



SUSTRAINY

Sustainable action Training for Youth



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SUSTRAINY PROJECT



PANORAMA OF SUSTAINABLE BUSINESSES PRACTICES

FINANCING – BUSINESS
ANGELS

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Financing – Business Angels



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Category – Key words	Financing, Business Angels, Funds, Crowdfunding
Who?	European Business Angels Network, EBAN
Location	Europe
Years of implementation	From 1999- ongoing
Website	https://www.eban.org/



Abstract

Problem to solve:

How to finance your SME? How to attract investors despite some of the risks?
Survey evidence from across the European Union indicates that obtaining external finance is a major barrier to business start-up across all socio-demographic groups. More than one-half of new entrepreneurs across all groups consider obtaining finance to be an important problem, the only exceptions being entrepreneurs aged above 40 and those with post-secondary education (OECD, 2014).

Description of the solution:

EBAN is the pan-European representative for the early stage investor community gathering over 150 member organizations in more than 50 countries today. Established in 1999 by a group of pioneer angel networks in Europe with the collaboration of the European Commission and playing a vital role in Europe's future, notably in the funding of SMEs.
<https://www.eban.org/about-us/>

Business Angels Europe (BAE) is the European Confederation of Angel Investing, representing the European Business Angels' Federations and Trade associations in Europe.
<https://www.businessangelseurope.com/>

Design and Implementation:

EBAN organises two flagship events every year, along with several smaller scale events, which offer entrepreneurs unequalled access to investors, startup coaches and support agencies that can help them scale their business. EBAN events have the following activities designed for entrepreneurs: trainings, networking and pitching.

You can check the directory list of EBAN here: <https://www.eban.org/membership-directory/> .
You can also write them to ask more information on activities and joining procedures.
info@eban.org

Before contacting business angels networks:

1. Have your business plan ready (project concept, 18 months planification)
2. Benchmark national, European and international networks comparing their offers
3. Usually contact the network via internet
4. Submit your business plan



5. Feedback by the network and eventual business angels that are interested Three criteria are usually observed: amount asked, area of the business and maturity of the project.
6. Oral presentation
7. Negotiation of support conditions (entry into capital)

The whole procedure might last months.

Funding:

The business angel sector is estimated to invest 11.4 billion Euros a year. A business angel investment is normally a minority investment (usually 10-30%), and it is directed at the pre-seed, seed or early stage & startup phase.

Concept Addressed

The business angel is an investor who decides to financially support a company whose project seems to be innovative. In addition of capital, assets and financial support, the business angel puts at the disposal of the start-upper his/her experience and all his/her skills in the entrepreneurial field. Business angels are therefore a valuable source of advice and business support.

We can distinguish between Angel Investment and Business Angel. According to EBAN:

Angel Investment: *(High-risk) investments made by private early stage investors typically in the form of seed financing towards startup businesses. Angel investment comprises financial contribution in addition to the investment of time, expertise and connections that the investors also provide in exchange for ownership equity in the startups.*

Business Angel: *Private investors who choose to make seed and early-stage investments into startup companies. Besides investing their capital, business angels also support their investee companies with mentoring and advice, expertise and network connections. Business angels are also commonly referred to as angels or angel investors.*

Here is also a useful glossary of important terms:

Venture capital: *is the branch of private equity that involves taking stakes in unlisted companies that have not yet found their equilibrium point.*

According to EBAN, angels are increasingly investing in syndicates and alongside seed venture capital funds. Correspondingly, venture capitalists mainly make later stage



minority investments (venture investments) or expansion majority investments (buy-outs).

Moreover, there are different types of (in order of frequency and relevance): investing together with other business angels, investing on their own, investing with other venture capital and crowdfunding.

Crowdfunding: *The practice of funding a project or venture by raising money from a large number of people who each contribute a relatively small amount, typically via the internet.*

Relevance

Added value:

- o The investment doesn't generate debt
- o No need for collateral in personal assets
- o Angel investment can happen at any stage of the business cycle
- o Mentorship mechanisms
- o Access to an extended network: for EBAN, 150 member organizations in more than 50 countries.
- o Access to the research center and policy paper resources
- o Statistics for EBAN: 37% of investment worth 100 000 – 500 000 euros. 42% of investment worth more than 500 000 euros. 70% invest less than 20% net worth. 74% of investors are men, 26% are women. More than 70% are aged between 41 and 60 years old. 70% have experience in tech, finance and consulting. 52% of investors work in the project they invested in. 90% of investors consider diversity in the founding team as a positive trait of the new venture.

Challenges:

- o Expertise and time limitation
- o Infrequent follow-up on investment (exit strategies)
- o Sometimes you need to give up a share of your business
- o You might lose some control
- o Finding a suitable angel investor might take long



- o Less structural support given by a business angel than an investing company
- o Pressure for results on the start-up, mediating the relationship with the angel investor

Tips to implement

- o Do a pro and con list to decide if you should ask for a business angel
- o Benchmark possible offers of business angels in your country and in Europe.
- o Do a pro and con list of the different conditions offered by different business angels
- o Fine tune your business plan
- o Get your data and budget straight
- o Prepare your elevator pitch (attractive discourse to present your business idea in 1 min or 2 min and attract attention and interest).
- o Apply: here are some useful links to explore the different application procedures:
<https://superangels.club/for-founders/> , <https://www.eban.org/for-entrepreneurs/> ,
<http://www.ceeban.org/startups/>

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