

BUSINESS ANGEL REPORT

2022

INVESTMENT IN START-UPS:
ACTIVITY AND TRENDS

MAY 2022

STUDY PUBLISHED BY:



AUTHORS: JUAN ROURE, LAURA CABALLERO AND AMPARO DE SAN JOSÉ.
IESE BUSINESS SCHOOL - UNIVERSITY OF NAVARRA



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FOREWORD

BUSINESS ANGELS AND COVID-19



Just as every year, the **Spanish Association of Business Angel Networks** presents the report summarising the activity of business angels in Spain.

Additional data on early-stage direct investment activity still show an exponential growth regarding the **number of transactions** as well as **valuations and cumulative investments**.

In addition to the severe **impact COVID-19** had on society and the economy, and its subsequent effects on the **logistics supply chain**, the social and structural effects of the invasion of Ukraine were devastating. **This crisis leads to further risky situations that can be detrimental to the economy.**

AEBAN is aware of its role in the economic recovery, in the **creation of new high value-added employment** and in the overall improvement of productivity, which, in the medium and long run, will become the best medicine to generate employment, stability and economic development again.

As we have always said, "more and better business angels and networks that provide training and high-quality deal flow will be key to the much-needed **recovery of employment** in the coming years".

The Board of Directors, on behalf of all AEBAN members, would like to thank CaixaBank and ICEX-Invest in Spain for their continuous support and contribution to the association. For the preparation of this annual report, we have also counted on the valuable collaboration of HF Legal.

José María Casas and Marta Huidobro
PRESIDENT AND VICE PRESIDENT OF AEBAN

AEBAN

AEBAN is the Spanish Association of Business Angel Networks and other players in early-stage private investment.

Established in November 2008 under Law 1/2002, AEBAN's mission is to promote the activity of investment groups, networks, clubs and other related players who carry out early-stage private investment activities, such as family offices, investment funds and firms, accelerators, incubators, venture builders, equity crowdfunding platforms and companies that develop corporate venturing activities.

As of December 31st, 2021, AEBAN had 28 members and operated in 9 autonomous communities.

AEBAN's objectives are as follows:

- Bring together all the networks of private investors and other players involved in early-stage private investment activities and to act as a forum for the exchange of information, experiences and projects among them and with Public Administrations, educational institutions and any other entities interested in the purposes of the association.
- Promote reflection on specific issues concerning private investors, acting in close liaison with public or private institutions, as well as with Public Administrations, in relation to the promotion of investments in the early stages.
- Encourage cross-learning and constant updating of knowledge among association members, identifying, promoting and sharing "best practices" concerning investment activity development and processes.
- Promote frequent studies on the private investment market and disseminate information on the sector.

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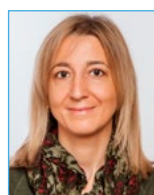
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EXECUTIVE SUMMARY

The AEBAN 2022 study reviews the activity of private investors in 2021 based on a survey on over 120 business angels. There follows some of the most significant elements that characterise their activity:

- 2021 was an intense year in terms of angel activity, in line with market trends in other downstream investment segments
- Business angels continue to fund the start-ups in their portfolios, with 79% of them having made follow-ons.
- The geographic investment scope remains quite similar to that of the previous year. Almost two-thirds of participants invest all across the country and not only in their closest local areas, while the proportion of those who are internationally active is consolidating, accounting for approximately 27% (similar to the 30% reached in 2019).
- Investors look for and find opportunities through their personal connections, entrepreneurs in their portfolios and business angel networks. This last source is the most popular, and provides a visible entry point for those entrepreneurs that are less connected to the ecosystem. The number of events increased in 2021 thanks to the greater flexibility of social isolation measures, becoming another important source of projects.
- The early-stage investment segment is becoming increasingly interconnected. A significant proportion of business angels invest through venture capital funds (36%) and crowdequity platforms (29%), in addition to direct investment in start-ups.
- Technology and software (39%), health and medical equipment (33%) and biotechnology (29%) were the most appealing sectors for investors in 2021.
- Start-up valuations has increased, reaching a median of €925,000 in the pre-seed stage, €2.2 million in the seed stage, and €7.2 million in the pre-series A stage.¹ One of the relevant changes that occurred in 2021, in line with the trend observed in previous financial years, is the overall increase in pre-money valuations in the transactions analysed. This increase is not just a phenomenon occurring in Spain or in the angel investment sector. It can also be observed in the rest of Europe and the United States.

¹ Definition of pre-seed, seed and pre-series A segments on page 11.

The AEBAN 2022 study includes the analysis of possible changes in the behaviour and expectations of business angels in view of certain trends that are consolidating in the ecosystem. The responses of business angels address some of the most common questions:

- Investors tend to prioritise their portfolio needs before embarking on new investments, as shown by the fact that 79% of them have completed follow-on transactions.
- Angel investment still faces unresolved matters such as the incorporation of women into this activity. Even so, it is worth noting that 30% of participants stating their gender in this report edition were women. This is a much higher figure than the 10% reached in 2019 and previous percentages. It is caused to some extent by the business angel associations and groups of female investors who are very active and aware of the importance of disseminating information on their activities. There is an increasing number of female start-up founders. In terms of their involvement, half of them hold CEO positions.
- One of the major trends to follow is the increase in foreign investors since, in 2021, more than 40% of participants shared an investment with a foreign business angel. This figure is lower (35%) when it comes to international invest-

ment funds. Therefore, a "local loss" in investments is observed. This international phenomenon occurs partly due to the interest of foreign investors in the Spanish innovative ecosystem, which has not slowed down despite the pandemic.

Although broadly speaking, the investor profile remains relatively stable over the years. However, some changes or trends can be observed:

- Most business angels in Spain are senior managers, founders or CEOs of a solid company, while the number of start-up founders has decreased (which had grown in previous years).
- Technology, health, banking and finance are still the most common background sectors among investors.
- The average ticket among business angels in start-ups is clearly below €25,000. On the one hand, this forces entrepreneurs to coordinate transactions with a greater number of investors. On the other hand, this facilitates diversification for investors.
- Business angels usually devote less than five days a month to their investments, and most of them only provide strategic advisory as only 21% participate in the boards of directors of start-ups in their portfolios.

THE 2022 SURVEY

As in previous years, the AEBAN 2022 survey aims to address the main variables involved in angel investment while getting as many responses as possible. Aware of the difficulties posed by surveys with a large number of questions or responses that do not arise from immediate feedback, the AEBAN survey included 32 questions to analyse the activity of the main players in the sector in 2021. Therefore, the approach for defining the study content involves a commitment to the representation and depth of analysed aspects.

The survey was distributed through the business angel networks members of AEBAN, the academic team's own database of private investors and other players and institutions in the investor ecosystem. The survey was launched on December 1st and remained open until January 15th, 2022.

In the tabulation, 124 valid responses were taken into account. Not all investors responded all questions, so those cases where the number of responses is less than 50 were specified for representation purposes.

Some specific concepts and remarks worth mentioning:

The study includes transactions carried out through crowdequity platforms in the case of business angels who also make direct investments

- Definition of a business angel: AEBAN does not specify a series of criteria or conditions that particularly define the profile or activity of a business angel. Therefore, this requirement is not considered in the study for the identification or validation of the participants' profile. Similar surveys, such as the UK BBAA survey, consider business angels as investors who become shareholders in a company with which they have no family ties, excluding investments made through crowdequity platforms. In the AEBAN study, such distinction was not made. However, the survey excludes investors who only invest through platforms.
- The smallest single investment made in a start-up and included in this study amounts to €1,000.
- Investment stages: in this study, the pre-seed stage was defined as the ideation stage without market traction that strongly needs capital funds to be launched onto the market. In the seed stage, a start-up has validated its business model and has some market traction or a functional/non-functional prototype with the possibility of pivoting its business model. The pre-series A stage comprises

a longer period ranging from the moment the product or service is launched onto the market, acquires strong demand, recurring clients, turnover, returns and a team to start to operate until a series A is completed. Generally, in Spain, this stage requires the completion of more than one investment round in which business angels, crowdequity platforms and an increasing number of venture capital funds participate, co-investing together with the most renowned investors participating in these later stages.

The AEBAN survey has also tried to summarise some of the current main interesting trends, such as foreign business angel investment in Spain and Spanish investments abroad, as well as the inclusion of women in management teams or boards of directors of start-ups. To this end, some additional questions were added, without negatively affecting the extent of the survey.

BUSINESS ANGELS' ACTIVITY IN 2021

In 2021, a number of investments were made in start-ups mainly due to the support of investors to their own portfolio start-ups. In addition, the percentage of investors who did not carry out any transaction was reduced, revealing that the investment activity of business angels, although more elusive and complex, continues to consolidate and mature as they gain more experience. It was also a busy year for venture capital funds, as the volume of investment in 2021 was the second-best on record after 2019.

According to the main data sources, while investment through venture capital funds soared in 2021, multiplying by almost 3.5 times the previous year's investment, there are other types of investment, such as corporate investment or those made on crowdfunding platforms, that slightly reduced their activity: the corporate sector carried out 5% fewer transactions and crowdfunding reduced the amount of transactions by 28%, according

to Fundación Innovación Bankinter¹. The investment expansion was even more markable in the United States, reaching \$329.9 billion².

Apparently, 2021 was the year of private equity, as a total of €7.494 billion were invested in 841 transactions, demonstrating that the pandemic situation was overcome³. It was also a landmark year for the venture capital, which reached €1,942 million invested in 691 transactions, exceeding all previous figures. All this exposes the ecosystem dynamism in 2021 and the maturity that private equity is gaining. These are excellent news for angel investors, who can ensure funding for the growth of their portfolio start-ups, giving more opportunities to investors at earlier stages.

Regarding angel investment, 2021 figures in the United States also represent a recovery in comparison with 2020, as investment figures were even higher than in 2019⁴.

In Europe, ecosystem figures such⁵ as the ones in Scotland indicate investment has doubled in comparison with 2020, and 70% growth versus 2019, which was a record year⁶.

In line with these trends, business angels in Spain increased their investment portfolio in 2021. Most of them (63%) incorporated between 1 and 5 investments into their portfolio, while 22% exceeded 5 transactions.

Only 15% of investors did not carry out any transaction in 2021, while they accounted for 23% in the previous year. The reasons for not investing in a particular year may vary from the lack of opportunities to resuming activity or prioritizing other types of occupations

or assets. In this case, the number of investors spending a "blank" year dropped by 8 percentage points after the COVID effect in 2020.

As expected, a large number of investors resumed their activities after a temporary hiatus due to the pandemic, thanks to the recovery of confidence across the investment and start-up sectors.

Investors have been actively incorporating new investments into their portfolio and show a significant commitment to continue funding the growth of the start-ups already included in their portfolio. In 2021, 79% made follow-on investments. This percentage is significantly higher than in 2020 (49%) and shows an upward trend versus previous years.

¹ Fundación Innovación Bankinter (2022) "2021 Annual Report on Investment Trends in Spain".

² <https://pitchbook.com/news/articles/2021-record-year-us-venture-capital-six-charts>

³ ASCRI (2021). "Report on venture capital activity & private equity in Spain".

⁴ Weil, D. (November 5th, 2021). the Risks and Rewards of Angel Investing. *The Wall Street Journal*.

⁵ The main reports on business angel activity in Europe in 2021 were not available at the time of publishing this study.

⁶ <https://ukbaa.org.uk/blog/2022/02/03/angel-investment-in-scotland-almost-doubled-in-2021/>

EVOLUTION OF INVESTORS' ACTIVE PORTFOLIO

The entry of new investors into the ecosystem, the activity slowdown of newcomers and the increase in the number of those players with more than 20 investments, mainly due to the scarcity of divestments, have influenced the evolution of their active portfolios, giving rise to portfolios with a greater number of start-ups (see Figure 2). Participants with more than 20 portfolio investments have increased by 8%, those who hold between 1 and 5 investments have increased by 4%, and those who hold between 6 and 20 active investments have decreased by 11%.

Both elements point to a growing diversification among investors and a good progression towards sector maturity and professionalisation.

It is important to note that the increase in *business angels* that hold between 1 and 5 investments demonstrates the growing interest in the investment activity by new players in the ecosystem despite the activity slowdown of newcomers.

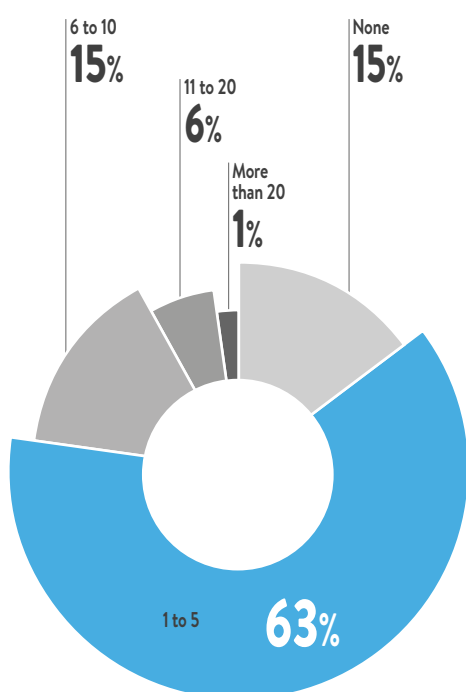


Figure 1.
Investments made in 2021

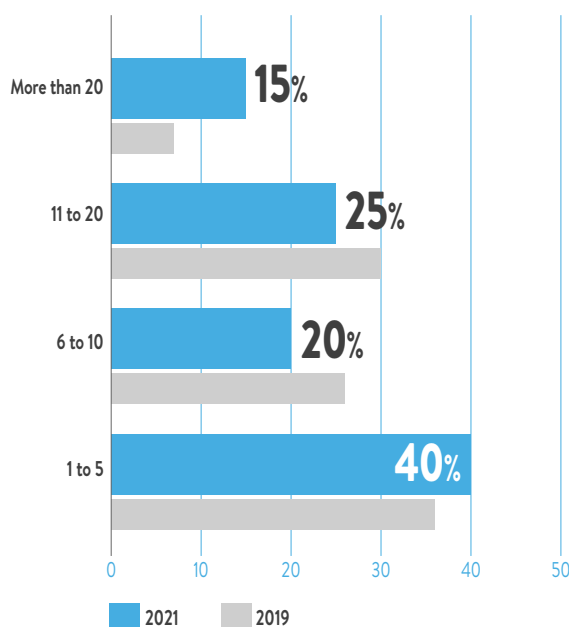


Figure 2.
Portfolio investments

This trend also contributes to the growing accumulation of experience in the sector, which can be clearly seen in the evolution of the number of investments made by each investor since the start of activities.

The number of business angels who have included more than 20 start-ups in their portfolio has been gradually increasing since 2015, rising from 22% in 2019 to 24% in 2021 (see Figure 3). This represents a clear trend towards activity consolidation by profiles that already have a track record and continue to bet on this sector, maintaining and increasing more solid portfolios, while also highlighting a slowdown in investments.

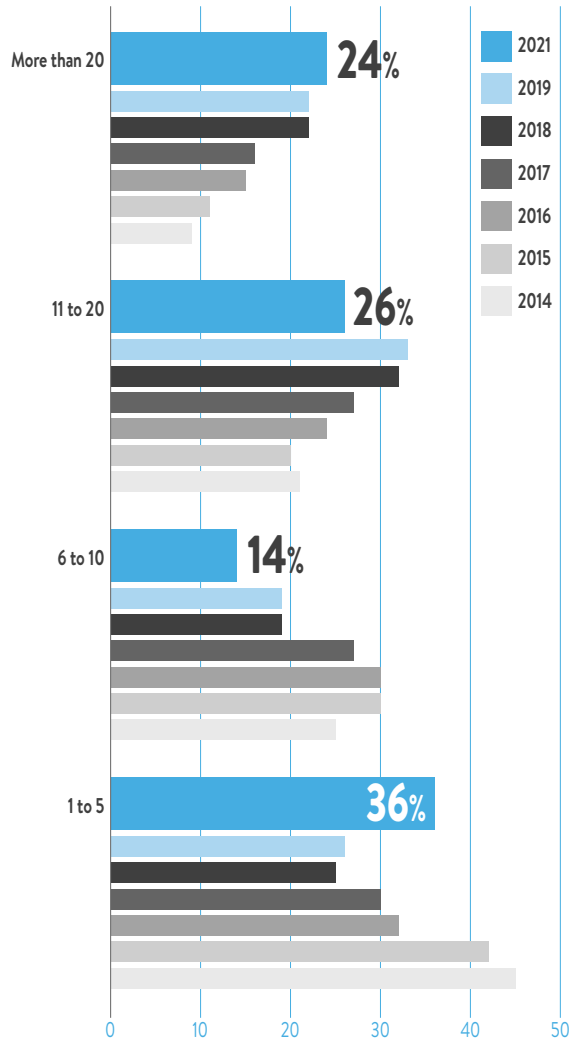


Figure 3.
Aggregate of transactions

The increase in the number of business angels with more than 20 companies in their portfolio highlights the slowdown in investments

INVESTMENT BY GEOGRAPHICAL AREA

Regarding the geographic scope of investors' activity, their area of influence has expanded considerably in recent years as 60% of business angels are now active throughout the country (see Figure 4). This percentage has grown significantly in comparison with the situation prior to the pandemic. In 2018, they accounted for 49%, and in 2019, only for 39%. The increase in online investment meetings

and activities since the onset of the pandemic may have triggered this trend of disregarding the investment's geographical proximity. In addition, it also seems to have driven the increasingly solid trend of the investors' participation in international transactions.

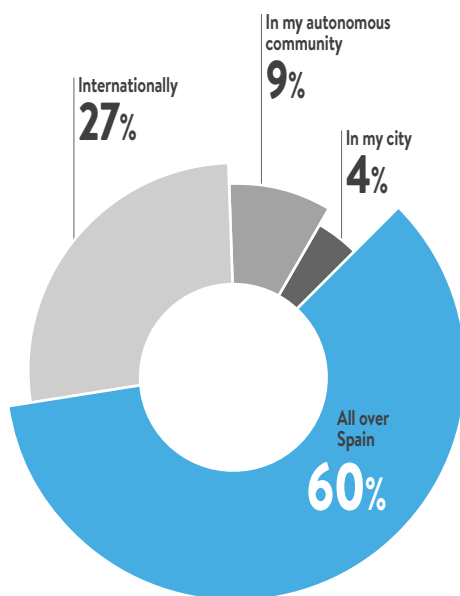
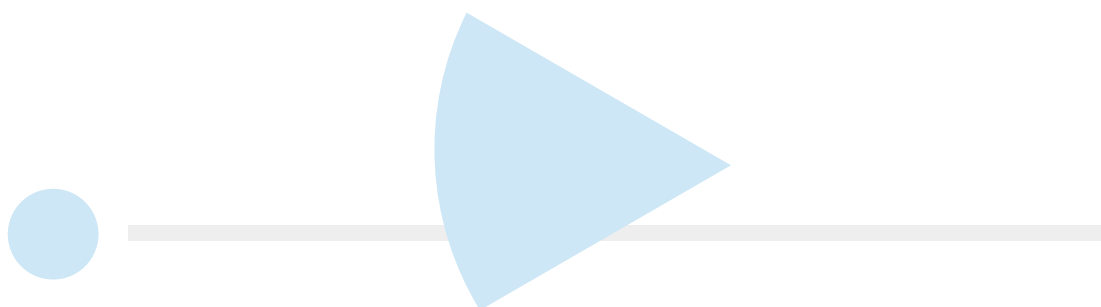


Figure 4.
Geographical investment scope

Pandemic-driven online meetings may have contributed to broadening the investment activity's geographical scope



BUSINESS ANGEL NETWORKS: DEAL FLOW

When it comes to finding opportunities, investors still rely on business angel networks (see Figure 5), which have been ranking as the main option since the very first survey edition, back in 2016. These networks play a very important role in boosting the market, as they provide an entry point for many investors to share their experiences and learn from each other as they take their first steps into the industry. At the same time, these networks offer the necessary visibility to entrepreneurs that are less connected to the system and have not been through accelerators, events or other types of intermediaries or facilitators.

Friends, partners and acquaintances are other major sources of opportunities. Nearly half of the participants have turned to them when identifying investment opportunities.

At the same time, direct contact with entrepreneurs is losing relevance when it comes to closing transactions as, in 2020, 53% of participants resorted to this channel while, in 2021, only 38% of investors did so. This highlights the value of business angel networks and their work in filtering and analysing opportunities, which improves the quality of the investment selection process.

Events, which were not considered in previous years, have strongly proved to be a resource for 27% of investors.

It is worth mentioning a source of investment opportunities that is not very significant at the moment but will become increasingly relevant in the coming years, such as the technology transfer of scientific and research projects from universities, technology centres and science hubs.

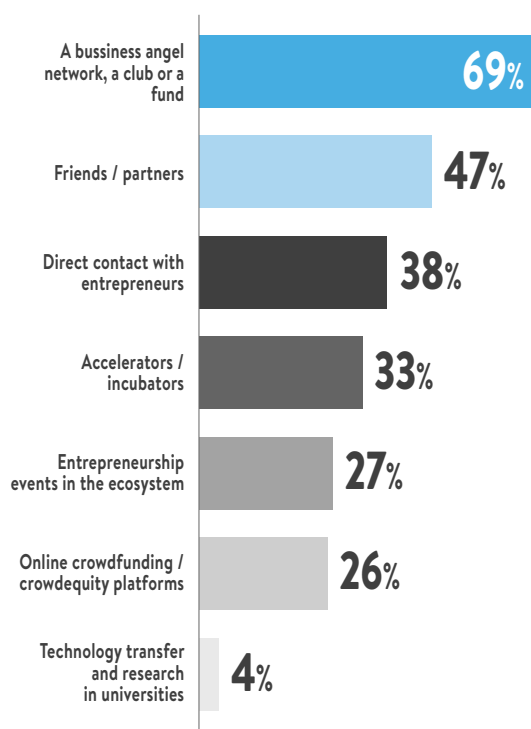
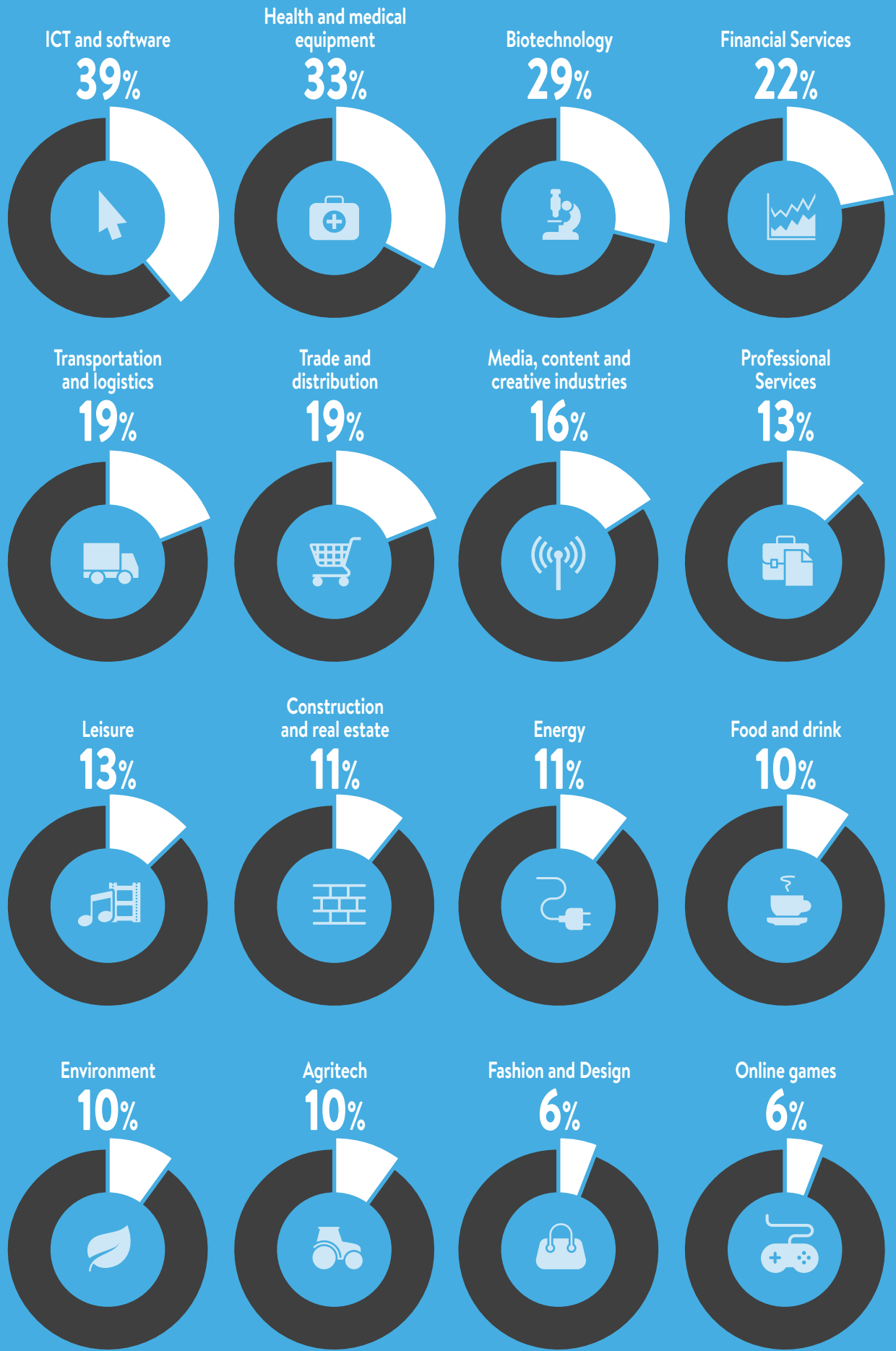


Figure 5.
Relevance of dealflow sources



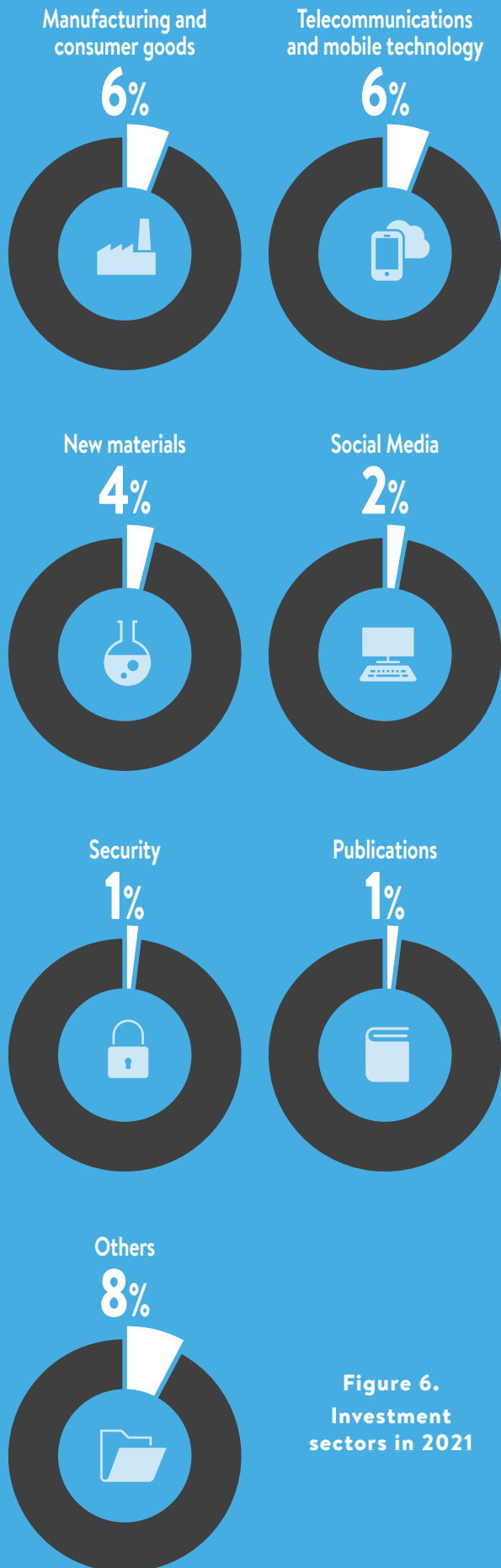


Figure 6.
Investment
sectors in 2021

SECTORS OF INTEREST IN 2021

Several sectors account for the majority of the investment transactions that took place in 2021 (see Figure 6). The most appealing sectors for investors include ICT and software, health and medical equipment, biotechnology and, to a lesser extent, financial services.

- ICT and software are the main sectors of interest, as almost 4 out of 10 business angels have invested in those.
- Health and medical equipment ranks second, attracting investment from one-third of participants.
- Biotechnology holds the third position, as 29% of investors have carried out transactions in this sector.
- Investors in financial services (fintech and insurtech) get the fourth place but tend to be a relevant group year after year both in Spain and other countries, holding the first positions in the main global ecosystems.

Although ICT and software is still the most appealing area for investors, it should be noted that it has lost traction in comparison with previous years.



VALUATION OF START-UPS IN INVESTMENTS MADE

One of the relevant changes that occurred in 2021 was the overall increase in pre-money valuations.

Rising valuations is not just a phenomenon occurring in Spain or in the angel investment sector. It has also occurred in the rest of Europe and the United States.

In Europe, the average valuation in start-ups that received angel and seed funding increased by €4 M, 30% higher in comparison with 2020 figures¹. Investors' fear of missing out on good

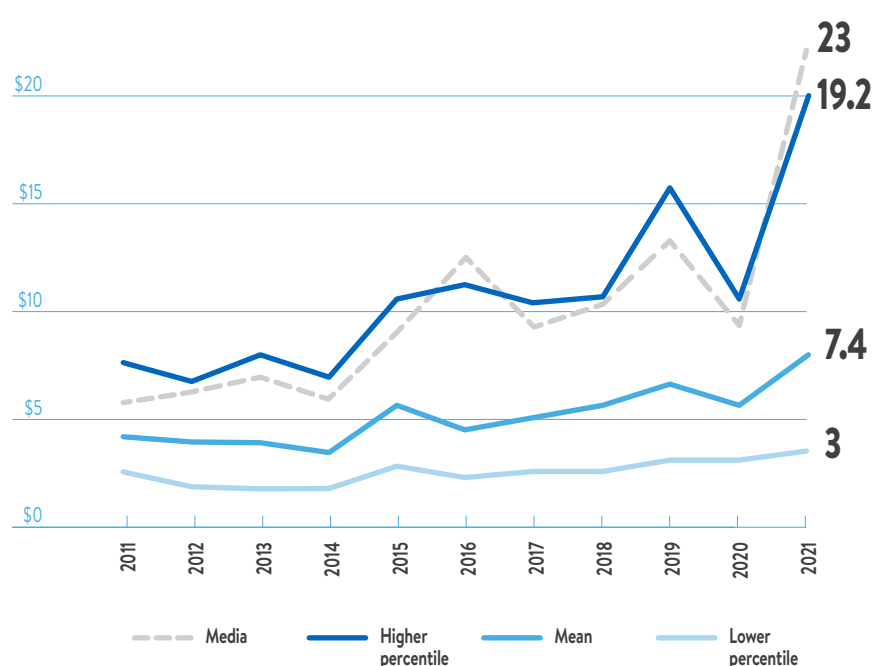
opportunities led them to execute significantly larger transactions, especially in companies with early traction. This phenomenon is not exclusive to the early stages. A high number of new European unicorns have also emerged in the more advanced venture capital stages. In total, there are now 128 of them with a combined valuation of €329.7 billion, almost triple the value in 2020 (Pitchbook, 2022).

In the United States, the angel segment valuations (unseeded) have risen sharply (see Figure 7). As it can be observed in the graph below, the median has reached \$7.4 M with an average soaring to \$23 M due to the effect of large transactions involving venture capital funds. A quarter of such transactions exceeds \$19.2 M.

¹ <https://pitchbook.com/news/articles/2021-europe-vc-valuations-charts>

² source: PitchBook Data (2022) "US VC Valuations Report: 2021 Annual".

Figure 7.
Valuation of pre-money transactions by business angels in the US (in millions of dollars)²



	2021	2019	2018	2017	2016
Maximum valuation	€30,000,000	€7,500,000	€7,000,000	€8,000,000	€13,000,000
Mean	FOURTH QUARTILE €3,825,000	€3,000,000	€700,000	€912,000	€1,500,000
	THIRD QUARTILE €2,200,000	€2,000,000	€700,000	€912,000	€800,000
	SECOND QUARTILE €987,500	€1,000,000	€250,000	€250,000	€500,000
Minimum valuation	FIRST QUARTILE €7,000	€25,000	€1,000	€25,000	€3,000

Figure 8.
Seed pre-money valuation

	2021	2019	2018	2017	2016
Maximum valuation	€80,000,000	€35,000,000	€50,000,000	€20,000,000	€21,600,000
Mean	FOURTH QUARTILE €13,125,000	€6,100,000	€5,000,000	€3,500,000	€2,500,000
	THIRD QUARTILE €7,200,000	€4,000,000	€2,400,000	€2,250,000	€1,700,000
	SECOND QUARTILE €3,950,000	€1,950,000	€1,500,000	€1,500,000	€1,000,000
Minimum valuation	FIRST QUARTILE €10,000	€400,000	€50,000	€25,000	€10,000

Figure 9.
Pre-money valuation in pre-series A



Spain has also experienced a significant increase in valuations in 2021 in comparison with 2019 for both seed-stage investments (see [Figure 8](#)) and pre-series A investments (see [Figure 9](#)) mainly due to large capital flows available. The maximum valuation in the case of the former (with a validated business

model prototype, which may pivot) is particularly striking, as it reaches €30 M, an unprecedented figure and four times the figure reached in 2019. In any case, such data must be analysed cautiously, as it may represent a one-off situation.

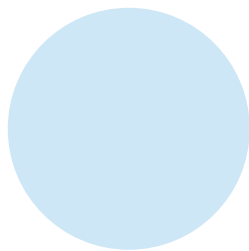


Figure 10.
Valuation of start-ups by maturity level

	Pre-seed	Seed	Pre-series A	
Maximum valuation	€20,000,000	€30,000,000	€80,000,000	
Mean	FOURTH-QUARTILE	€1,850,000	€3,825,000	€13,125,000
	THIRD-QUARTILE	€925,000	€2,200,000	€7,200,000
	SECOND-QUARTILE	€375,000	€987,500	€3,950,000
	FIRST-QUARTILE	€3,000	€7,000	€10,000
Minimum valuation	€3,000	€7,000	€10,000	

The pre-seed sector (ideation stage) experienced extremely high peak valuations in 2021 (see Figure 10), although the sample could be distorted by a one-off case. As observed in both Europe and the United States, the entry of venture capital funds into the early-stage investment segment has significantly increased valuations.

Large capital flows also influence the valuation evolution of companies in post-seed stages. The increase in valuations in the pre-series A segment (characterised by strong market demand, recurring clients, turnover, returns and team hiring) compared to previous years is caused by the rise in financing transactions ranging from €1 M to €5 M, in line with the market trend. This increase is similar in all quartiles analysed, although a drastic drop can be observed in the minimum investment amount, reduced to an atypical level for this stage, not seen since 2016.

In this sense, 2021 data reveal the conclusions and reflections shared by investors in previous editions and in informal comments, in which they point out the entry of new players in the angel investment segment as the reason behind the large capital flows. It is mainly venture funds increasingly integrated into the early stages, new angel investors with available capital seeking to diversify their portfolios in the face of a lack of other market opportunities, family offices and crowdequity platforms.

**The entrance of
venture capital funds
in the early-stage
investment segment
has significantly
increased valuations**

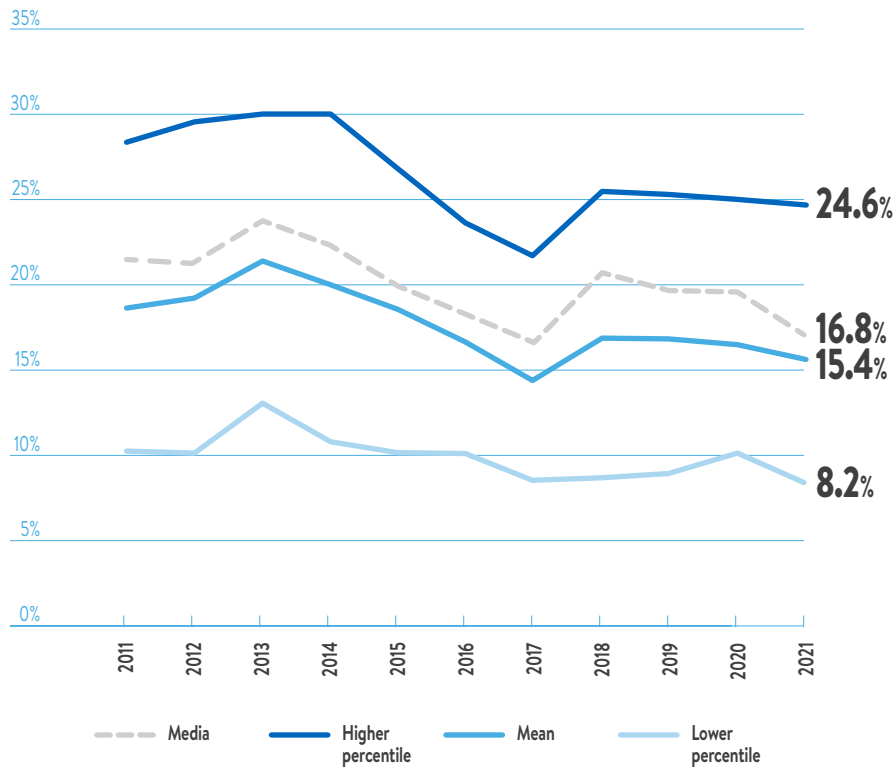


Figure 11.
Percentage of capital acquired through angel investments in the US¹

An important statistic that is often interesting for new investors is the shareholding acquired by business angels in the start-ups in which they invest. This information is not usually available in a public and structured way, so it is worthwhile to include here the percentages reported in the United States (see [Figure 11](#)).

The average shareholding acquired by business angels through their investments is 16.8%, a percentage that is very close to the median (15.4%). One quarter exceeds 24.6% of the share capital, and another quarter is below 8.2%. It is noteworthy that this aspect shows a general downward trend.

It is also worth commenting that the mean and median percentage of shareholding in the seed stage, where the most funds participate, is slightly above 29% in the US market, showing a clear upward trend since 2015.



¹ source: PitchBook Data (2022) "US VC Valuations Report: 2021 Annual"

DIVESTMENTS AND MULTIPLES

Divestments were more frequent in 2021 than in the previous financial year. Besides, 65% of business angels carried out a divestment transaction with either positive or negative returns¹.

The group of business angels that reported divestments represents 66% of participants. Only 41% achieved multiples from 1 to 3, while 8% reported a partial loss and 5% suffered the total loss of the amount invested (see Figure 12).

The most common positive return figures experienced by Spanish business angels in their divestments was a multiplication by 1 to 2.99 times the invested capital, with 41% of participants obtaining such returns in some of their divestments, being start-ups in the seed stage the category showing the highest number of responses on the sample as the source of positive returns.

In terms of more appealing returns, 22% of investors achieved multiples from 3 to 6.99, and close to 1 out of 5 investors multiplied their investment by between 7 and 20 times.

Divestments with multiples above 20 correspond to 5% of investors in the sample, predominantly related to investments in pre-seed and seed stages. The fact that there

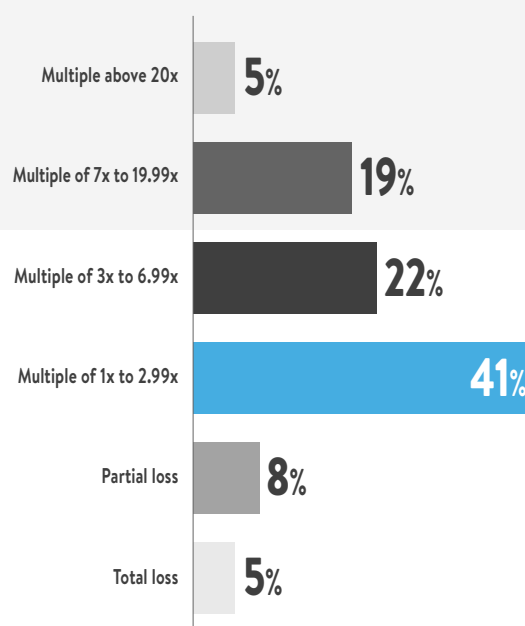


Figure 12.
Divestments and results
(n<50 for divestment multiples)

¹ The fact that 30% of participants did not answer this question and moved to the following one means that result must be cautiously considered.

		High probability of positive divestment	High probability of losses	Negative growth	Insignificant growth	Exponential growth
Maximum		100%	50%	35%	100%	100%
	FOURTH QUARTILE	25%	20%	20%	40%	50%
Mean		15%	10%	10%	30%	38%
	THIRD QUARTILE	5%	9%	0%	20%	24%
Minimum		0%	0%	0%	0%	0%
	FIRST QUARTILE					

Figure 13.
Return expectations in 2022

was no response indicating divestments with multiples above 20 in the pre-series A stage implies that the higher the risk assumed considering the lack of maturity of start-ups, the higher the returns.

Investors' expectations of the evolution of their portfolio companies in 2022 are quite optimistic (see Figure 13), since the highest median (38%) corresponds to high growth expectations, followed by an insignificant growth expectation (30%). In addition, it is worth noting that very few investors believe that 100% of their companies will experience moderate or very high growth in 2022.

DIVESTMENT FORMULAS

The most common formulas for positive returns were the sale of shares to a fund entering the shareholding at a later stage and acquisitions by international companies (see Figure 14). The former was the exit option in 48% of cases and the latter, in 25% of them.

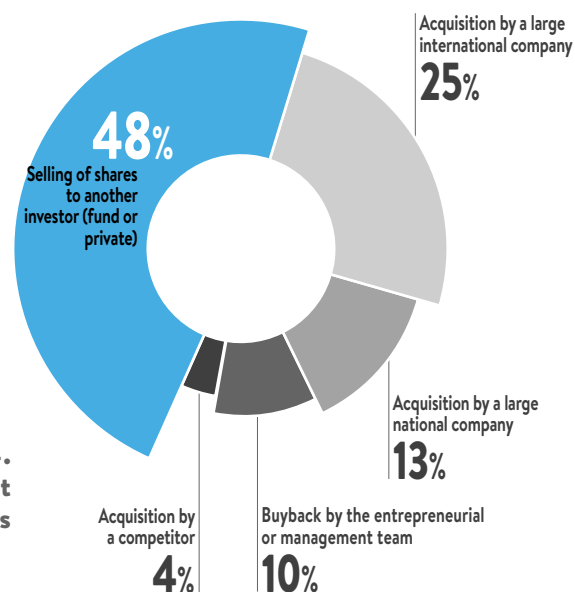


Figure 14.
Divestment formulas

ANGEL INVESTOR PROFILE

By means of this study, AEBAN monitors the investor profile evolution to identify changes that may lead to different investment patterns, a change in the activity organisation or new players entering the market.

Some characteristics of investors are decisive. For example, their experience sector and track record tend to influence the sectors in which they invest and the degree of empathy towards the problems faced by entrepreneurs, just as their equity situation impacts the diversification degree of portfolios.

In Spain, most investors have gained extensive experience due to the high number of years dedicated to this activity (see [Figure 15](#)). Seven out of ten business angels have been active for at least three years, and 35% have been investing for more than eight years.

In this edition, the number of those with more than 14 years of experience has decreased again, switching in one year from 15% to 12% of the total. In fact, a significant renewal trend shows consolidation due to the entry of new investors, since 29% of them have started their activities in the last two years, representing an increase of four percentage points in comparison with the previous edition.

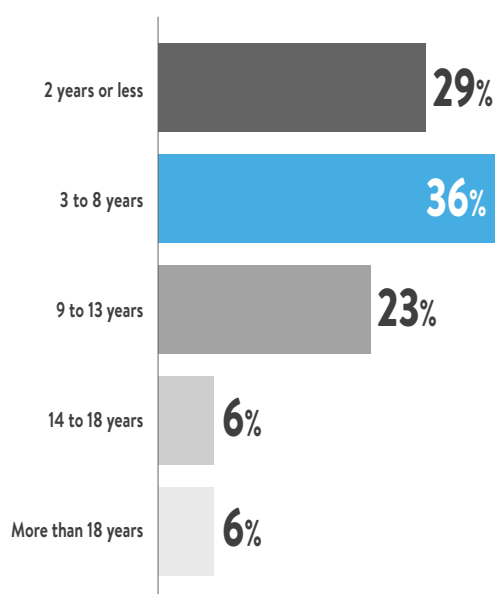


Figure 15.
Years of experience

PROFESSIONAL EXPERIENCE OF INVESTORS

The positions most frequently held by investors upon the start of their angel activity are CEO or Senior Manager of a company (see Figure 16).

The most notable change since the previous study is the increase in the relevance of managers, with the percentage on this category being twice that of the previous year. Therefore, employed professionals have been the most active in their involvement in investment.

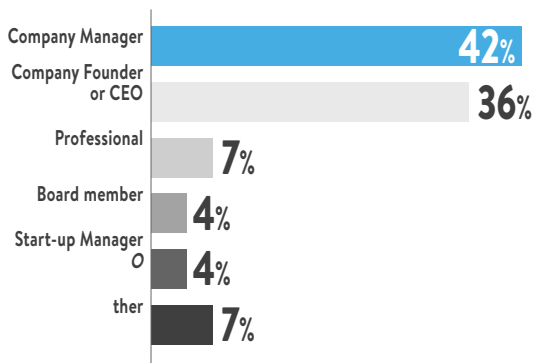


Figure 16. Occupation at the beginning of the investment activity

The experience of angel investors shows a high concentration in particular sectors (see Figure 17). Banking and finance, technology, consulting and pharmaceuticals account for 67% of the investors' experience.

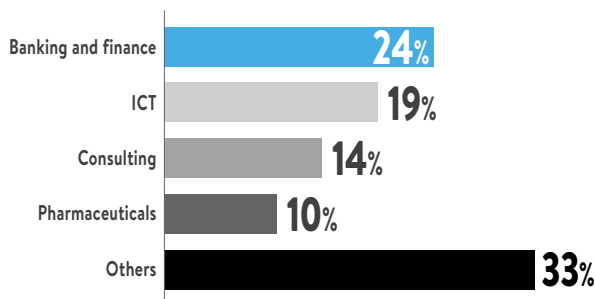


Figure 17. Investors' experience by sector

The energy, retail and legal service sectors also show significant percentages, but still much smaller. However, this could be a sign of the entry of new profiles.

All business angels are well aware of the risk of directly investing in start-ups and adequately diversify their equity (see Figure 18). Those who allocate more than half of their equity to investing in start-ups have disappeared in the sample, and the proportion of those with significant exposure (more than 20% of their equity allocated to this activity) has also fallen slightly. In addition, there has been a clear shift of investors from the 0-5% segment to the 6-10% segment since, in one year, business angels who allocated between 6% and 10% of their equity to investment have gone from accounting for a quarter to accounting for a half of the total.

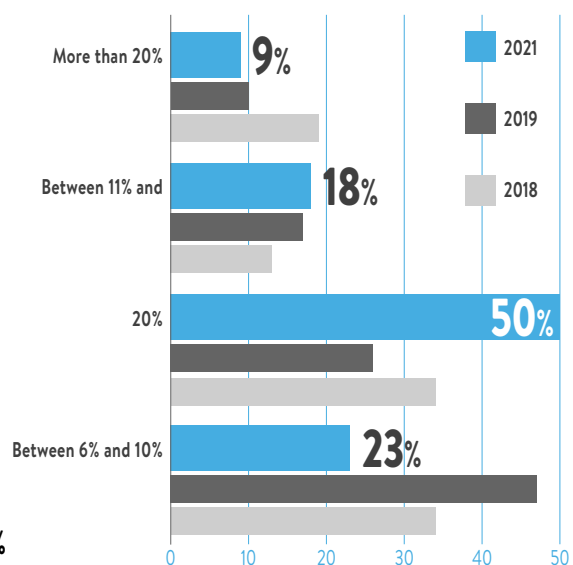


Figure 18. Equity allocated to angel investment

INDIVIDUAL CONTRIBUTION PER TRANSACTION

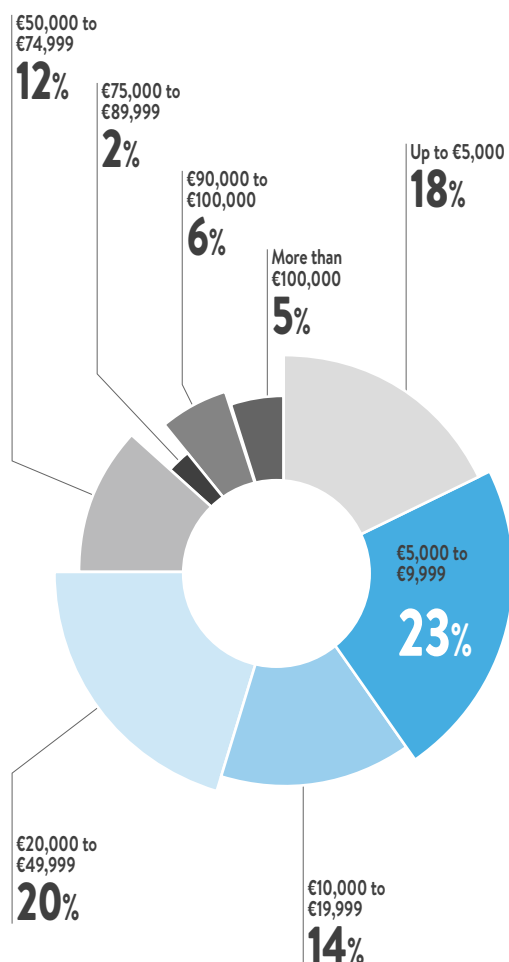


Figure 19.
Average ticket per investor in each transaction

Closing an investment round is usually a long process. It can take several months from the moment in which contacts are established until the entrepreneur receives the funds often due to the necessary arrangements for a transaction in which several investors are involved since the average ticket invested per investor in each start-up is around €8,600.

Most angel investors (57%) invest tickets between €5,000 and €49,000 (see Figure 19). This may occur due to the natural market organisation, the entry into the ecosystem of novice investors who make their first transactions with rather low tickets, the strengthening of co-investment activity (which also increases the dispersion of the amount contributed by each investor) and the strong emergence of more or less structured investment groups or clubs that seek to decisively diversify their portfolios.

While this is a positive factor for investors, it forces entrepreneurs to spend more time coordinating transactions and paying attention to the resulting captable, to ensure its operational and efficient.

The least frequent amounts vary between €75,000 and €90,000 since this range of tickets is high for angels and low for family offices and funds starting to operate in the seed stages of the value chain.

As previously mentioned, the size of individual business angel tickets makes the entry of funds into this segment very positive for entrepreneurs, as it increases the scale of transactions.

Figure 20.
Amount of angel investment transactions in the US (in millions of dollars)¹

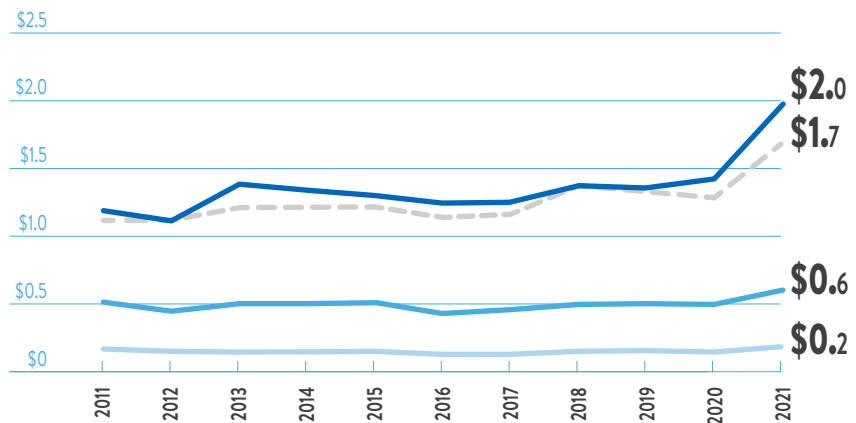
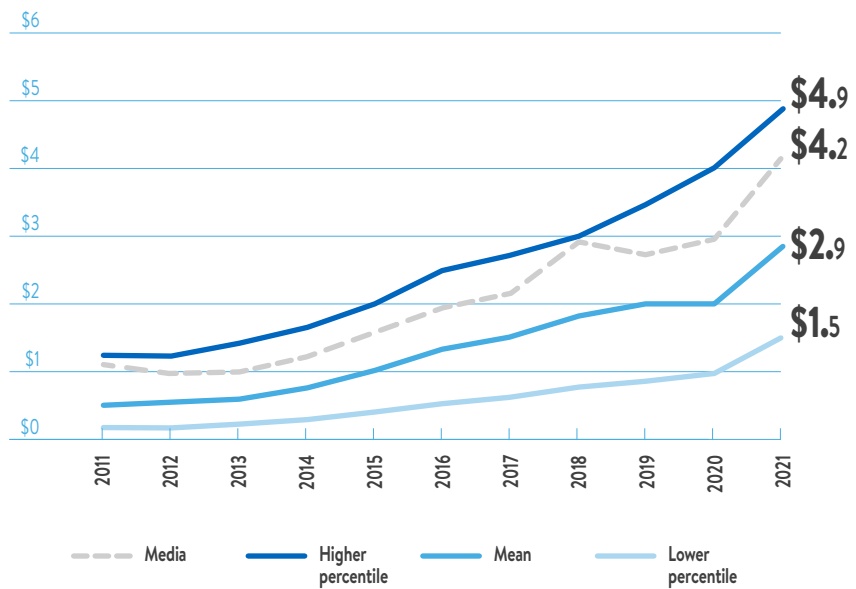


Figure 21.
Amount of seed-stage transactions in the US (in millions of dollars)¹



Even so, we are far from US figures. We have already mentioned the increase in the investment volume and valuations, which has occurred along with an increase in the size of investment rounds, offering greater potential and bandwidth to start-ups in early stages. According to Pitchbook’s analysis, the entry of venture capital funds has driven business angels out of their comfort zone, traditionally with smaller rounds and valuations.

The average valuation of seed investments in that country grew by 34.3% (see [Figure 20](#)).

In the US, the average amount of an angel transaction is 1.7 million, with a median of \$600,000. 25% of transactions exceed \$2 million.

In the US seed segment, where angel investors also participate, the amount of transactions has also increased significantly (see [Figure 21](#)).

¹ source: PitchBook Data (2022) "US VC Valuations Report: 2021 Annual"

OTHER FORMULAS TO INVEST IN START-UPS

A significant number of business angels seek instrument alternatives to direct investments in start-ups in order to diversify their portfolio. The most frequent are venture capital funds and crowdequity platforms (see Figure 22).

In addition to direct investments, 36% hold shares in venture capital funds (45% in 2019 and 35% in 2018), revealing that the interrelationship between both industries and activities is maintained with a slight decrease versus 2019 but in line with 2018 figures.

The use of crowdequity platforms by business angels declined from 37% in 2019 to 29% in 2021. This may imply the use of alternative indirect investment formulas and diversification through different vehicles such as venture capital funds, which are increasingly investing in seed stages and are therefore mastering an investment segment that was previously exclusive to platforms.

The confluence of investors in these three scenarios, direct angel investment, through funds and platforms is already a visible reality. The cross-cutting nature and the combination of different investment formulas coexist naturally among angel investors.

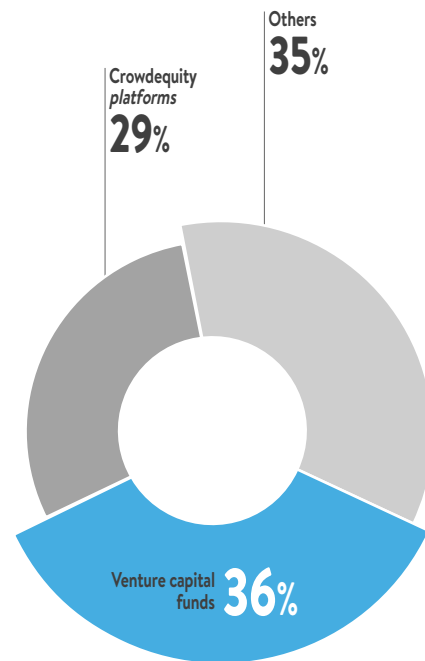


Figure 22.
Other formulas to invest in start-ups

The confluence of investors in these three scenarios (direct angel investment through funds and platforms) is already a visible reality.



WOMEN AND THE INVESTOR ECOSYSTEM

One of the unsolved issues in the entrepreneur ecosystem, particularly in the investor environment, is the lack of women's participation in leadership and decision-making positions. This imbalance affects not only the business angel segment but also the venture capital sector in both independent funds and funds linked to large corporations. In both cases, the percentage of women in shareholder positions is below 15%.

Only 30% of gender-related responses in this survey edition were answered by women. This is a large increase over 2019, when they accounted for only 10%, the highest percentage since the inclusion of this indicator in AEBAN reports 3 years ago. This female advance is caused to some extent by associations between business angels and groups of female investors who are very active and aware of the importance of disseminating information on their activities.

This higher percentage of female responses allows for a more representative analysis of their investor profile or behaviour in comparison with previous years.

A first striking element is that their ticket does not exceed €20,000 in almost 3 out of 4 investments made, while half of the trans-

actions carried out by men range between €11,000 and €50,000.

The presence of women in start-ups is still limited: 26% of participants do not include any start-up founded or led by women in their portfolio, while 25% of them include only one women-founded start-up (see [Figure 23](#)). That is to say, the number of investors having a women-led start-up in their portfolio is the same as those who have none. This is a particularly worrying figure taking into account that the percentage of women who invest in start-ups with female leadership is high.

In any case, there is an increasing number of women founding start-ups or within the management teams. Half of them hold the CEO position (see [Figure 24](#)). Other positions that are most commonly held by women are Chief

Half of the women in start-up management teams hold the CEO position

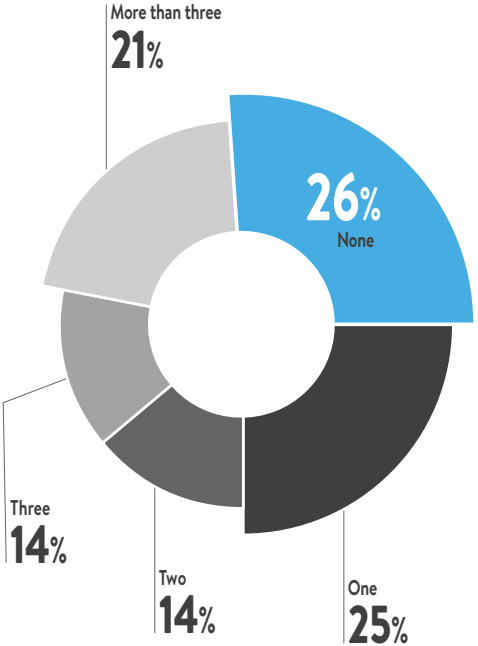


Figure 23.
Portfolio start-ups founded by women

Marketing Officer, CMO (26%), and Chief Financial Officer, CFO (17%). In line with other market disciplines, women are least represented in positions related to the STEM field: Chief Information Officer, CIO (5%) and Chief Technology Officer, CTO (6%).

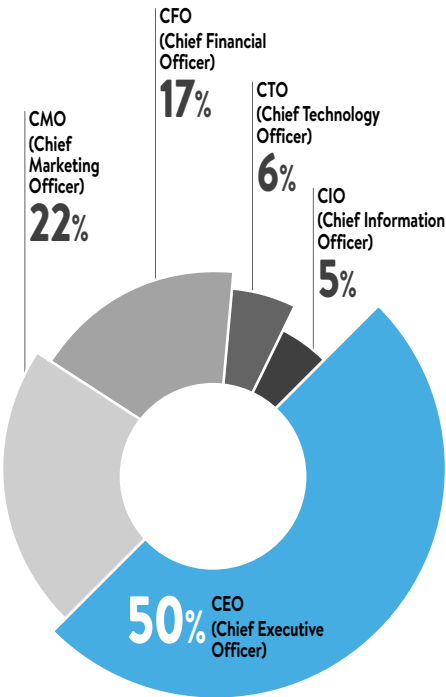
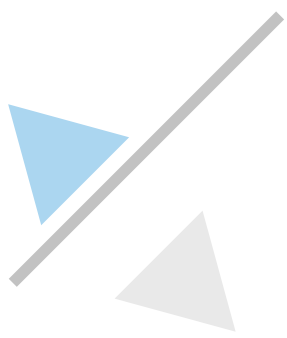


Figure 24.
Position in the board of directors at start-ups



FEMALE ENTREPRENEURS AND ACCESS TO INVESTMENT

In line with the international average of female entrepreneurs, in 38% of the start-ups that received investment in 2021, there was one or more female founders.

In Europe, the sectors in which women-led start-ups receive the most investment capital are related to software, business-to-business services, pharmaceuticals and biotechnology. The sectors in which women have less representation are linked to energy, ICT, hardware and media.¹ Therefore, few funds can be allocated to start-up female founders in these sectors.

Although this report does not include quantitative data on the investment received by women-led start-ups, data on other environments are taken into account as they reveal some investment return for women. Women-led start-ups in the U.S. have gone from receiving \$23.2 billion in 2020 to \$56.5 billion in 2021.² Besides, the amount of transactions has increased by 36%.³

These figures could justify the inclusion of more women in angel investment statistics and could be one of the reasons for the consequent growth and activity recovery seen in women-led start-ups in the post-COVID era.

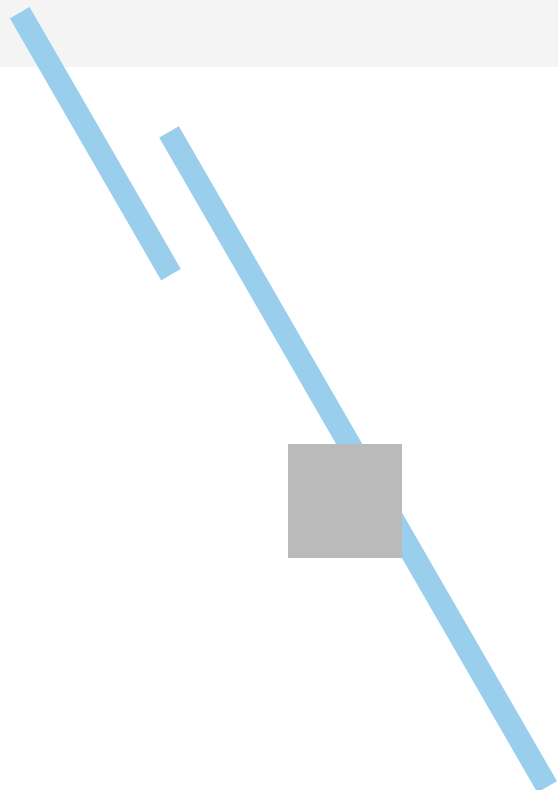
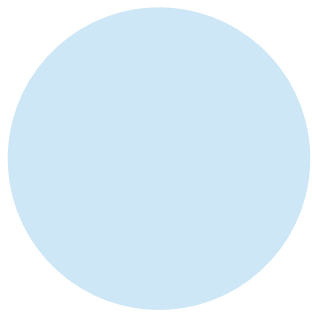
¹ <https://pitchbook.com/news/articles/the-european-vc-female-founders-dashboard>

² Pitchbook Data (2021) "Venture Monitor".

³ <https://pitchbook.com/news/articles/the-european-vc-female-founders-dashboard>

FOREIGN INVESTORS

One of the major trends to follow is the presence of foreign investors since, in 2021, more than 40% of investors shared some investment with a foreign business angel. This figure is lower (35%) when it comes to international investment funds. Due to data limitations, it can only be inferred that a significant number of investors have access to the perspective and vision of investors from other locations.



The truth is that there is a "local loss" in investments. There has been a shift from a national to a more international environment due to the interest of foreign investors in the Spanish innovative ecosystem, which has not slowed down despite the pandemic.

It's worth highlighting that the increased interest of foreign investors in the Spanish ecosystem led, in some cases, to closing investment rounds exclusively with foreign investors. In any case, the most common rounds were mixed (local and foreign).

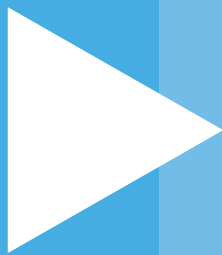
The most active foreign investors in Spain were American, British and French.

The trend towards a greater foreign presence can also be observed in the private equity and venture capital segments. International funds are thirsty for investment due to their abundant liquidity and the strength of the Spanish ecosystem.

The investor ecosystem has become more global as a result of the increased interest of foreign business angels in the Spanish innovative ecosystem

ANTICIPATED TRENDS

The AEBAN survey aims to surface investors' sentiment and expectations on aspects that are relevant to the start-up investment ecosystem.



Investors establish clear equity and portfolio diversification strategies. In this regard, they have increasingly larger portfolios and show a greater commitment to continuity and support of investees (79% of transactions in 2021 correspond to follow-ons).

The early-stage investment sector (platforms, funds) is becoming increasingly interrelated and solid thanks to the entry of new players (some venture capital funds).



79%

**OF TRANSACTIONS IN 2021 WERE FOLLOW-ONS,
WHICH SPEAKS TO THE COMMITMENT OF BUSINESS
ANGELS TO THEIR PORTFOLIO**

The local component is lost in transactions due to the entry of foreign investors.

There is a standardization of the business angel's investor profile is mainly characterised by tickets of up to €25,000, the provision of only strategic advisory (only 21% participate in the board of directors), international investments after the pandemic crisis and devoting less than five days a month to investments since the vast majority considers it as a complementary activity. There is a need for a greater diversity of sectors and profiles, as well as for more female participation.

It could be said that the ecosystem maturity shifts investment towards larger rounds. Transactions in pre-seed and seed stages are growing, but A, B and C Series rounds are experiencing higher growth.

In 2021, the strength of the Spanish entrepreneurship ecosystem and its capacity to generate innovative projects and consolidate those in the growth stage were brought to light.

The Europe's leading association of angel investors (EBAN) highlights some trends:

- Growing market, increasing volume of investors.
- Significant growth in the presence of crowdfunding platforms thanks to the new European legislation.
- Superangels and high-profile investors are creating their own vehicles for smaller and more exclusive transactions than those of venture capital funds.
- Venture capital funds and business angels co-invest in later-stage post-seed transactions.



AUTHORS

JUAN ROURE

Professor of Entrepreneurship at IESE Business School and
President and Founder of IESE's Business Angels Network

LAURA CABALLERO MEDINA

Associate Director of the Centre for Entrepreneurship and Innovation
and Head of IESE's Business Angel Network

AMPARO DE SAN JOSÉ

Member of the Advisory Board of IESE's Business Angel Network and
Entrepreneurship Programme Manager at EIT FOOD, South Europe

ACKNOWLEDGEMENTS

We would like to thank the more than 120 investors who participated in the survey, the business angel networks members of AEBAN, and Jordi Navarrete for his detailed editing work.

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