

ANGEL INVESTING REPORT 2018

STATUS QUO: ANGEL INVESTING IN AUSTRIA

by Lisa-Marie Fassel & Florian Schenk

Quick intro:

About the Austrian Angel Investors Association & what you can expect from this report

What we do

The Austrian Angel Investors Association (aaia in short and what will be used throughout this report) is a private high-level network of successful entrepreneurs, investors and corporates in Austria. As a non-profit organization, we pursue the vision of promoting the investment culture in Austria through targeted measures and strengthening the business location in the long term.

This is done by raising awareness about alternative investments in general, improving angel investment legislation, collaborating, passing on valuable know-how and connecting nationally and internationally.

Together with our strong partners, we at aaia are dedicated to bringing together experienced investors with those who are just starting off or want to become investors so we can support each and every one of them on their journey.

We give people a reason to invest in the future and the next generation - today.

Our members

aaia's members are extremely diverse, many of them include successful entrepreneurs, top managers, and corporations. The one thing that brings them all together is a passion for new and innovative ideas and a drive to turn visions into reality. As you read on in the report you will see that angel investors differ hugely - some invest thousands others millions, some have been investing for years and others are just starting out and some spend a large amount of time with the startups they've invested in whereas others rather little.

The thing is, there is no standard model when it comes to angel investing. Which is why we want to encourage more people to get into the industry - no matter what investment range you have at hand or what sector you've been working in.

About this report

This report gives an overview of the most important facts and figures of the Austrian angel investment industry in 2018. Figures can be a bit of a bore - we get it - which is why we dug into them for you to conclude and highlight the most vital findings of the Austrian angel investment industry in 2018.

In this report you will find out about: what attributes a typical Austrian angel investor has, valuable investment insights of the market, where the money flows and trends in the industry.

Enjoy the read, and don't forget to forward on this report to anyone who you think would benefit from reading it.

Background info:

Why we do this & where we got the numbers from

Since we set up aaia in 2012 - a thing or two has changed. The angel investment industry has grown, investments have risen and luckily, so have returns. In this report we dig deep into the numbers and show exactly where things are at in 2018.

We also take a look at how the numbers compare to 2016, how things have changed, how aaia has contributed to these developments in the past and more importantly - plans to drive the Austrian angel investor industry in the future.

For the purposes of understanding the industry better and creating this report, we decided to go to the source - Austria's core angel investors. By sending out an in-depth questionnaire to a wide network of angel investors (not just ours) and asking about where they've put their money during the year 2018 gave us a deep understanding of just what is happening in the industry right now. 106 angel investors partook in the questionnaire to be precise.

If you are wondering exactly how we distributed the questionnaire to ensure we receive a representative result, this is exactly how we went about it:

Austrian Angel Investors Association network

As one of the leading angel investor networks in Austria we have access to a large group of top angel investors, so we initiated a big outreach campaign. We leveraged our email list, social media channels, created ads and reached out to our personal network for the purposes of creating this report.

Startup & investment networks

Angel investment and the startup network go hand in hand. So we got in touch with the big names and stakeholders in the investment and startup scene such as I.E.C.T Hauser, Austrian Startups, Speedinvest, Startup300, primeCROWD, AWS and asked them to distribute the questionnaire to their network using similar tactics as we did internally.

Press

Two Austrian startup news portals, derbrutkasten.at and trendingtopics.at picked up our questionnaire and each created articles referring to it.

We then went on to crunch the numbers, analyse the findings and create this unconventional report.

Crunching the numbers:

Overview of the Austrian angel investment industry 2018

By carrying out this questionnaire we managed to get an in-depth analysis of the Austrian angel investors industry in 2018. For those who don't have the time to dig deep into this report, here is a quick overview of the most valuable insights we gathered.

A typical Austrian investor is male, around 45-54 years old and lives in Vienna. He invests around **€ 50.000 - € 100.000 per venture** and the most common investment sum over a lifetime as angel is between € 300.000 - 500.000 and € 1.000.000 - 2.000.000. The typical investor also has one to six years experience and spends up to ten hours on business angel activities a week. His portfolio contains around 1-5 investments and it is also very likely to hold foreign investments. 76.2% of business angels are not invested in venture capital funds with a focus on startups, indicating that angel investing is a great alternative to venture capital funds.

Austrian angel investor's **money tends to flow towards seed rounds**, which is when the startup has already built a prototype. The majority of angel investors (70.9%) have already made an investment during 2018 and a quarter of all investors plan on investing more than €500.000 this year.

Portfolio performances generally fulfill expectations and one thing's for sure - angel investors are collaborators. More than half of investors prefer to invest in a syndicate rather than alone and to act as a co-investor rather than a lead investor.

Angel investment is definitely not considered to be a short term investment, a mere 0.9% of all Austrian angel investors hold their investment for less than 3 years in their portfolio. 76% - the majority - plan to hold their investment for 3-7 years and 23.1% want to hold their investment in the long(er) term, more than 7 years.

Austria's angel investors have proven to be rather successful - **an impressive 12% of investors received more than 20x return on their investment**. 50% of all angel investors have achieved at least one successful exit. Yet it turns out that Austria's angel investors are not just out for the money. Investors tend to feel very strongly about the personal attributes such as commitment and motivation of startup teams as investment criteria. Whereas things like exit possibilities and return on investment actually tend to rank very low.

The most sought out sectors of investment in 2018 are software, e-commerce businesses and health tech/life science startups.

Crunching the numbers:

Angel investment insights

1 The typical Austrian angel investors: who are they?

1.1 Demographics

The typical Austrian investor is male and around 45-54 years old. Our questionnaire responses came in at 90.1% male and just 9.9% female showing that the Austrian Angel investor scene still remains hugely male-dominated. In future we want to encourage just as many women to join in and start investing in ventures. In terms of age, the largest proportion (39.6 %) of the participants is between 45 and 54 years old. Whereas only 16.5 percent are either younger than 35 or over 64 years old. The typical Austrian angel investor also lives in Vienna.

G1: Angel investor hotspots in Austria

54.5%

Vienna

14.9%

Lower Austria

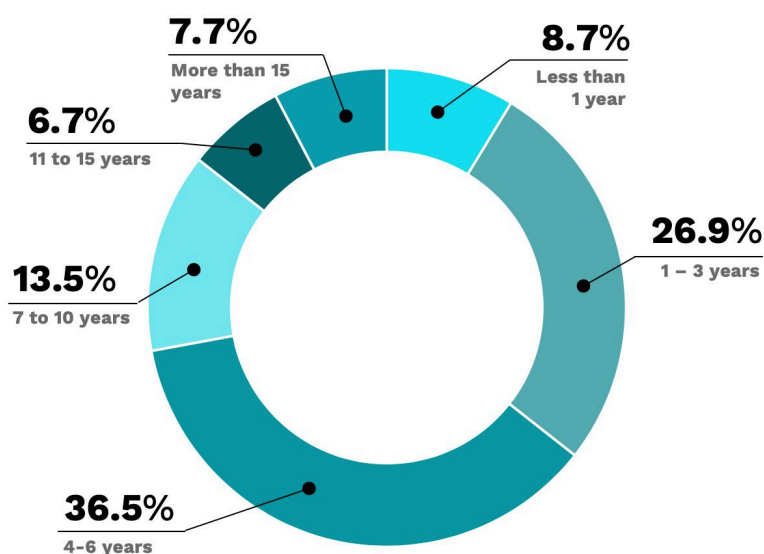
9.9%

Styria

1.2 Personal traits

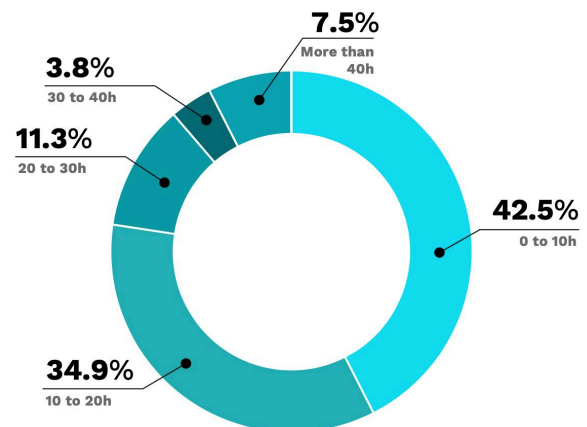
The typical investor has 1 - 6 years experience, spends 0 - 10 hours on business angel activities a week and contributes to the startup by giving relevant advice as well as connecting them with their networks.

G2: Experience of the angel investors

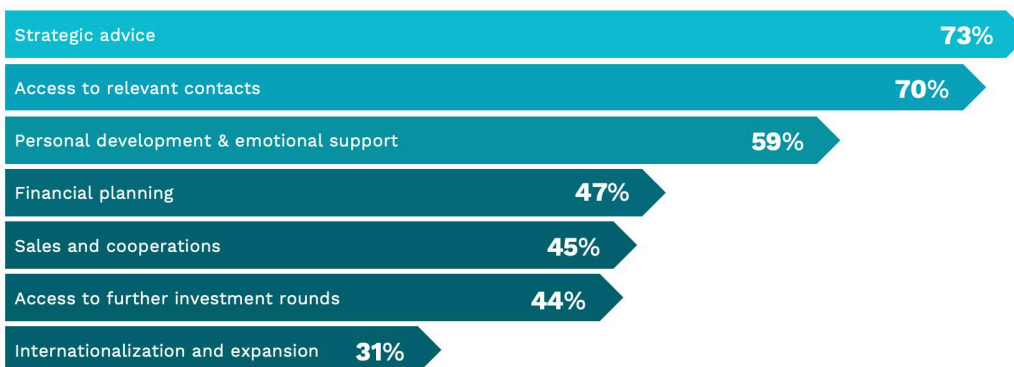


G3: Time spent per week on business angel activities

This shows that those interested in becoming angel investors are assured that they needn't become full time angels and on the other hand startups can see that the most value gained through angel investing is access to strategic advice and a relevant network.

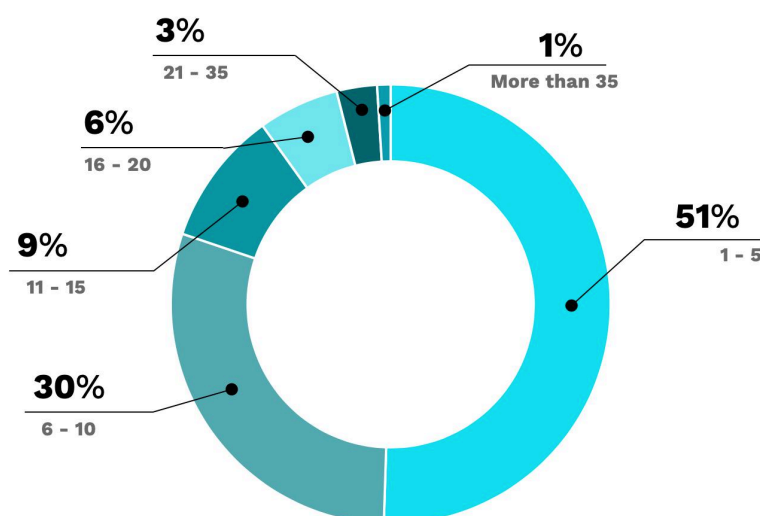


G4: Support provided by an angel investor



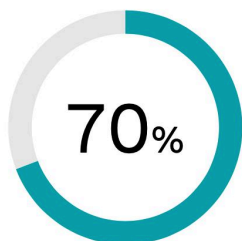
1.3 What an Austrian angel investor's portfolio looks like

A typical Austrian angel investor holds around 1-5 investments in his portfolio.



G5: Current portfolio size

70% of all angel investors choose smart money as their preferred investment option. Meaning they prefer to invest „hands-on“ into a venture and to contribute way more than just money: industry knowhow, experience and a valuable network.



G6: Investors who choose smart money as their preferred form of investment

It is also very likely for the investors to hold foreign investments in their portfolio or for them to have already co-invested with a foreign investor.

G7: Investors that have invested in one or more startups that are NOT based in Austria

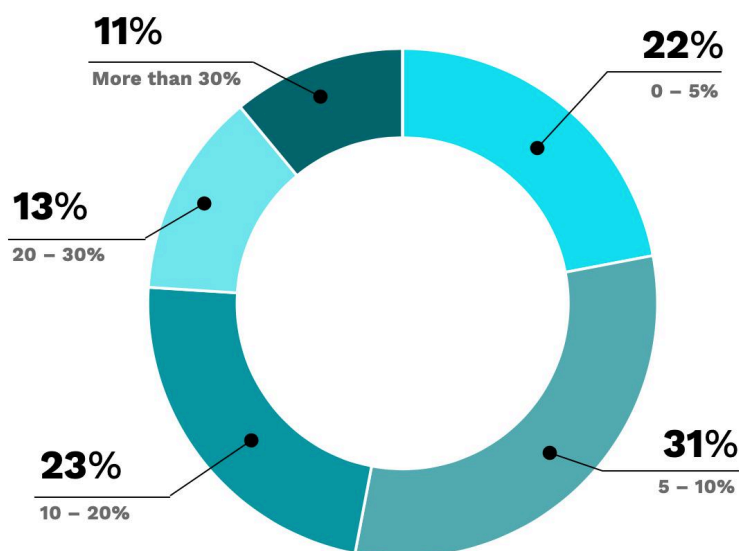


G8: Investors that have co-invested with a foreign investor



As G7 shows the amount of money invested is pretty widespread, as well as G9 indicating that for some investors angel investments play an important role in their asset allocation: 11% of investors put more than 30% of their private money into startup companies.

G9: Investible assets allocated to startup investments



What is more, a large number of investors have taken advantage of the „aws Risikokapitalprämie“ which encouraged investment into startups through grants from the Austrian government:

41.3% of angel investors made use of the **aws Risikokapitalprämie**.

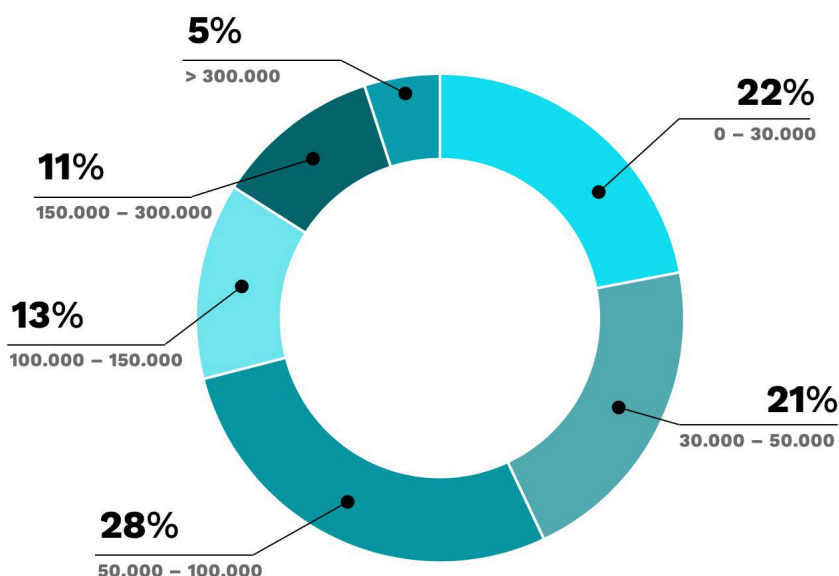
Another interesting finding is the fact that an impressive **76.2% of business angels are not invested in venture capital funds** with a focus on startups, indicating that angel investing is seen as a great alternative to venture capital funds. This is especially true if you want to see where your investment is going and want to be involved in the growth of the company by providing strategic advice, mentorship and a relevant network that will leverage the startups potential.

76.2% of angel investors are **not invested in any vc fund** with a focus on startups.

1.4 How much money angel investors really invest

The ticket size per venture is pretty widespread, ranging from smaller tickets (even less than 30k) to more than € 300.000. Over a quarter of individual investments were between € 50.000 and € 100.000, which is also the **most common ticket size** among Austrian investors. A total of 43% invests below this range and 29% do tickets between € 100.000 up to € 300.000.

G10: Average ticket size per investor



Similarly the total value of angel investments in a lifetime differs widely. The most common **total amount of investment** lie between **€ 300k to 500k** and **€ 1-2 million** both coming in at 15%. The second most popular total investment amount is between € 50.000 and € 100.000. And the highest value - more than € 5.000.000 - comes in at 9% and indicates the number of super angels currently active in Austria.

G11: Total amount of investment over the lifetime as angel investor



Looking at the numbers for 2018, we see a lot of angel activity (although not all of this is actually visible and traceable through public announcements): The majority of angel investors (70.9%) have already made an investment during the current year 2018 or are planning to do so. A quarter of all investors plans to invest more than € 500.000 this year.

70.9% have already made at least one angel investment in 2018 or are planning to do so.

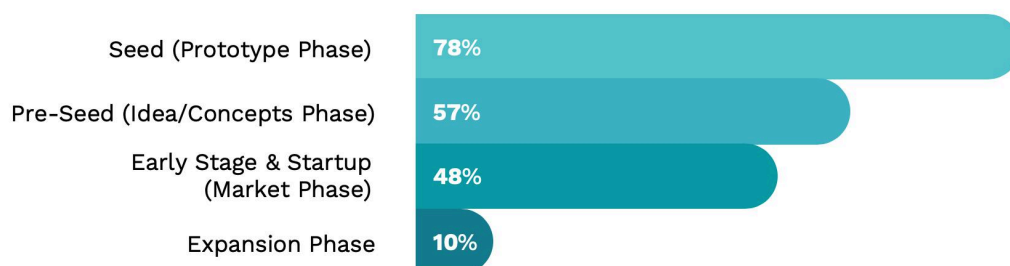
25.4% plan to invest **more than € 500.000** in 2018.

2 The typical Austrian angel investors: investment habits

2.1 When do angel investors get in?

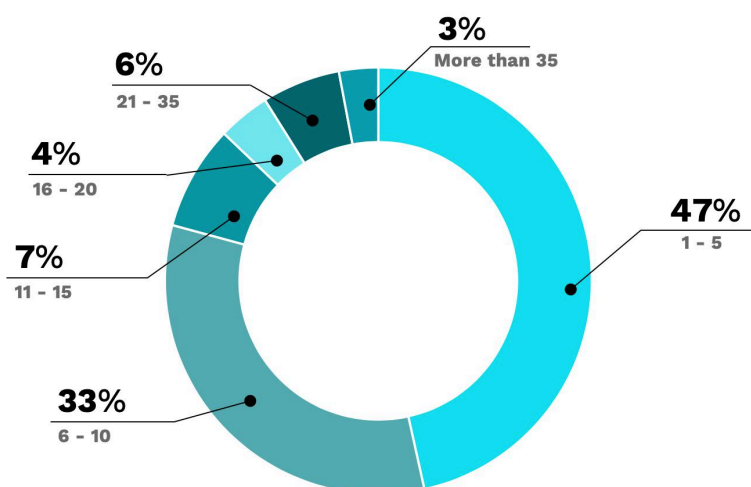
Turns out that angel investors tend to get into ventures in a rather early stage. With **most of their money flowing toward seed rounds**, which is when the startup has already built a prototype - so your best bet as a startup founder is to build a prototype before you start approaching angel investors. Whereas only 10% invest into the expansion phase of a startup.

G12: Preferred stages for angel investments



2.2 Number of investments

Over half of Austria's angel investors have invested in more than 5 companies in their entire lifetime (G13). Whereas 6% have invested in 21-35 companies and **3% have even invested into more than 35 companies** – again indicating that there are some Austria super angels around. The term „super angel“ refers to an angel investor, who is specifically successful, invests in more companies and has a larger ticket size than most other angel investors (more about that on our blog: www.aaia.at/blog)



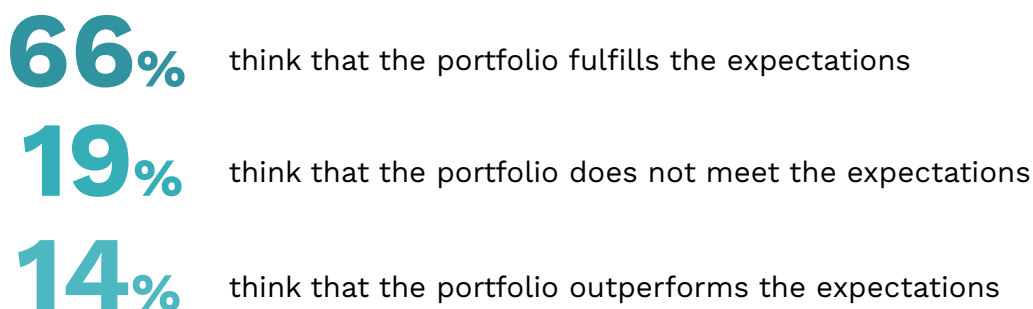
G13: Total number of investments

A little under half of angel investors (47%) have merely invested in 1-5 companies.

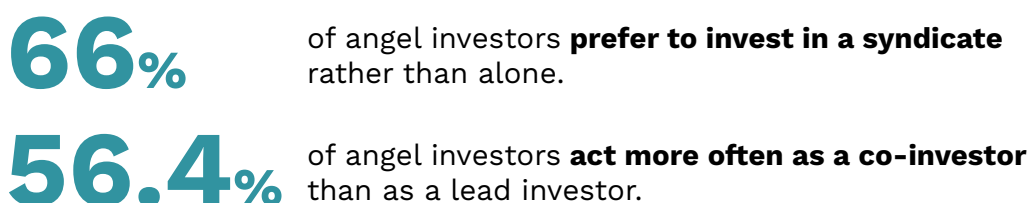
There are two possible explanations for that. Number one: As Angel investing is a relatively new trend in Austria, these people might just be getting started in their investment career. And the second one: Austrians tend to create rather small portfolios and spread their available assets with rather big tickets on a small amount of companies – which is quite different from the investment approach in other countries as the average ticket size in Europe is 25.4k.

2.3 Portfolio satisfaction

Our numbers show that portfolio performances generally fulfill expectations - which is fantastic news. This means that the information provided by us and within the angel investment industry is accurate, doesn't overpromise, sets the right expectations and reflects a culture of transparency.

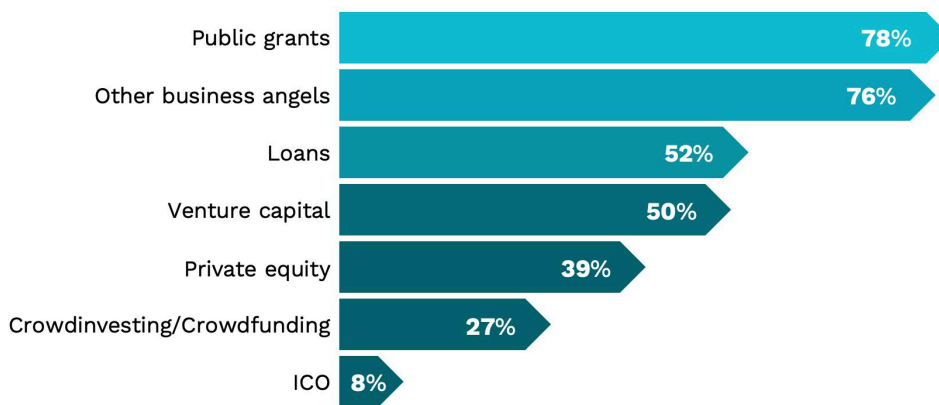


2.4 Collaboration & Syndication



One thing's for sure - **angel investors are collaborators**. More than half of investors prefer to invest in a syndicate rather than alone and to act as a co-investor rather than a lead investor. Co-investments involving other business angels happen extremely frequently, with 76% teaming up with other angels. Similarly angel investors are big fans of **public funding**: 78% said that their companies used this form of funding.

G14: Forms of (co-) funding used by angel investors and their portfolio companies



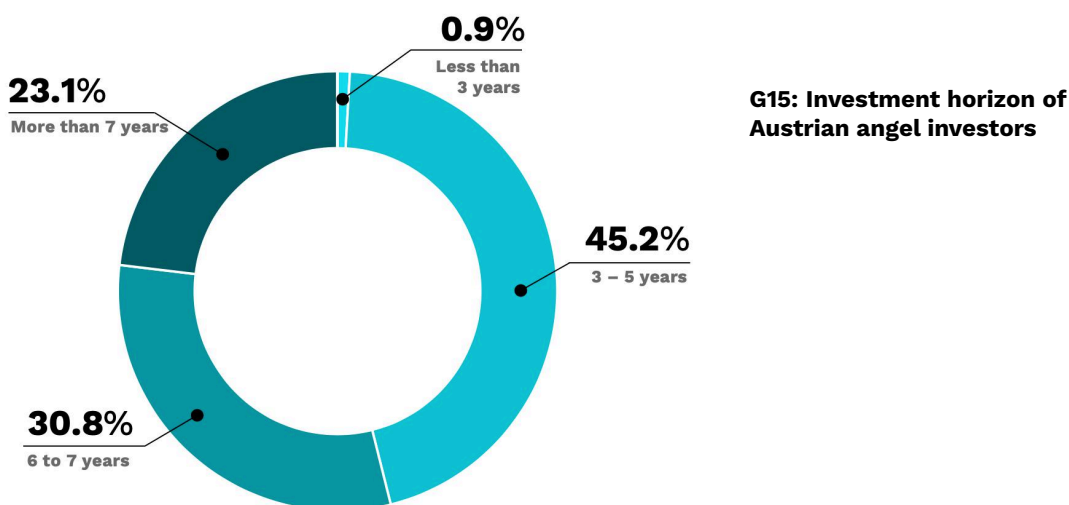
Also quite popular coming in at around 50% are loans and venture capital. Private equity, crowdfunding and ICOs come in lower – angel investors and their companies are not that keen on using these funding opportunities (yet).

Especially the co-investment statistics display and proof the **importance of collaboration, exchange of know-how and network** - which is exactly what we're all about at aaia.

3 The typical Austrian angel investors: investment facts

3.1 Investment lifetime

Angel investment is not considered to be a short-term investment and the numbers reflect that investors are in it for the long run. A mere 0.9% of all Austrian angel investors hold their investment for less than 3 years in their portfolio. 76% - the majority - plan to **hold their investments for 3-7 years** which is considered to be rather medium term and 23.1% want to hold their investment in the long(er) term, more than 7 years.



3.2 Successful exits

An impressive **50% of all angel investors have already achieved at least one successful exit** - which means a startup they have invested in was successfully acquired or went public. These figures not only show that angel investing can be a very lucrative method of investing, but are also promising in terms of the state of the ecosystem with investors becoming more experienced and successful.



G16: Number of investors that already had at least one successful exit

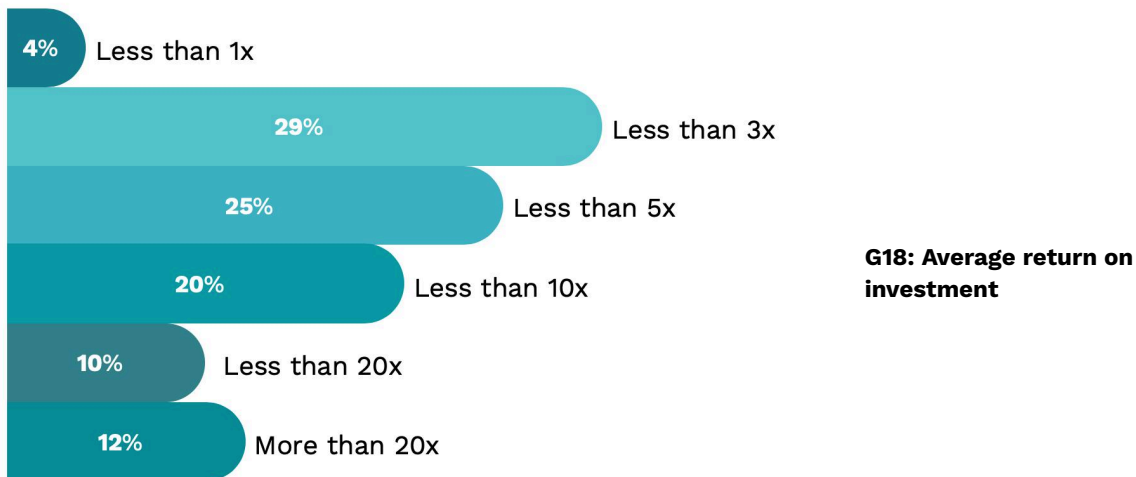


G17: Number of investors that had to write off at least one stake in a company

On the other hand over half of investors had to write off a stake, proving that the risk of losing the money invested and the failure of startup companies are part of the game.

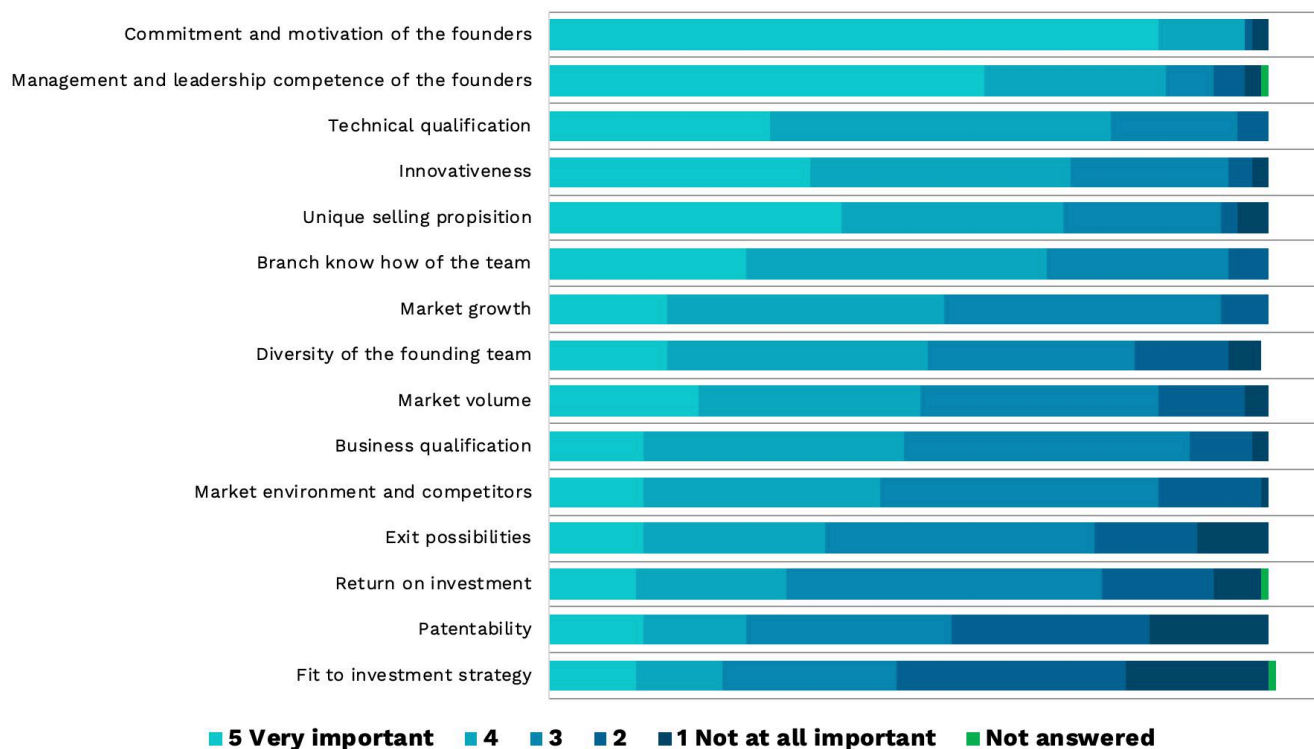
3.3 Return on Investment

As we all know, startup investments are quite risky. Therefore the question of the potential return is a very valid one and as the numbers show, Austrian angels have been quite successful with their deals: 12% received a return on investment of more than 20x. Only 4% of investments received a return of less than 1x, which is very promising indeed.



3.4 Investment criteria

Turns out that Austria's angel investors are not just out for the money. Investors tend to **feel strongly about personal attributes** such as commitment and motivation of startup teams as investment criteria. Whereas things like exit possibilities and return on investment actually tend to rank very low as investment criteria. This just goes to show how personal investing is and what intentions investors have. **It's not just about financial gains** it's about pushing motivated individuals, driving a unique idea to realisation and being a part of the innovative ecosystem.



G19: Investment criteria of Austrian angel investors

3.5 Industries & verticals

The most sought out sectors of investment for angel investors are software, e-commerce businesses and health tech/life science startups. After these sectors DeepTech, FinTech and marketplaces follow. On the lower scale of investment interest is hardware, impact investing and education.

47.1%

Software

43.3%

Internet &
E-Commerce

36.5%

HealthTech/
Life Science

31.7%

DeepTech

26.9%

FinTech

26%

Marketplaces

23.1%

Hardware

23.1%

Impact
Investing

21.2%

Education

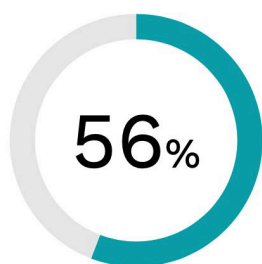
G20: Most interesting industries/verticals for Austrian angel investors

Looking back:

Development of the Austrian angel investment industry

As we have seen from our Austrian angel investment insights the most sought out sectors of investment in 2018 are software, e-commerce businesses and HealthTech/ life science startups. In 2016 software was also the most sought out industry, however FinTech and media were not far behind. Although these are also still popular in 2018 the focus seems to have shifted to e-commerce and health/life science tech is somewhat of a new category to have erupted.

In 2016 the average investor held around 7 investments whereas in the most common amount to hold by far was 1-5 investments, perhaps investors have come to notice that quality wins over quantity. Moreover, investors do need to allocate time to their startups so they can give strategic advice and connect them with the right network - it might also be that they have seen the value of dedicating to fewer ventures. Generally speaking angel investor's behaviour and tactics don't seem to have budged much, but the sectors definitely have.



G21: Number of investors that expect at least one exit in 2019

Investors remain positive during the year 2018, 56% of investors believe the year 2019 will be promising and expect at least one exit to go through from the current portfolio of startups they are invested in.

Looking forward:

How aaia contributes to the investment ecosystem

In 2019 we'll continue our journey to excite even more people about angel investing. We will do so by not only raising awareness about alternative investments in general but by **bringing angel investing to regional areas across the country**.

Strengthening international and cross border connections are also at the core of our strategy, as we strongly believe that collaboration and **cross border investments are key to strengthen the European innovation ecosystem**. Therefore we created a CEE event series called „CEE Unlimited“, which will connect several cities across Central and Eastern Europe. By supporting local investment and startup ecosystems and eventually connecting them among each other, we'll contribute to position Vienna and Austria as a gateway between East and West – with our next Investors Day coming up in November 2019.

We are also extremely dedicated to increasing the number of female investors in 2019 by hosting networking events and partnering up with female focused programs, **encouraging women to become active in the investment community**.

With the findings of this report, we'll also foster our efforts on **improving the regulatory framework for angel investing in Austria** and in cooperation with our umbrella organization EBAN, we'll also do so on an European level.

As we have done throughout the past six years, aaia will continue to drive the industry and support angel investors on their journey every step of the way. We look forward to what the future holds and hope you join us on this exciting endeavour of investing into the future and next generations – today.