

aaia | aws

ANGEL INVESTING REPORT 2020

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Imprint

Austrian Angel Investing Report 2020
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AUSTRIAN ANGEL INVESTORS ASSOCIATION

We, the Austrian Angel Investors Association (aaia in short), believe that every great idea deserves funding in order to bring it to fruition. We also believe that there are many private Austrian investors with the relevant expertise and capital to back talented entrepreneurs. However, people lack understanding. The awareness that angel investments are not just another way of storing wealth. The attention that one can use their expertise and capital to drive innovation and support great business founders and help them bring their ideas to life. And what's more important than investing in the world of tomorrow? By the way, angel investments can also be very profitable, but that should not be the main driving force. The only way to really raise recognition is through solid facts that are backed up by figures. This is exactly why we conducted this study to raise aware-

ness for angel investments in Austria. It clearly shows us the status-quo, areas for improvement, and enables international comparison.

Come, join us and start investing in the world of tomorrow - today!

The Austrian Angel Investors Association 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 startup 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.



LAURA EGG

Managing Director
Austrian Angel Investors Association

photo credits: Marcella Ruiz Cruz

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AUSTRIA WIRTSCHAFTSSERVICE GMBH

As Austria Wirtschaftsservice GmbH (aws), the Austrian federal promotional bank, our goal is to strengthen the domestic business location and the competitiveness of Austrian companies as well as to secure jobs in the long-term. Especially startups, which are an essential driving force of innovation. However, the early stages are the most challenging times for startups.

There is a significant difference between the notion of starting a company and actually succeeding long-term with a viable company. In this initial stage, business angels play a critical role, as they are, besides their public funding offerings, the crucial source of finance in the early phases. Angels are the ones that fill the void and are very often responsible for the lasting success rate of young Austrian companies. More often than not, money is not the only

resource for a startup when taking business angels on board. They will also offer valuable guidance, build significant ties and help out with their personal network. Getting a business angel can be the reason for success and growth, and angel investor-funded startups are more likely to succeed. Therefore, we believe that business angels are among the most significant players in the Austrian startup ecosystem and are happy to make their contribution visible with the Angel Investing Report.

As aws, we support business angels as well as startups by connecting them within the aws i2 Business Angels program. We are happy to see our investors' network of the aws i2 Business Angels growing each year and believe that many more successful business angel investments are yet to come.



CARINA MARGREITER

Program Manager
aws i2 Business Angels

photo credits: aws

KEY FINDINGS

A typical Austrian investor is **male**, around **45-54 years** old and lives in **Vienna**.

65%

said that the factors which are most important concerning the founding team are commitment and motivation.

FACTORS FOR INVESTMENT

Factors that matter most to investors in terms of their portfolio: ROI was most important to 56%, followed by fitting in with their own investment portfolio.

A typical Austrian investor invests around €50,000 - €100,000 per venture and the most common investment sum over a lifetime as an angel investor is between €1,000,000 - €2,000,000.

The portfolio of a typical Austrian investor contains around 1-5 investments and it is also very likely to hold foreign investments.

40% of investors had to write off at least one of their investments.

62% of investors take a deeper look at up to 25 startups per year on average.

87%

intend to invest in at least one startup in 2021, 30% of investors plan to invest between €75,000 and 150,000 in startups in 2021 and nearly 10% of investors are even going to invest more than €500,000.

A typical investor has 4 to 6 years of experience and spends 0 to 10 hours on business angel activities a week.

77%

of angel investors invested in at least one startup in 2020. Angel investors were in particular interested in health-tech/life-science startups, followed by deep-tech & fin-tech.

INVESTING DURING CRISIS 2020

Surprisingly, 47% of investors focused on investing in new startups during the pandemic.

58%

of investors predict that it is more likely or certain that one or more companies in their portfolio will face long-term financial difficulties.



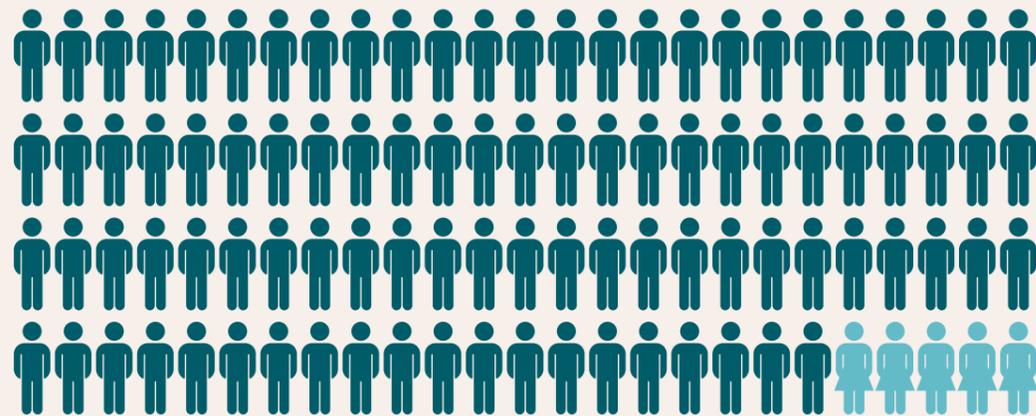
**TYPICAL AUSTRIAN
ANGEL INVESTOR**

1.1 DEMOGRAPHICS OF AN ANGEL INVESTOR

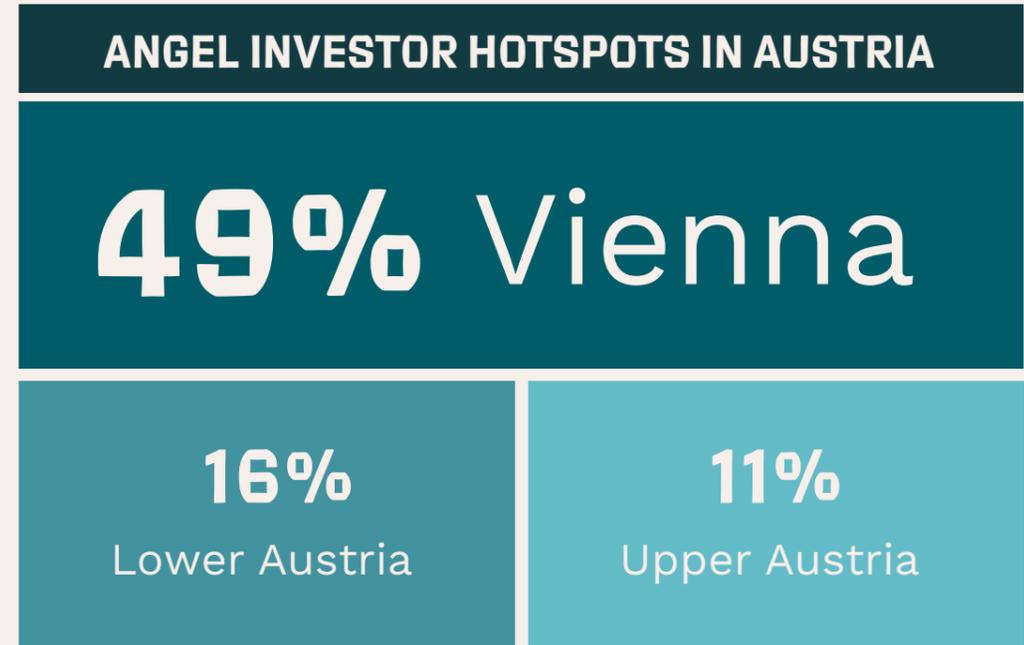
TYPICAL CHARACTERISTICS

The typical Austrian angel investor is male and around 45-54 years old. Responses to our questionnaire revealed that 94.7% were male and just 5.3% female, showing that the Austrian Angel investor scene still remains hugely male-dominated. In the future, we want to encourage just as many women to join in and start investing in

ventures. In terms of age, the largest proportion (43.6%) of the participants is between 45 and 54 years. Whereas only 7.6% are younger than 35 years, and 7.5% are older than 64 years. Similar to the Angel Investing Report 2018, most Austrian angel investors live in Vienna.



GENDER: MALE
AGE: 45-54
LOCATION: VIENNA



Diversity is not only important when looking at founder teams – also the business angel community has a lot of potential to improve. Studies have shown that more female investors lead to more female founders. It's crucial to bring more female business angels to the table, e.g. by actively inviting them and educating them about the investment process.



NINA WÖSS

Co-Founder & COO Female Founders

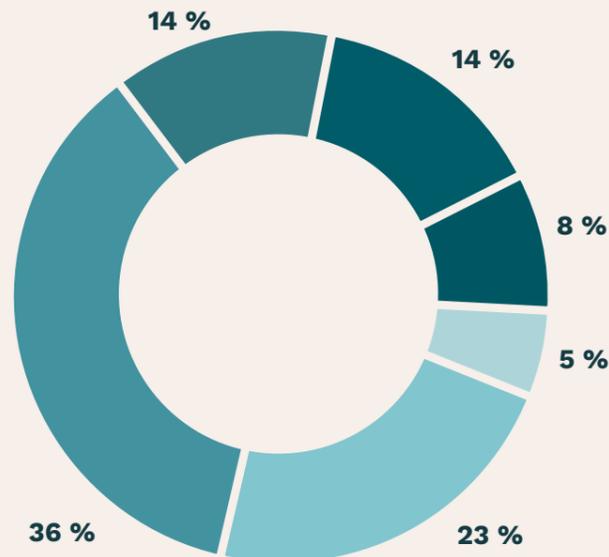
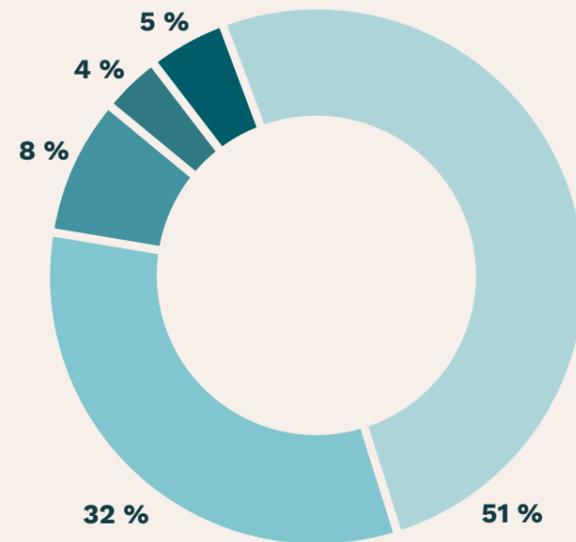
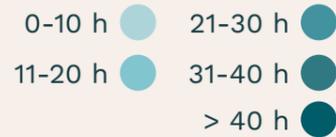
photo credits: Marcella Ruiz Cruz

1.2 PERSONAL TRAITS OF AN ANGEL INVESTOR

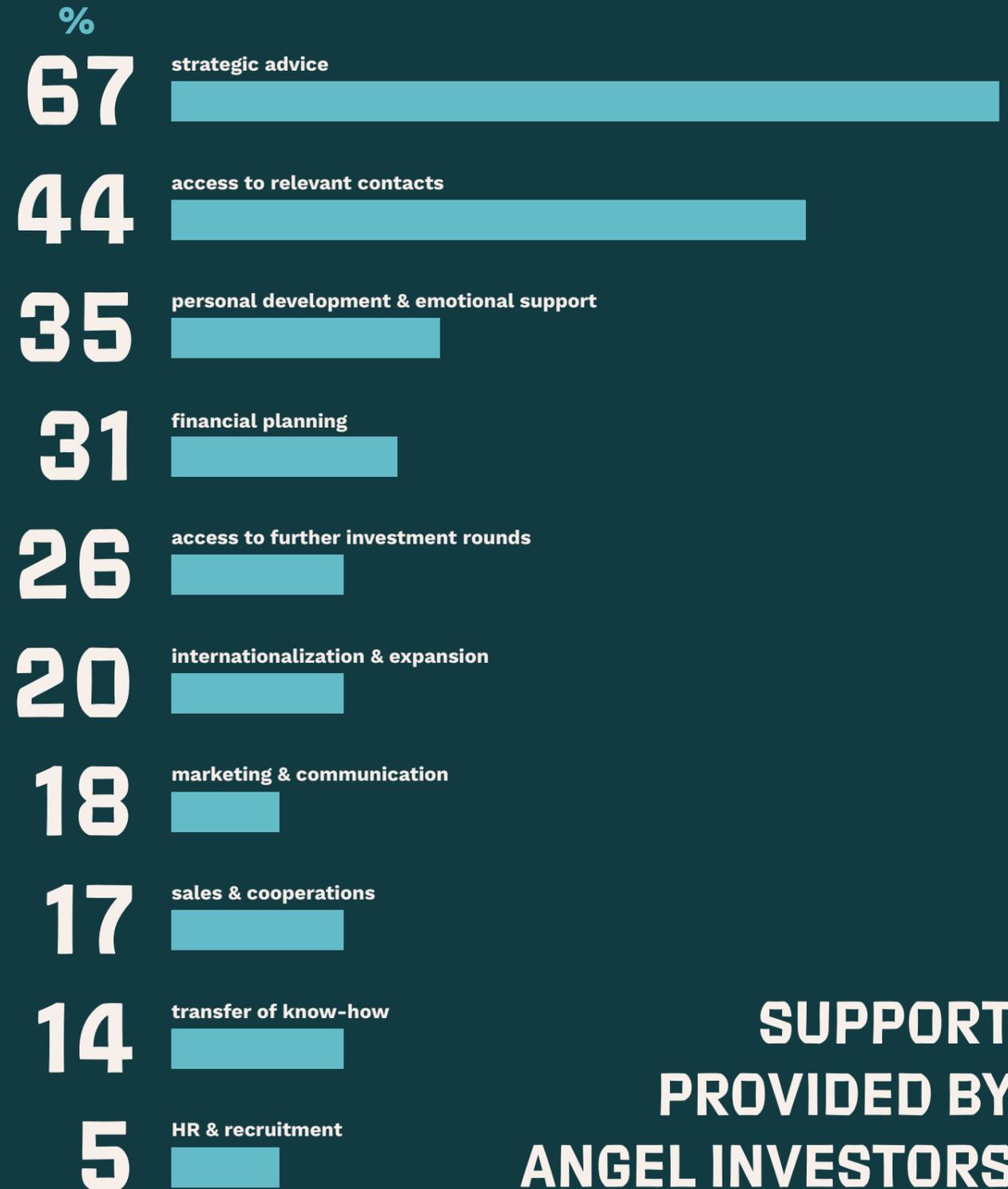
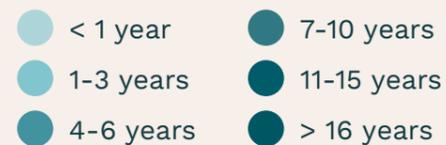
PERSONAL TRAITS

The typical investor has 4 to 6 years of experience and spends up to 10 hours on business angel activities a week (51.1%). The average investor contributes to the startup by giving relevant strategic advice as well as connecting with networks.

WEEKLY TIME SPENT ON BUSINESS ANGEL ACTIVITIES



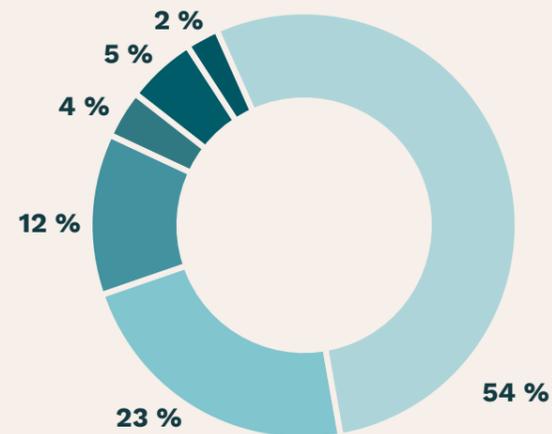
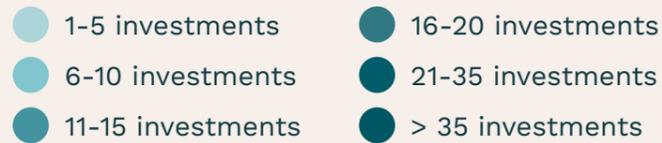
YEARS OF EXPERIENCE AS BUSINESS ANGEL



SUPPORT PROVIDED BY ANGEL INVESTORS

1.3 PORTFOLIO OF AN ANGEL INVESTOR

A typical angel portfolio includes 1-5 INVESTMENTS



75%

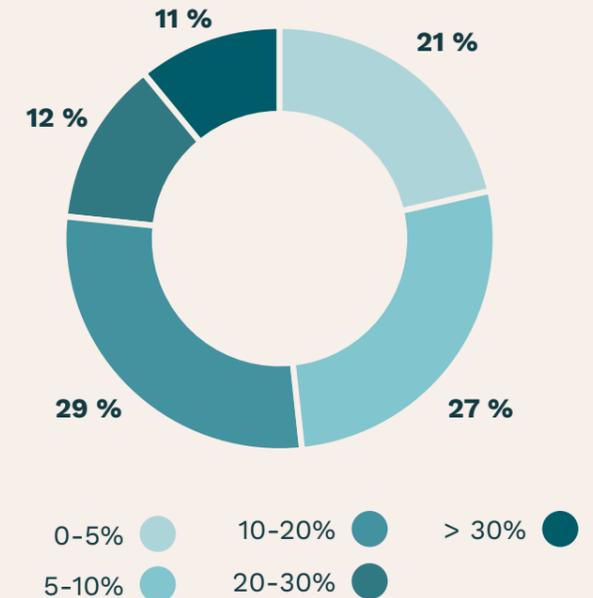
CHOOSE SMART MONEY AS THEIR PREFERRED INVESTMENT OPTION

Meaning they prefer to invest 'hands-on' in a venture and to contribute way more than just with money; industry know-how, experience and a valuable network. It is also very likely for the investors to hold foreign investments in their portfolios or to have already co-invested with a foreign investor. The fact that 69% have already invested in one or more startups that are not based in Austria shows that the amount of money invested is pretty widespread.



INVESTABLE ASSETS ALLOCATED TO STARTUP INVESTMENTS

For investors, angel investments play a vital role in their asset allocation: 11% of all investors put more than 30% of their private money into startups. The proportion of investable assets allocated to startup investments varies widely in general. On average, the most considerable portion of investors invests between 10-20%.



65%

HAVEN'T INVESTED IN ANY VC FUND WITH A FOCUS ON STARTUPS

Another interesting finding is the fact that an impressive 65% of business angels have 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 company's growth by providing strategic advice, mentorship and a relevant network that will leverage the startup's potential.

1.4 MONEY INVESTED BY ANGEL INVESTORS

€ 0-30,000



€ 30,000-50,000



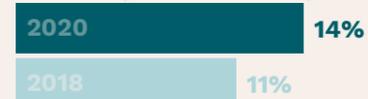
€ 50,000-100,000



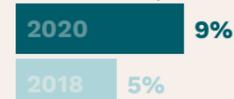
€ 100,000-150,000



€ 150,000-300,000



€ >300,000

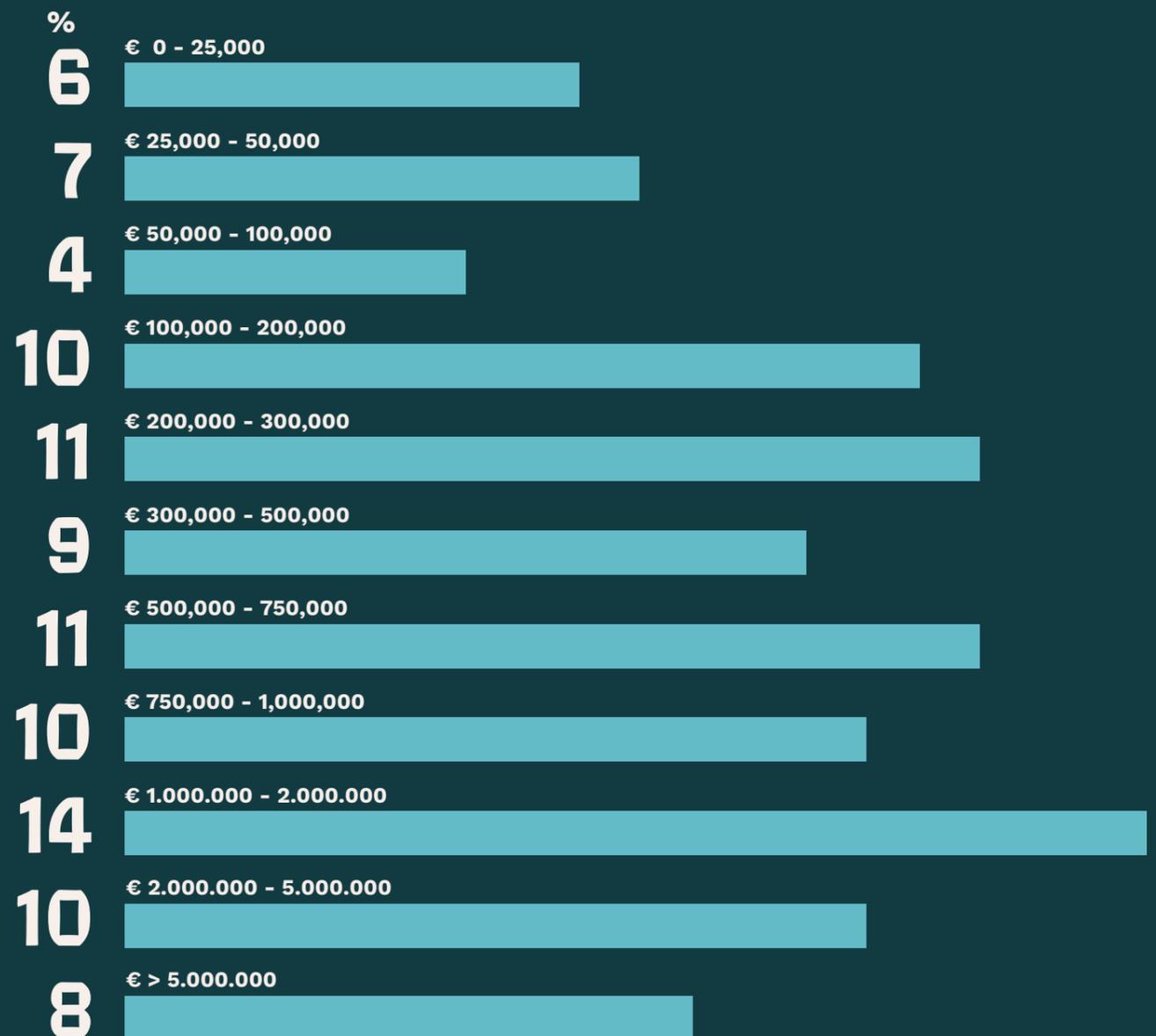


TICKET SIZE PER INVESTOR

The ticket size per venture is pretty widespread, ranging from smaller tickets (even less than 30k) to more than €300,000. 33% of individual investments were between €50,000 and €100,000, which is also the most common ticket size thus Austrian investors and slightly higher compared to the Angel Investing Report 2018. A total of 32% invest below this range and 26% do tickets between €100,000 and up to €300,000. Furthermore, it is worth highlighting that 9% do tickets higher than €300,000, which corresponds to an increase of 4% compared to 2018.

TOTAL AMOUNT OF INVESTMENT

Similarly, the total value of angel investments in a lifetime differs widely. The most common total amount of investment is between €1-2 million, with 14%. The second most popular total investment amounts lie between €200,000 to €300,000 and €500,000 to €750,000, both coming in at 11%. The highest value - more than €5 million - comes in at 8% and indicates the number of super angels currently active in Austria (diagram page 19).



TOTAL AMOUNT OF INVESTMENTS OVER LIFETIME



**INVESTMENT FACTS
& HABITS**

2.1 INVESTMENT PHASE & NUMBER OF INVESTMENTS

INVESTMENT PHASE

Compared to the 2018 report, we can clearly see that the early phase in the business cycle turns out to be the one with the highest participation, which is almost unchanged. Angel investors tend to get into ventures at a relatively early stage. The highest participation is with the 69.7% that

continue to be in the seed phase. In 2018, it was as much as 78% who had already sought involvement in the seed phase. We see a slight shift from the pre-seed phase toward the seed stage and investors, in general, put more focus on investing after the prototype was completed.

Pre-Seed (Idea & Concept Phase)



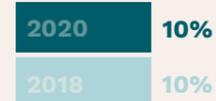
Seed (Prototype Phase)



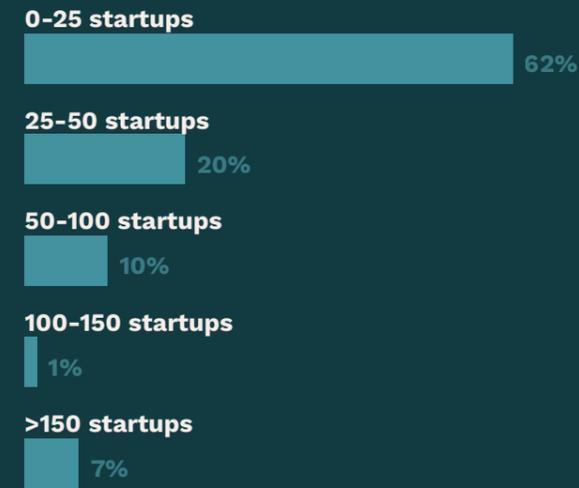
Early Stage & Startup (Market Phase)



Expansion Phase



NUMBER OF VIEWED STARTUPS EACH YEAR



As you've probably noticed, we've added a few questions to the 2020 report. One of them focuses on: "How many startups do you look at on average in a year?" We have added the questions because we have observed that it is quite an enthralling area before reaching the phases of the investment. The majority, 61.7% to be exact, looks at up to 25 startups per year on average. 6.8% stated that they look at more than 150 startups, which is interesting because the number of investors who look at 100-150 is significantly lower at 0.8%.



TIME FROM FIRST TALK TO INVESTMENT

When asked how long the average conversations took to close an investment, 32.3% said 2-3 months. Overall, most have taken between 1-4 months, after the initial interview, to come to a conclusion.



UNSUCCESSFUL INVESTMENTS

Here, more than half (59.4%) of the respondents have already had to write off at least one investment.

2.2 PORTFOLIO SATISFACTION & COLLABORATION

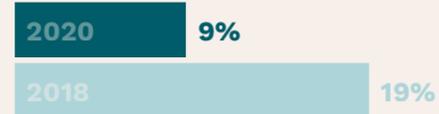
PORTFOLIO SATISFACTION

Our numbers show that portfolio performances generally fulfill expectations or cannot yet be estimated - which is good news. This means that the information provided by us and within the angel investment industry is accurate, doesn't overpromise, and therefore, reflects a culture of transparency.

However, what can be observed is that in 2018, 66% still thought that expectations would be fully met; in 2020, that figure is down to 42.9%. Here, the question is, why there was a decline, and what the reason might have been.

DOES YOUR PORTFOLIO MATCH YOUR PERFORMANCE EXPECTATIONS?

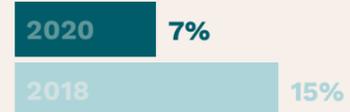
expectations not fulfilled



expectations fulfilled



expectations exceeded

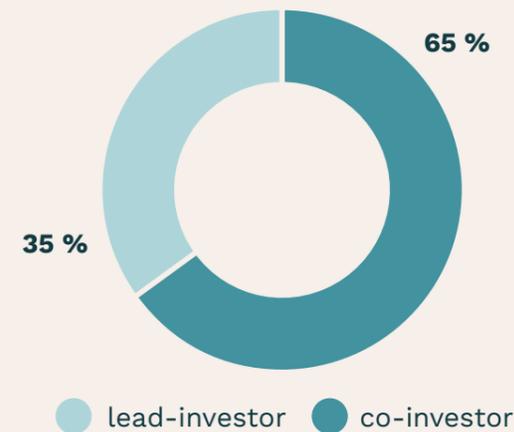
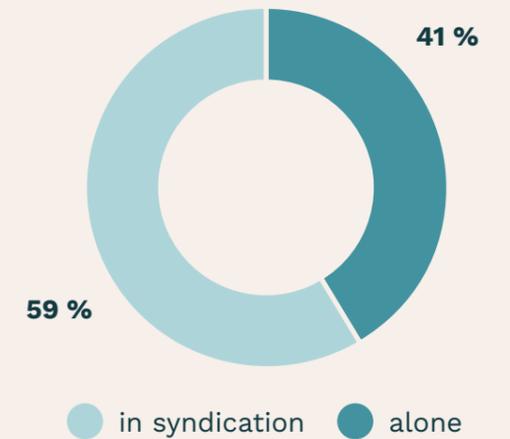


not assessable



COLLABORATION & SYNDICATION

2020 was an exceptional year, which was also reflected in investments. We investigated whether angel investors preferred to invest in the syndicate or on their own and got the answer. Compared to 2018, where 66% invested in syndicates, in 2020, the number changed to 58.6%, and 41.4% preferred to invest alone.



CO-INVESTOR AND LEAD-INVESTOR

In 2020, there was also a slight shift in the question of lead or rather co-investor. Here, in contrast to 2018 (56.4%), 65.4% stated that they act more frequently as a co-investor than as a lead investor.



Investing in startups is a high-risk investment. Diversity in the portfolio is therefore important for angel investors. In two aspects: Both in terms of the stage of development and regarding the ecosystems in which the startups operate. It is also helpful to invest in funds for diversification. And in Austria, I think, syndication of several investors also makes a lot of sense, because the legal formalities for startups can be completed more quickly and do not take away energy from founders from day-to-day business.



KARIN KREUTZER
Business Angel

photo credits: Peter Podpera

2.3 INVESTMENT CRITERIA

IMPORTANCES FOUNDING TEAMS

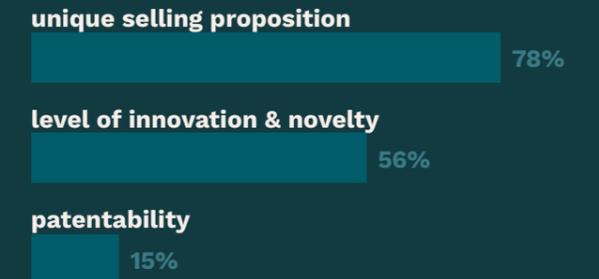
In this part of our survey, we looked at investment decisions and asked explicitly about relevant factors of consideration. When asked about the most important aspects concerning the founding team, 65.4% stated that it is primarily commitment and motivation that are important to them. Respondents indicated that at 38.3% and 36.1% respectively, the management and leadership skills and the industry

know-how of the team are essential to them. 9.8%, diversity is probably not the most crucial factor for investors. It would be interesting to ask what they understand by the diversity of the founding teams to investigate this aspect's low relevance. In each question, participants were allowed to choose the 2 to 3 most important factors, when evaluating an investment.



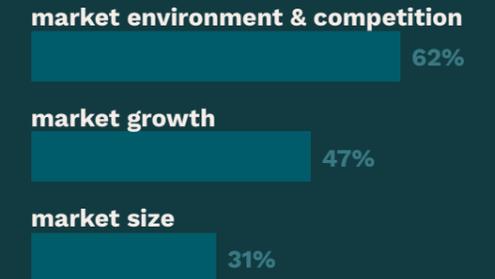
TERMS OF BUSINESS IDEA

There are many interesting business ideas. We asked what is most important to our investors in terms of a business idea that they would invest in. What are the determining factors? The answer was quite clear, with 78.2% saying the Unique Selling Proposition (USP), followed by innovating content or the business idea's novelty with 56.4%.



FACTORS MARKET

When asked which factors are most important, taking into account the market, 61.7% said that the market environment and the competition are most important to them.



FACTORS FIT PORTFOLIO

We took it a step further and asked about the factors that matter most to you regarding your portfolio. Return on Investment (ROI) was the most important at 55.6%, followed by fitting in with their own investment portfolio.



2.4 SUCCESSFUL EXITS & RETURN ON INVESTMENT

SUCCESSFUL EXITS

57,9% of the respondents have already achieved at least one successful exit - which means a startup they have invested in was successfully acquired or went public. These figures show that angel investing can be a very lucrative method of investing and is also promising in terms of the eco-

system's state, with investors becoming more experienced and successful. On the other hand, approx. 40% 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.



HAD ALREADY ONE SUCCESSFUL EXIT



HAD TO WRITE OFF A STAKE

HAVE YOU ALREADY ACHIEVED A SUCCESSFUL EXIT WITH AT LEAST 1 INVESTMENT?

YES
58%

NO
42%

RETURN ON INVESTMENT

As we all know, startup investments are quite risky. Therefore the question of the potential return is a very valid one. As the numbers show, Austrian angels have been successful with their deals: What is probably exciting in comparing the numbers be-

tween 2018 and 2020 is their exits' ROI on average. Here there were minor differences between the years. In 2018 it was 12% who reported more than 20 times. In 2020 it was 13%, so only a marginal difference and with 5.2% of respondents achieving less than one time their average was 4% in 2018, so almost unchanged. The majority, at 32.5%, reported their ROI on their exits being less than three times.

less than 1 time



less than 3 times



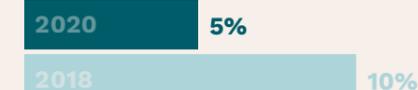
less than 5 times



less than 10 times



less than 20 times



more than 20 times

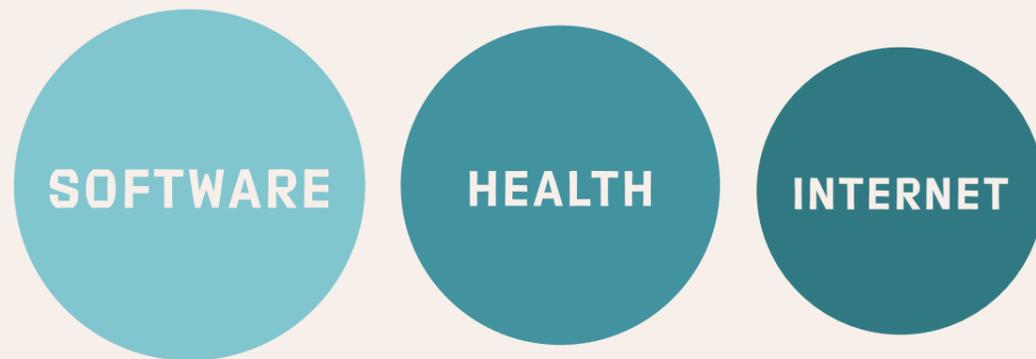


2.5 INDUSTRIES & VERTICALS

SECTORS OF ACTUAL INVESTMENTS

We asked in which sectors the portfolio companies are active at the moment. The most sought-out investment sectors for angel investors are software, health-tech/life-science, and internet & e-commerce

startups, followed by fin-tech, deep-tech, and marketplaces. On the lower scale of investment interest is: logistics, gaming, and retail

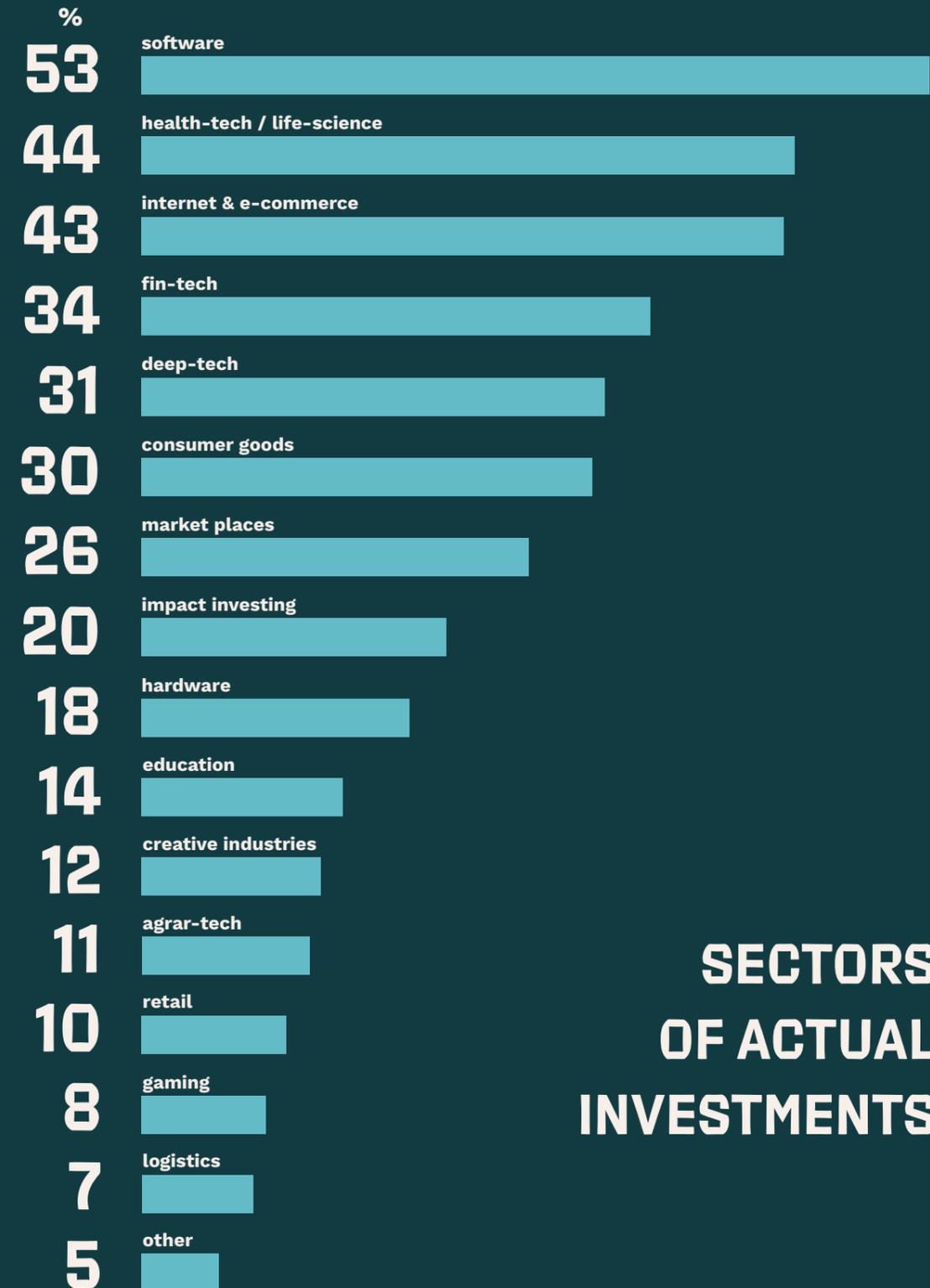


“ The startup investment scene is mainly dominated by verticals such as software and health&life and they are rapidly growing. When it comes to investment in the education sector, the interest in Austria is comparably low compared with the trends we see across Europe. The European Ed-Tech market is expected to reach a value of +60,000 million by 2027 and I am convinced that we will see this growth impacting our country in terms of startup investments soon.



FELIX OHSWALD
Founder of GoStudent

photo credits: GoStudent



SECTORS OF ACTUAL INVESTMENTS



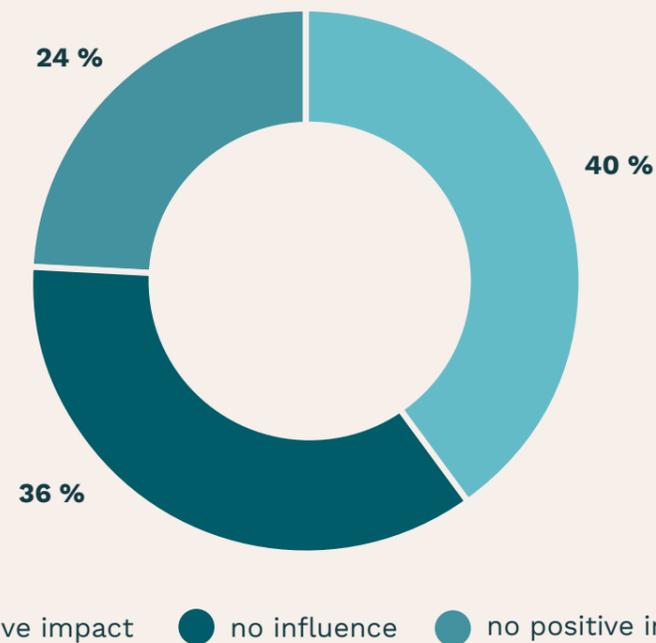
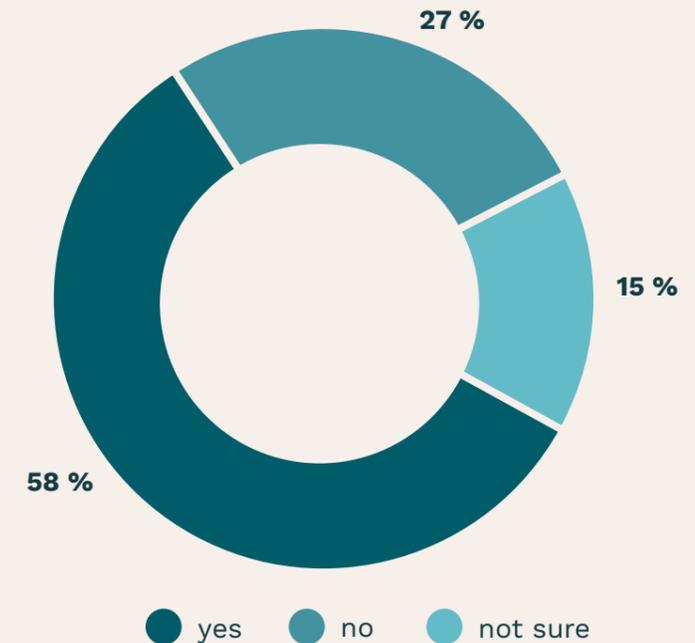
**IMPACT OF COVID19
& OUTLOOK 2021**

3.1 COVID-START-UP-HILFSFONDS

COVID-START-UP-HILFSFONDS

With the “Covid-Start-Up-Hilfsfonds”, the aws, the Austrian federal government’s promotional bank, doubled the private equity contributed by investors in startups. This measure was intended to secure the necessary financing for companies with insufficient or no liquidity due to the current crisis. With this measure, a total of 100 million Euros (50 million public + 50

million private capital) were invested in innovative Austrian companies. 58% of the investors have at least one startup in their portfolio, who has received the Covid-Start-up-Hilfsfonds. The diagram on the right shows that the option to leverage the financing round with public money positively impacted the investment decision for 40% of the angel investors.



IMPACT OF COVID-START-UP-HILFSFONDS ON INVESTMENT DECISION

PORTFOLIO COMPANIES RECEIVED COVID-START-UP-HILFSFONDS



Business angels are important players in the Austrian startup ecosystem and thus crucial for many success stories of Austrian startups. 2020 was particularly challenging due to the global COVID19 pandemic, and for many startups, public funding in combination with investments from their existing business angels was essential in overcoming the crisis.



DI BERNHARD SAGMEISTER

Managing Director of Austria’s Federal Promotional Bank “Austria Wirtschaftsservice GmbH” (aws)

photo credits: aws | Katharina Gossow

3.2 INVESTING DURING CRISIS YEAR 2020

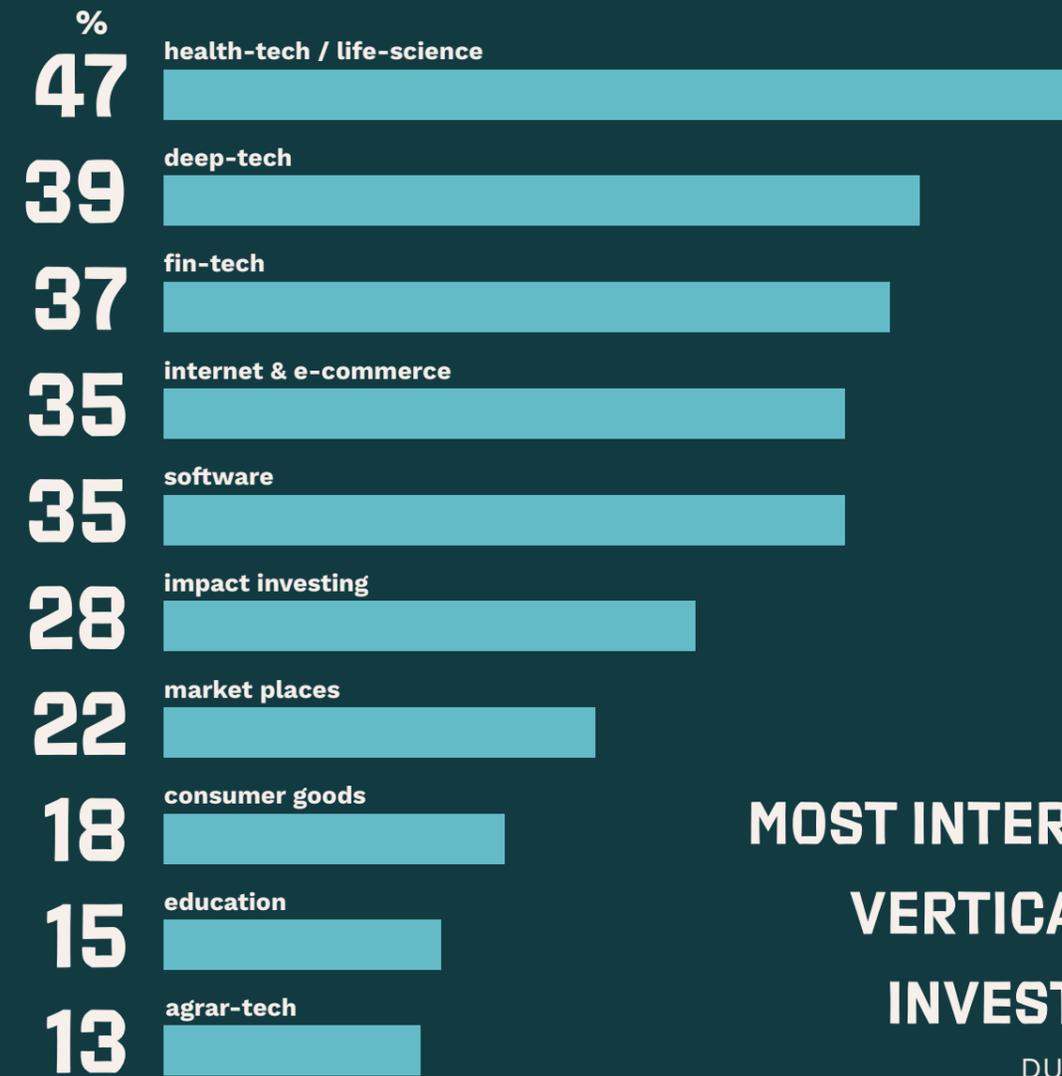
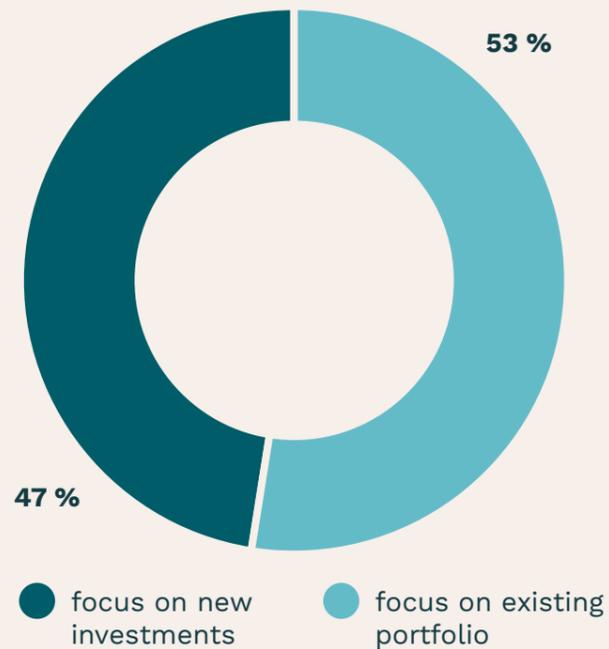


77% OF ANGEL INVESTORS INVESTED IN AT LEAST 1 STARTUP IN 2020

Austrian angel investors stayed optimistic during 2020 and 77.4% invested in at least one startup. Various measures like the Covid-Start-up-Hilfsfonds and “Kurzarbeit” probably increased their confidence. However, startups had a more difficult time fundraising last year because angel investors increasingly focused on their existing portfolios. The industry’s uncertainty was a big challenge for investors.

PORTFOLIO INVESTMENTS VS NEW STARTUPS

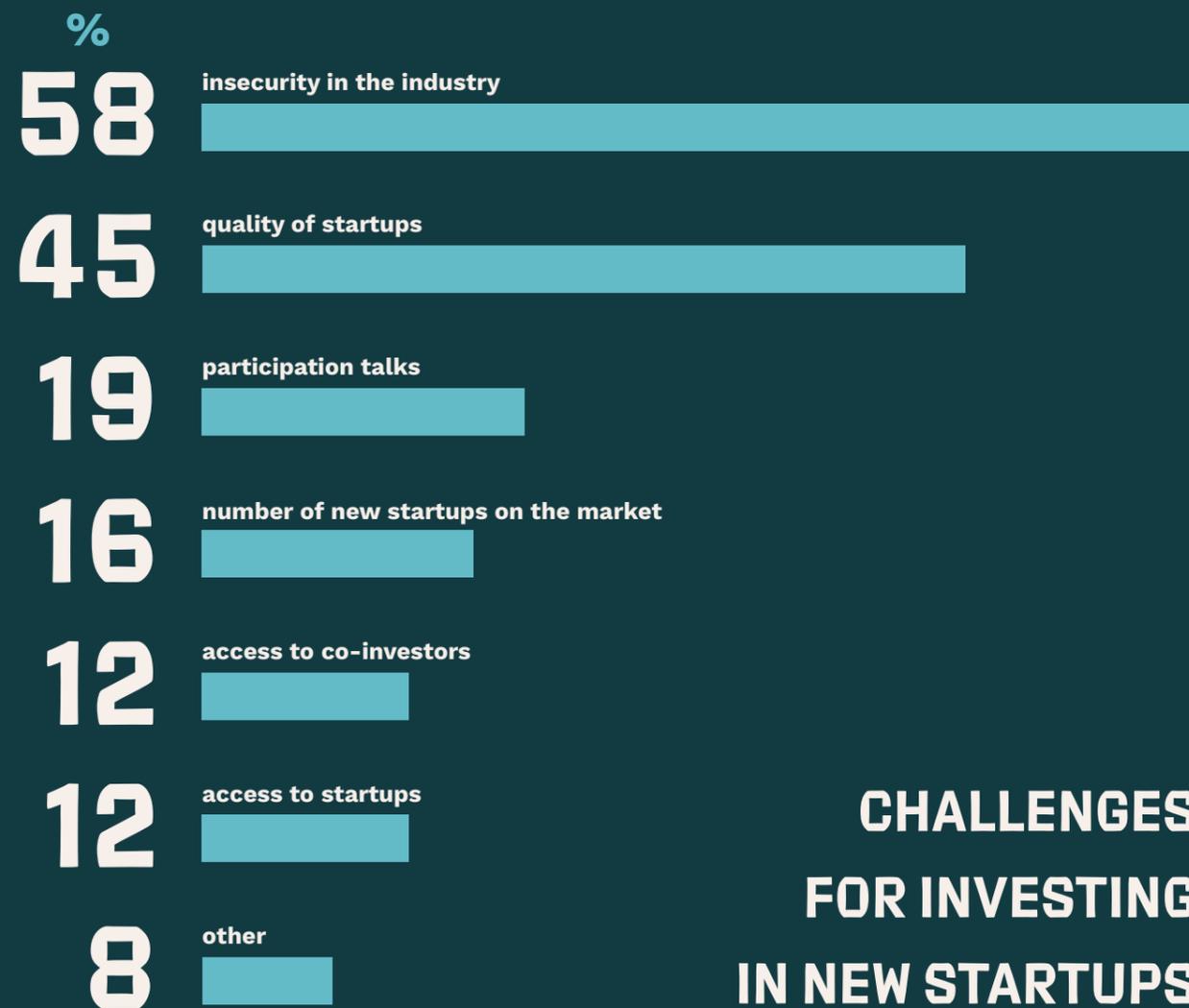
Supporting the existing portfolio was one of the main tasks for investors in 2020. Besides financial support, angel investors assisted startups with contacts, expertise, coaching and opened the door to help with any issues. This increased focus reduced the time allocated for the search for new investment targets. Surprisingly, 47% of investors still focused on investing in new startups during the pandemic, versus 53% of the business angels highlighted that they put a spotlight on their existing portfolio.



MOST INTERESTING VERTICALS FOR INVESTMENTS

DURING COVID19

Angel investors were in particular interested in health-tech/life-science startups, followed by deep-tech & fin-tech. The least interesting field was education and agrar-tech.



CHALLENGES FOR INVESTING IN NEW STARTUPS

Besides the need for an increased focus on their existing portfolio, investors faced additional challenges when looking for new startup investments. Uncertainty in the industry and the quality of startups were the main difficulties. For 18.9%, the investment

conversations with startups were an issue, as in-person meetings were, in many cases, not possible. Startups should know that it is imperative to improve their digital pitch, be visible online, and attract investors' trust during virtual meetings.



HANSI HANSMANN

Board Member aaia and Super Angel Investor

photo credits: Austrian Angel Investors Association



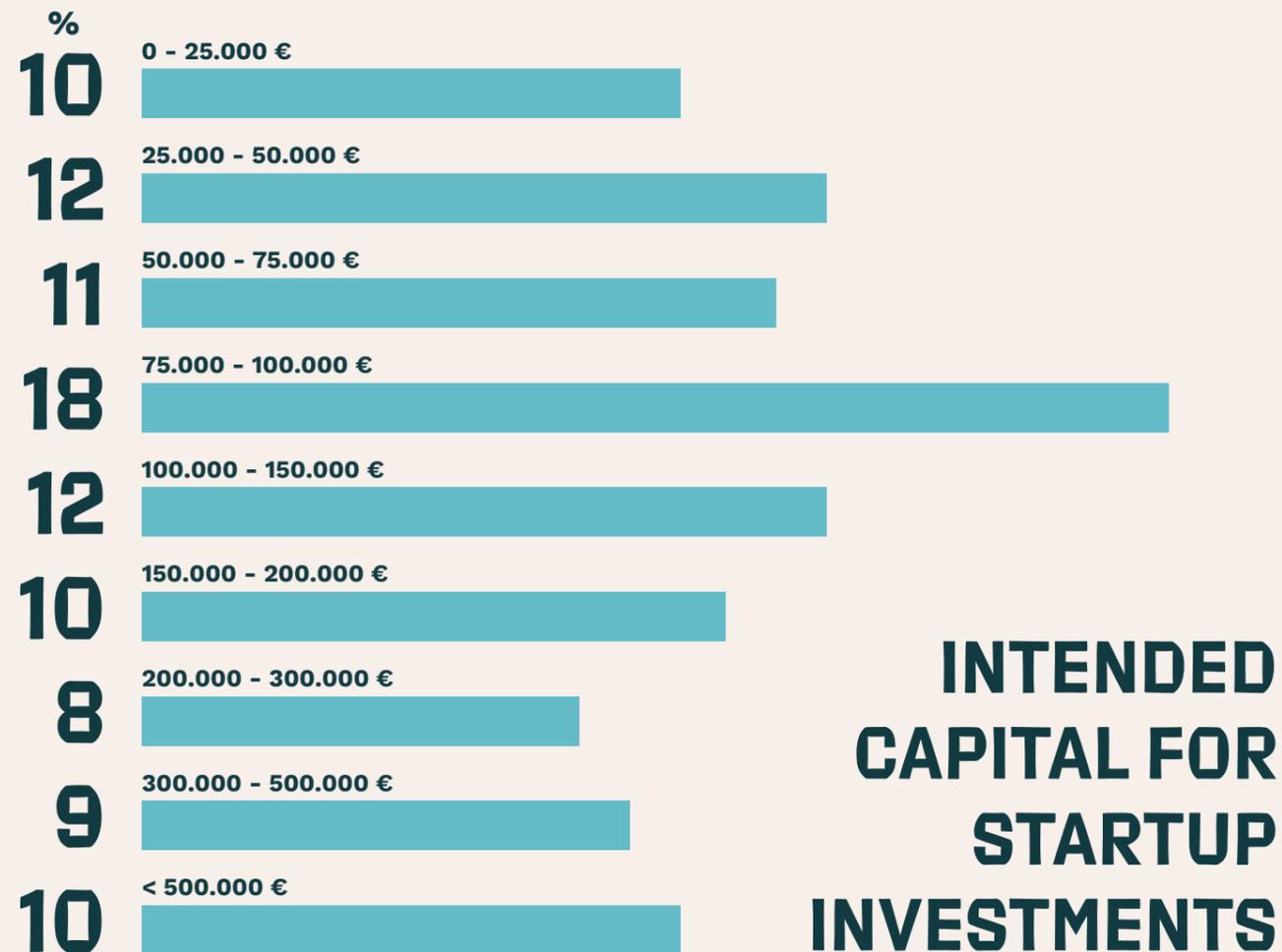
The slowback of investments lasted around three months at the beginning of the crisis, and the focus was on the support of portfolio companies. After that, investors became aware that it's also possible to invest remotely and that there is a huge opportunity, especially outside the existing portfolio. However, the crisis will have a long-term impact on the development of different industries. For startups in negatively affected industries, it may be hard to survive the next year.

3.3 INVESTING OUTLOOK 2021

NEW INVESTOR'S NORMALITY

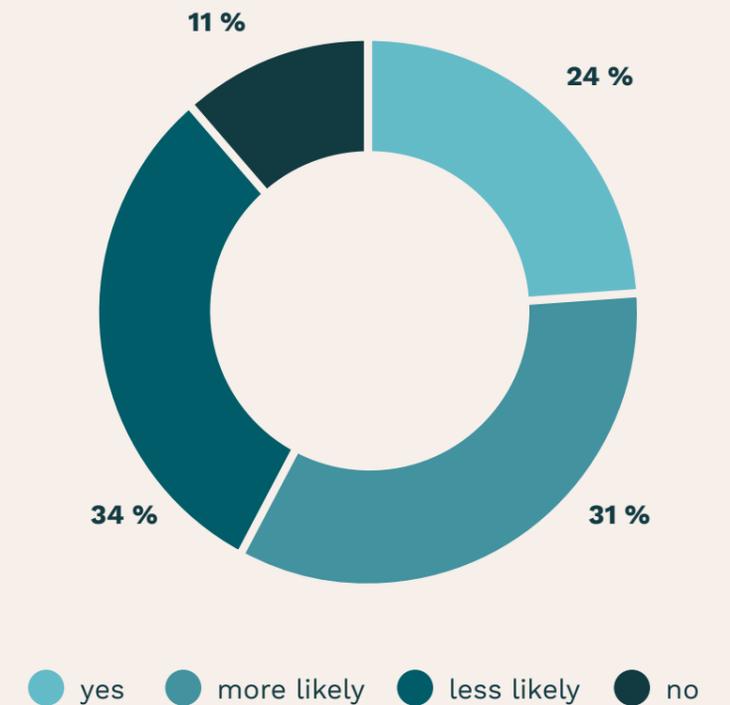
After the necessary focus on the support of the portfolio in 2020 and some challenges that had to be overcome, it seems that investors have gotten used to the new normality. The dot-com bubble or the financial crisis have shown us that successful companies can emerge, and the fig-

ures indicate a high willingness to invest in 2021. However, more than half of the investors predict long-term financial difficulties due to the crisis for some of their portfolio companies on the downside. On the upside, around 40% of the business angels expect at least one exit for 2021.



FINANCIAL DIFFICULTIES

57.9% of investors predict that it's more than likely or certain that one or more companies in their portfolio will face long-term financial difficulties. This shows that liquidity is still king for all startups, and the next few years will show which companies will survive in the long run and come out of this crisis even stronger.



BACKGROUND

METHODOLOGY

To update the report from the year 2018 and get a better understanding of the industry during COVID19, we decided to go to the source - Austria's core angel investors. By sending out an in-depth online questionnaire to a vast network of angel investors and asking about their investment behaviors and general behaviors during the crisis in 2020, we generated a deep understanding of just what is happening in the industry right now. 133 angel investors in total partook in the questionnaire.

ANGEL INVESTING IN AUSTRIA 2018

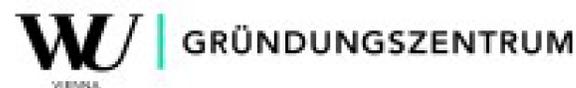
With more than 100 participants, the aaia Angel Investing Report 2018 was the most comprehensive analysis of the Austrian angel investing industry up until this year's report. It provides answers to the big questions about this dynamic industry and our growing community.

INFORMATION

STATUS UPDATE

ANGEL INVESTING IN AUSTRIA 2020

In 2020, the Austrian Angel Investors Association (aaia) and the Austria Wirtschaftsservice GmbH (aws) aim was to update the report and compare the findings for both years. Austrian Business Angels are an important player in startups' funding lifecycle and support talented founders with their expertise, network, and capital. They are the earliest believers, and with this report, we want to quantify their impact and dig deeper into the investor personality, investment behavior & portfolio dynamics. 2020 was an exciting year to analyze investment behavior in a crisis and to derive lessons learned. This report also gives insights for startups in approaching angel investors, what they are currently looking for, and what to expect in 2021.



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