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Business Angels as a source of financing

BUSINESS ANGEL

an individual who provides capital for a business start-up, usually in exchange for convertible debt or ownership equity.

Business Angels

- ▶ people aged 40-60, most often men
- ▶ private investors with a good understanding of industrial activities
- ▶ financially independent, accessible by private assets and high income
- ▶ persons who have achieved success
- ▶ they have the capital to start, information, contacts and experience
- ▶ get involved in the availability offer to get profits

Financing by Business Angels began in American companies in California's Silicon Valley. In Poland, business angels started investing since 1990, during the transformation process. Then the development of entrepreneurship progressed and many small and medium-sized operational units started to operate. Business Angels are not new forms of business financing, but in recent years have become the subject of research and interest.



Advantages

- Business Angels usually take the risk associated with your idea
- An investment from Business Angels is not debt.
- Business Angels give advice on how to report success
- You will get contact to their network and community
- Business Angel can invest at any stage of the business evolution cycle.
- You have the chance to regain your attendees



Disadvantages

- A high tolerance for risk has its price
- You reduce your future profits with Business Angel
- You lose some control over your business
- Business Angels leave your company after a while
- Don't expect to receive follow-up investments
- Some Business Angels invest in companies that are outside of their industry and knowledge



Investment by Investee Development Stage in Europe (2018)

36%
Preseed
financing of ideas and research projects

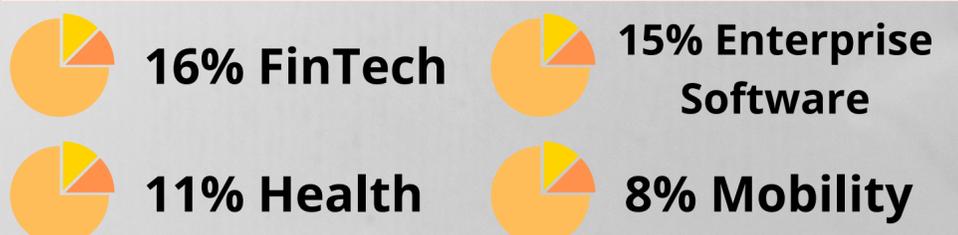
62%
Seed
financing provided to research

27%
Early Stage and Start-up
financing for product development and initial marketing



- ✓ Business Angels market in Europe increased to an estimated 7.45 billion Euros in 2018, a growth of 2.44% from 2017. In Poland Business Angel market with €16.82 million Euros of investment in 2018, up 16,32% from 2017
- ✓ The business angel community in Europe grew to an estimated 345.000 investors which closed 37,200 deals in 2018
- ✓ The largest of Business Angels networks in Europe is EBAN - European Business Angels Network. In Poland there is POLBAN covered by the Association of Capital Investors

Sector distribution of investments in Europe (2018)



Source:
• Statistics Compendium 2016, <http://www.eban.org/>
• Dąbkowski A., Rynek inwestorów wysokiego ryzyka - aniołowie biznesu, KNUV 2015; 4(46): 18-35