2019 - A YEAR IN REVIEW

€16.8m angel money invested

66 deals done
DEMOGRAPHICS OF BUSINESS ANGELS

Angels responding to this survey were predominantly male, aged between 45-64 and based in Leinster. HBAN continues to work towards unlocking more profiles of angels to diversify the investor pool but here’s a current snapshot.

LOCATION
- There are now active groups of angels in operation across the island of Ireland with the largest clustered based in the Leinster region. HBAN Ulster Business Angel network was launched in 2019 and investors in this region have already invested €4.1m (¤4.7m) into 22 deals with significant growth expected in the next period.

GENDER
- HBAN has launched a campaign to tackle the issue of diversity within the investor pool in Ireland. Although some progress has been made there is still quite a way to go. It is estimated that in the UK women hold 45% of wealth but only 14% of business angels are women1; in the US it’s 23%2 and in Switzerland it’s 38%3. In Ireland, this issue is more pronounced. Although this has shown a marked increase from 2018 when only 3% were women, we still have a long way to go.

SUPER ANGELS
10% of respondents have invested in more than 10 companies with a small number of super angels within the HBAN network having made 20+ investments. The majority of these highly active angels intend to invest again in the next 12 months, say that their portfolio meets their expectations and expect at least one exit to be realised in the next 12 months. In addition, almost all of these super angels have had to write off at least one angel investment which is to be expected with the portfolio approach. Almost all are investing in general ICT with a strong preference towards AI/VR and engineering/Manufacturing/Electronics at a seed and early stage.

How much do you plan to invest in the next 12 months?

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1 Women in Venture Report 2017, Techcrunch
2 Investment Data announced at 2019 Angel Capital Association Summit
3 EBAN 2017 Statistics Compendium

INTRODUCTION
HBAN is a trusted network for business angels, matching investors with high quality pre-screened early-stage scalable companies.

The landscape of business angel investment has evolved dramatically over the last few years. In this report, the first of its kind carried out by HBAN, we will highlight the profile and attributes of a “typical” angel investor, the type of investment activity they are involved in and the returns that can be achieved based on the research that was carried out on members of the HBAN network.

INVESTMENT ACTIVITY

Around half of the respondents to the survey are at the earlier stages of building a portfolio with 1-3 years’ experience as an angel investor, having invested in between 1 to 5 companies and with a strong appetite to find investments.

- 24% of respondents were still seeking their first investment
- 65% of respondents are active angel investors
- 74% of angels have made an angel investment in the last 12 months
- 85% planning to make an angel investment in the next 12 months.

Most of the investors invest mainly in syndicates with other investors (67%), with 33% opting for the solo approach. Most of the investors also invest as a co-investor (88%) rather than leading deals themselves. Leading deals is an essential part of angel investing as part of a syndicate and HBAN has a suite of resources available for investors wanting to learn more about this.

The respondents of the survey have invested approximately €20m as angel investors already and plan to deploy another €8m roughly in the next 12 months. These funds will have a significant impact on the start-up eco-system on the island of Ireland and HBAN aims to work with investors to help and support as many deals to investment and exit as possible.

- 28% of investors have invested in startups outside of Ireland
- 27% have co-invested with a foreign investor.

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**The average exit from investors who have invested in more than 10 companies is 13x**

* Small sample size of 6 investors

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**INTERNATIONAL EXIT DATA**

FIBAN, the Finnish Business Angel Network, issued a report in 2017* stating the investors had 3 exits with an average of 3.75x which is broadly comparable with exit multiples in the Irish market.

A report published by EBAN, the European Business Angel Network, and Hockeystick showed that in 2018 20% of exits returned >9x multiple while 40% did not generate a return for European investors.

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**SECONDARY MARKETS**

Trade sales are not the only way an investor can achieve an exit. The private equity secondary market refers to the buying and selling of existing shares in a company to a third party that is not in connection with the sale of the company. This is becoming an increasingly popular and more common way for business angels to exit from an investee company. Overleaf, there are some examples of trade sales from the Irish market.

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* http://www.eban.org/fiban-publishes-study-profitability-business-angel-investment
INVESTMENT CRITERIA, INDUSTRIES & STAGE OF PREFERRED COMPANIES

The leadership team is the most important factor for investors making an investment decision. The market and return on investment rank lower than the personal attributes of the team showing how personal angel investing is compared with other types of investment.

The commitment and motivation of founders as well as their management and leadership competence were the highest ranked contributing factors when making an investment decision.

In Business Angels Funding a study funded by the European Commission decisive factors to start an investment were rated as follows:

- Commitment and motivation of the founders: 5 - Plays an enormous role
- Management and leadership of the founders: 4 - Plays a very large role
- Fit to investment strategy: 3 - Plays a large role
- Market (volume, environment and competition): 2 - Plays a role
- Diversity of the founding team: 1 - Plays little to no role
- Return on investment: 0 - Plays no role

A subsidiary of French car maker Renault took a 75% stake in iCabbi, a Dublin-based dispatch management software provider, allowing early stage investors to exit including members of the HBAN Bloom Equity Syndicate.

AMCS Group, a Limerick-based environmental software developer, raised €23.5m financing round led by Highland Capital Partners Europe (HCPE) allowing the company to continue expansion.

Phorest, a Dublin-based salon software firm, raised €20m from US investment firm Susquehanna Growth Equity (SGE) allowing some of the existing angels from two HBAN Syndicates (Bloom Equity & Boole Investments) to exit.

Industries/verticals of particular interest to investors are:
- ICT-AI/VR (42%)
- Lifescience (36%)
- MedTech (36%)
- Business Services (34%)
- Food/Beverage/Agri (33%)
- ICT-General (46%)
- Health/Beauty (45%)
- Engineering/Manufacturing (44%)
- Electronics (39%)
- ICT-Fintech (37%)
- ICT-General (37%)
- IT/Cloud (37%)
- Software (36%)
SMART MONEY

Angel investors separate themselves from other equity investors as they often offer a lot more than funds. Smart money is money that is invested by people with expert knowledge that can and want to add value to a business. Even before an investment has been made business angels can add value. The due diligence an angel investor does on a company and his or her subsequent decision to invest can often act as validation for other investors, specifically in sectors where a deep domain knowledge is essential to assess an opportunity.

ABOUT THE SURVEY

This report has been published by HBAN based on the analysis of 88 survey responses received. The survey was sent to all members of HBAN and responses were received from every region and members of each syndicate in operation across the HBAN network.

ABOUT HBAN

HBAN is a joint initiative of Enterprise Ireland, InterTradeIreland and Invest Northern Ireland, dedicated to the all-island promotion of business angel investment. The HBAN umbrella group supports the early stage entrepreneurial community across the island of Ireland and actively works to increase the number of angel investors investing in early stage companies.

The all-island umbrella group works on a regional basis to support the formation of new angel networks and works with existing angel networks to develop their capability and capacity, and across a range of industry sectors. HBAN also acts as a voice to Government, stakeholders, business and the media to promote the interests and needs of the wider angel investment community. HBAN is managed by Dublin BIC in partnership with the regional Irish BICs in Cork, Galway & Waterford and with Clarendon Fund Managers in Northern Ireland. Further information is available at www.hban.org

Support given to start-ups in order of importance

- Strategic Topics
- Transfer of industry know-how
- Personal development & emotional
- Financial planning
- Internationalisation & Expansion
- Realisation of further financing
- Sales & Co-operations

What form of investment strategy do you normally pursue as a business angel?

- SWEAT MONEY: 14%
- SMART MONEY: 49%
- MONEY ONLY: 43%