

Business Angels: The Changing Landscape

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Nesta...

A LOOK INSIDE ACCELERATORS

Building Businesses

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February 2015

**THE CENTRE FOR
MANAGEMENT
BUY-OUT RESEARCH**

ERC
Enterprise Research Centre

UK Business Angels
Association

Centre for
Entrepreneurs
CFE

A NATION OF ANGELS

Assessing the impact of angel
investing across the UK

ERC
Enterprise Research Centre
January 2015

ICAEW CORPORATE
FINANCE
FACULTY

Private equity demystified An explanatory guide

THIRD EDITION
John Gilligan and Mike Wright

BUSINESS WITH CONFIDENCE

icaw.com/financingchange

Business Angels: The Changing Landscape

- Demographics
 - Competitors and Co-investors
 - Portfolio company growth
 - Implications
-
- **Survey of 403 UK angels**

Data collection

- Online survey June-October 2014
- UKBAA promoted:
 - To individual and syndicate/network lead members
 - (Repeated) roll-out to members
 - Reassurance of confidentiality
 - Through other contacts and website
- CfE and UKBAA awareness campaign & launch event
- Syndicates/networks surveyed started 1973/1982 to 2014
 - Represented 8,000 angels
- Comparison with other previous and contemporaneous surveys

online survey responses



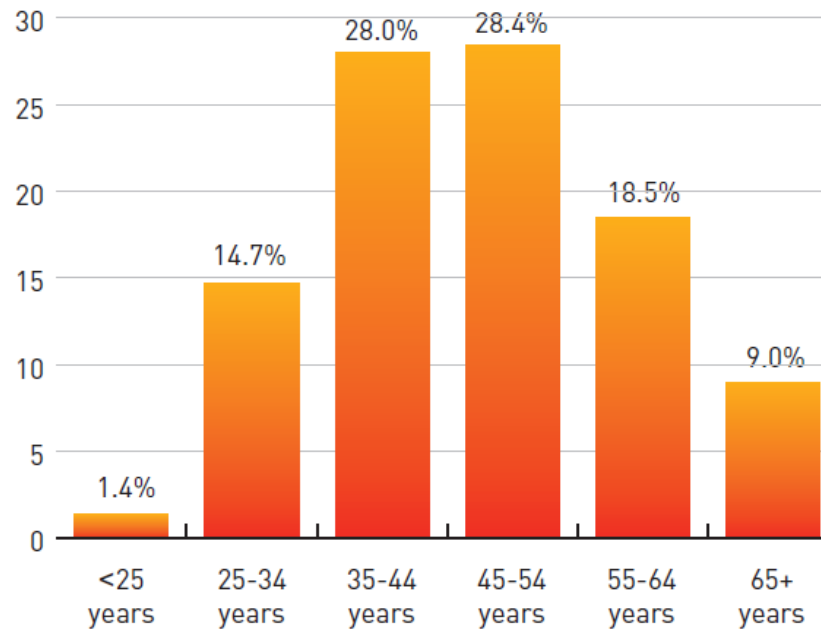
403 individuals
21 networks
7 syndicates

telephone survey responses



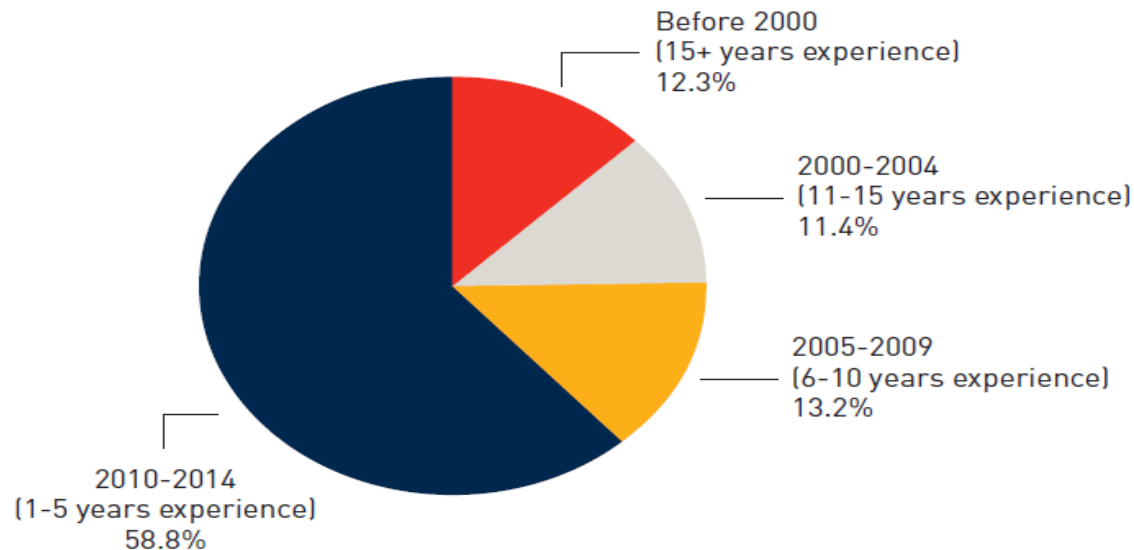
42
angels

Angels are getting younger!



Source: ERC Nation of Angels Survey (2014)

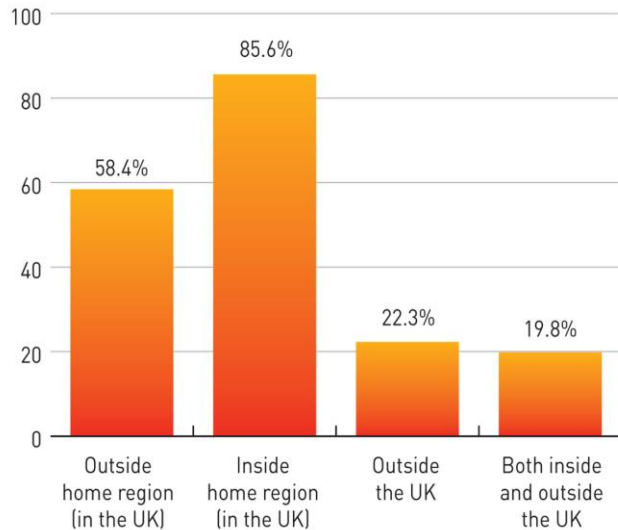
Angels have fewer years' investing experience



Source: ERC Nation of Angels Survey (2014)

Place and objective variety

Angels invest cross-border

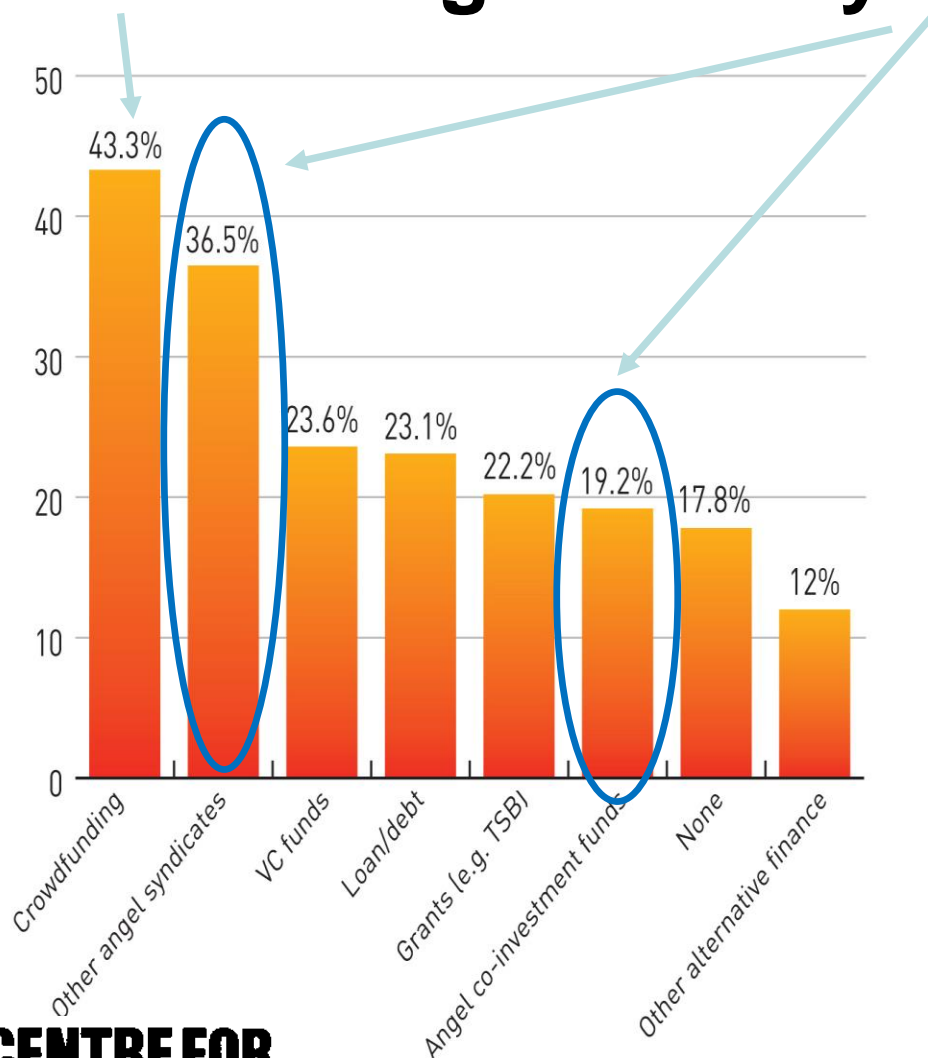


Source: ERC Nation of Angels Survey (2014)

Significant social impact investments by angels:

- *1 in 4 angels have invested in a deal with social impact*
- *Inexperienced & Female*

Extensive co-investing by angels with crowdfunding & with syndicates/funds



45%

*of angels are
investing alongside
crowdfunding
platforms*

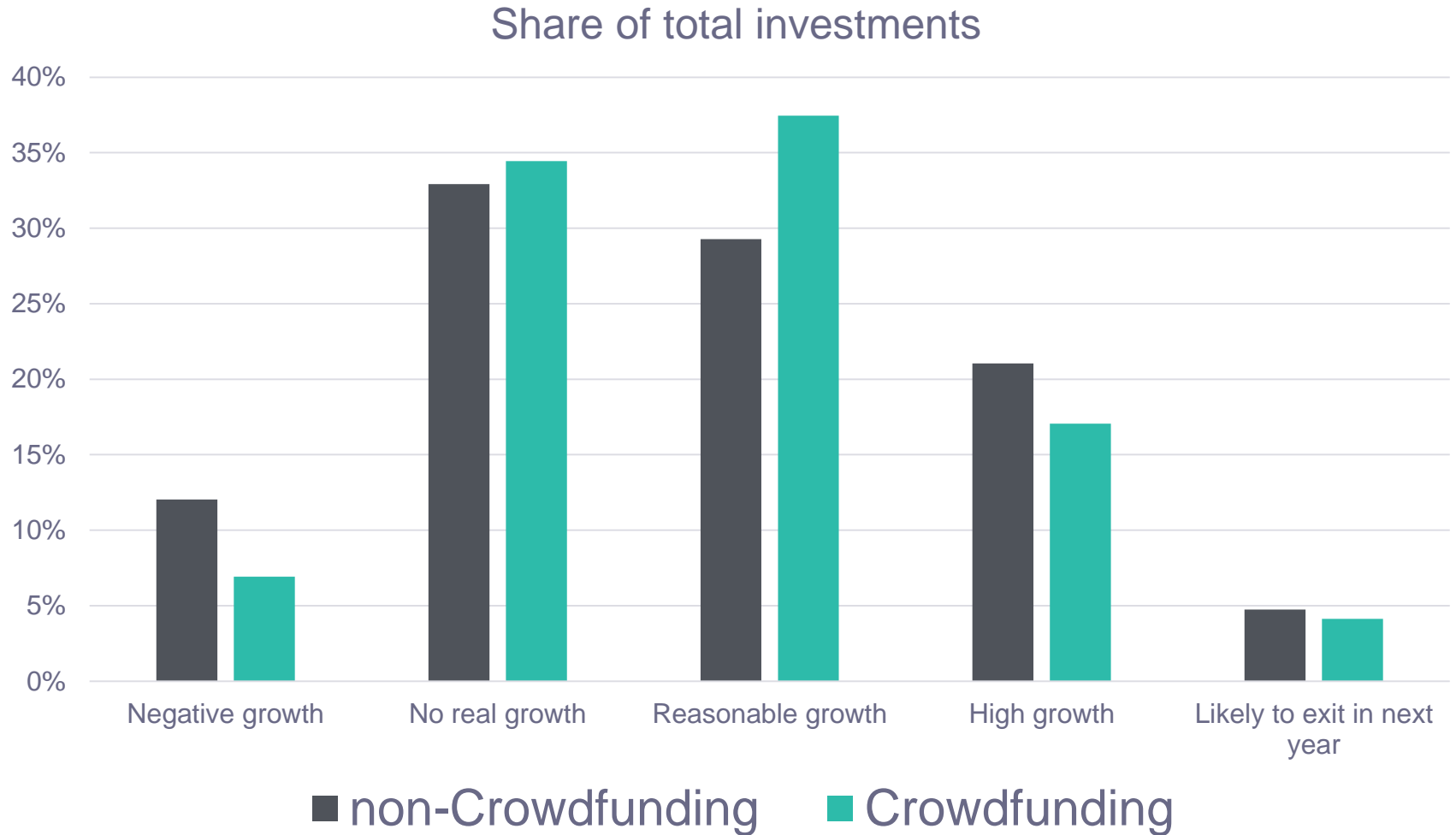
*These angels are
more likely to be
younger than those
investing alongside
venture capital, loan/
debt providers and
co-investment funds*

Source: Wright, Hart and Fu, 2015

Angel Co-Investing Experience

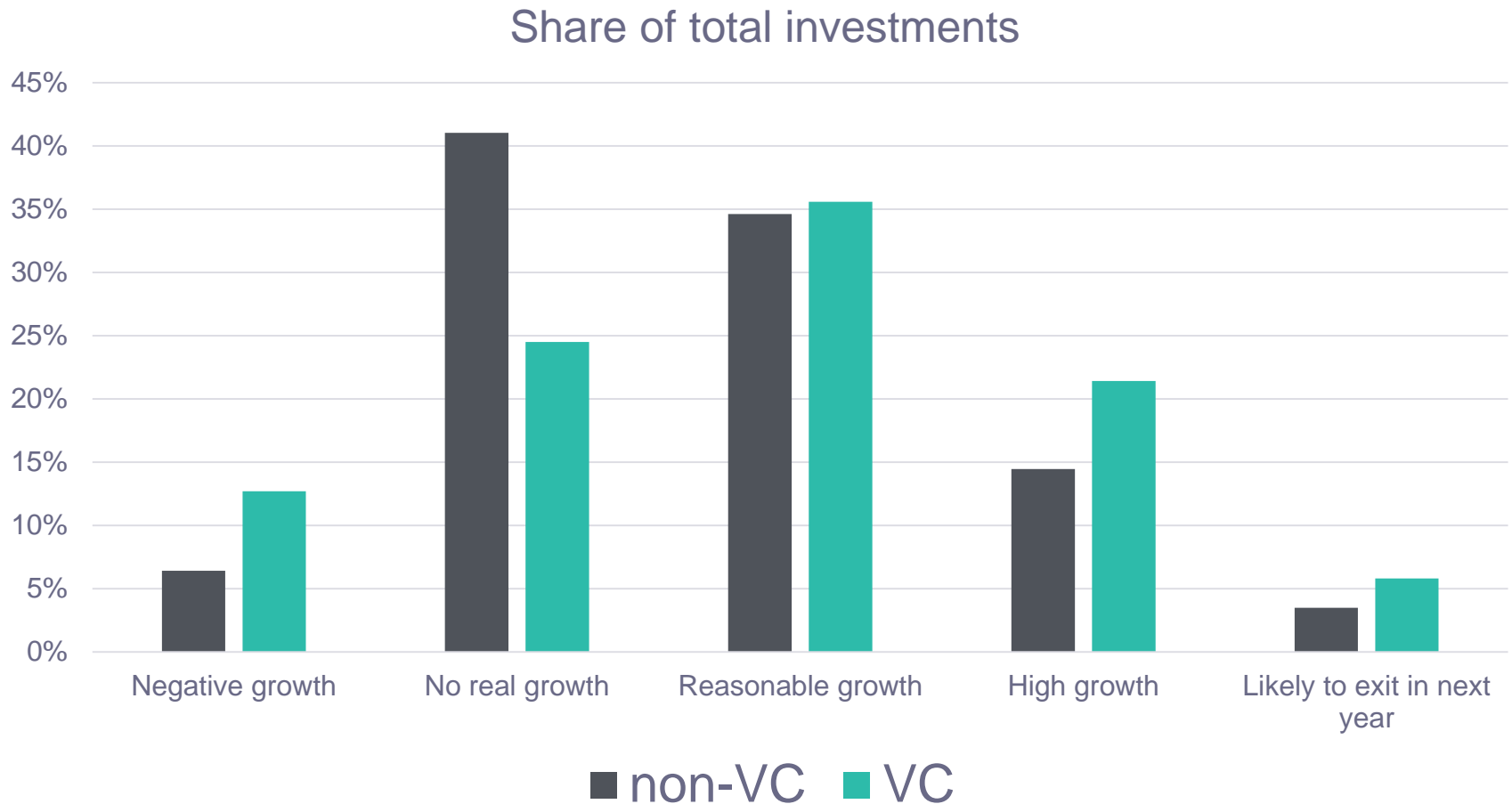
- Angels Interacting with ***Crowdfunding*** are likely to have ***fewer*** years experience as investors
 - 72% vs 50% have 1-5 years experience
- Angels interacting with ***VCS*** likely to have ***more*** years experience as investors
 - 52% vs 35% have 6 + years experience

Angels Co-investing with **Crowdfunding** expect fewer high growth ...but also fewer negative



Source: Wright, Hart and Fu, 2015

Angels Co-investing with **VC** expect more high growth ...but also more negative



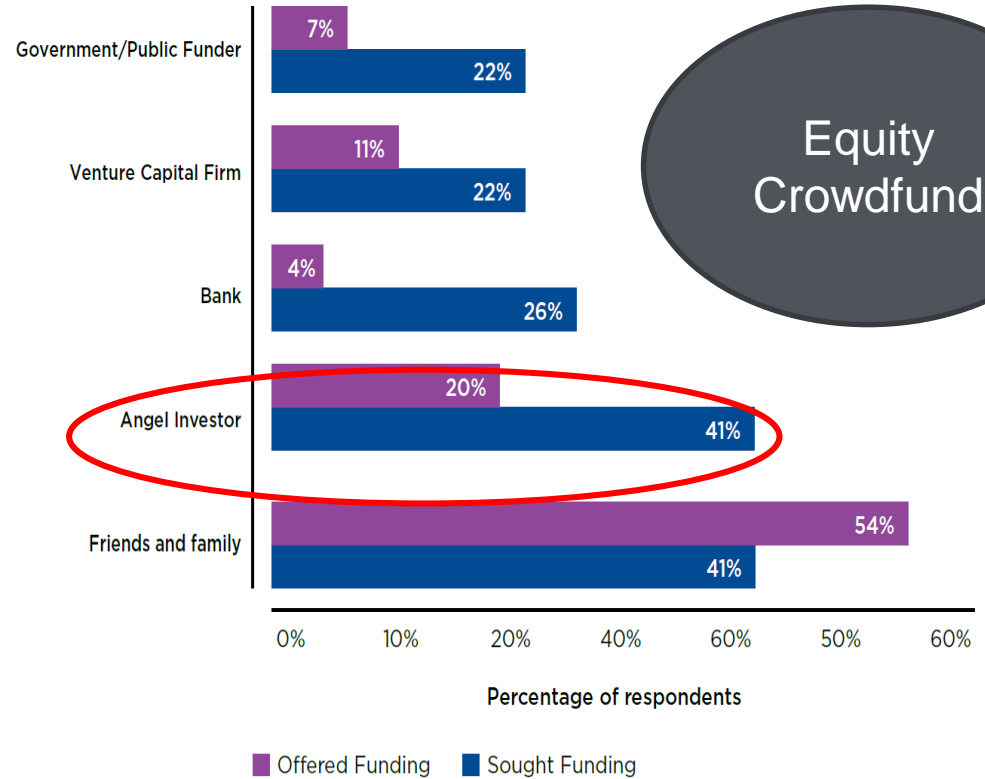
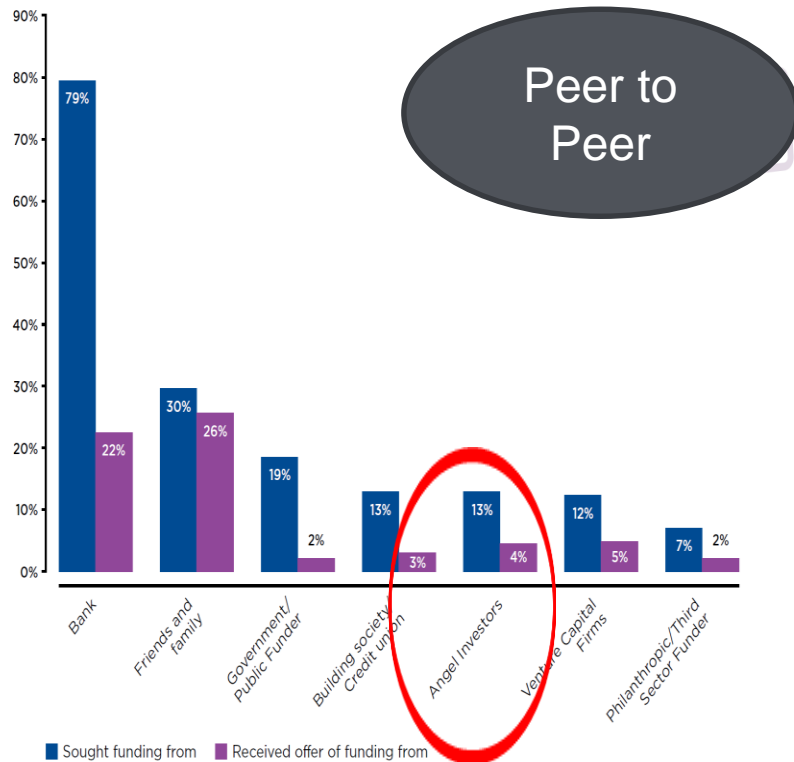
Implications for Angels?

- **Younger and less experienced angels**
 - How to nurture?
 - How to retain?
- **Syndication and reliance on leads**
 - Rapid growth in syndicates and ability of leads to identify and add value to good deals
 - Need to develop ambidextrous links with VCs, crowdfunders, etc.
- **Social investing**
 - Distinguishing pure social from hybrid ventures

Implications for Angels?

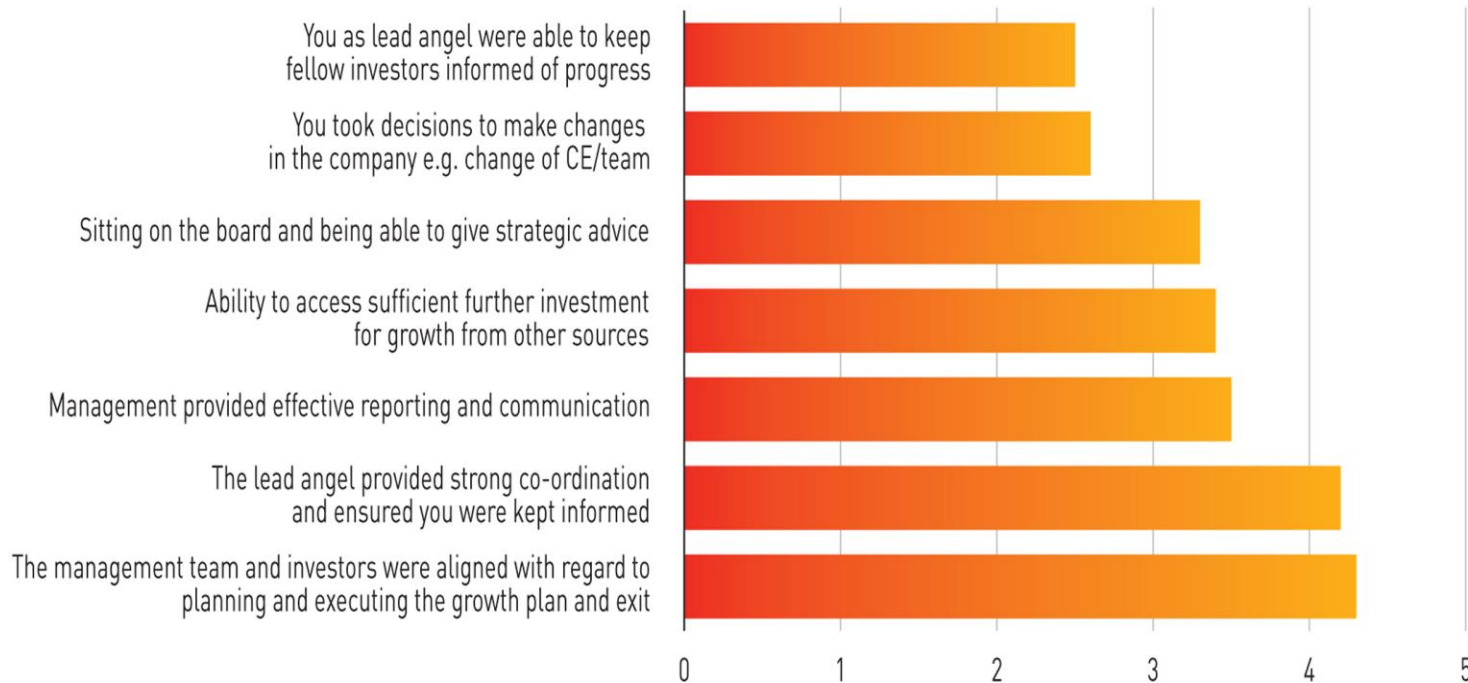
- **Different crowdfunding platforms with different attractions for angels**
 - Nominee (Seedrs) vs individual (Crowdcube) vs syndicated shareholdings (Syndicatoroom) vs fund structure (Ourcrowd)
 - ‘Sophisticated’ vs other investors
 - Ability to ‘add value’
 - Exiting
 - Risk-return trade-offs in different co-investing deals and partners

Need to address Substitution/Complementarity of Equity Crowdfunding for Angels



Implications of crowdfunding platforms for value adding by active angels?

Key Governance Roles of *Lead Angels*



Scores: Answers were rated on a scale of 1 to 5, where 1 means "it was not important at all", and 5 means "it was very important"

Source: ERC Nation of Angels Survey – Telephone Follow-up (2014)

Thank you

ANY
QUESTIONS
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