



2020 REPORT

BUSINESS ANGELS

INVESTMENT IN START-UPS:
ACTIVITY AND TRENDS

AE BAN

ASOCIACIÓN ESPAÑOLA
BUSINESS ANGELS

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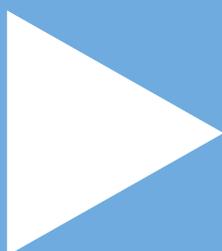
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FOREWORD 2020 REPORT BUSINESS ANGELS AND COVID-19



Once again, just as every year, the **Spanish Association of Business Angel Networks** presents the report summarising the activity of business angels in Spain.

Prior to COVID-19, early-stage direct investment activity was **expanding rapidly**, contributing to Spain's general economic growth. After the onset of COVID-19, the report shows surprising data on how this activity not only resists the impact of the context but **was even strengthened** in some verticals.

And this comes as no surprise. In an environment dominated by **accelerated digital transition and low interest rates**, both the creation of new technology-based companies and the funds to finance them are storming ahead.

More and better business angels who, through the networks that facilitate their training and the search for quality investment opportunities, will play a key role in the **recovery of employment**, so necessary in the years to come.

On behalf of all members, the AEBAN's Board of Directors would like to thank CaixaBank and ICEX-Invest in Spain for their contribution to the development of this annual report.

Kind regards,

José María Casas and Regina Llopis

PRESIDENT AND VICE PRESIDENT OF AEBAN

AEBAN

AEBAN is the Spanish Association of Business Angel Networks and other players in early-stage private investment.

Established in November 2008 under Law 1/2002, AEBAN's mission is to promote the activity of investor networks, groups and clubs, as well as of players who carry out early-stage private investment activities, such as family offices, investment funds and firms, accelerators, incubators and venture builders, crowdfunding platforms and companies that carry out corporate venturing activities. At present, AEBAN has 26 partners and is present in 9 autonomous communities.

AEBAN's objectives are as follows:

- To aggregate all private investor networks and other players engaged in early-stage private investment activities.
- To serve as a forum for the exchange of information, experiences and projects among its members, public administrations, educational institutions and any other entities or institutions interested in the objectives of the association.
- To collaborate in the promotion and exchange of investment opportunities.
- To articulate communications with public or private institutions, as well as with Public Administrations in relation to the promotion of early-stage investment.
- To work closely with other associations and networks in the international arena.
- To identify, promote and share 'best practices' to support the development of the sector and investment processes.
- To encourage learning and constant updating of knowledge among its members.
- To promote reflection on specific issues affecting private investors.
- To disseminate information about the sector.
- To promote periodic studies on the private investment sector.

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KEY DATA

This report delves into the activity of private investors in Spain, based on a survey on more than 150 investors. These are some of the most significant findings:

- 2019 was a year of intense activity. 89% of investors increased their portfolios, with an average of 2.6 new transactions each. The number of investors is progressively increasing, as demonstrated by the fact that 24% made their first investment within the last two years.
- 49% of business angels continued to finance start-ups within their portfolios (follow-on).
- The geographical scope of transactions has expanded, with 68% of participants investing throughout the country, not just in their immediate local area, and the proportion of those with international activity showed a consolidation, standing at around 30%.
- Investors searched for opportunities and found them in their closest networks, through the entrepreneurs themselves and business angel networks. The latter source was the most popular and a good entry point to financing for those entrepreneurs less connected with the investment ecosystem.
- The early-stage investment segment is increasingly interconnected. A significant proportion of business angels included venture capital funds (45%) and crowdequity platforms (37%) among their investment vehicles.
- Software, health, fintech and biotechnology and pharmaceuticals are the sectors that called the attention of investors the most in 2019.
- Start-up valuations increased, with the median standing at 2 million (2.85x) for the seed segment (pre-market) and 4 million (1.66x) for pre-series A.
- Angel investment still has unresolved matters concerning the integration of women, who remain at 10% of the total. Moreover, only half of the transactions of participants with more than ten investments have involved a woman.
- In contrast, two out of three participants invested in a start-up led by a woman, mostly in the software, health, biotechnology and pharmaceutical and consumer goods sectors.
- Most of the business angels fit the profile of a company founder, CEO or senior executive, with a significant increase in independent professionals and a reduction in the weight of start-up founders, which had grown over previous years.
- Banking, finance and technology (ICT) remain the most frequent background sectors for investors.
- The average investment ticket per start-up is mainly below €25,000. This facilitates the diversification of portfolios, but forces entrepreneurs to articulate transactions with a larger number of investors.

89%

OF INVESTORS
INCREASED THEIR PORTFOLIO
IN 2019

76%

RESORTED TO BUSINESS ANGEL
NETWORKS TO FIND INVESTMENT
OPPORTUNITIES

2

OUT OF EVERY 3 OF PARTICIPANTS
INVESTED IN A START-UP
LED BY A WOMAN

2.85x

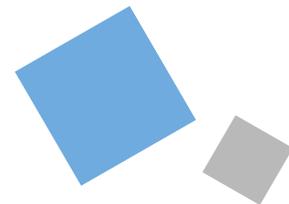
THE MEDIAN VALUE FOR THE
SEED SEGMENT (PRE-MARKET)
HAS MULTIPLIED

42%

OF PARTICIPANTS BELIEVE THEY WILL
MAKE FEWER INVESTMENTS DUE TO
COVID-19

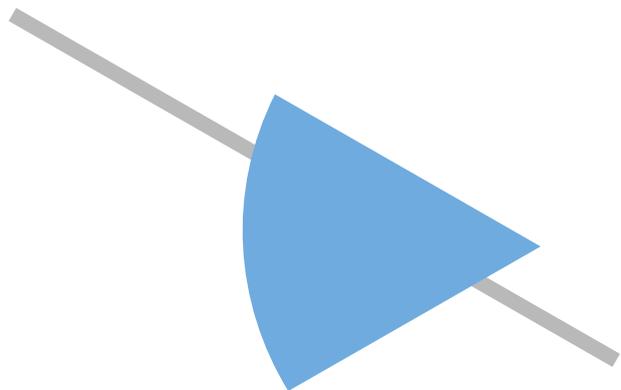
In terms of possible changes in the behaviour and expectations of business angels due to COVID-19, the survey responses shed light on some of the most common unknowns:

- Though the pace of investment has been maintained in the last quarter of 2020, the volume of transactions would be similar to that of the previous year, although there may be a change of focus in the type of investments made.
- The most attractive sectors in 2020 are software, biotechnology and pharmaceuticals (which has grown the most) and health, although the weight of both software and health decreased with respect to 2019. Fintech and consumer goods have also seen their attractiveness reduced.
- 42% of participants believe that they will make fewer investments as a result of the pandemic, 28% do not expect to reduce them and 30% maintain an undefined position.
- 46% will only invest in new start-ups if their portfolio has no funding needs, while 26% do not condition new investments to this circumstance.
- 64% of investors rule out investment in start-ups from sectors sensitive to COVID-19, which will be the ones most affected by the crisis.



BUSINESS ANGEL ACTIVITY IN 2019

2019 was an excellent year for start-up investment, with new records in direct investment as well as in transactions carried out through venture capital funds and crowdequity platforms. While activity through venture capital funds is easier to measure, quantifying business angels' direct investment is more complex.



According to leading data sources, 2019 ended with record angel investment figures, with more than €150 million invested in over 500 transactions, a 34% increase versus the previous year (webcapitalriesgo, 2020). It was also a historic year for transactions by venture capital funds, as the investment grew by 46% up to €737 million (ASCRI, 2020). With these data, it is hardly surprising that four out of five participants report they have added one to five investments to their portfolio.

However, the investment pace of business angels in Spain is slower than that of the United Kingdom. In the latter, one out of five made more than five transactions in 2019, while in Spain this volume was within the reach of a few. Hence, the average number of new transactions in Spain (2.6) is significantly lower than in the United Kingdom (3.8). However, in both countries the median stood at two transactions and the mode, at one.

Year 2019 was a very busy one for everyone. Only 11% of participants said they had not made any investments (see figure 1), compared to 15% in the United Kingdom. The reasons for not investing in a certain year vary widely: lack of opportunities, reconsideration of the investment activity or prioritisation of other types of assets or occupations, as well as having reached a given number of investments. In any case, half of those who did not invest in 2019 have done so in 2020.

Investors not only added new start-ups to their portfolio in 2019 but 49% financed start-ups in which they had previously invested (follow-on), a slightly lower percentage than that of 2018 (59%), yet maintaining an upward trend versus previous years. It is also quite similar (even slightly higher) to the 42% of USA investors who reinvested in their portfolio.

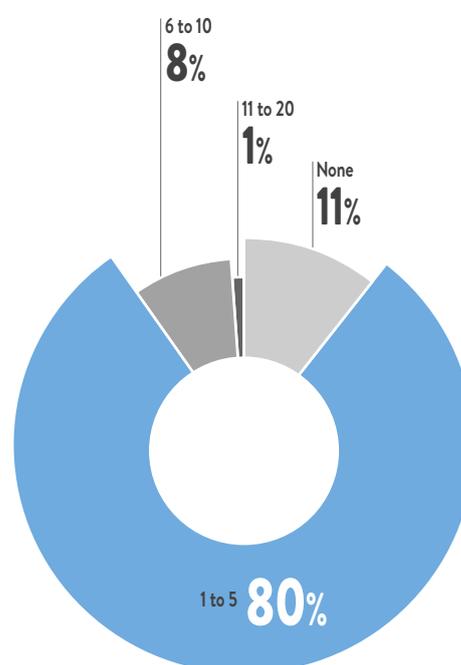


Fig. 1: Investments carried out in 2019

In 2019, the average number of transactions in Spain (2.6) was lower than in the United Kingdom (3.8), although in both countries the median stood at two transactions and the mode, at one

EVOLUTION OF INVESTORS' ACTIVE PORTFOLIO

This dynamism, linked to the scarcity of exits, makes business angels move towards portfolios with a greater number of investees (see [figure 2](#)). Thus, the percentage of participants with less than six investees fell by seven percentage points in 2019, while the percentage of those with more than ten start-ups in their portfolio rose from 28% to 37%.

was maintained in 2019, since over half of participants exceeded ten investments and 22% have made more than twenty (see [figure 3](#)).

Portfolio turnover is limited, as evidenced by the fact that only 16% of participants holds in their current portfolio less than half of the investments made since the beginning of their investment activity.

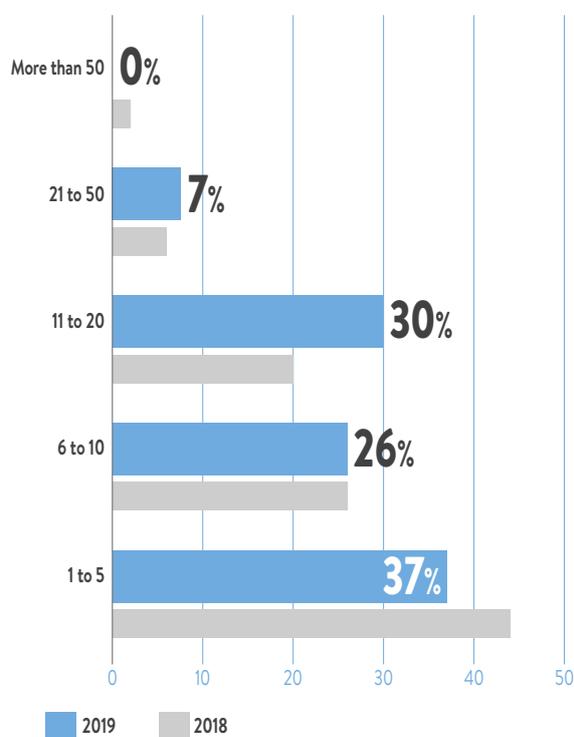


Fig. 2: Portfolio investments

These two elements point to a growing diversification by investors, and a good progression towards the maturity and professionalisation of the sector.

This evolution and the accumulation of experience can be clearly seen in the increase in investments accumulated by each participant since they began their investment activity. There was a quantitative leap in this regard in 2018, which

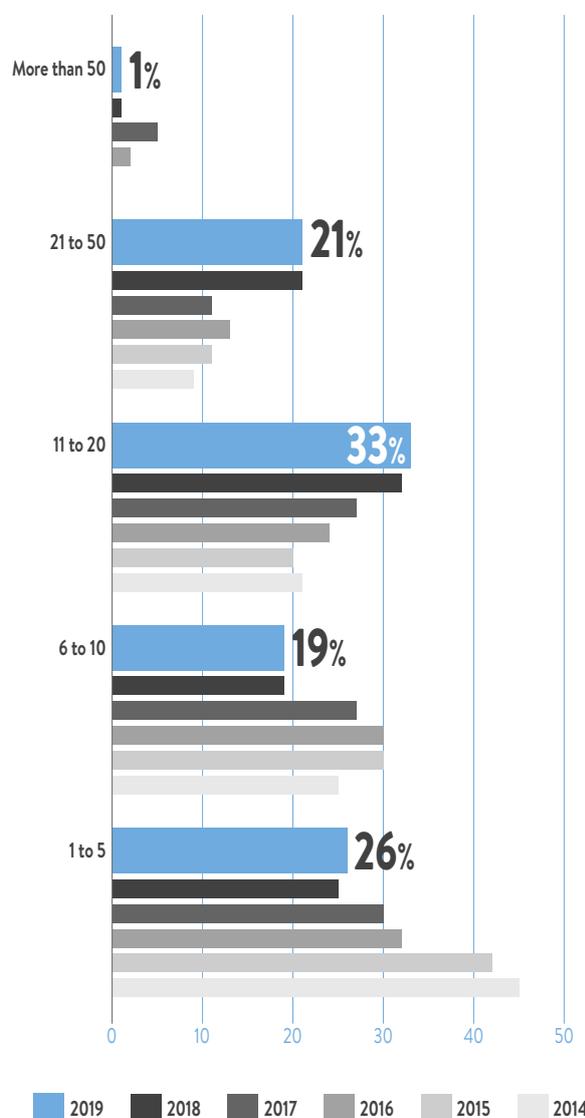


Fig. 3: Aggregate of transactions

GEOGRAPHICAL SCOPE OF THE INVESTMENT

With regard to the geographical distribution of investment activity, the business angels' area of influence has expanded significantly. 68% of investors are now active throughout the country (see figure 4), a percentage that has increased from 39% and 49% in the previous two years, respectively. 28% of investors are active on the international arena, a percentage similar to that of previous years.

Perhaps the increase in online investment activities and meetings in recent months has further eroded the geographical proximity component of investment.

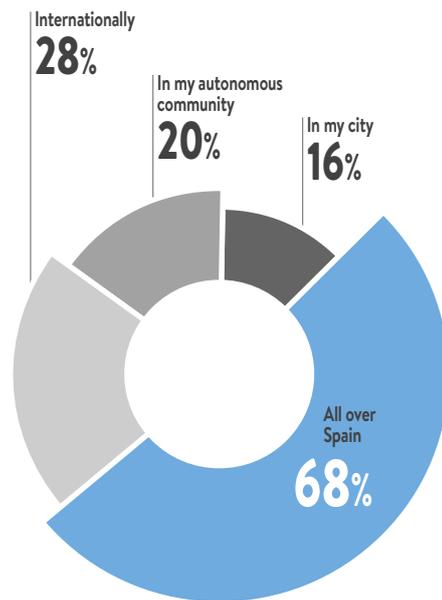


Fig. 4:
Geographical scope of investment

SOURCES OF DEAL FLOW

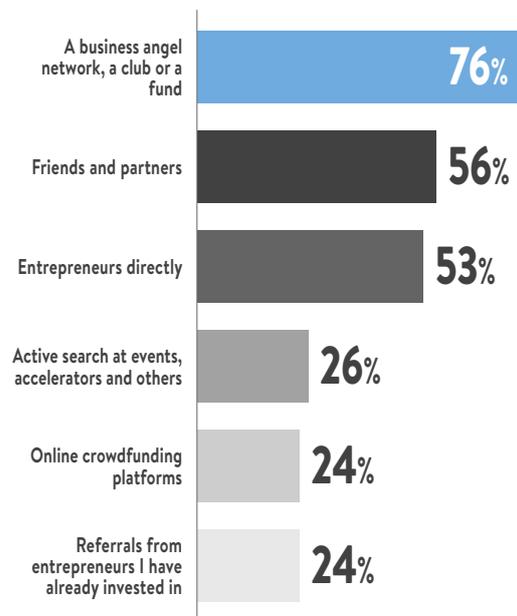


Fig. 5:
Sources of deal flow

When it comes to finding opportunities, investors are increasingly relying on business angel networks, which have ranked as the main option since the beginning of the survey in 2016 (see figure 5). These networks play a very important role in boosting the market, as they provide an entry point for many investors to share and learn together their first steps into the industry. At the same time, they offer visibility to entrepreneurs less connected with the ecosystem, who have not been through accelerators, events or other types of intermediaries or facilitators.

Friends, partners and entrepreneurs themselves are the next most common means of finding opportunities, way ahead of other deal flow sources.

SECTORS OF INTEREST IN 2019

Several sectors, especially software, accounted for the bulk of investment in 2019 (see figure 6). Among those that grew the most were health and biotechnology and pharmaceuticals. On the losing side, those that fell the most were leisure and logistics.

A comparison of the most significant sectors and those of more mature markets such as the UK or the USA reveals that:

- Software is the most attractive sector in Spain, with 49% of investors having at least one investee within that sector, compared to 38% in the UK. It is also the main sector in the USA, although its weight there was reduced from 38% in 2018 to 29% in 2019.
- Health is the second most important sector, as it has attracted the investment of 30% of participants, a percentage similar to that of the UK (34%). In the USA, the sum of health and biotechnology is 21%.
- Biotechnology holds the third position, attracting 20% of Spanish investors and up to 31% of British ones.
- Investors in fintech are relegated to seventh place in Spain, while they are a more relevant group in both the UK and USA, ranking fourth.

The most notable differences, in terms of sectors, are found in:

- Energy and environment, attracting a 6% of business angels in Spain, compared to 20% in the UK.
- Hardware and electronics, with only 2% of business angels having a company within this sector in their portfolio, against 18% in the United Kingdom.



**Almost half of
business angels
have invested
in software
companies,
accounting for 31%
of start-ups**

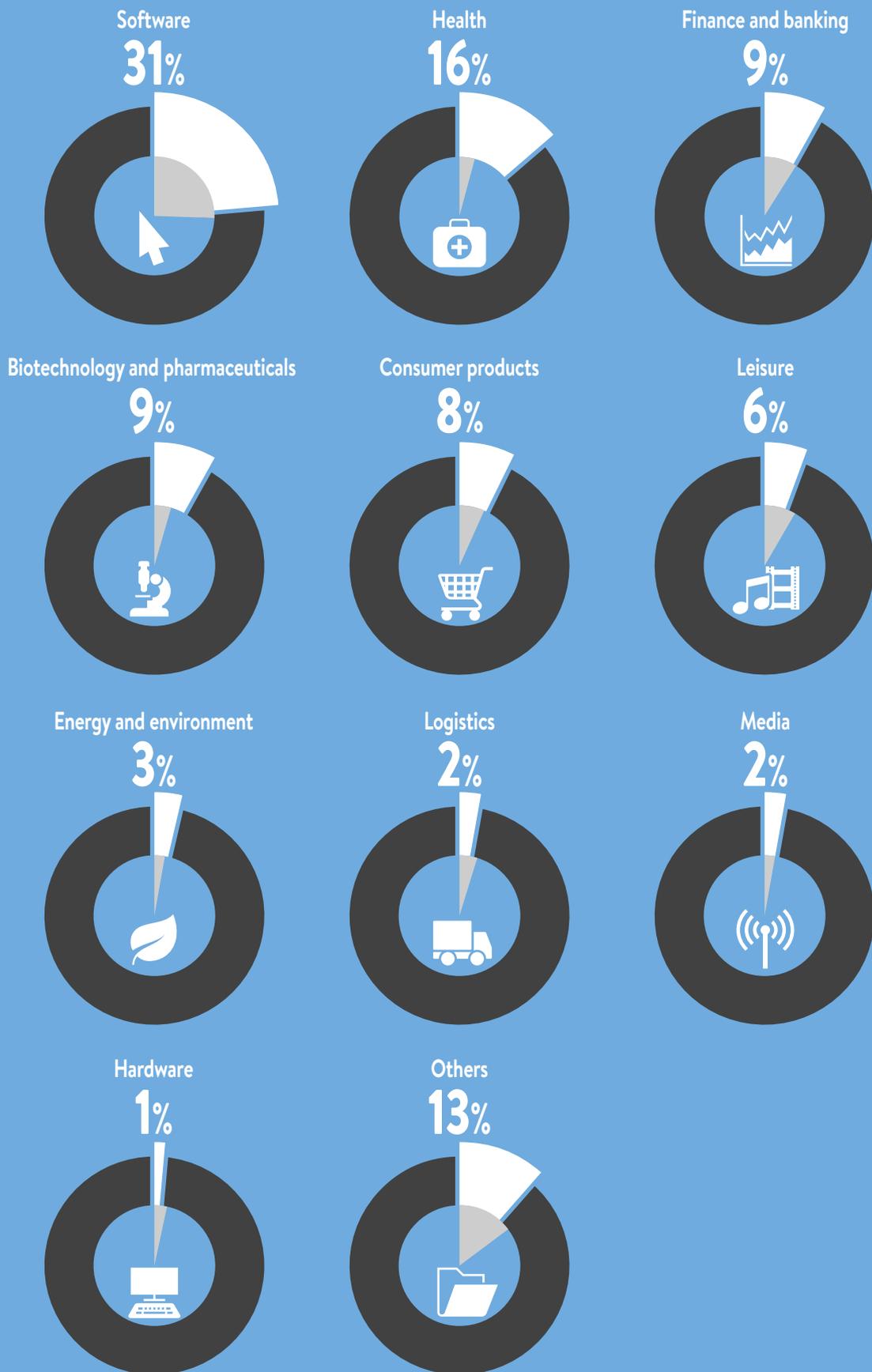


Fig. 6: Investment sectors in 2019
 (the grey arch indicates the percentage in 2018)

VALUATION OF START-UPS IN INVESTMENTS MADE

One of the most notable changes in 2019 was the considerable increase in valuations in the transactions carried out. The increase is even in both seed stage and pre-series A investments.

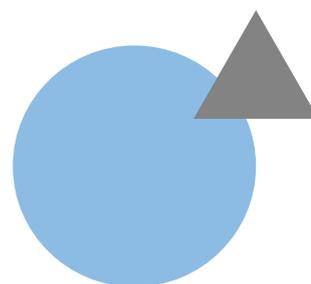
The sharpest rise can be observed in seed stage, where investor entry valuations have soared (see [figure 7](#)). However, this might be explained by the very atypical behaviour of valuations in 2018, which did not rise despite the spike observed between 2016 and 2017.

There was a sustained increase in valuations in the pre-series A segment (see [figure 8](#)). While this increase is milder in quartiles 1 and 3, it is much sharper in median values.

In this regard, the 2019 data prove the investors surveyed in the previous report right, as they expected an increase in valuations due to the greater presence of funds investing at angel stage, and the impact of the inflow of international funds and the growth in the activity of crowdequity platforms, which are in theory less sensitive to valuations.

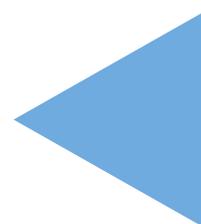
These new figures are much more in line with those from other international markets, although they remain significantly lower. For instance, in the United States, valuations for the entire interval below series A (with no distinction between seed and pre-series A) reach a median of \$6.5 million and an average of \$12.2 million.

In 2019, there was a considerable increase in valuations, both in seed and pre-series A stages



Just as in Spain, there has been a sharp increase in valuations in the United States with respect to 2018, reaching 99% in average values and 30% in the median. However, this increase in the United States is not attributable to larger investment rounds, as there are no notable changes in the average size of transactions in this segment.

Interestingly, less popular sectors, such as fintech or energy and environment, show the highest valuations in the United States.



	2019	2018	2017	2016
Maximum valuation	€7,500,000	€7,000,000	€8,000,000	€13,000,000
Median	4 th QUARTILE	€3,000,000	€700,000	€912,000
	3 rd QUARTILE	€2,000,000	€700,000	€912,000
	2 nd QUARTILE	€1,000,000	€250,000	€250,000
Minimum valuation	1 st QUARTILE	€25,000	€1,000	€25,000
				€3,000

Fig. 7: Pre-money valuations - Seed stage

	2019	2018	2017	2016
Maximum valuation	€35,000,000	€50,000,000	€20,000,000	€21,600,000
Median	4 th QUARTILE	€6,100,000	€5,000,000	€3,500,000
	3 rd QUARTILE	€4,000,000	€2,400,000	€2,250,000
	2 nd QUARTILE	€1,950,000	€1,500,000	€1,500,000
Minimum valuation	1 st QUARTILE	€400,000	€50,000	€25,000
				€10,000

Fig. 8: Pre-money valuations - Pre-series A stage

IMPACT OF COVID-19 ON INVESTMENT AND RETURNS

The AEBAN survey is usually sent out in the first quarter of the year, but given the potential impact of COVID-19 on investment and investor behaviour, it was decided to postpone its release until October 2020. The survey therefore examines activity in 2019 and the first nine months of 2020 as separate periods.

Between January and September 2020, investors maintained their commitment to and support for start-ups. The 77% of business angels who made an investment in 2019 invested again in 2020. Moreover, 67% of them have also invested in a start-up within their portfolio (follow-on).

Spanish investors are more active than investors in the UK, where only slightly over half of them made investments between January and July 2020, and just as many made investments in start-ups within their portfolio (follow-on) during that period. If we take into account that between 2018 and 2019, 10% of investors ceased to invest, the additional fall in investments due to COVID-19 would represent 13% for that period.

Although the explanations may vary, the data collected is not conclusive so as to establish any significant differences between those who have ceased to invest and those who have remained active.

One element that could partially explain the difference is experience, as measured by the number of investments made. Investors who have continued investing are among the most experienced or active ones, as they have an average of 11 investees, while those who have been inactive in 2020 have less than six.

ATTRACTIVE SECTORS IN A PANDEMIC

As it can be seen in [figure 9](#), one of the main beneficiaries is the biotechnology and pharmaceutical sector, which is growing to account for 16% of investments in 2020, meaning that one in five investors already has one investee in this sector.

In the case of the health sector, it shows consistent growth versus 2018. Yet, the percentage of investments allocated to health was higher in 2019 than in the first months of 2020. It is worth remembering that, in 2018 under 5% of investors had a stake in the sector, while in the following two years the percentage has remained above 10%. It is possible that the biotechnology and pharmaceutical segment

has attracted part of the investment interest in this area.

As a reference, venture capital funds have increased their investment mainly in the energy and health sectors (without differentiating among biotechnology, pharmaceuticals and health), followed by technology and the Internet (ASCRI, 2020).

The leisure and media sectors, often combined, appear to have increased their attractiveness among investors during this period, and have good perspectives for the near future. In contrast, the finance and banking sector seems to be the main sector affected by the pandemic.

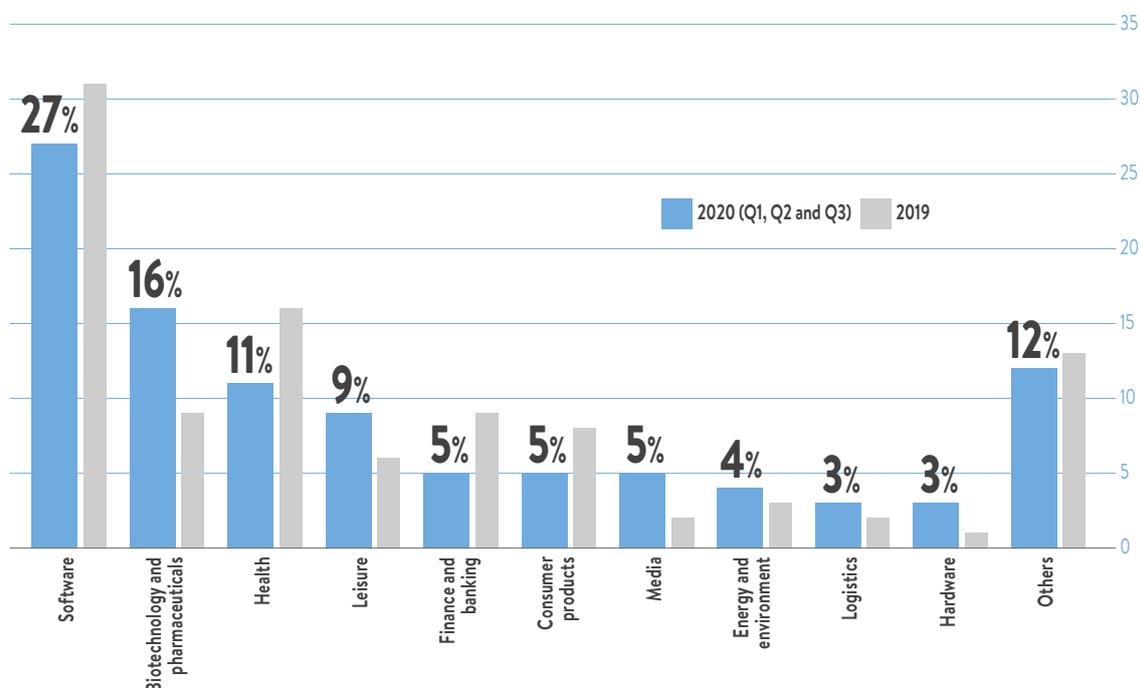


Fig. 9: Investment sectors in 2020

IMPACT OF COVID-19 ON INVESTMENT DECISIONS

One of the specific objectives of this report was to determine investor sentiment regarding the impact of COVID-19 on their future decisions and activity.

The sector tends to consider that COVID-19 will not have an excessive impact on investors' financial capacity, although opinions are widely divided between the two extremes (see figure 10). A 35% of participants acknowledges that the situation has affected their equity so they will allocate less funds to investment, while 27% consider they will not be affected. The rest (38%) have a neutral opinion, perhaps because their equity exposure is very limited or because their income sources have remained unchanged.

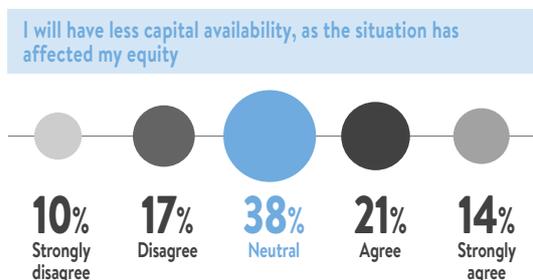


Fig. 10: Impact of COVID-19 on investment volume

In contrast, the percentage of those who foresee a reduction in their investment capacity is clearer among British investors, amounting to 55%.

Although the investment capacity seems not to be greatly reduced, COVID-19 will certainly affect sector activity, as 42% of the investors consider that they will make fewer investment transactions in start-ups, while 28% will make no changes to their

investment activity (see figure 11). In the UK, almost half of investors indicate that they will continue to increase their portfolio in 2020 and 2021.

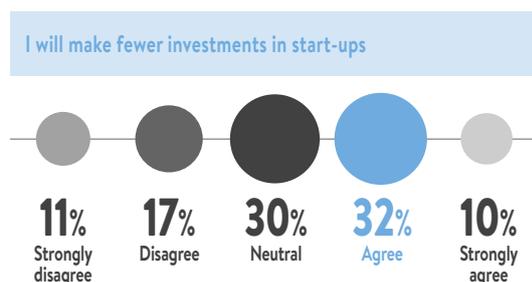


Fig. 11: Impact of COVID-19 on investment in start-ups

Of note, with regards to the future, investors report that priority will be given to their existing portfolios over the addition of new start-ups (see figure 12). The leading option (46%) among Spanish investors is that they will only invest in new start-ups if their current portfolio has no funding needs.

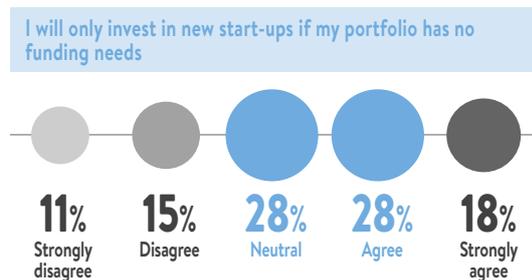


Fig. 12: Impact of COVID-19 on new investments according to portfolio needs

This percentage is very consistent with that of British investors, as 52% indicate that in 2020 they have prioritised support and investment in their current portfolio, and 21% anticipate that

they will only carry out follow-on transactions for the remainder of 2020 and 2021. A 12% reports that no new investments will be made.

The clearest trend for the coming months affects start-ups in sectors that are highly sensitive to COVID-19 (see figure 13). 64% of participants rule out investing in them, so the financing capacity of many of these start-ups will become worse.

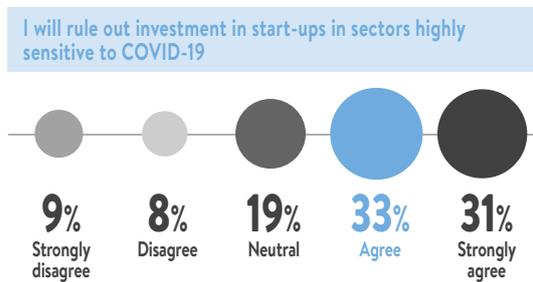


Fig. 13: Impact of COVID-19 on investment in start-ups in sectors sensitive to the pandemic

The business angels in Spain do not have a one-way view of the impact on the returns of their investments, although they are much more optimistic than the British.

As figure 14 illustrates, the majority of investors (58%) do not expect significant changes in the performance of their portfolios due to the pandemic, a percentage that falls to 40% in the UK. And 14% of Spanish investors seem to have portfolios that will react positively, compared to 10% in the UK.

Only 19% expect a downturn, with losses on all investments in 3% of cases, while in the UK up to 50% of the business angels forecast a negative impact on their investments.

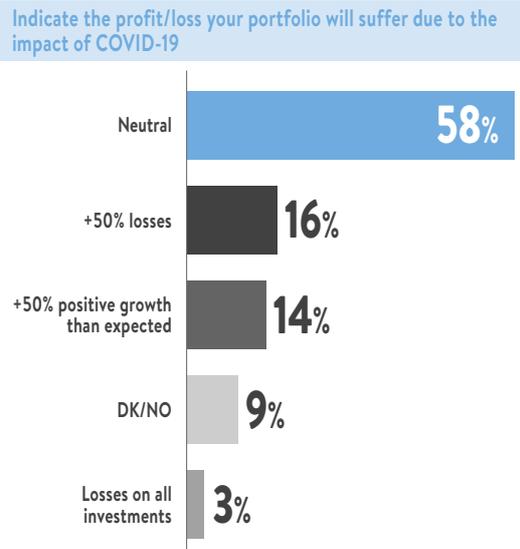


Fig. 14: Impact on profitability of start-up portfolios

Another aspect to consider is the impact COVID-19 has had on the valuation of the start-ups seeking investment (see figure 15). The majority of investors say that they have not changed (42%) and some even suggest that the upward trend will continue (17%). In the UK, however, they anticipate a clear downward trend.

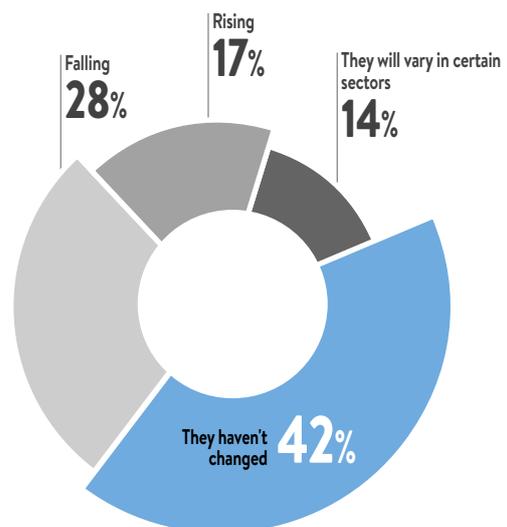


Fig. 15: Impact of COVID-19 on valuations

DIVESTMENTS AND EXPECTATIONS

Divestments were more frequent in 2019 than in the previous year, with 59% of investors making an exit, either with a positive or negative return¹. This is a high percentage compared to the 30% of investors in the United Kingdom.

Failure is part of the daily life of investors. 54% of those who have reported an exit suffered a loss for the total amount invested and another 11% reported a partial loss (see figure 16). The total number of investors who reported negative exits amounts to 65%, compared to 42% of investors in the United Kingdom (30% with total losses and 12% with partial losses).

Despite the disparity of responses obtained by the AEBAN survey in Spain and the UK BAA survey in the United Kingdom², the distribution of returns obtained by investors in both countries is similar when dealing with positive multiples.

The most common positive return experienced by Spanish business angels in their divestment transactions was multiplying the invested capital 1 to 2.99 times. And 19% of participants obtained this rate of return on at least one of their transactions. In the case of the United Kingdom, the percentage of investors who reported this rate of return stood at 11%.

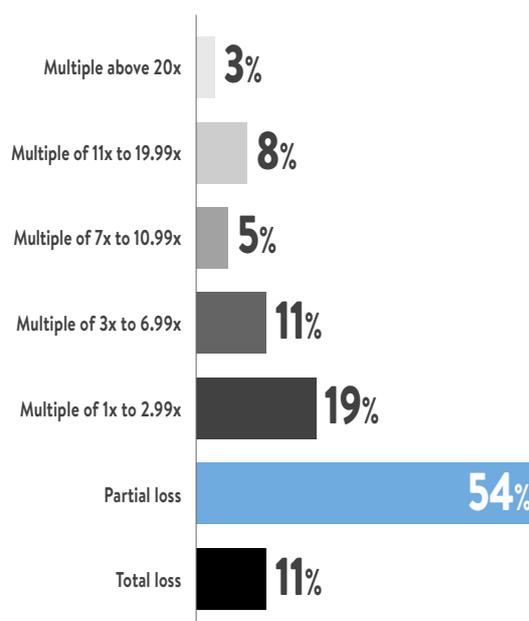


Fig. 16: Divestments and results (n<50 for divestment multiples)³

¹ The fact that 30% of Spanish participants did not answer this question and answered a later one forces us to take the result with caution.

² Over 300 investors responded to this particular question in the UK.

³ The aggregate amounts to over 100, as some participants made more than one divestment transaction with various results.

Moving towards more attractive returns, 16% of investors achieved multiples above 7x (18% in the UK). And the select group who achieved multiples above 11x falls to 11% of participants (13% in the UK).

Investors have moderated their expectations with regard to the profitability of their portfolio: while in 2018 up to 14% of investors were expecting multiples above 10x, this year only 8% of participants expect such rate of return (see figure 17).

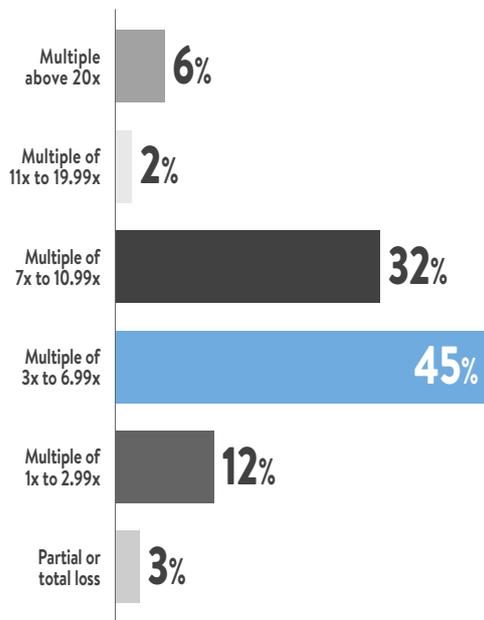


Fig. 17: Rate of return expectations

At the other end, the percentage of those who expect returns below 3x has doubled with respect to 2018, from 6 to 12%.

On average, 45% of participants expect multiples of 3x to 7x (54% in 2018) and 32% expect multiples of 7x to 10x (24% in 2018).

DIVESTMENT FORMULAS

As figure 18 illustrates, investors who obtained positive returns will, in most cases, achieve them by selling their shares to a fund entering at a later stage (44%). Lagging a long way behind are acquisition by a large international (17%) or national corporation (13%), by a competitor (13%) or buybacks by the entrepreneurial or management team (13%).

In the UK, the main source of divestment was acquisition by companies. Only 2% experienced an IPO, an option absent among Spanish investors.

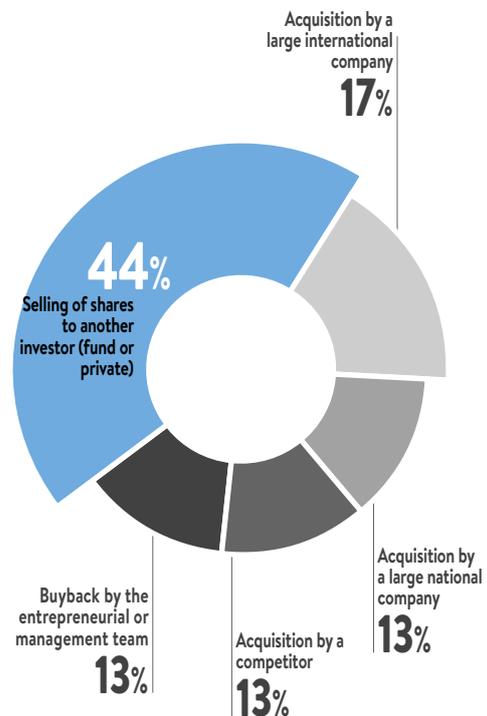


Fig. 18: Divestment formulas

ANGEL INVESTOR PROFILE

Through this study, AEBAN monitors the evolution of investors' profiles with the aim of identifying changes that may lead to different investment patterns, a change in the sector or new players entering the market.

Some investor characteristics, such as their background, equity and background, are decisive, as they usually impact on the sectors in which they invest, their capacity to diversify or their empathy with the problems and situations faced by entrepreneurs.

As in previous reports, investor profiles in Spain are compared to those in other ecosystems such as the UK or the US.

AGE

The average age of Spanish investors continues to rise and is now close to 53 years old, which brings it closer to that of other mature countries such as the United Kingdom (55) or the United States (57). It is significant that 90% of participants are now over 44 years old, a percentage even higher than that of the United Kingdom (86%).

All age ranges over 44 years old have increased their percentages considerably, and only 10% of participants are under 45 (see [figure 19](#)), similar to the United States, where the proportion of investors under 40 does not exceed 8% (ACA, 2018).

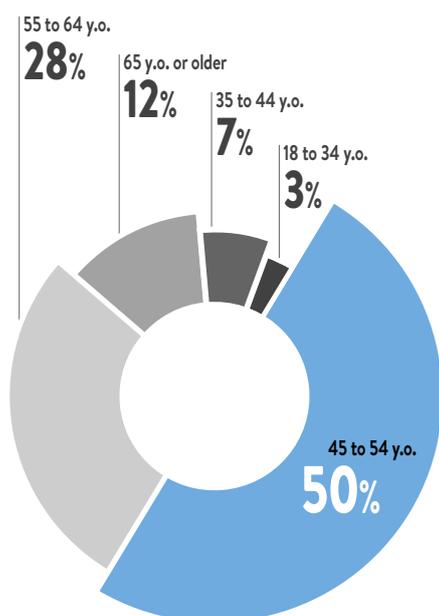


Fig. 19: Age

YEARS OF EXPERIENCE AS AN INVESTOR

The majority of investors have built up a wealth of experience in this activity. As figure 20 illustrates, three quarters of Spanish investors have at least three years' experience and 32% have more than eight.

The weight of investors who have been active for more than 14 years has been reduced again, as they represent 15% of the total, compared to 23% in the previous

edition. By contrast, an important number of new arrivals has been observed, with the introduction of new investors: a quarter of Spanish business angels have started their activity within the last two years, while in the United Kingdom this segment accounts for 15% of the total.

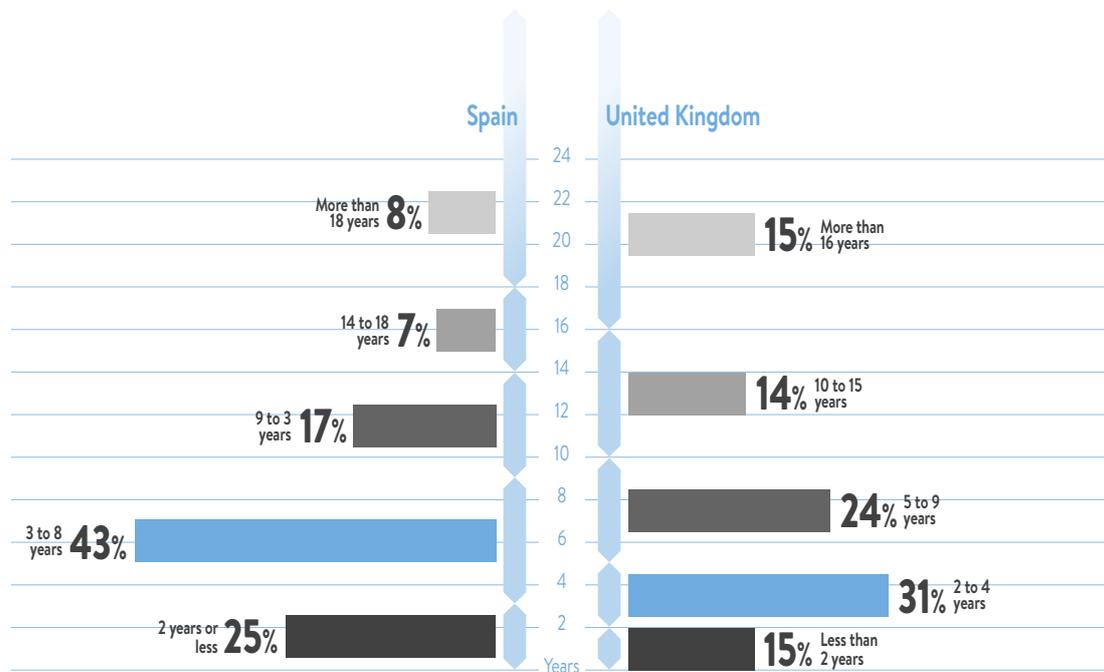


Fig. 20: Years of experience

PROFESSIONAL EXPERIENCE OF INVESTORS

This year's survey shows that the most frequent position to be held by investors when they first start out in angel investment is founder or CEO of a consolidated company, followed by senior manager (see figure 21). Significantly, none of them comes from the public administration sector or non-profit organisations.

Compared to the previous year, it is liberal professions that are playing a major role as a springboard for angel investment, as the percentage of investors working as independent professionals has doubled.

Angel investors' experience is notoriously concentrated in a few sectors (see figure 22). Nearly half of them report backgrounds within two specific areas: finance and ICT, and if pharmaceuticals, logistics and commerce are added, the percentage is close to 70%.

Agriculture, energy and resources are new sectors for investors, although in very small percentages. However, this could be an indication of the introduction of new profiles.

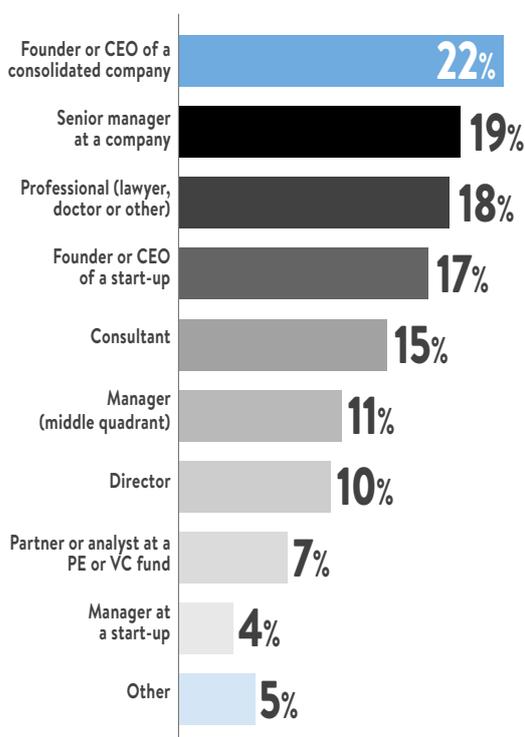


Fig. 21: Occupation at the beginning of the investment activity

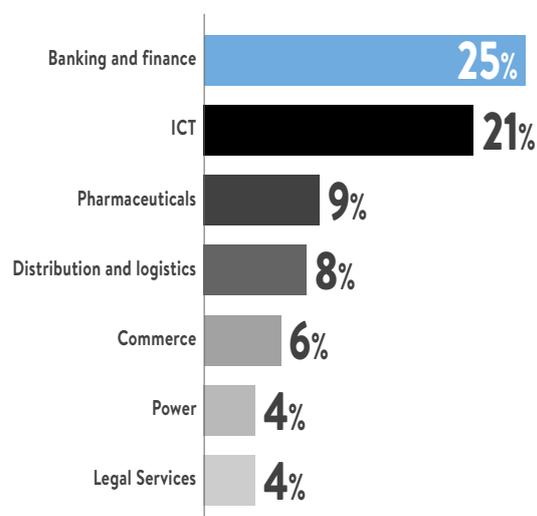


Fig. 22: Main sectors of experience

EQUITY ALLOCATED TO INVESTING IN START-UPS

The exposure of business angels to investing in start-ups corresponds to a high-risk profile. Investors are well aware of this risk, and diversify their portfolio accordingly. In this regard, the data show a significant increase in the number of investors who allocate up to 5% of their equity to direct investment in start-ups (see figure 23).

Investors who allocate over half of their equity to this type of investment have disappeared from the sample, and the proportion of those who allocate 21% to 50% of the total has also fallen significantly.

Compared to business angels in the United Kingdom, there is a similarity in the proportion of investors who opt for a lower exposure: in both countries around a quarter allocated less than 5% of their equity to angel investment (see figure 24).

However, up to 16% of UK investors have an exposure of over 25% of their equity, while in Spain it is only 4%.

Most commonly, Spanish investors allocate 5% to 10% of their equity to angel investment, a segment in which they are 12 points ahead of the United Kingdom.

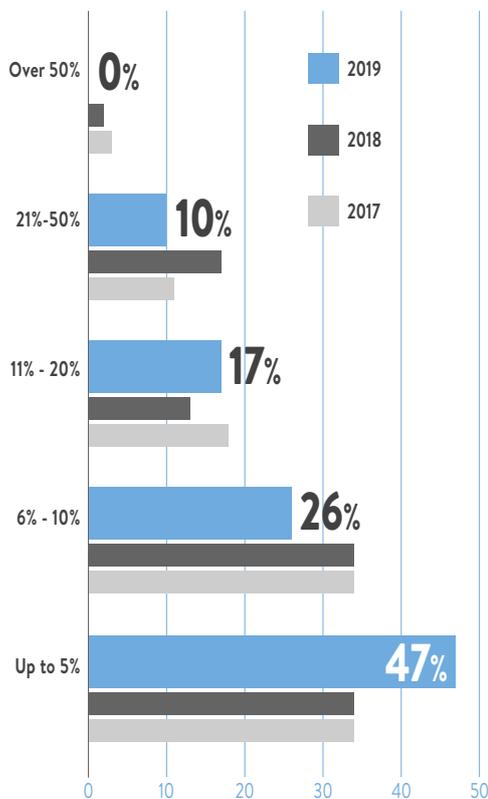


Fig. 23:
Equity allocated to angel investment

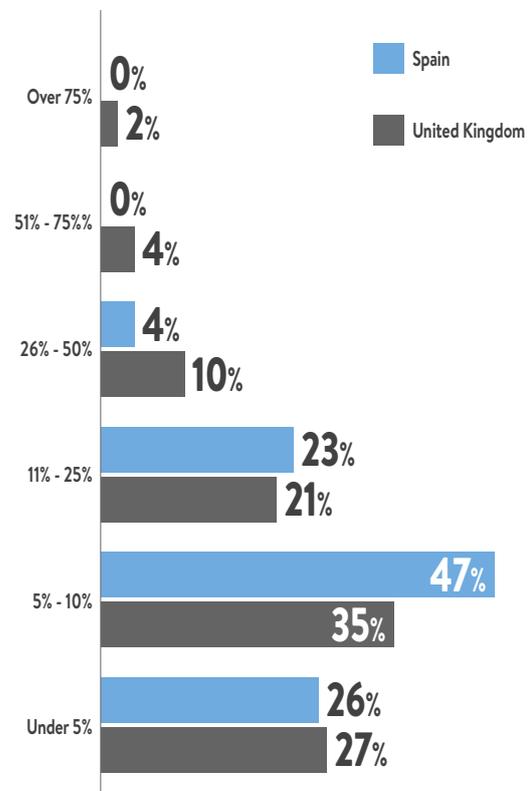


Fig. 24:
International comparison of equity allocated to angel investment

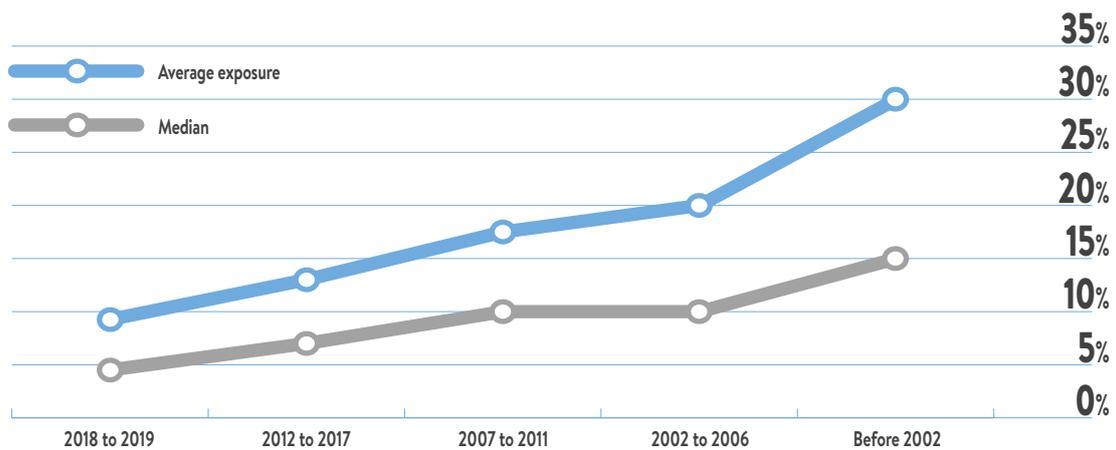
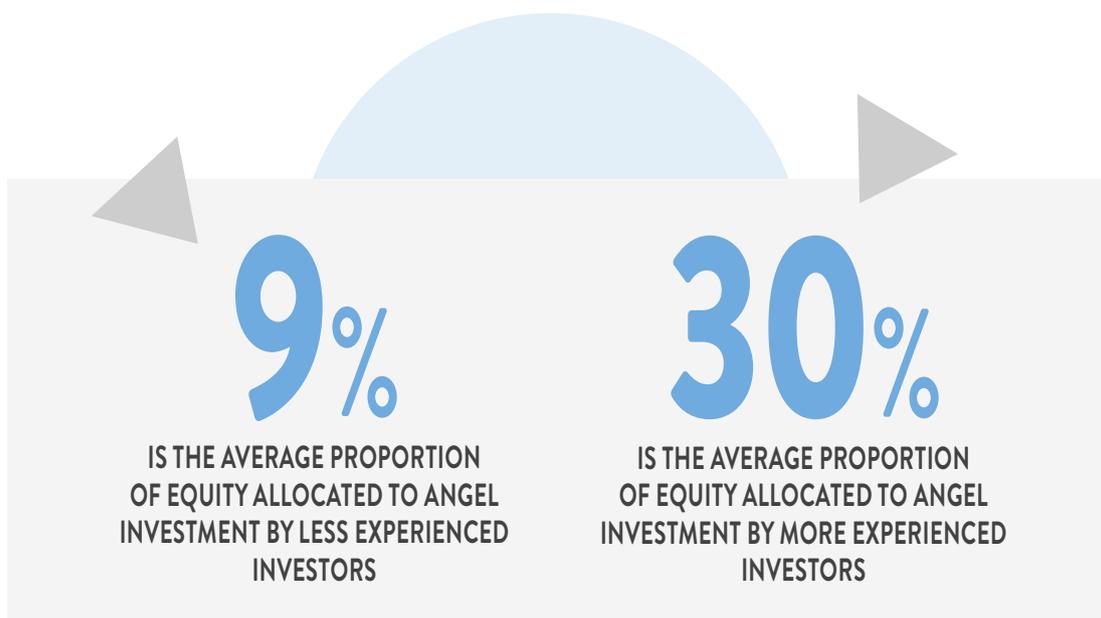


Fig. 25: Investors' exposure, by experience

More experienced business angels allocate a greater proportion of their equity to investment than others new to the business. That is, they do not maintain their initial balance between these and other types of assets. While exposure remains mostly below 5% among less experienced investors, the median among more experienced ones is around 15% (see [figure 25](#)).

This growing exposure as experience is gained is consistent with other countries. The average percentage of equity allocated to angel investment among less experienced investors in the UK is 11.3%, compared to 9.5% in Spain. For more experienced investors, this average rises to 30% in Spain and 22.5% in the UK, where this group seems to diversify more to reduce exposure.



INDIVIDUAL CONTRIBUTION PER TRANSACTION

An investment agreement takes time to materialise. It could be months from the moment contact is initiated until the entrepreneur receives the funds. One of the reasons for this is undoubtedly the need to articulate a transaction that usually involves several investors, sometimes up to dozens of them, even when there is no intermediary crowdequity platform.

This is suggested by [figure 26](#), since the average ticket contributed by angel investors is €10,000 to €25,000.

The tickets below €25,000 represented 35% in 2017 and 49% in 2018, but reached 72% in the latest survey. Part of this evolution is due to the natural organisation of the market, in which investors repeatedly co-invest with others by affinity, and to the irruption of more or less structured investment groups or clubs that are determined to diversify their portfolio.

While this is positive for investors, it forces entrepreneurs to spend more time coordinating the transactions and ensuring a cap table that is operational and efficient.

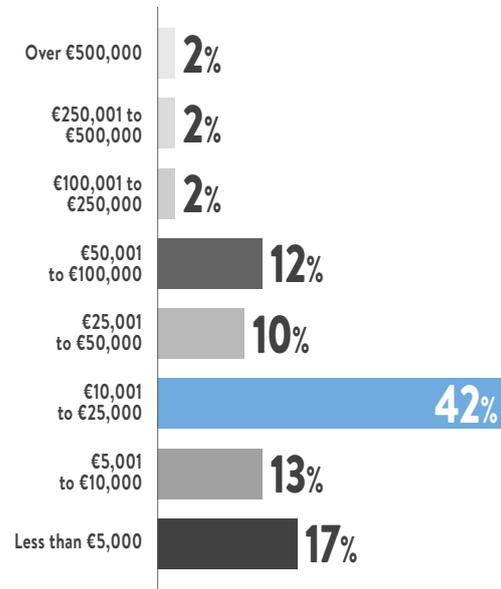


Fig. 26:
Average ticket per investor per transaction

The most infrequent amounts are those exceeding €100,000 per investor, which is more appropriate for family offices, venture capital funds or other potential coinvestors.

The average ticket contributed by angel investors is €10,000 to €25,000

OTHER FORMULAS TO INVEST IN START-UPS

A considerable proportion of business angels use instruments such as venture capital funds and crowdequity platforms to diversify their investment (see [figure 27](#)).

Thus, in addition to making direct investments, 45% have a stake in venture capital funds (35% in 2018), which would indicate a relevant financial availability and a growing interrelationship between both industries or activities.

The percentage using crowdequity platforms also increased from 19% in 2018 to 37% in 2019.

The confluence of investors in all three scenarios (direct angel investment, through funds and through platforms) continues to increase, growing from 7% to 16% in the last financial year. Therefore, there seems to be significant transversality and movement across the different investment formulas.

45%

OF BUSINESS ANGELS
HAVE A STAKE IN
VENTURE CAPITAL FUNDS

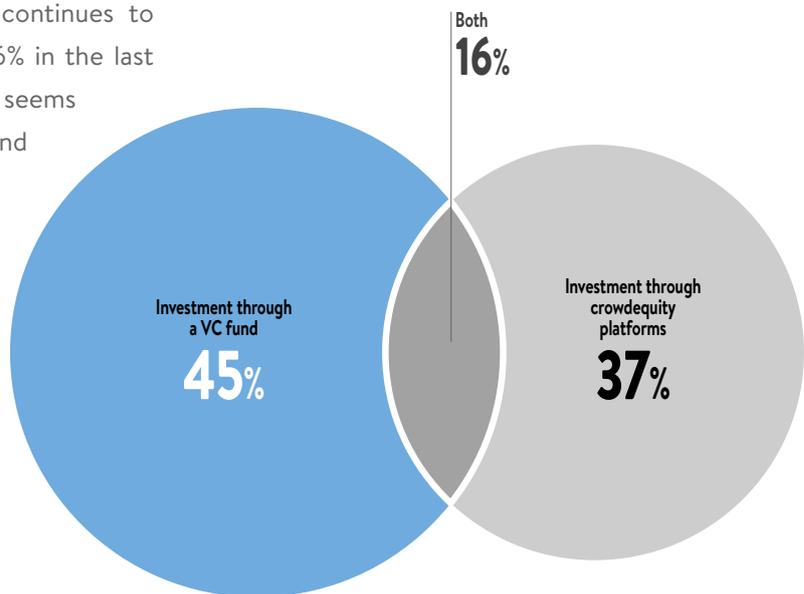


Fig. 27:
Other formulas to invest
in start-ups



WOMEN AND THE INVESTOR ECOSYSTEM

One of the unresolved issues in the entrepreneurial ecosystem, and particularly in the investment arena, is the participation of more women in leadership and decision-making positions. This imbalance not only affects the segment of business angels, but also venture capital, in both independent funds and funds linked to large corporations, in which the percentage of women in partner positions is always below 15%.

In this year's study, 10% of the participants who indicated their gender are women (13% in the UK), a figure that has remained stable since this indicator was included in AEBAN's reports three years ago.

The limited number of responses from women investors prevents a representative analysis of their profile or behaviour in relation to the total sample.

Data from other studies (UK BAA 2020) show that women invest less than their male counterparts in the angel segment, in absolute terms and as a proportion of their total equity. There are also differences in the profile of women investors in terms of their average age, as they are younger and have less investment experience.

In order to better estimate the presence of women in the ecosystem, given that the sample includes a small percentage of women and also a low response ratio on coinvestment with female investors (n=54), we have studied the investors with the largest portfolios.

Among investors who have made more than 20 investments, the average number of transactions with female participation is less than five

Among the investors who have made more than 10 investments, the average number of transactions in which a woman is involved is 4.7. That is, there is no female presence in over half of the investments.

For investors with portfolios of over 20 start-ups, the average increases to only 5.6 women, therefore they are absent in about three quarters of these transactions (see figure 28).

Even so, about half of these investors participate in boards. This suggests that while the number of female angel investors is limited in number, they could constitute a particularly active and relevant group for the start-ups in which they invest, and consequently join their boards of directors.

It should be noted that 15% of the investors who left the question about how many women they co-invested with blank continued to answer other unrelated questions, which possibly indicated that they have not co-invested with women. Therefore, the average number of transactions with female presence could be lower than what was indicated above.

The UK market provides a possible, albeit limited, comparison, as four out of ten business angels indicate that they always or frequently invest with women, in line with the proportion of investors who have female investors in their group, network or investor club. The remainder, six out of ten investors, never co-invest with women or do so occasionally.

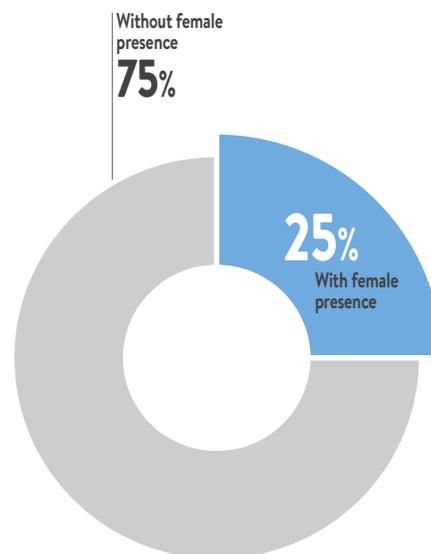


Fig. 28: Women's participation in angel investments of portfolios with over 20 start-ups



FEMALE ENTREPRENEURS AND ACCESS TO INVESTMENT

In line with the international average, two out of three investors have financed a start-up led by a woman. In any case, as the quantity of investments made increases, the weight of start-ups led by women in the portfolio decreases.

Figure 29, which compares the sectoral distribution of start-ups led by women with the sectoral distribution of investments by business angels, shows that women have a greater relative representation in start-ups mainly within the sectors of media and biotechnology, and to a lesser degree in consumption and leisure. However, the representation of female entrepreneurs is non-existent in logistics and low in sectors such as software or finance.

As we will see in the next section, women are intensely entrepreneurial in some of the sectors whose prominence is expected to grow after the crisis caused by COVID-19.

A possible benchmark for investment in start-ups led by women can be found in the United States, where 17% of seed investments are for start-ups led by a woman, with an increase of almost one percentage point over 2018.

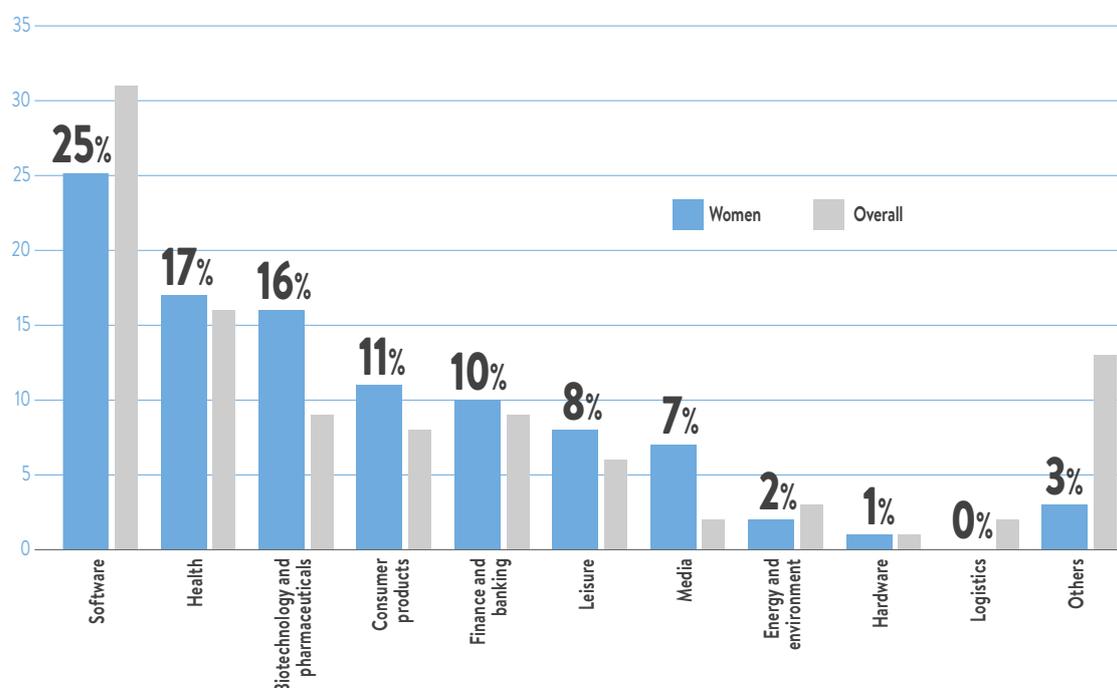
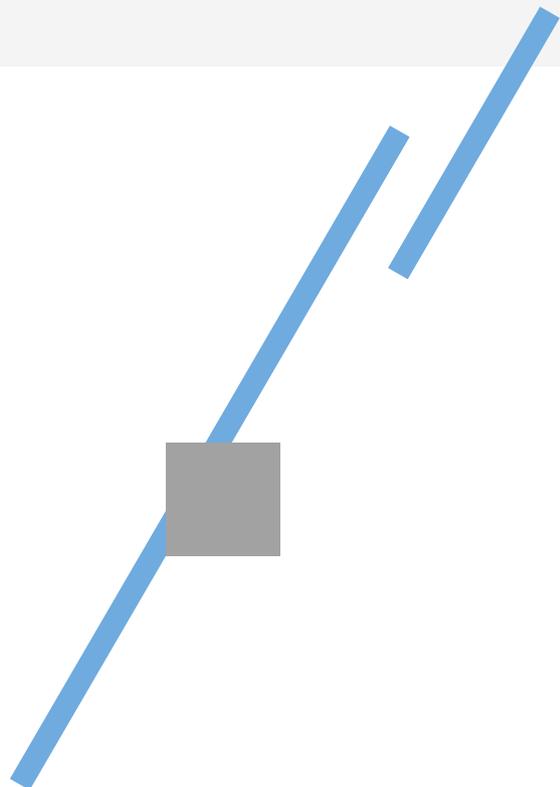
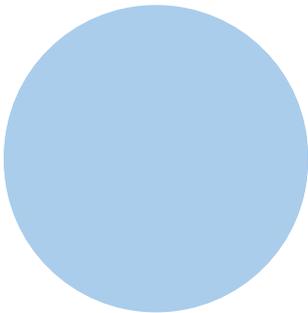


Fig. 29: Start-up sectors led by women

ANTICIPATED TRENDS

In previous sections we have seen that business angels believe their activity will not suffer a significant impact, and we have anticipated there could be some changes in their investment preferences. However, in this section we will study in greater depth the sentiment and expectations of investors on aspects related to investment in the start-up ecosystem.



The health sector as a whole, including biotechnology and telemedicine, is benefiting from the growing awareness of investors and society. COVID-19 has highlighted the need to improve various aspects of public health, further digitalise the sector and respond to the demand for new services, and consequently investors will try to take advantage of these opportunities.

Other sectors in which the pandemic has accelerated the process of digitalisation are e-commerce, education and various forms of online entertainment.

Beyond the sectors that will particularly attract investment, business angels anticipate changes in the ecosystem itself.

The most frequently mentioned are:

- The necessary digitalisation of large sectors, with the opportunities that brings, will lead to some concentration of investment in start-ups having this purpose.
- Start-ups based on artificial intelligence will be even more attractive.

To a lesser extent, investors surveyed also mentioned:

- A greater role for the investment in start-ups focused on sustainability (environment, sustainability and others).
- Search for new business models.

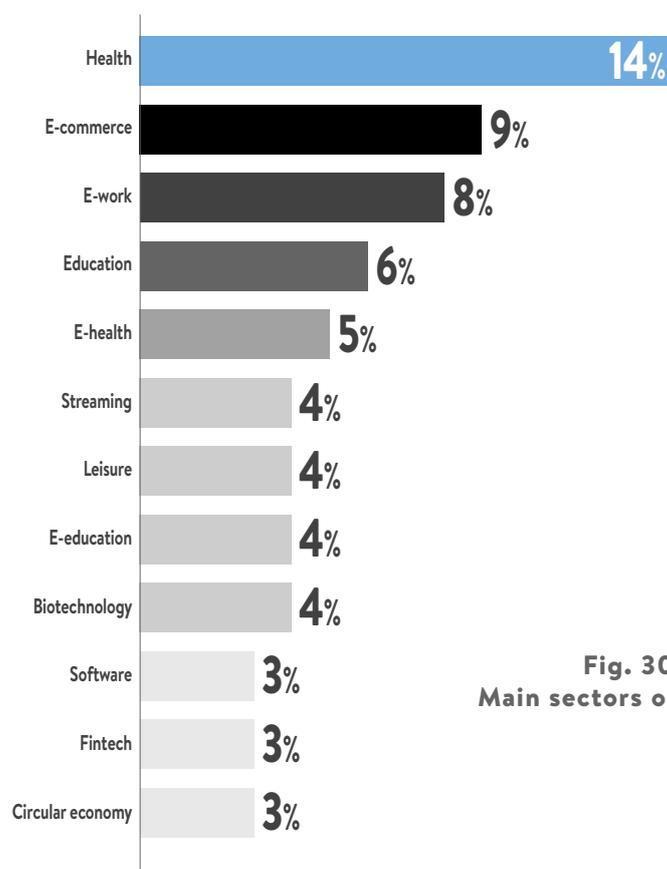


Fig. 30:
Main sectors on the rise

METHODOLOGY AND ACKNOWLEDGEMENTS

The survey on which this report is based aims to address the main variables of angel investment with the greatest number of responses possible so as to be representative. We are aware of the low participation in questionnaires with numerous questions or whose answers require a considerable amount of time, therefore our survey maintains a standard of 18 to 20 questions every year. Consequently, the approach in defining the content of the report implies a compromise between representation and depth in each aspect analysed.

This year's survey was distributed in the first half of October through networks of business angels members of AEBAN, the database of private investors owned by the academic team and agents and institutions from the entrepreneurial investment ecosystem.

For tabulation purposes, 136 valid responses were taken into account. Not all investors answered all questions, so the study indicates whenever fewer than 50 answers were obtained ($n < 50$), to consider the representativeness of such data.

Some concepts and remarks are worth mentioning:

- Definition of business angel: AEBAN does not specify a series of criteria or conditions to rigidly define the profile or activity of angel investors. Therefore, the study does not have a requirement to identify or validate the profile of participants. Similar surveys, such as the UK BBAA, consider business angels

to be investors who have joined the shareholders of a company with which they have no family ties. However, they exclude investments made through crowdequity platforms. No such distinction has been made for this report, although it excludes investors who only invest through platforms.

- The smallest individual investment in a start-up reported in this study amounts to €1,000.
- Investment stages: for this study, the seed stage was defined as the period in which a start-up has not yet tested its business model or validated its minimum viable product. The pre-series A stage comprises a longer period, from the time that the product or service is launched to the market until the closing of a series A round. In Spain, this journey generally requires more than one investment round, involving business angels, crowdequity platforms and increasingly more venture capital funds.

The survey has also tried to succinctly address some of the major trends or changes that the impact of COVID-19 has or may have on the activity. To this end, it incorporated some additional questions, without compromising brevity.

AEBAN and the authors would like to thank the more than 150 investors who participated in the survey, the business angels members of AEBAN and Jordi Navarrete for his detailed editing work.

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