



Angel Investor Networks The Power of “Groups”



Knowledge · Experience · Implementation

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How-to of **Innovation,**
Technology and Entrepreneurship

Realities of Angels, VC's & IPO's (2013 US Data)

- **70,730** angel deals (\$24.8 billion)
 - University of New Hampshire, Centre for Venture Research, Angel Market Analysis, Full Year 2013.
- **3,995** VC deals (\$29.4 billion)
 - 40% in Silicon Valley, 15% New York, 10% Boston
 - Seed / Early stage = \$944m, 218 Companies (\$4.3M each)
 - www.pwcmoneytree.com/MTPublic/ns/nav.jsp?page=historical
- **222** IPO's (highest number since 2000)
 - 56 had had VC backing
 - <http://www.renaissancecapital.com/ipohome/news/renaissance-capitals-2013-us-ipo-annual-review-17213.html>

European Exits - Q1 2014

<http://www.cbinsights.com/blog/european-tech-exits-q1-2014> (May 2014)



- Two Unicorns -
 - Ireland-based King Digital (IPO in March at a \$7B)
 - Spain's Grupo Corporativo Ono (acquired for \$10B by Vodafone)
- 11 Tech exits with disclosed exits > \$100 m.
- 139 other exits
 - 38 in UK (27% in London)
 - CVC Capital Partners' \$800M acquisition of Skrill Group
 - Zynga's \$527M acquisition of NaturalMotion.
 - 25 in Germany (40% in Berlin).
- Only 14% of the exited companies had had VC cash

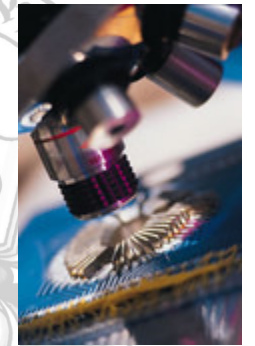
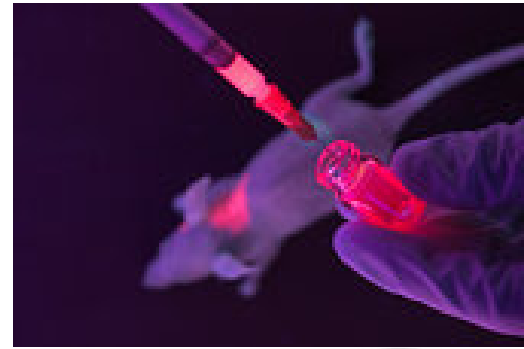


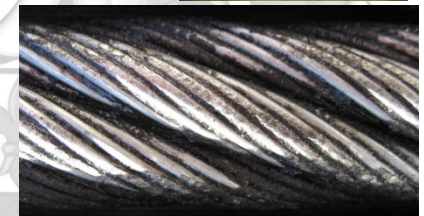
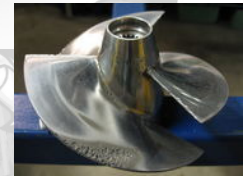
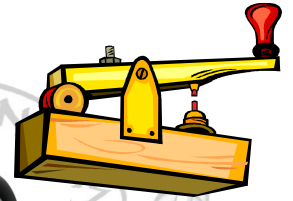
BA 'Groups' – What Do We Mean?

- 'Groups' = structured co-investing groups by and for angels.
- Actively & repeatedly invest together – as a “club”
- May be 'Manager Led' or 'Member Led'.
- Can include 'private offices' if investment decision made by those who own the wealth.
- **Shift of balance in Scotland over 5 years: from 450+ individuals & 2 groups to c.100 individuals and 20 groups (750+ angels)**









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THE STARTING POSITION FOR SCOTLAND - (1993)

Significant market failings in regard to the development of the SME sector:

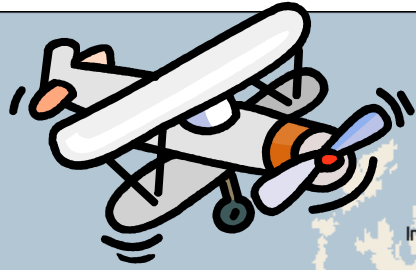
- The rate of new company starts was lower in Scotland than anywhere else in the UK
- Many potential entrepreneurs were put off by worries over raising the necessary finance
- Concern existed that many new ventures failed because of under-capitalisation

(Improving Scotland's Business Birth Rate, A Strategy for Scotland, Scottish Enterprise 1993)

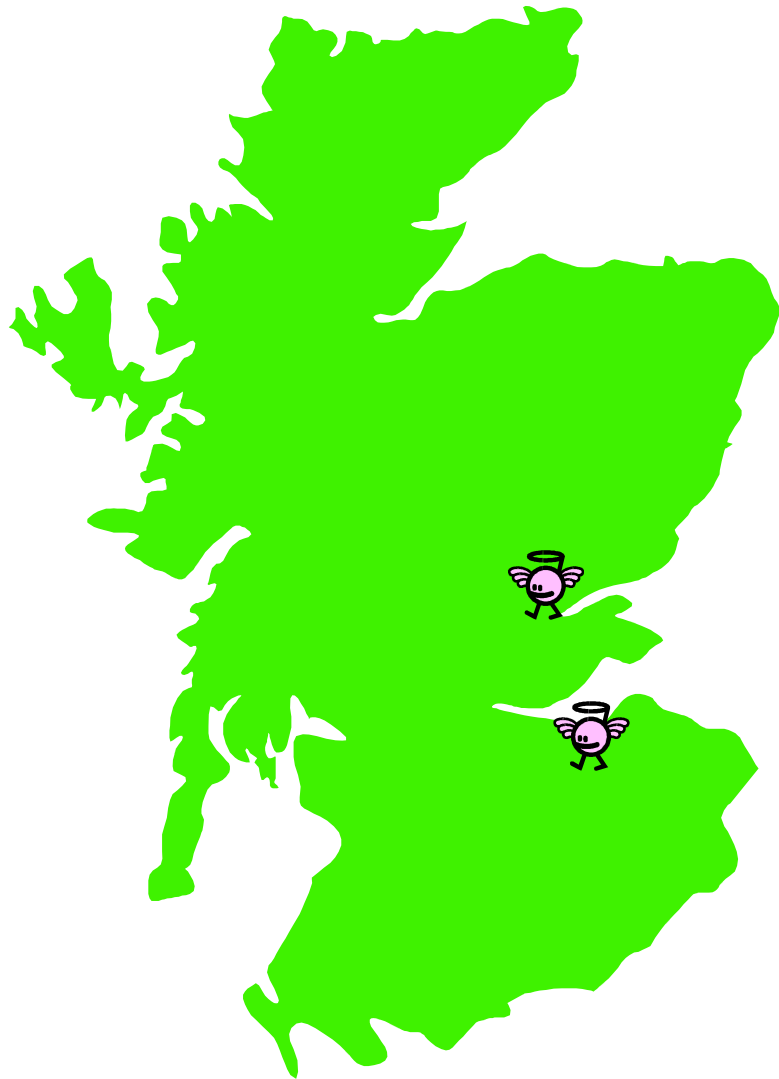




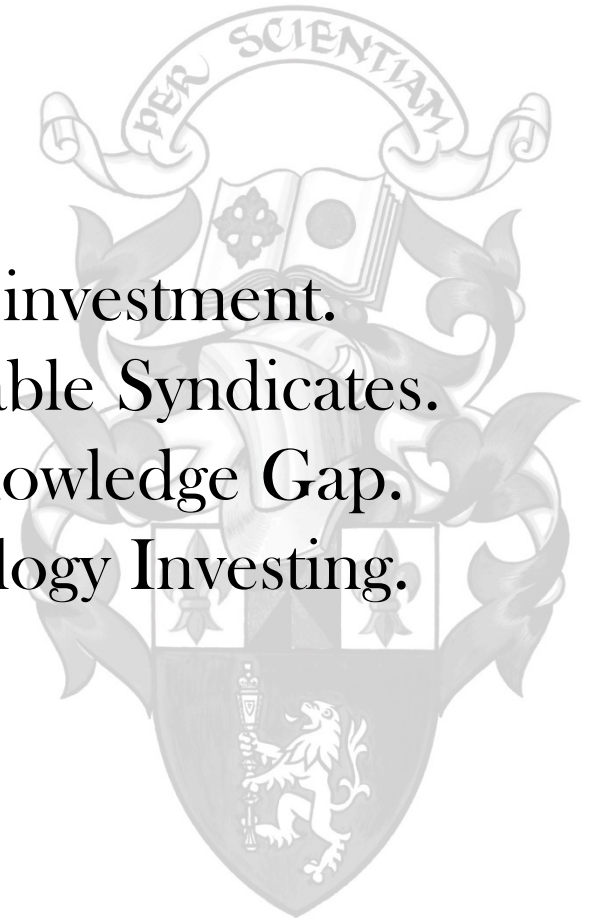
Scotland



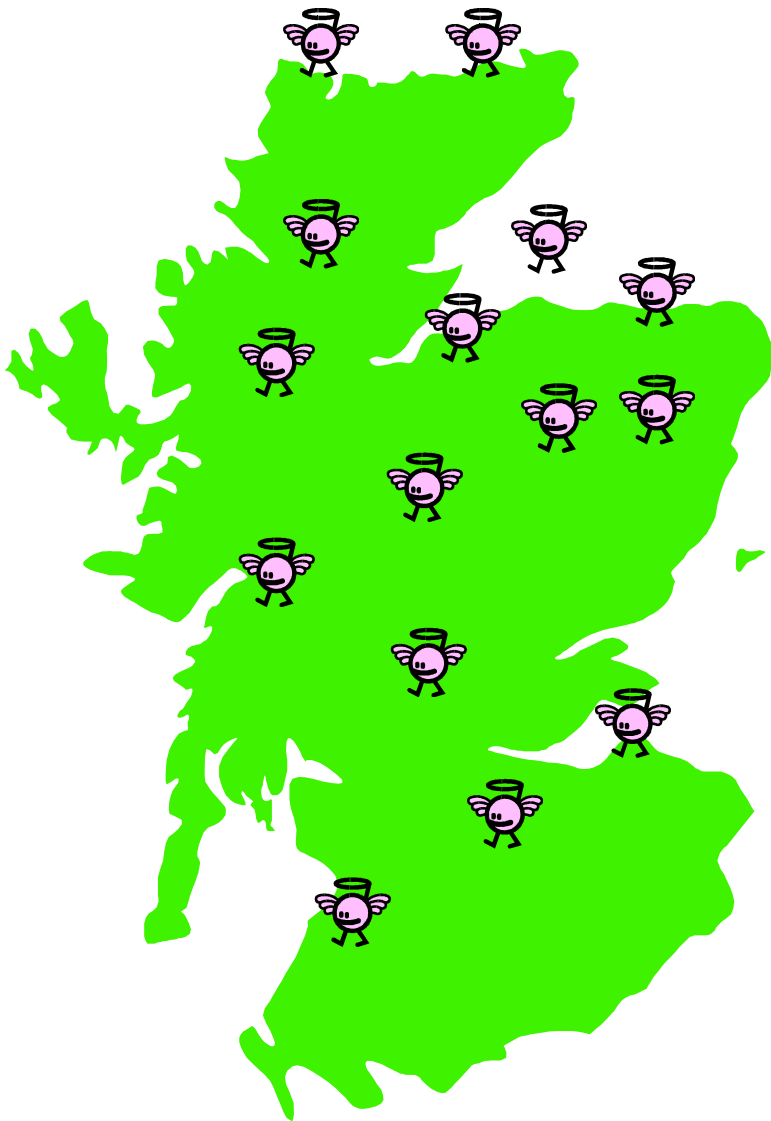
Scottish Angel Investing - 1996



- Only \$2 m of investment.
- Just 2 identifiable Syndicates.
- Significant Knowledge Gap.
- Little Technology Investing.



Scottish Angel Investing -2010



- \$85m of Angel Investment¹.
- 20 Angel Groups

- UK Government
 - Tax incentives
 - Financial Regulation
- Scottish Government
 - Support for LINC
 - Investor Ready (demand side)
 - CoFund
- LINC
 - Groups
 - Education (supply side)



¹ Annual report on the Business Angel market in the United Kingdom: 2009/10. Colin Mason and Richard T Harrison, May 2011.

Indicators of Success:

- Estimated that in the period 2008/09 **29%** of UK visible angel investments were made in Scotland.
- Scotland has just **8%** of the population.
- *“The Scottish market is distinctive - deals are larger, there is more co-investment activity, more follow-on investing and larger investee companies. This is attributable to the different institutional structure and organisation of the market in Scotland – **notably the greater prominence of Angel groups...**”*

(UK Department of Business, Innovation and Skills, *Annual Report on the Business Angel Market in the United Kingdom: 2008/09*, Colin Mason and Richard Harrison, June 2010)

Solo Angels

- Process is time-consuming
 - Deal sourcing
 - Reading plans
 - Due diligence
 - Post Investment
- Due diligence is difficult
 - Finding vertical experience
 - May require using outside experts
- Legal support is expensive
- Limited by your own skills and knowledge
- Available cash is limited



Reasons For An Angel Groups(Angels)

- Quality deal flow
- Shared work load
- Bigger € can negotiate better terms and valuations
- Diversification of risk (10+ small deals, not 1 big one)
- Collective due diligence - multiple skills
- More € available to sustain company over time
- Group social benefits

Reasons For a Group - Government

- More investments are done.
- Companies supported for longer
- Less Reliance on VCs
- More Funding = Achievement of Potential
- Less impact from Financial Crisis
- Companies Don't need to go to the USA for Funding
- Credible co-investment partners for VCs and the public sector.
- Less Government Grant Funding Needed



Summary & Conclusions

- **Growth of Angel Groups:**
 - Many **Benefits** both to **Investor** and **Economy**.
 - But it **Takes Effort** to get them to **Work**.
 - A new set of **Skills** for **Angels** to learn.
 - A new **Opportunity** for **Government** to stimulate more investment, more jobs, more wealth creation.



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