

EBAN
STATISTICS COMPENDIUM
EUROPEAN EARLY STAGE
MARKET STATISTICS
2019



8.04 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 but also based on data published in 35 other sources amongst which include: Dealroom, Crunchbase, PitchBook, the European Commission, National Venture Capital Associations, national and regional research studies on angel investment.

The information featured in the EBAN 2019 Statistics Compendium was collected in 2019 - 2020 and reports on activities that took place in 2019.

The figures presented in this report are not representative of the entire European market, even though they cover 38 European countries. EBAN started collecting data in 2000 and has been publishing annual statistics reports 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 surveys. 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 angel 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 in 2012 by the European Commission to CSES about the Business Angels market in Europe. In some countries, the deals are 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, to have a higher degree of confidence in 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.co, PitchBook and Crunchbase databases, market reports, EU Commission publications, national publications, press articles and research papers, and other early-stage actors in Europe.

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EXECUTIVE SUMMARY

Data on the investments made across the 38 different countries measured in the report indicates that the visible angel investment market on the European continent has grown from 745 million euros in 2018 to 804 million Euros in 2019. Last year, angel investors were involved in over 3600 funding rounds (initial investments and follow-on rounds in start-ups). Based on the reports provided by national federations, local angel networks, and national venture capital associations, there are approximately 34500 active business angel investors on the European continent who invest primarily through a local investment network or club.

Due to its nature, the business angel investment market is difficult to quantify as only a part of the investment activity is reported by the investors to an entity such as a local association or network. An important percentage of the total investments made are informal and not publicly reported. Therefore, we estimate the total size of the European early-stage investment market using a multiple of 10x based on the visible market measured across the various countries. This multiplier is the output of a study financed by the European Commission and carried out by CSES regarding the visible and invisible angel investment market in Europe (Evaluation of EU Member States' Business Angel Markets and Policies Final report, 2012, Centre for Strategy and Evaluation Services). The size of the visible and invisible business angel market in Europe increased to an estimated 8.04 billion Euros in 2019, a growth of 9.97% from 2018, 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 in 2019. The business angel community in Europe is estimated at 345.000 investors and the total investment rounds closed are estimated at 36,000. Overall and taking into consideration other early-stage investors operating in Europe, the sector, which includes early-stage VCs and equity crowdfunding, reached an estimated 13.22 billion euros of investment in 2019.

Within the visible market, the United Kingdom continues to be the leading country with 153.08 million Euros invested in 2019 and 109.4 million Euros in 2018. Germany comes in second with 81.8 million Euros of angel investment in 2019, followed by Spain with 78.7 million Euros of annual investment. Despite the strong performance of large European countries, it is important to highlight the continuing success of "smaller" markets such as Sweden, Ireland, Estonia, Austria, Finland, Belgium, and Denmark, which count on vibrant start-up ecosystems and well-connected communities of investors at a national and regional level.

Contrary to 2018, the main sector of investment in 2019 (in terms of total Euros invested) was enterprise software compared to FinTech which was 2018's number one industry for angel investment. Enterprise software also remained the leading sector in terms of total rounds of investments made. Important to note is the strong growth of the marketing, health (second year in a row) and media sectors during 2019 with respectively 12%, 10% and 5% share of the total amount of investments made (in Euros).

Angels in 2019 invested mainly in start-ups raising between 0.1-0.5 million euros. With the average investment per company totalling 220 thousand euros and the median investment totalling 256 thousand euros. In most of the investment rounds observed, business angels formed syndicates where on average each investor committed 25,500 Euros to the funding round. In terms of the average investment per business angel network, across the 38 European countries measured, the amount is just shy of 2 Million Euros invested per year.

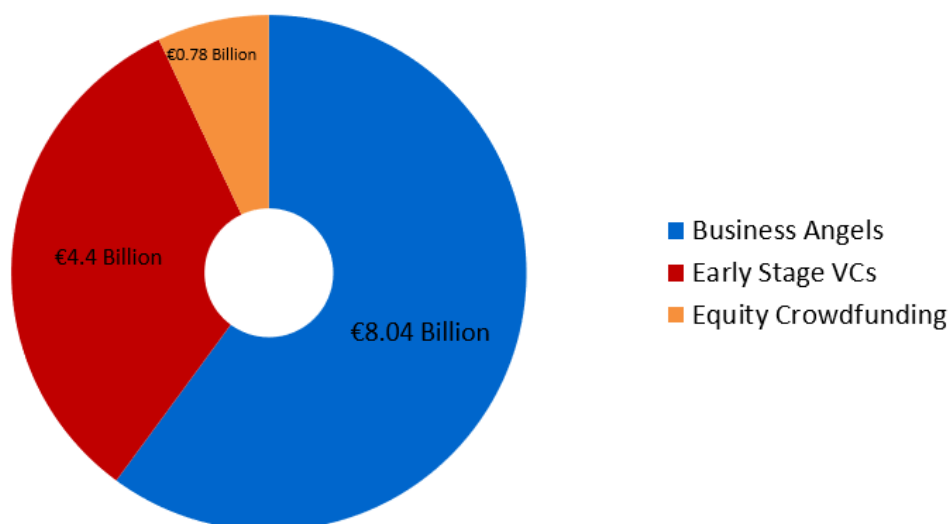
In terms of investment trends, it is worth noting that especially in some established angel markets like the UK and Sweden, there is a growing number of larger individual angel investors (i.e., “super-angels”) who regularly invest more than 500 thousand euros per round, often as sole investors but increasingly in small groups. Syndication between local business angels, other angel networks and/or early-stage VCs is another growing trend we are observing. The pooling of resources through broader networks allows most of these syndicates to invest consistently also in the later funding rounds after the seed stage. Regarding cross-border investment, data from 2019 indicate that business angels are still keen to invest primarily within their national borders, partly due to the unclear legal and regulatory specificities that each country has.

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 2019. Internal dynamics appear strong, however, as membership numbers steadily grow higher and networks lose relatively few members year to year. Although providing a critical and wide range of services to local entrepreneurs and investors, BANs and angel Federations are often insufficiently resourced and unable to monetize on the value they generate for their early-stage entrepreneurial and investment ecosystems. Ensuring the sustainability of angel investment communities at a local level is crucial for the development of a vibrant local entrepreneurial and innovation ecosystem.



OVERVIEW OF TOTAL EUROPEAN EARLY-STAGE INVESTMENT

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



EBAN, the European trade association for business angels, seed funds and other early-stage market players, throughout the years has extended its network reach to include other types of actors and investors within 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 crowdfunding².

The total European early-stage investment market (visible and invisible) is estimated to be worth 13,22 billion euros. Business angels represent the biggest share of the investment market with an estimated 8.04 billion euros of annual investment, equal to approximately 60% of the total market, followed by the early-stage venture capital industry investing 4.4 billion euros. Although equity crowdfunding investments have been growing steadily in the past years (in absence of new data, we refer to the 2017 market estimate of 0.78 billion euros), recent regulatory changes introduced in 2020 by the EU Parliament may lead to a sizeable increase of this type of investment activity across the Member States.

²EU 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. – European Crowd Funding Network: <https://eurocrowd.org/2020/10/05/european-parliament-adopts-eu-rules-for-crowdfunding-platforms-under-ecsp/>

³"European Private Equity Activity Report and Data 2019," Invest Europe, May 20, 2020, , <https://www.investeurope.eu/research/publications/?key%20word=Investin%20in%20Europe%3A%20Private%20Equity%20Activity%20in%202019&date=all&typeOfData=all&tag=Research>.

OVERVIEW OF EUROPEAN ANGEL MARKET

European angel investment increased by 9.97%, at current prices, from 2018 to 2019, bringing the (visible and invisible) market to a new record of 8,04 euros of investment. Over the past years, the market has been growing in terms of the total amount invested, the number of deals done as well as the number of business angels.

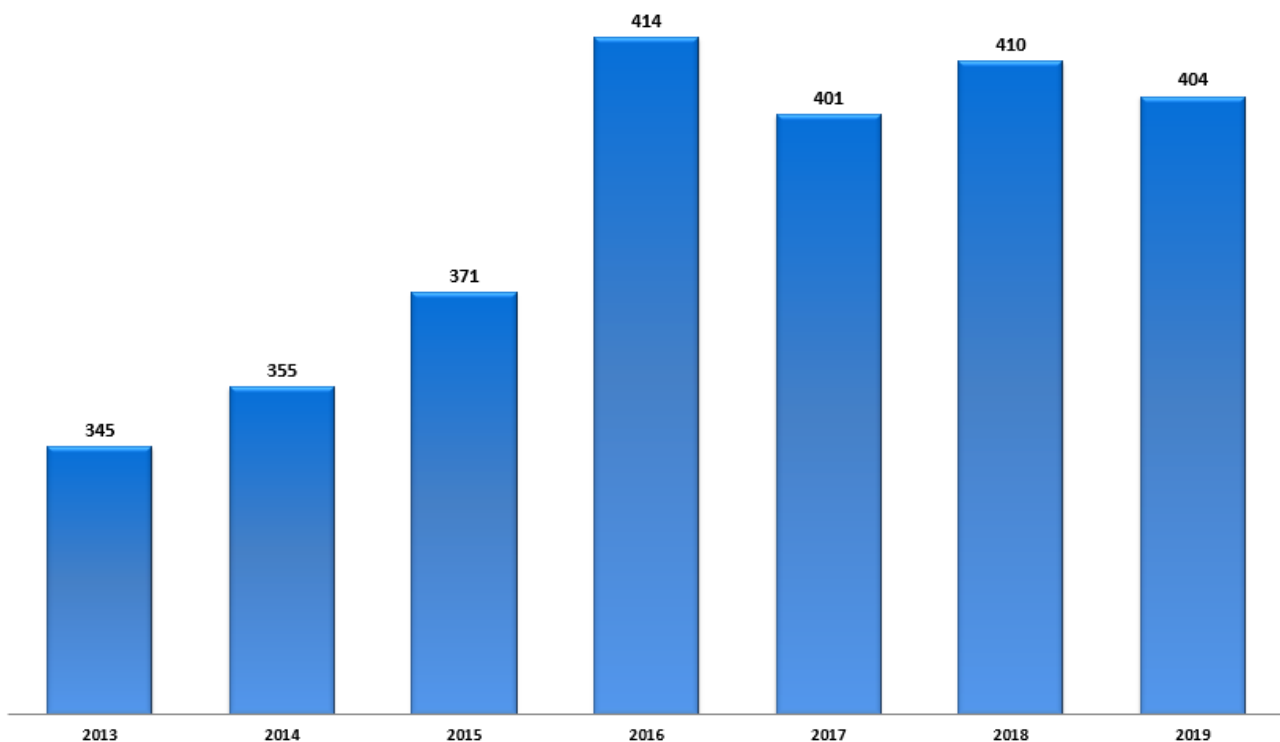
Figure 2. Breakdown of angel investment by visible and non-visible market; Investment values in €M

	2016	2017	2018	2019
Visible market (in million Euros)	667	727	745	804
Share of visible market	10%	10%	10%	10%
Non-visible market (in million Euros)	6,005	6,547	6705	7236
Total Investment (in million Euros)	6,672	7,274	7,450	8,040
# Investments (total visible and invisible market)	38,230	39,390	37,200	36,020
# Business Angels (total visible and invisible market)	312,500	337,500	345,000	345,000

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 adopts considering previous surveys and reports published on this topic. As for 2019, we considered the visible market in Europe to be 10% of the overall one. This 1 to 10 ratio was also maintained between 2012-2018. 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 national federation. It also comprises networks from which access to information is limited but its existence and activity are known by other players of the industry, such as National Venture Capital Associations. Finally, we used databases such as Dealroom.co, PitchBook and Crunchbase where start-up investments are reported, also specifying the investors and groups involved in financing rounds. For the 38 countries included in this year's edition of the Statistics Compendium, EBAN has counted 804 Million Euros of investments done by business angels in 2019. 3602 investment rounds were closed in 2019. As reported by local BANs and national federations, the angel population affiliated to a business angel network is equal to 34,500 individuals across the European continent.

Business angel networks had been growing in number at an average of 17% from 2003 through 2012 but began to level off in 2013 (see Figure 3). Between 2013 and 2019, the number has grown just moderately, mainly due to consolidation efforts where smaller investor networks merged to exploit economies of scale and synergies. It has been observed that BANs play a more effective role in their ecosystems when they increase the size of their community base and build a sufficient critical mass of active business angels that are consistently able to deploy capital, expertise, and connections. An example of the success of bigger networks can be observed in those countries that are relatively smaller in geography and population when compared to other European markets.

Figure 3. Number of active business angel networks in Europe



ANGEL INVESTMENT BY COUNTRY

As the following table shows, the United Kingdom continues to lead the European angel market with 153.08 million Euros of angel investment recorded in 2019, up 39.9% from 2018. The German business angel market, second in Europe in size, accounted for 81.77 million euros and was followed by Spain with 78.66 million Euros invested by business angels. Throughout Europe, most of the business angel markets experienced growth in terms of total euros invested, but not always in terms of the number of investment rounds funded which in several countries have decreased year on year. This suggests that

business angels have invested increasingly more in later stages of startup development and in so-called “follow on” rounds.

A very strong performance was recorded in the Nordics and in countries such as Denmark, Finland and Sweden which saw 40-70% of the growth of their local angel investment market compared to the previous year. However, certain markets saw almost zero growth or even a decrease in investment activity compared to the previous year 2018. The growing presence of government-backed funds that invest directly in startups, grants, crowdfunding platforms, seed, and early-stage VCs have made the environment a lot more competitive for business angels in some countries featured in this report.

Figure 4. Angel investment by country, visible market statistics

Country	No. BANs*	No. BAs*	No. Inv.	Total BA Inv. 2019, €M	YoY	Total BA Inv. 2018, €M	YoY	Total BA Inv. 2017 €M	Avg. Inv. per BAN 2019 €M
United Kingdom	74	9000	882	153.08	39.93%	109.4	1.58%	107.7	2.07
Germany	40	2000	176	81.77	-5.58%	86.6	12.45%	77.01	2.04
Spain	48	3742	296	78.66	34%	58.70	4.00%	56.44	0.72
Finland	6	670	415	54	50%	36	33.33%	27	9
Sweden	12	820	60	44.08	72.55%	25.50	10.87%	23	4
France	64	5500	422	43	16%	37	-41.27%	63	0.69
Denmark	1	250	209	33.34	44%	23.10	-0.10%	25.70	33.33
Switzerland	10	710	148	32.60	62%	20.10	16.86%	17.20	3.25
Italy	9	450	73	28.20	33%	21.20	33.33%	15.90	3.13
Russia	24	250	77	26.08	-47%	49	0.45%	48.78	1.08
Turkey	22	2600	80	21.26	-60%	52.60	11.28%	52.30	0.97
Austria	4	385	36	20.11	9%	18.50	-7.50%	20	5.02
Netherlands	19	1200	43	19.38	-13%	22.3	74.2%	12.80	1.02

Country	No. BAN s*	No. BAs*	No. Inv.	Total BA Inv. 2019, €M	YoY	Total BA Inv. 2018, €M	YoY	Total BA Inv. 2017 €M	Avg. Inv. per BAN 2019
Belgium	2	450	47	17.09	-5%	18	11.45%	16.15	8.54
Ireland	12	780	66	16.80	34%	12.50	-2.34%	12.8	1.4
Poland	5	500	70	16.46	-2%	16.82	14.76%	14.46	3.29
Portugal	17	344	28	13.50	-18%	16.50	33.14%	12.39	0.79
Estonia	1	127	240	9.28	31%	7.10	-37.17%	11.30	9.28
Czech Republic	1	210	23	6.29	-15%	7.40	21.31%	6.1	6.29
Norway	6	350	21	6.13	-5%	6.48%	-39.06%	4.66	1.02
Ukraine	1	50	21	6.10	221%	1.90	-75.64%	7.8	6.1
Bulgaria	4	100	8	4.26	-24%	5.6	-20.00%	7	1.06
Greece	4	65	12	4.42	23%	3.60	31.39%	2.74	1.1
Croatia	1	35	23	4.19	78%	2.35	123.81%	1.05	4.18
Luxembourg	1	101	11	3.36	-14%	3.90	-4.65%	4.09	3.36
Lithuania	1	128	14	3.15	1%	3.12	64.21%	1.90	3.14
Romania	3	50	11	3.08	6%	2.90	-15.20%	3.42	1.02
Latvia	1	77	44	2.40	4%	2.30	-20.69%	2.90	2.4
Slovenia	1	70	11	2.22	-42%	3.80	52.00%	2.50	2.21
Hungary	1	125	11	2.13	-72%	7.60	72.73%	4.40	2.13
Montenegro	1	10	3	2.12	37%	1.55	1450%	0.1	2.12
Malta	2	30	6	2.09	1995%	0.1	-95.83%	2.4	1.04
Belarus	1	82	3	1.10	10%	1	n/a	n/a	1.09
Slovakia	3	88	1	0.92	-63%	2.50	38.89%	1.80	0.31

Country	No. BAN s*	No. BAs*	No. Inv.	Total BA Inv. 2019, €M	YoY	Total BA Inv. 2018, €M	YoY	Total BA Inv. 2017 €M	Avg. Inv. per BAN 2019
Cyprus	1	45	4	0.76	-5%	0.80	-20.00%	1	0.76
Serbia	1	50	4	0.31	-88%	2.50	2.46%	2.44	0.3
N. Macedonia	2	15	2	0.06	-77%	0.25	66.6%	0.15	0.03
Kosovo	1	15	15	N/A		0.25	-63.20%	0.68	

The following chart (Figure 6) illustrates the evolution of business angel investment by country.

Figure 6. Amounts of angel investment by country in 2017-2019, €M; visible market statistics

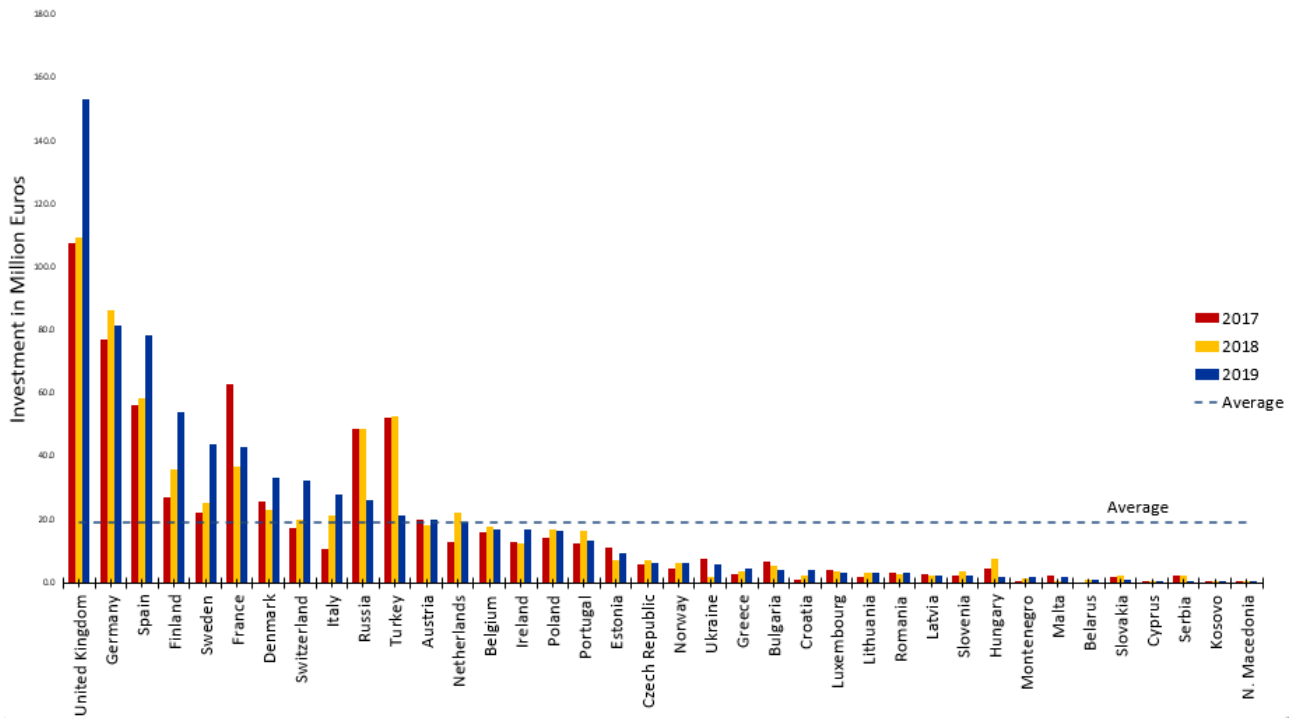
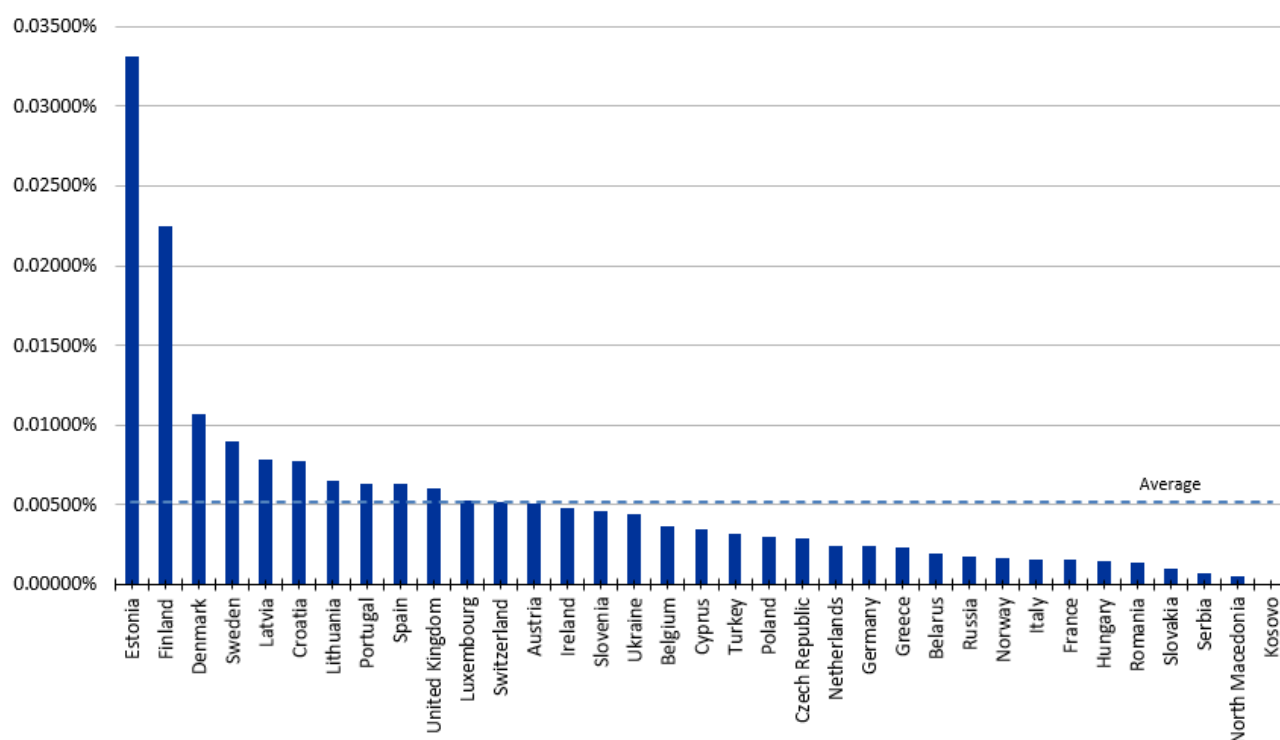


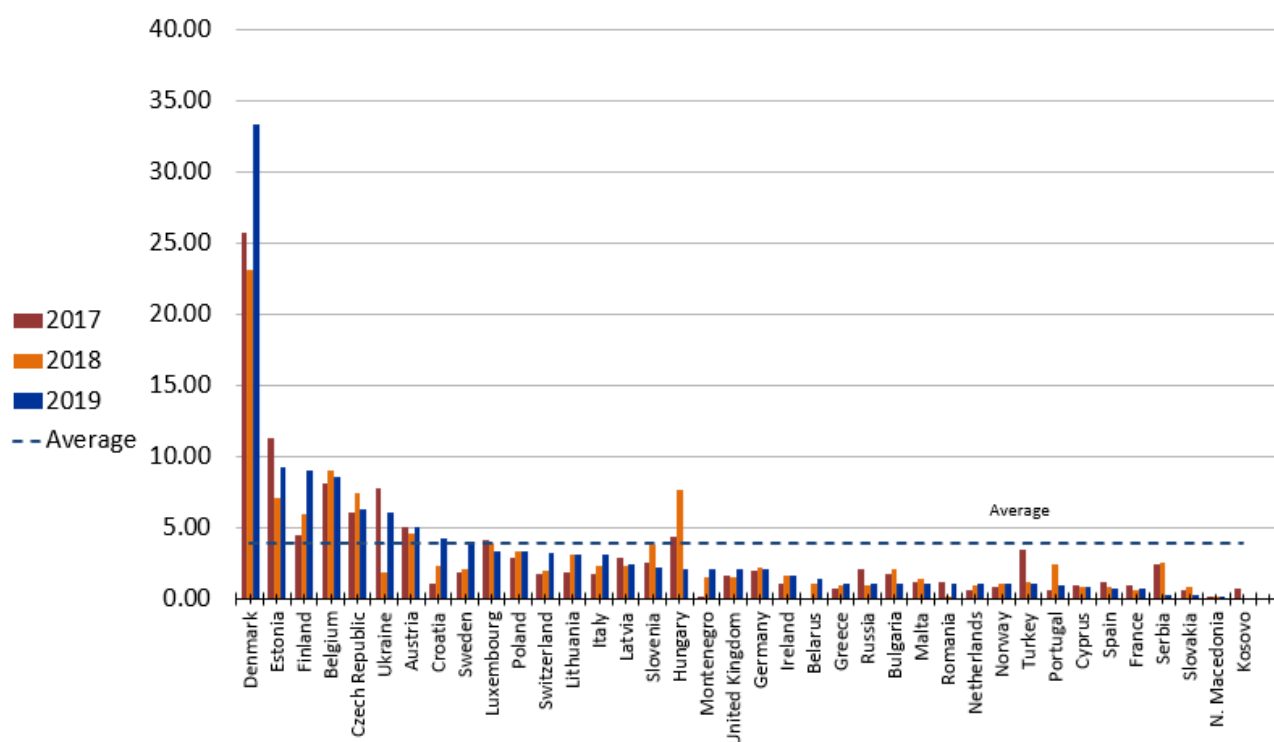
Figure 7. Angel investment/GDP ratio¹, %



Comparing angel investment amounts to GDP for each country provides a different perspective (Figure 7). In this case, some smaller countries demonstrate their highly active angel investment scene, while countries with higher GDP push the average down.

¹ The ratio was multiplied by 10.000. GDP figures of 2019 from the World Bank Database; based on visible market statistics

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



If we look at the average investment per BAN (Figure 8), we notice that Denmark, with a single operating BAN, takes the lead in 2019. Countries such as France and Germany that are larger and more mature in terms of the angel ecosystem tend to have also many more BANs, thus explaining their position in the below chart. The average investment per BAN in 2019 was 1,989,000 euros.

OTHER INVESTMENT FIGURES

The average amount invested per company, per round, increased by 8.87% from 2018 to 2019, continuing the trend from the previous period from 2016-2017. Nevertheless, this KPI remains considerably lower than in the US (220,300 euros in Europe in 2019 vs 370,000 dollars in the US).

The increase in the amount invested per round in each company can be explained by two main factors. Firstly, we have seen over the years more angel investor syndicates funding the follow-on investment rounds, often until the series A level where the investment sought by the start-up typically exceeds six-figure euro amounts. Also, in several markets, the emergence of “super angels” (i.e., ultra-high net worth individuals, in many cases, exited serial entrepreneurs, that invest as business angels in both local and international start-ups.), is leading to more angel capital deployed in later funding rounds than seed stage.

Secondly, start-up valuations, as reported by PitchBook² have been increasing overall across Europe. The median seed round pre-money valuation in Europe continued its decade-long climb, climbing to €3.7 million in 2019, a 16.7% increase when compared to 2018. The increase is mainly explained by the larger supply of risk capital made available to start-ups from a variety of investors actors, both private and public, at a variety of stages from pre-seed to late stage. For these above reasons, we have also recorded a 6% annual increase in the average investment per angel, per round, which brings the average ticket size to approximately 25,500 euros.

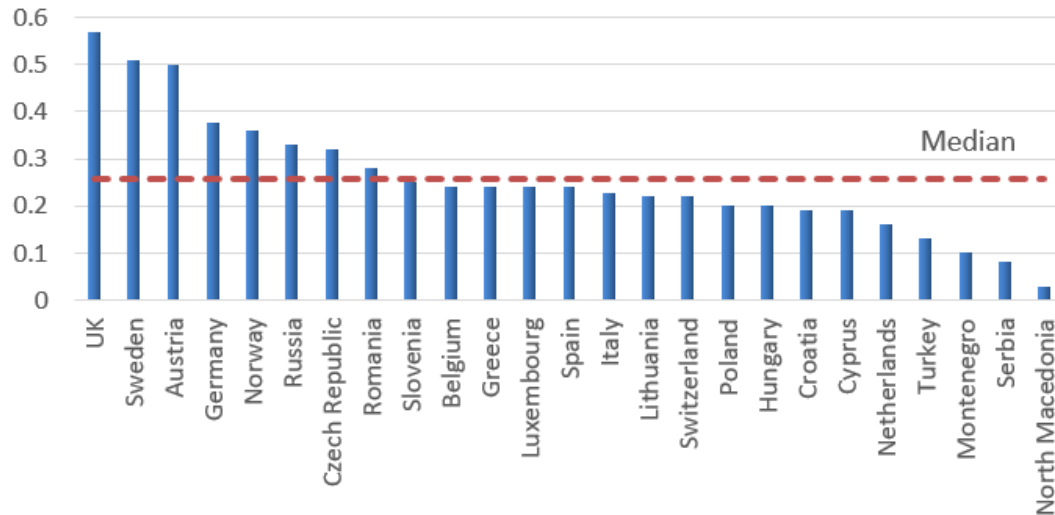
Figure 9. Average investments 2015-2019, in €; visible market statistics

	2015	2016	2017	2018	2019
Average investment per company	184,000	166,000	182,000	200,600	220,300
Average investment per BAN	1,291,000	1,386,000	1,536,000	1,812,000	1,989,000
Average investment per BA	19,990	22,500	25,400	24,100	25,500

The median angel investment per company, per round, across the 38 countries included in this study was 256,000 euros. As shown in Figure 10 below, across the various European countries, national medians varied significantly, with certain markets recording over twice the European figure and others recording less than half the amount.

² European VC Valuations Report 2019 - <https://pitchbook.com/news/reports/2019-annual-european-vc-valuations-report>

Figure 10. Median angel investment per round 2019, in €; visible market statistics

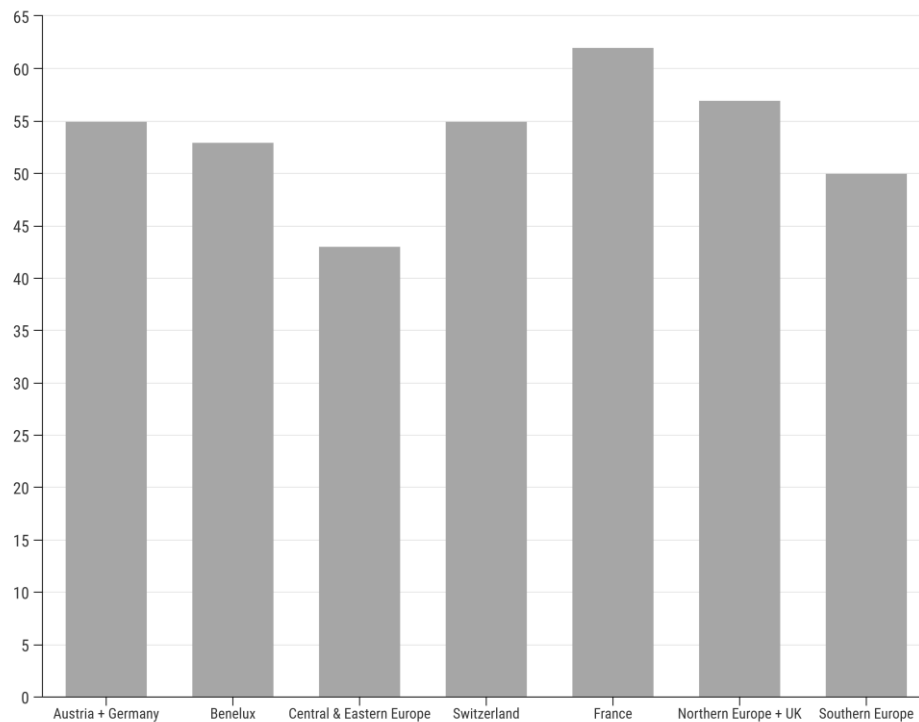


Demographics

In this edition of the Statistics Compendium, we refer to 2017 data regarding demographics of angel investment communities across Europe. The most recent report in this regard is the “Understanding the Nature and Impact of the business angels in Funding Research and Innovation: Results of the Business Angels survey” study financed by the EU Commission.

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 11. BA investors distribution by average age in 2017³; chart taken from “Understanding the Nature and Impact of the business angels in Funding Research and Innovation”

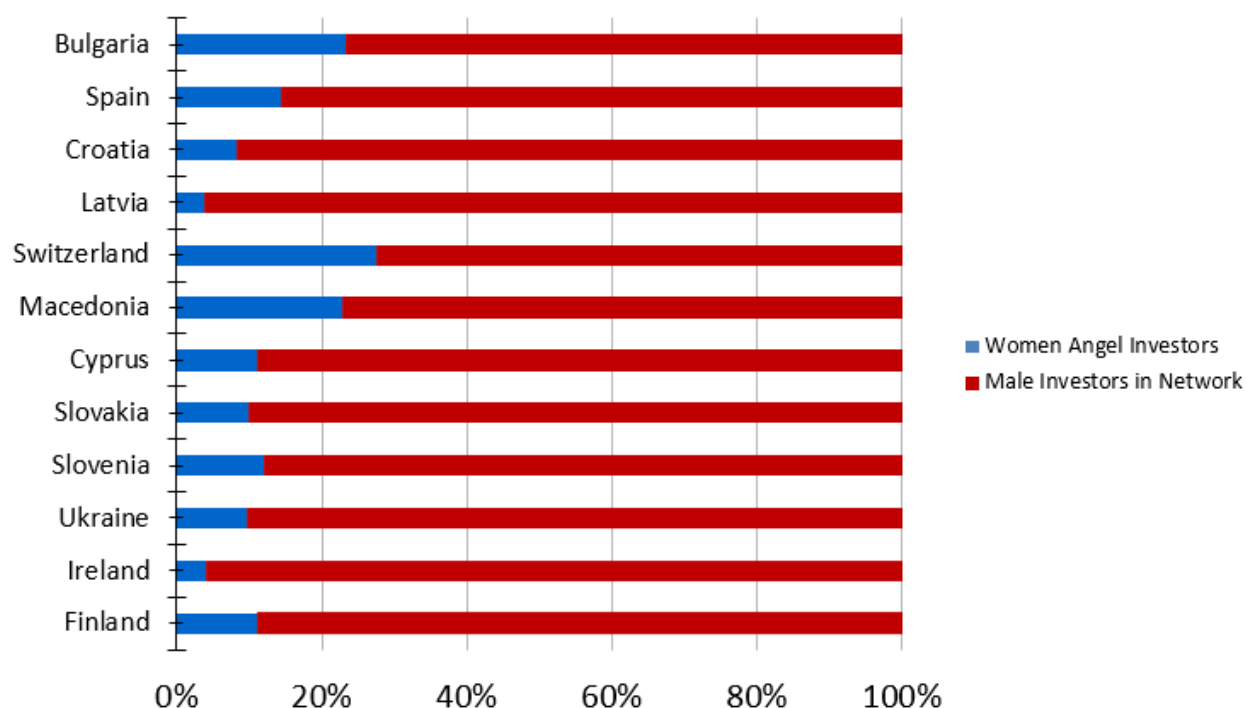


Similar trends can be observed gender-wise with Central and Eastern Europe showing the highest ratio of women investing as business angels (about 30%). In Western Europe, women angel investors still represent a small fraction of the angel community and account for about 11% of the population. For comparison, in the US in 2018, women angel investors made up for 29.5% of the angel market⁴.

³ 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

⁴ Jeffrey Sohl, "The Angel Market in 2018 More Angels Investing in More Deals at a Lower Valuation," Center for Venture Research: 1-2, <https://paulcollege.unh.edu/research/center-venture-research>

Figure 12. BA Investors distribution by gender in 2017⁵; chart formulated from survey responses



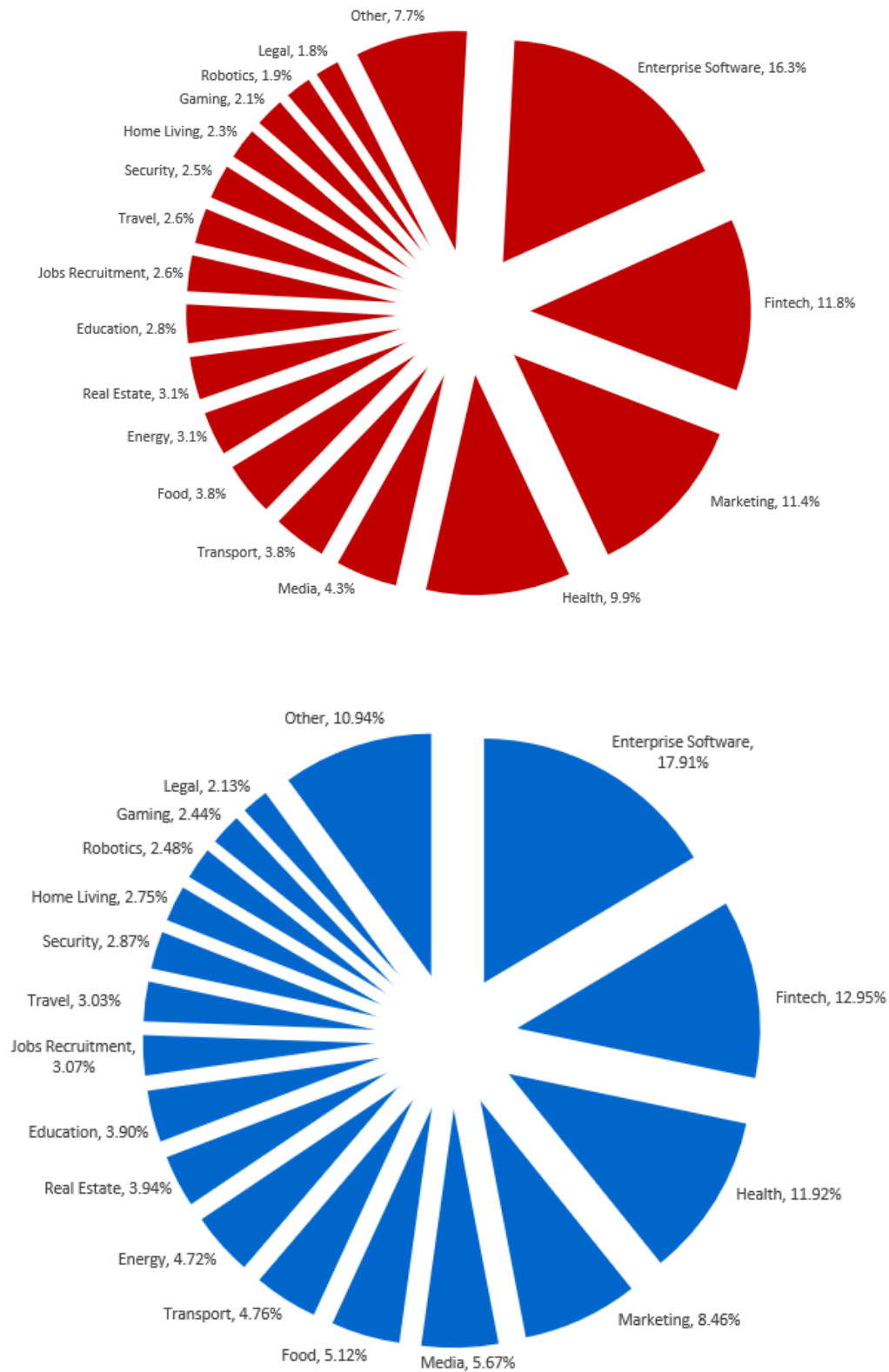
Sectors of Investment

In this edition of the Statistics Compendium, EBAN is using Dealroom.co's database to illustrate the sectors in which start-ups received the most investment from angel investors. Data on more than 3000 early-stage investments ("seed" and "angel" rounds) done in Europe in 2019 was used to create the charts in Figures 13-14. In terms of euros invested, "enterprise software" and "fintech" sectors took the lead in 2019 with respectively 16% and 12% of all investments made last year. When looking at the number of investment rounds, enterprise software appears to be again the number one sector of choice for business angels. Compared to last year, the distribution of investments by industry has changed, with a slight decline in some of the sectors that were most popular in 2017 and 2018 (health and transport/mobility) in favour of the "marketing" sector. It is important to note, however (as per our 2017 survey) that approximately 26% of business angels indicated that they have no specific sectoral focus and mainly invest in the team, the idea/team product, or the market. As a brief comparison, in the US, 31% of angel investments went to healthcare services/medical devices and equipment, 31% of investments go-to software, 7% to fintech, 6% to retail services, 5% to energy and 4% to biotech⁶.

⁵ Data taken from EBAN 2017 Statistics Survey

⁶ Jeffrey Sohl, "The Angel Market in 2019: Commitments by angels increase with a significant rise in deal valuations" Center for Venture Research: 1-2, <https://paulcollege.unh.edu/sites/default/files/resource/files/2019-analysis-report.pdf>.

Figures 13-14. Sector distribution of investments in 2019; charts formulated from data available on Dealroom.co



Below, some of the definitions used to indicate sectors mentioned in Figures 13-14.

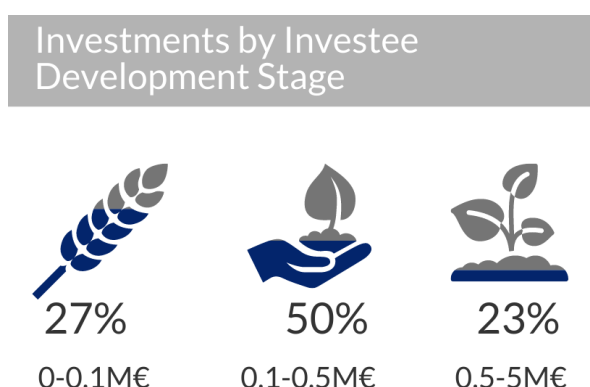
1. Enterprise Software is comprised of companies working computer software used to satisfy the needs of an organization rather than individual users.
2. Fintech is comprised of companies working on: financial management solutions, payments, investing, banking, investing, mortgages, insurance and cryptocurrency
3. Health is comprised of companies working on: health platforms, medical devices, biotechnology, pharmaceutical
4. Marketing is comprised of companies working on: adtech, CRM, sales, marketing analysis, e-commerce solutions.
5. Media is comprised of companies working on: media production, publishing, social media and streaming
6. Transport is comprised of companies working on: logistics, production, mobility, mapping, maintenance, autonomous vehicles, vehicle platforms
7. Food is comprised of companies working on: delivery, logistics, innovative food, restaurant tech, agritech, cooking tech
8. Energy is comprised of companies working on clean energy, energy efficiency, waste solution, water, energy storage, oil & gas
9. Real estate is comprised of companies working on: software, construction, services, workspaces, platforms and mortgages
10. Other is comprised of companies working on: semiconductors, telecom, sports, event tech, fashion and music.

Stages of Investment

In terms of stages of development, angel investors usually invest in the early stages of the company's development, typically before any revenues occur. It is worth noting that in this edition of the Compendium we have changed the way we account for the development stages of startups, using now intervals of invested amounts as opposed to the "pre-seed, seed and later stage" terminology used in the past. This is because across Europe there are significant differences between the terms used to label the various investment rounds. As an example. in certain parts of Europe an investment round of 1 million euros is often referred to as a "series A" round whereas in other European countries that is still a seed round.

27% of the investment made by angels in 2019 were in rounds worth under 0.1 million euros. Half of the total visible investments were worth between 0.1-0.5 million euros. Finally, 13% of the rounds where business angels invested were worth between 0.5-1 million euros and 10% of all deals done last year were in rounds between 1-5 million euros.

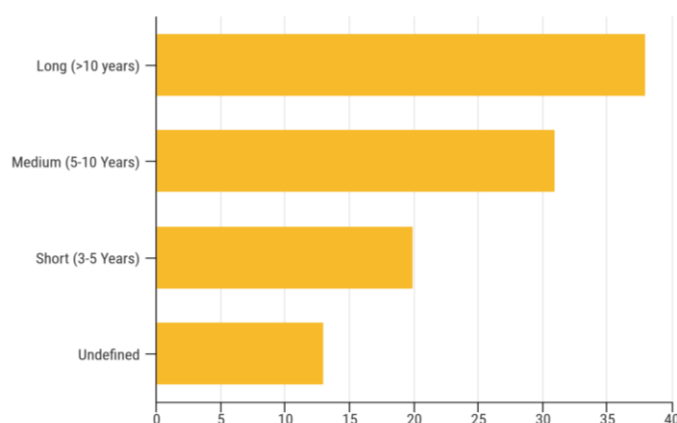
Figure 15. Investments by investee's development stage in 2019 for Business Angels



Time Horizon of Investments

Business angel investors mainly have long-term investment horizons, hence the name “patient capital”, with holding periods of the investment lasting regularly 5 or more years. We refer to the data shown in 2017 for this chapter of the Statistics Compendium.

Figure 16. Investments by time horizon in 2017 in percent %⁷; chart taken from “Understanding the Nature and Impact of the business angels in Funding Research and Innovation”

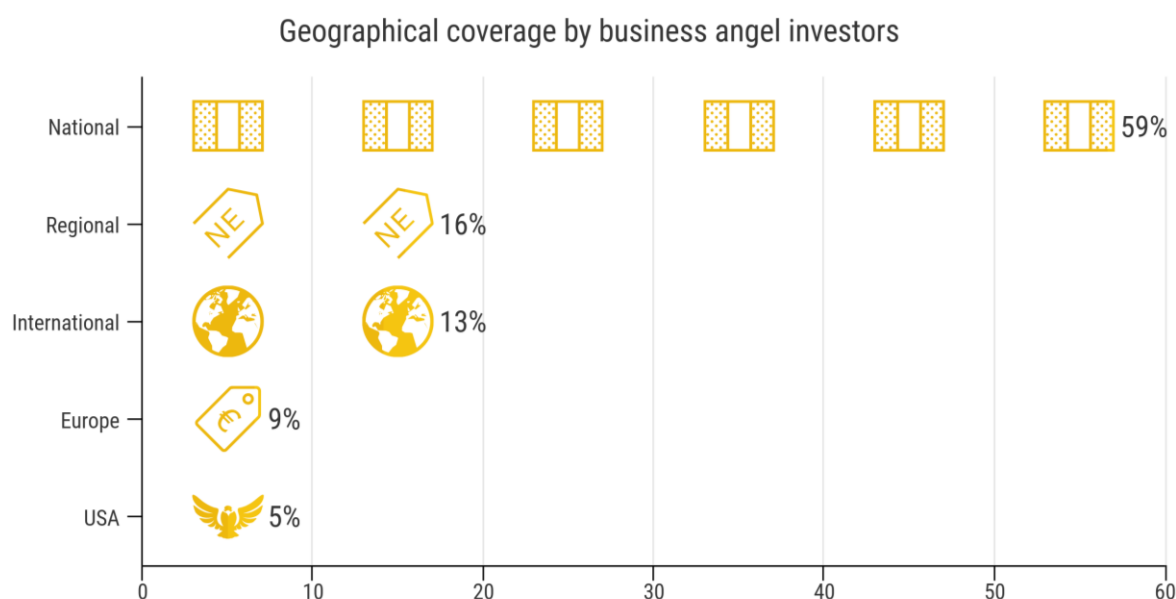


⁷ Chart taken from Understanding the Nature and Impact of the business angels in Funding Research and Innovation. Directorate European Commission/DG CNECT – F1 Innovation Unit

Location of Investment and Cross Border Investing

Similar to the past years, the vast majority of investments by angels were made in their same home country (59%). 16% stay within the same region of the investor (i.e. neighbouring countries) and just 9% reach a European-wide level. The portion of investments done internationally beyond Europe reaches 13%, including the 5% made in the USA.

Figure 17. Geographical coverage by business angel investors in percentage⁸;



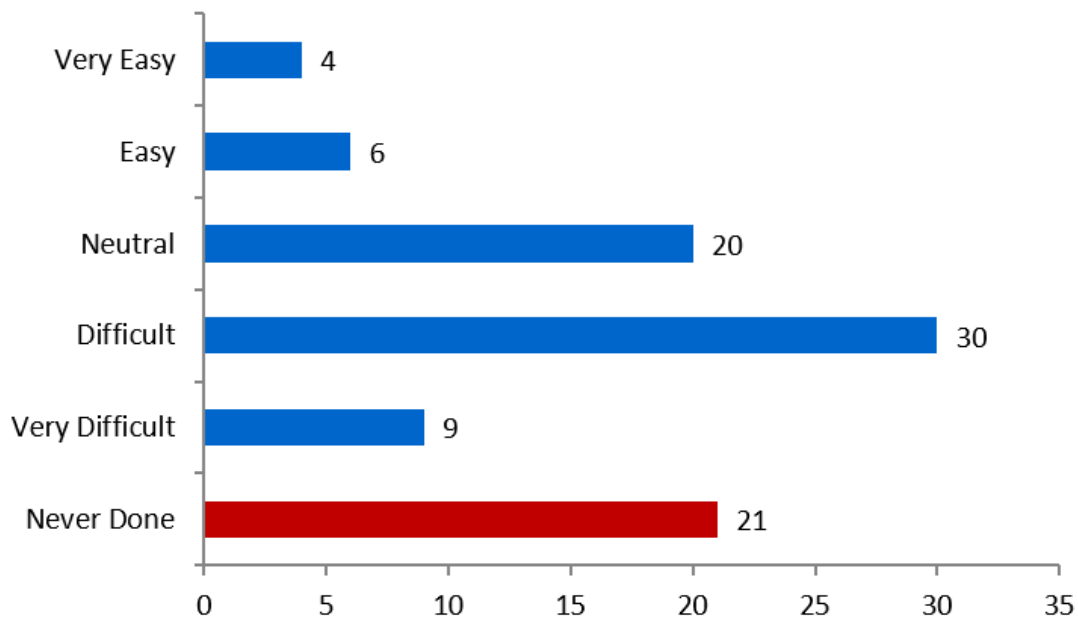
In some countries, the business angel co-investment funds or tax breaks schemes do not allow investment outside of the country. Of course, this makes cross-border investment less accessible to business angels in these markets.

Cross border angel investing remains uncommon for the typical European business angel. In 2019, EBAN and Business Angels Europe (BAE) conducted a survey on a sample of 90 active angel investors based in 11 different European countries (UK, France, Ireland, Denmark, Finland, Italy, Spain, Portugal, Switzerland, Belgium and Austria). Respondents were asked to rate the level of difficulty when doing cross border investments. Figure 18 shows the aggregated results from the sample. Cross border investing is still not easy for many to engage in given the uncertainties around regulatory and fiscal

⁸ 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

issues when investing outside of your home country. A significant portion of the sample also stated that they have never done before a cross border investment.

Figure 18. Ease of making cross border investments, chart taken from EBAN and BAE “European Business Angel Barometer” survey conducted in 2019.



Co-Investment

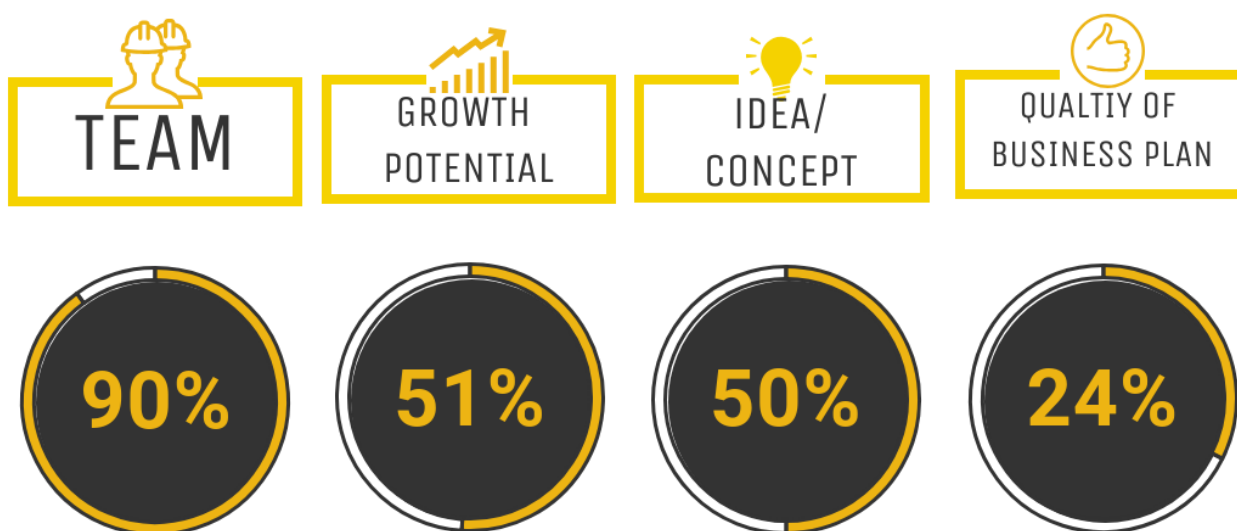
While co-investment amongst angels is still the norm, between 2014 and 2018, we saw considerable growth of early-stage venture capital funds, rising from €2.1 bn in 2014, to €4.4 billion in 2019. From the observed number of deals, about 52.3% of all deals are co-invested within members of the same angel network. In terms of investments alongside later stage VCs, this is still something that occurs relatively rarely in Europe, with less than 10% of the later stage deals being syndicated between angels and VCs. We are noticing however more activity with regards to co-investment between angels and public investors. On a national level, there is a growing number of countries that have set up publicly managed investment funds to invest directly or in partnership with private investors, including with business angels. At an EU level, there are multiple initiatives led by the European Commission to co-invest together with private investors. For example, the European Angel Fund (EAF) program managed by the European Investment Fund (EIF) has a volume of 700 million Euros, with more than 300 million Euros already committed to approximately 110 selected Business Angels. Thanks to this program, operated in Austria, Denmark, Finland, Germany, Ireland, the Netherlands, Finland, Italy, Belgium and

Spain, more than 600 startups were co-invested by angels together with the EIF⁹. Another example is the European Innovation Council (EIC), which invests through a fund directly or in partnership with private investors. The EIC Fund provides equity capital between 0.5-15 million euros to innovative SMEs and startups that participate in its support programs

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 the 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 19. - Decisive factor to start an investment¹⁰; chart taken from “Understanding the Nature and Impact of the business angels in Funding Research and Innovation”



Factors with Negative Impact on Investment Decisions

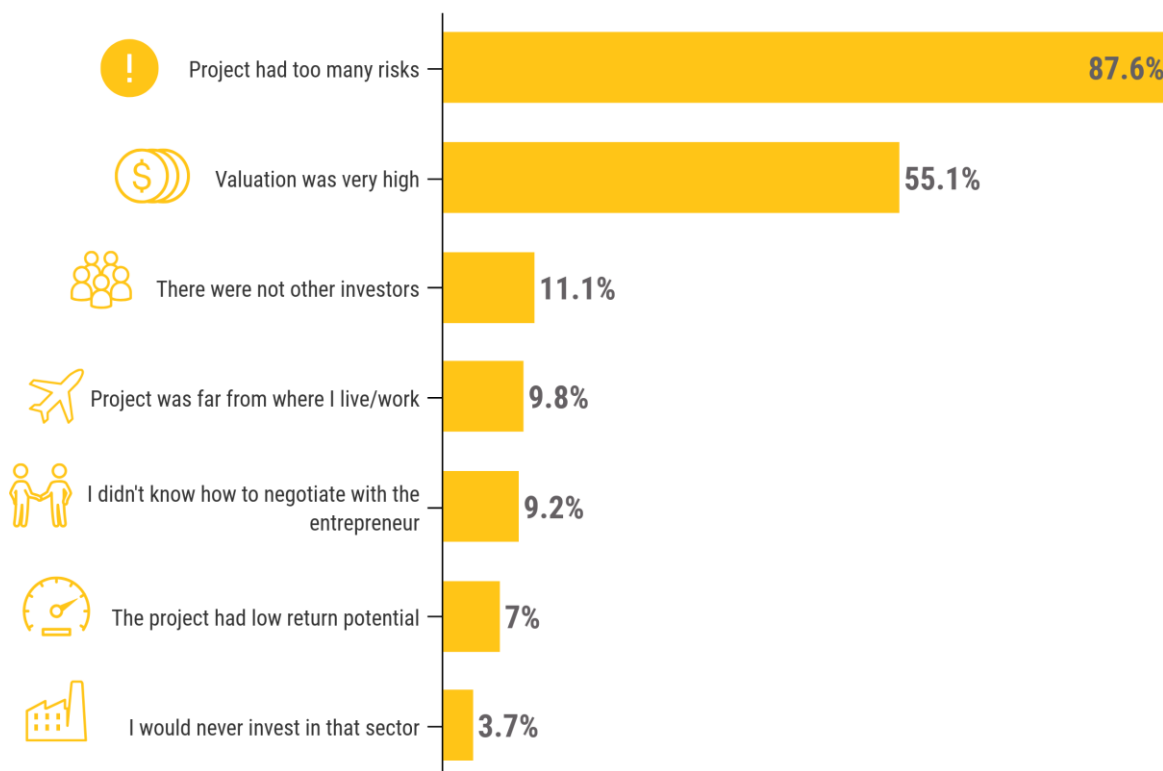
Among the factors negatively impacting the decision to invest, high failure risk and exaggerated valuations were the two main reasons for not moving forward with an investment for the vast majority

⁹ Data presented by EIF to EBAN members in March 2020

¹⁰ 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

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 20. Reasons Why Business Angels did not invest in investment opportunities in the last 5 years (%)¹¹



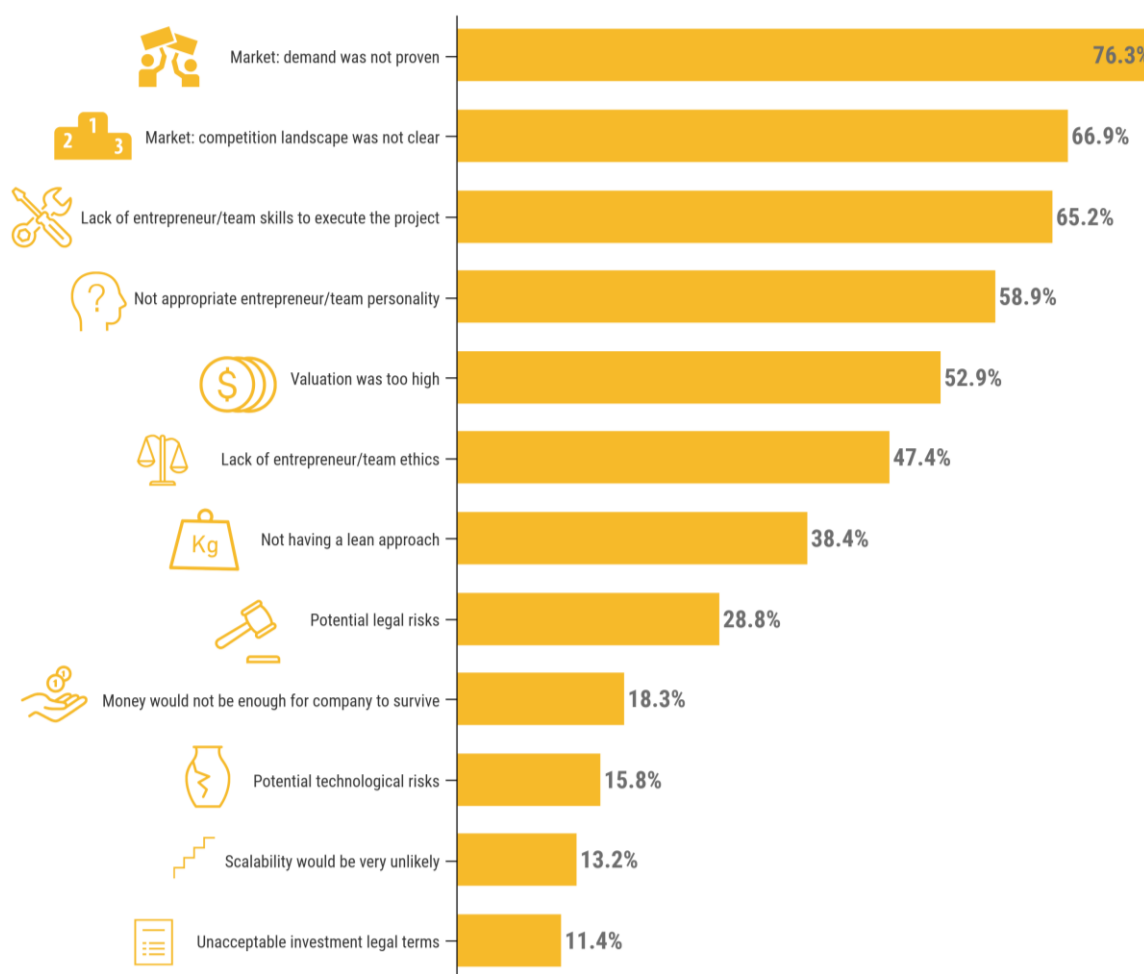
Surprisingly, only 7% of the respondents indicated that they had considered low return on investment as a reason not to invest. This result shows that the vast majority of the projects presented to angel investors have, on paper, an acceptable or excellent return potential. Therefore, entrepreneurs do 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 business venture.

¹¹ 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 21. Main Problems that prevented investors from investing in Tech Deals (%)

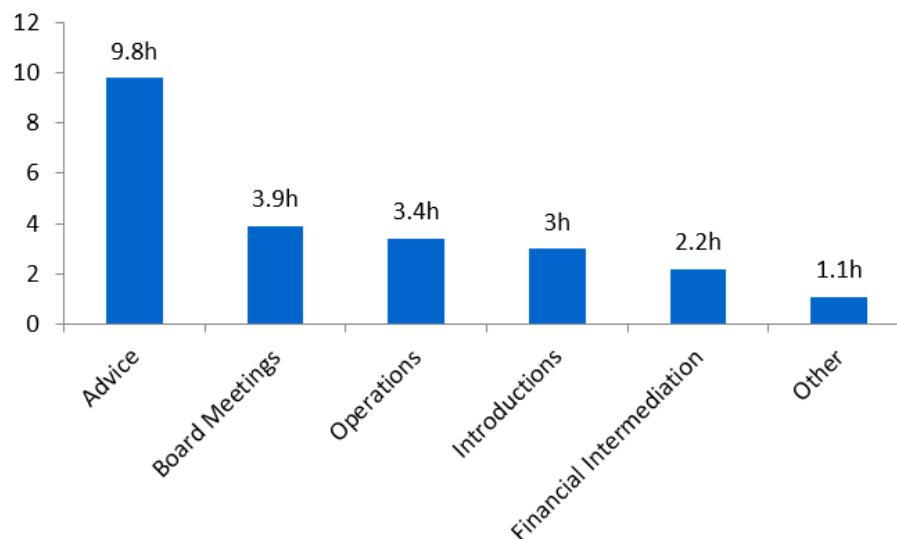


How Business Angels Assist the Companies They Invest In

As per the survey conducted on a sample of 90 active angel investors from 11 different countries in Europe, respondents were asked to specify the number of hours they dedicate to their portfolio companies and for which activities.

On average, a business angel with 12 companies in their portfolio spends about 23.5 hours a month in assisting these in various forms. Below in Figure 21, a breakdown, in hours, of the different ways angels actively support their invested companies.

Figure 22. – How Angels Assist Their Portfolio Companies, chart taken from EBAN and BAE “European Business Angel Barometer” survey conducted in 2019.



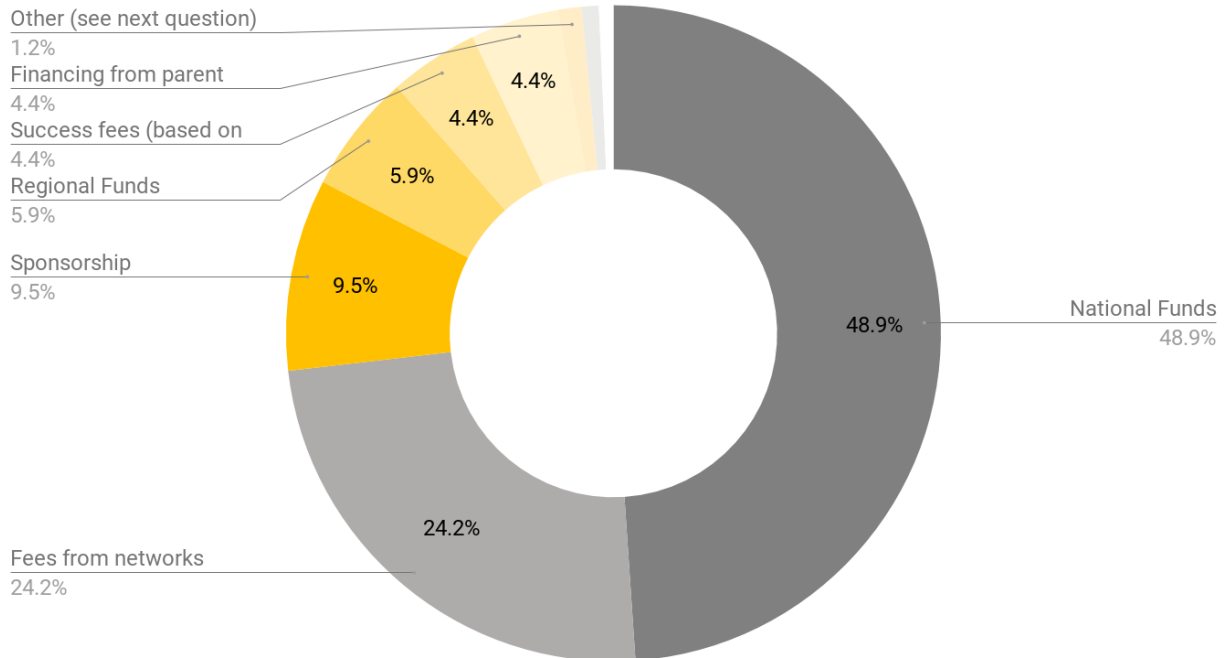
BUSINESS ANGEL NETWORK MANAGEMENT

Funding Sources

Business Angel Networks tend to be non-profit associations that fund themselves through membership fees. Sponsorship and financing from a parent organization are also important sources of funding. Other sources of funding are also increasing, such as fees charged for event participation and for organizing events. BANs tend not to charge success fees or any fees to entrepreneurs, and funding from EU sources still remains steady at 3%. In this chapter, we refer to the data shared in our 2017 edition of the Statistics Compendium.

Figure 23. - Funding sources for BANs 2017 ¹²

Funding Sources

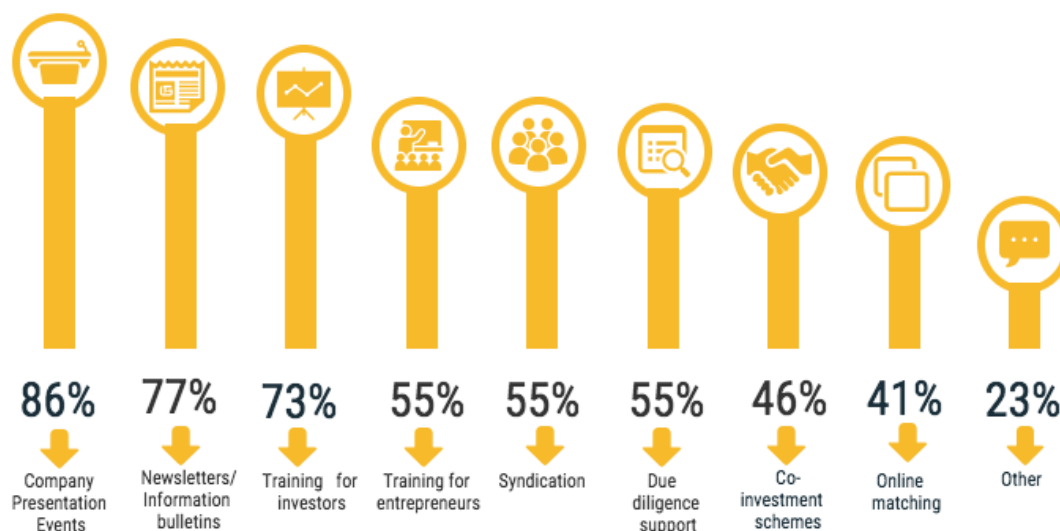


Services

Services provided by BANs tend not to vary too much and express the role of these organizations 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 that 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.

¹² Visible market data taken from 2017 EBAN Statistics Compendium survey results

Figure 24. - Distribution of services offered by BANs 2017 ¹³



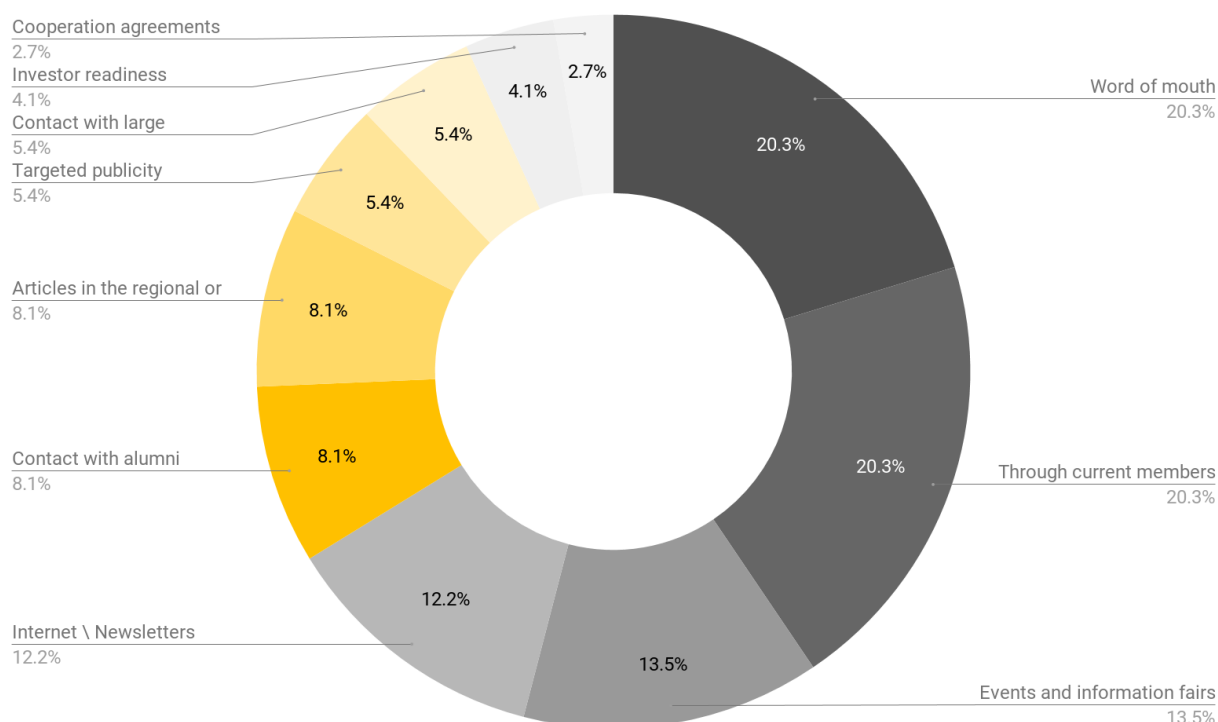
Membership

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 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.

¹³ Visible market data taken from 2017 EBAN Statistics Compendium survey results

Figure 25. - Business angels' recruitment channels 2017



On a positive note, “active angels,” or those investors who participate in meetings regularly 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 represent 29.5%.¹⁴ 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.

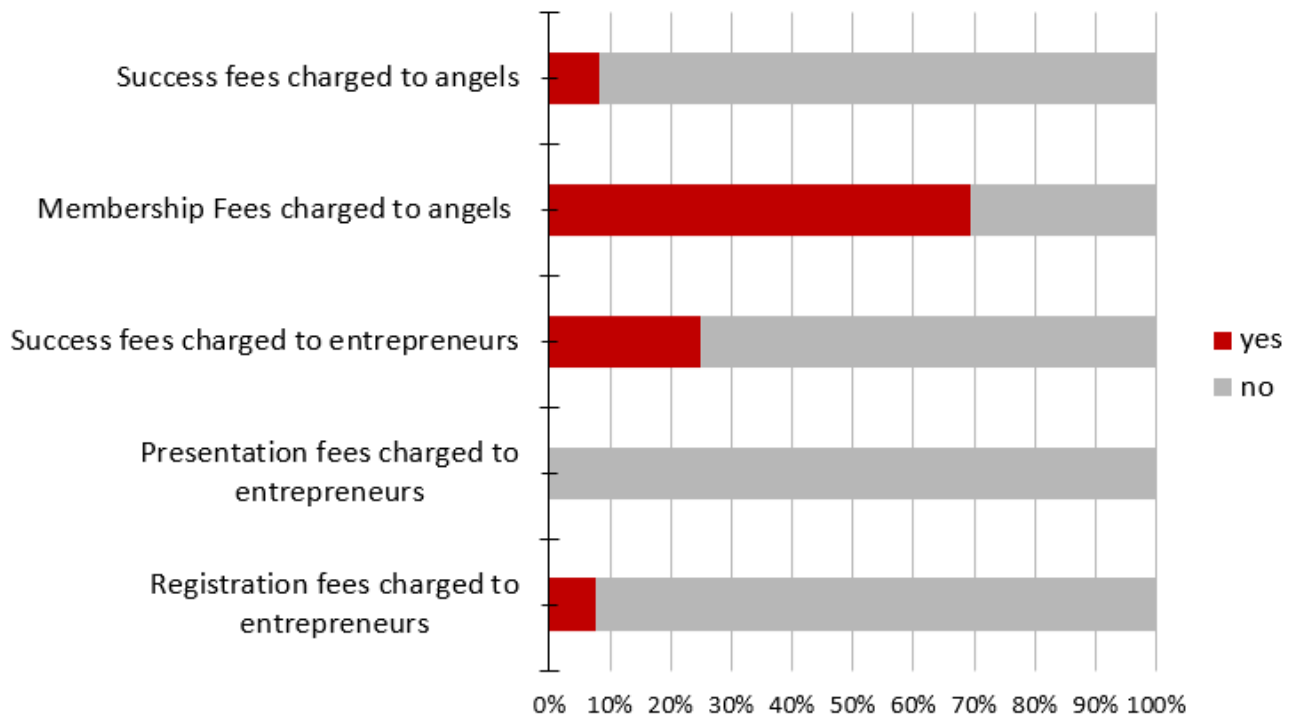
Charged Fees

As the following graph illustrates, BANs charge a variety of fees depending on the services they provide, the most relevant fee being annual membership. The majority of business angel networks take the form of non-profit organizations 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

¹⁴ Jeffrey Sohl, "The Angel Market in 2018 More Angels Investing in More Deals at a Lower Valuation," Center for Venture Research: 1-2, <https://paulcollege.unh.edu/research/center-venture-research>.

charging success fees to entrepreneurs, even less charge success fees to investors who may already be a part of the network. These investors are not typically charged in the case of a successful deal made through the BAN.

Figure 26. - Business angels' recruitment channels 2017 ¹⁵



¹⁵ Visible market data taken from 2016 EBAN Statistics Compendium



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