

ITRE Committee European Parliament *Hearing on Horizon 2020*

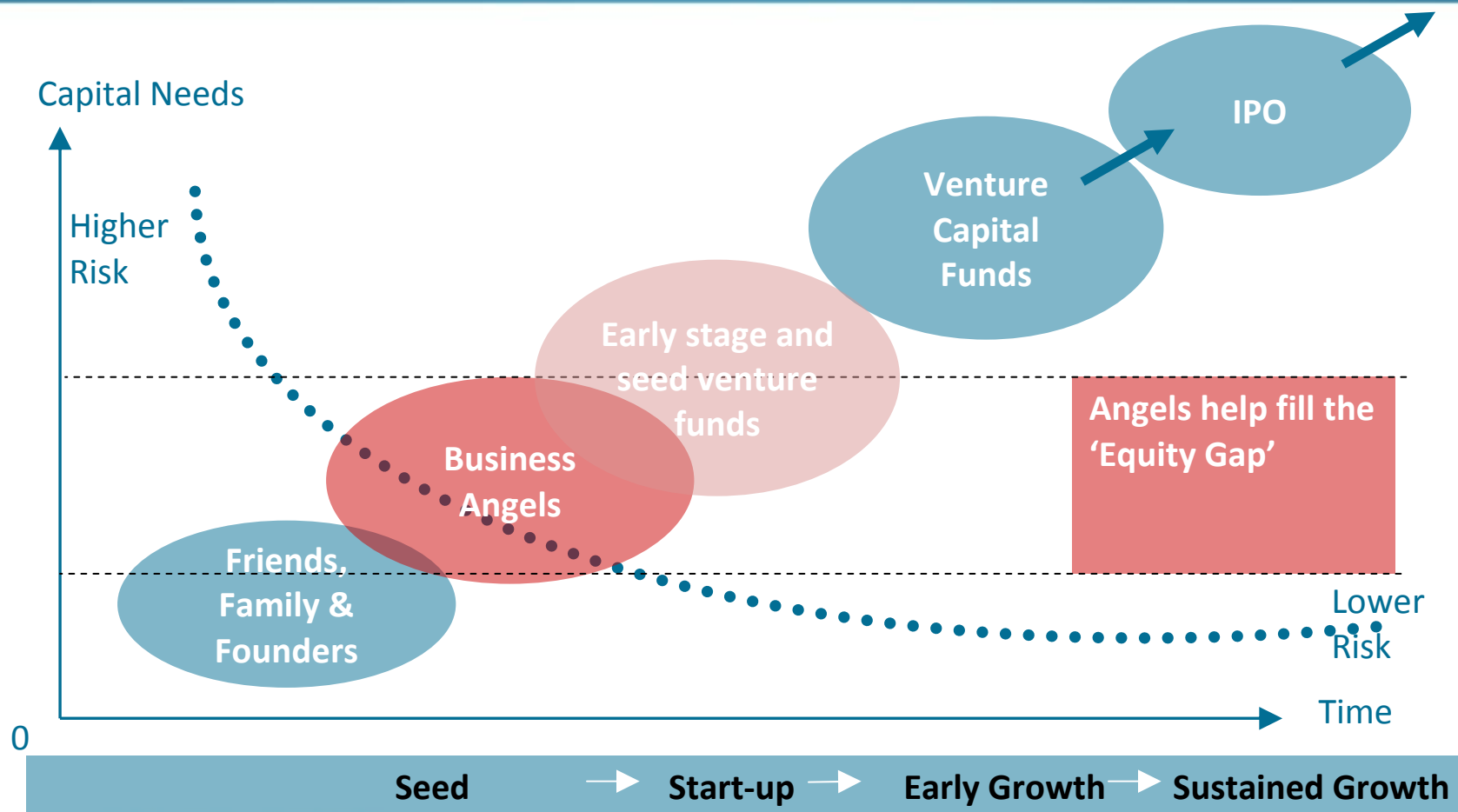
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BUSINESS ANGELS

- 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€

ANGELS AND OTHER SOURCES OF FINANCE



EXAMPLES OF BA FUNDED COMPANIES



WHAT BUSINESS ANGELS LOOK FOR?

- Current & comprehensive Business Plan
- Strong & committed Management Team
- Environment and market
- High growth / scalable / strong business forecast (5m€/3yrs)
- Realistic pre-money valuation
- Exit strategy

BUT Entrepreneur's qualities are most important

In Europe , Business Angels invest 4 Billion Euros per year in 20.000 companies (including several financial rounds)

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

ABOUT EBAN

**Business
angel
networks**

**Seed
funds**

**Federations
of networks**

**Individual
angels**

**Associate
mem
bers**

Professional standards

Benchmarking – Research and Networking with peers

Lobbying

Awareness and Capacity building

Cross-border syndication and co-investment support

120 member organisations – Representing 300 BANs – 27 countries

SUMMARY OF INDUSTRY STATISTICS

Statistics	Trend y-o-y (Europe)	Europe	USA
Number of networks	↑	circa 420	360
Of which commercial	→	circa 20%	
Estimated number of business angels	→	75k	265K
Total amount invested annually by angels (est.)	→	€ 3.5 bln	\$20.1 bn
VC investments in seed and start-up/early stage	↓	circa € 1.8 bln	\$2.5 bn

Source: EBAN; NVCA Yearbook 2011; www.pitchbook.com; Center for Venture Research at the University of New Hampshire

EUROPEAN ANGEL MARKET= c. 23% OF US ANGEL MARKET

Average exchange rate 2010: 1 USD:0.76€

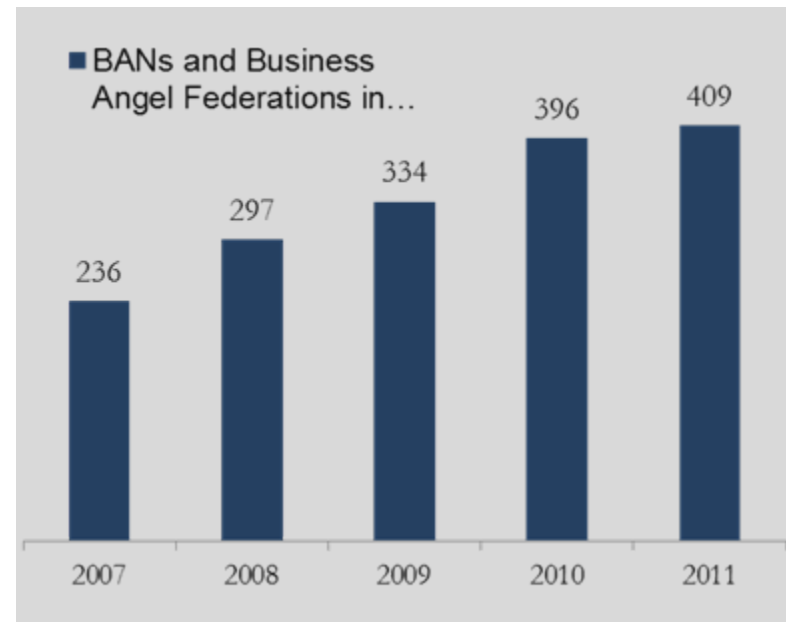
Source: <http://www.oanda.com/lang/fr/currency/historical-rates/>

EBAN DATA

DATA REPORTED TO EBAN (2010)

# Business angels	8.356
Business plans submitted to BA	3.661
Deals closed	945
Average Amount of Deal	60.400€
Total amount invested	128M€

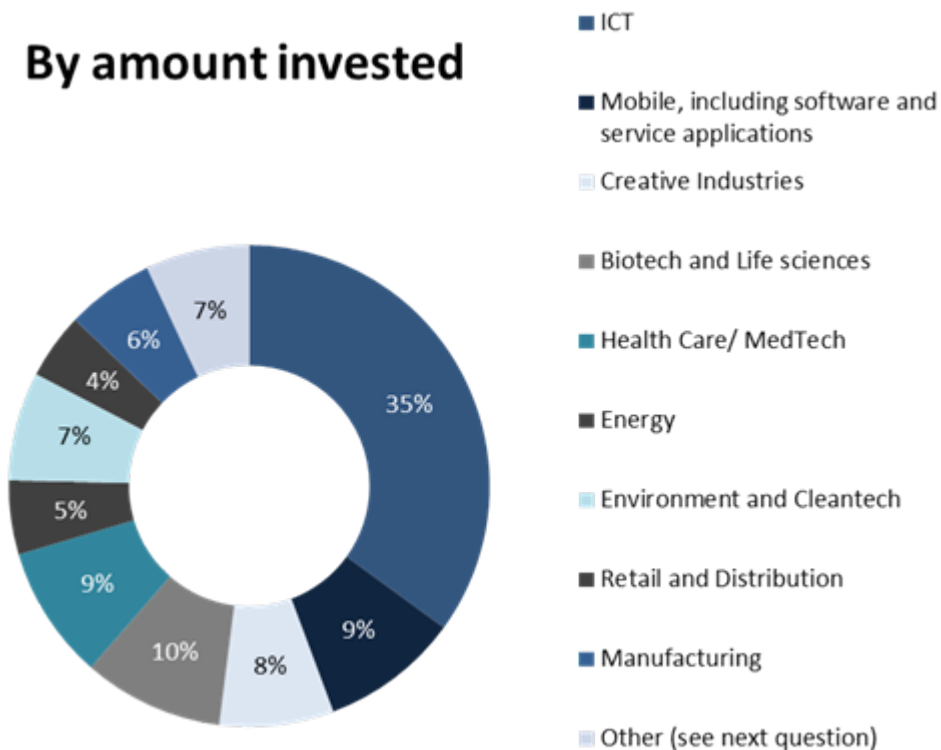
BANs Market Trends



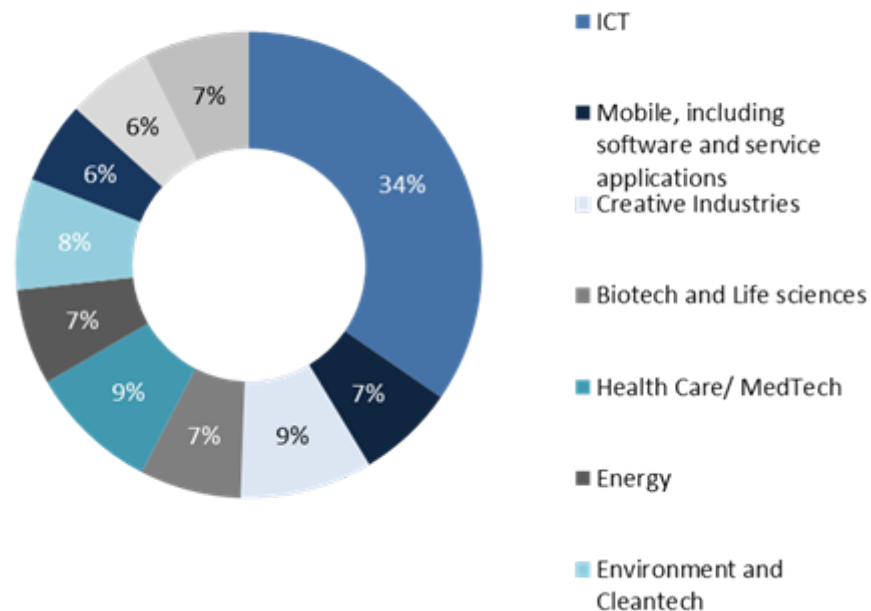
- Increase in the number of Early-stage actors, contrary to the consolidation trend concerning the European VC Market;
- Increase in the number of European BANs over the last 5 years;

SECTORS OF INVESTMENT

By amount invested



By number of deals



Source: EBAN Statistics Compendium 2010

ACCESS ICT Findings

Over 2000 ICT R&D projects are supported by the European Commission through its 7th R&D ICT framework programme, with a budget of €9.1bn.

The ICT framework covers a range of different ICT areas from digital content to programming; network and telecom services; smart devices and mobile apps; robotics; distribution and ICT services etc.

Yet of all these R&D projects supported by EU finance **only a small number go on to commercialise the results** and successfully spin out a viable business and go on to attract finance and capitalize on the EC investment.

Many potentially very exciting new technologies, products and services **never get to the market place and never get to the equity community.**

ACCESS ICT Findings

Are all of these ICT R&D projects too risky for early stage investment through angels or VCs?

No!

Key issues:

- Lack of awareness on VC funding
- Lack of investment readiness: Understanding of investor requirements
- Importance of the management team and intellectual property

What can Policy Makers do?

Awareness raising and Investment readiness

Increasing capacity building of research projects and SMEs

- Ensure that the message and the language are “adapted” to the culture of researcher.
- Organize systematic investment readiness training for ICT researchers and SMEs to raise their awareness very early on concerning access to investment and investment readiness.
- Integrate the subject of access to finance and investment into the agendas of international research events supported by the EC.

What can Policy Makers do?

Streamlining the road to market and contact with investors

- Involve investors at the **project proposal stage** and in **reviewing periods**.
- More information (and commitment) about **commercialisation** and **potential to attract investment**.
- Offer **management, financing and business development support** (proof of concept grants) and/or by assigning investors as coaches/ mentors.
- Identify the best projects and **showcase them to investors**.
- Directly **support currently existing investment events** to open the door to ICT SMEs participating in European R&D Projects to access investors.

What can Policy Makers do?

Leverage private sector involvement in the market

Either through ICT sector specific **cross-border funds**, with a public institution acting as a fund of funds, potentially with support from **EIF** and based on existing good practice models. This should be accompanied by a **reduction of the legal and fiscal barriers** impeding this collaboration.

Or leveraging private investors by setting up **dedicated co-investment funds** at regional or Members States level, potentially using the **structural funds**. This will also support follow-on rounds and exit routes for angel investors

INTERESTED IN LEARNING MORE?

**«EBAN Annual Congress»
Hosted by NBAA Russia
Moscow, 23-24 April 2012**

www.ebancongress2012.org

Thank you!

Thank you!

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