

Business Angels Netzwerk Deutschland e.V. (BAND)

Best Practice Initiatives: The Role of Trade Bodies

EBAN Congress 2007

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Board Business Angels Netzwerk Deutschland e.V. (BAND)

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Europe's first (?) national trade body in the Business Angels market founded in 1998

Phase 1: 1998-2001

Top-Down-Foundation of Business Angels Netzwerk Deutschland e.V. (BAND) by the Federal Minister of Technology (later of Economy) as an organization that could be successfully established in the completely new field of Business Angels investments. Give voice and weight to the topic.

Phase 2: 2001-2004

BAND developed to the respected and well-known umbrella organization of the German Business Angels Networks and to the „standard bearer“ of the German Business Angels culture. BAND established an infrastructure, built-up a BA market, from zero in 1998 to 40 BANs in 2002, in clear-cut distinction between the functions and activities of BAND and the BANs .

Phase 3: 2005-2008

Mobilisation, making the market more dynamic and professional, strengthen BAND as an institution and intensivate the contacts to the political decision makers (lobbying).

The German BA market: Actual situation

- **BAND is the center point for politicians and other public actors, for BAs and start-ups to be contacted with all questions concerning the BA market.**
- **The mood is good, the Business Angels market is getting more dynamic, the future outlooks show a good chance of success. The High Tech Gründerfonds has set important impulses. There are exits again without heavy loss-making.**
- **The potential of the Business Angels is not yet exhausted at all. For politics and the public opinion the topic „Business Angels“ is far away from being a matter of course. The tax conditions for Business Angels investments in Germany are worse compared with other European countries and the US. The structures are still fragile. Professional standards have been developed meanwhile, but their complete implementation leaves a great deal to be desired.**
- **There is a lack of qualification possibilities for the actors in the market, a lack of a fruitful cooperation between Business Angels and VC investors as well as a lack of transparency of the market.**

Business Angels Netzwerk Deutschland

Best practice initiatives

Since 2001 continuous interviews of active BAs by means of the quarterly published BA Panel, three laps of interrogation of the German BANs (in 2001, 2003 and 2006) and moreover in 2003 an inquiry of the BAs listed in BAND.

More transparency is urgently needed

**Interrogation of the German Business Angels Networks
(BAND Autumn 2006)**

**Interrogation of young technology oriented start-ups
(Federal Minister of Economy Summer 2007)**

**Interrogation of the US Business Angels Networks
(BAND Spring 2007)**

**Interrogation of the Business Angels listed in BAND
(BAND Summer 2007)**

**Analysis of suitable measures of statistics and research
(national/international)**

Results of the BAND interrogation of the German Business Angels Networks Autumn 2006 Facts and Figures

- **33 active BANs are listed in BAND, 22 BANs took part in the interrogation (67%)**
- **Meanwhile 82% of the BANs have a firm organization (in 2003 „only“ 56%)**
- **Not more than 9,5% are supported by public funds (51% in 2003)**
- **The typical BA : average age 52 years, 3,1% female, 89% interested in syndication**
- **There are 930 BAs organized in the German BANs (each BAN has 39 members, 31 of which are BAs)**
- **45% are involved in the network by means of membership, 25% by means of a contract (in 2003 there were 41% listed and only 7% with a contract)**
- **18 demands per month (in 2003 25 enterprises monthly)**

Results of the BAND interrogation of the German Business Angels Networks Autumn 2006 Facts and Figures

- **46% group-matching (65% in 2003)**
- **3,4 investments per BAN per year, on the whole 102 Deals every year.**
- **Average deal size: 113.500 Euro, on the whole more than 11,5 million €every year**
- **Disappointed expectations by the BAN mangers: only 13,3% of them estimate the actual situation positively, only 55% are content with the development of their BAN, 60% are complaining by their BAs a lack of readiness for taking risks and they are still unhappy about the quality of the demands for equity.**
- **New subject: the follow-up financing. The cooperation with VC's is worse than sufficient, even the tax conditions – up till now always problem child Nr 1 – came out better.**

Discussion of the results of the BAND interrogation of the German Business Angels Networks Autumn 2006

The estimation of the situation by the Business Angels and by the BAN managers is developing completely differently: whilst the BAs are optimistically looking forward, the BAN manager are more than disappointed.

- **BANs have a heavy burden to bear: the support by public funds has nearly completely broken away. They have to finance all on their own. That is hard to do, nothing goes right with them, there is no sufficient market potential, the young BAmarket is still under construction.**
- **That means: (1) reduction of active BANs in Germany (from 40 to 33), (2) BANs seek shelter under the umbrella of a great institution which hopes on a added value from an own BAN (3) or reconstruction of the BAN to a financial service agency in the common sense, who is serving BA money as well.**
- **Result: tighter organization forms, growing bureaucratisation, stronger customer relations. The reduction of the group-matching signals a growing individual care by the BAN manager. The informal character gets lost.**
- **Whether this “second generation” of the German BANs corresponds to the needs of the BAs which are interested in BANs is the question. Even now complaints are getting louder that the active BAs stay away from the BANs. A market break down becomes apparent.**

Discussion of the results of the BAND interrogation of the German Business Angels Networks Autumn 2006

- **BANs are serving only a part of the market, addressing a certain type of BA: lower readiness for taking a risk, no lone wolf, interested in syndication, seeks contacts, who has not much experience but wants to qualify by means of the BAN.**
- **BAN manager are complaining the low quality of the demands – a sign of the lack of investment readiness of those start-ups that contact the BANs: also they are searching to qualify themselves by means of the BAN.**
- **Result: BANs arouse a potential that otherwise would not develop activities in the market.**
- **So far: BANs are successful: every third start-up that has gone through the screening process gets an investment. BAs which are organized in BANs invest clearly higher amounts per deal.**

First conclusions from the results of the BAND interrogation of the German Business Angels Networks Autumn 2006

If the process of disintegration of the networks as platforms of the informal BA market cannot be successfully stopped the growing Business Angels Market could stagnate and suffer from strong returns.

The main requests are the following

- **Protection of the infrastructure of the informal market by public support**
- **Creation of a qualification program „investment readiness“ and „investor readiness“**
- **BAND as national BA Associations acts as a serving agency for BANs**

First conclusions from the results of the BAND interrogation of the German Business Angels Networks

BANDlisting

Integration of as many Business Angels as possible in the structures of BAND

Advantages for listed BAs

- continuous information
- BA profile on the BANDwebsite
- annual meeting of listed BAs
- election in the BA Senate
- advertising with a special

BANDlogo



Duties of listed BAs

- Acceptance of code of contact
- public relations work on behalf of the BA idea
- involvement in BAND activities
- yearly contribution of 100 €

Common working group BAND/BVK German Venture Capital Association

Intensifying Co-Venturing between BAs and VCs

Contents

Analysis of the self-consciousness of the partners, of the positive results of the cooperation and of the expected conflicts

acquiring a codex of collaboration

Methods

Three steps:

„question - answer- recommendation“
⇒Text may be used as a module of qualification

The results of all interrogations 2007 - with structures and comments -

**on the
German Business Angels Day
October 08, 2007 in Halle (Saale)**

**Information and registration
www.business-angels.de**