



# Business Angel Activity in Finland

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# Structure of the presentation

- » 1. Business Angel activity
- » 2. Challenges in 2016
- » 3. Research opportunities

# 1. Business angel activity: Total amount invested

- The total amount invested in Finnish early stage companies in 2014 was 206 million euros
  - Finnish venture capital investments = 73 M€
  - direct foreign investments = 89 M€
  - business angel investments = 33 M€
  - Business angel investments in 238 individual potential high-growth companies
  
- average angel investment = 69,000€
- amount of investments/investor = 1.6

(FiBAN, 2015)

# 1. Business angel activity: Selected findings on angel investing in Finland in 2014

Investment activity in 2014	
Stage of development	Seed 6%, Startup 41%, Early growth 48%, Later stage 5%
Ownership stake received	7%
Exits	60% positive exits (n=25) 17% 10x or better (n=7) 17% 5x – 9x (n=7) 14% 2x – 4x (n=6) 13% 1x (n=5) 36% lost everything (n=15)
New jobs created in portfolio companies	circa 1200
Involvement	14% Full time 29% Part time 15% Hobby 42% Not known

(FiBAN, 2015)

# 1. Business angel activity: Finnish Business Angel Network (FiBAN)

- » founded in 2010
- » one of the largest and most active business angel networks in Europe with around 500 approved members
- » actively links potential growth companies to its investor members, 38% of the companies that pitched received investments
- » business angel network of the year in 2012
- » provides investment readiness training, education of investor members and an association for Finnish business angels

# 1. Business angel activity: Finnish Business Angel Network (FiBAN)

## Regional Angel Networks (in 12 cities):

- » Helsinki (Southern Finland)
- » Jyväskylä (Central Finland)
- » Kokkola (Central Finland)
- » Lahti (Southern Finland)
- » Lappeenranta (Eastern Finland)
- » Mikkeli (Eastern Finland)
- » Oulu (Northern Finland)
- » Pori (Western Finland)
- » Rovaniemi (Northern Finland)
- » Tampere (Central Finland)
- » Turku (Western Finland)
- » Vaasa (Northern Finland)

## 2. Challenges

- » Decline in Finnish public sector startup investing activity
  - » Finnvera, which previously made direct investments and built up a portfolio worth around 140 M€ will not do any more investment -> activity transferred to TEKES (but only fund of funds)
- » the tax deduction model for business angels in Finland ended 31st of December 2015
  - » 50% deduction of an investment into a startup from investor's capital income

# 3. Research opportunities

- » *Business angels = “individuals, acting alone or in a formal or informal syndicate, who invest their own money directly in an unquoted business in which there is no family connection, and who after making the investment, takes an active role in the business, in the hope of financial gain (e.g., Mason and Harrison, 2008)”*
- » Using Statistics Finland’s databases for identifying business angels from population statistics

We can match the following:

- EMPLOYER data includes information on the demographics and performance of each limited liability company. Source: Business Register, Financial Statements data.
- EMPLOYEE data includes information on the characteristics of the personnel in each enterprise. Source: FLEED
- OWNER data includes the share of ownership and personal characteristics of the principal owners of each limited liability company. Enterprise level measures of ownership structure. Source: Tax register data, FLEED.
- BoD data, information of board members in firms
- Not a close relative (SF parent linkage data)



### 3. *Research opportunities*

1. How does *angel investor* presence explain firm behavior and firm performance?
2. What explains becoming an *angel investor*?
3. What explains a given *angel investor* selecting into a particular firm?

(Peltonen and Lahti, 2016)