



Business Angel Research at the EIF

Helmut Kraemer-Eis

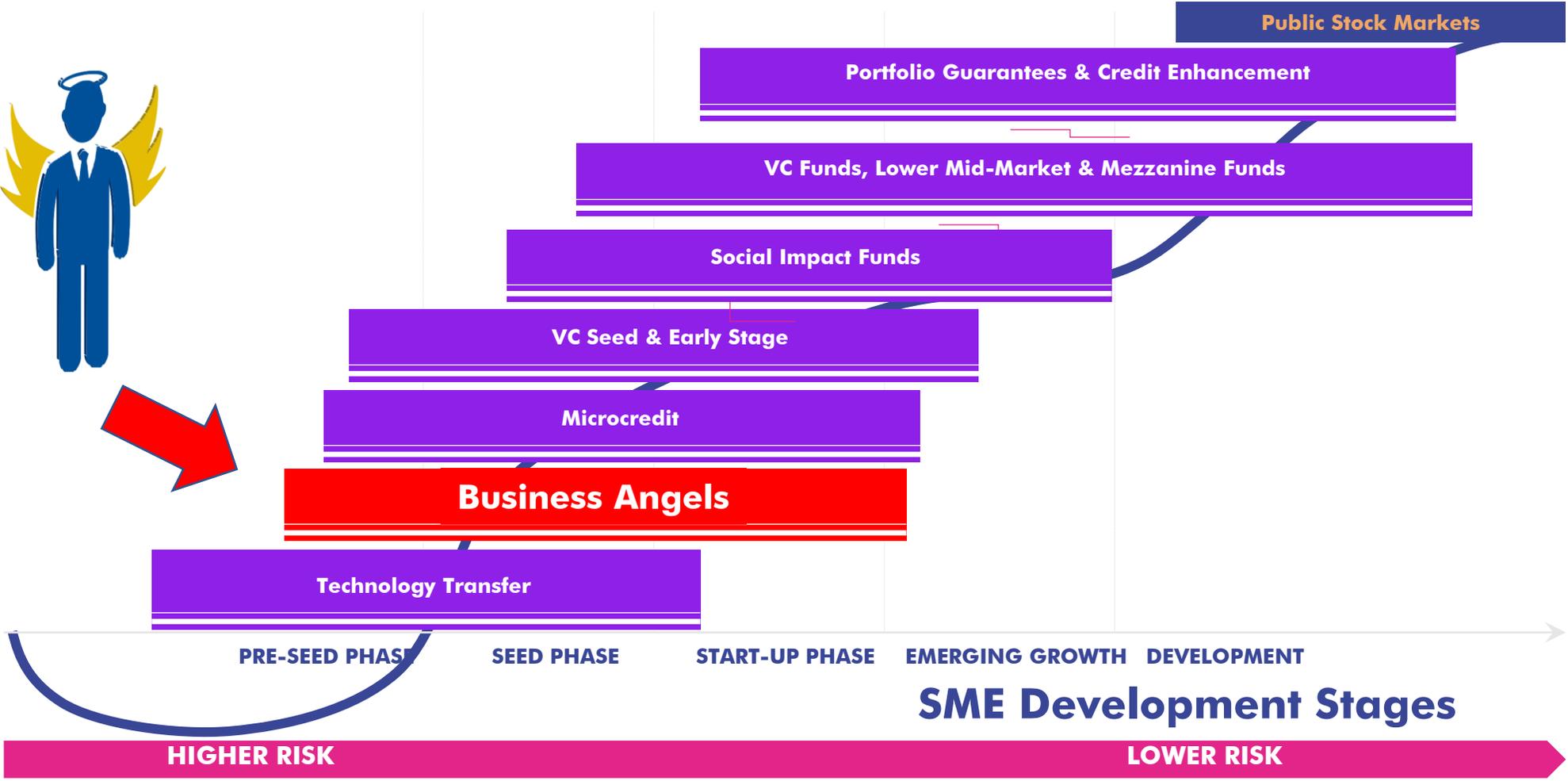
Head of Research & Market Analysis, Chief Economist

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The European Investment Fund



Support for different development stages



Impact Assessment: rationale



Increased need to know more about EIF impact to:

1

JUSTIFY EIF'S «RAISON D'ÊTRE»

RESPOND TO EIF STAKEHOLDERS

LEARN FROM THE PAST

2

BUT EIF IS VERY SPECIFIC:

**IN-DEPTH KNOWLEDGE OF
PRODUCTS AND MARKETS**

**DATA AVAILABILITY AND
ADVANCED ECONOMETRIC
METHODOLOGIES**

3

**SOLUTION: RMA'S IMPACT
ASSESSMENT WORK STREAM**

**STUDIES BASED ON STATE-OF-
THE-ART METHODOLOGIES**

**IN-DEPTH INTERNAL REVIEW;
OPEN CHANNEL WITH TOP-LEVEL
ACADEMICS**

Quantitative Research:

Analysis of the EAF Business Angel Portfolio



Background: VC research

The EU venture capital landscape: an EIF perspective



The European VC ecosystem

"EIF had a positive significant crowding-in impact on European VC in the aftermath of the recent economic crisis"



Financial growth and cluster analysis

"20% of EIF-backed companies grew more than fourfold the first 5 years after investment"



Exits, IPOs and unicorns backed by EIF

"EIF supported 50% of currently existing European unicorns"



EIF-supported innovation

"In 1996-2012 EIF supported returns from patented innovations for a total estimated volume of EUR 22.3bn – 28.3bn"



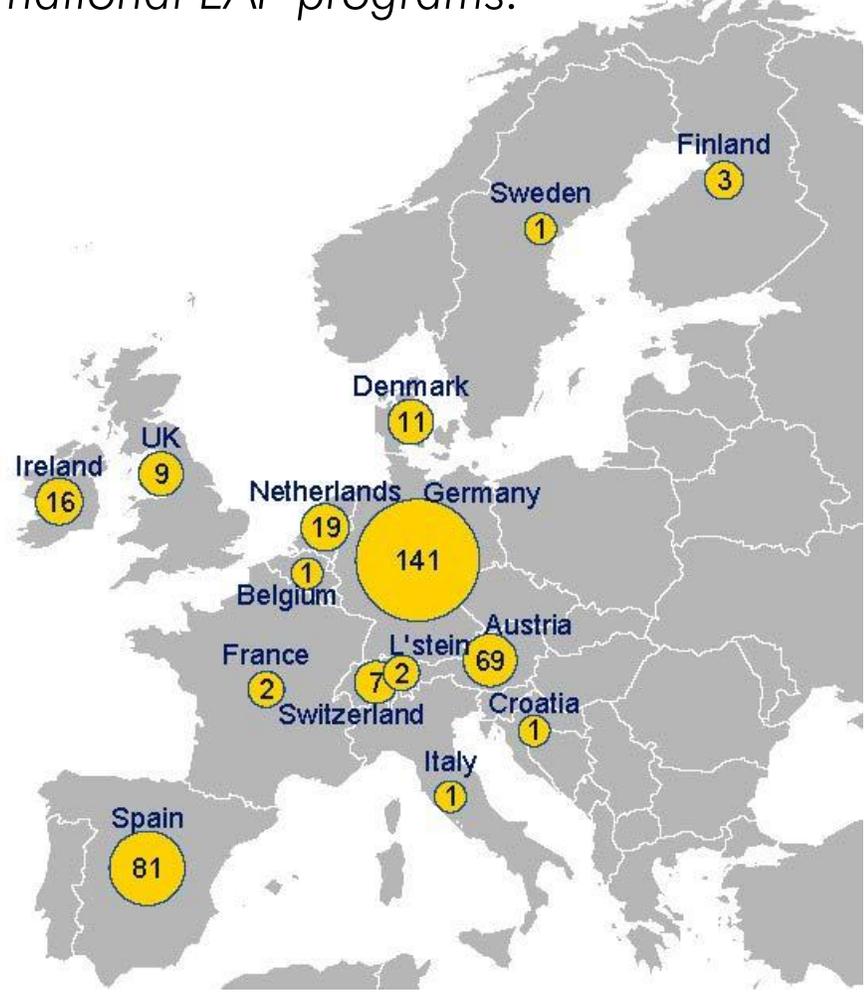
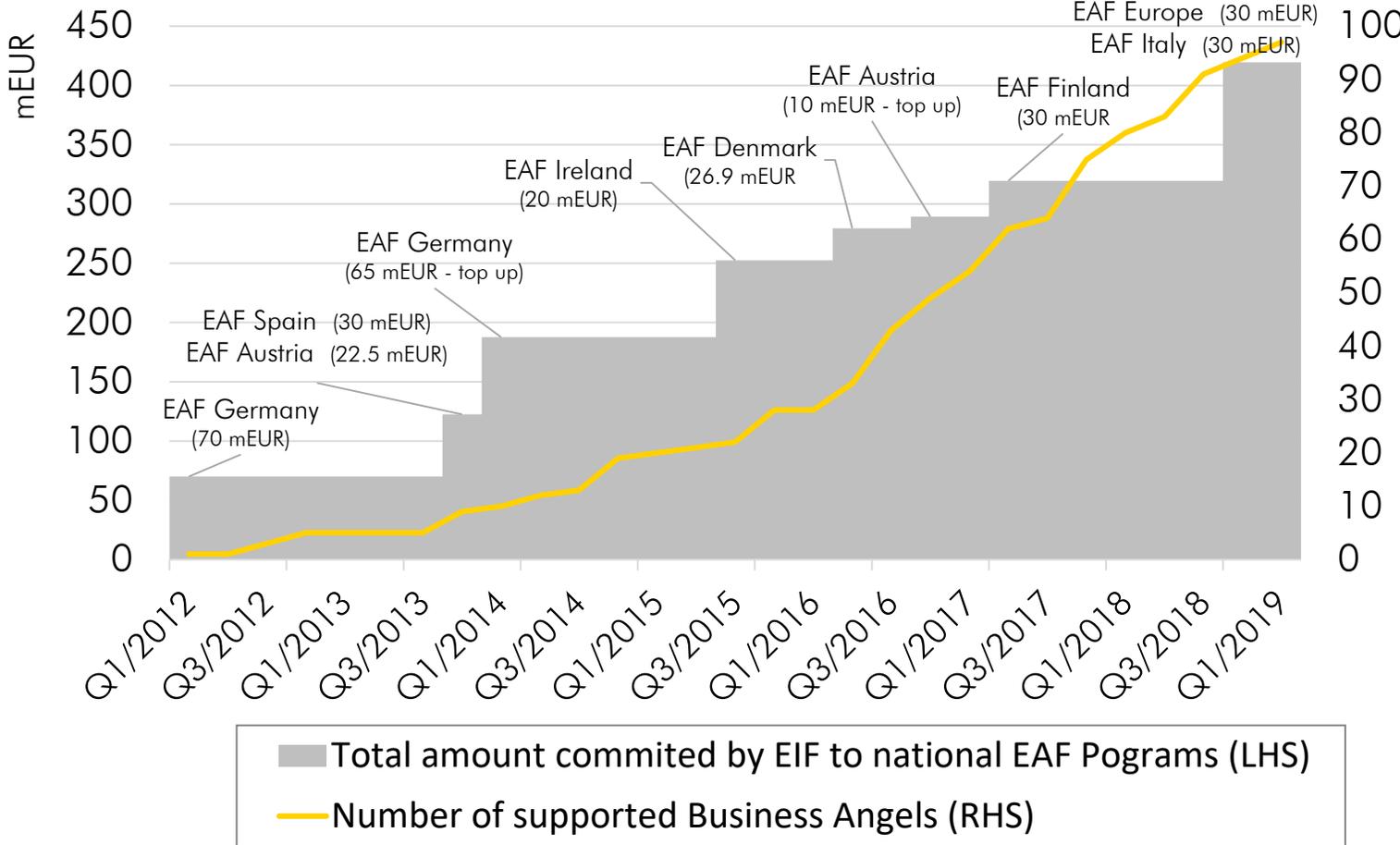
The economic effects of EIF-backed VC

"Compare the economic performance of EIF-backed VC start-ups against non-VC backed start-ups"

EAF at a glance

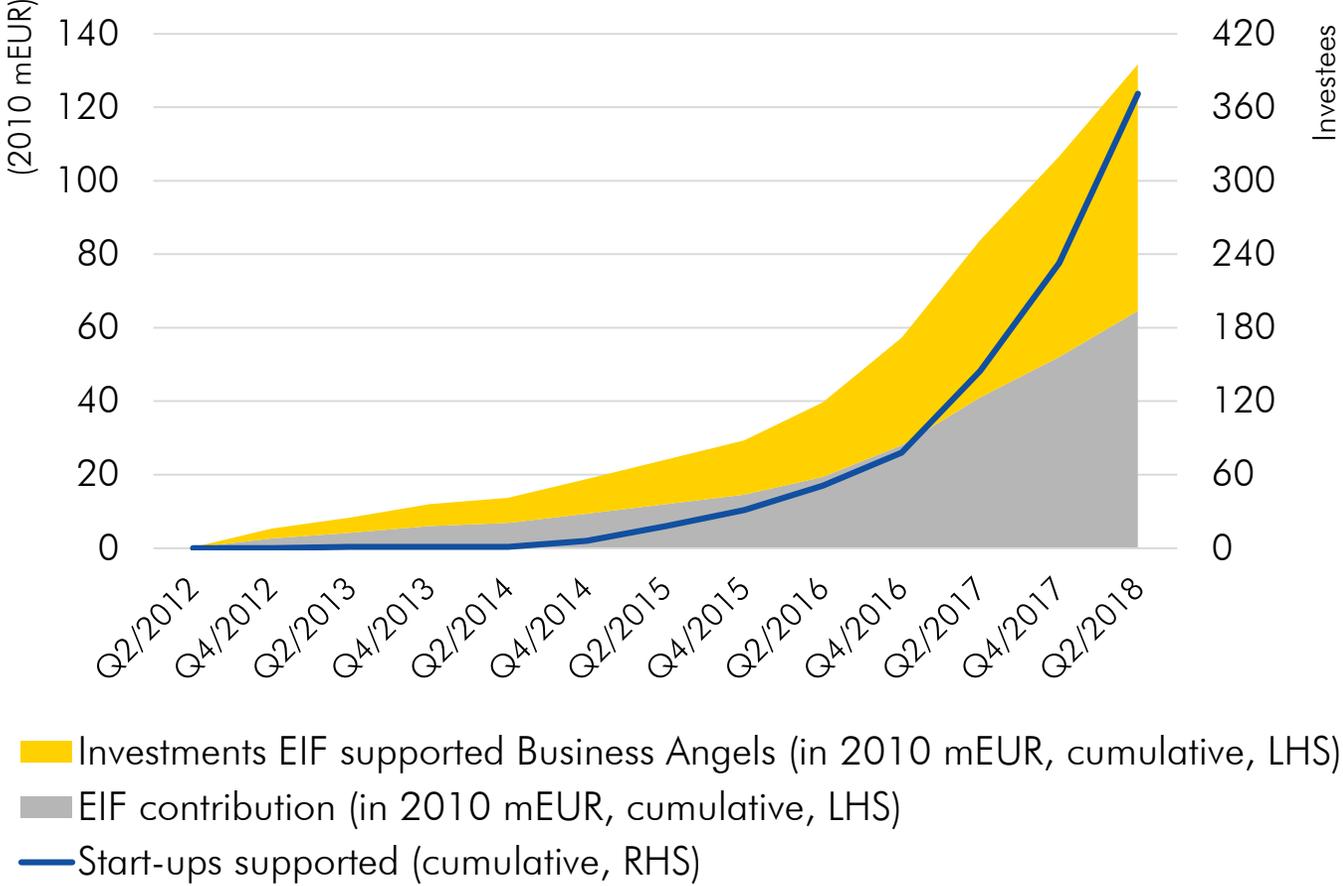
“The first EAF initiative was signed in 2012 (Germany) and the program has been steadily expanding since.”

“The geography of BAs investee companies reflects to a large extent the distribution of national EAF programs.”

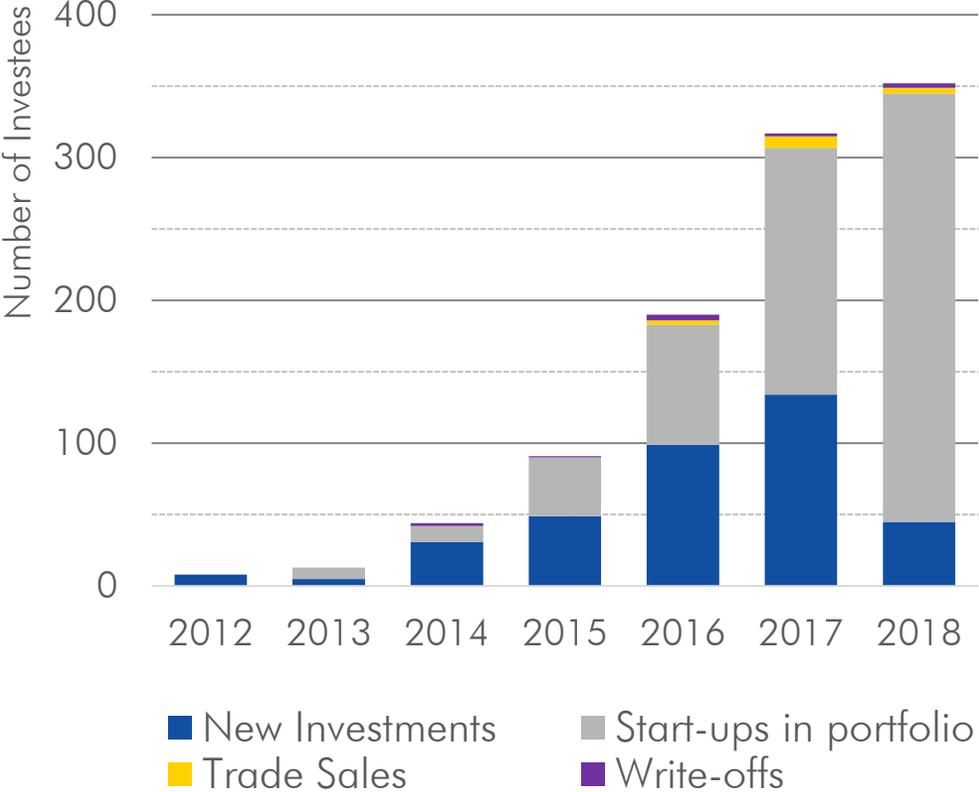


(2012 – 2018)

Evolution of investment



“EIF’s BA portfolio has experienced steady growth since 2012.”

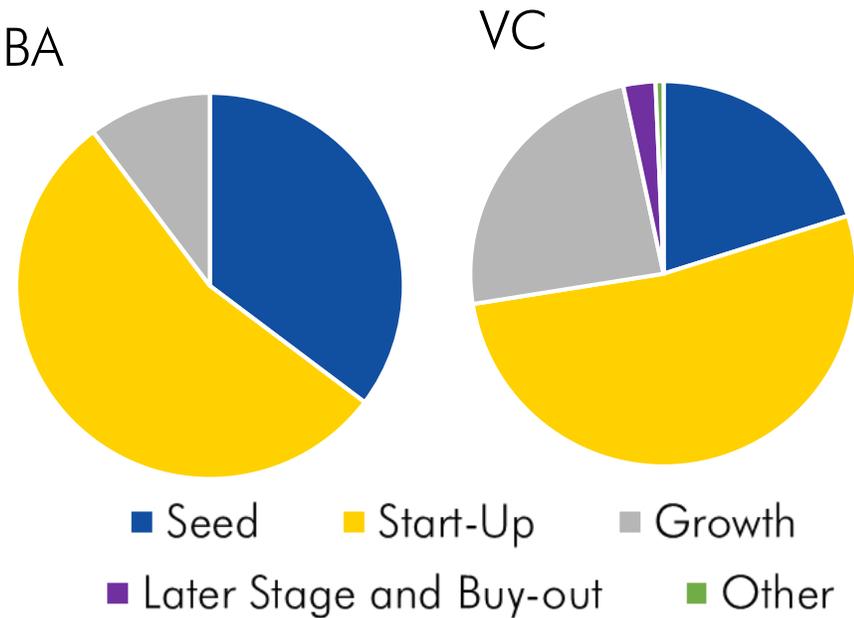


“EIF provides its BAs with patient capital and invests on a pari-passu basis.”

**Data for 2018 are preliminary and new investment are expected to exceed 2017 levels.*

Investment Focus

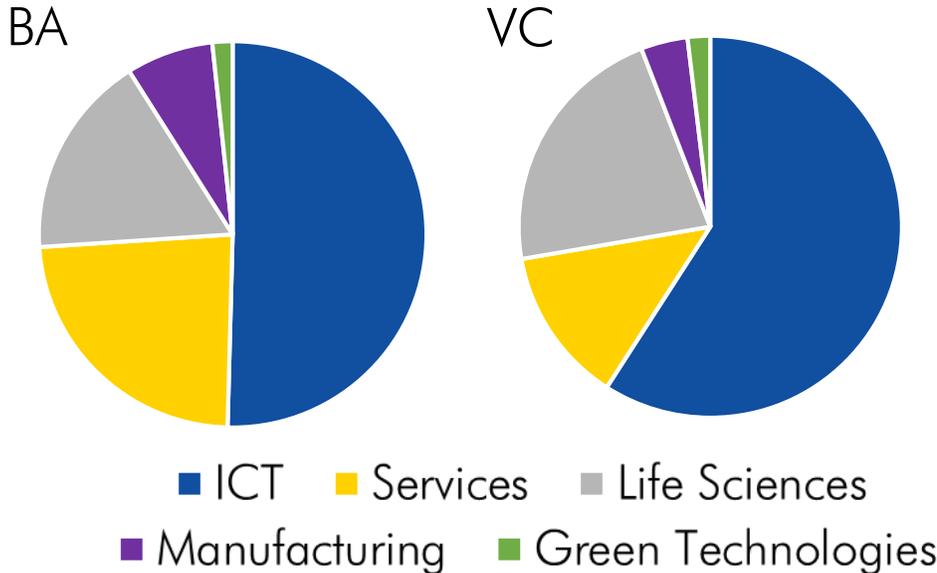
Investment strategy and investee sector distribution



“BAs focus on early stage investments, even more so than Venture Capitalists.”

“At the time of investment, 35% of companies are younger than two years old.”

“The sector focus of EIF’s Business Angels coincides grosso modo with what we find for our Venture Capitalists.”



BA Research

Limitations on data availability

- Business angels  more discrete than VC funds
- Recent investments  shorter evolution period
- Younger companies  less available data

Research agenda

- Initially, a comprehensive description of EIFs BA portfolio
 - Geographical and sectoral distribution
 - BA and their investee company founders' profiles
 - Benchmark with EIF's VC analytics, where possible
- More analytical work to follow ...

Qualitative Research:

The VC / BA Survey



Background: EIF VC Survey (2018)

Integrated assessment of European VC ecosystem

Based on **three pillars**:

1

Market sentiment

2

Public intervention in the VC market

3

EIF's value added



Background: EIF VC Survey (2019)

- **Second wave underway**
- **Much larger sample – global reach**
- **Develop an EIF VC market sentiment index**

Focus areas of 2nd wave 2019:



Market sentiment



Policy recommendations



EIF product & mandate development



ESG and impact investing



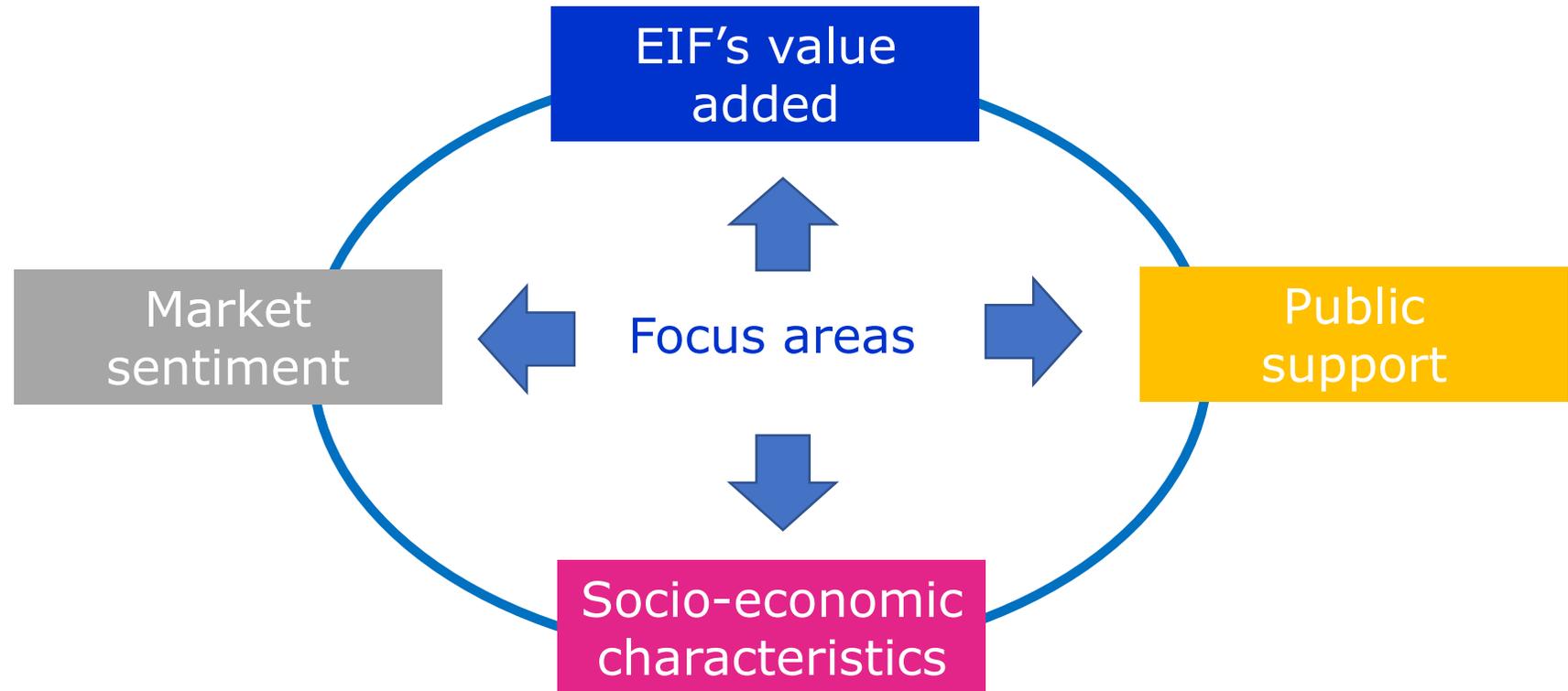
VCS' socio-economic characteristics

New: EIF BA Survey (2019)

Preparation of a new EIF Survey of Business Angels

- **EIF-supported BAs**

- **Develop an EIF BA market sentiment index**



Survey timeline



Updating & extending PE/VC market intelligence through surveys

January | February | March | April | May | June | July | August | Sept.



Launching of **VC**
& **BA** surveys

Closing of **VC**
& **BA** surveys

Processing of the results and
publication of EIF Working Papers



Thank you

... for your attention!



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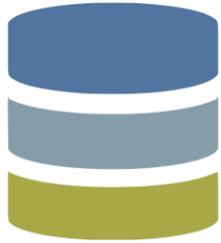


Annex

Methodology (VC)



1.



Internal database:

- Data from fund quarterly reports (received by EIF as LP)
- Selected investees in the „seed, start-up, other early stage“ category. Total investees: 2,951 (end '14)
- Extracted company name, country of main operations, establishment date, etc.

2.



Bureau Van Dijk's Orbis database

- Covers over 12.3 million EU28 SMEs operating in the industrial sector
- Contains up to 51 financial indicators and 26 company ratios
- Data comes from balance sheets that companies must submit to national authorities
- **Portfolio coverage: 91% (over 2,650 companies)**

3.

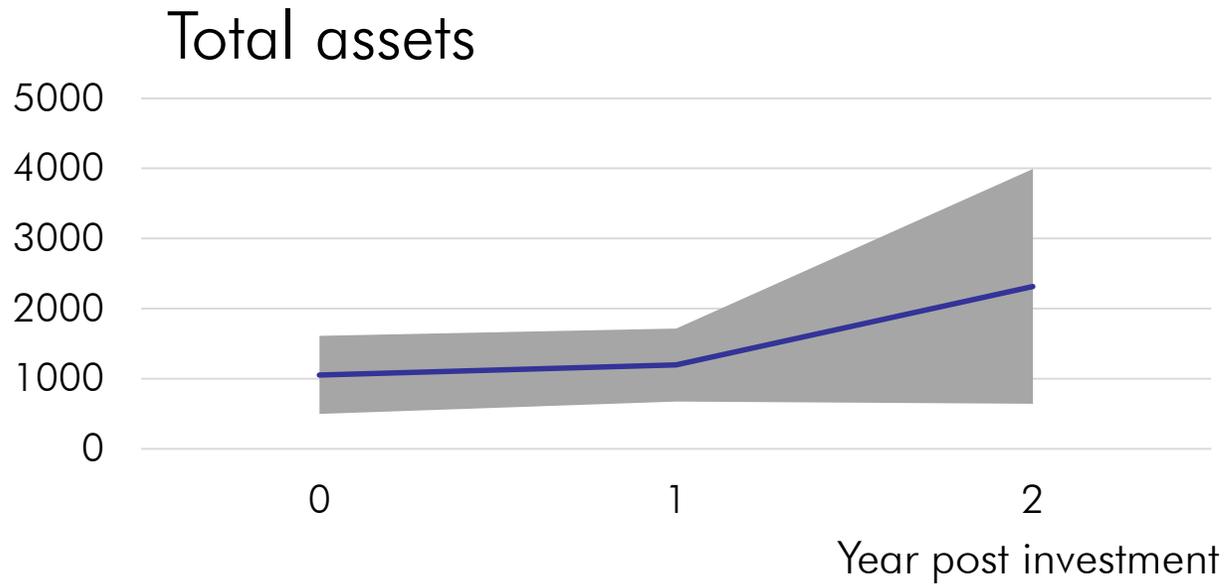


Matched database

- Combines internal data (investment type, amounts, TVPI, etc.) with company financials from Orbis
- Data coverage varies according to the chosen financial indicator, **ranging between 20% and 40%**
- Missing information not 'random': smaller start-ups in more remote areas, that might have quickly defaulted, are less likely to have reported financials
- **Solution:** re-weighting mechanism in order to ensure a good representativeness of the original portfolio

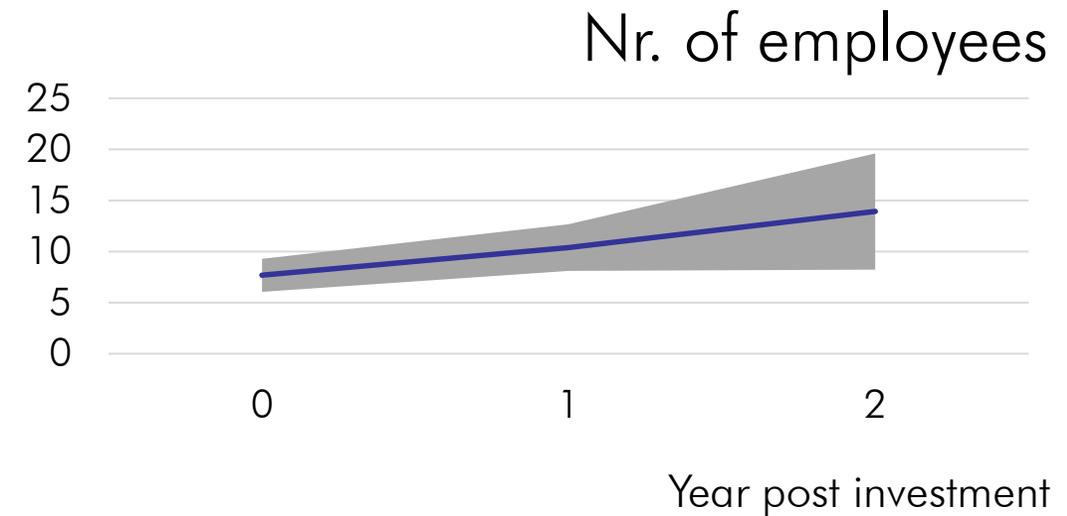
The BA portfolio companies

... a story of "growth"...



"of Capital..."

...and of People."



Portfolio companies

“On average, BAs support ...



... small mgmt teams”

Average team size: 2.8 (vs. 4 for VC)



... entrepreneurs with an average age of 42”



... mgmt teams with 20% female members”



... the local economy”

Share of teams with only one nationality: 88%