

EBAN
STATISTICS COMPENDIUM
EUROPEAN EARLY STAGE
MARKET STATISTICS

2018



7.45 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 122 other 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 2018 Statistics Compendium was collected in 2018 - 2019 and reports on activities which took place in 2018. 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 39 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 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 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.

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EXECUTIVE SUMMARY

The size of the visible and invisible business angel market in Europe increased to an estimated 7.45 billion Euros in 2018, a growth of 2.44% from 2017, remaining the main equity market for early stage SMEs and European start-ups. For comparison, angel investment in the US has reached an estimated 23.1B US dollars¹. The business angel community in Europe grew to an estimated 345.000 investors which closed 37,200 deals in 2018. 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 €12.3b of investment in 2018. Within the visible market, the United Kingdom continues to be the leading country with 109.4 million Euros invested in 2018 and 107.7 million Euros in 2017. Germany comes in second with 86.6 million Euros of angel investment in 2018, followed by Spain with 58.7 million Euros of annual investment. Despite the strong performance of large mature markets, it is important to highlight the continuing success of smaller markets such as Finland, Sweden and Denmark, which count on well-functioning startup and early stage investment ecosystems.

Similarly to 2017, the main sector of investment in 2018 (in terms of total Euros invested) was again FinTech. Enterprise software however was the leading sector in terms of total rounds of investments made. Important to note is the strong growth of the health, mobility and AgriTech sectors during 2018 with respectively 11%, 8% and 7% share of the total amount of investments made (in Euros).

Angels in 2018 invested primarily in seed stage companies (62% of all investments made), with a slightly smaller share going in to the pre-seed stages compared to 2017. Interesting to note also a growth in angel deals done in pre-series a stages. This may indicate that angel syndicates are able to fund follow on rounds more often than in previous years. Cross-border investment in 2018 indicated that business angels are still keen to invest close 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 2018. 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

¹ 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>.

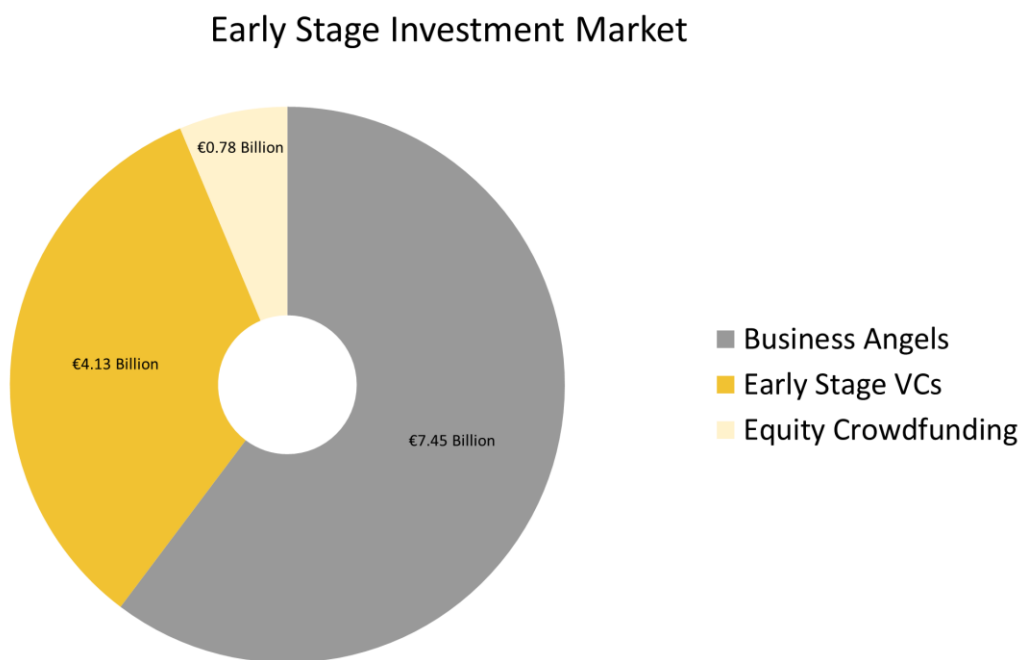
Federations are not yet monetizing adequately the service they provide and are still relying mostly on funding from external/parent organisations, mainly public funding.

OVERVIEW OF TOTAL EUROPEAN EARLY STAGE INVESTMENT

EBAN, initially created as the European Business Angels Network in 1999, has throughout the 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.²

The total European early stage investment market, is estimated to be worth **12,3 billion Euros**. Business angels represent the biggest share of the investment market with 7.45 billion Euros, equal to approximately 60% of the total market, followed by the early stage venture capital industry investing 4.13 billion Euros.³ Equity crowdfunding investments have been growing steadily in the past 3 years and are expected to continue at this pace.

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



² 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.

³ "European Private Equity Activity Report and Data 2018," Invest Europe, May 03, 2019, , <https://www.investeurope.eu/research/publications/?keyword=European%20Private%20Equity%20Activity%20Report%20and%20Data%202018#se-arch-filter-container> .

OVERVIEW OF EUROPEAN ANGEL MARKET

The European angel investment market increased 2.44%, at current prices, from 2017 to 2018 and 9% from 2016 to 2017, reporting a new record of 7,45 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 and in 2018 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

	2015	2016	2017	2018
Visible market (in million Euros)	607	667	727	745
Share of visible market	10%	10%	10%	10%
Non-visible market (in million Euros)	5,462	6,005	6547	6705
Total Investment (in million Euros)	6,069	6,672	7,274	7,450
# Investments (total visible and invisible market)	32,940	38,230	39,390	37,200
# Business Angels (total visible and invisible market)	303,650	312,500	337,500	345,000

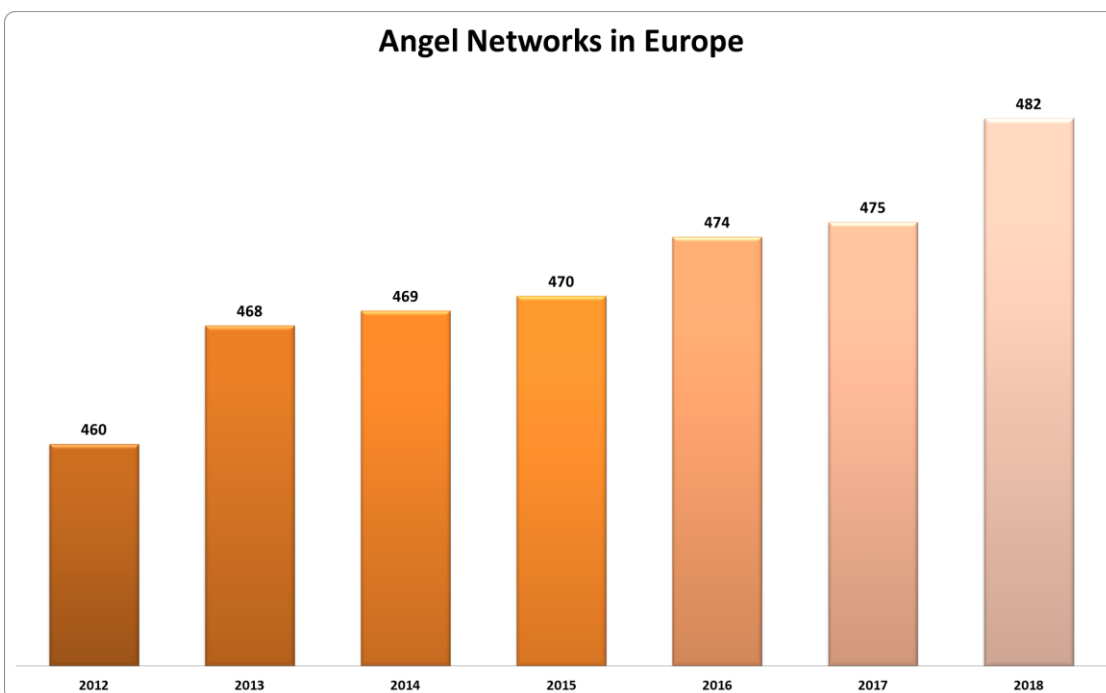
As the table above shows, we can only perceive angel investment through the visible part of the market. The estimation of the invisible market is an assumption EBAN considers taking into account previous surveys and reports published⁴. As for 2018, we considered a visible market of 10%, at the same level of the one reported in 2015, 2016 and 2017. 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. For the 39 countries included in this year's edition of the Statistics Compendium, EBAN has counted 745 Million Euros of investments done by business angels in 2018. 3720 investment rounds

⁴ "Evaluation of EU Member States' Business Angel Markets and Policies" CSES, 2012

were closed in 2018, primarily in pre-seed, seed, and series A stages. The angel population affiliated to a business angel network is equal to 34,500 individuals.

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 2018, the number has grown just moderately, demonstrating consolidation in the market as networks become more formalised and financially sustainable.

Figure 3. Number of active business angel networks in Europe



ANGEL INVESTMENT BY COUNTRY

As the following table clearly shows, the United Kingdom continues to lead the European angel market with €109.4 million Euros of investment in 2018, up 1.6% from 2017. Throughout Europe, most of the angel markets experienced growth, with some regions, for example Central and Eastern Europe, showing very strong growth from the previous years. However, certain markets saw almost zero growth or even a decrease in investment activity compared to the previous year 2017. Difficulties in consistently relying on a base of active investors to syndicate deals with, coupled with the fact that in this industry investment holding periods are notoriously long and exits scarce, may have prevented many business angels from continuing to grow their portfolios in 2018.

Figure 4. Angel investment by country, visible market statistics

Country	No. BANs	No. BAs	No. Inv.	Total BA Inv. 2018, €M	YoY	Total BA Inv. 2017, €M	YoY	Total BA Inv. 2016, €M	Avg. Inv. per BAN 2018, €M
United Kingdom	74	9000	848	109.40	1.58%	107.70	9.90%	98	1.48
Germany	40	2000	198	86.60	12.45%	77.01	51.00%	51	2.17
Spain	48	3742	221	58.70	4.00%	56.44	-14.48%	66	1.22
Turkey	22	2600	141	52.60	0.57%	52.30	11.28%	47	2.39
Russia	24	250	140	49	0.45%	48.78	42.64%	34.20	2
France	64	5000	455	37	-41.27%	63	47.54%	42.70	0.58
Finland	6	670	435	36	33.33%	27	-49.06%	53	6
Sweden	12	820	78	25.50	10.87%	23	2.68%	22.40	2.13
Denmark	1	250	191	23.10	-0.10%	25.70	12.52%	22.84	23.1
Netherlands	19	1200	72	22.3	74.2%	12.80	2.40%	12.50	1.17
Italy	9	450	55	21.20	33.33%	15.90	12.77%	14.10	2.36
Switzerland	10	710	133	20.10	16.86%	17.20	8.18%	15.90	2.01
Austria	4	385	23	18.50	-7.50%	20	-9.09%	22	4.63
Belgium	2	450	68	18	11.45%	16.15	34.58%	12	9
Poland	5	500	34	16.82	16.32%	14.46	14.76%	12.60	3.36
Portugal	20	344	65	16.50	33.14%	12.39	-26.67%	16.90	0.83
Monaco	1	n/a	6	14.55	n/a	n/a	n/a	n/a	14.55
Ireland	12	780	44	12.50	-2.34%	12.80	-23.35%	16.70	1.04
Hungary	1	125	43	7.60	72.73%	4.40	-20.00%	5.50	7.60
Czech Republic	1	210	28	7.40	21.31%	6.10	22.00%	5	7.40

Estonia	1	127	186	7.10	-37.17%	11.30	28.12%	8.82	7.10
Norway	6	350	31	6.48	39.06%	4.66	-0.85%	4.70	1.08
Bulgaria	4	100	35	5.60	-20.00%	7	40.00%	5	1.40
Luxembourg	1	101	25	3.90	-4.65%	4.09	4.07%	3.93	3.90
Slovenia	1	70	21	3.80	52.00%	2.50	-23.08%	3.25	3.80
Greece	4	65	12	3.60	31.39%	2.74	-14.38%	3.20	0.90
Lithuania	1	128	12	3.12	64.21%	1.90	72.73%	1.10	3.12
Romania	3	50	13	2.90	-15.20%	3.42	163.08%	1.30	0.97
Serbia	1	50	20	2.50	2.46%	2.44	6.09%	2.30	2.50
Slovakia	3	88	18	2.50	38.89%	1.80	-14.29%	2.10	0.83
Croatia	1	35	4	2.35	123.81%	1.05	2.94%	1.02	2.35
Latvia	1	75	11	2.30	-20.69%	2.90	18.85%	2.44	2.30
Ukraine	1	50	14	1.90	-75.64%	7.80	52.94%	5.10	1.90
Montenegro	1	10	10	1.55	1450%	0.1	n/a	n/a	1.55
Belarus	1	50	3	1	n/a	n/a	n/a	n/a	1
Cyprus	1	45	2	0.80	-20.00%	1	33.33%	0.75	0.80
N. Macedonia	2	15	2	0.25	66.6%	0.15	-89.29%	1.40	0.12
Kosovo	1	15	15	0.25	-63.2%	0.68	36.00%	0.50	0.25
Malta	2	30	1	0.1	-95.83%	2.4	n/a	n/a	0.05

Figure 5. Map of Overall Business Angel Investment by Countries

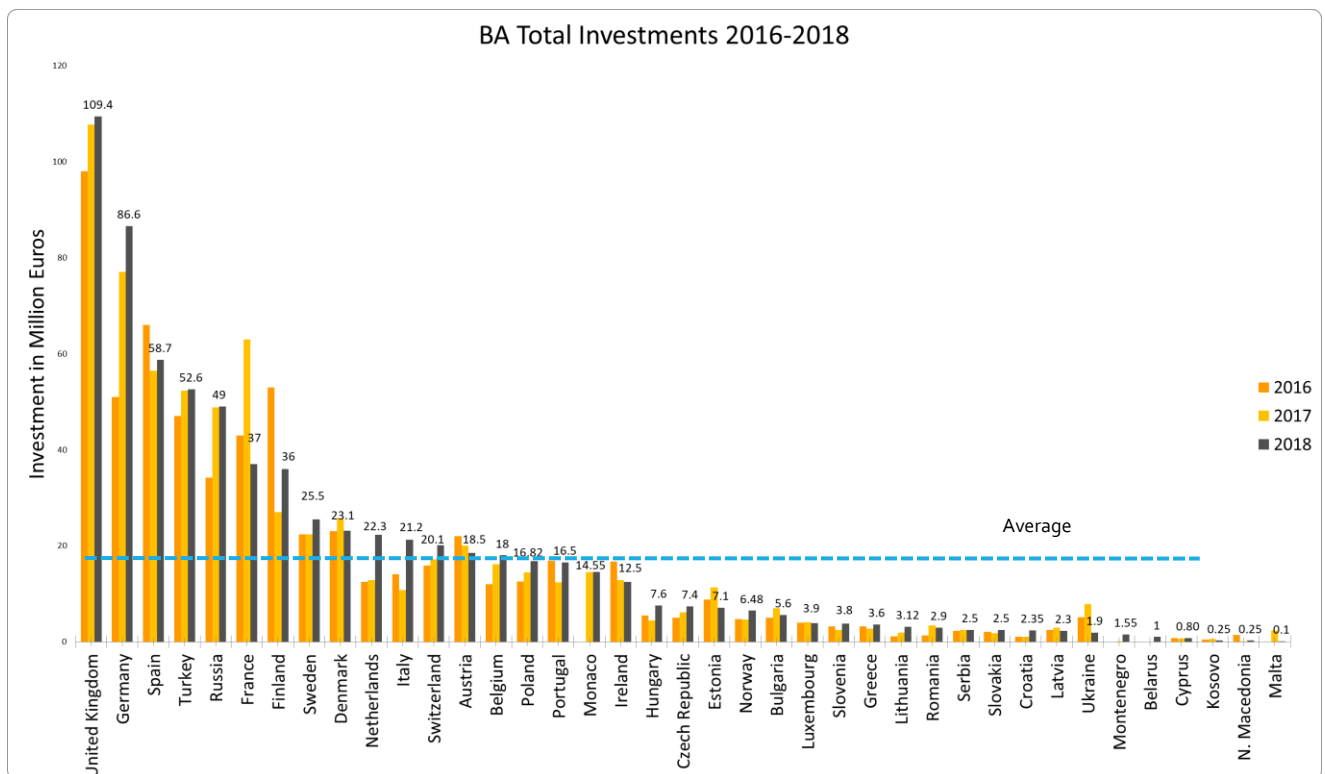


The following chart (Figure 6) illustrates the evolution of business angel investment by country. We observe many European countries showing strong growth while some mature markets, like France, showed a strong decrease compared to 2017. The Turkish market⁵ is continuing to expand and, together with Russia, showed sustained growth also in year 2018. We are delighted to announce a new country that appears on this chart for the first time – Belarus – bringing the total of observed countries in this Compendium to 39, the highest record yet.

⁵ The State of Turkish Startup Ecosystem 2019 - Startups Watch and Presidency of the Republic of Turkey Investment Office <https://www.invest.gov.tr/en/publications/lists/investpublications/the-state-of-turkish-startup-ecosystem.pdf>

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 and Estonia did not feature in the top ten in terms of volume, the chart below clearly shows their important role in the angel investor community.

Figure 6. Amounts of angel investment by country in 2016-2018, €M; visible market statistics



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 2018, with the European average at 1.81 million Euros. 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 7. Angel investment/GDP ratio⁶, %

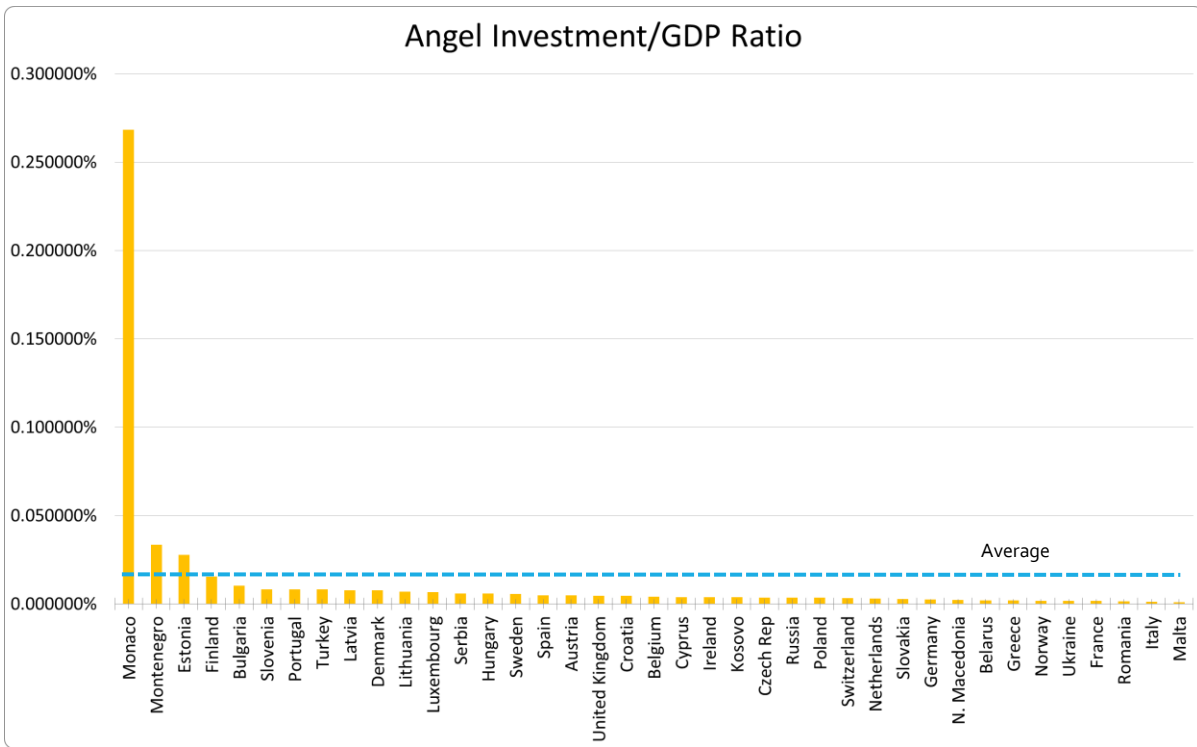
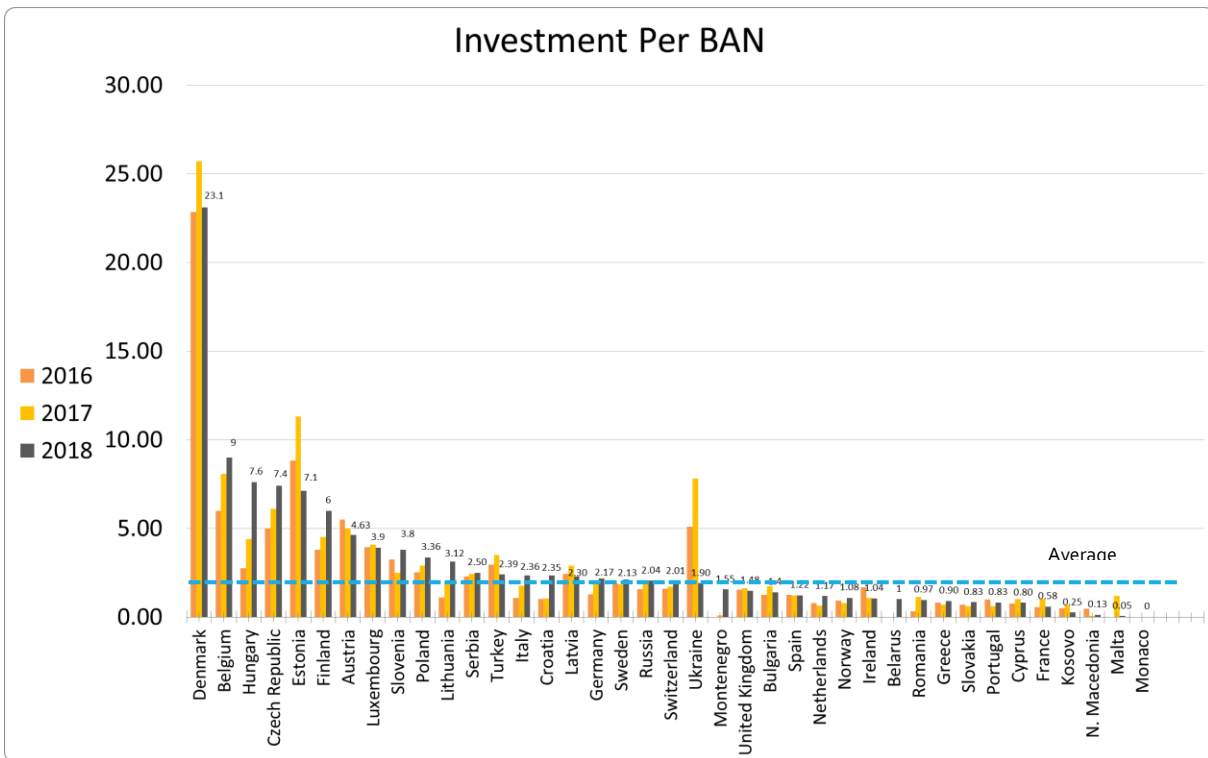


Figure 8. Performance of BANs by country source, €M; visible market statistics



⁶ The ratio was multiplied by 10.000. GDP figures of 2018 from the International Monetary Fund; based on visible market statistics

OTHER INVESTMENT FIGURES

The amount invested per company increased by 10% from 2017 to 2018, continuing the trend from the previous period 2016-2017. Nevertheless, this KPI still remains considerably lower than in the US (0.2 million Euros in the EU in 2018 vs 0.35 million US dollars in the US⁷), indicating that valuations in Europe are considerably lower than in the States. At the BAN level, the average investment amount increased to 1.81 million Euros, an annual rise that shows a tendency for aggregation in BANs.

Individual angel investment per funding round slightly dropped from 2017 and is at an average of 24,100 Euros. Coupled with the average investment per company, this drop may indicate that angel syndicates are growing on average in their size, with more angels involved investing individually less capital. It is important to note the wide variance this KPI has across Europe, with individuals investing as low as 10,000 Euros up to amounts of even 500,000 Euros per person.

Figure 9. Average investments 2014-2018, €; visible market statistics

	2014	2015	2016	2017	2018
Average investment per company	174,000	184,000	166,000	182,000	200,600
Average investment per BAN	1,232,000	1,291,000	1,386,000	1,536,000	1,812,000
Average investment per BA	20,000	19,990	22,500	25,400	24,100

⁷ 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>.

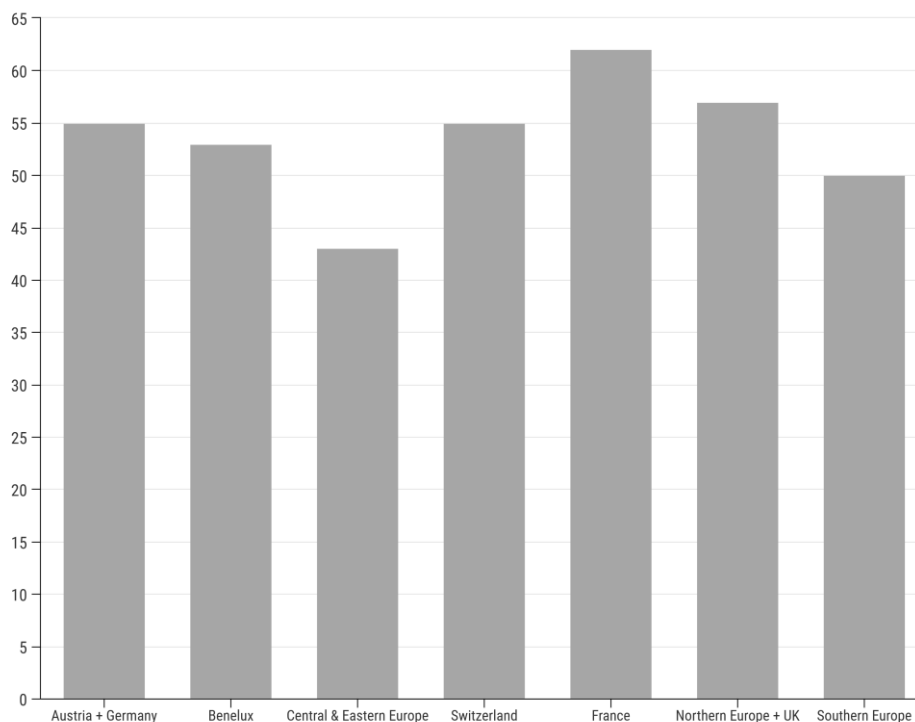
ANGELS AND THEIR INVESTMENT BEHAVIOUR

Demographics

In this edition of the Statistics Compendium, we refer to 2017 data regarding 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 2017⁸; chart taken from “Understanding the Nature and Impact of the business angels in Funding Research and Innovation”



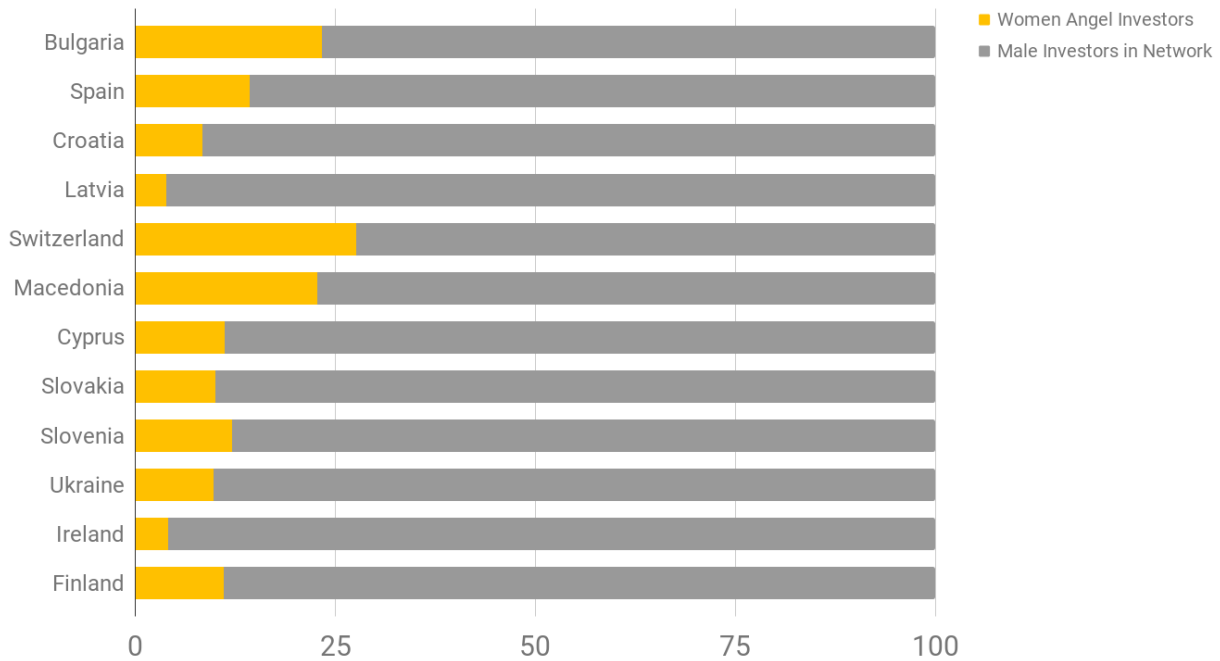
Similar trends can be observed gender-wise with Central and Eastern Europe showing the highest ratio of women investing as business angels (about 30%). In Western Europe, women angel investors still represent a small fraction of the angel community and account for about 11% of the population. For comparison, in the US in 2018, women angel investors made up for 29.5% of the angel market⁹.

⁸ 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

⁹ 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 11. BA Investors distribution by gender in 2017¹⁰; chart formulated from survey responses

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



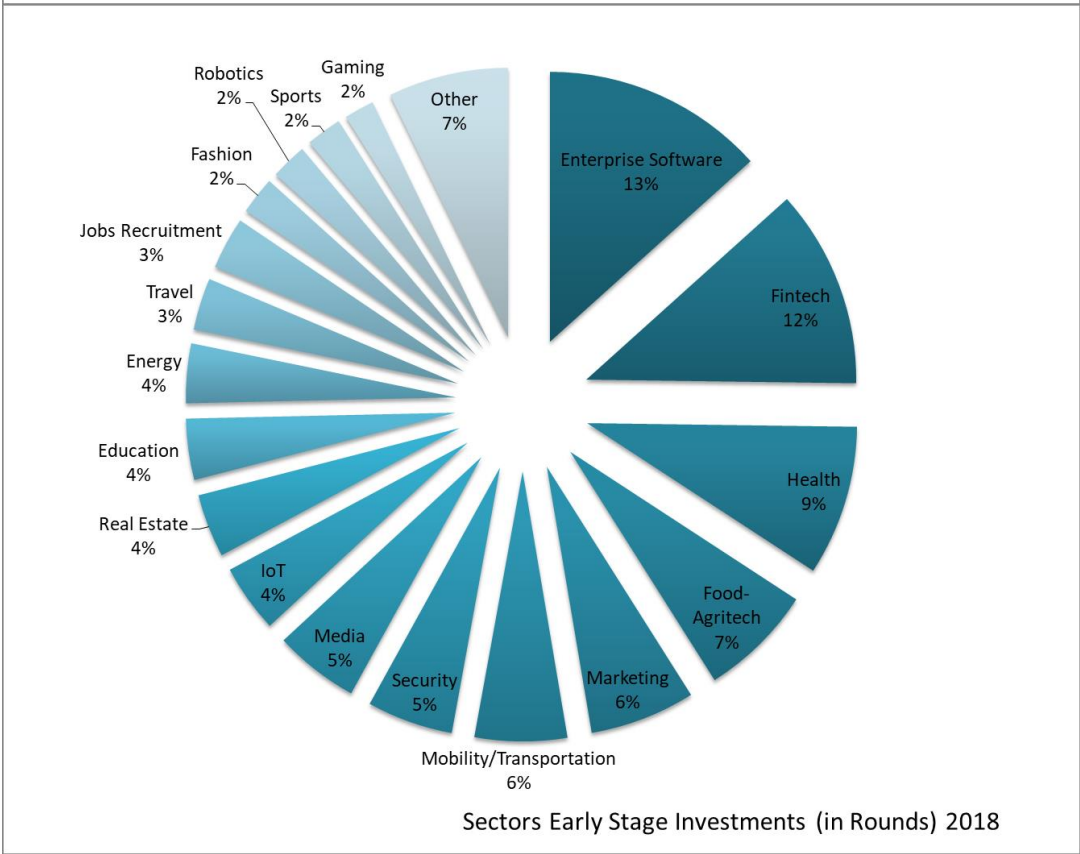
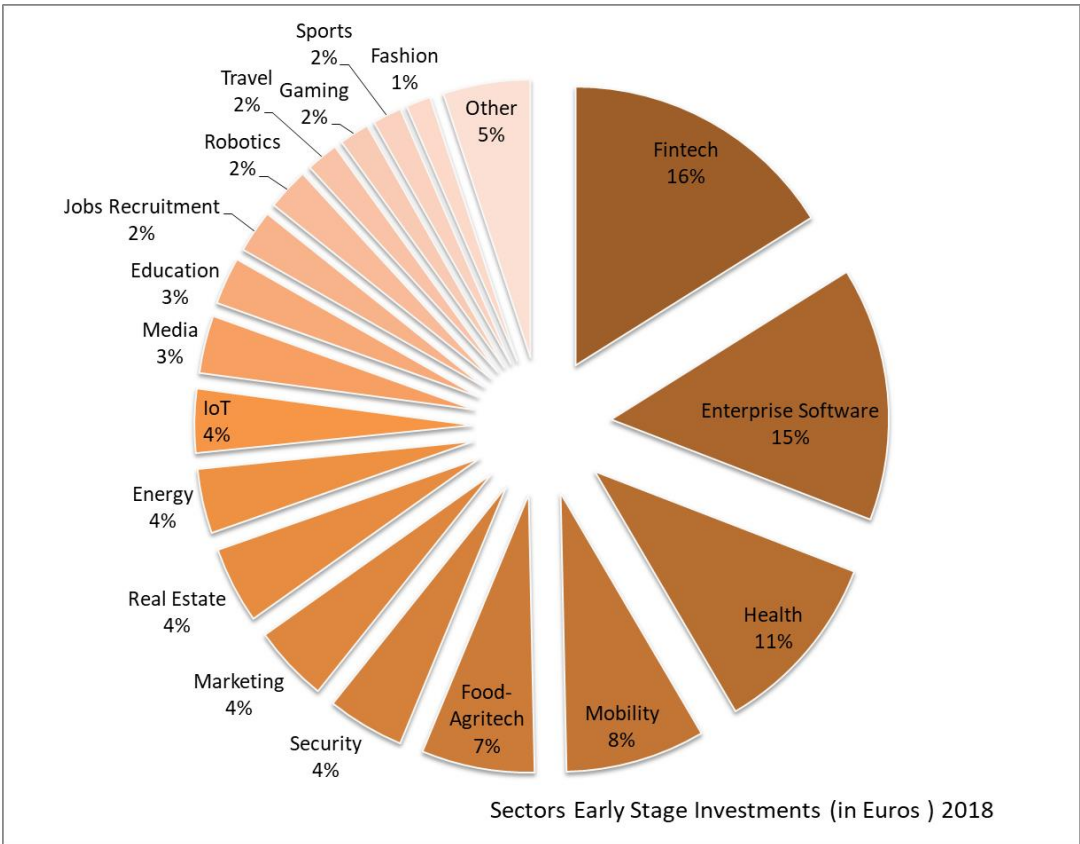
Sectors of Investment

Again this year, EBAN is using Dealroom.co’s database to illustrate the sectors in which startups received most investment from angel investors. Data on more than 3000 early stage investments (seed and angel rounds) done in Europe in 2018 was used to create the charts in Figures 12-13. In terms of Euros invested, FinTech and enterprise software sectors take lead with respectively 16% and 15% of all investments made last year. When looking at the number of investment rounds, this time enterprise software appears to be the number one sector of choice for business angels. Compared to last year, distribution of investments by industry remains fundamentally the same, with a slight decline of the health sector in favour of the mobility and AgriTech ones. 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, 23% of angel investments go to healthcare services/medical devices and equipment, 20% of investments go to software, 13% to retail services, 8% to biotech, 8% to FinTech and 7% to energy¹¹.

¹⁰ Data taken from EBAN 2017 Statistics Survey

¹¹ 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>.

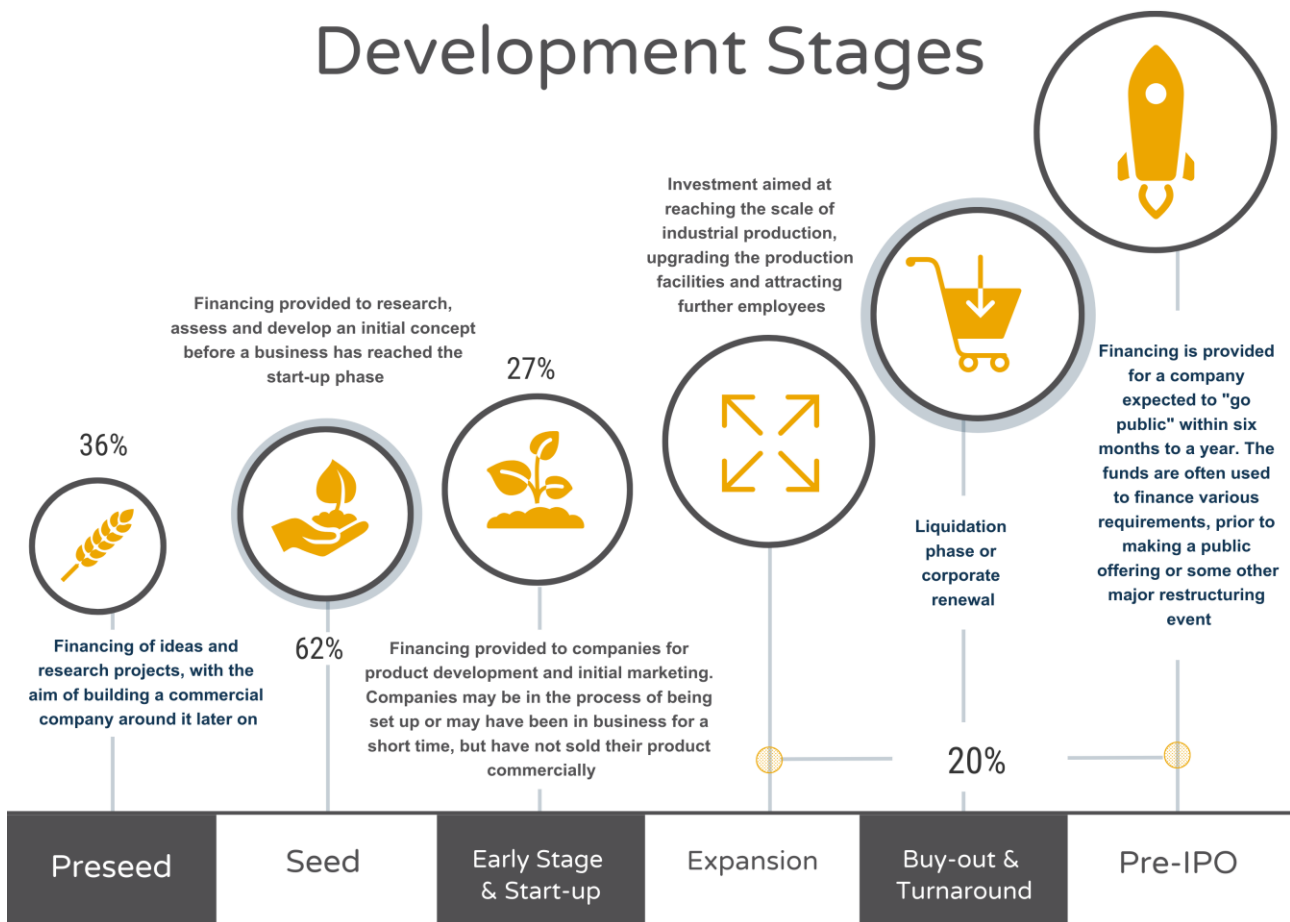
Figures 12-13. Sector distribution of investments in 2018; charts formulated from data retrieved on Dealroom.co



Development Stage of Investee

In terms of stages of development, angel investors typically invest in the “seed stage” (62% of all investments made), with “pre-seed stage” becoming less popular than in previous years (36% in 2018 vs. 63% in 2017). Angels are apparently investing more often in later stages, with pre-series A and series A stages growing from 30% in 2017 to 40% in 2018. Looking at the same breakdown in the US, in 2018 we see that 34% of angel investments went into seed stages. However, later stage rounds in the US accounted for a larger proportion than in Europe, with over 60% of the rounds being in “early stage” and “expansion stages”¹².

Figure 14. Investments by investee’s development stage in 2018¹³



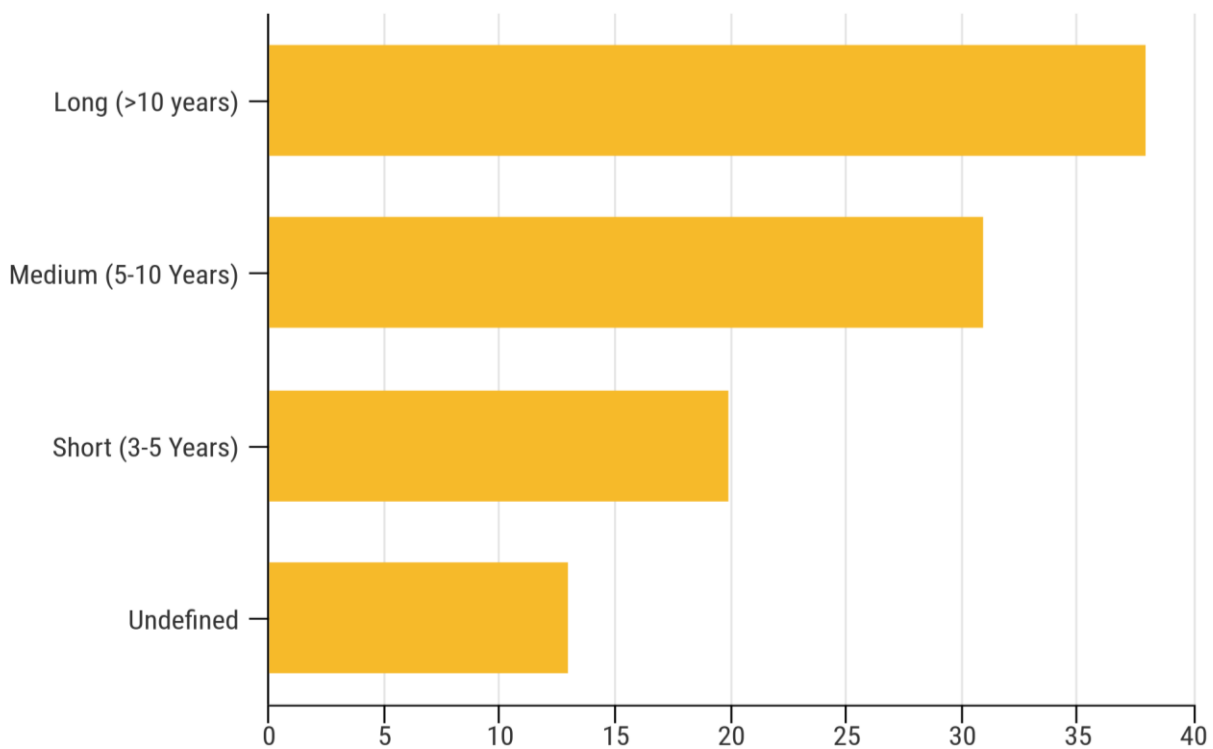
¹² Jeffrey Sohl, "The Angel Market in 2018 More Angels Investing in More Deals at a Lower Valuation," Center for Venture Research: 1-2, <https://paulcollege.unh.edu/research/center-venture-research>.

¹³ 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

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. We refer to the data shown in 2017 for this chapter of the Statistics Compendium.

Figure 15. Investments by time horizon in 2017 in percent %¹⁴; chart taken from “Understanding the Nature and Impact of the business angels in Funding Research and Innovation”

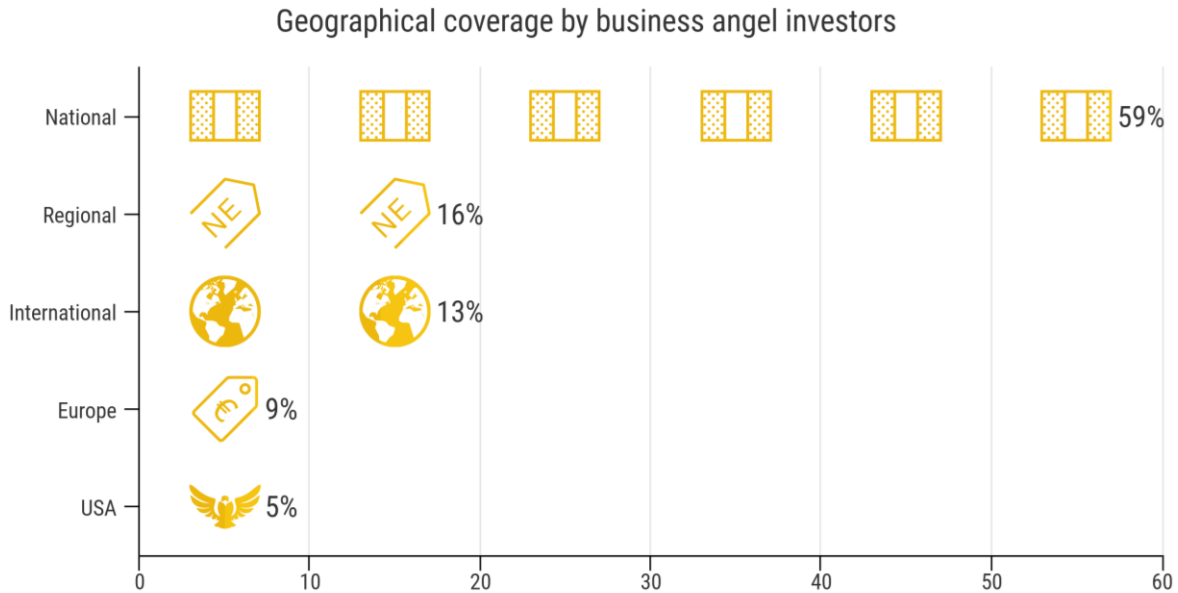


Location of Investment and Cross Border Investing

Similarly to the past years, 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.

¹⁴ 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 percentage¹⁵;

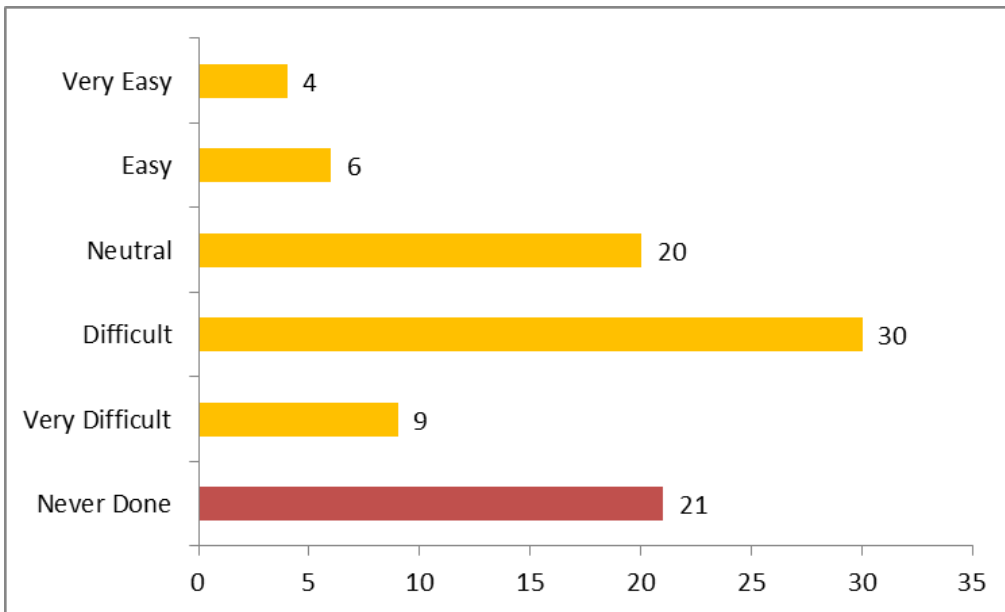


In some countries, the business angel co-investment funds or tax breaks schemes do not allow investment outside of the country. Of course, this makes cross-border investment less accessible to business angels in these markets.

Cross border angel investing still remains uncommon for the typical European business angel. Over the last year, 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 17 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 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.

¹⁵ 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 17. 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 €4.13 billion in 2018. 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 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 2016.¹⁶ 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 terms of investments along side later stage VCs, this is still something that occurs relatively rarely in Europe, with less than 10% of the series A stage deals being syndicated with VCs. We are noticing however more activity with regards to co-investment between angels and public investors. For example, the European Angel Fund (EAF) program managed by the European Investment Fund (EIF) has a volume of 320 million Euros, with more than 200 million Euros already committed to approximately 80 selected Business Angels. Thanks to this program, operated in Austria, Denmark, Finland, Germany, Ireland, the Netherlands and Spain, more than 340 startups were co-invested by angels together with the EIF. In addition, there are multiple programs available at a

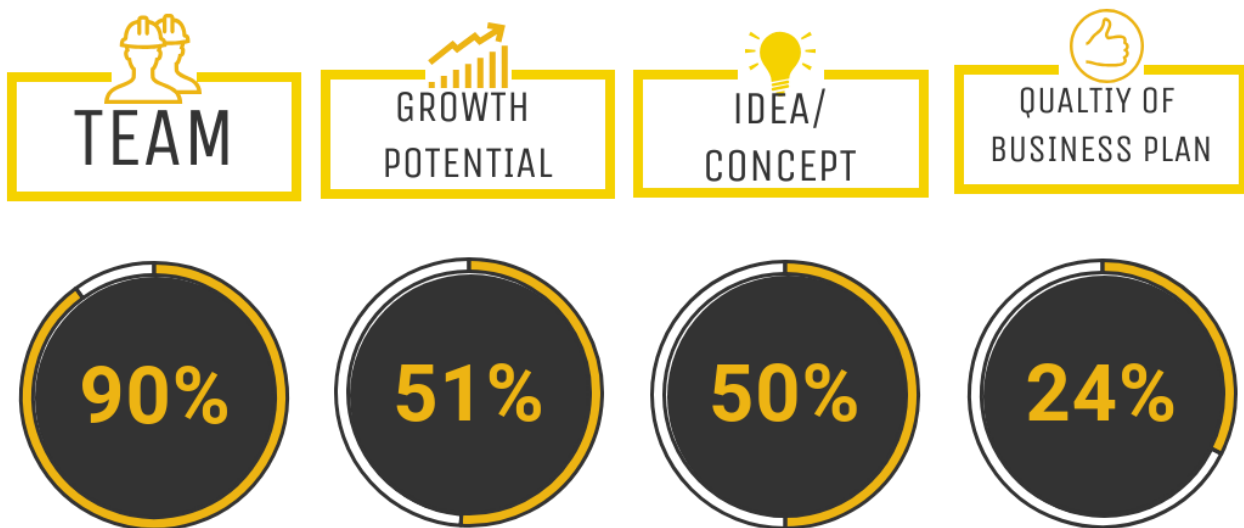
¹⁶ "Venture Capital Activity in 2017," *Preqin*: 7, <http://docs.preqin.com/reports/2018-Preqin-Global-Venture-Capital-Extract-Report.pdf>.

national level across the EU were angel investors syndicate deals with public investors on a “pari-passu” basis.

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 18. - Decisive factor to start an investment¹⁷; chart taken from “Understanding the Nature and Impact of the business angels in Funding Research and Innovation”

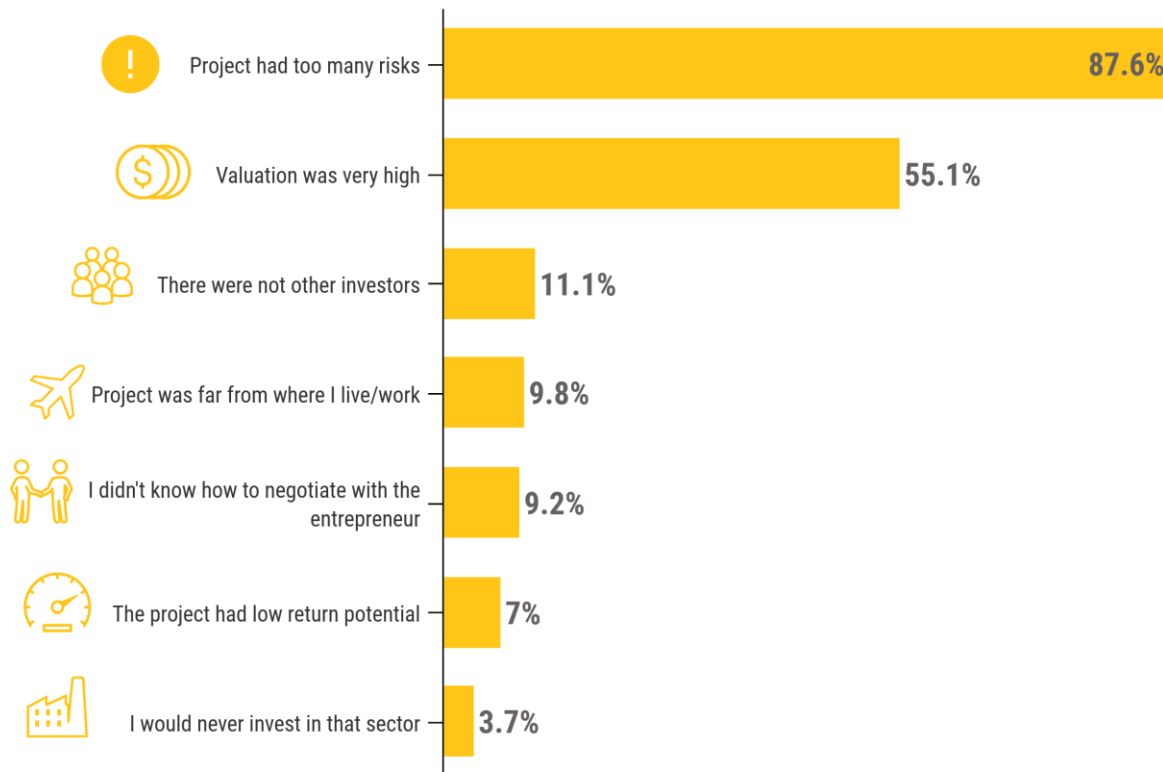


Factors with Negative Impact on Investment Decisions

Among the factors negatively impacting the decision to invest, high 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.

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



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.

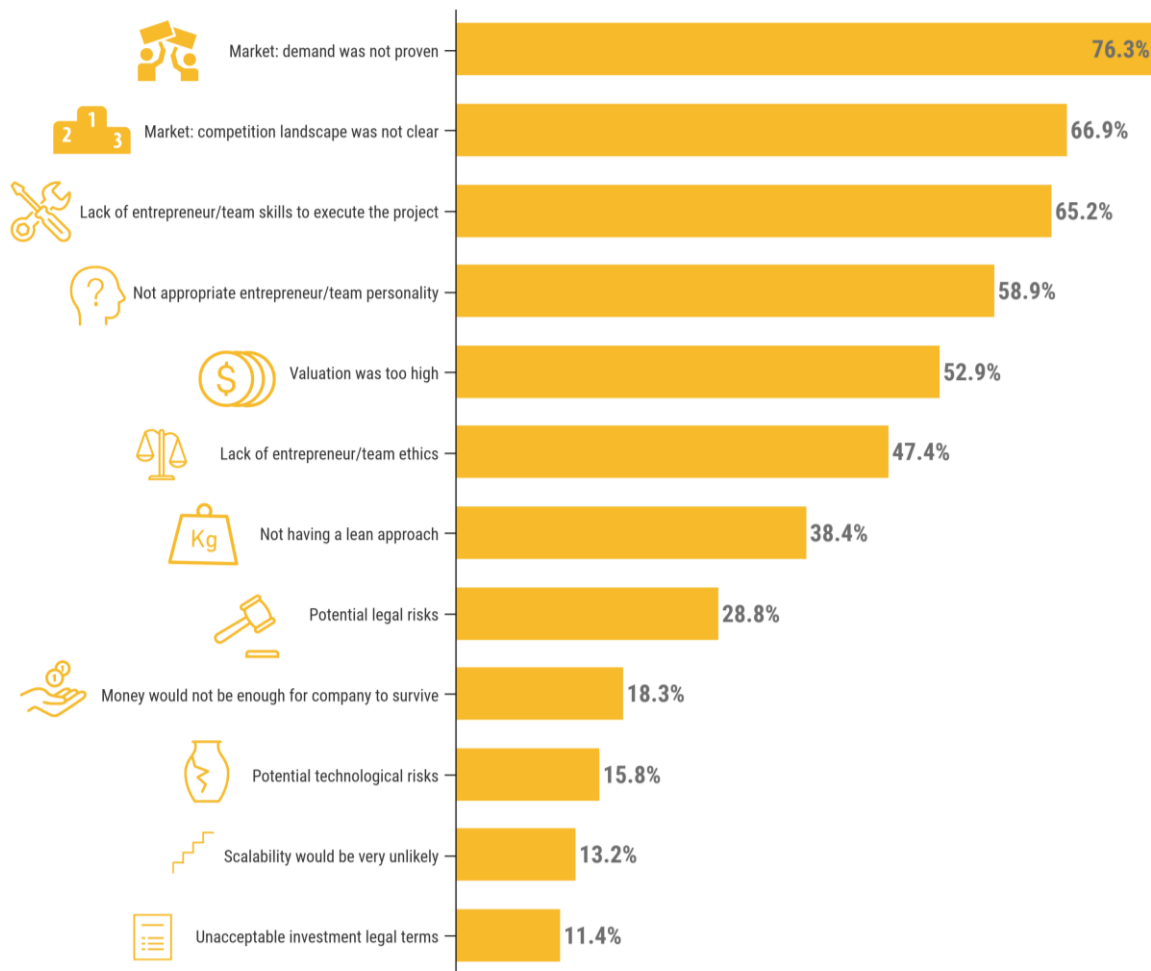
Main Problems/Risks that Prevented Angels from Investing

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

¹⁸ 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>.

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



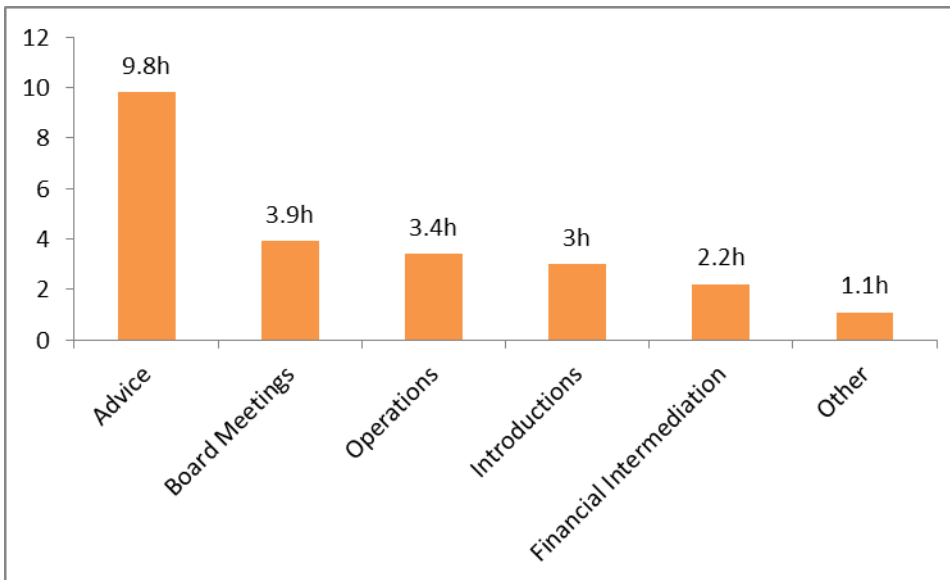
How Business Angels Assist the Companies They Invest In

This year we are delighted to feature a new chapter of the Statistics Compendium which focuses on how business angels add value to the startups they invest in, additionally to the funding provided. Over the past year EBAN and BAE conducted a survey on a sample of 90 active angel investors from 11 different countries in Europe. The respondents were asked to specify the amount of hours they dedicate to their portfolio companies and for which activities.

¹⁹ 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>.

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 break down, in hours, of the different ways angels actively support their invested companies.

Figure 21. – How Angels Assist Their Portfolio Companies, chart taken from EBAN and BAE “European Business Angel Barometer” survey conducted in 2019.

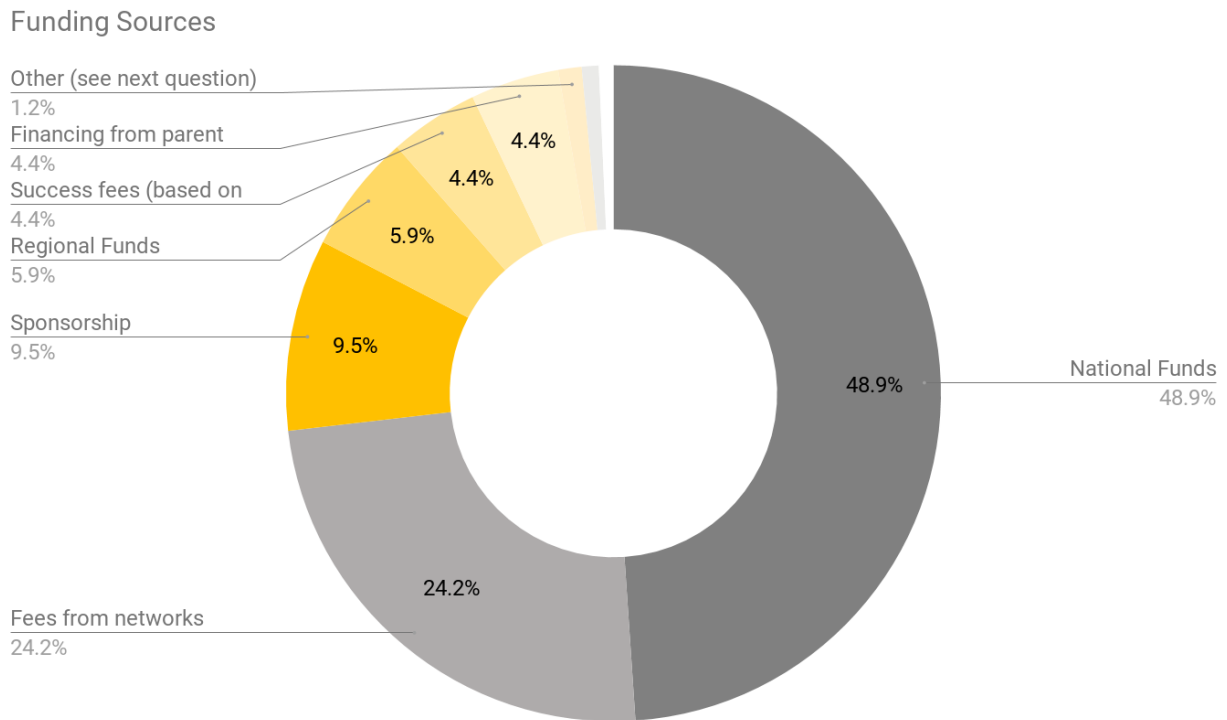


BUSINESS ANGEL NETWORK MANAGEMENT

Funding Sources

Business Angel Networks tend to be non-profit associations that fund themselves through membership fees. Sponsorship and financing from a parent 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%. In this chapter we refer to the data shared in our 2017 edition of the Statistics Compendium.

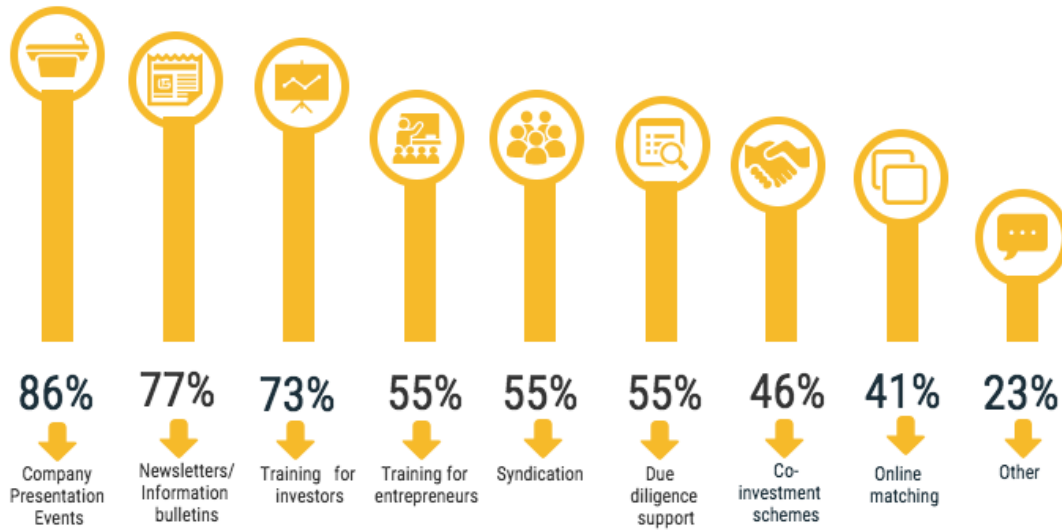
Figure 22. - Funding sources for BANs 2017 ²⁰



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.

²⁰ Visible market data taken from 2017 EBAN Statistics Compendium survey results

Figure 23. - Distribution of services offered by BANs 2017 ²¹


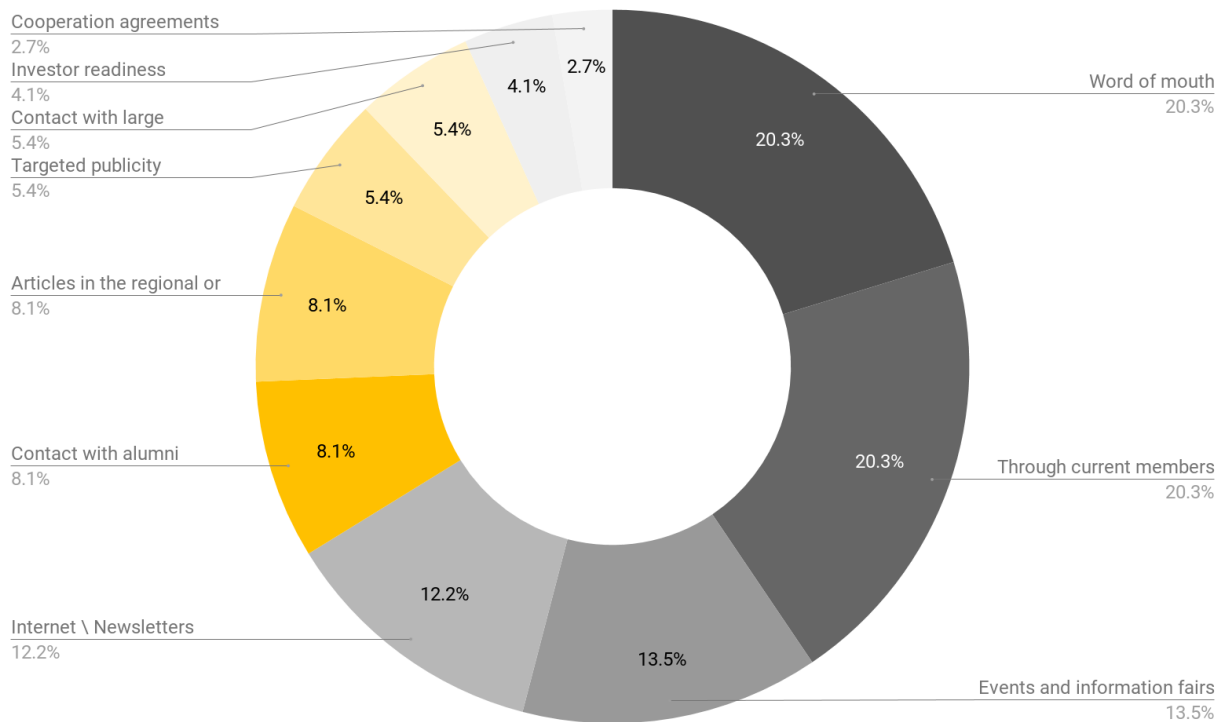
Membership

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.

²¹ Visible market data taken from 2017 EBAN Statistics Compendium survey results

Figure 24. - 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 represent 29.5%.²² 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.

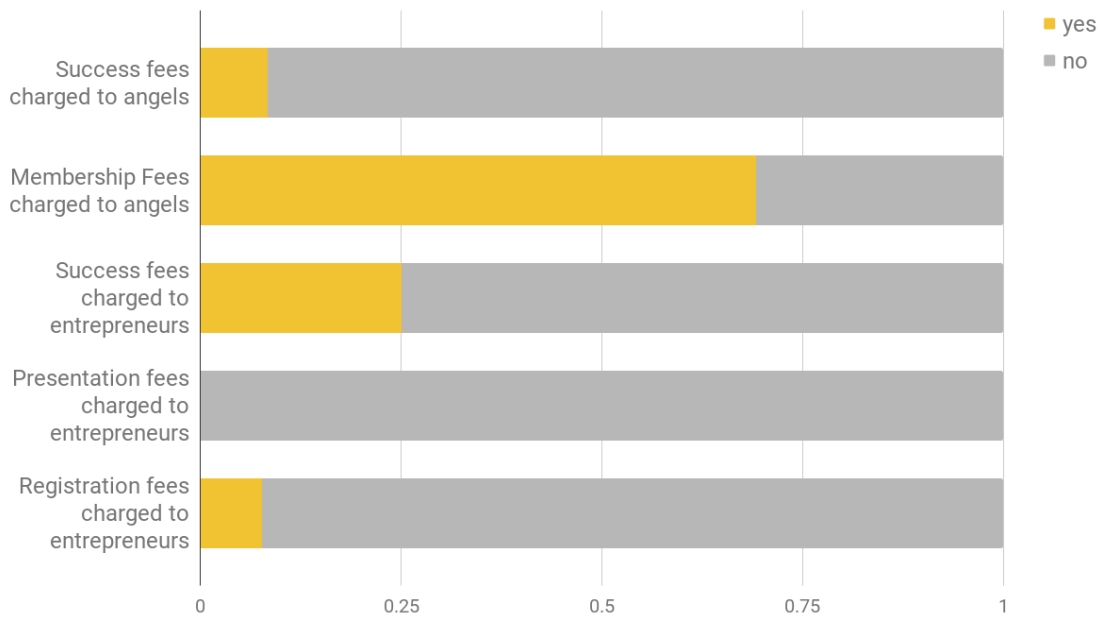
²² Jeffrey Sohl, "The Angel Market in 2018 More Angels Investing in More Deals at a Lower Valuation," Center for Venture Research: 1-2, <https://paulcollege.unh.edu/research/center-venture-research>.

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 ²³

Charged Fees



²³ Visible market data taken from 2016 EBAN Statistics Compendium



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