

EIF Business Angels Survey 2020

Results for Business Angels Netzwerk Deutschland (BAND) respondents

Market sentiment – COVID-19 impact – Policy measures

EIF Research & Market Analysis
in cooperation with Business Angels Europe (BAE)
(BAND is the German member organisation of BAE)



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Preface

Dear Reader,

With three regular equity surveys, the *EIF VC Survey*, the *EIF Private Equity Mid-Market Survey*, and the *EIF Business Angels Survey*, the EIF Research & Market Analysis (RMA) team provides unique market insight, typically on an annual basis. As everyone knows, 2020 was an unprecedented and remarkable year – also a year with high uncertainty and increased information needs. Therefore, exceptionally, the EIF RMA team ran the surveys a second time during the year, to shed more light on the impact of COVID-19 on the respective markets.

This presentation is based on selected results from the EIF Business Angels Survey (EIF BA Survey). While the EIF BA Survey has already been unique in its pan-European coverage and multi-country approach, EIF RMA was able to even further increase its outreach to business angels in Europe thanks to a new cooperation with *Business Angels Europe (BAE)*. A substantial part of the sample for the EIF BA Survey 2020-autumn wave comprised BAE members. This presentation, which reflects the cooperation between EIF RMA and BAE, presents the results of the EIF BA Survey for those responses that were received from business angels represented by *Business Angels Netzwerk Deutschland (BAND)*, the German member organisation of BAE.

We would like to highlight the mutually beneficial and fruitful nature of our cooperation. We would also like to thank all colleagues at EIF's RMA team and at BAE and BAND as well as all contributors for their support in making this project and analysis possible. Finally, we would like to thank all angels who responded to the EIF BA Survey. Their valuable replies allowed us to present you with unique insights into the recent developments in the European market for business angel financing. The results provide an interesting picture of the impact of COVID-19 on European business angels and their portfolio companies, the market sentiment, and also deliver insights into special selected topics. In order to facilitate the reading, we offer a hybrid slide document instead of a traditional Working Paper style. We hope you will enjoy it.

Kind regards,

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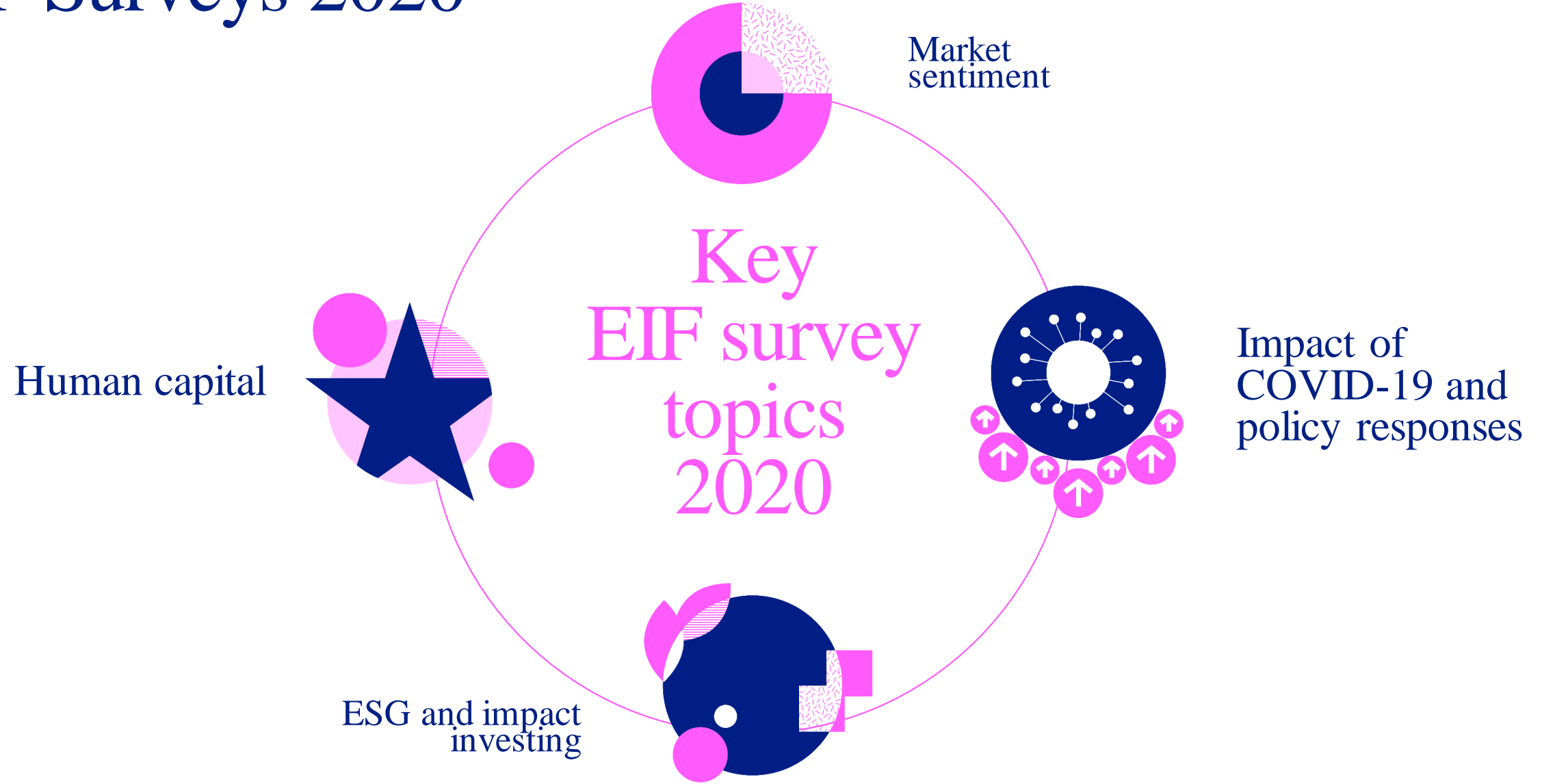
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General survey information

- The EIF performs three regular surveys: The *EIF VC Survey*, the *EIF PE Mid-Market Survey*, and the *EIF Business Angels (BA) Survey*. ***This presentation is based on selected results from the EIF BA Survey.***
- The *EIF BA Survey* is an online survey of Business Angels (BAs) investing in Europe. The *EIF BA Survey targets* both EIF-supported as well as non-EIF supported BAs. It is unique in its pan-European coverage and multi-country approach.
- The survey benefitted from ***cooperations*** with two partner organisations: A part of the survey questions is based on exchanges with the Joint Research Center (JRC) of the European Commission. A part of the sample for the EIF BA Survey 2020-autumn comprises Business Angels Europe (BAE) members.
- The second survey wave of 2020 (2020-autumn wave) includes (anonymised) responses from 324 BAs, of which 96 are represented by the BAE member organisation in Germany, Business Angels Netzwerk Deutschland (BAND). ***This presentation covers only those 96 responses that were received from BAs represented by BAND.***
- Responses were received between 30 September and 05 November.
- The ***topics*** covered in the second survey wave of 2020 are market sentiment as well as the impact of COVID-19 and the related policy measures.

EIF Surveys 2020



Executive summary

General survey information

- **The EIF performs three regular surveys: The *EIF VC Survey*, the *EIF Private Equity Mid-Market Survey*, and the *EIF Business Angels Survey*.** These three surveys provide the opportunity to retrieve unique market insight. To the best of our knowledge, the combined *EIF PE MM Survey* and *EIF VC Survey* currently represent the **largest regular survey** exercise among GPs in Europe. The *EIF BA Survey* is unique in its pan-European coverage and multi-country approach.
- The already large outreach of the EIF surveys, which are **coordinated by EIF’s Research & Market Analysis (RMA)**, and the high relevance of the questionnaire topics for both market participants and policy makers have further increased through **new cooperations with Business Angels Europe (BAE) and the Joint Research Center (JRC) of the European Commission**.
- **This presentation covers only those responses that were received from business angels represented by the BAE member organisation in Germany, “Business Angels Netzwerk Deutschland” (BAND).**
- In addition to the sections on **market sentiment**, the **impact of COVID-19** and market participants’ perception of **policy responses**, the latest 2020 EIF Survey wave allowed us to look into recent changes with respect to respondents’ **human capital** and their considerations related to **ESG & impact investing**.
- 2020 was an exceptional year. Therefore, EIF’s RMA performed, on an exceptional basis, two survey waves. Moreover, the responses of the first survey wave were split into two sets, based on the time of their submission. **Our new and exceptional approach allows us to analyse and compare the situation in the European private equity/venture capital & BA markets at three points in time: (i) Before the COVID-19 crisis, (ii) when the crisis started to spread across Europe in the first quarter of the year, and (iii) during a later phase in autumn.**
- **Looking ahead**, the next wave of the *EIF VC Survey*, the *EIF Private Equity Mid-Market Survey*, and the *EIF Business Angels Survey* is already in preparation for mid-2021.
- As usual, the **survey results** are published in the **EIF Working Paper series** which is **available here:** https://www.eif.org/news_centre/research/index.htm

- Over half of the respondents find the **current access to finance of their portfolio companies** average, while one-quarter rate it as (very) good. However, almost one-third expect a deterioration over the next 12 months.
- Respondents are relatively optimistic regarding both the current **business environment for BA activities** and expectations for the next 12 months.
- The **number of investment proposals received** slightly increased, on average, while the **number of new investments made** slightly decreased between March and October 2020. Expectations for the next 12 months are positive, with around 4 in 10 respondents expecting an increase.
- The COVID-19 crisis had quite a substantial impact on the **investment strategy** of the respondents. Between March and October 2020, 36% of the respondents made no new investments.
- Less than one-third of the respondents provided **additional investment to portfolio companies due to the COVID-19 crisis**, where such investment was not foreseen at the start of 2020.
- The COVID-19 crisis had a significantly negative impact on the **portfolio development** of the respondents, with around half of them experiencing a development below expectations between March and October 2020. Over the next 12 months, around half of the surveyed BAs expect an improvement, while only 20% expect a further deterioration.
- Respondents find it easiest to find **co-investors to syndicate** among other BAs, while they find it more challenging to find co-investors among VCs and Corporates. Over the next 12 months, respondents expect this to remain unchanged for other BAs, while they expect it to become even more difficult to find co-investors among VCs and Corporates.

- 39% of **exits** between March and October 2020 were insolvencies/liquidations. Other frequent exit routes included strategic sales, MBOs and sales to financial investors.
- The majority of respondents experienced a deterioration in the **exit environment** between March and October 2020. While over one-third of respondents expect an improvement over the next 12 months, 3 in 10 respondents expect a further deterioration.
- Over half of the respondents experienced a decline in the **valuation of portfolio companies** between March and October 2020. Valuations are expected, on average, to increase again over the next 12 months with over 4 in 10 respondents expecting an increase and one-quarter expecting a further decrease.
- Over half of the respondents experienced a decline in **entry prices** between March and October 2020. 34% of respondents expect a further decline over the next 12 months, while 29% expect an increase.
- 64% of respondents experienced a decline in **exit prices** between March and October 2020. Over one-third of respondents expect a further decline in exit prices over the next 12 months while 3 in 10 respondents expect an increase.
- 41% of respondents experienced a decline in **competition among investors** between March and October 2020; for a similar share of the respondents competition remained unchanged. 48% of the respondents expect competition to remain unchanged over the next 12 months, while 34% expect an increase.
- Regarding the **most promising sectors/industries in the near future**, we find that the pandemic increased the perceived investment potential in the healthcare sector. This is coupled with a pattern towards the use of technology applications to enable greater digitisation of businesses and processes.

- Respondents are, **on average, negatively impacted** by the COVID-19 crisis.
- The impact on the **final performance** of their portfolio is **more positive** than the impact on the **current performance**, although, **on average, still negative**.
- Respondents are relatively optimistic regarding the impact on their **portfolio value in the short-term**; 49% expect a positive NAV between Q4 2019 and Q4 2020, while only 43% expect a negative NAV.
- On average, 43% of the respondents' portfolio companies were negatively impacted by COVID-19, while 24% were positively impacted. Among those portfolio companies that were positively impacted, digitisation was by far the most frequently mentioned factor; respondents mentioned COVID-19 as accelerating the adoption of new technological solutions and business models, which benefitted portfolio companies across a number of industries offering such solutions.
- When it comes to the **biggest challenges facing the respondents' portfolio companies**, securing financing/liquidity is considered the first most important challenge by 34% of respondents, followed by customer acquisition & retention and disruption due to COVID-19 related restrictions.
- 6 in 10 respondents do not expect any **insolvencies** resulting from the impact of COVID-19 and only 4% of the respondents expect that 50% or more of their active portfolio companies might file for insolvency due to the impact of COVID-19.
- “Exit environment” and “Availability of own funding” are seen as the **biggest challenges in BA activity** during the current COVID-19 crisis, followed by “Identifying good investment opportunities”.
- On average, 20% of the respondents' portfolio companies **develop/provide solutions addressing the COVID-19 challenge**; these portfolio companies predominantly operate in Artificial Intelligence, E-commerce, Digital health, Healthcare and Biotech.

Executive summary

COVID-19: Investment impact

- Since the onset of COVID-19, **BA**s tend to **focus** more on **companies with an experienced management team, revenue generating capability, recurring revenue business models** and a **longer financial runway**.
- The highest percentage of respondents has **not made any change in investment strategy** as a result of COVID-19. Among those that have made changes, the most frequently mentioned change was an **increased focus on existing portfolio companies**.
- **Most respondents have not changed their portfolio construction approach**. If at all, the most frequent change was an **increase in diversification**.
- 64% of **BA**s have **slowed down the pace of investments** due to COVID-19.
- Regarding structural changes to how **BA** activities are conducted, 24% of the respondents reported **not** having made any **changes**. Among those that did make changes, the most frequently reported ones include **changes to the due diligence process** and **changes to how portfolio companies are supported/monitored**.

Executive summary

COVID-19: Investment impact - ESG

- The crisis has not shifted attention away from **ESG considerations**. 7 in 10 BAs have at least maintained their focus on companies that have a positive environmental and/or social footprint.
- In the short-term aftermath of the COVID-19 crisis, the **majority of BAs will be retaining their focus and portfolio allocation to environment and climate**. Looking forward in the long-run, an one third of respondents indicate their intention to further increase their portfolio allocation in this area.
- The COVID-19 crisis seems to have **heightened equity investors' sensitivity to the S component of ESG**. Indeed, both in the short-term and in the long-run, the percentage of respondents who indicate their intention to increase their portfolio allocation in the area of social innovation is greater than the respective percentages for the environment and climate area.

- Respondents consider **regional and national government programs** to be relevant, but their effectiveness is rated less positive. In particular, the implementation speed could be improved.
- The majority of respondents rate **European-level programs** as average (55%); 35% rate them as bad or very bad, while only 9% rate them as good or very good.
- A majority of respondents **applied for government support measures**, for at least some of their portfolio companies.
- Easing the financing burden of the company was the most frequently stated **reason for applying for government support measures**.
- Unsuitable requirements or no business need were the most frequently stated **reasons for not applying for government support measures**.
- The two most frequently mentioned **suggestions for policy responses** targeting BAs are more co-investment opportunities for BAs and greater tax-relief and tax-related advantages for BA investments during crises.

- **BAs** showed a particularly pessimistic view in several of the survey questions. Despite the negative impact of COVID-19 on these investors, BAs are the respondent group (compared to our VC and PE mid-market fund managers surveys) that is the least satisfied with the implementation of the COVID-19-related policy programs (both on a European and on a national/regional level) and the least prone to apply for support measures, mainly because of unsuitable requirements for target investments. A stronger fine-tuning of policy programs for the needs of this investor group and their portfolio companies could address these issues.
- **A crisis is also an opportunity, which needs appropriate policy instruments.** The acceleration of digitisation resulting from the crisis is seen as a substantial opportunity among BA respondents. This creates a need for policy measures that appropriately ensure that companies which are implementing new opportunities will have **sufficient access to finance**.

EIF Business Angels Survey 2020

Results for Business Angels Netzwerk
Deutschland (BAND) respondents

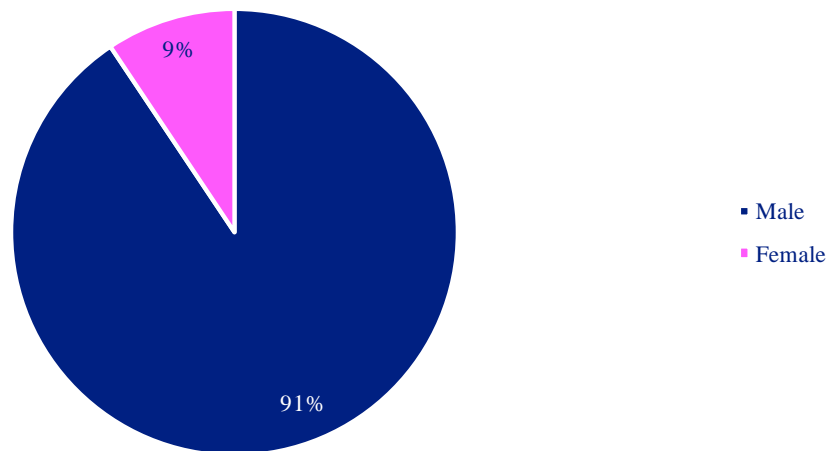
*Respondents' profile and
characteristics*

EIF Research & Market Analysis

Survey wave 2020

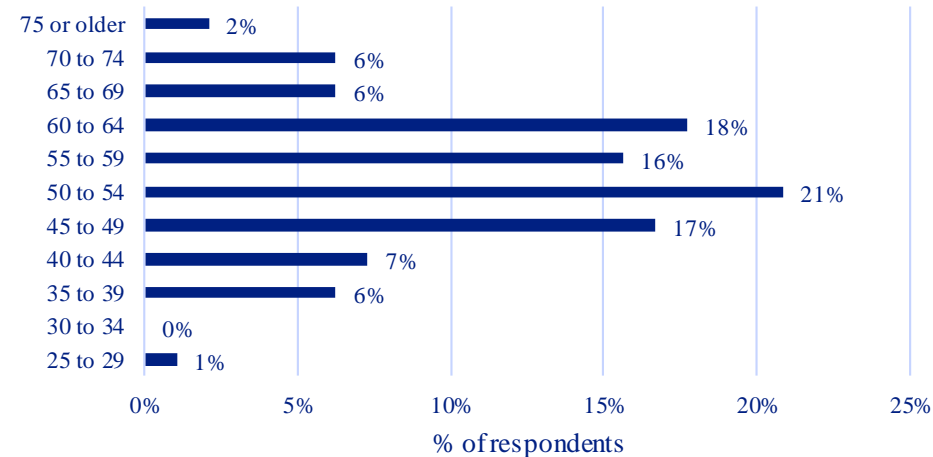
Respondents' profile

Gender



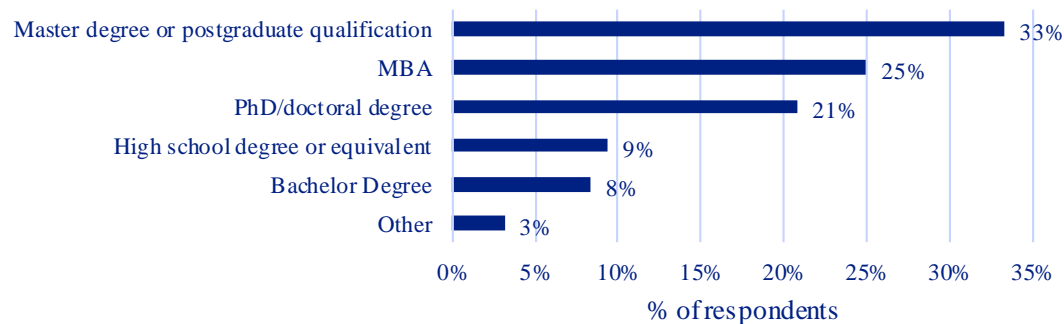
EIF BA Survey question: "What is your gender?"

Age



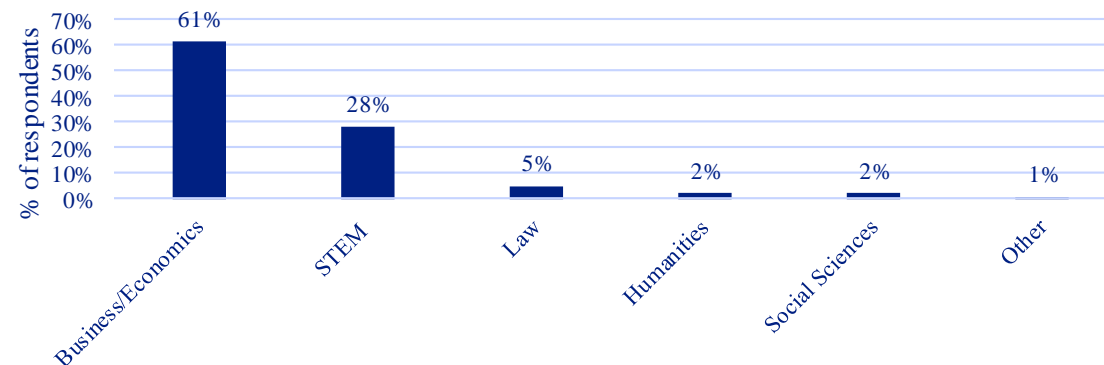
EIF BA Survey question: "What is your age?"

Education



EIF BA Survey question: "What is your highest degree of education?"

Main field of education

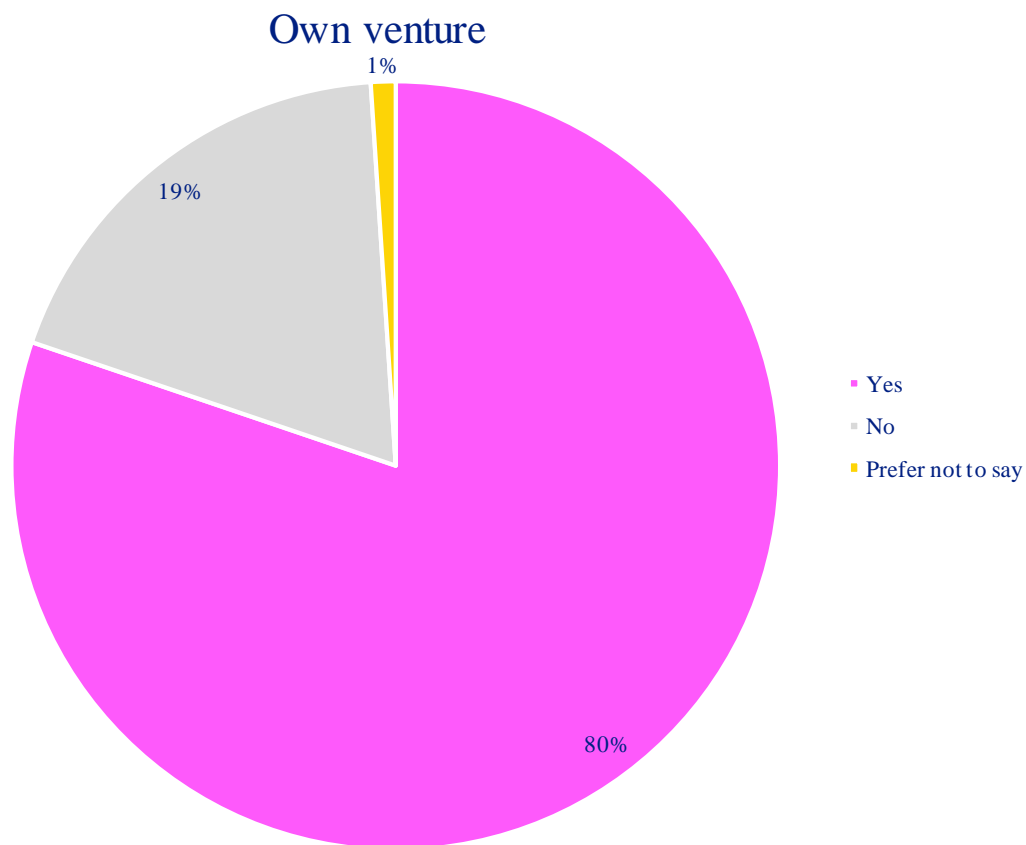


EIF BA Survey question: "What was the main focus/field in your education?"

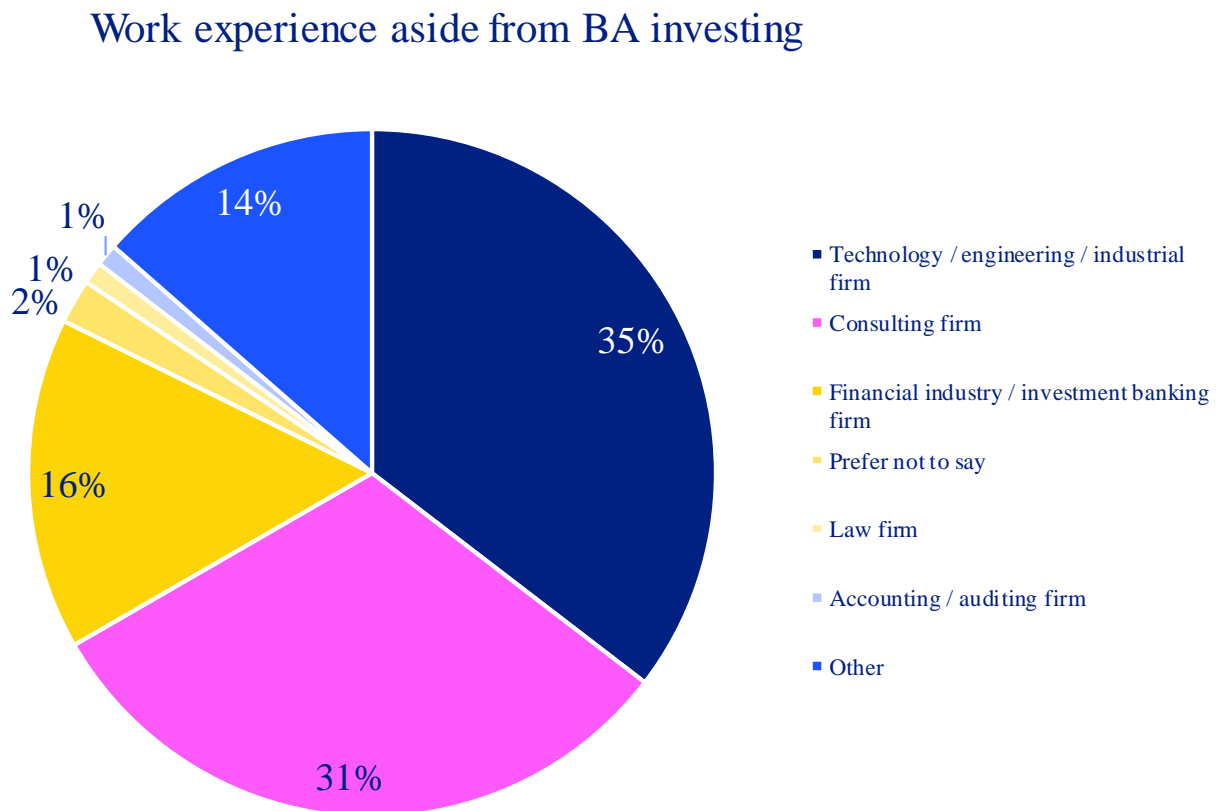
Respondents' business experience

8 in 10 respondents have created their own venture

Technology/Engineering/Industrials, Consulting & Financial services are most frequent work experience



EIF BA Survey question: "Have you ever created your own venture?"

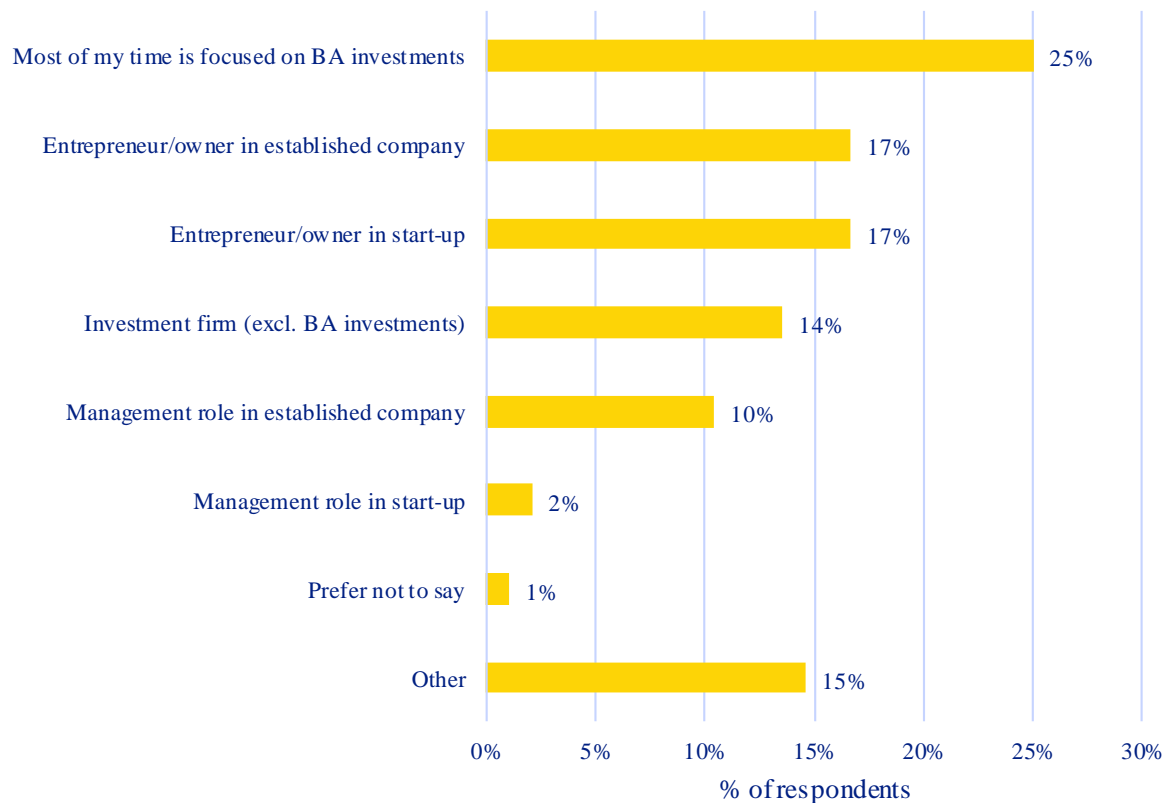


EIF BA Survey question: "Which of the following would best describe your type of work experience aside from BA investing?"

Respondents' business know-how

Besides investing as BAs, many respondents are active as entrepreneurs

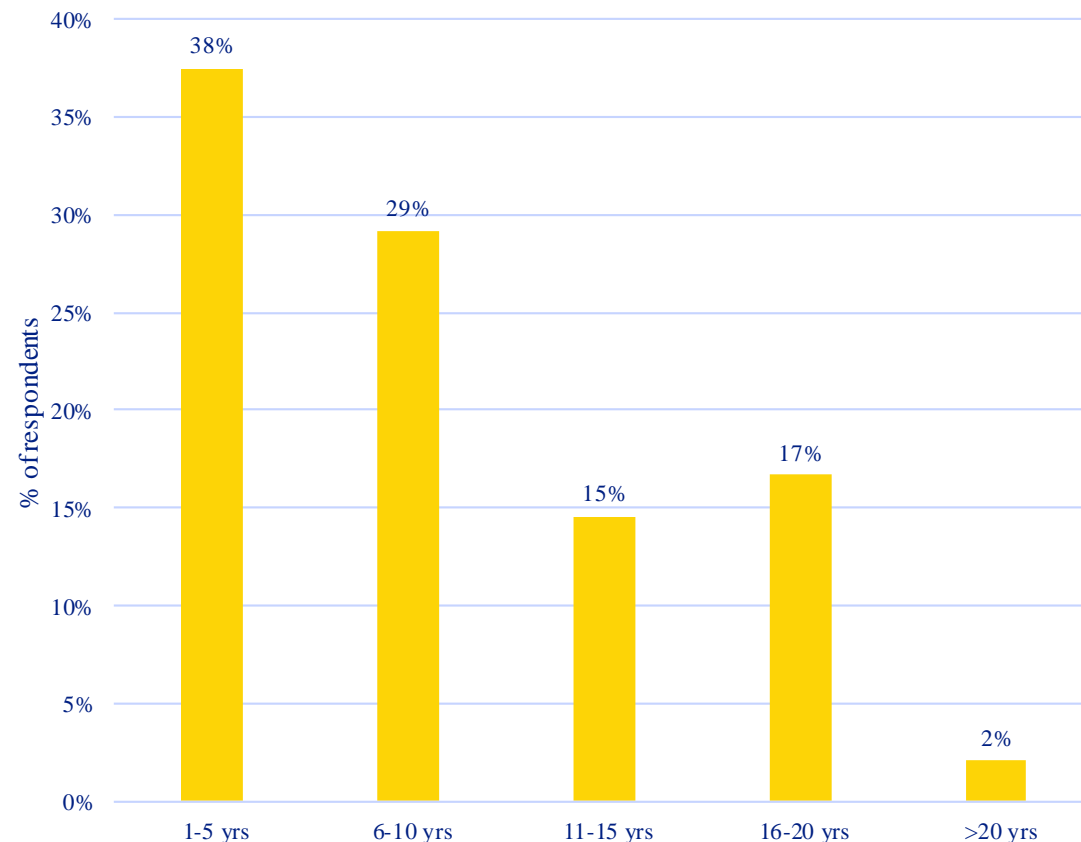
Current occupation besides BA investing



EIF BA Survey question: *“What is your current occupation besides BA investing?”*

Most respondents have up to 10 years experience as a BA

Years of experience

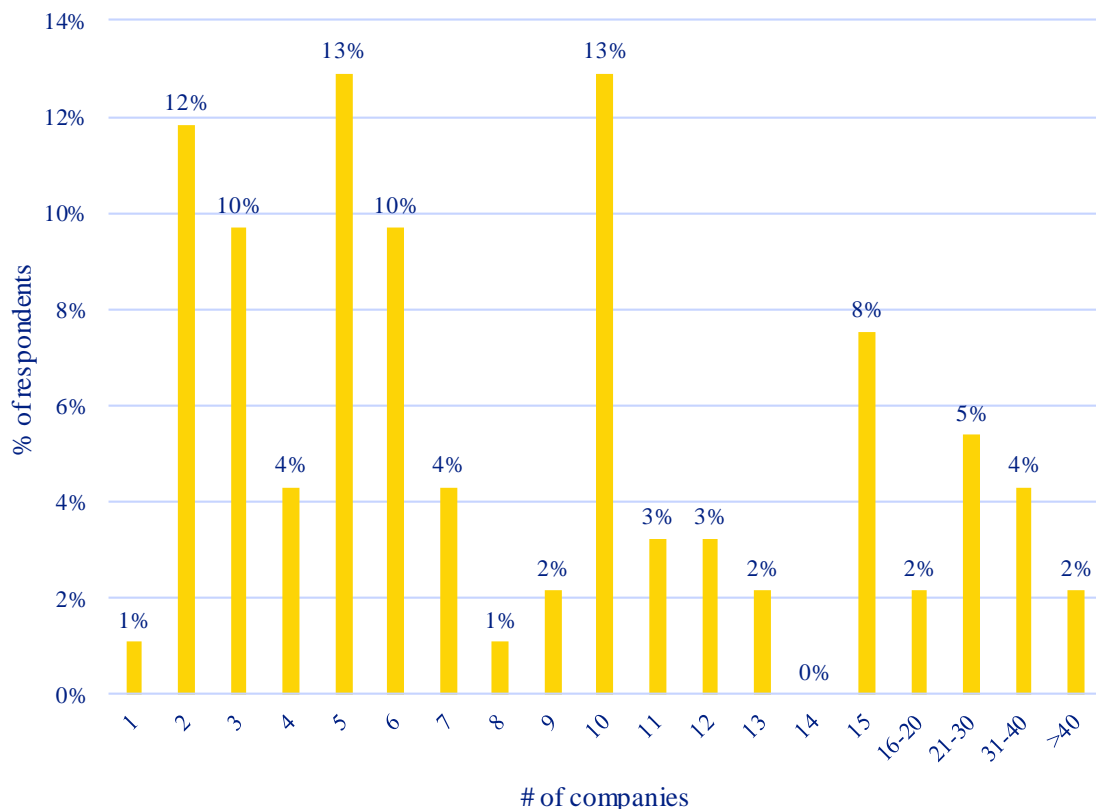


EIF BA Survey question: *“In total, how many years of experience as a BA do you have?”*

BA investment experience

Approximately one-third of BAs have invested in over 10 companies

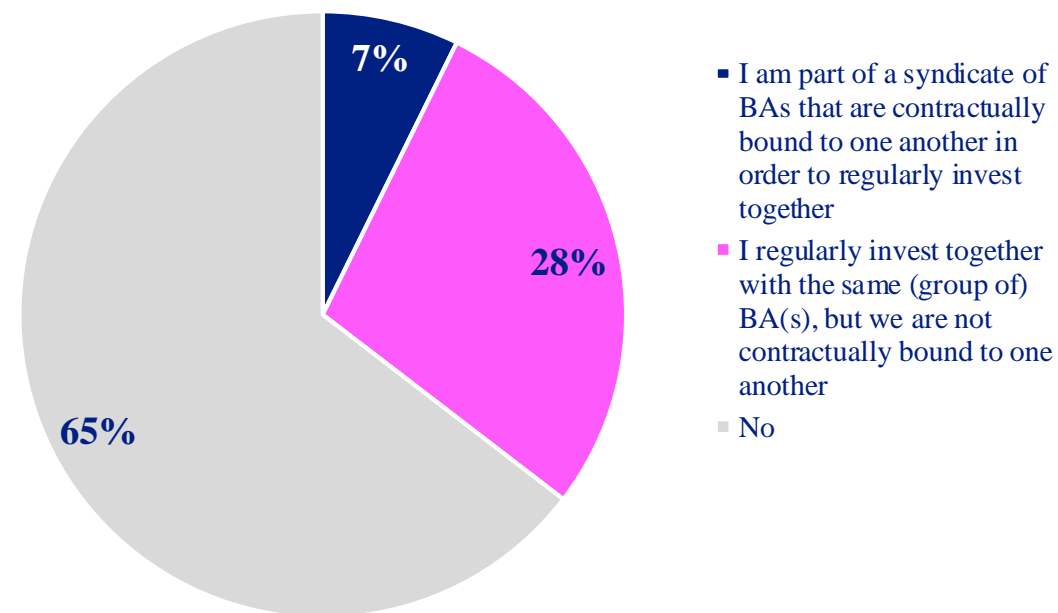
Number of companies invested in as a BA



EIF BA Survey question: "In total, in how many companies have you invested as a BA?"

*Approximately two-thirds are **not** part of a stable BA syndicate*

Part of stable syndicate



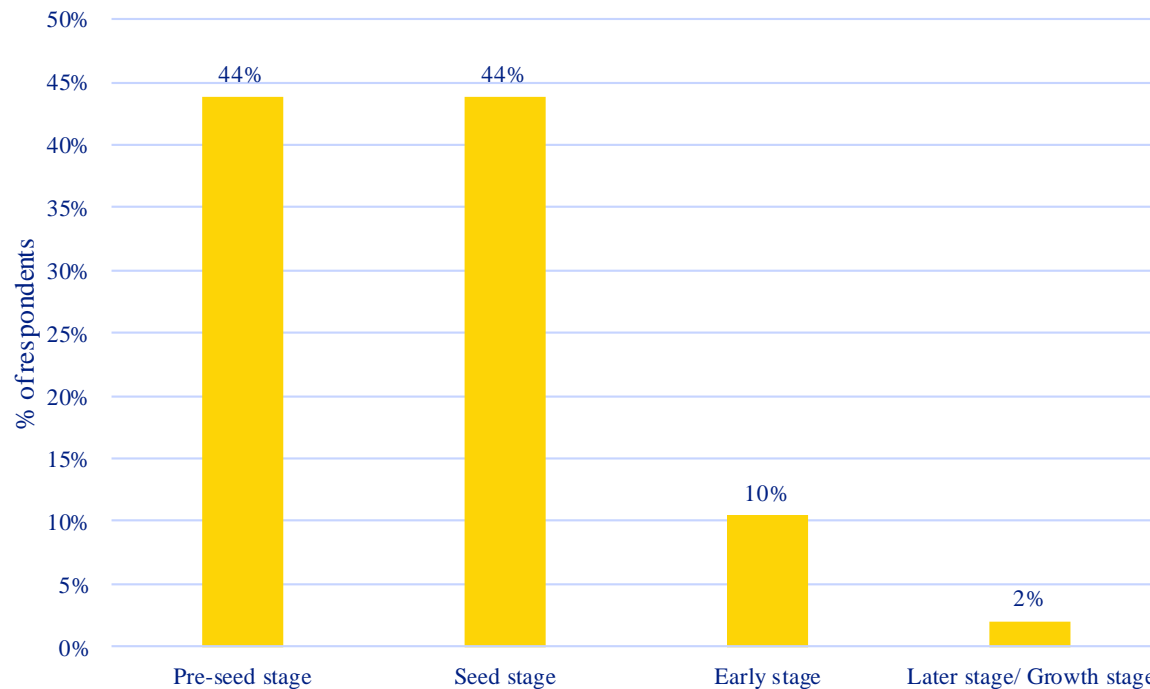
EIF BA Survey question: "Are you part of a stable BA syndicate?"

Investment stage & country focus

Approximately 9 in 10 invest in the pre-seed (44%) or seed (44%) stage

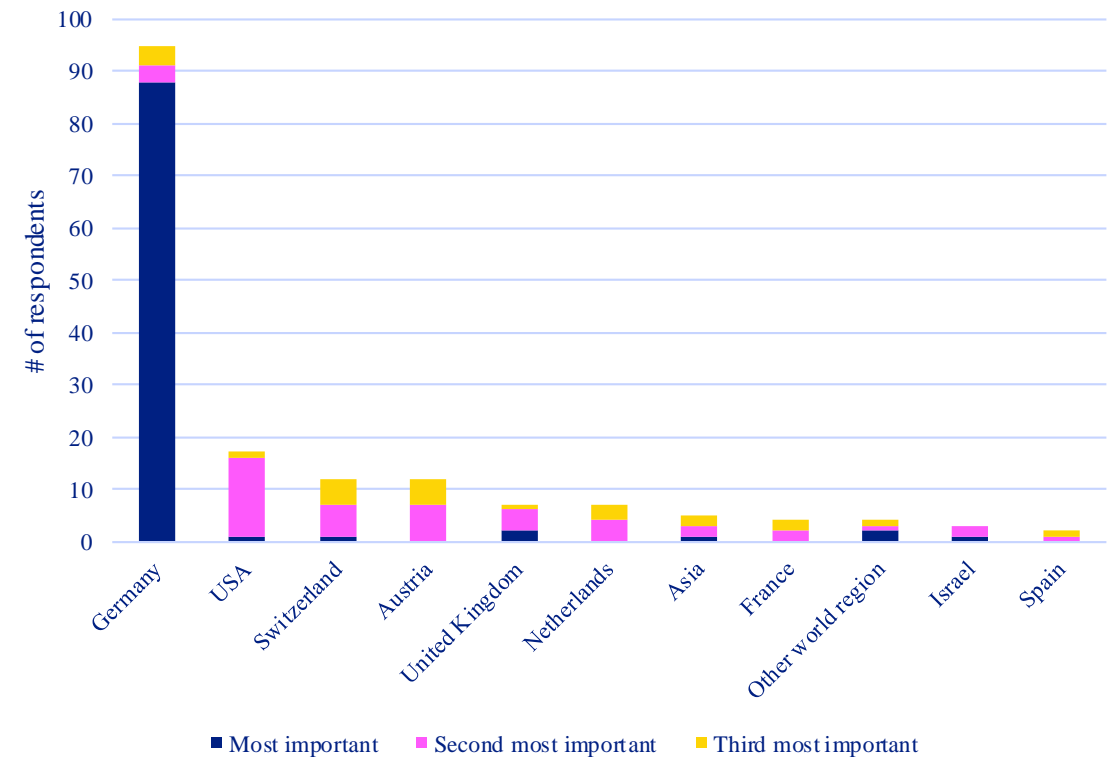
Respondents mostly invest in their home country, i.e. Germany

First most important investment stage



EIF BA Survey question: “What is (are) the most important stage(s) in which you invest as a BA?” Note: the graph shows the first most important stage.

Three most important countries in which respondents invest

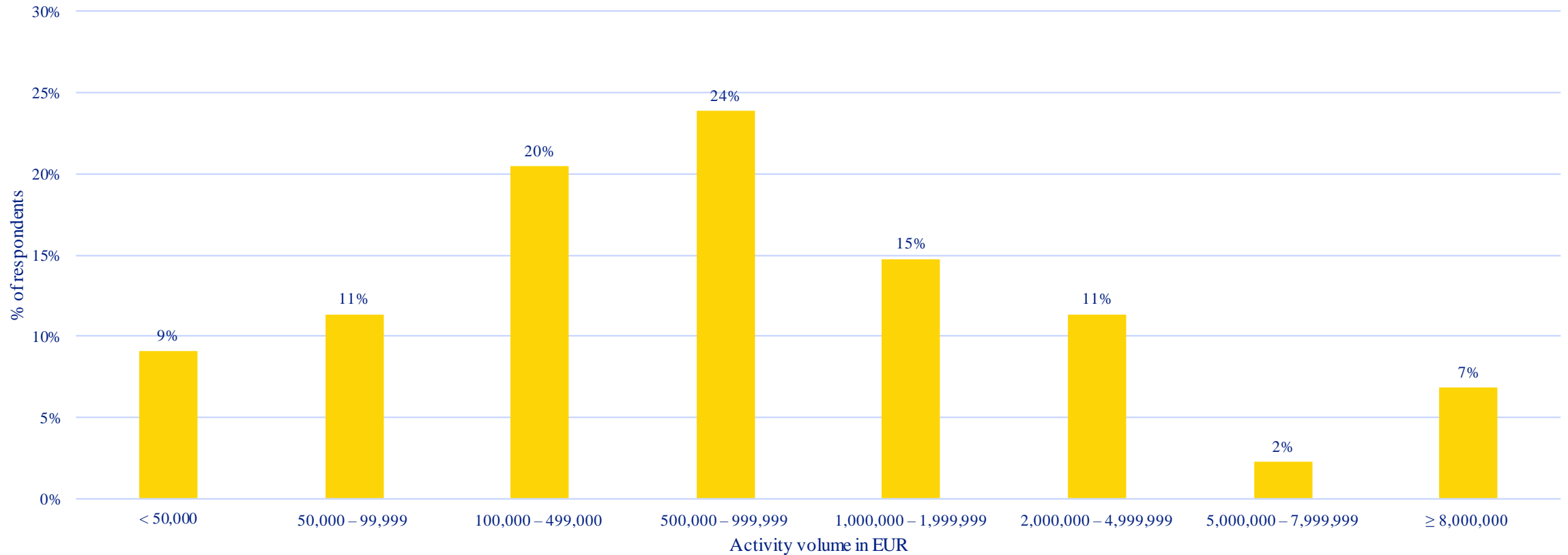


EIF BA Survey question: “Please select the most important countries in which you invest.” Note: the graph shows the three most important countries/regions.

Volume of BA activity

Almost one-quarter of surveyed BAs invest between 500K and 999K

Total volume of BA activity

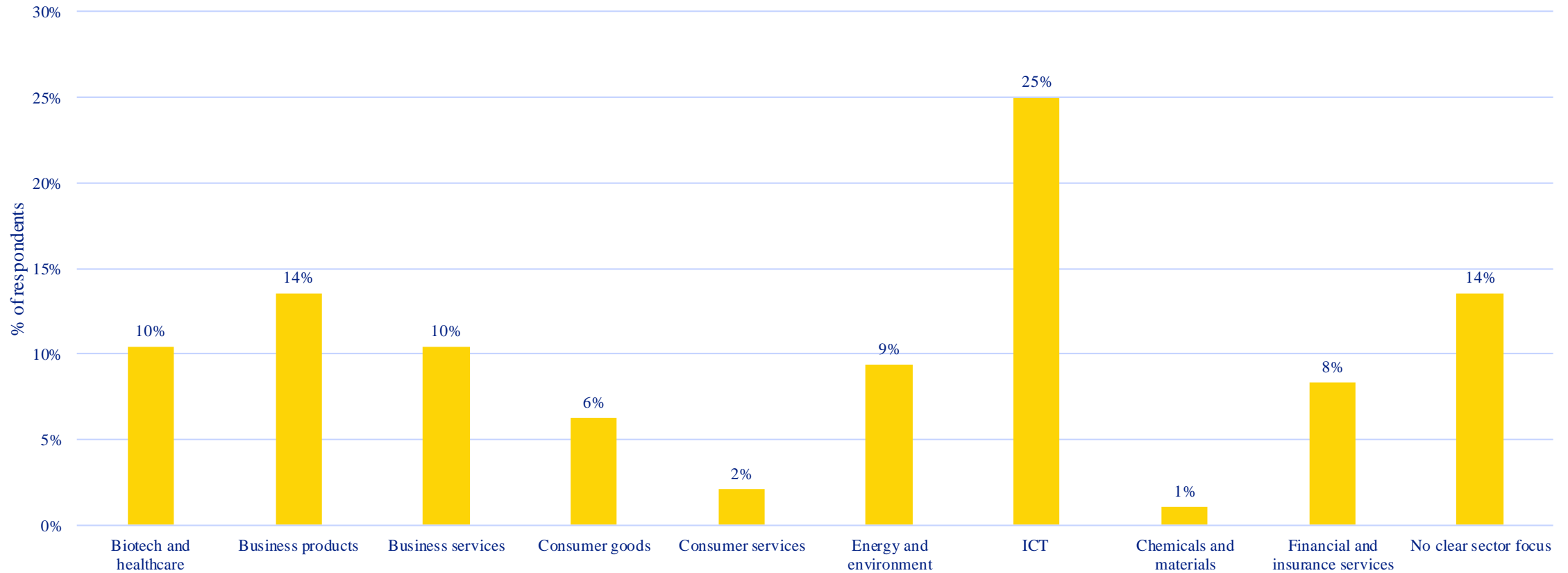


EIF BA Survey question: “What is the total volume of your BA activity (including commitments from other parties), in Euro?”

Most important target industries

*BAs target companies mainly in the **ICT** sector*

Most important industries in which respondents invest



EIF BA Survey question: *“Please select the most important industries in which you invest.”* Note: the graph shows the first most important industry.

EIF Business Angels Survey 2020

Results for Business Angels Netzwerk
Deutschland (BAND) respondents

Market sentiment

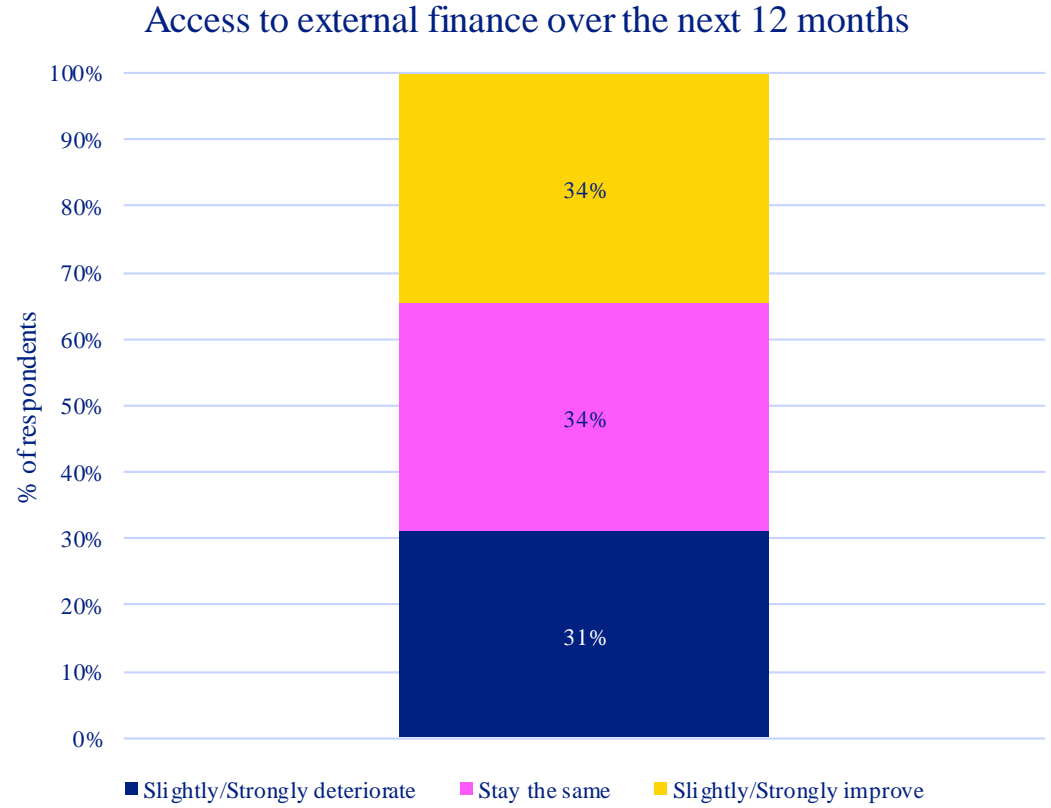
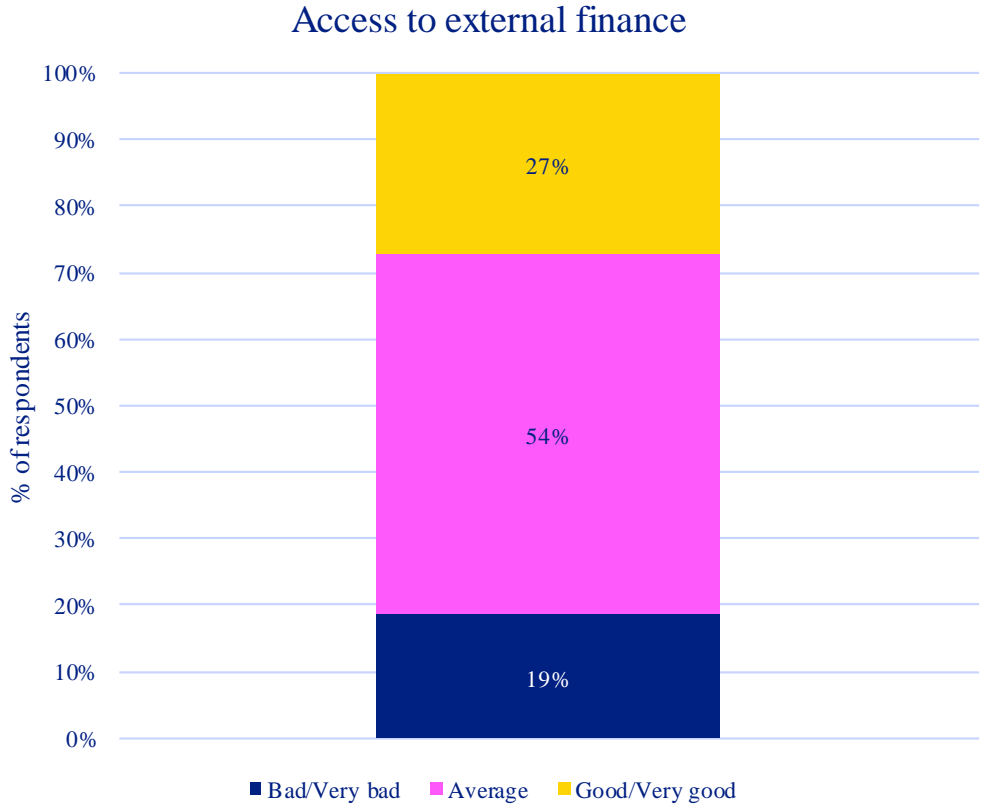
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Survey wave 2020

Access to external finance of portfolio companies

*Majority rate access to external finance for portfolio companies as **average***

*Almost **one-third** expect a **deterioration** over next 12 months, while another **one-third** expect an **improvement***



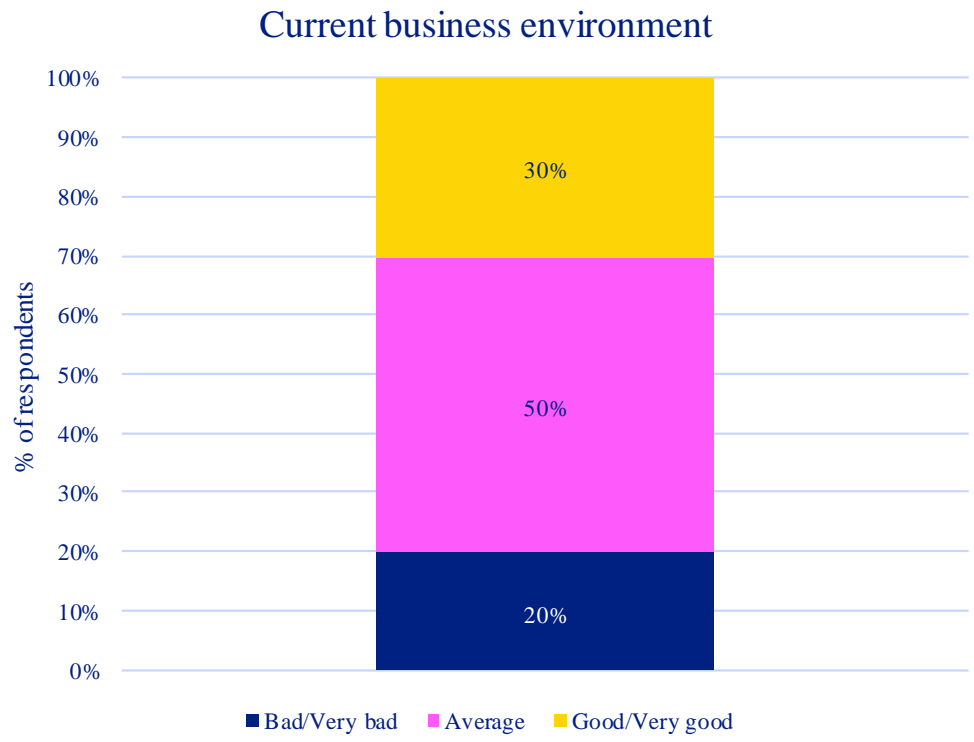
EIF BA Survey question: “How would you rate the access to external finance of your portfolio companies?”

EIF BA Survey question: “Over the next 12 months, how do you expect the access to external finance of your portfolio companies to develop?”

Source: EIF Business Angels Survey 2020, selected results of BAND members; overall results are published by EIF’s Research & Market Analysis in the EIF Working Paper series, available at https://www.eif.org/news_centre/research/index.htm

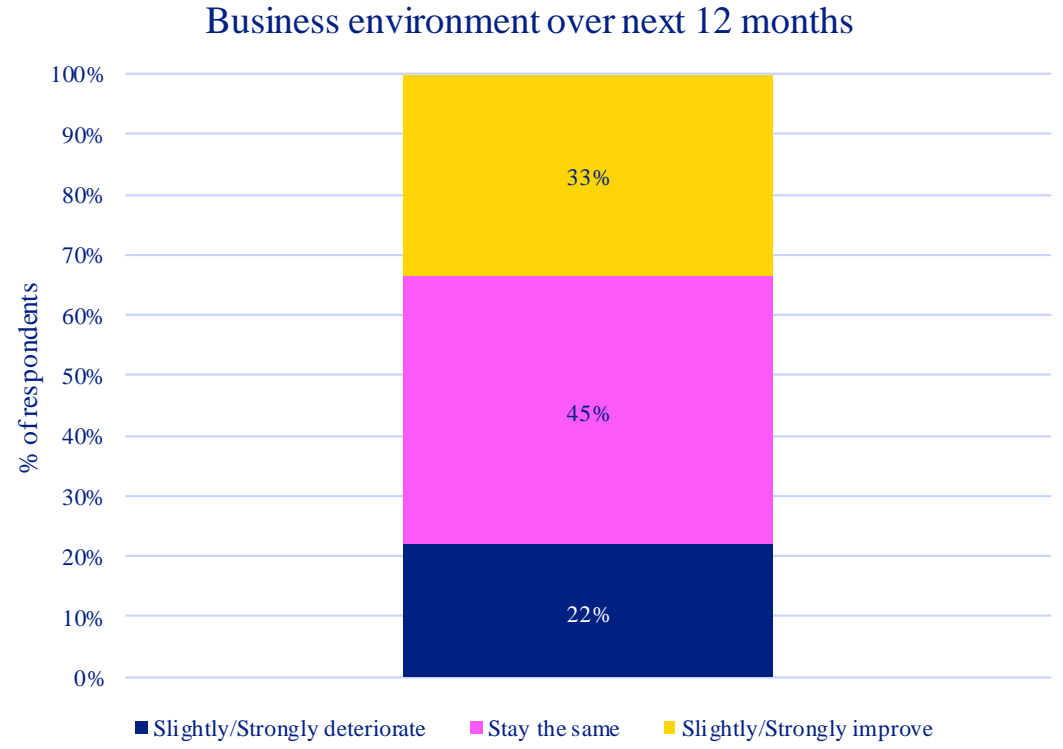
Business environment for BA activities

Current business environment for BA activities in target country, on average, positive



EIF BA Survey question: “How would you assess the current business environment for BA activities in your main target country?”

Business environment for BA activities in target country, on average, expected to improve over next 12 months



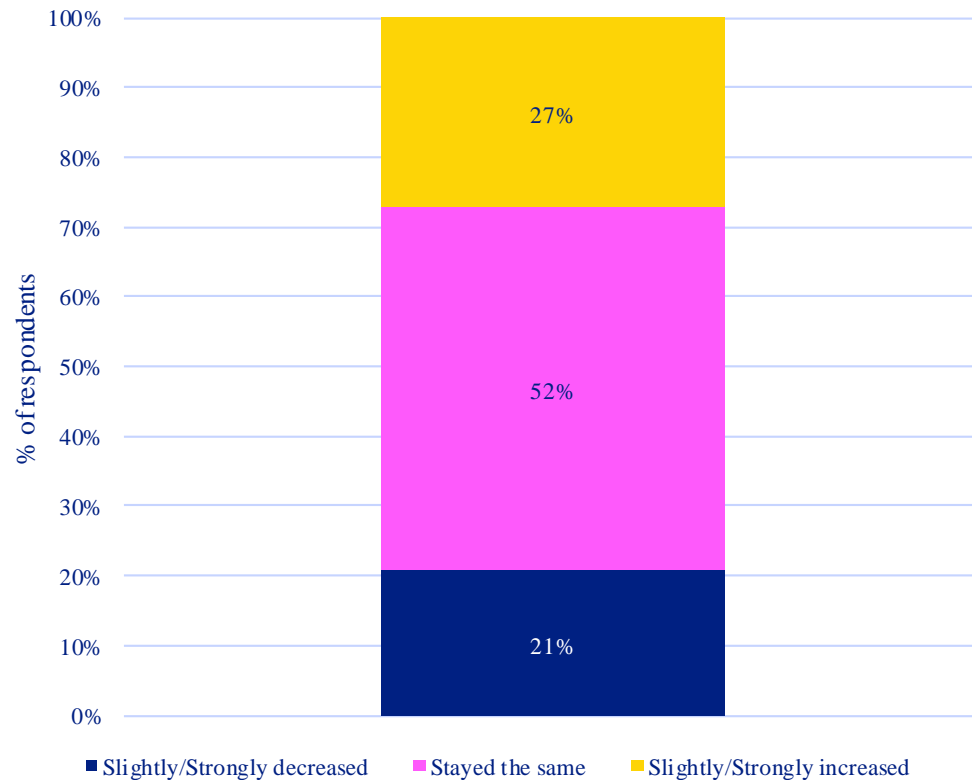
EIF BA Survey question: “Over the next 12 months, how do you expect the business environment for BA activities in your main target country to develop?”

Number of investment proposals received

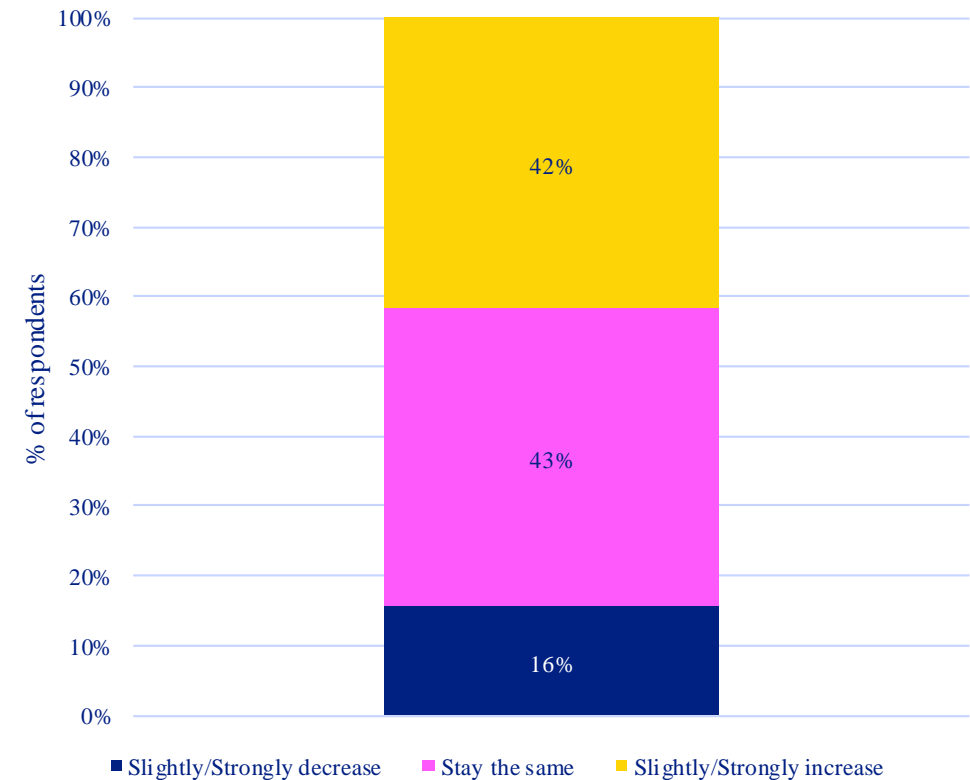
*Number of investment proposals **increased**, on average, between March & October 2020*

*Over 4 in 10 respondents expect a **further increase** over the next 12 months*

Investment proposals since March 2020



Investment proposals over next 12 months



EIF BA Survey question: “How has the number of investment proposals to you developed since March 2020?”

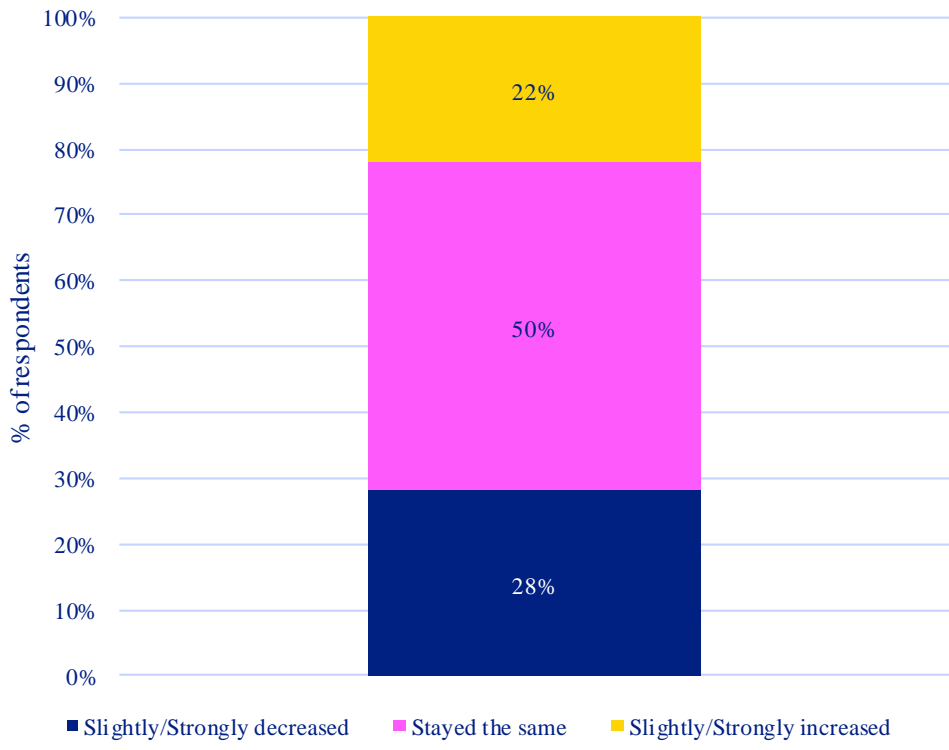
EIF BA Survey question: “Over the next 12 months, how do you expect the number of investment proposals to you/your firm to develop?”

Number of new investments

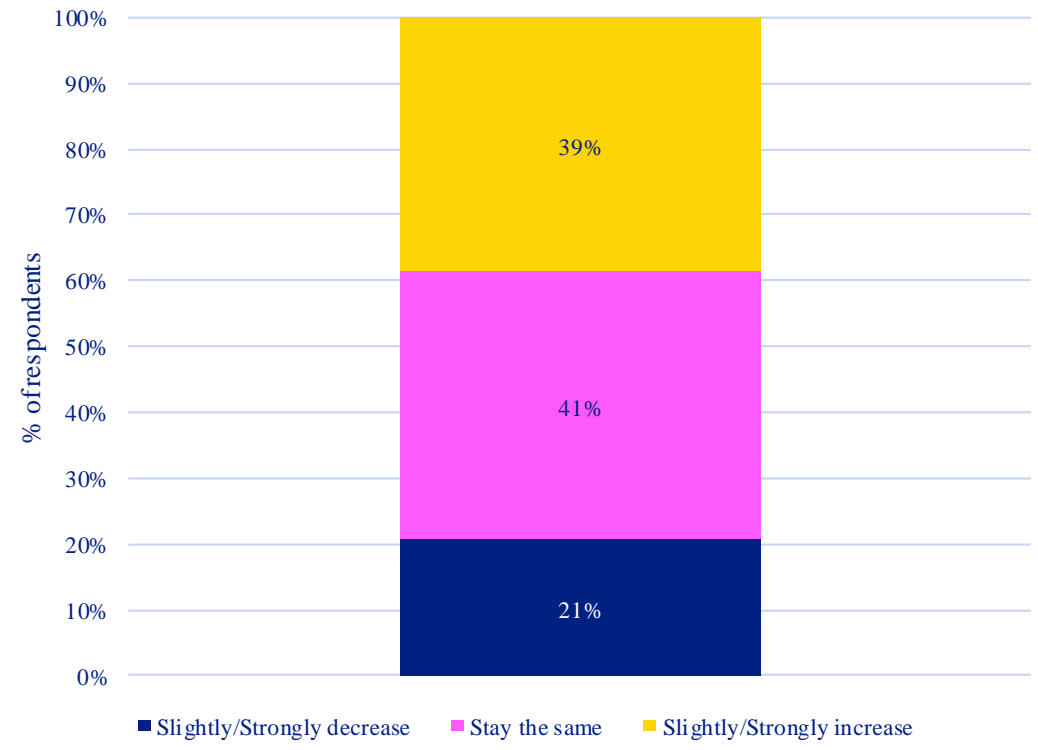
Number of new investments decreased, on average, between March & October 2020

Almost 4 in 10 respondents expect an increase over the next 12 months

New investments since March 2020



New investments over next 12 months

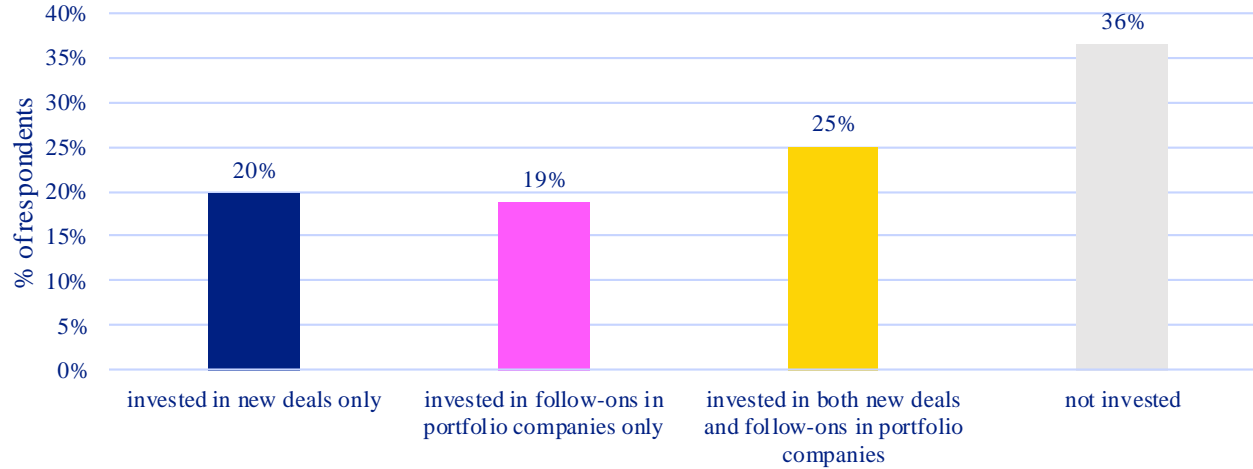


EIF BA Survey question: “How has the number of your new investments developed since March 2020?”

EIF BA Survey question: “Over the next 12 months, how do you expect the number of your new investments to develop?”

Investment strategy

Since March 2020, have you...



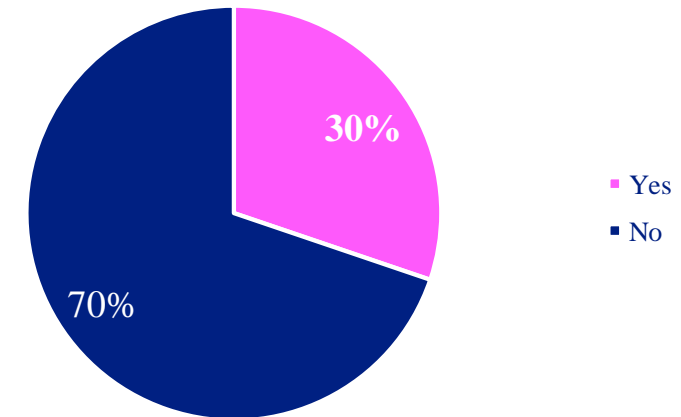
Since March 2020, over one-third of respondents made no investments.

One-quarter of respondents invested in both new deals and follow-ons in portfolio.

Other respondents invested either in new deals only or in follow-ons only

One-third of respondents provided additional investment to portfolio companies due to the COVID-19 crisis, where such investment was not foreseen at the start of 2020

Additional investment

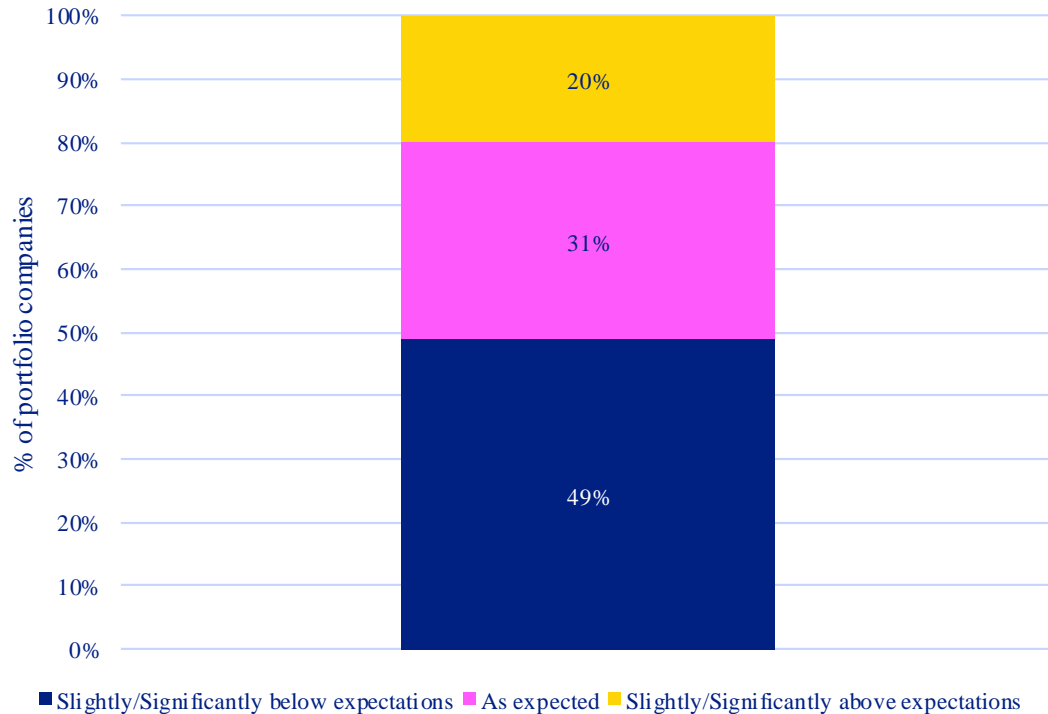


EIF BA Survey question: “Have you provided additional investment to portfolio companies due to COVID-19, where such investment was not foreseen at the start of 2020?”

Portfolio development

Portfolio companies developed below expectations for almost 5 in 10 respondents

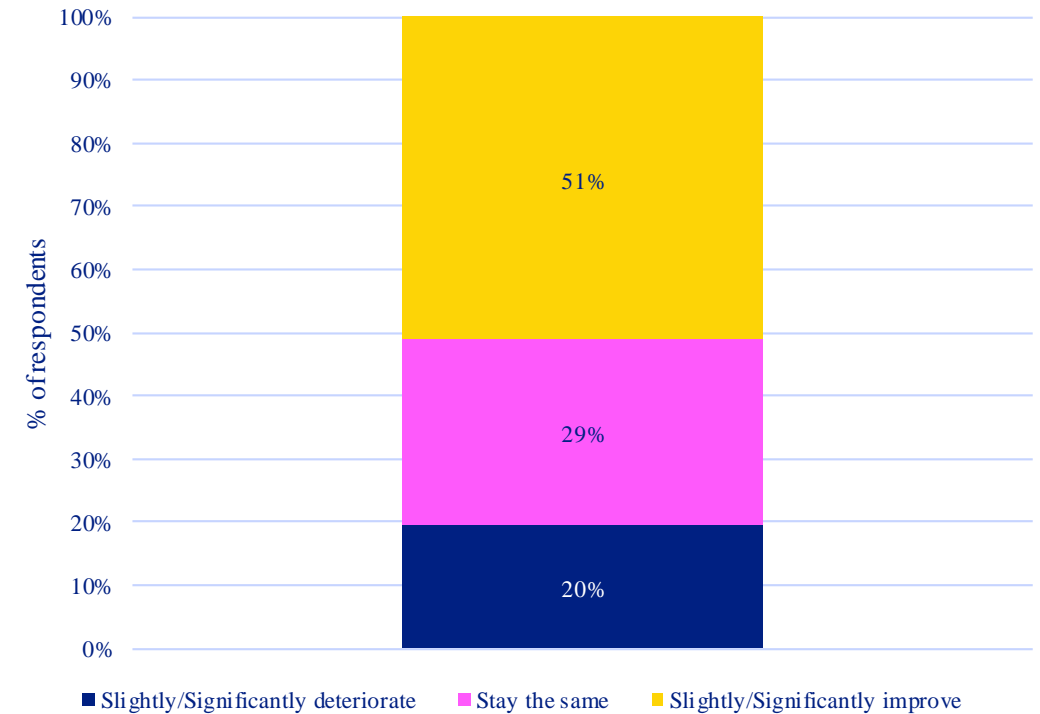
Development of portfolio companies since March 2020



EIF BA Survey question: “How did your portfolio companies develop since March 2020?”

Over half of respondents expect an improvement over the next 12 months

Development of overall portfolio over next 12 months

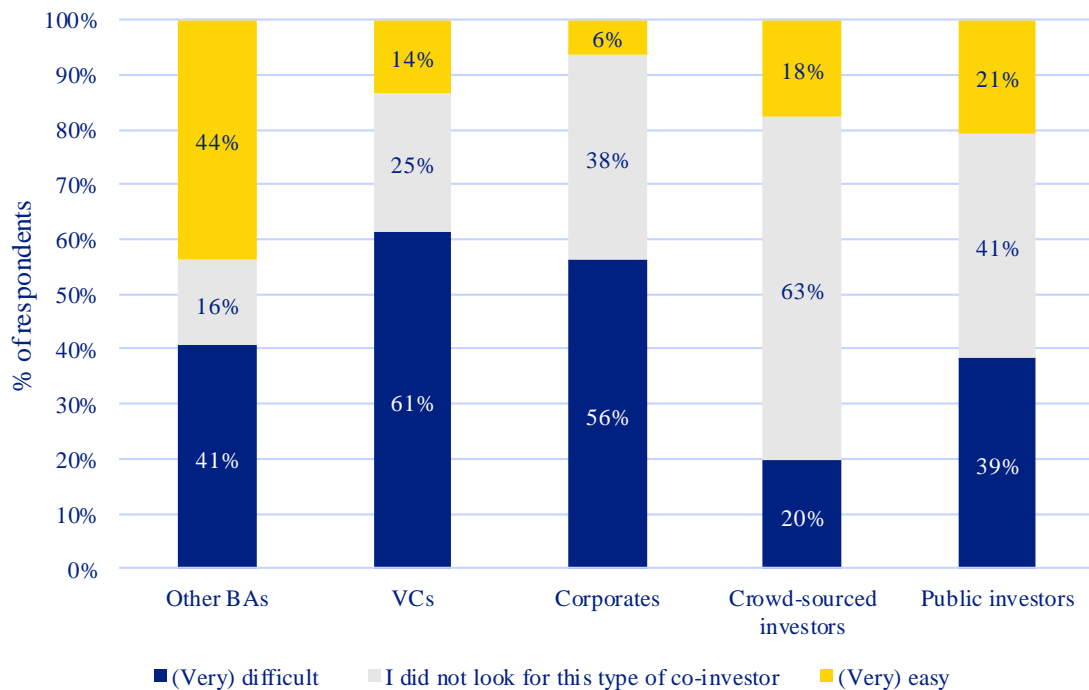


EIF BA Survey question: “Over the next 12 months, how do you expect your overall portfolio to develop?”

Ease of finding co-investors

Respondents find it easiest to find co-investors among other BAs; finding co-investors among VCs and Corporates is considered challenging

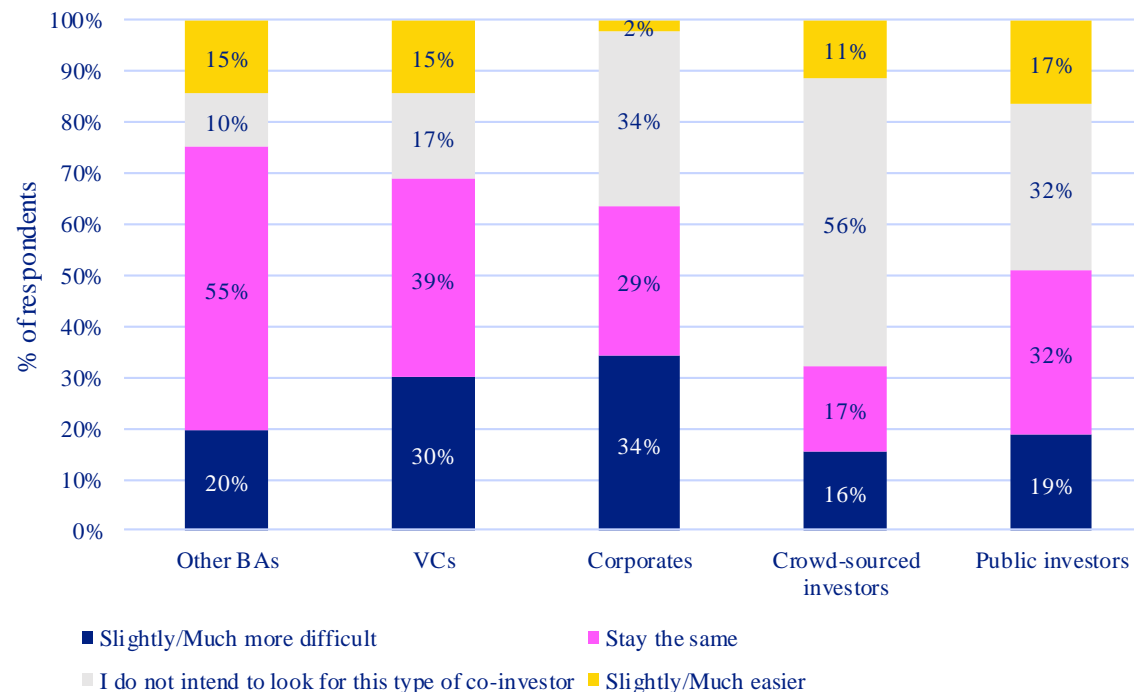
Ease of finding co-investors to syndicate



EIF BA Survey question: “How easy/difficult is it currently to find co-investors to syndicate? Please specify separately for each type of co-investor.”

Respondents are most likely to look for co-investors among other BAs and VCs; finding co-investors expected to become more difficult

Ease of finding co-investors to syndicate over next 12 months

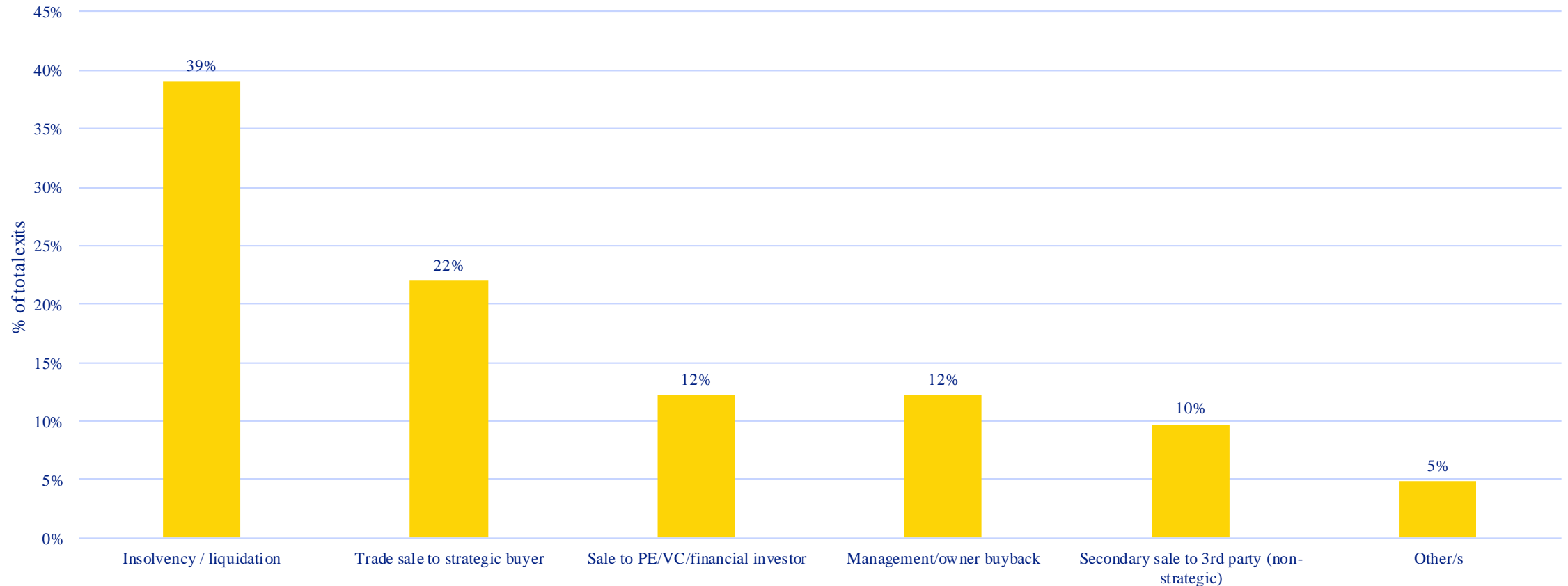


EIF BA Survey question: “Over the next 12 months, how do you expect finding co-investors to become? Please specify separately for each type of co-investor.”

Exit routes

39% of all exits between March and October 2020 were insolvencies/liquidations

Percentage of portfolio company exits as a percentage of total exits



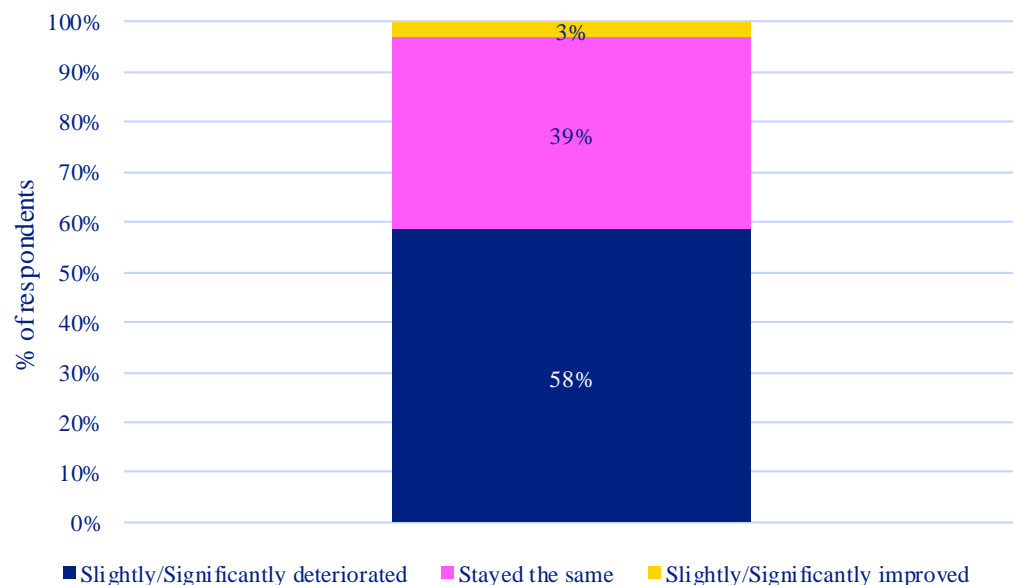
EIF BA Survey question: “Since March 2020, how many of your portfolio companies exited via the following routes?” Note: The graph reports the sum of exits for each exit route as a percentage of the sum of all exits, excluding the “no exit” option.

Exit environment for portfolio companies

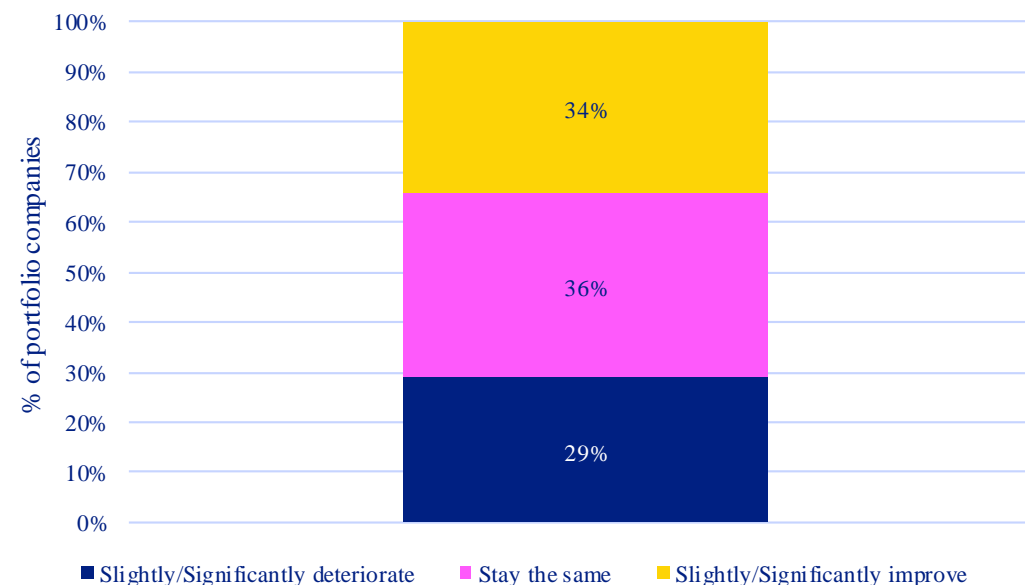
The majority of respondents experienced a deterioration in the exit environment for portfolio companies

While over one-third of respondents expect an improvement over the next 12 months, 3 in 10 respondents expect a further deterioration

Exit environment for portfolio companies since March 2020



Exit opportunities for portfolio companies over next 12 months



EIF BA Survey question: “Since March 2020, how has the exit environment for your portfolio companies developed?”

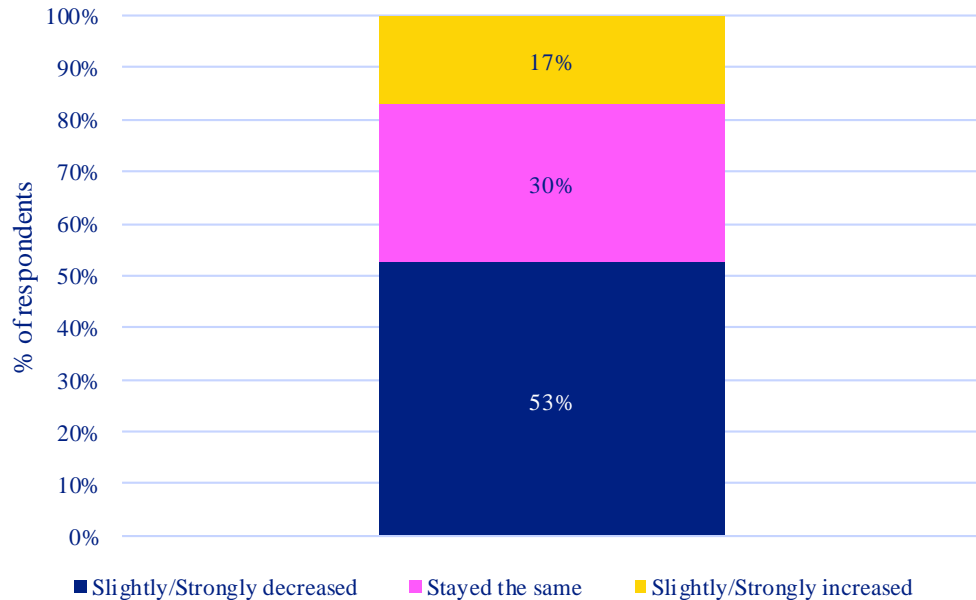
EIF BA Survey question: “Over the next 12 months, how do you expect the exit opportunities of your portfolio companies to develop?”

Valuations of portfolio companies

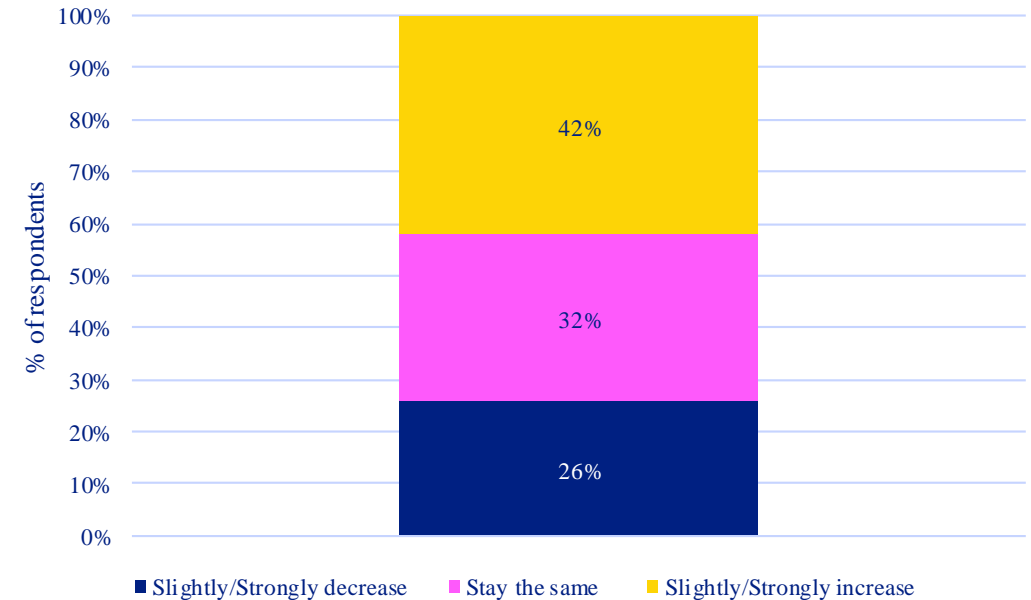
Over half of respondents experienced a decrease in the valuation of portfolio companies since March 2020

Over 4 in 10 respondents expect an increase in valuations while one-quarter expect a decrease

Current valuations of portfolio companies



Valuations of portfolio companies over next 12 months



EIF BA Survey question: “When you consider your market since March 2020, how have the following items developed? (in this graph) Current valuations of portfolio companies”

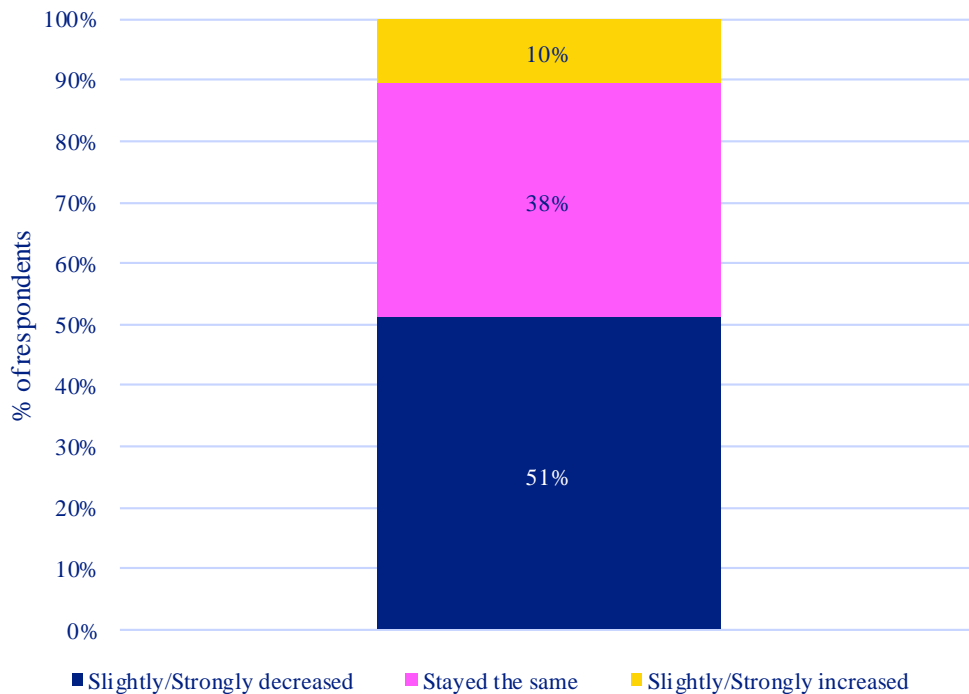
EIF BA Survey question: “When you consider your market over the next 12 months, how do you expect the following items to develop? (in this graph) Valuations of portfolio companies”

Entry prices

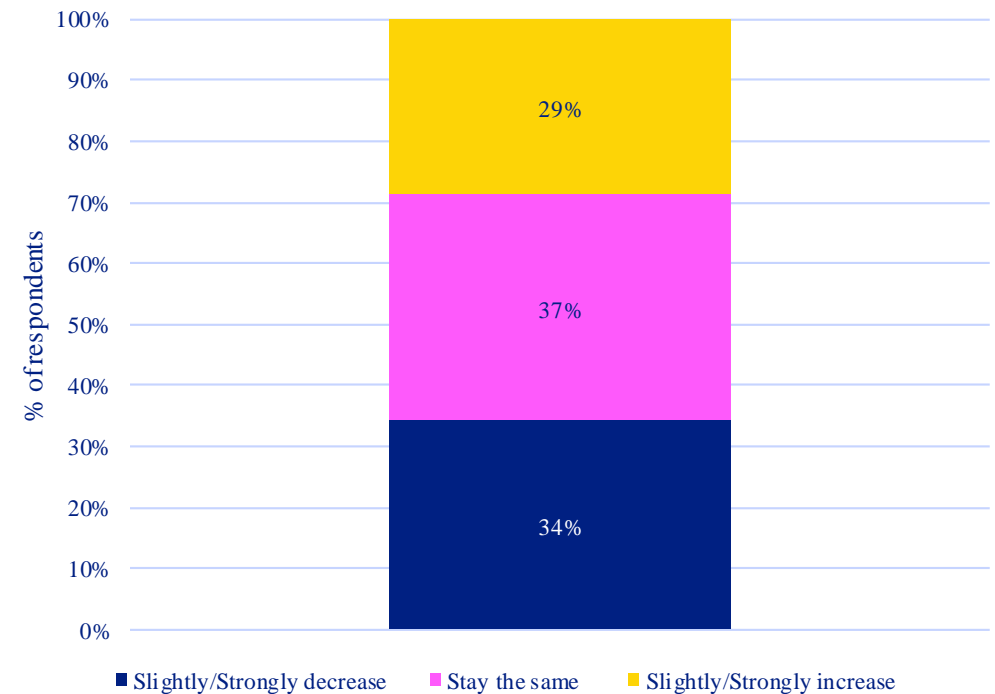
A majority of respondents experienced a decline in entry prices since March 2020

One-third of respondents expect a further decline in entry prices over the next 12 months

Entry prices since March 2020



Entry prices over next 12 months



EIF BA Survey question: “When you consider your market since March 2020, how have the following items developed? (in this graph) Entry prices”

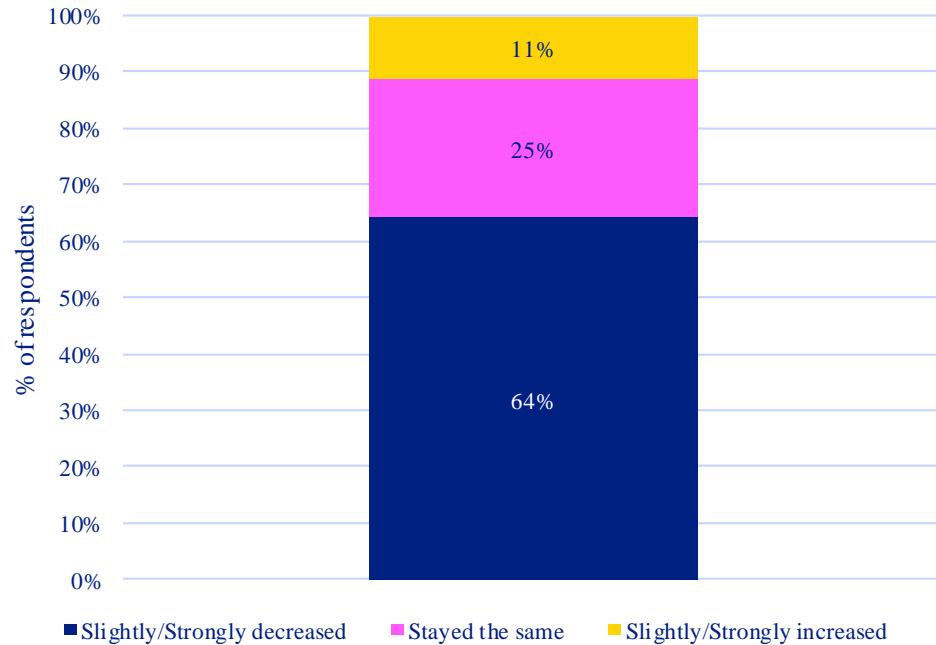
EIF BA Survey question: “When you consider your market over the next 12 months, how do you expect the following items to develop? (in this graph) Entry prices”

Exit prices

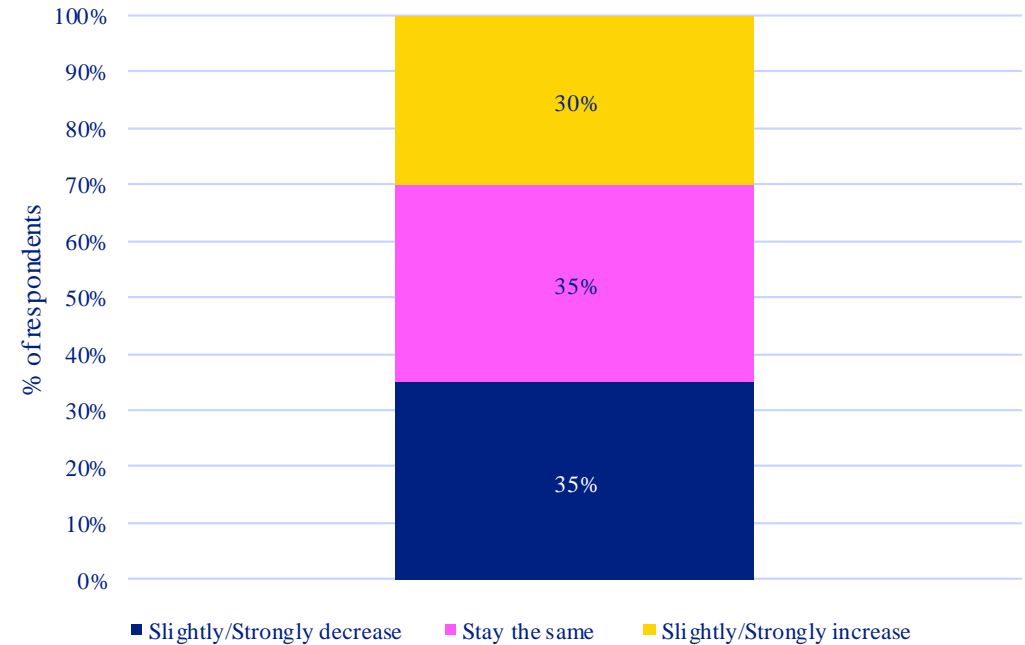
Two-thirds of respondents experienced a decrease in exit prices since March 2020

Over one-third of respondents expect a further decline in exit prices over the next 12 months while 3 in 10 respondents expect an increase

Exit prices since March 2020



Exit prices over next 12 months



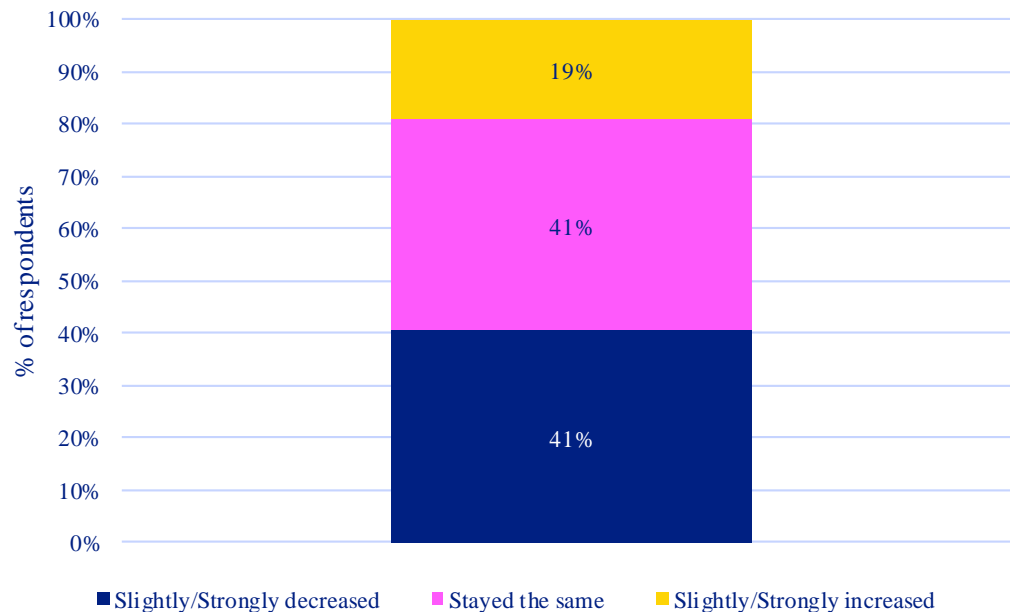
EIF BA Survey question: “When you consider your market since March 2020, how have the following items developed? (in this graph) Exit prices”

EIF BA Survey question: “When you consider your market over the next 12 months, how do you expect the following items to develop? (in this graph) Exit prices”

Competition among investors

41% of respondents experienced a decline in competition since March 2020; for a similar share of respondents competition remained unchanged

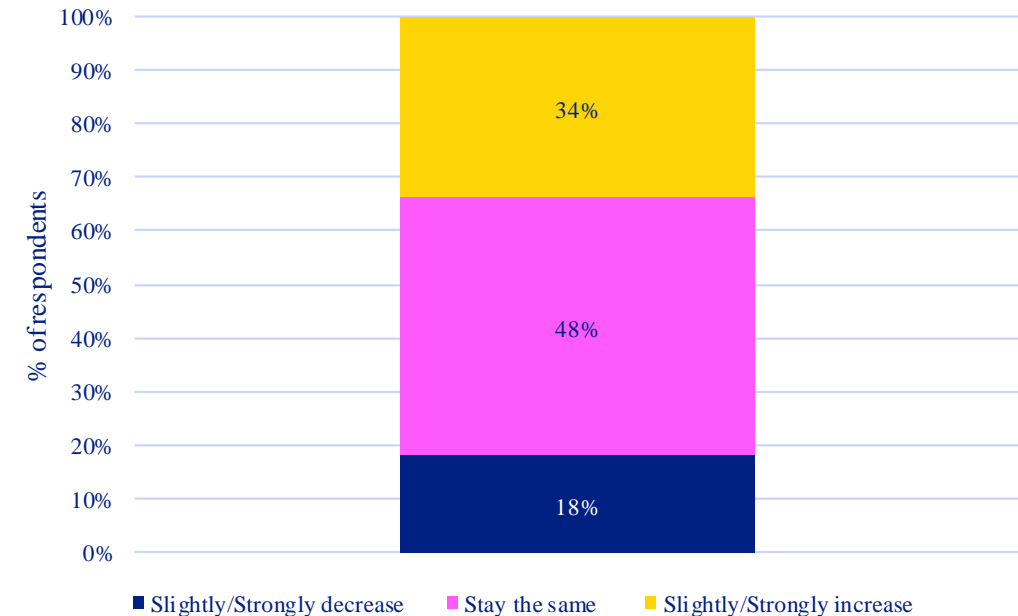
Competition among investors since March 2020



EIF BA Survey question: “When you consider your market since March 2020, how have the following items developed? (in this graph) Competition among investors for potential investee companies”

48% of respondents expect competition to remain unchanged over the next 12 months while over one-third expect an increase

Competition among investors over next 12 months



EIF BA Survey question: “When you consider your market over the next 12 months, how do you expect the following items to develop? (in this graph) Competition among investors for potential investee companies”

EIF Business Angels Survey 2020

Results for Business Angels Netzwerk
Deutschland (BAND) respondents

Impact of COVID-19:

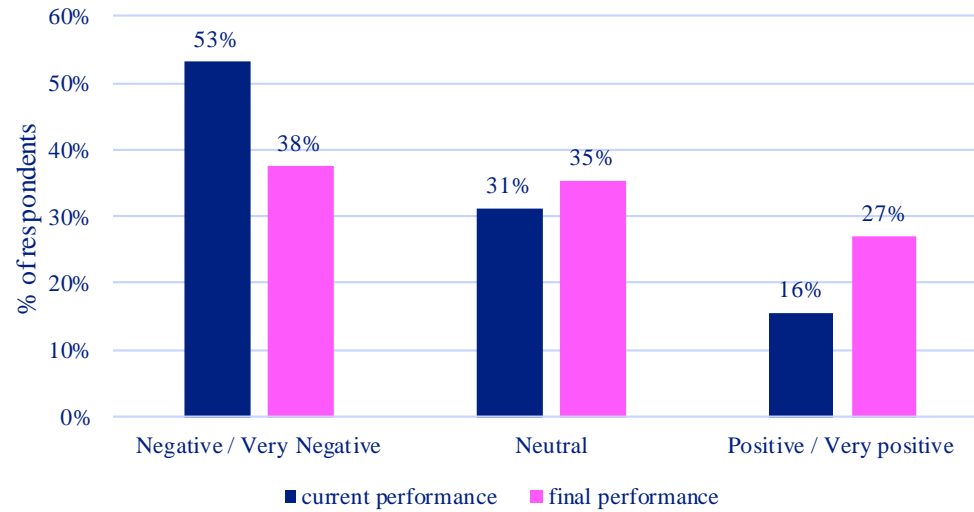
Portfolio impact

EIF Research & Market Analysis

Survey wave 2020

Impact of COVID-19 on portfolio performance

Impact of COVID-19 on current performance & final performance of portfolio



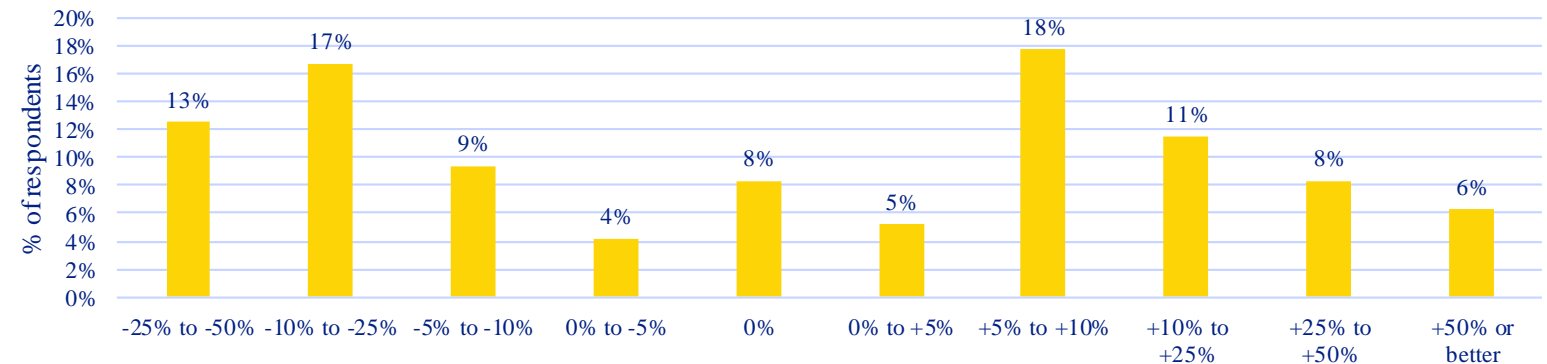
*A majority of respondents view the **impact of COVID-19 on the current performance of their portfolio as negative***

*The expected impact on the **final performance of their portfolio is slightly more positive, although on average still negative***

EIF BA Survey question: “How do you assess the impact of COVID-19 on the ... current ... expected final performance of your portfolio?”

Respondents are relatively optimistic regarding the impact on their portfolio value in the short-term; 49% expect a positive NAV between Q4 2019 and Q4 2020 while only 43% expect a negative NAV

Portfolio value short-term expectations

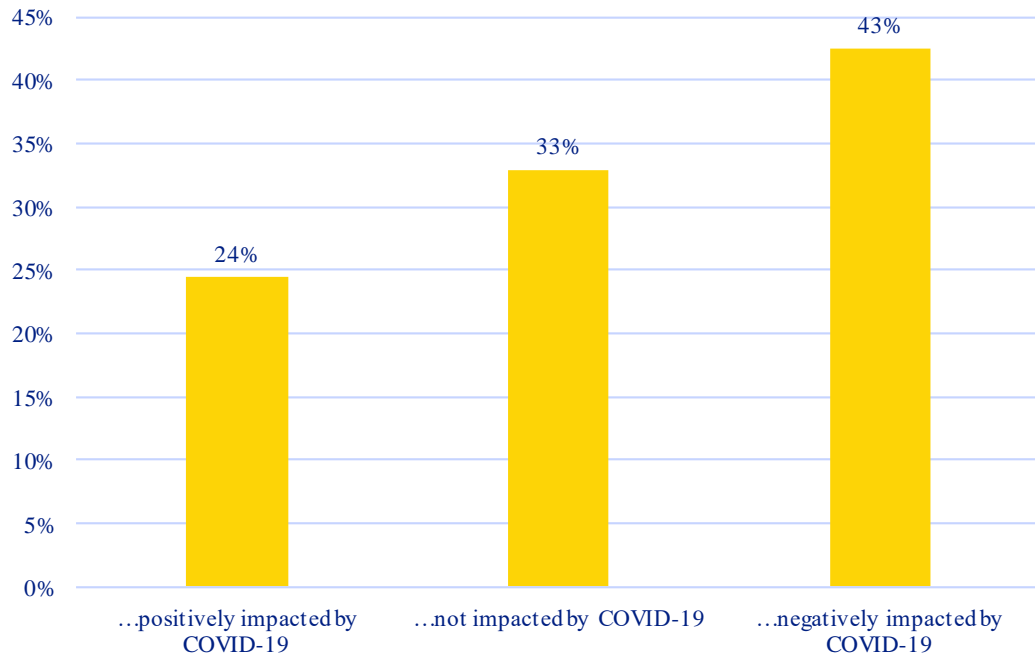


EIF BA Survey question: “How do you expect the value of your portfolio to evolve until the end of Q4 2020 compared to the value as of Q4 2019?”

Impact of COVID-19 on portfolio companies

On average, 43% of respondent's portfolio companies were negatively impacted by COVID-19 while 24% were positively impacted

Average percentage of portfolio companies currently ...



EIF BA Survey question: “What is the approximate percentage of your portfolio companies that are currently... ..impacted by COVID-19:”

Positive impact frequently mentioned factors:

Digitisation

Health

E-commerce

Digitisation was by far the most frequently mentioned factor; respondents mentioned COVID-19 as accelerating the adoption of new technological solutions and business models, which benefitted portfolio companies across a number of industries offering such solutions

Respondents also mentioned that portfolio companies operating in e-health and healthcare in general were positively impacted

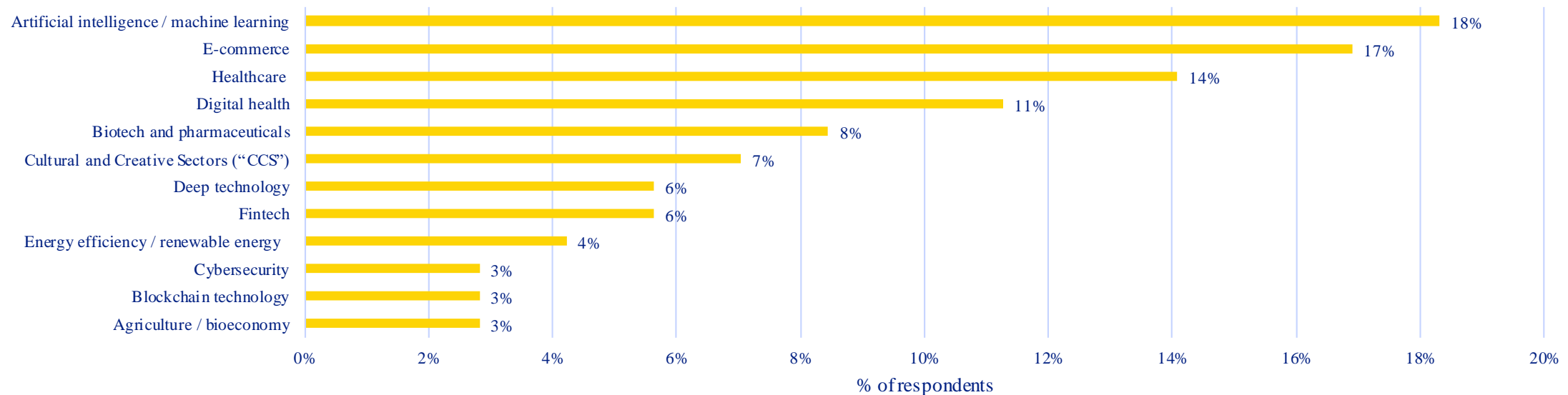
Portfolio companies in E-commerce were also mentioned frequently as being positively impacted

EIF BA Survey question: “Please explain briefly in what way your portfolio companies are positively impacted by COVID-19.”

Portfolio companies developing COVID-19 solutions

On average, 20% of respondents' portfolio companies develop/provide solutions addressing the COVID-19 challenge; these portfolio companies predominantly operate in Artificial Intelligence, E-commerce, Digital health, Healthcare and Biotech

Sectors in which companies developing/providing solutions addressing the COVID-19 challenge operate



EIF BA Survey question: "What is the approximate share of companies in your portfolio which develop / provide solutions addressing the COVID-19 challenge directly (e.g., pharma development) or indirectly (e.g., digital services)?"

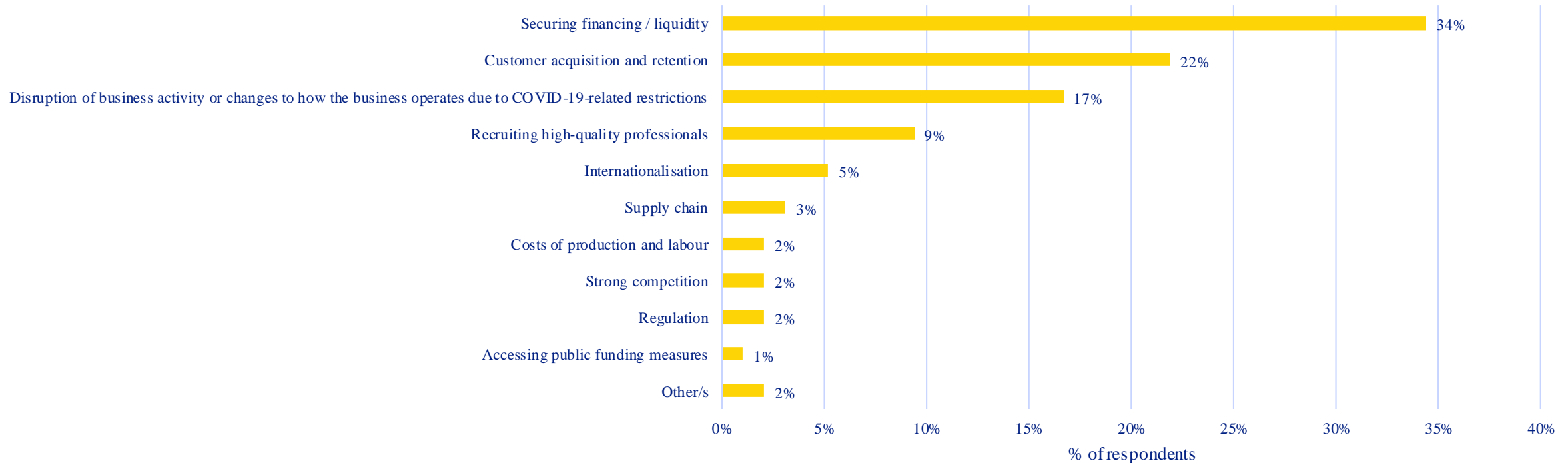
EIF BA Survey question: "Please select the sectors in which the aforementioned companies that develop / provide solutions addressing the COVID-19 challenge operate." Note: This question was only asked to respondents that do have portfolio companies which develop / provide solutions addressing the COVID-19 challenge.

Source: EIF Business Angels Survey 2020, selected results of BAND members; overall results are published by EIF's Research & Market Analysis in the EIF Working Paper series, available at https://www.eif.org/news_centre/research/index.htm

Biggest challenges for portfolio companies

Securing financing/liquidity is considered the first most important challenge by 34% of respondents, followed by customer acquisition & retention and disruption due to COVID-19 related restrictions

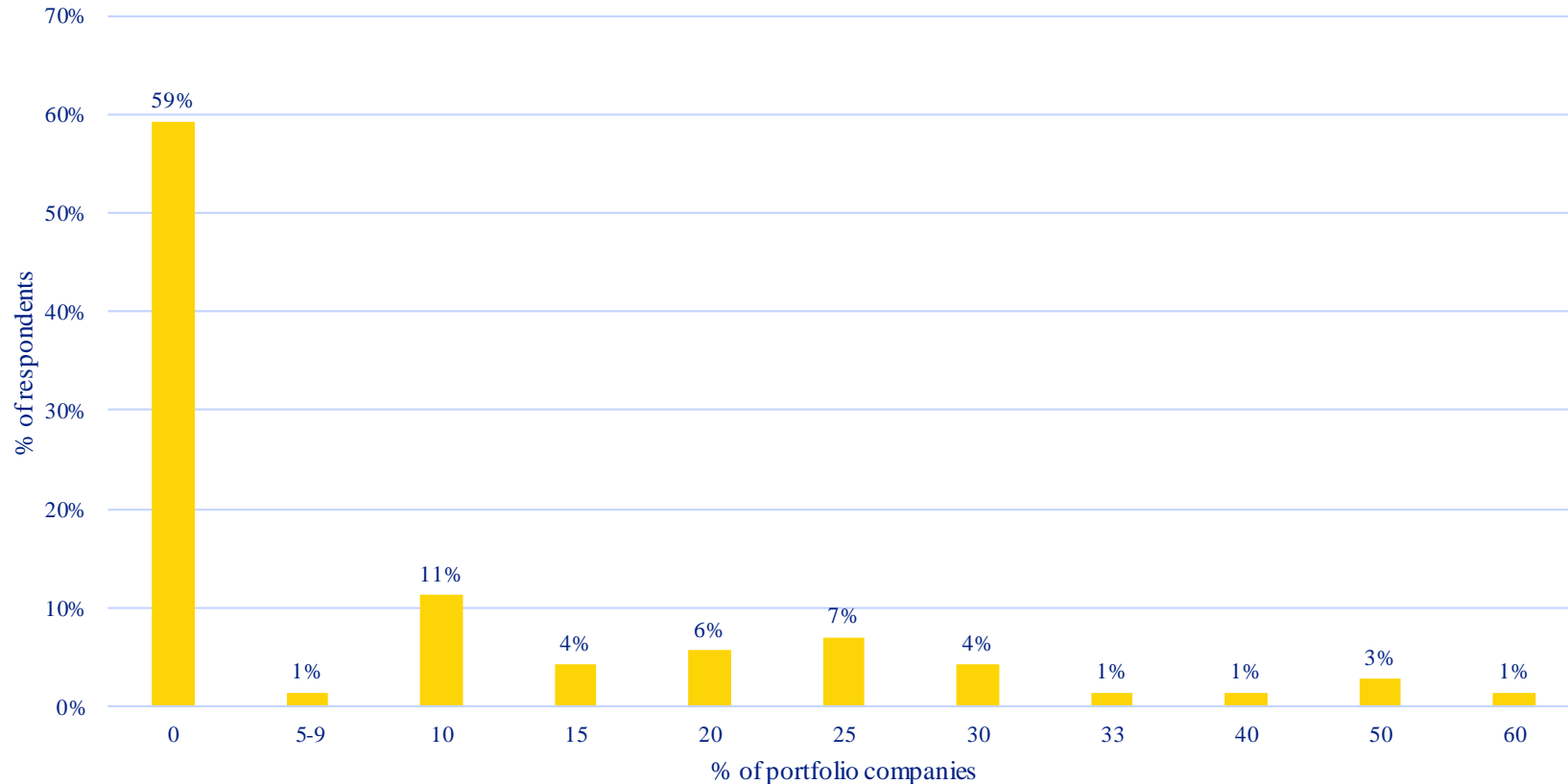
First most important challenge currently facing portfolio companies



EIF BA Survey question: “Please select the biggest challenges currently faced by your portfolio companies, in order of importance”

Insolvencies due to impact of COVID-19

Percentage of portfolio companies which might file for insolvency due to COVID-19, by percentage of respondents



6 in 10 respondents do not expect any insolvencies resulting from the impact of COVID-19

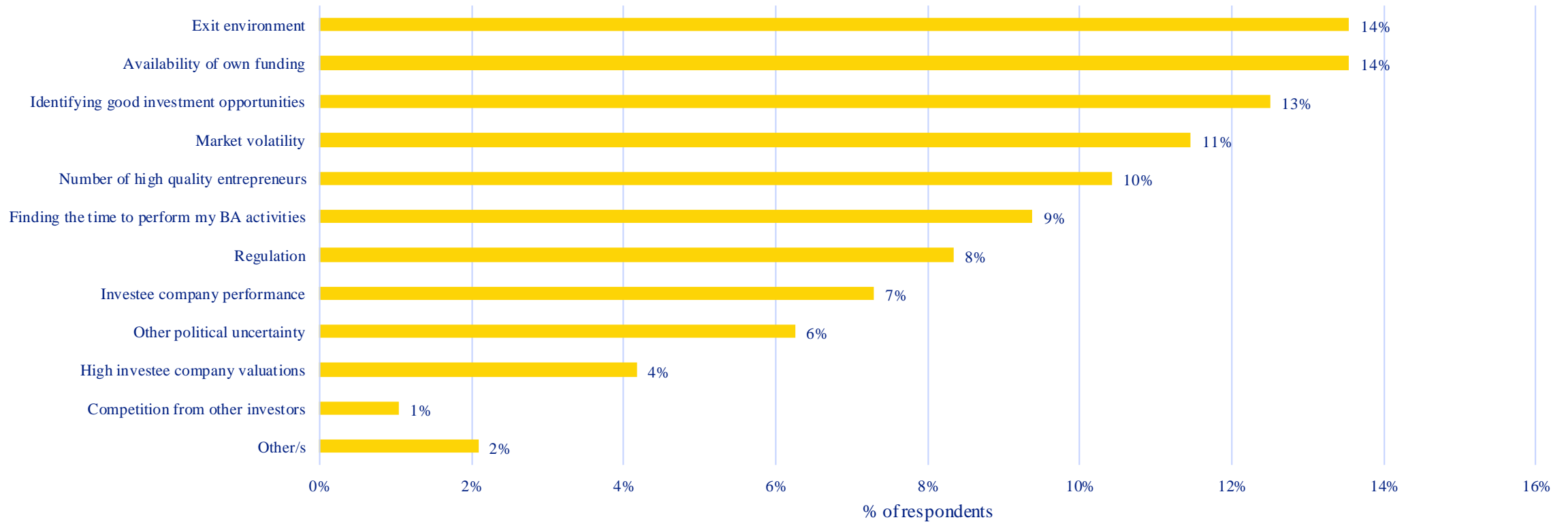
Only 4% expect that 50% or more of their active portfolio companies might file for insolvency due to the impact of COVID-19

EIF BA Survey question: “Please indicate the expected % of your active portfolio companies that might file for insolvency due to the impact of COVID-19.”

Biggest challenges in BA activity

“Exit environment” and “Availability of own funding” are seen as the biggest challenges in BA activity, followed by “Identifying good investment opportunities”

Items selected as first most important challenges in BA activity in the current COVID-19 crisis



EIF BA Survey question: *“Please select the biggest challenges you see in your BA activity in the current COVID-19 crisis, in order of importance”*

EIF Business Angels Survey 2020

Results for Business Angels Netzwerk
Deutschland (BAND) respondents

Impact of COVID-19:

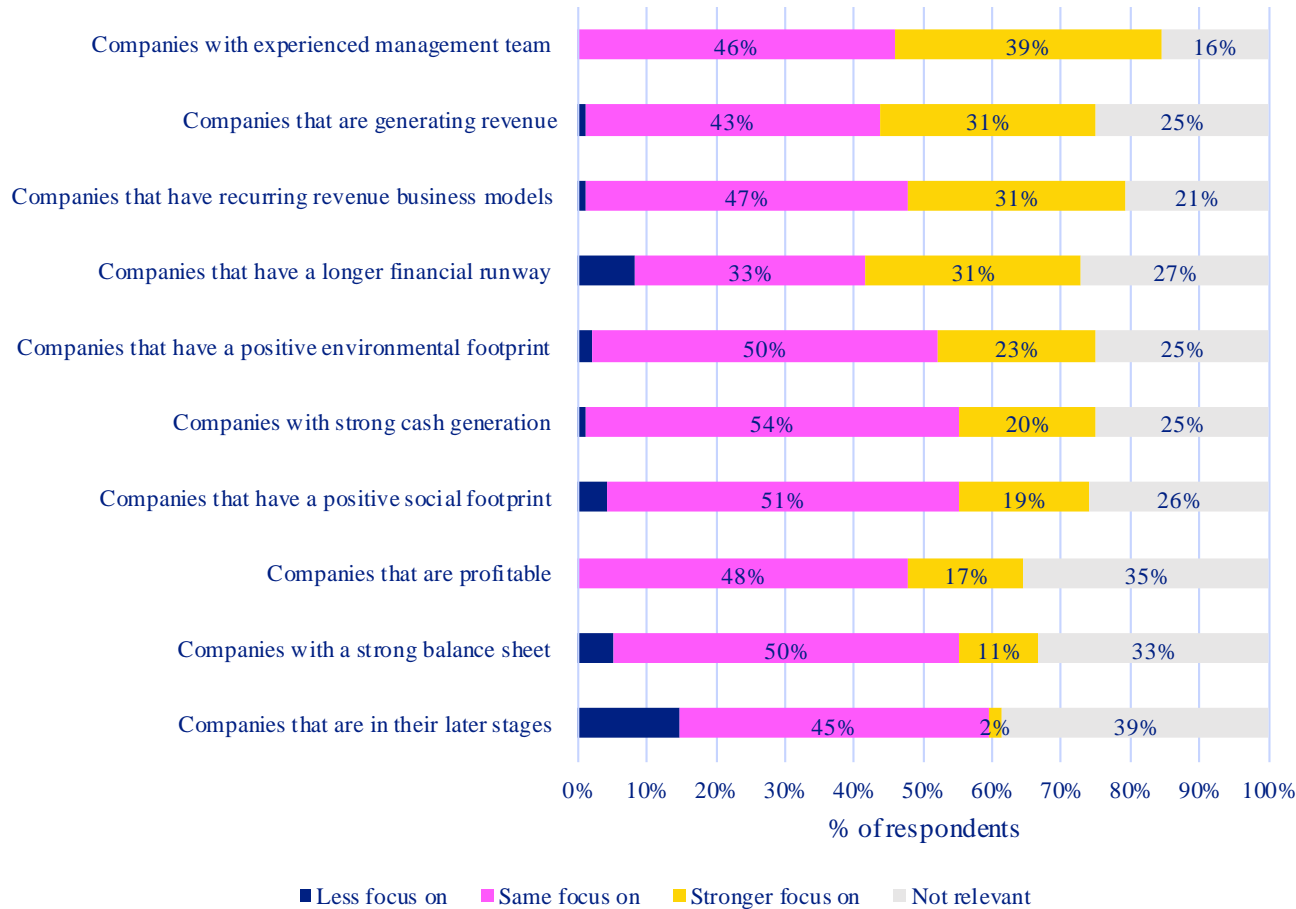
Investment impact

EIF Research & Market Analysis

Survey waves 2020

Investment criteria

Impact of COVID-19 on investment criteria



EIF BA Survey question: "Have you altered your investment criteria since the onset of COVID-19?"

Since the onset of COVID-19, BAs tend to focus more on companies with:

Experienced management team (39% of respondents)

Revenue generating capability (31%)

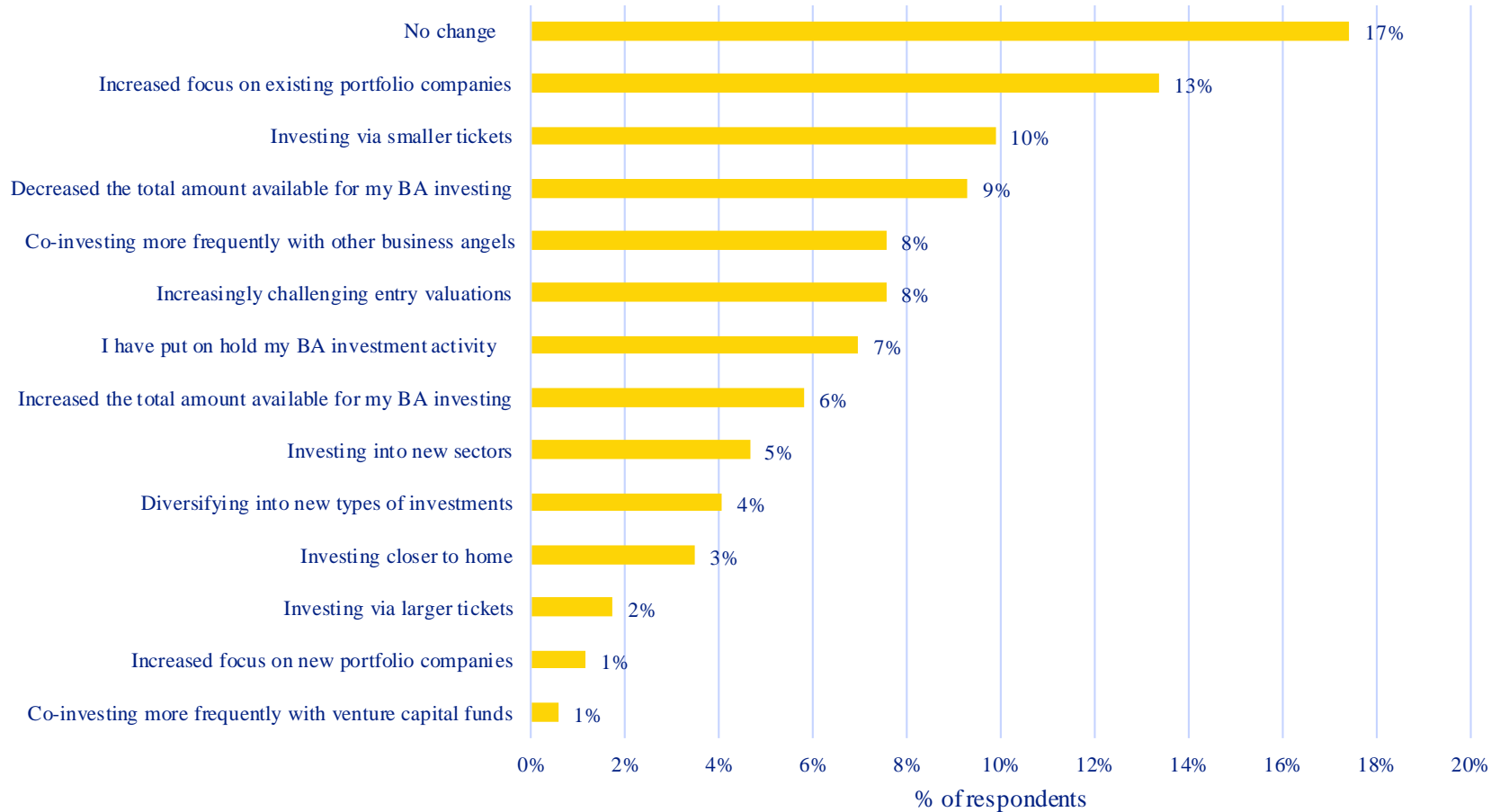
Recurring revenue business models (31%)

Longer financial runway (31%)

Approximately 7 in 10 BAs have at least maintained their focus on companies that have a positive environmental and/or social footprint

Investment strategy

COVID-19 impact on investment strategy

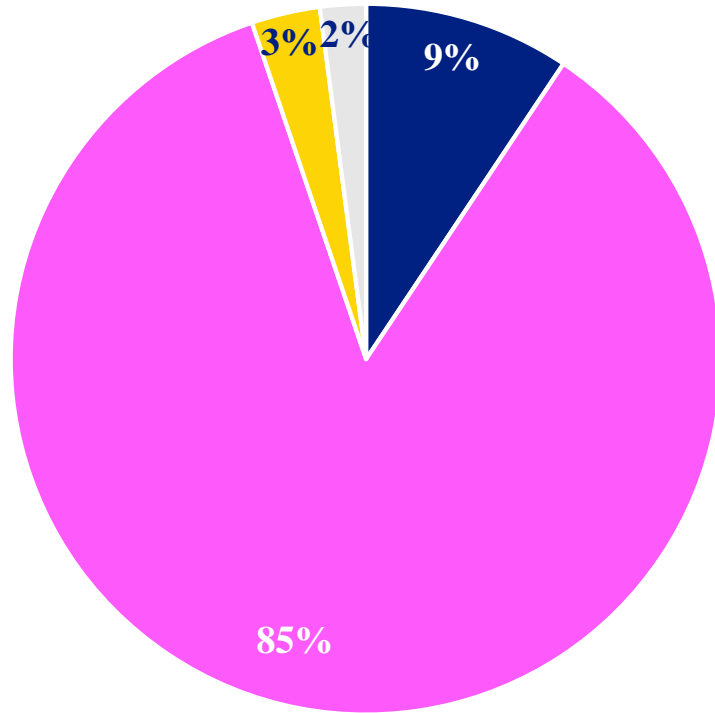


*The highest percentage of respondents has **not** made any change in investment strategy as a result of COVID-19 (17%)*

*Among those that have made changes, the most frequently mentioned change was an **increased** focus on existing portfolio companies (13%)*

EIF BA Survey question: “Have you changed your investment strategy as a result of COVID-19?” (multiple selection possible; the percentage for the additional response item “Other/s” is comparatively low and therefore not shown)

Portfolio construction approach



■ Increased diversification ■ No change ■ Reduced diversification ■ Other

Most respondents have not changed their portfolio construction approach

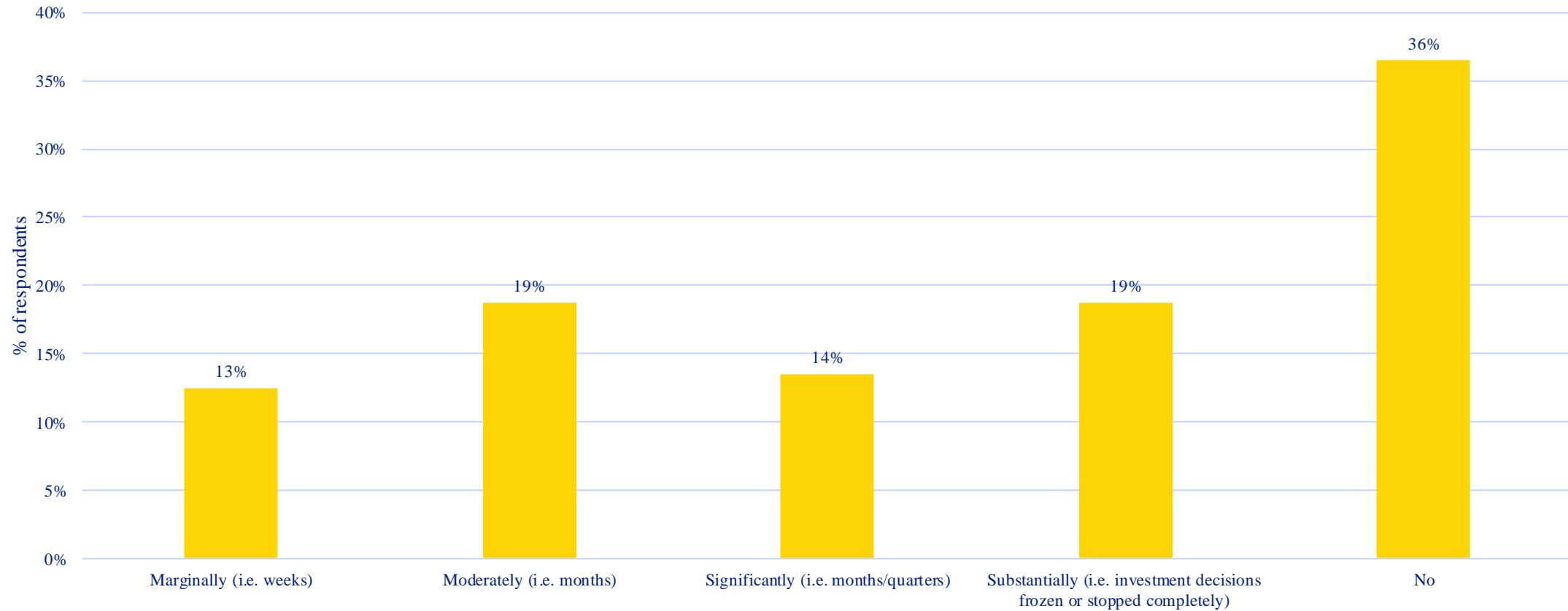
If at all, the most frequent change was an increase in diversification

EIF BA Survey question: “Have you changed your portfolio construction approach as a result of COVID-19?”

Investment pace

*Almost two-thirds of BAs have **slowed down** the pace of investments*

Impact of COVID-19 on pace of investments

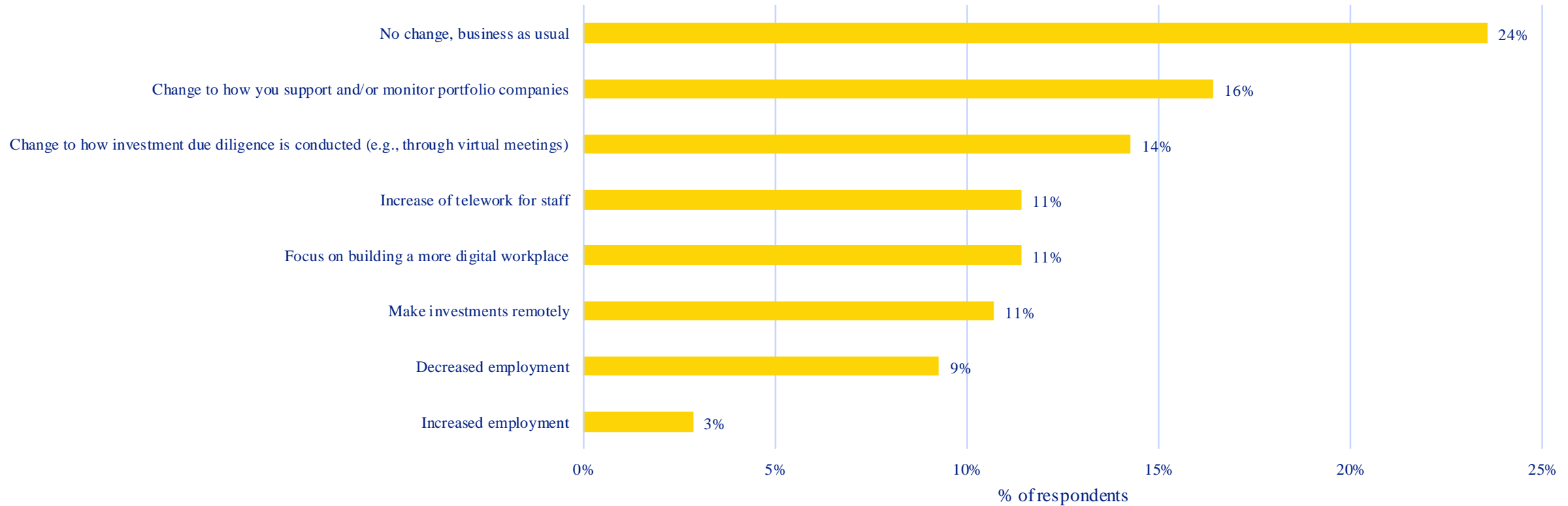


EIF BA Survey question: *“Has COVID-19 slowed down the pace of your investments?”*

Structural changes

*Highest percentage of respondents have **not made structural changes** to how they conduct BA investments activities*

Impact of COVID-19 on structural changes in BA investment activity

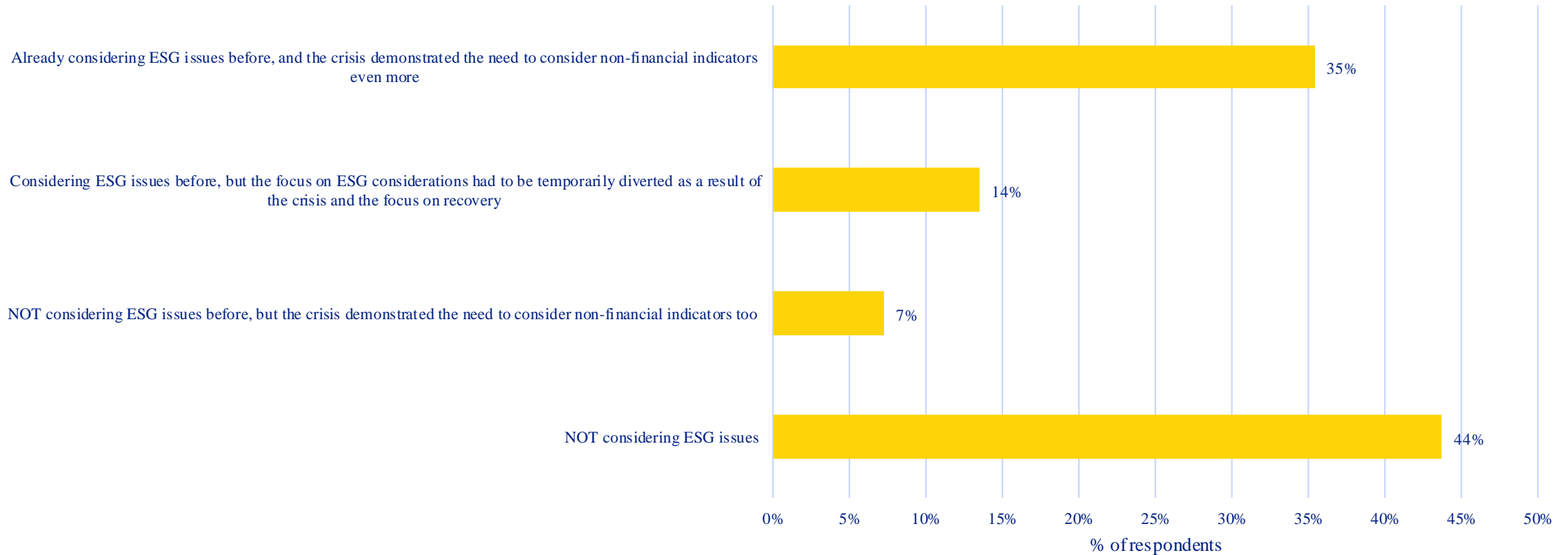


EIF BA Survey question: *“Has COVID-19 led to any structural changes in how you conduct your BA investment activity?”*

ESG considerations

35% of respondents were already considering ESG issues in their investment decisions and the crisis demonstrated the need to consider them even more; 44% are not considering ESG issues

Impact of COVID-19 crisis on ESG considerations



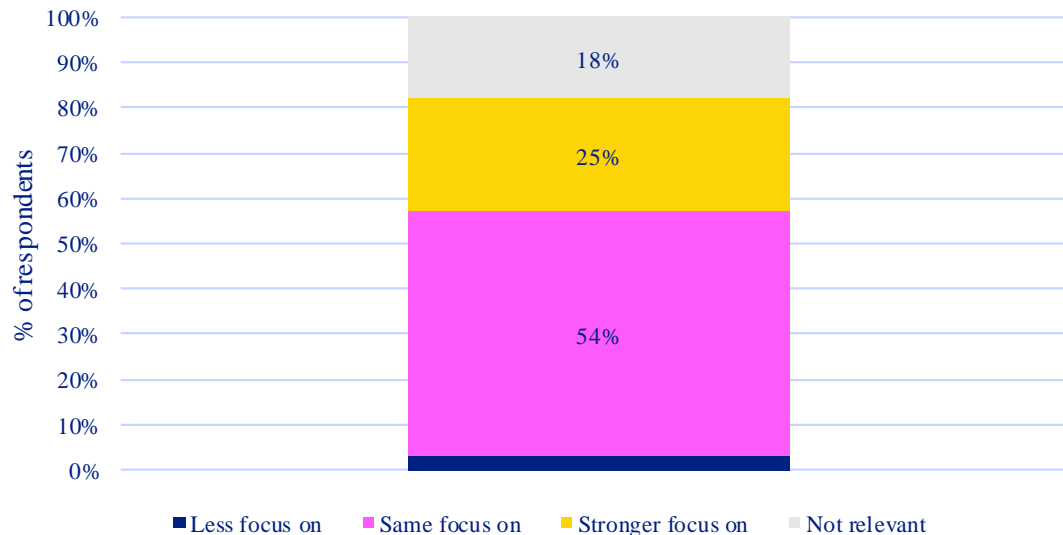
EIF BA Survey question: *“How has the COVID-19 crisis affected ESG considerations in your investment decisions?”*

ESG considerations: looking forward (i/ii)

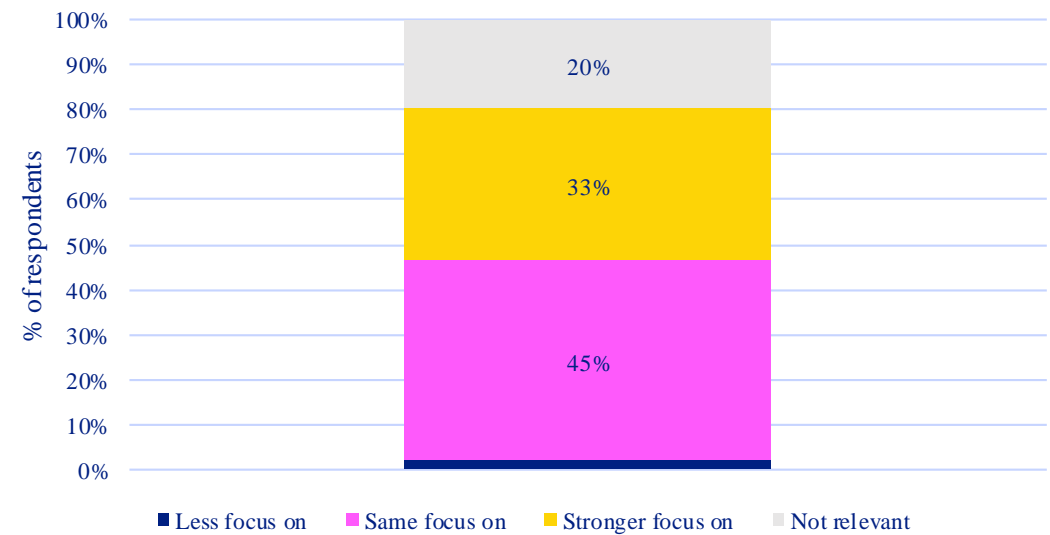
COVID-19 impact on portfolio allocation to **environment and climate**

*In the short-term aftermath of the COVID-19 crisis, the **majority of Business Angels will be retaining their focus and portfolio allocation to environment and climate;** Looking forward in the long-run, one third of respondents indicate their intention to **further increase their portfolio allocation in this area.***

Short-term impact (6-12 months)



Long-term impact (1-5 years)



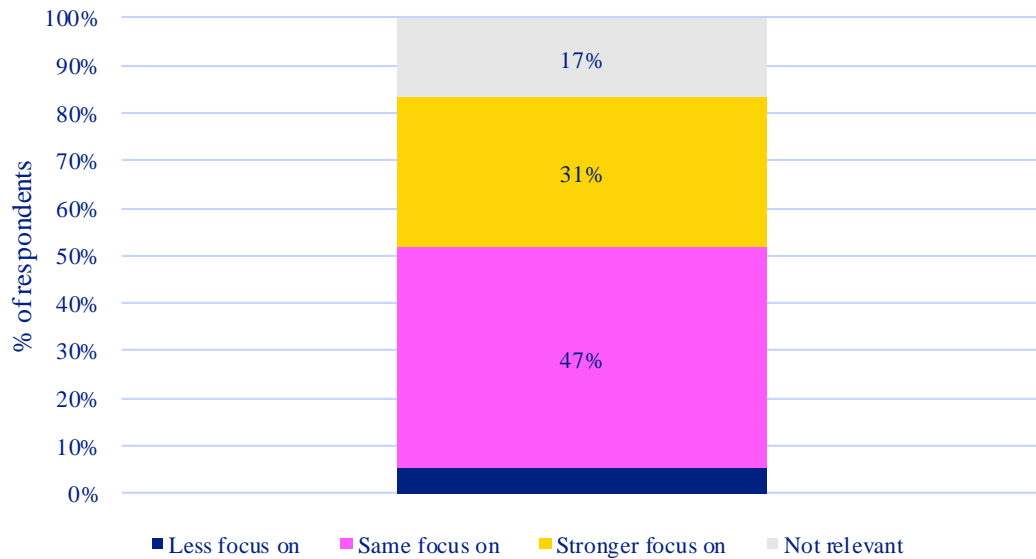
EIF BA Survey question: “Looking forward, how do you expect the COVID-19 crisis to affect your portfolio allocation in the area of environment and climate ... in the short-run (6 to 12 months)/ ... in the long-run (1 to 5 years)?”

ESG considerations: looking forward (ii/ii)

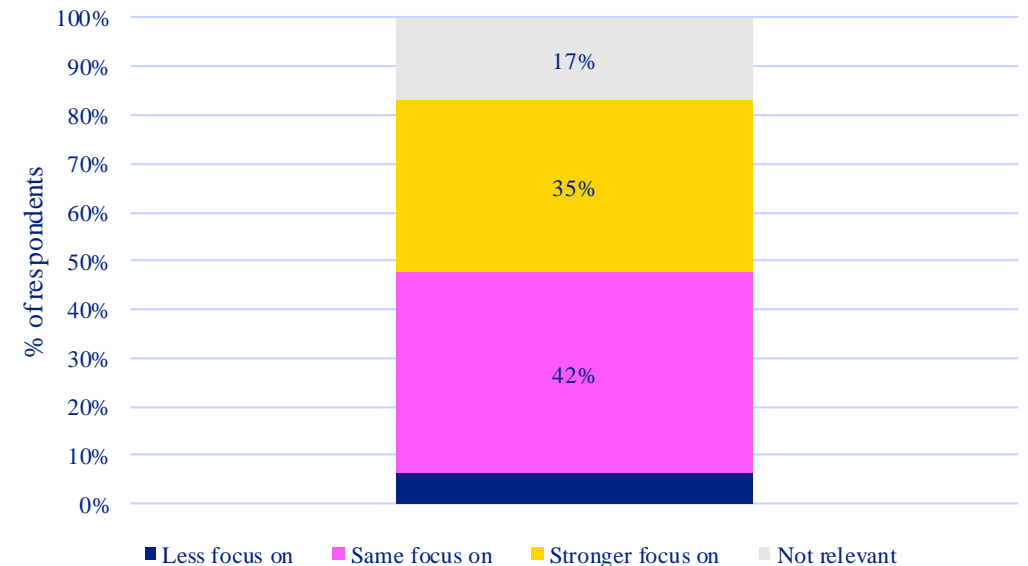
COVID-19 impact on portfolio allocation to **social innovation** (healthcare, education, ...)

The COVID-19 crisis seems to have heightened equity investors' sensitivity to the S component of ESG; Indeed, both in the short-term and in the long-run, the percentage of respondents who indicate their intention to increase their portfolio allocation in the area of social innovation is slightly greater than the respective percentages for the environment and climate area (see previous question).

Short-term impact (6-12 months)



Long-term impact (1-5 years)



EIF BA Survey question: “Looking forward, how do you expect the COVID-19 crisis to affect your portfolio allocation in the area of social innovation (e.g., healthcare, education, etc.) ... in the short-run (6 to 12 months)/ ... in the long-run (1 to 5 years)?”

EIF Business Angels Survey 2020

Results for Business Angels Netzwerk
Deutschland (BAND) respondents

Policy measures

EIF Research & Market Analysis
Survey waves 2020

Implementation of government programs

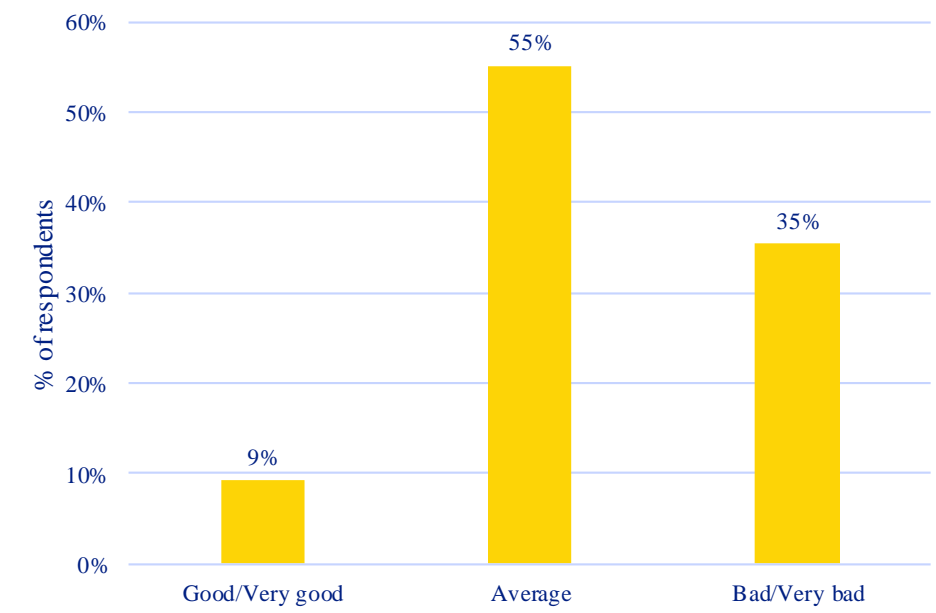
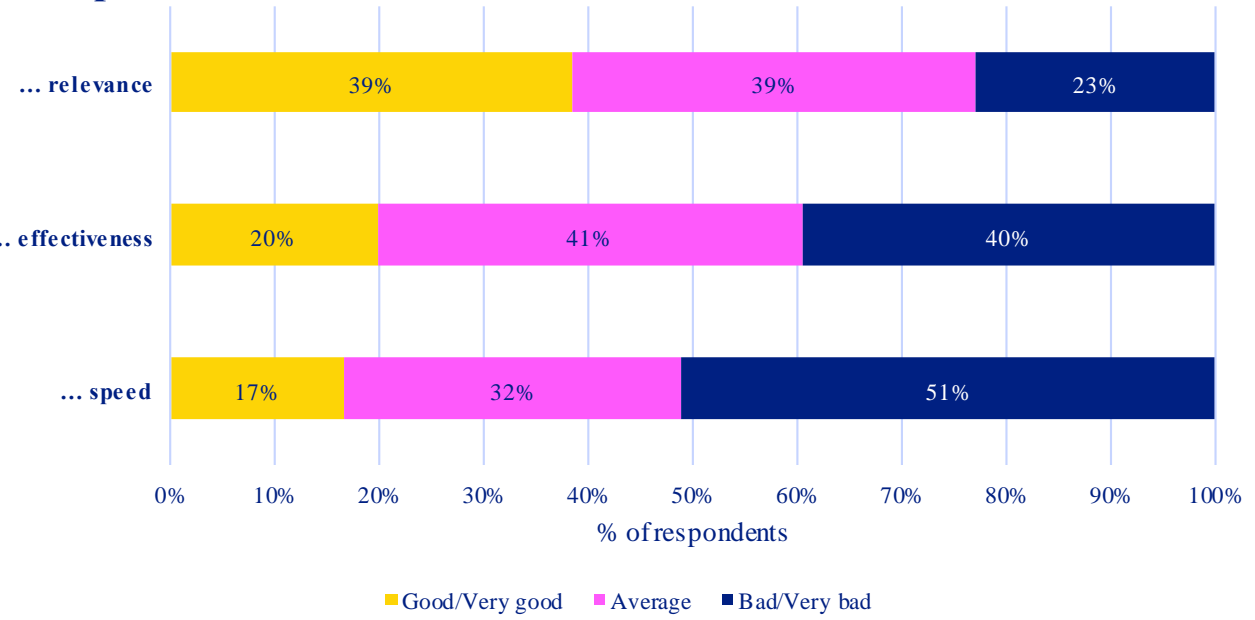
Regional and national government programs are relevant but less effective; implementation speed in particular could be improved

The majority of respondents rate European-level programs as average

Regional and national government programs

European-level government programs overall

Implementation ...



EIF BA Survey question: “Concerning the implementation of regional and national government programs designed to support startups and stimulate investments during the COVID-19 pandemic in the countries you are investing in, how would you rate their... relevance/speed/effectiveness

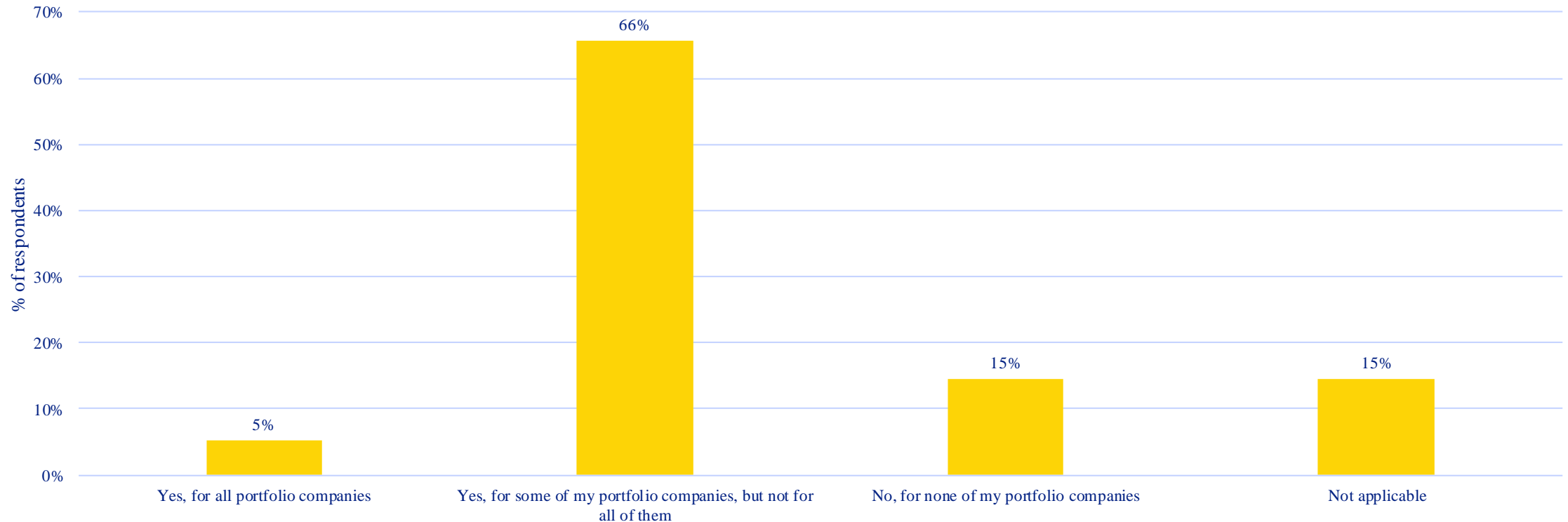
EIF BA Survey question: “How would you rate European-level programs and initiatives aimed at helping struggling startups and promoting investments during the COVID-19 pandemic?”

Source: EIF Business Angels Survey 2020, selected results of BAND members; overall results are published by EIF’s Research & Market Analysis in the EIF Working Paper series, available at https://www.eif.org/news_centre/research/index.htm

Government support measures

A majority of respondents applied for government support measures, for at least some of their portfolio companies

Application for government support measures related to COVID-19



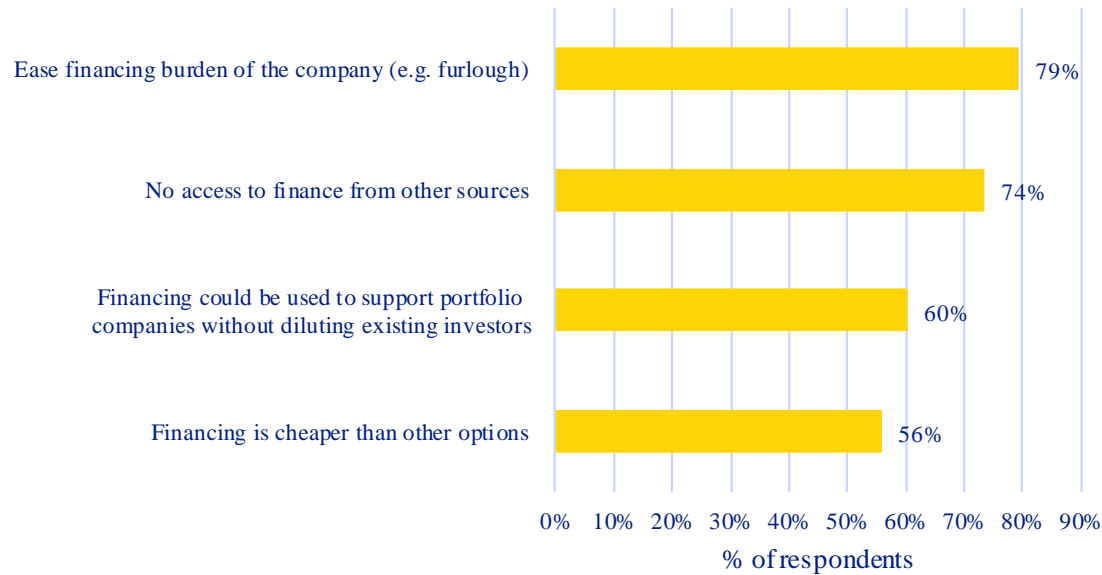
EIF BA Survey question: *“Have you / Has one of your portfolio companies applied or considered applying for a government support measure related to COVID-19?”*

Government support measures

Easing the financing burden of the company was the most frequently stated reason for applying for government support measures

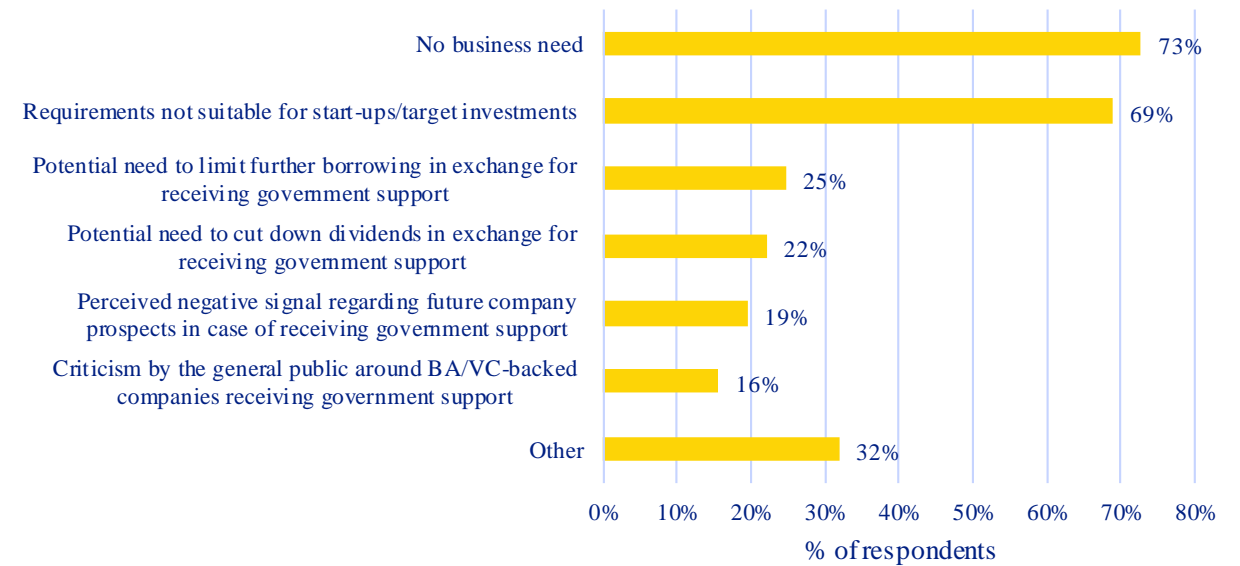
Unsuitable requirements or no business need were the most frequently stated reasons for not applying for government support measures

Reasons to apply



EIF BA Survey question: “Please indicate the extent to which the following factors influenced your decision to apply for government support measures for any / some of your portfolio companies.” The graph shows the share of respondents indicating either “significantly” or “somewhat”. The remaining share of respondents (not shown here) indicated “not at all”.

Reasons not to apply



EIF BA Survey question: “Please indicate the extent to which the following factors influenced your decision not to apply for government support measures for any / some of your portfolio companies.” The graph shows the share of respondents indicating either “significantly” or “somewhat”. The remaining share of respondents (not shown here) indicated “not at all”.

Suggestions for policy responses targeting BAs

The two most frequently mentioned suggestions for policy responses targeting BAs are as follows:

More co-investment opportunities
for Business Angels

Greater tax-relief and tax-related
advantages for BA investments
during crises

Other respondents mention the following factors:

Increase speed of implementation
of government support programs

Similar support programs to
German BAFA INVEST for
European BA investments

Matching funds for BAs from
governments

Increased direct financial support
for BAs

Quicker implementation of
programs

EIF BA Survey question: *“Would you suggest any particular policy response targeting business angels (incl. changes to existing programs) to address the COVID-19 crisis?”*

EIF Business Angels Survey 2020

Results for Business Angels Netzwerk
Deutschland (BAND) respondents

Concluding remarks

EIF Research & Market Analysis

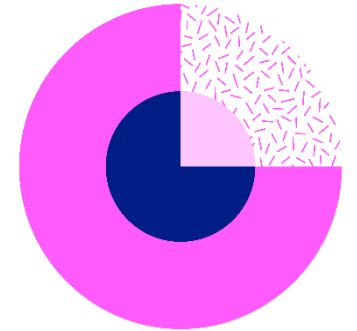
Survey waves 2020

Due to COVID-19, market sentiment slumped ...

- In the course of 2020, the market situation has substantially worsened. New investments have declined, on balance, and the exit environment has become particularly bad. Portfolio development was, on average, below expectations. Valuations, entry and exit prices decreased. Since March 2020, over one-third of the respondents made no investments.

... but expectations have become optimistic again.

- **After a slump of the current situation since March, expectations have at least partially recovered** across most areas.
- Respondents reported, on average, a **positive business environment for BA activities with further improvement expected** over the next 12 months. **Access to finance for portfolio companies is also expected, on average, to improve.**
- And COVID-19 does not seem to have diverted BAs' attention away from **ESG** considerations.



However, several concerns remain.

- Despite the prevailing optimism with regard to future expectations, **the current situation is considered to be worse than before the crisis.**
- The deterioration in the **exit environment** are still a major concern. The exit environment is also rated as one of the **biggest challenges in BA activity in the current COVID-19 crisis.**
- While access to external finance for portfolio companies is rated average by a majority of respondents, **financing remains a challenge for BAs:** “Availability of own funding” is considered among the biggest challenges in BA activity during the current crisis and “Securing financing/liquidity” is considered the most important challenge currently faced by their portfolio companies.

COVID-19 has negatively impacted portfolio ...

- Respondents are, **on average, negatively impacted** by the COVID-19 crisis.
- The impact on the **final performance** of their portfolio is **more positive** than the impact on the **current performance**, although, **on average, still negative**.
- Respondents are relatively optimistic regarding the impact on their **portfolio value in the short-term**; 49% expect a positive NAV between Q4 2019 and Q4 2020, while only 43% expect a negative NAV.
- On average, 43% of the respondents' portfolio companies were negatively impacted by COVID-19, while 24% were positively impacted.
- When it comes to the **biggest challenges facing the respondents' portfolio companies**, Securing financing/liquidity is considered the first most important challenge by 34% of respondents, followed by customer acquisition & retention and disruption due to COVID-19 related restrictions.
- “Exit environment” and “Availability of own funding” are seen as the **biggest challenges in BA activity** during the current COVID-19 crisis, followed by “Identifying good investment opportunities”.

... but opportunities exist.

- On average, 24% of the respondents' portfolio companies were positively impacted by COVID-19. Among those portfolio companies that were positively impacted, digitisation was by far the most frequently mentioned factor; respondents mentioned COVID-19 as accelerating the adoption of new technological solutions and business models, which benefitted portfolio companies across a number of industries offering such solutions.
- On average, 20% of the respondents' portfolio companies **develop/provide solutions addressing the COVID-19 challenge**; these portfolio companies predominantly operate in Artificial Intelligence, E-commerce, Digital health, Healthcare and Biotech.

Support is relevant, but could be more efficient

- Respondents consider regional and national government programs to be relevant but less effective. The implementation speed could also be improved.
- The majority of respondents rate European-level programs as average (55%); 35% rate them as bad or very bad, while only 9% rate them as good or very good.
- A majority of respondents applied for government support measures, for at least some of their portfolio companies.
- Easing the financing burden of the company was the most frequently stated reason for applying for government support measures.
- Unsuitable requirements or no business need were the most frequently stated reasons for not applying for government support measures.
- The two most frequently mentioned suggestions for policy responses targeting BAs are more co-investment opportunities for BAs and greater tax-relief and tax-related advantages for BA investments during crises.

A crisis is also an opportunity ...

- The **acceleration of digitisation** resulting from the crisis is seen as a **substantial opportunity** among many respondents. Respondents mention COVID-19 as accelerating the adoption of new technological solutions and business models, which benefitted portfolio companies across a wide range of industries offering such solutions.
- A number of **specific areas benefitting from this trend** are mentioned:
 - Increased adoption of **B2B software solutions (SaaS) and cloud-based platforms** due to expansion of home-office;
 - **E-commerce and related IT tools** due to shift towards online sales;
 - Accelerated digitisation in **financial services and fintech** and increased electronic spending;
 - **Education tech and digital health** benefitting from digitisation across education and health sectors;
 - Increased demand in **specific consumer services** incl. home food products, gaming and media content, with further digitisation potential.

... that needs appropriate policy instruments.

- Our survey supports the notion that there exists an unprecedented opportunity to benefit from some of the strong tailwinds created by the crisis, for example in digital transformation across sectors.
- These opportunities might not always be supported by the sufficient **availability of financing sources**. Our survey results suggest that this is particularly relevant in the very **initial stages** (e.g., as BAs show a comparatively negative perception of the market situation and policy measures). This creates a need for policy measures that appropriately ensure that companies which are implementing new opportunities will have **sufficient access to finance**.

Exceptional times require unique market insight

- The *EIF Business Angels Survey* provides the opportunity to retrieve unique market insight. The *EIF BA Survey* is unique in its pan-European coverage and multi-country approach.
- The already large outreach of the EIF surveys, which are **coordinated by EIF's Research & Market Analysis (RMA)**, and the high relevance of the questionnaire topics for both market participants and policy makers have further increased through **new cooperations with Business Angels Europe (BAE) and the Joint Research Center (JRC) of the European Commission**.
- In addition to the sections on **market sentiment**, the **impact of COVID-19** and market participants' perception of **policy responses**, the latest 2020 EIF Survey wave allowed us to look into recent changes with respect to respondents' **human capital** and their considerations related to **ESG & impact investing**.
- 2020 was an exceptional year. Therefore, EIF's RMA performed, on an exceptional basis, two survey waves. Moreover, the responses of the first survey wave were split into two sets, based on the time of their submission. **Our new and exceptional approach allows us to analyse and compare the situation in the European private equity/venture capital & BA markets at three points in time: (i) Before the COVID-19 crisis, (ii) when the crisis started to spread across Europe in the first quarter of the year, and (iii) during a later phase in autumn.**
- **Looking ahead**, the next wave of the *EIF Business Angels Survey* is already in preparation for mid-2021.
- As usual, the **survey results** are published in the **EIF Working Paper series** which is **available here**:
https://www.eif.org/news_centre/research/index.htm

EIF Business Angels Survey 2020

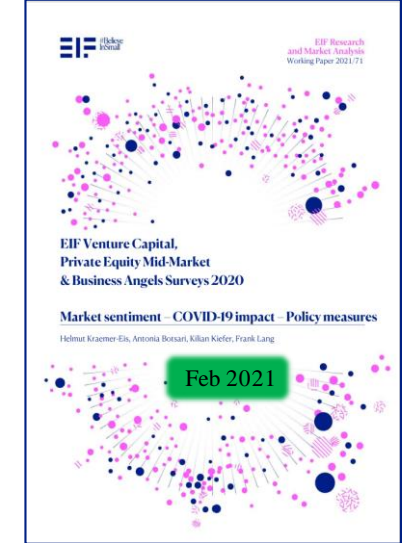
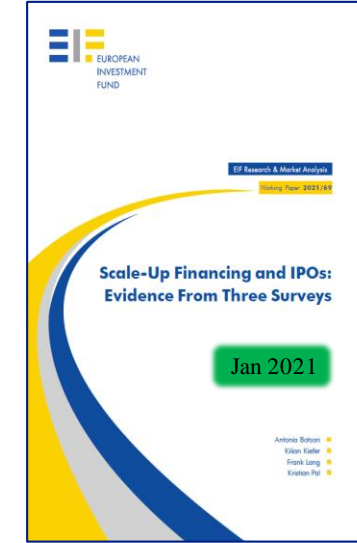
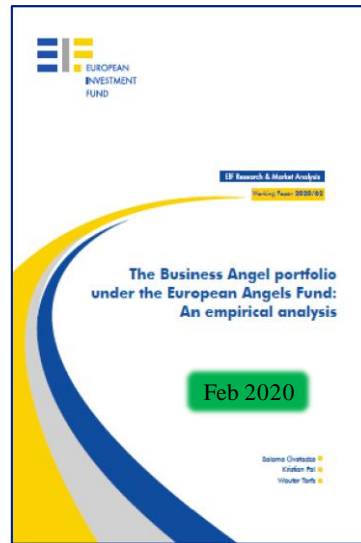
Results for Business Angels Netzwerk
Deutschland (BAND) respondents

Annex

EIF Research & Market Analysis

Survey waves 2020

EIF Business Angels Survey publications



Business Angels
Public programmes for BAs also foster VC ecosystem; European Angels Fund procedures are appropriate and help increase BA reputation

EAF angel investments
Angel investors enhance financing supply to a particularly useful but vulnerable segment of the SME population

ESG
First ever testimony on the integration of ESG considerations and impact investing in VC & BA

Market sentiment
Unique insights into the impact of the COVID-19 crisis on the European PE and VC ecosystem

Scale-up financing & IPOs
Low scale-up focus of funds in Europe is one of the biggest challenges for VC/PE fund managers & BAs

COVID-19 impact
Focus on VC/PE fund managers' and BAs' market sentiment and the impact of COVID-19 on investors, their portfolio, fund-raising and investments

List of acronyms

- AUM: Assets Under Management
- BA(s): Business Angel(s)
- BAE: Business Angels Europe
- BAND: Business Angels Netzwerk Deutschland
- bn: billion
- CEO: Chief Executive Officer
- EIB: European Investment Bank
- EIF: European Investment Fund
- ESG: Environmental, Social, Governance
- EU: European Union
- EUR: Euro
- GP(s): General Partner(s)
- ICT: Information and Communications Technologies
- IPO: Initial Public Offering
- LP(s): Limited Partner(s)
- m: million
- MBO: Management Buy-Out
- PE MM: Private Equity Mid-Market
- RMA: Research & Market Analysis
- SME: Small and Medium-sized Enterprise
- UK: United Kingdom
- USA: United States of America
- VC: Venture Capital

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The European Investment Fund (EIF) is Europe's leading risk finance provider for small and medium sized enterprises (SMEs) and mid-caps, with a central mission to facilitate their access to finance. As part of the European Investment Bank (EIB) Group, EIF designs, promotes and implements equity and debt financial instruments which specifically target the needs of these market segments.

In this role, EIF fosters EU objectives in support of innovation, research and development, entrepreneurship, growth, and employment. EIF manages resources on behalf of the EIB, the European Commission, national and regional authorities and other third parties. EIF support to enterprises is provided through a wide range of selected financial intermediaries across Europe. EIF is a public-private partnership whose tripartite shareholding structure includes the EIB, the European Union represented by the European Commission and various public and private financial institutions from European Union Member States, the United Kingdom and Turkey. For further information, please visit www.eif.org.

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