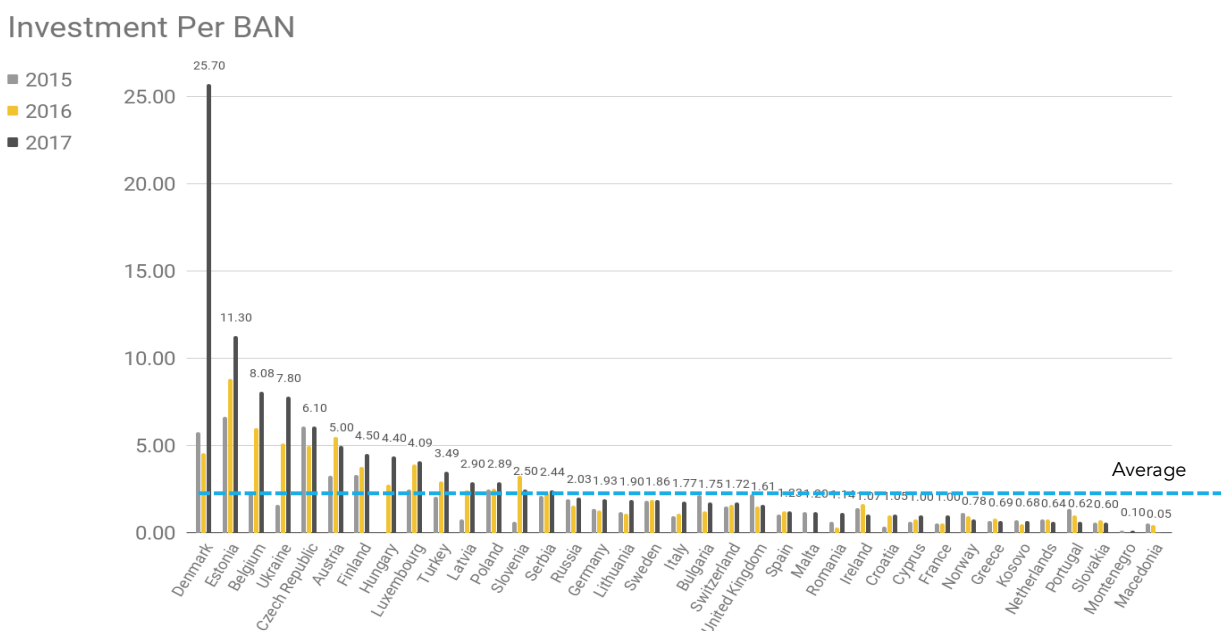
Comparing angel investment amounts to GDP for each country provides a new and different perspective (Figure 7). In this case, some smaller countries demonstrate their very active angel investment scene, while countries with higher GDP push the average down. While Monaco did not feature in the top ten in terms of volume, the chart below clearly shows its active role in the angel investor community.

Figure 7. Angel investment/GDP ratio¹⁰, %



If we take a look at the average investment per BAN (Figure 8), we notice that Denmark, with a single operating BAN, takes the lead in 2017, with the European average at €1.53M. In countries with an older angel community and dispersed business angel scenes we see less activity per BAN, which explains France and Germany's position in the chart.

Figure 8. Performance of BANs by country source, €M; visible market statistics



¹⁰ The ratio was multiplied by 10.000 for the clear picture. GDP figures of 2017 from the International Monetary Fund; visible market statistics

OTHER INVESTMENT FIGURES

While the amount invested per company decreased by 4.8% between 2015 and 2016, the amount invested per company increased by 12% from 2016 to 2017. European investment per deal still remains considerably lower than those in the US (0.18 million Euros in the EU in 2017 vs 0.38 million US dollars in the US¹¹). At the BAN level, the average investment amount rises to 1.53 million Euros, an annual increase that shows a tendency for aggregation in BANs.

Individual angel investment per funding round is at an average of 25,400 Euros, with a very wide range from 10,000 to 500,000 euros on average depending on the countries observed.

Figure 9. Average investments 2013-2017, €; visible market statistics

	2013	2014	2015	2016	2017
Average investment per company	165,000	174,000	184,000	166,000	182,000
Average investment per BAN	1,184,000	1,232,000	1,291,000	1,386,000	1,536,000
Average investment per BA	20,400	20,000	19,990	22,500	25,400

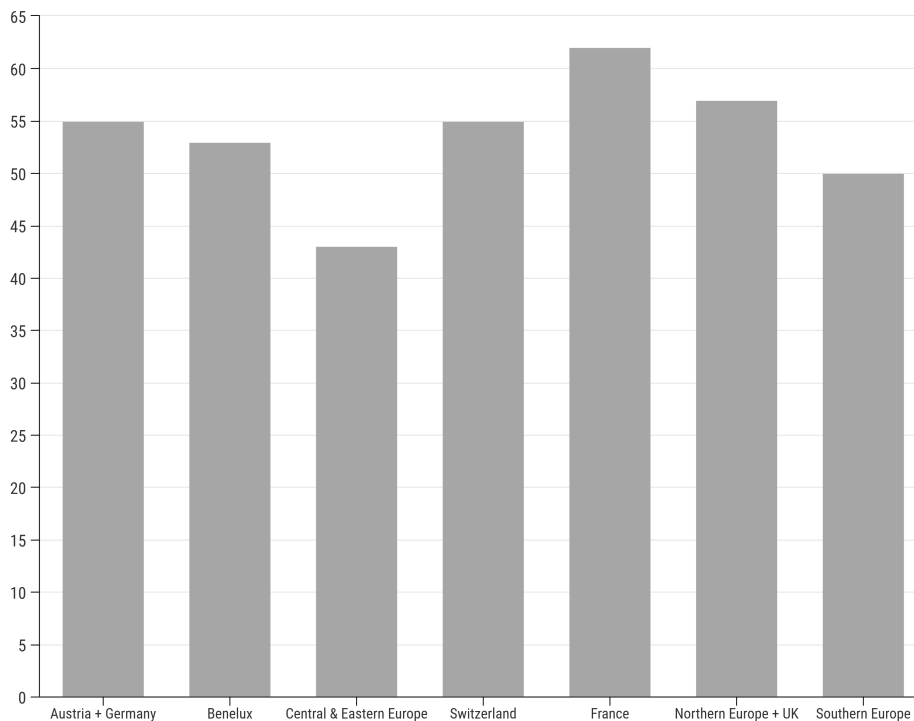
¹¹ Jeffrey Sohl, "The Angel Market in 2017 Angels Remain Bullish for Seed and Start-up Investing," Center for Venture Research: 1-2, <https://paulcollege.unh.edu/research/center-venture-research>.

ANGELS AND THEIR INVESTMENT BEHAVIOUR

Demographics

The CEE region has the youngest average age for business angel investors – between 40 and 45 years old, whereas France shows a demographic record in this parameter with an average age of more than 60.

Figure 10. BA investors distribution by average age in 2017¹²; chart taken from “Understanding the Nature and Impact of the business angels in Funding Research and Innovation”



Similar trends can be observed gender-wise with Central and Eastern Europe showing the highest ratio of women investing as business angels (about 30%). In Western Europe, women angel investors still represent a small fraction of the angel community and account for about 11% of the population.

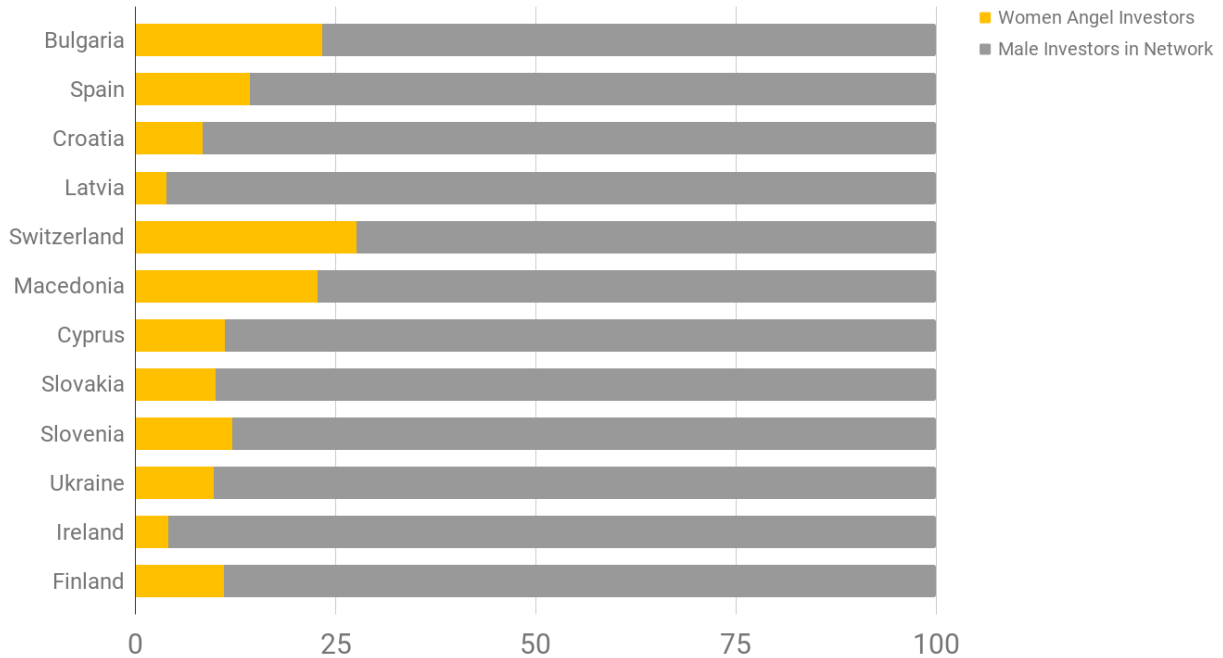
In the US, in 2017, women angel investors made up for 19.5% of the angel market¹³.

¹² Understanding the Nature and Impact of the business angels in Funding Research and Innovation: Results of the Business Angels survey. Directorate European Commission/DG CNECT – F1 Innovation Unit

¹³ Jeffrey Sohl, "The Angel Market in 2017 Angels Remain Bullish for Seed and Start-up Investing," Center for Venture Research: 1-2, <https://paulcollege.unh.edu/research/center-venture-research>.

Figure 11. BA Investors distribution by gender in 2017¹⁴; chart formulated from survey responses

Number of Women Angel Investors and Number of Male Angel Investors in Network



Sectors of Investment

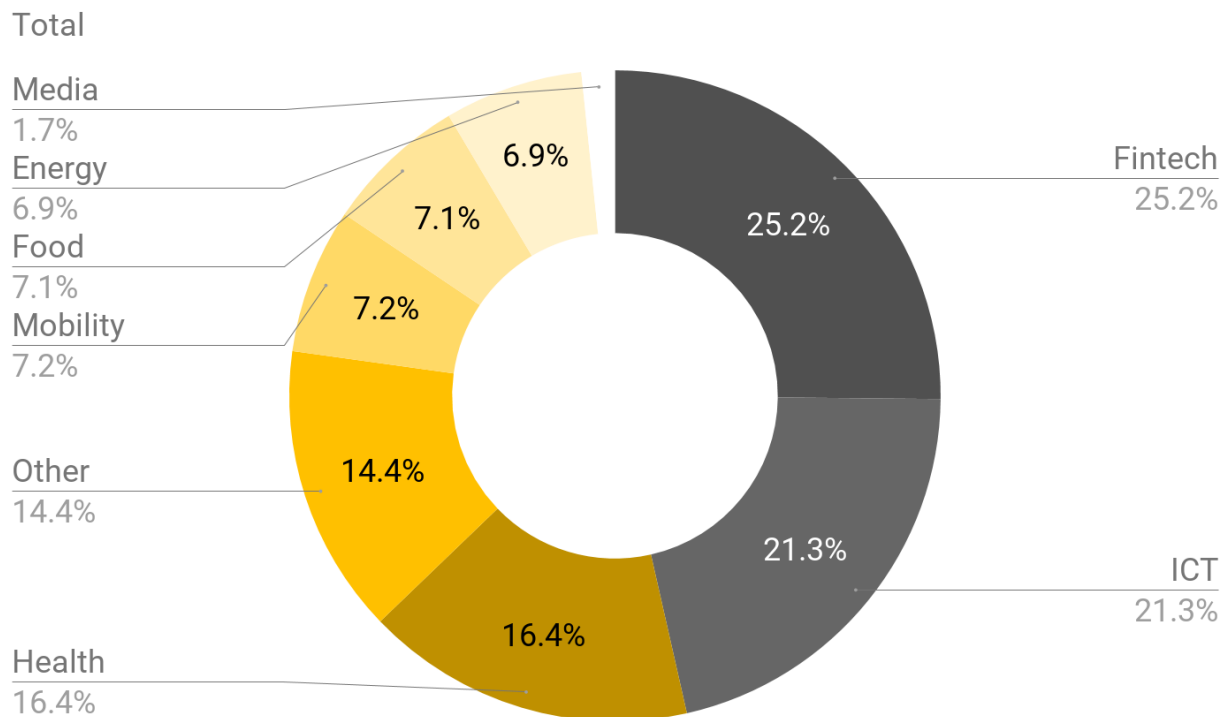
During the collection of data via surveys and interviews with angel investors, we asked respondents to indicate their main sectors of investment, if any. FinTech and ICT sectors take the vast majority of investment amount from business angels (25.2% and 21.3% respectively). However, 26% of respondents indicated that they have no specific sectoral focus and mainly invest in the team, the idea/team product or the market. It is interesting to note that sectors like healthcare and media keep gaining popularity in the angel community which has resulted in the formation of sophisticated communities and networks of investors.

As a brief comparison, in the US, 30% of investments go to software, 19% go to healthcare services/medical devices and equipment, 10% to retail services, 10% to biotech, 7% to industrial/energy and 5% to IT services¹⁵.

¹⁴ Data taken from EBAN 2017 Statistics Survey

¹⁵ Jeffrey Sohl, "The Angel Market in 2017 Angels Remain Bullish for Seed and Start-up Investing," Center for Venture Research: 1-2, <https://paulcollege.unh.edu/research/center-venture-research>.

Figure 12. Sectors distribution by investment amount in 2017; chart formulated from data retrieved on Dealroom.co

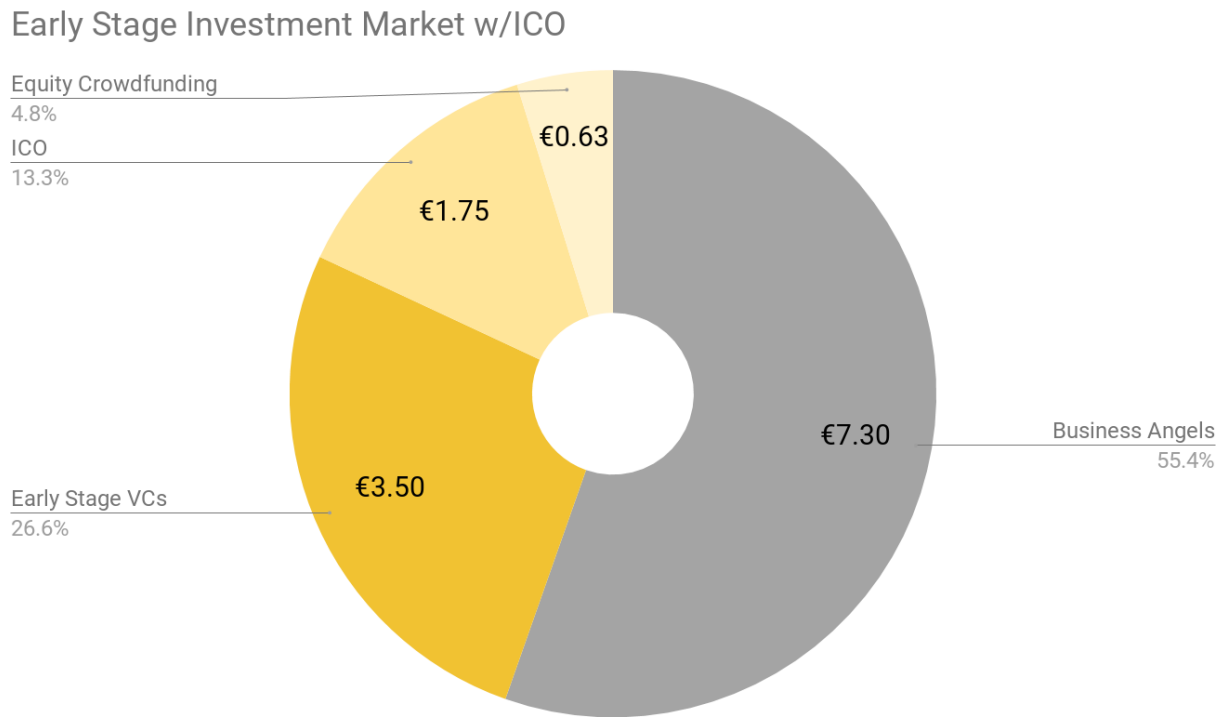


Business Angels, Early Stage VC, ICO & Equity Crowdfunding

Due to the unprecedented increase in Initial Coin Offering (ICO) volume for 2017, observed through blockchain start-up funding followed by foreign crypto regulations, the EBAN Statistics Compendium recognizes its significance within the investment community and the overall European investment market. Though most blockchain investors are based in the United States, European blockchain funding is accumulating momentum – particularly in Berlin and Zug.¹⁶ According to GP Bullhound, ICOs now constitute approximately 3/4 of all blockchain start-ups between 2015-2017. Despite the ICO hype reaching its peak in October 2017, in Europe, early stage VC and business angel investments still dominate the overall investment sphere. Business angel investment, when including ICOs, accounts for about 55% of the early stage investment market, early stage VCs account for about 26%, ICO makes up around 13%, and equity crowdfunding around 5%.

¹⁶ "Token Frenzy: The Fuel of the Blockchain," GP Bullhound LLP, published April 2018, <https://www.gpbullhound.com/research/token-frenzy-fuel-blockchain/>.

Figure 13. Main areas of early stage investment in Europe with ICOs, in € billion¹⁷



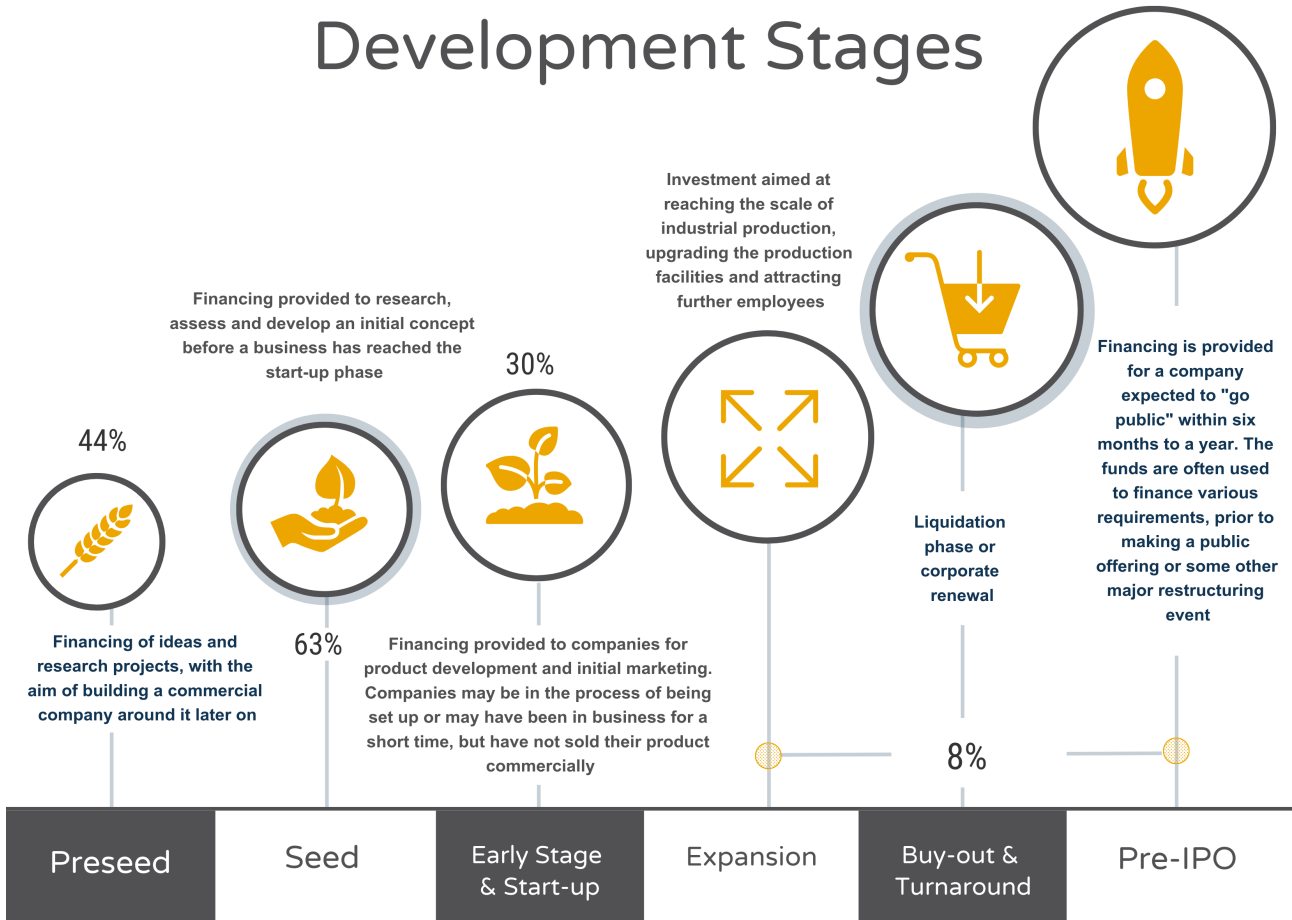
Development Stage of Investee

Pre-seed and Seed phase companies receive the vast amount of investment, with seed stage taking the first highest amount. Of the interviewed investors, 30% also do start-up stage investing while only a few opt for investments at a later stage. Looking at the same breakdown in the US in 2017 we see that 41% of angel investments went into seed and start-up stages. Early stage investing grew to 41%, a significant increase from 2016, where the percentage of early stage investments was 31%¹⁸

¹⁷ European Union, "Identifying Market and Regulatory Obstacles to Crossborder Development of Crowdfunding in the EU," Ec.europa.eu: 201-530, https://ec.europa.eu/info/sites/info/files/171216-crowdfunding-report_en.pdf.

¹⁸ Jeffrey Sohl, "The Angel Market in 2017 Angels Remain Bullish for Seed and Start-up Investing," Center for Venture Research: 1-2, <https://paulcollege.unh.edu/research/center-venture-research>.

Figure 14. Investments by investee’s development stage in 2017¹⁹; data for chart taken from “Understanding the Nature and Impact of the business angels in Funding Research and Innovation”

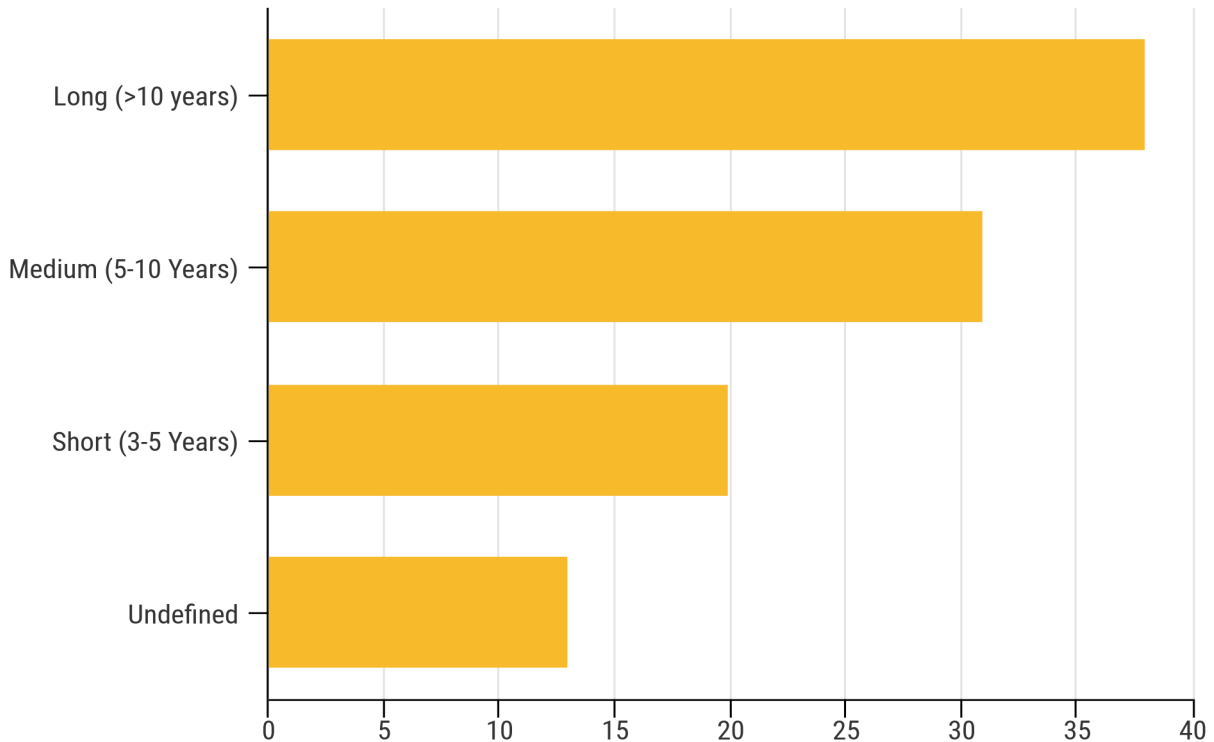


Time Horizon of Investments

Business angel investors mainly have long-term investment horizons, hence the name “patient capital” with holding periods of the investment of 5 or more years. This trend highlights the implied idea to build longer-term partnerships within the investment case.

¹⁹ Chart based on data from Understanding the Nature and Impact of the business angels in Funding Research and Innovation. Directorate European Commission/DG CNECT – F1 Innovation Unit

Figure 15. Investments by time horizon in 2017 in percent %²⁰; chart taken from “Understanding the Nature and Impact of the business angels in Funding Research and Innovation”

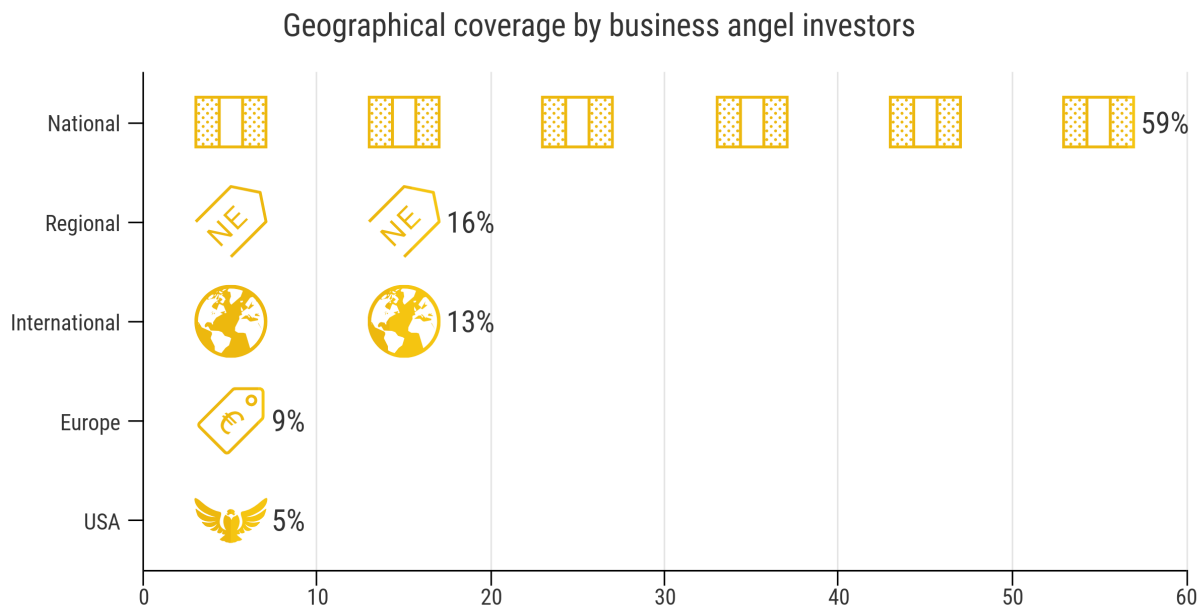


Location of Investment

In 2017 the vast majority of investments by angels were made in their same home country (59%). This is still lower than the 94% registered in 2015 which means that cross-border deals are becoming more frequent. Still, 16% stay within the same region of the investor and just 9% reach a European-wide level. The portion of investments done internationally beyond Europe reaches 18%, including the 5% made in the USA.

²⁰ Chart taken from Understanding the Nature and Impact of the business angels in Funding Research and Innovation. Directorate European Commission/DG CNECT – F1 Innovation Unit

Figure 16. Geographical coverage by business angel investors in percentage²¹; chart taken from “Understanding the Nature and Impact of the business angels in Funding Research and Innovation”



In some countries, the business angel co-investment funds or tax breaks schemes do not allow investment outside of the country. Of course, this makes cross-border investment less accessible to business angels in these countries.

Co-Investment

While co-investment amongst angels is still the norm, between 2014 and 2017, we saw considerable growth of early-stage funds, rising from €3 bn in 2010, to €11,4 bn in 2017. From the observed number of deals, at the network level, about 52.3% of all deals are co-invested. However, recent years have seen a slight decline in the rate of investments over the last three years, as 2017 saw 7% fewer deals than in 2016, following an 8% decline in the number of overall venture capital deal financings between 2015 and 2016.²² This trend is expected to continue, as business angels appear to be investing less and less with other non-business angel investors and more through early-stage funds and with other business angels.

In some countries, governments created early stage funds with favourable terms for business angels’ co-investment, which naturally attracts them to co-invest with those early stage funds. For example, in

²¹ Chart taken from Understanding the Nature and Impact of the business angels in Funding Research and Innovation. Directorate European Commission/DG CNECT – F1 Innovation Unit

²² "Venture Capital Activity in 2017," *Preqin*: 7, <http://docs.preqin.com/reports/2018-Preqin-Global-Venture-Capital-Extract-Report.pdf>.

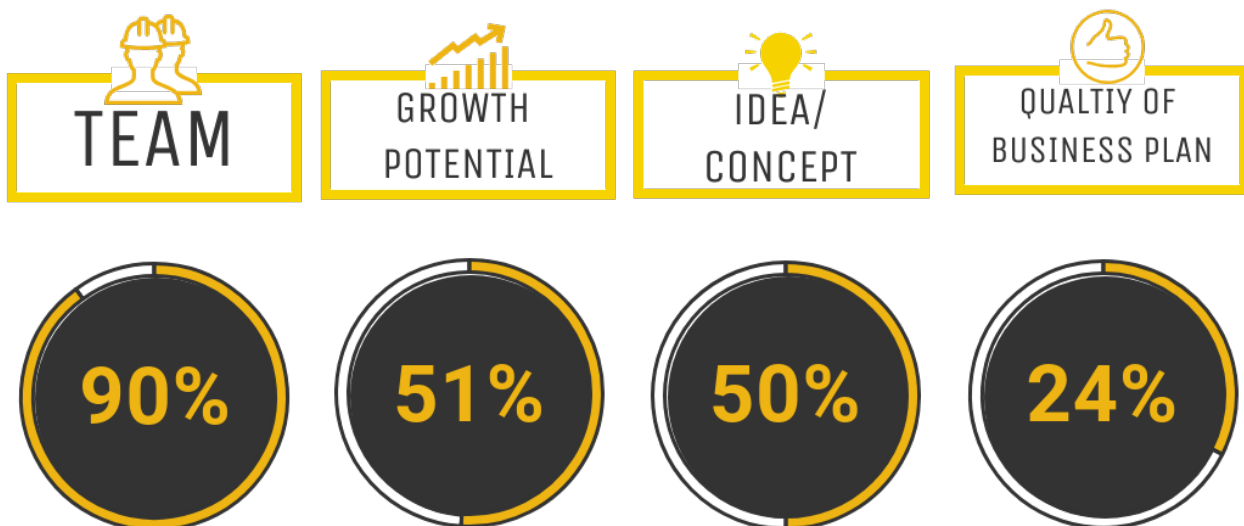
the UK, angel co-investment funds allow firms to raise funding rounds between €570,000 - €2m to stimulate growth and disseminate best practices in investing. In other countries (e.g Neology in Slovakia), business angels helped the creation of an early stage fund, with which they are also co-investing.

Syndication among business angels is increasing, also due to co-investment schemes where the investment amounts are quite high just for one business angel.

Investment Selection Criteria

Among the factors serving as selection criteria, 90% of investors are concentrating on the quality of the team as the main decisive factor to start an investment. The idea itself and growth potential are following in importance. Quality of the business plan remains important; however, it is apparently considered as a factor that can be worked out as opposed to the key idea or team setup.

Figure 17. - Decisive factor to start an investment²³; chart taken from “Understanding the Nature and Impact of the business angels in Funding Research and Innovation”

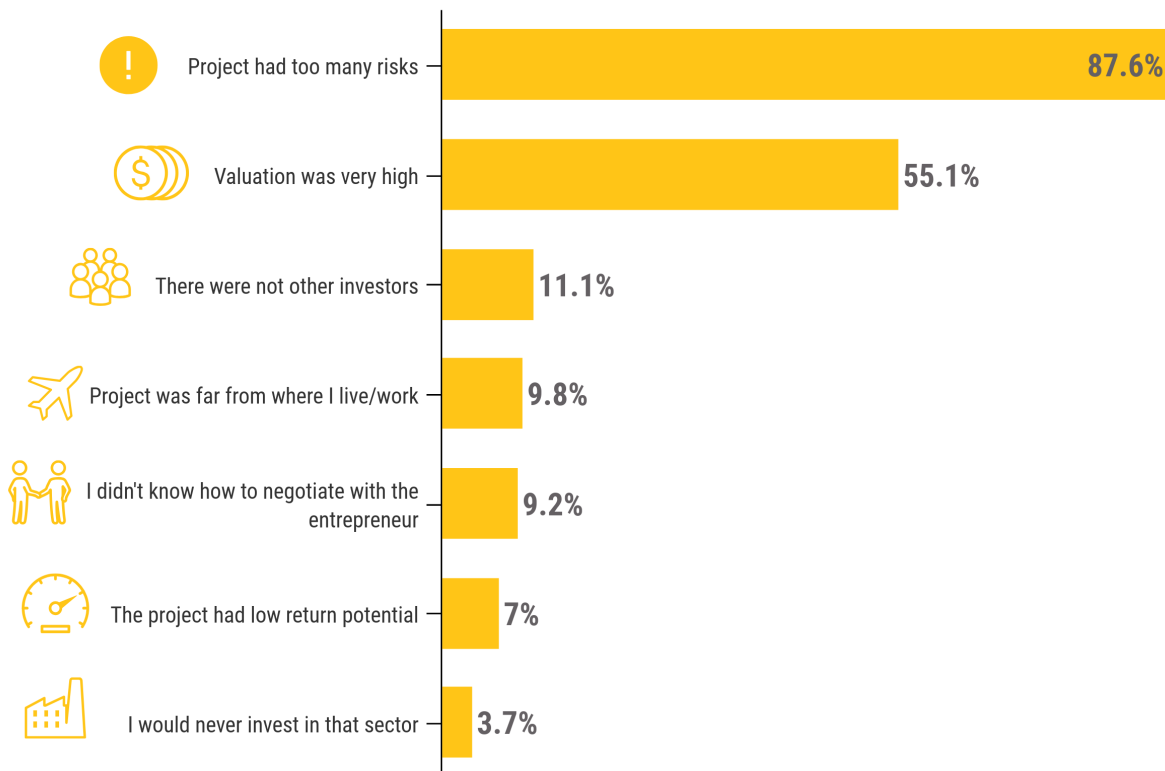


²³ Chart taken from Understanding the Nature and Impact of the business angels in Funding Research and Innovation. Directorate European Commission/DG CNECT – F1 Innovation Unit

Factors with Negative Impact on Investment Decisions

Among the factors negatively impacting the decision to invest, high risk of failure and exaggerated valuations were the two main reasons for not moving forward with an investment for the vast majority of respondents. Regarding the high-risk profile, it is clear from this result that entrepreneurs are either unaware of all the risks embedded in their business plans, or at least they have not addressed all of these risks properly.

Figure 18. Reasons Why Business Angels did not invest in investment opportunities in the last 5 years (%)²⁴



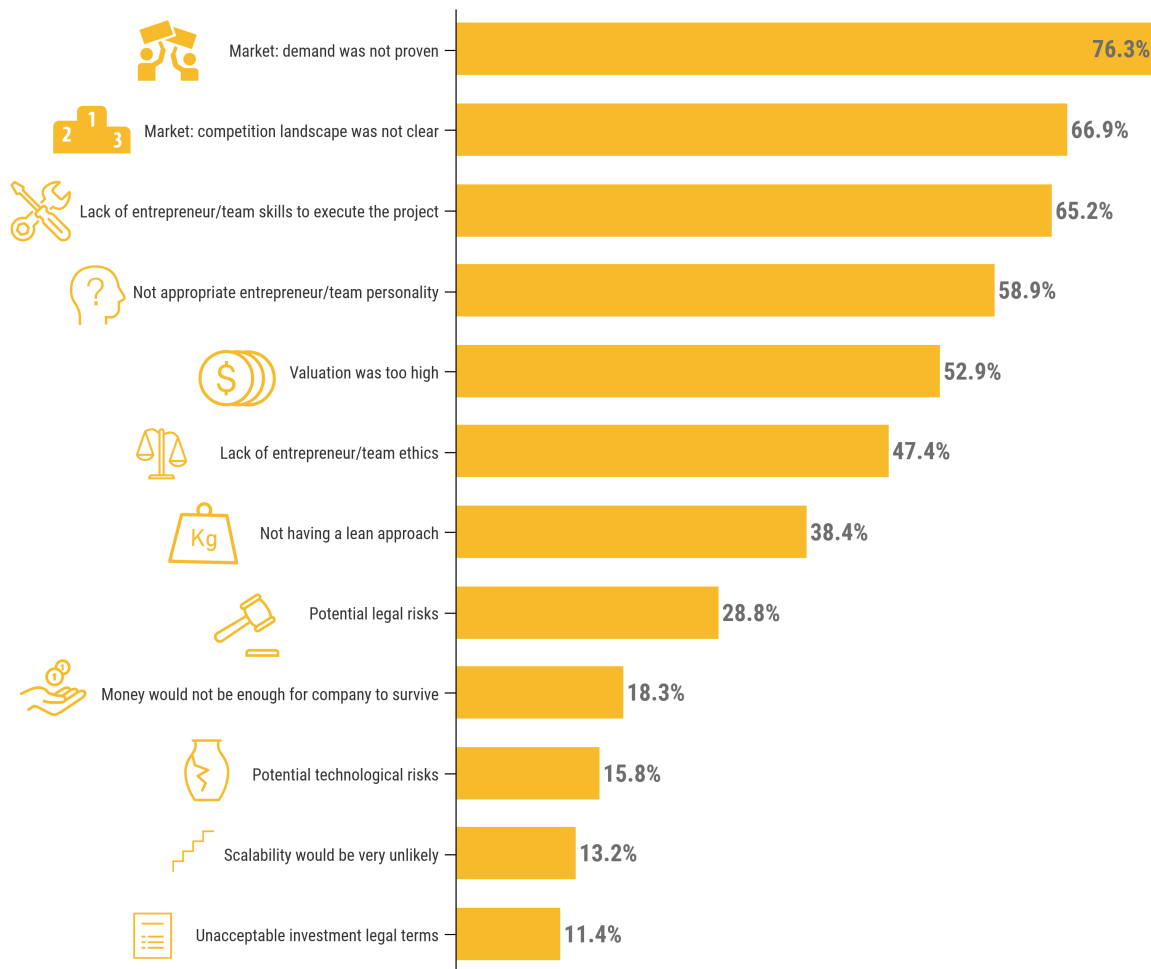
Surprisingly, only 7% of the respondents indicated that they had considered low return on investment as a reason not to invest. This result shows that the large majority of the projects presented to angel investors have, on paper, an acceptable or excellent return potential. Therefore, the large majority of entrepreneurs do not need to increase artificially the potential of the project in order to get funded. Instead, entrepreneurs should focus on addressing the risks associated with their project.

²⁴ EBAN Secretariat, "Why Business Angels Do Not Invest," EBAN, 2018, , <http://www.eban.org/wp-content/uploads/2018/02/EBAN-Report-Why-Business-Angels-Do-Not-Invest.pdf>.

Main Problems/Risks that Prevented Angels from Investing

As a follow up question, respondents were asked what their main problems and reasons were for not investing in both tech and non-tech startups. As expected, responses focused on market demand and competition, team structure and ability to execute, and, finally, the valuation of the company. It is interesting to note that, whereas entrepreneurs tend to focus on the product/technology, investors are more interested in knowing if there is a market for the product/service and if the team is capable of executing their business idea. Therefore, if entrepreneurs focus more on the market in their business plans and presentations, they might increase their chances of getting funded. It seems that valuation is considered as “excessive” more often in non-tech deals, as compared to tech deals. This phenomenon could be related to the scalability of tech projects, which justifies their higher valuations.

Figure 19. Main Problems that prevented investors from investing in Tech Deals (%)²⁵

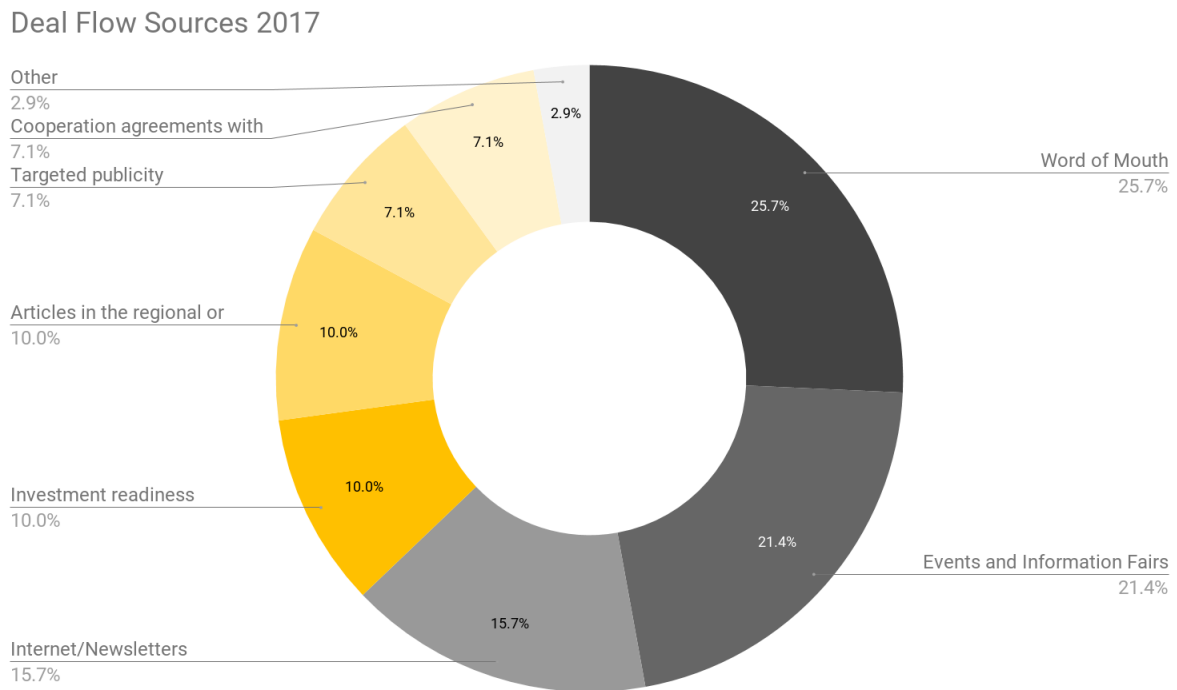


²⁵ EBAN "Why Business Angels Do Not Invest," EBAN, 2018, , <http://www.eban.org/wp-content/uploads/2018/02/EBAN-Report-Why-Business-Angels-Do-Not-Invest.pdf>.

Deal Flow

Word-of-mouth is now the leading deal flow source for many investors, with events and information fairs and internet/newsletters very close behind. The market is clearly open to non-related individuals who can approach investors, although it would be interesting to see the number of deals that result from each type of initial meeting.

Figure 20. - Deal flow sources in 2017²⁶



Investors and networks of investors are more used to reporting investments than exits. In many occasions, especially in the context of business angel networks, these are difficult to track as investors hold no obligation to report back to the network. For this reason, information about exits in investments involving business angels is severely limited and therefore we refer to our 2015 Statistics Compendium findings. The average number of investments that exited in 2014, across business angel networks, federations and other organisations, was 1.6. For 2015 this number rose to 1.9. Of the exits reported, 60% made a positive return in 2014 and 67% made a positive return in 2015. Already, work is being done to better assess the return on investments by angels. We would like to acknowledge the report prepared by FIBAN, “The Profitability of Business Angel Investment,” which studies the internal rate of return on 126 business angel exits recorded in Finland. This study demonstrates that the accumulative IRR in Finland is 25%, though around 54% of the exits were unprofitable.²⁷

²⁶ Visible market data taken from 2017 EBAN Statistics Compendium survey results

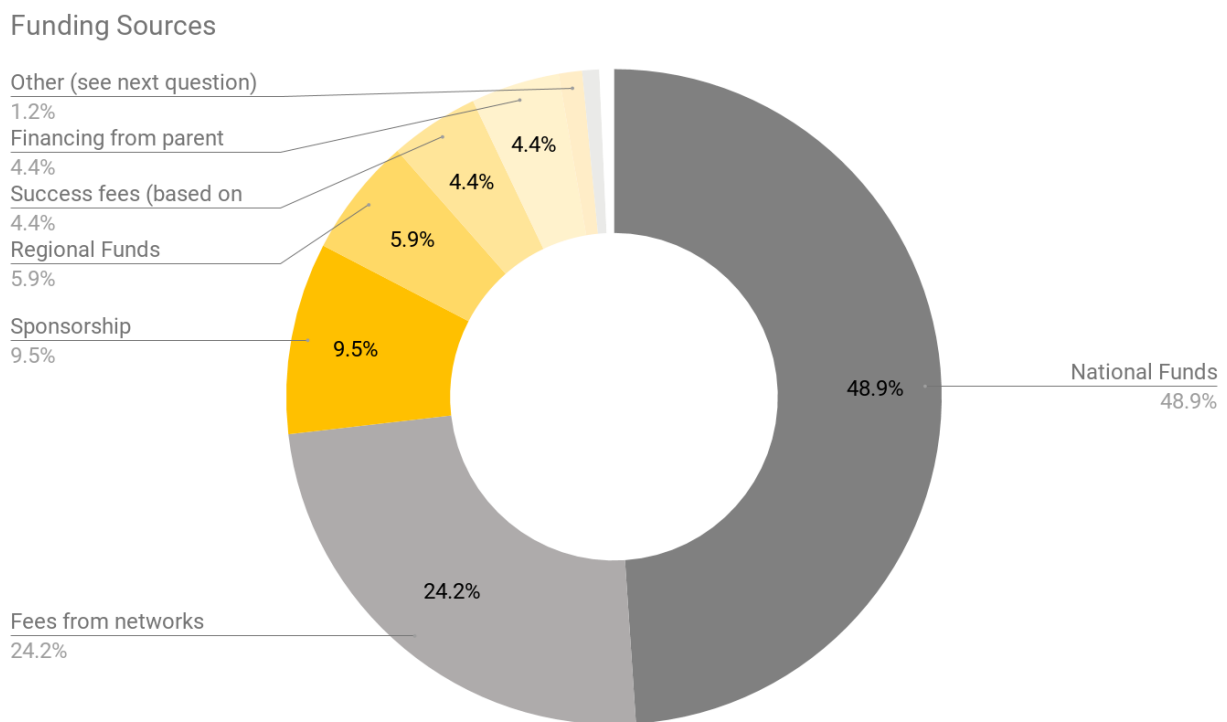
²⁷ "The Profitability of Business Angel Investment," FiBAN: , <https://www.nordicban.net/news/the-profitability-of-business-angel-investment>.

BUSINESS ANGEL NETWORK MANAGEMENT

Funding Sources

Business Angel Networks tend to be non-profit associations that fund themselves through membership fees. Sponsorship and financing from a parent organisation are also important sources of funding. Other sources of funding are also increasing, such as fees charged for event participation and for organising events. BANs tend not to charge success fees or any fees to entrepreneurs, and funding from European funds still remains steady at 3%.

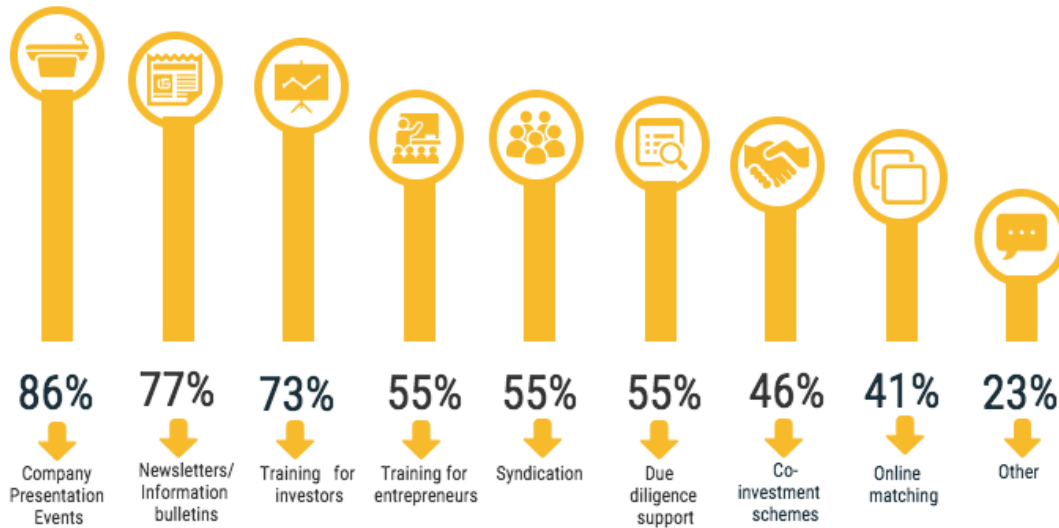
Figure 21. - Funding sources for BANs 2017 ²⁸



Services

Services provided by BANs tend not to vary too much and express the role of these organisations in the ecosystem. It is worth noting that training and the promotion of interaction between entrepreneurs and investors either offline at events or online through specific platforms play a significant role, with all surveyed BANs providing company presentation events. Services which may be described as more technical (e.g. syndication, co-investment schemes or acceleration program support) are contained in the “Others” category and are less common across BANs in Europe.

²⁸ Visible market data taken from 2017 EBAN Statistics Compendium survey results

Figure 22. - Distribution of services offered by BANs 2017 ²⁹


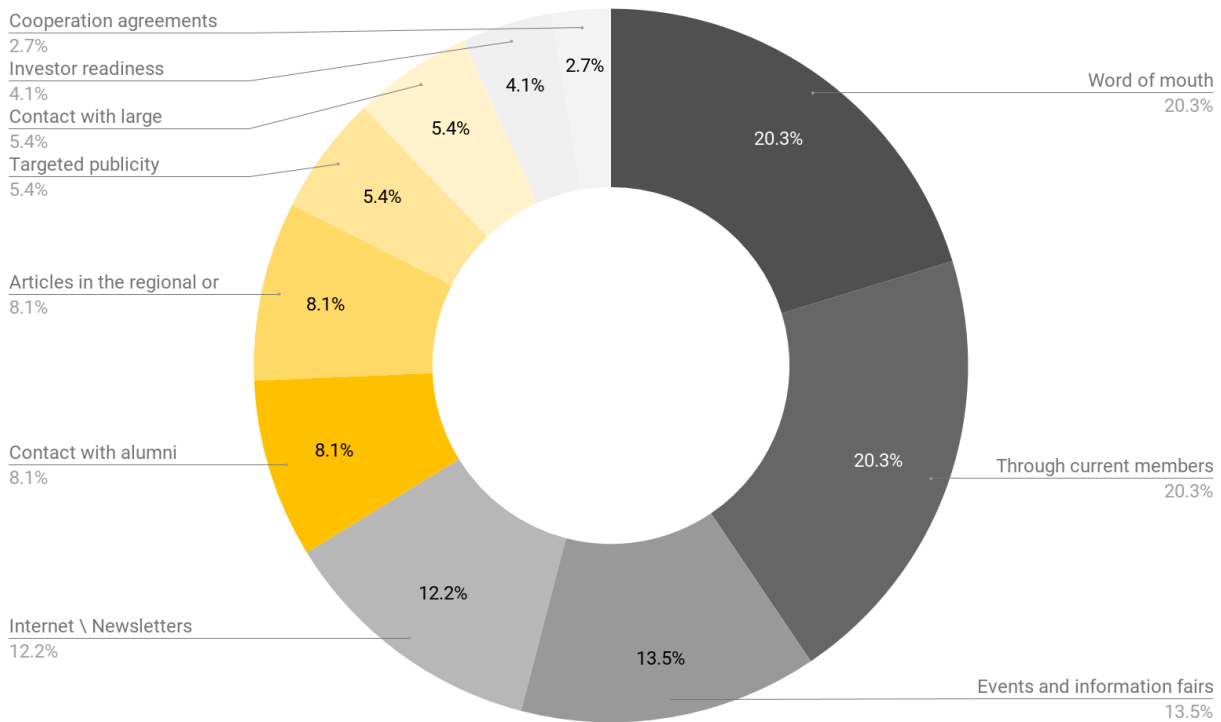
Membership

BANs experienced some growth during 2016 and 2017, with the average number of newly recruited BA members standing at 23 per network. New members represent up to 5% of all members in more established BANs and up to 82% of all members in BANs 2 years old or less. Meanwhile, BANs lost an average number of 5 members over this time period. For a few small BANs this could be a considerable loss, but on average BANs did not lose more than 7% of their network.

In terms of Business Angel investor recruitment practices, most BANs rely on informal channels – word-of-mouth and current members – with events and information fairs representing the majority of formal channels used.

²⁹ Visible market data taken from 2017 EBAN Statistics Compendium survey results

Figure 23. - Business angels' recruitment channels 2017



On a positive note, “Active Angels,” or those investors who participate in meetings on a regular basis and who are actively looking for new investments, represent a little more than half of all members in the average BAN at 55%. The percentage of women angels has more than doubled since 2013, from 4% to 10%, and reaches 30% in some BANs. In the United States, women angels represented 19.5% of the angel market which is a 6.7% decrease from 2016.³⁰ To add, the overall increase of women angel investors has increased from 11% to over 16% from 2016 to 2017. This is offset, however, by BANs still reporting zero female members, thus the distribution of female business angels is very uneven across European BANs.

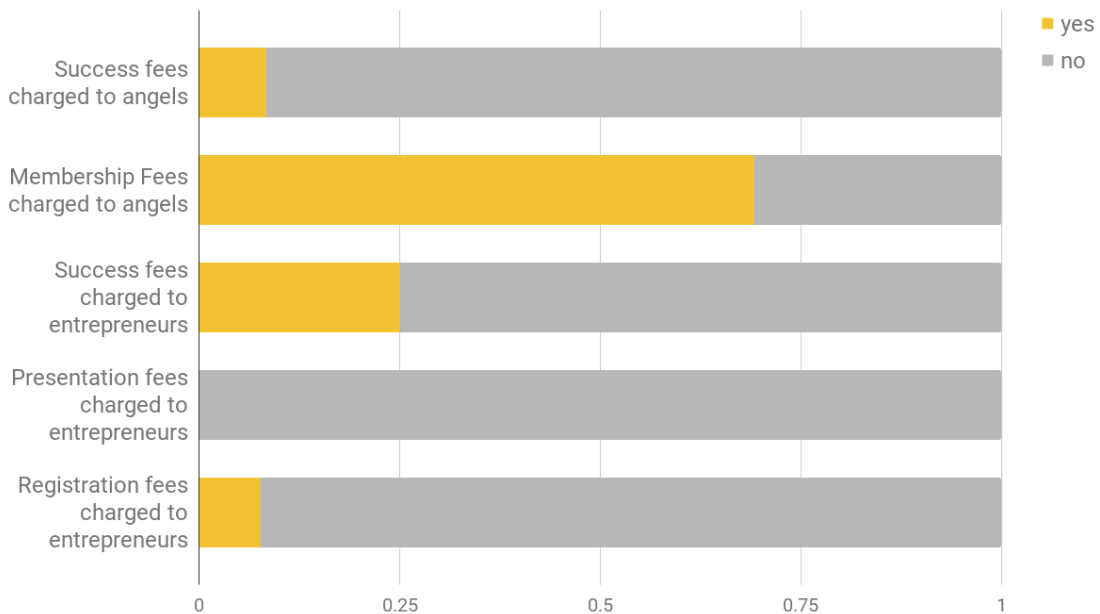
³⁰ Jeffrey Sohl, "The Angel Market in 2017 Angels Remain Bullish for Seed and Start-up Investing," Center for Venture Research: 1-2, <https://paulcollege.unh.edu/research/center-venture-research>.

Charged Fees

As the following graph illustrates, BANs charge a variety of fees depending of the services they provide, the most relevant fee being annual membership. The majority of business angel networks take the form of non-profit organisations or associations with services comprised in the annual membership. Membership fees often change within the BANs depending on the type of member (i.e. Private individual investor or company), and ranging on average between €250 to €2000 per year. Of the few BANs charging success fees to entrepreneurs, even less charge success fees to investors who may already to be a part of the network. These investors are not typically charged in the case of a successful deal made through the BAN.

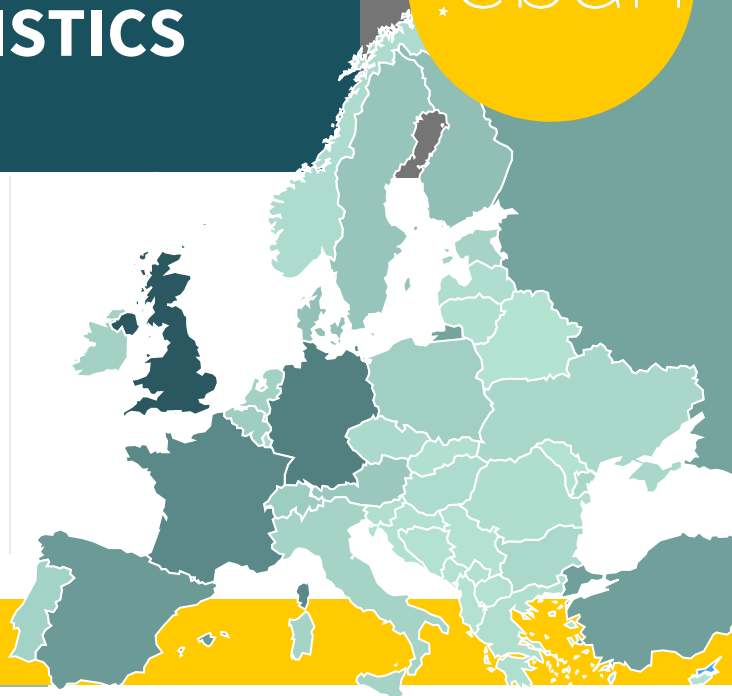
Figure 24. - Business angels' recruitment channels 2017 ³¹

Charged Fees



³¹ Visible market data taken from 2016 EBAN Statistics Compendium

2017 EUROPEAN EARLY STAGE MARKET STATISTICS



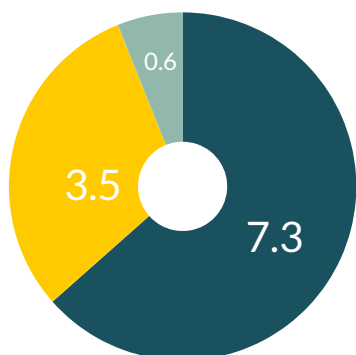
€ 7.3b INVESTED BY BA
↑ 9% from 2016

39 990 INVESTMENTS
↑ 3% from 2016

337 500 BUSINESS ANGELS
↑ 8% from 2016

475 BA NETWORKS
↑ 1% from 2016

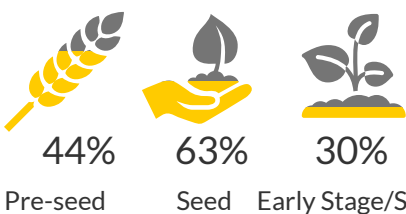
Inv. Market



€ 11.4 b

- Business Angels
- Early Stage VC
- Equity Crowdfunding

Investments by Investee Development Stage



Average investment per company

2017	€ 182.000
2016	€ 166.000
2015	€ 184.000
2014	€ 174.000

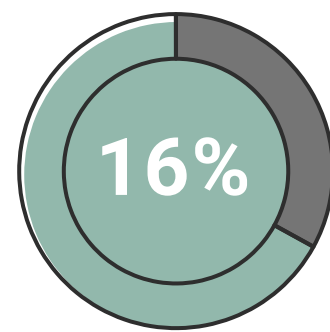
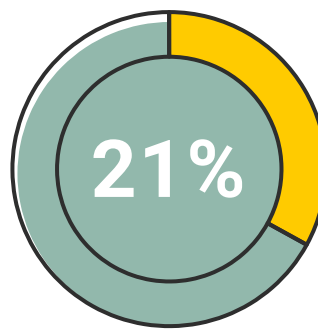
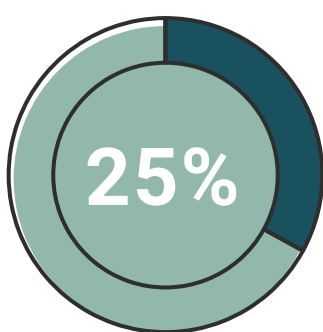
Average investment per BAN

2017	€ 1.536.000
2016	€ 1.386.000
2015	€ 1.291.000
2014	€ 1.232.000

Average investment per BA

2017	€ 25.400
2016	€ 22.500
2015	€ 19.990
2014	€ 20.000

3 Key Sectors of BA Investment



FinTech

ICT

Healthcare

Business Angels Demographics

Average BA Age

43 Central & Eastern Europe

62 France, Northern Europe

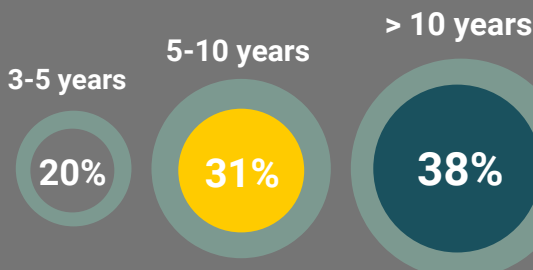


3 in 10 BAs are women In Central & Eastern Europe



1.5 in 10 BAs is a woman

Time Horizon of BA Investment





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

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