The role of Early Stage Investors

Chiara de Caro, EBAN General Manager
BUSINESS ANGELS

• An individual investor, investing **directly** his/her **own money** predominantly in **seed or start-up** companies with no family relationships, with a **medium to long term** set time-frame and financially independent

• Making his/her own (final) investment decisions

• Ready to provide, on top of his/her individual investment, **follow-up strategic support to entrepreneurs from investment to exit.**

• Respecting a code of ethics including rules for confidentiality and fairness of treatment (vis-à-vis entrepreneurs and other BAs), and compliance to anti-laundering.

> Investment average 25 to 250k€
Seed funds are early stage funds with a strong focus on seed.

They invest on average 0.25-2 million € per company in a number of forms such as equity, quasi-equity or participate in the form of debt.

Seed funds have a typical size of 5-20 million € and invest a minimum of 25% in seed, and at least 50% in both seed and start-up.

They are usually not regulated at the national level by authorities such as AMF, and can take the form of an investment company.
EXAMPLES OF BA FUNDED COMPANIES
BUSINESS ANGEL NETWORKS

“Private or semi-public body whose aim is to match entrepreneurs looking for equity with business angels”

- **Membership**: Business Angel investors
- **Fees**: Annual membership fee and sometimes % success fee
- **Seeks & filters applications from entrepreneurs**
- **Allows selected entrepreneurs to pitch to investors**
- **May also**: provide training (to entrepreneurs and Angels), opportunities to syndicate
MATCHING PROCESS

Entrepreneur
- Contact of BAN
- Business plan evaluation and validation
- Drafting of business plan summary
- Investment readiness programme
- Preparation of a presentation

Business Angel
- Identification
- Training
- Identification of investment priorities
- BA added to database
- Participation in investment forum/club

MATCHING
- Confronting offer and demand
- Circulation of Business plan
- Leverage funding, co-funding, bank loans
Angel Networks can increase supply & demand for Angel Investment

- **Investment Readiness programmes** – get entrepreneurs ready for investment
  - e.g. Business Planning advice, Presentation Training etc.
- **Investor Readiness programmes** – educate investors in the basics of Angel investment
  - e.g. Legal Issues advice, meet with existing Angels, learn about tax break schemes
ABOUT EBAN

120 member organisations – Representing 300 BANs – 27 countries
ANGELS AND OTHER SOURCES OF FINANCE

Capital Needs

Time

Seed → Start-up → Early Growth → Sustained Growth

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Higher Risk

Lower Risk

IPO

Venture Capital Funds

Early stage and seed venture funds

Business Angels

Friends, Family & Founders

Angels help fill the ‘Equity Gap’
## SUMMARY OF INDUSTRY STATISTICS

<table>
<thead>
<tr>
<th>Statistics</th>
<th>Trend y-o-y (Europe)</th>
<th>Europe</th>
<th>USA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of networks</td>
<td></td>
<td>400</td>
<td>360</td>
</tr>
<tr>
<td>Of which commercial</td>
<td></td>
<td>c. 20%</td>
<td></td>
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<tr>
<td>Estimated number of business angels</td>
<td></td>
<td>70k</td>
<td>320k</td>
</tr>
<tr>
<td>Total amount invested annually by angels</td>
<td></td>
<td>€ 3 - 4 bln</td>
<td>$22.5 billion</td>
</tr>
<tr>
<td>VC investments in seed and start-up/early stage</td>
<td></td>
<td>circa € 1.6 bln</td>
<td>$1.9 bn</td>
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**EUROPEAN ANGEL MARKET = c. 21.9% OF US ANGEL MARKET**

*Source: EBAN; NVCA Yearbook 2011; Center for Venture Research at the University of New Hampshire*
SAMPLE OF CURRENT ACTIVITY

Sectors of investment (% of number of deals)

Source: EBAN Statistics Compendium 2010 (2010 data)
Location of the deals

- 72% In the region where the Network is located
- 23% In the same country, but not in the same region
- 3% Not in the same region
- 2% Cross-border in Europe

Source: EBAN Statistics Compendium 2010 (2010 data)
SAMPLE OF CURRENT ACTIVITY

Stage of the financed companies

- 67% Early stage and start-up
- 12% Seed
- 12% Expansion
- 7% Pre-seed
- 2% Other

Source: EBAN Statistics Compendium 2010 (2010 data)
### WHAT CAN POLICY MAKERS DO?

<table>
<thead>
<tr>
<th>SUPPLY Bringing more investors</th>
<th>DEMAND Quality deal flow</th>
<th>MARKET Impact and sustainability</th>
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<tr>
<td>Fiscal incentives</td>
<td>Investment readiness (incl. sector specific)</td>
<td>Support sustainable and professional BANs</td>
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<tr>
<td>Co-investment funds</td>
<td>Teach entrepreneurship and access to finance very early in schools</td>
<td>Data collection</td>
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<tr>
<td>Investor readiness training sessions</td>
<td>Have incubators and other facilitators to educate and prepare entrepreneurs</td>
<td>Local BA/VC forums</td>
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<td>Media campaigns</td>
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<td>Light regulation for early stage investment market</td>
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</table>
Thank you!

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