

# *EIF Business Angels Survey 2020*

## Results for Business Angels Europe (BAE) respondents

Market sentiment – COVID-19 impact – Policy measures

**EIF Research & Market Analysis  
in cooperation with Business Angels Europe (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 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 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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Head of Research & Market Analysis

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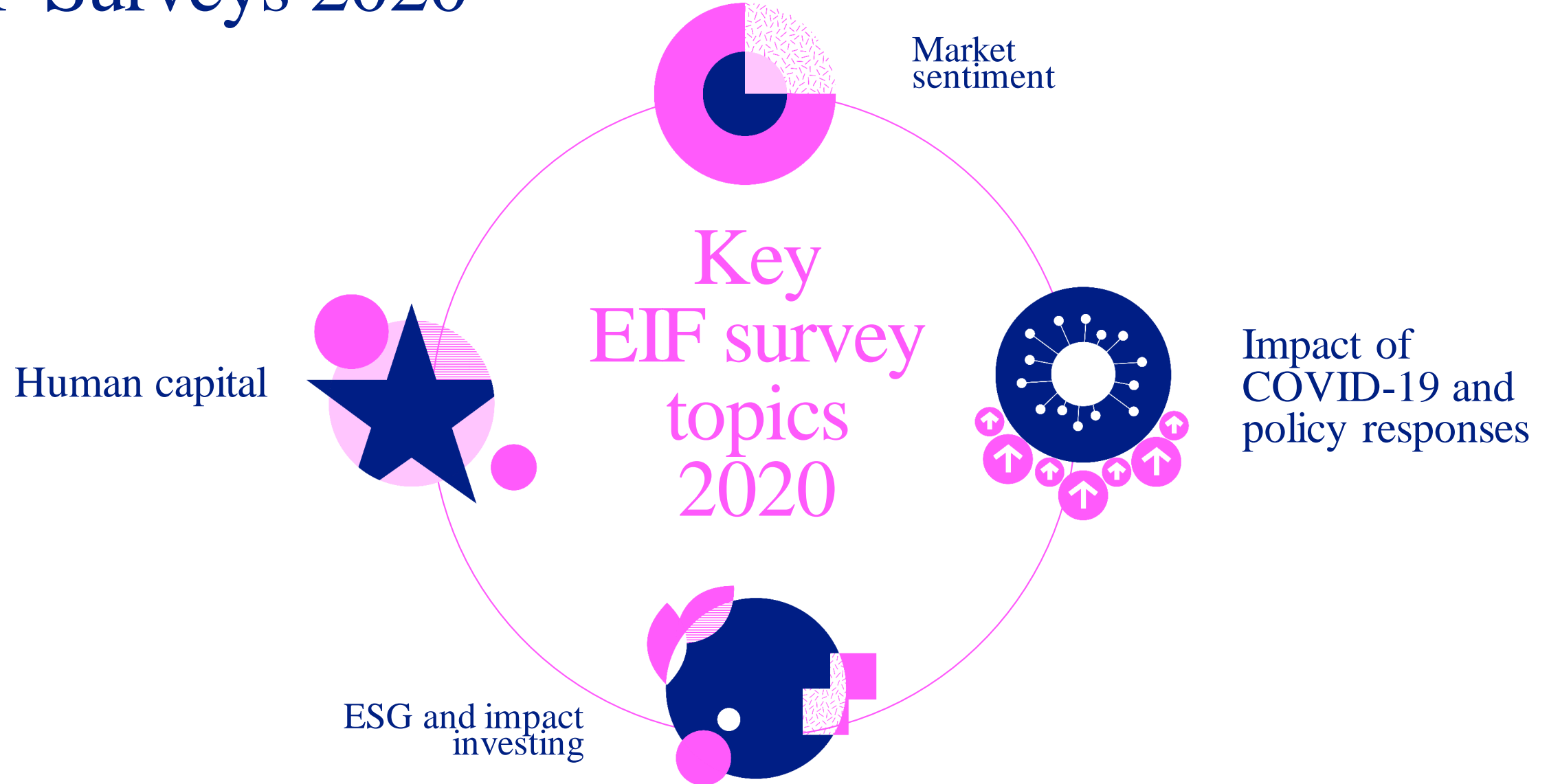
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# General survey information

- 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 212 are BAE members. *This presentation covers only those 212 responses that were received from angels represented by BAE.*
- 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 BAE.**
- 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 and 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](https://www.eif.org/news_centre/research/index.htm)



- Half of the respondents find the **current access to finance of their portfolio companies** average, while 1 in 3 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 and new investments made** deteriorated substantially between March and October 2020, while expectations for the next 12 months improved substantially.
- The COVID-19 crisis had quite a substantial impact on the **investment strategy** of the respondents. Between March and October 2020, 37% 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, while they expect it to become even more difficult to find co-investors among Corporates.

- Almost half of all **exits** between March and October 2020 were insolvencies/liquidations. Other frequent exit routes included strategic sales, MBOs and sales to financial investors.
- Over half of the respondents experienced a deterioration in the **exit environment** between March and October 2020, while only 4% experienced an improvement. Over one-third of the respondents expect a further deterioration over the next 12 months, while only one-quarter of the respondents expect a recovery. The exit environment is also considered by the highest percentage of respondents to be the biggest challenge in BA activity during the current crisis.
- Over half of the respondents experienced a deterioration in the **valuation of portfolio companies** between March and October 2020. Results vary regarding expected valuations over the next 12 months, with one-third expecting an increase and one-third expecting a decrease.
- Over half of the respondents experienced a decline in **entry prices** between March and October 2020. 4 in 10 respondents expect a further decline over the next 12 months, while only 2 in 10 expect an increase.
- 6 in 10 respondents experienced a decline in **exit prices** between March and October 2020. 4 in 10 respondents expect a further decline over the next 12 months, while only one-quarter expect an increase.
- 4 in 10 respondents experienced a decline in **competition among investors** between March and October 2020; for 45% of the respondents competition remained unchanged. 45% of the respondents expect competition to remain unchanged over the next 12 months, while 3 in 10 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.

# Executive summary

## COVID-19: Portfolio impact

- 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 pessimistic regarding the impact on their **portfolio value in the short-term**; 51% expect a negative NAV between Q4 2019 and Q4 2020, while only 40% expect a positive NAV.
- On average, 46% of the respondents' portfolio companies were negatively impacted by COVID-19, while 21% 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, customer acquisition & retention and disruption due to COVID-19-related restrictions are most frequently mentioned among respondents.
- Over 50% of the respondents do not expect any **insolvencies** resulting from the impact of COVID-19 and only 7% 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”, “Identifying good investment opportunities” and “Availability of own funding” are seen as the **biggest challenges in BA activity** during the current COVID-19 crisis.
- 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, **BAs tend to focus more on companies with an experienced management team, revenue generating capability, and recurring revenue business models.**
- The most frequent change in BAs' investment strategy as a result of COVID-19 was a **decrease in the total amount available for BA investing.** Other frequently mentioned changes include **investing via smaller tickets** and an **increased focus on existing portfolio companies.** Many respondents also reported no change in the investment strategy.
- **Most respondents have not changed their portfolio construction approach.** If at all, the most frequent change was an **increase in diversification.**
- 7 in 10 BAs have **slowed down the pace of investments** due to COVID-19.
- Regarding structural changes to how BA activities are conducted, 25% 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, changes to how portfolio companies are supported/monitored** and **increased telework of staff.**

# 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 even greater percentage 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.

# Executive summary

## COVID-19: Policy measures

- Respondents consider **regional and national government programs** to be relevant but not very effective. The implementation speed could also be improved.
- **The majority of respondents rate European-level programs as average (52%); 37% rate them as bad or very bad, while only 10% 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.

# Executive summary

## Policy recommendations

- **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 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 Europe (BAE) respondents

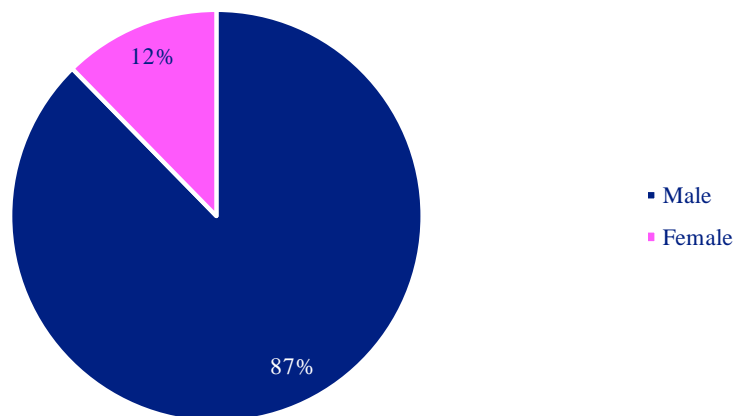
*Respondents' profile and  
characteristics*

***EIF Research & Market Analysis***

*Survey wave 2020*

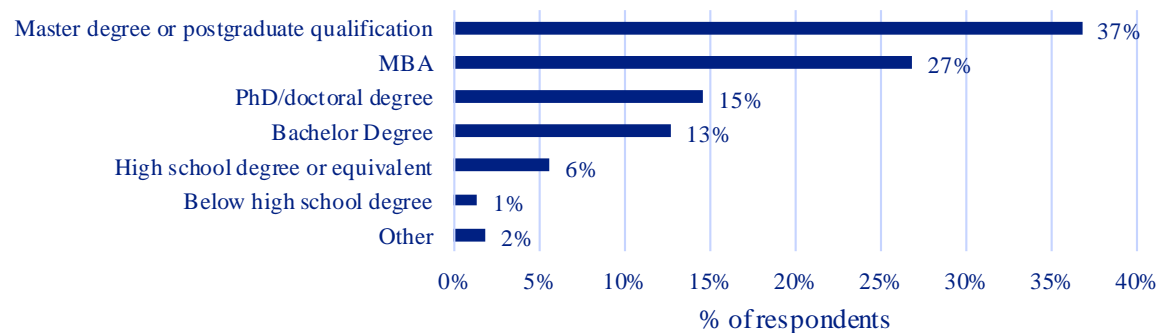
# Respondents' profile

Gender



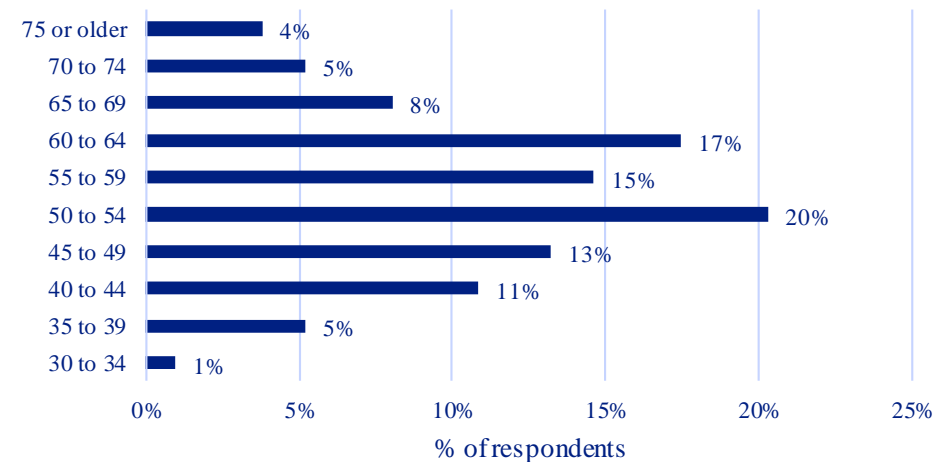
EIF BA Survey question: "What is your gender?"

Education



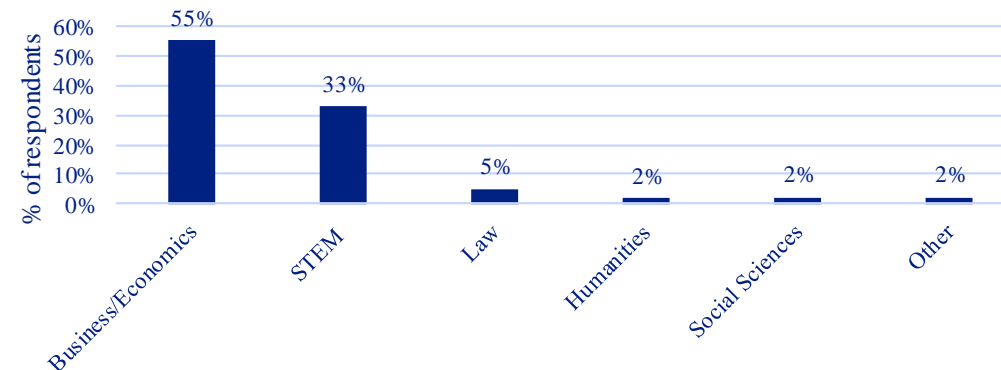
EIF BA Survey question: "What is your highest degree of education?"

Age



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

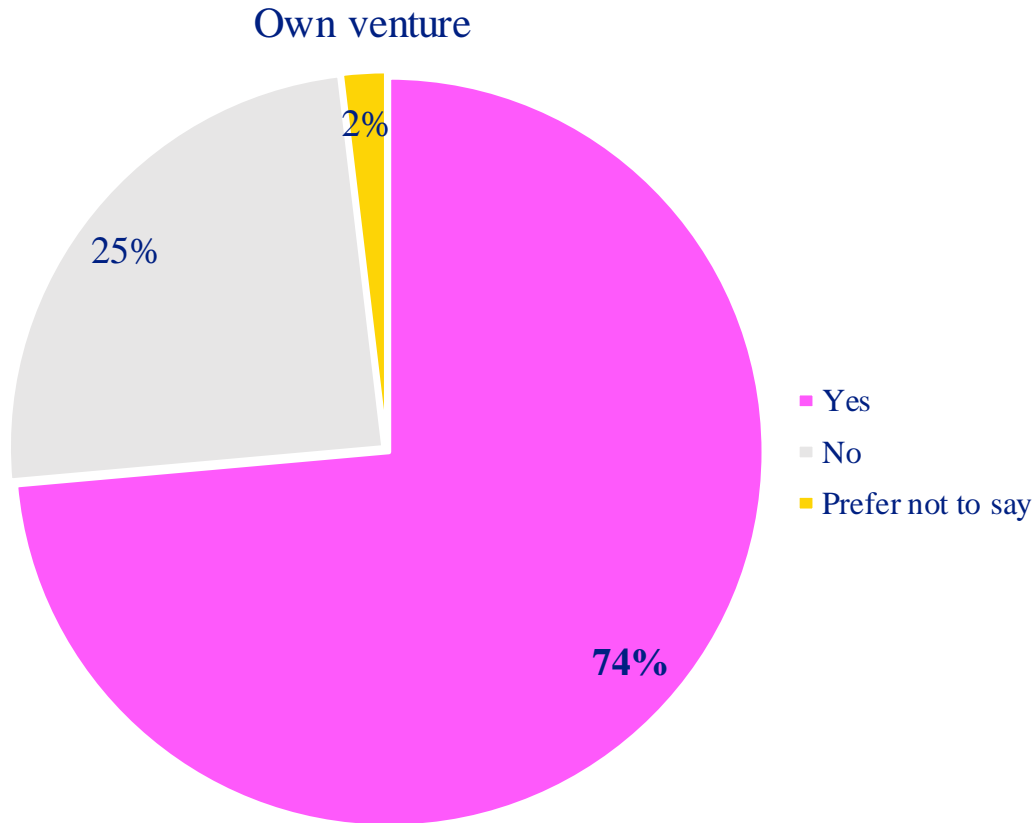
Main field of education



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

# Respondents' business experience

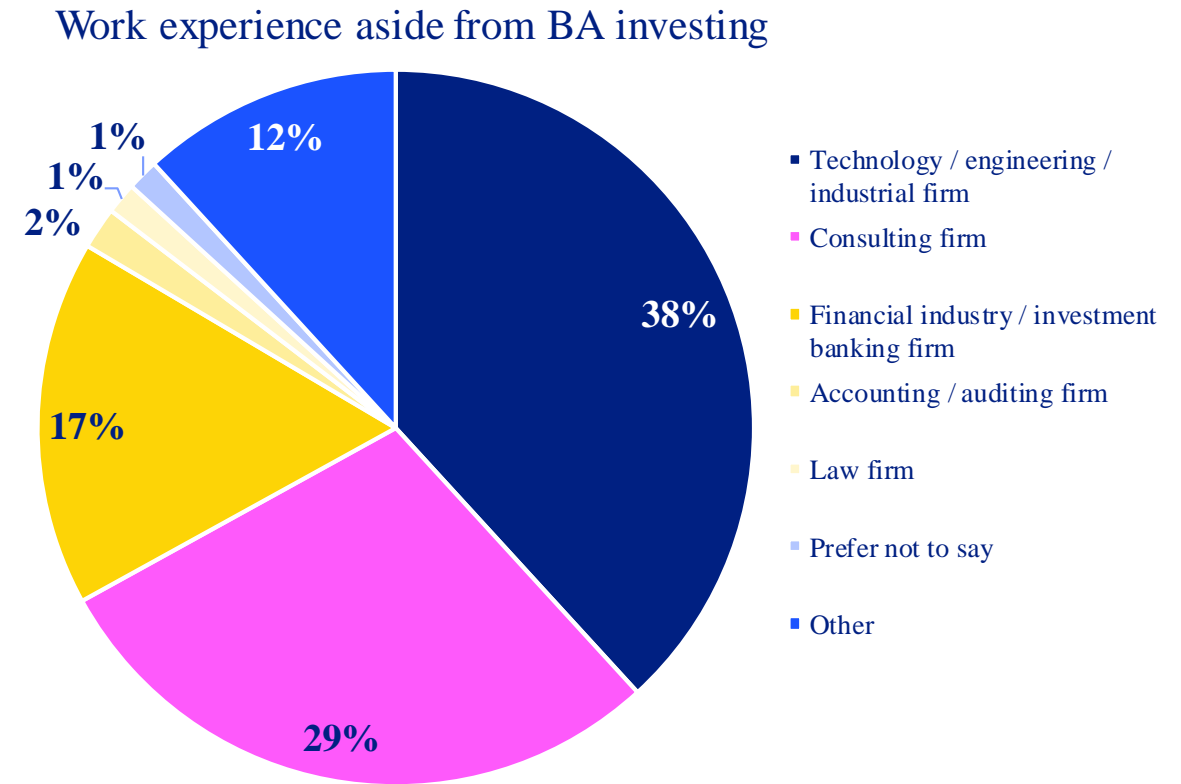
*Almost **three-quarters** of respondents have created their own venture*



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

Source: EIF Business Angels Survey 2020, selected results; 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](https://www.eif.org/news_centre/research/index.htm)

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

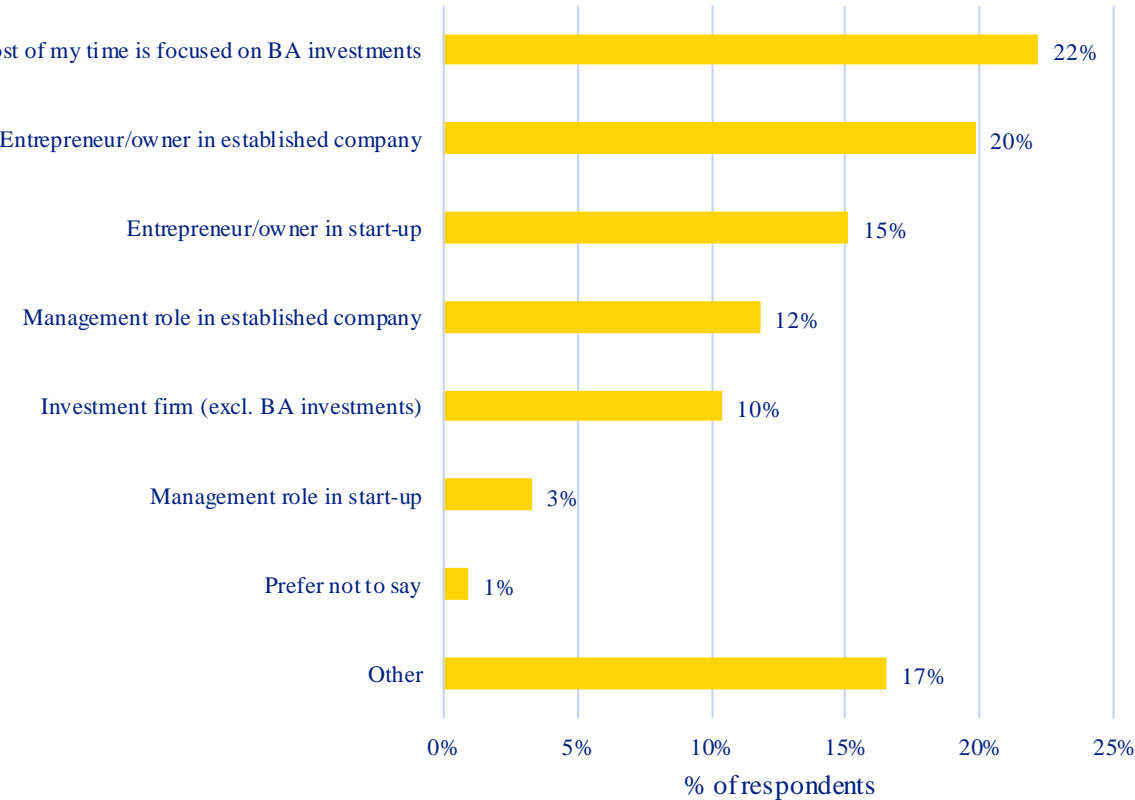


EIF BA Survey question: “Which of the following would best describe your type of work experience aside from BA investing?”

# Respondents' business know-how

*Besides investing as BAs, many respondents are active as entrepreneurs*

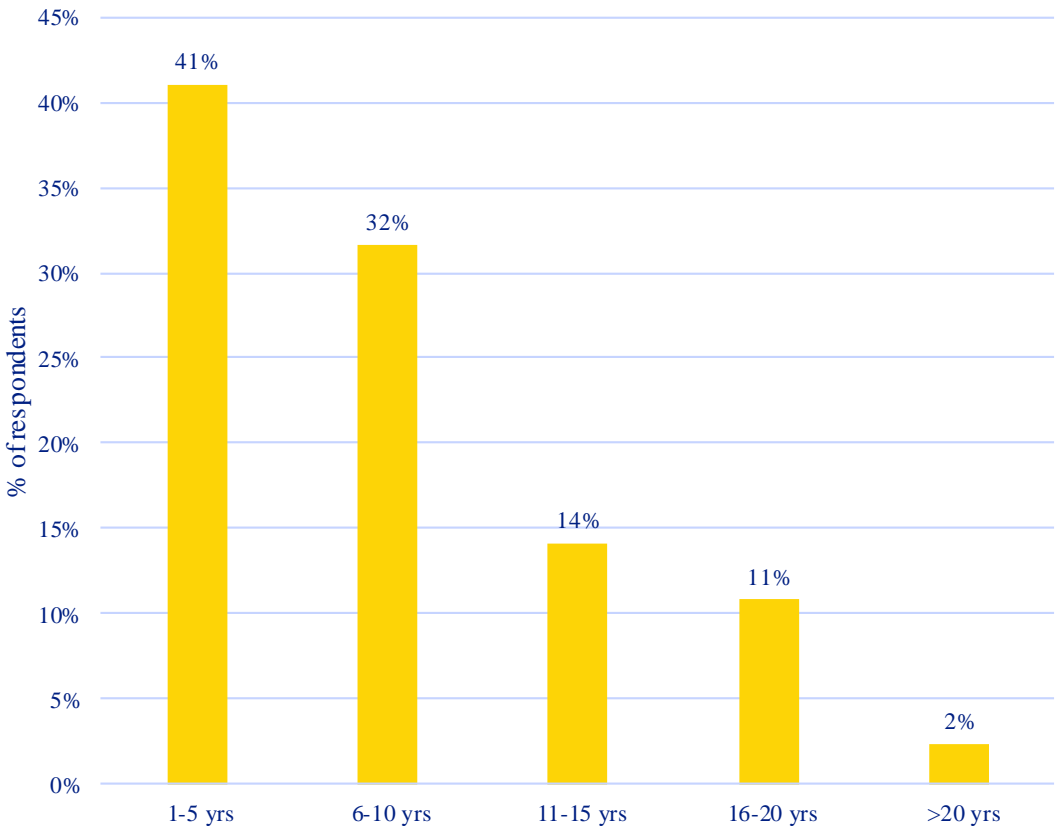
Current occupation besides BA investing



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

*Most respondents have up to 10 years experience as a BA*

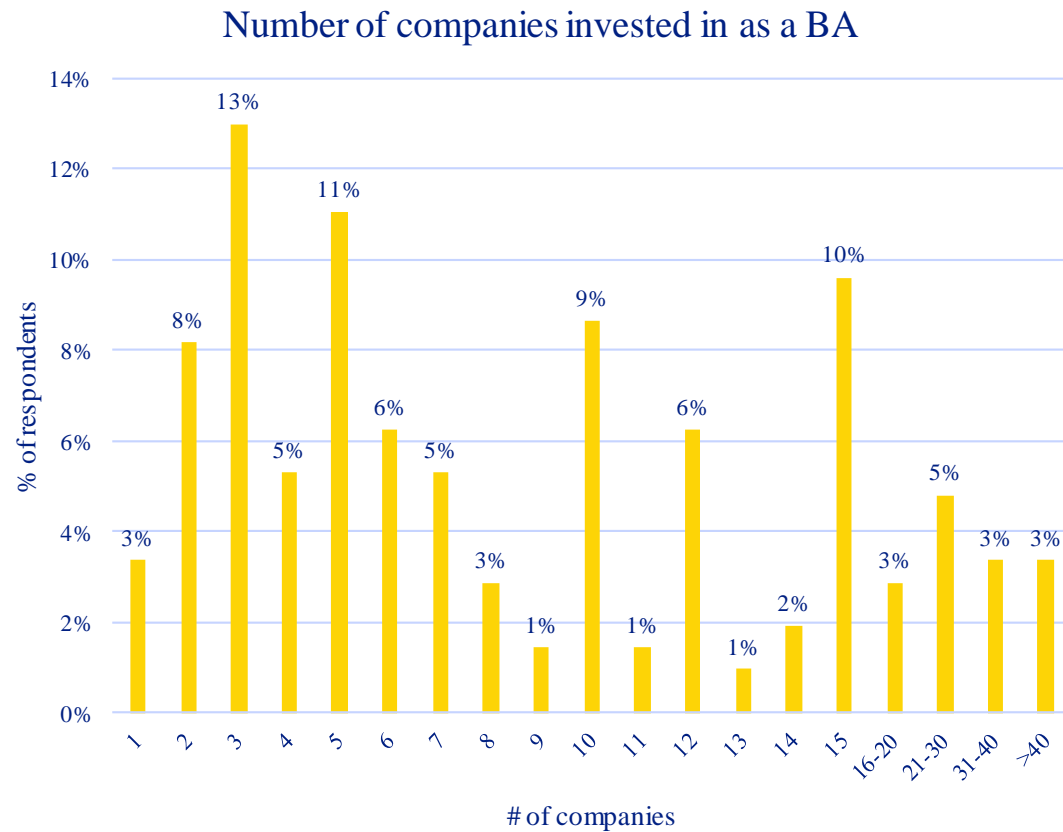
Years of experience as a BA



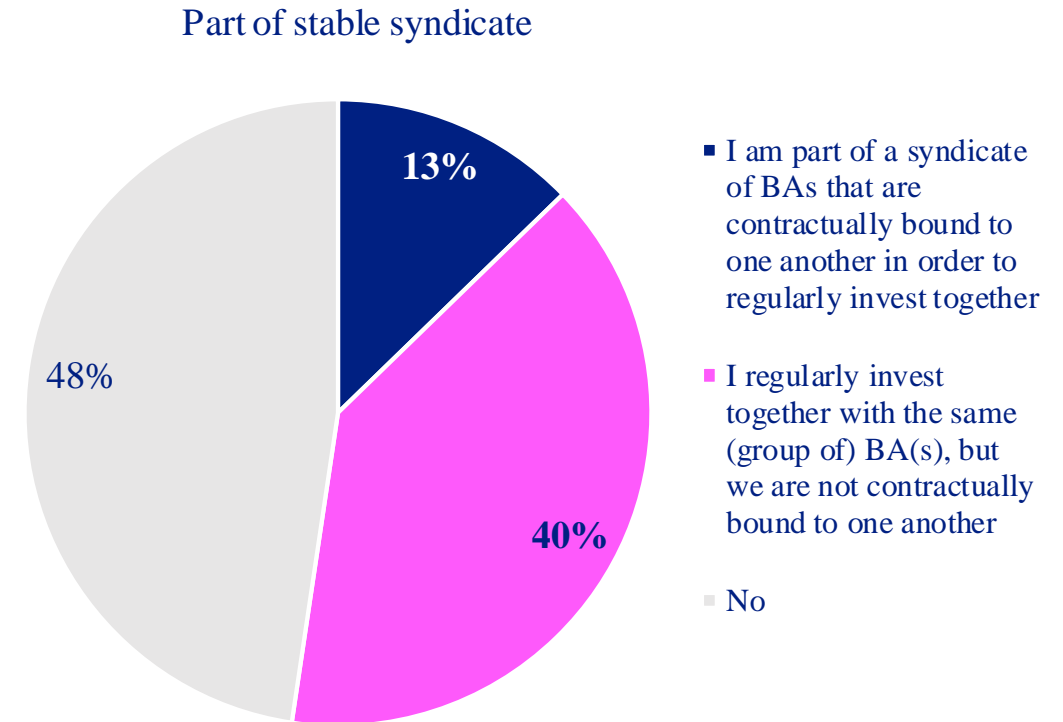
EIF BA Survey question: “In total, how many years of experience as a BA do you have?”

# BA investment experience

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



*Over 50% regularly invest together with other BAs*



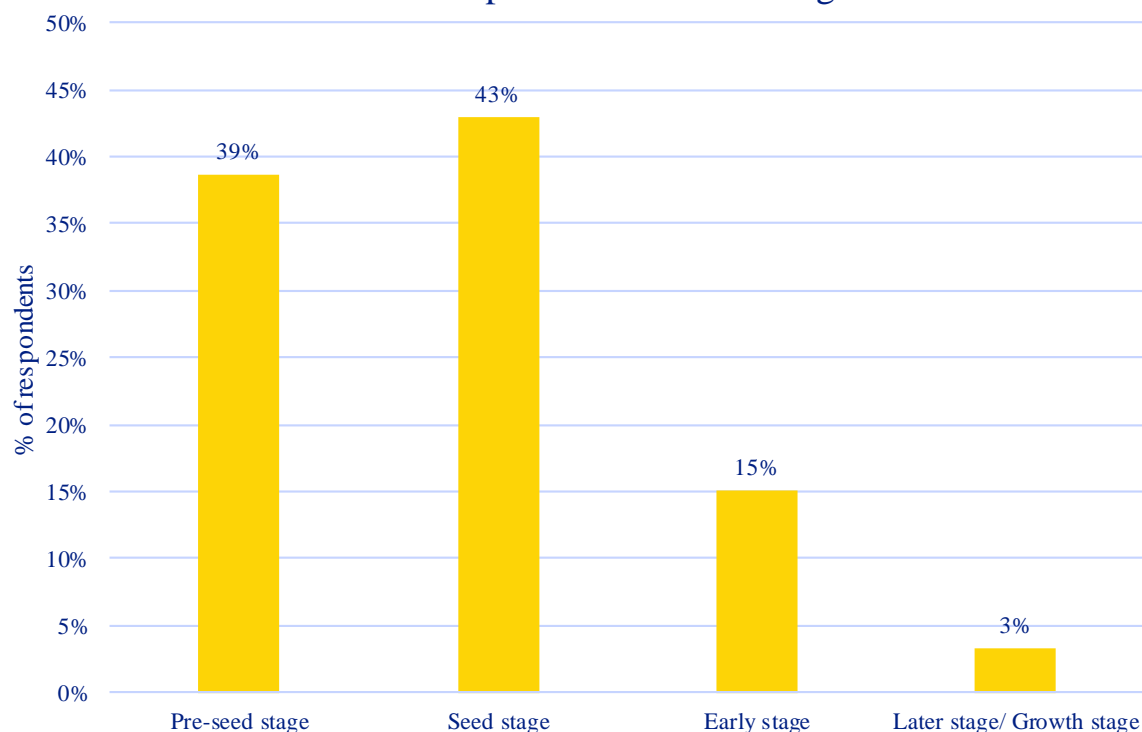
EIF BA Survey question: “In total, in how many companies have you invested as a BA?”

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

# Investment stage & country focus

*Approximately 8 in 10 invest in the **pre-seed (39%)**  
or **seed (43%) stage***

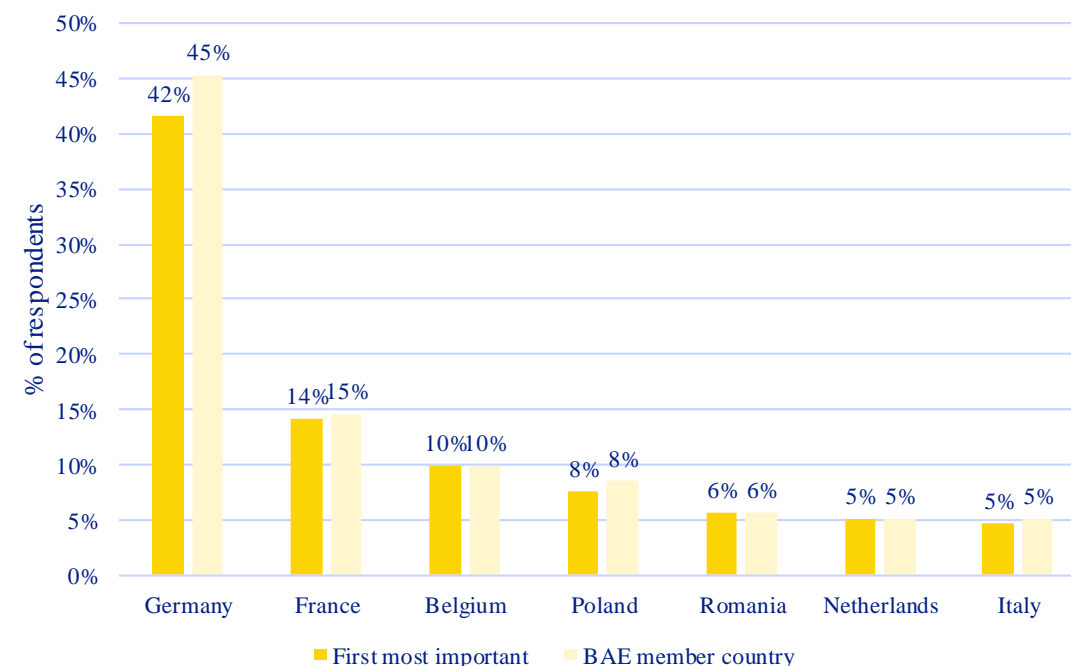
First most important investment stage



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.

*Respondents are most frequently from BAE  
members in **Germany, France & Belgium***

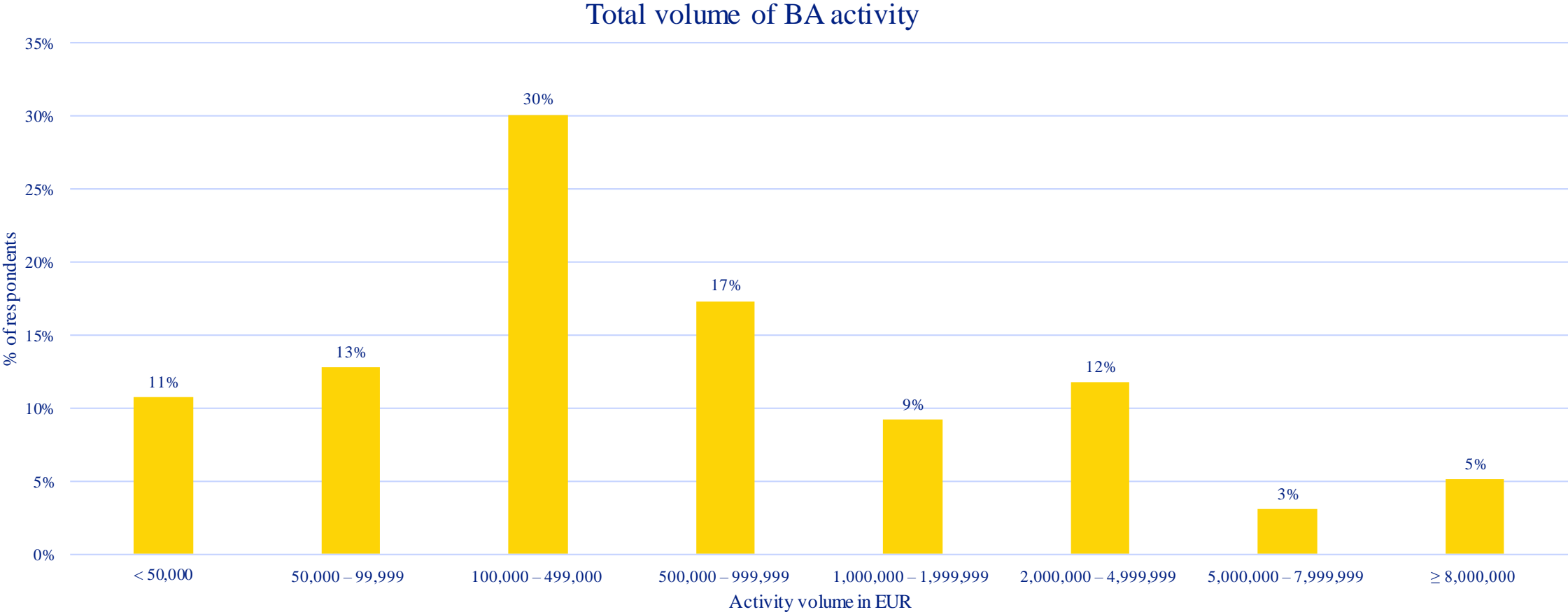
First most important country in which respondents invest  
and their country of origin



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

# Volume of BA activity

*Almost 1 in 3 surveyed BAs invest **between 100K and 499K***

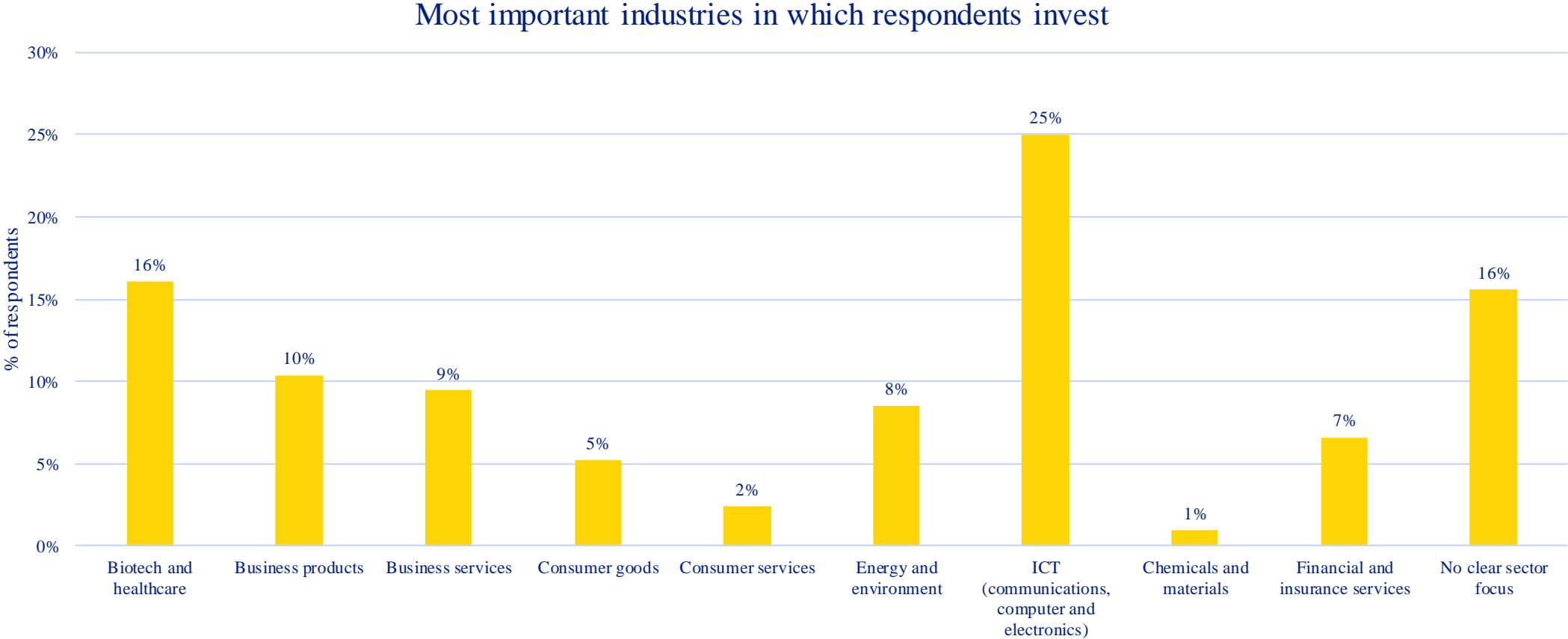


EIF BA Survey question: “*What is the total volume of your BA activity (including commitments from other parties), in Euro?*”



# Most important target industries

*BAs target companies mainly in the **ICT** or in the **Biotech & healthcare** sector*



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 Europe (BAE) respondents

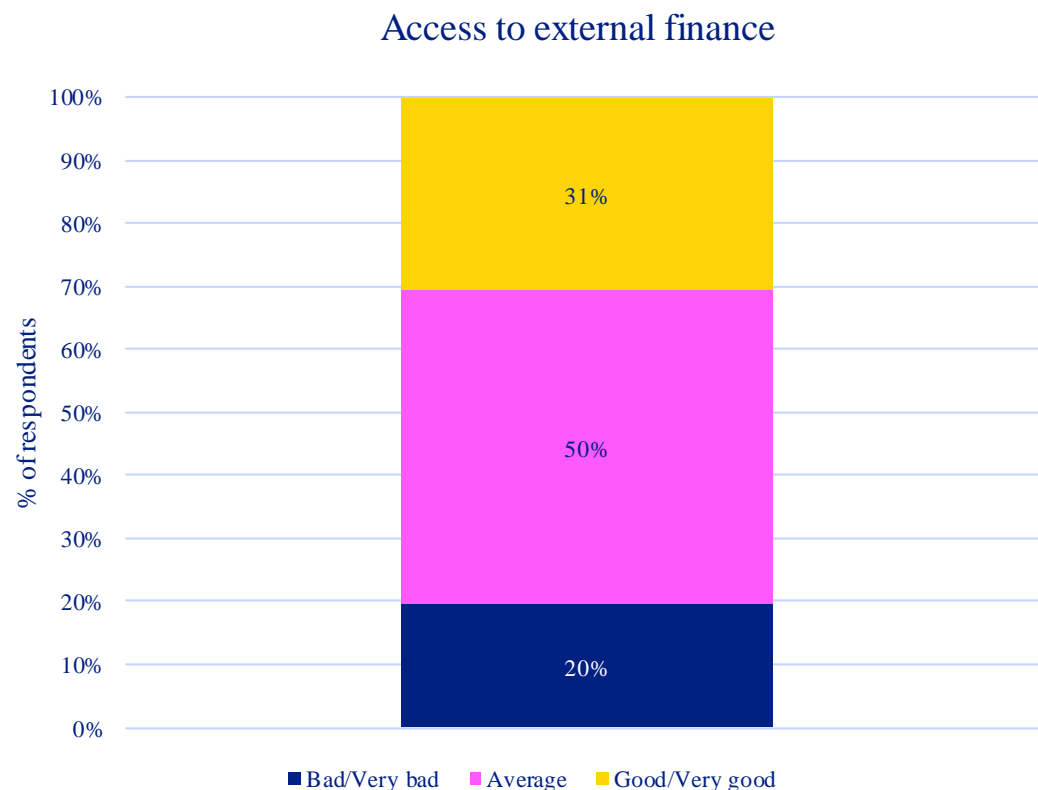
*Market sentiment*

***EIF Research & Market Analysis***

*Survey wave 2020*

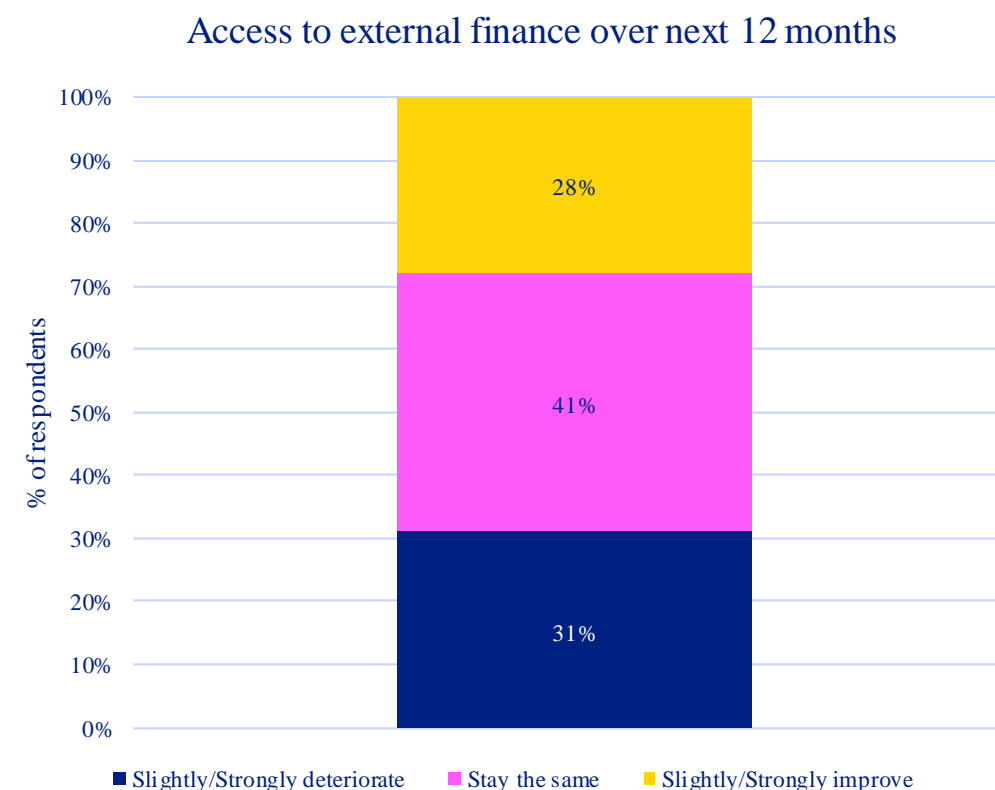
# Access to external finance of portfolio companies

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



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

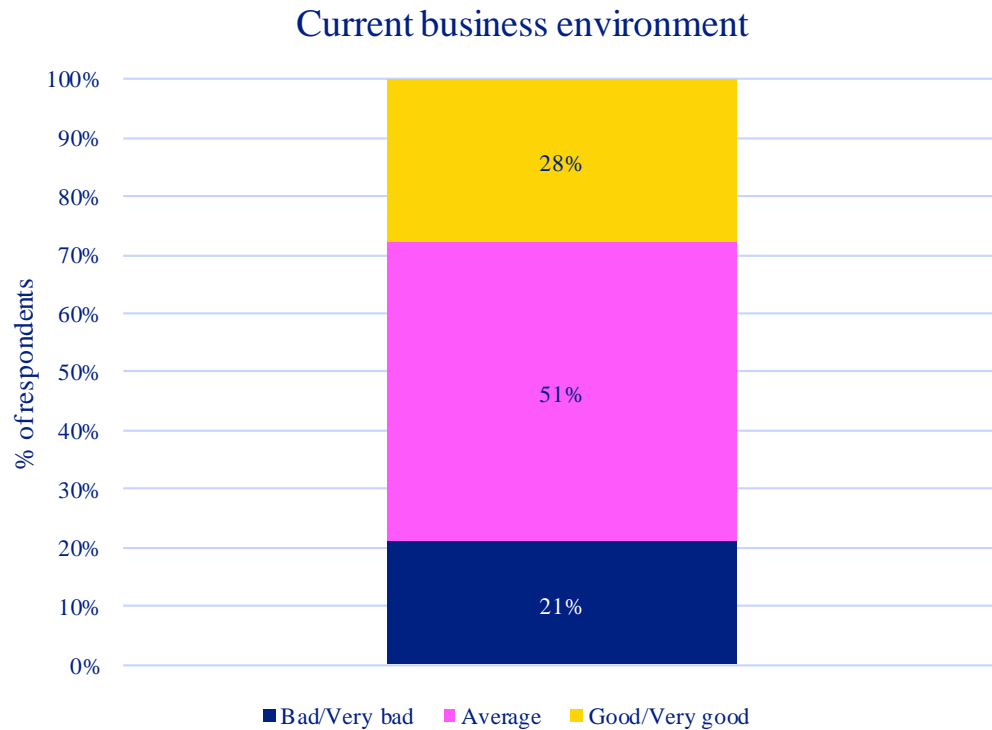
*Almost **one-third** expect a **deterioration** over the next 12 months*



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

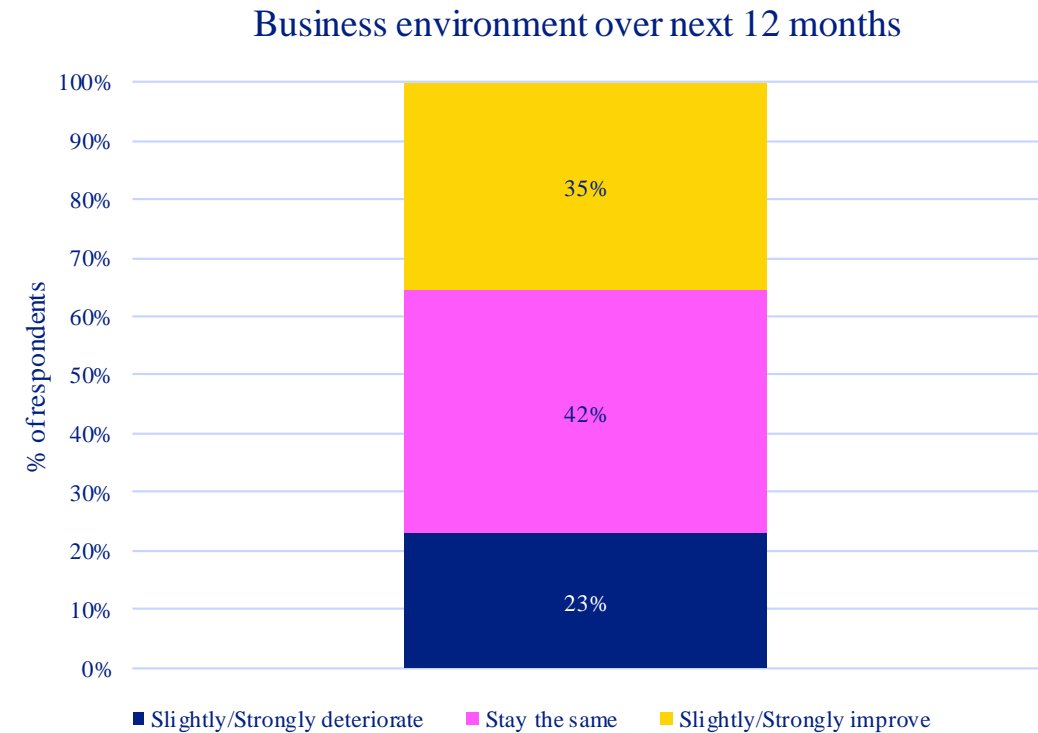
# Business environment for BA activities

*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 the next 12 months*

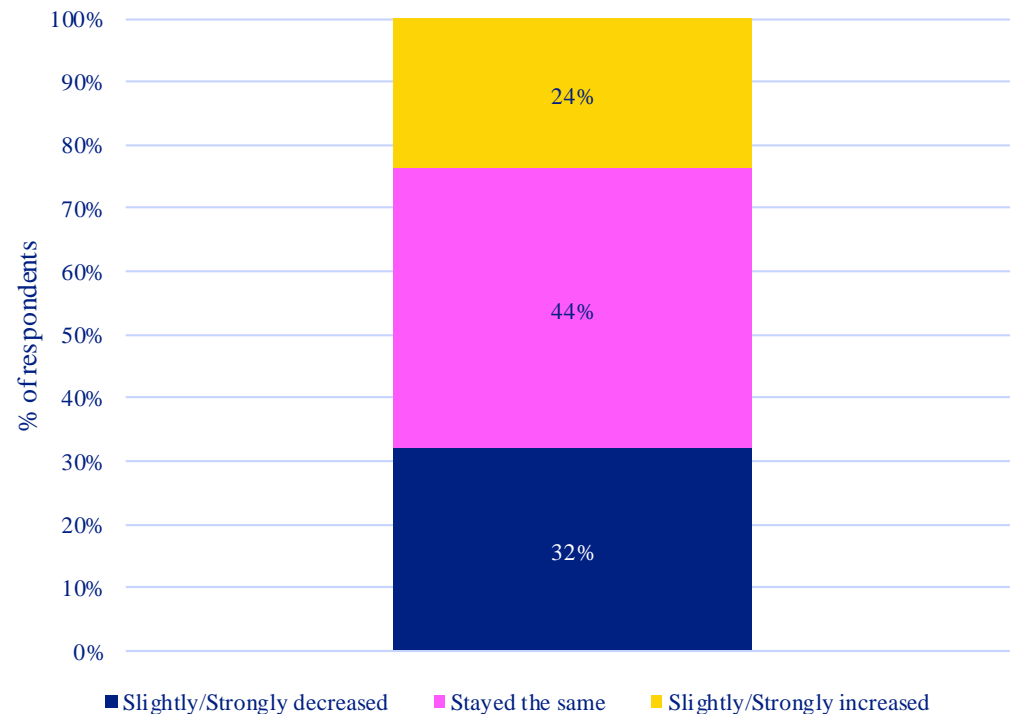


EIF BA Survey question: “Over the next 12 months, how do you expect the business environment for BA activities in your main target country to develop?”

# Number of investment proposals received

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

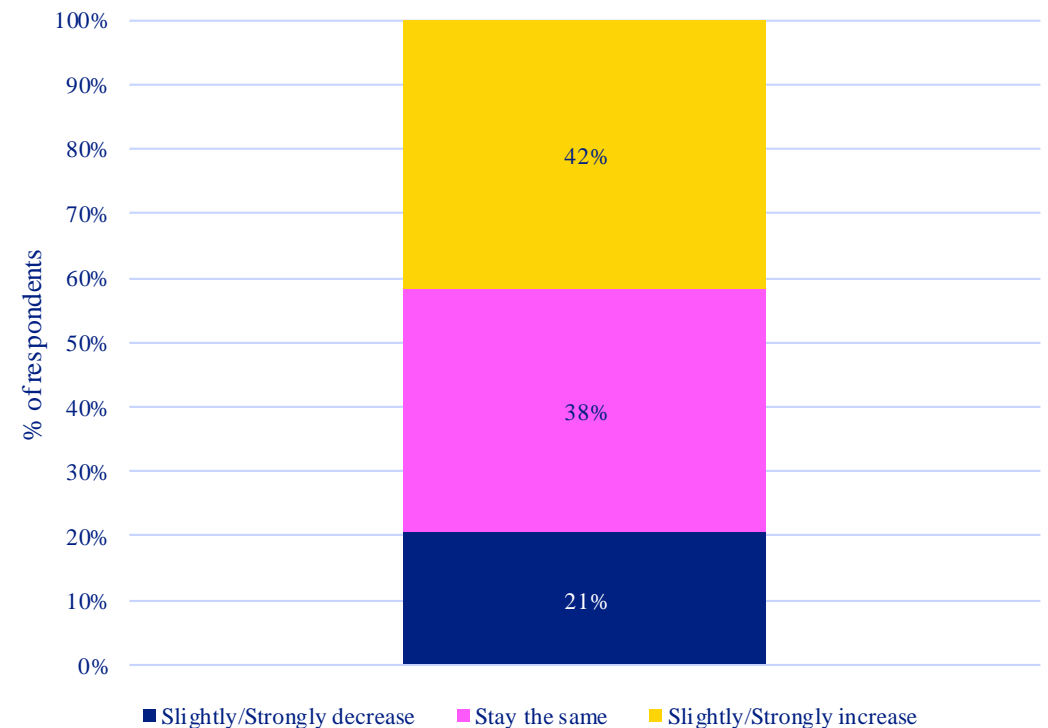
Investment proposals since March 2020



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

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

Investment proposals over next 12 months



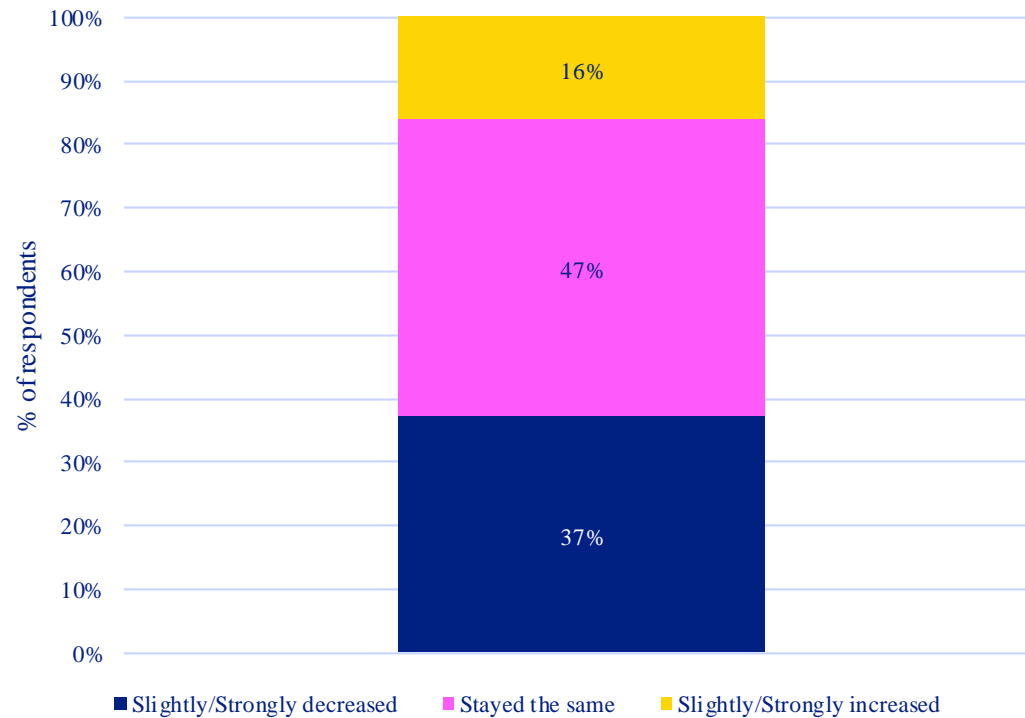
EIF BA Survey question: “Over the next 12 months, how do you expect the number of investment proposals to you/your firm to develop?”

# Number of new investments

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

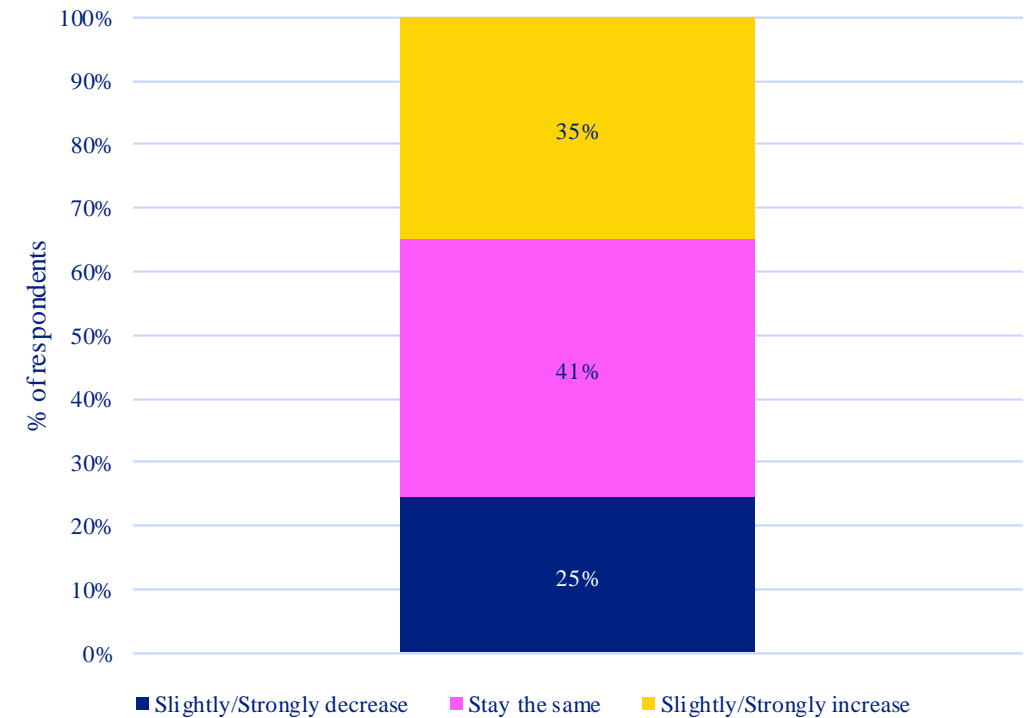
*Over one-third of respondents expect an increase over the next 12 months*

New investments since March 2020



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

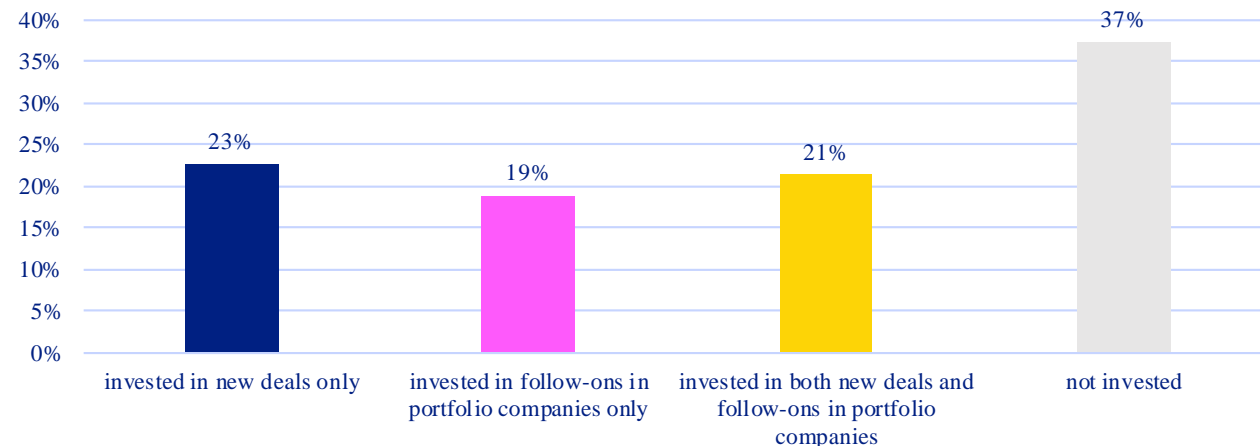
New investments over next 12 months



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...



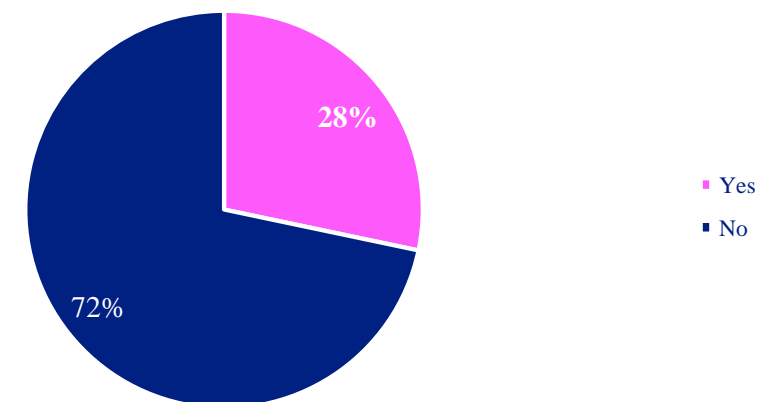
*Less than one-third of respondents provided additional investment to portfolio companies due to the COVID-19 crisis, where such investment was not foreseen at the start of 2020*

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

*1 in 5 respondents invested in both new deals and follow-ons in portfolio.*

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

Additional investment



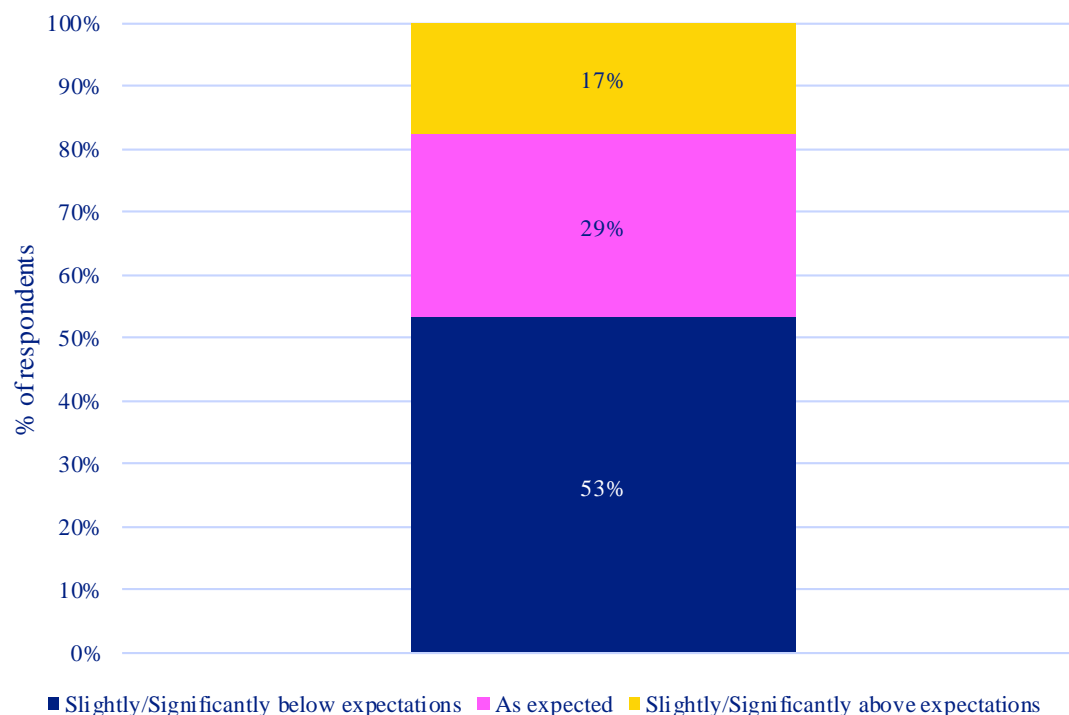
EIF BA Survey question: "Have you provided additional investment to portfolio companies due to COVID-19, where such investment was not foreseen at the start of 2020?"



# Portfolio development

*Portfolio companies developed below expectations for a majority of respondents*

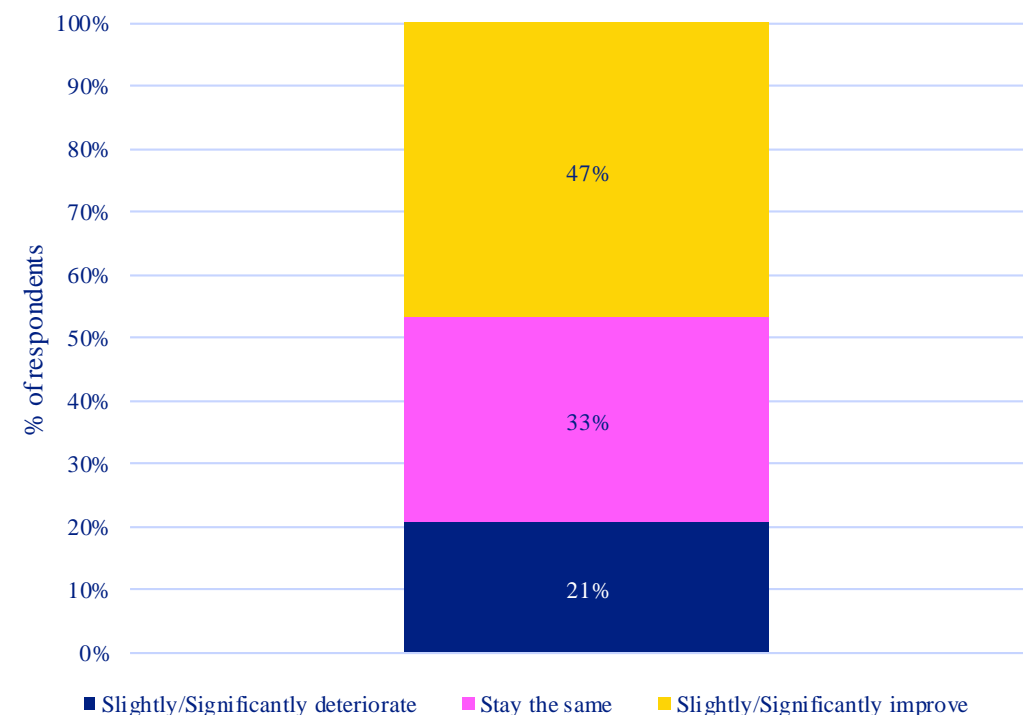
Development of portfolio companies since March 2020



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

*Around half of respondents expect an improvement over the next 12 months*

Development of overall portfolio over next 12 months

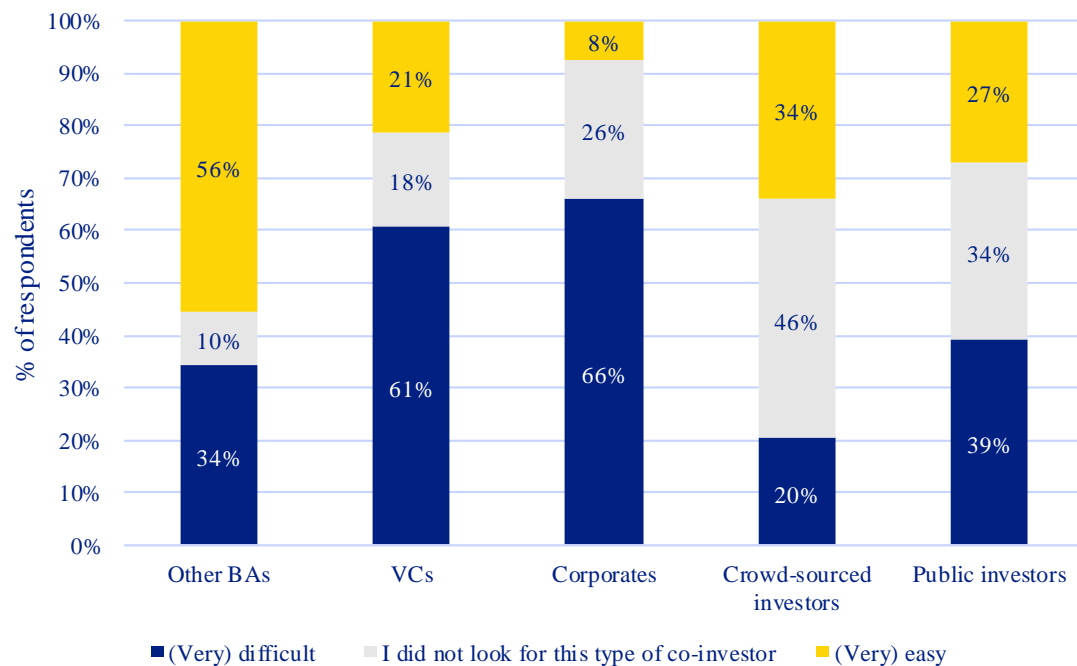


EIF BA Survey question: “Over the next 12 months, how do you expect your overall portfolio to develop?”

# Ease of finding co-investors

*Respondents find it **easiest to find co-investors among other BAs**, followed by **crowd-sourced and public investors***

Ease of finding co-investors to syndicate

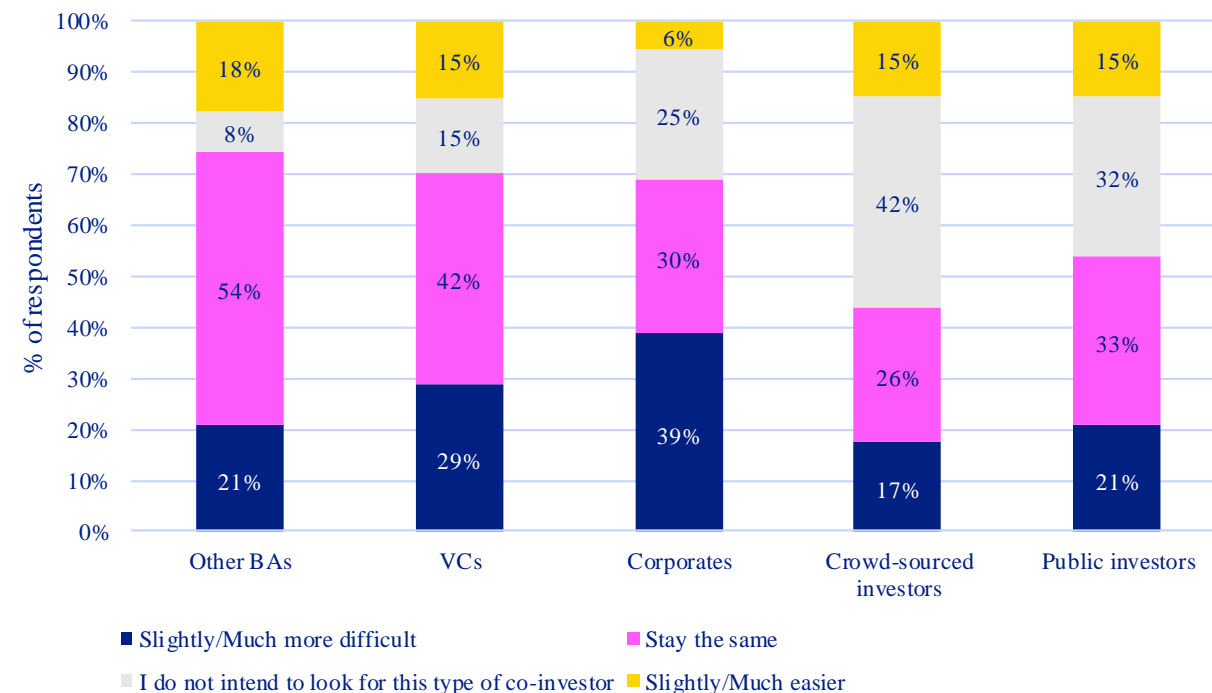


EIF BA Survey question: “How easy/difficult is it currently to find co-investors to syndicate? Please specify separately for each type of co-investor.”

Source: EIF Business Angels Survey 2020, selected results; 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](https://www.eif.org/news_centre/research/index.htm)

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

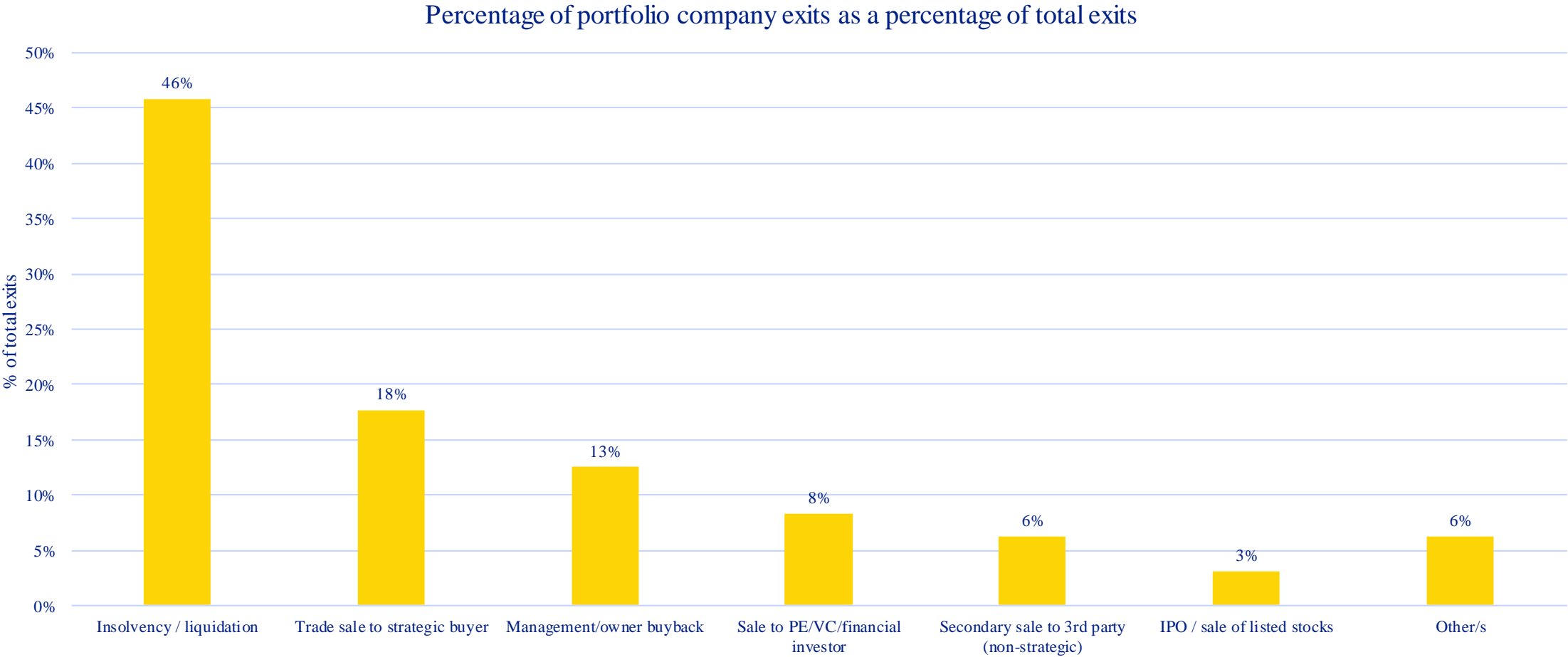
Ease of finding co-investors to syndicate over next 12 months



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

*Almost half of all exits between March and October 2020 were insolvencies/liquidations*

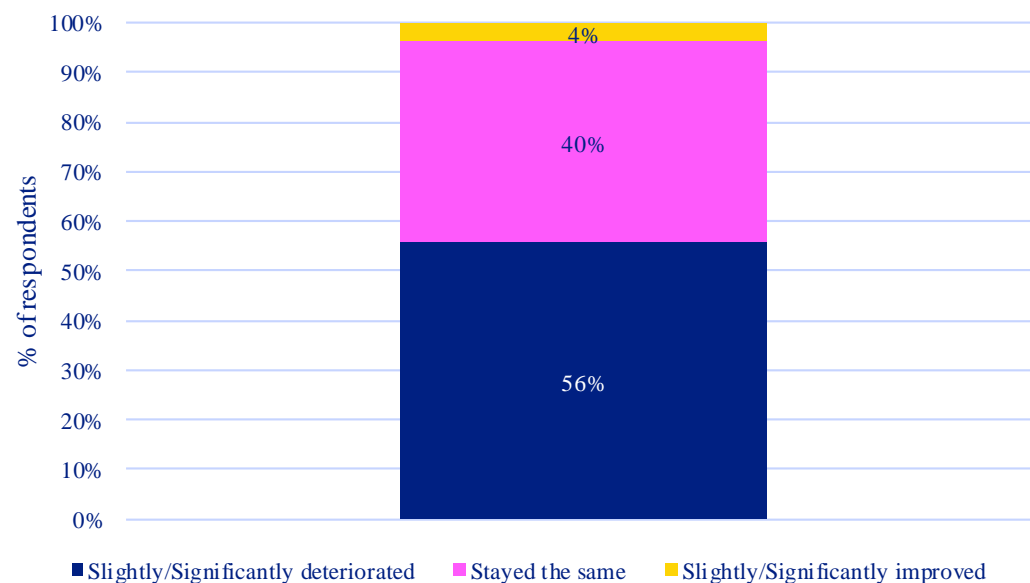


EIF BA Survey question: “Since March 2020, how many of your portfolio companies exited via the following routes?” Note: The graph reports the sum of exits for each exit route as a percentage of the sum of all exits, excluding the “no exit” option.

# Exit environment for portfolio companies

*Over half of respondents experienced a deterioration in the exit environment for portfolio companies*

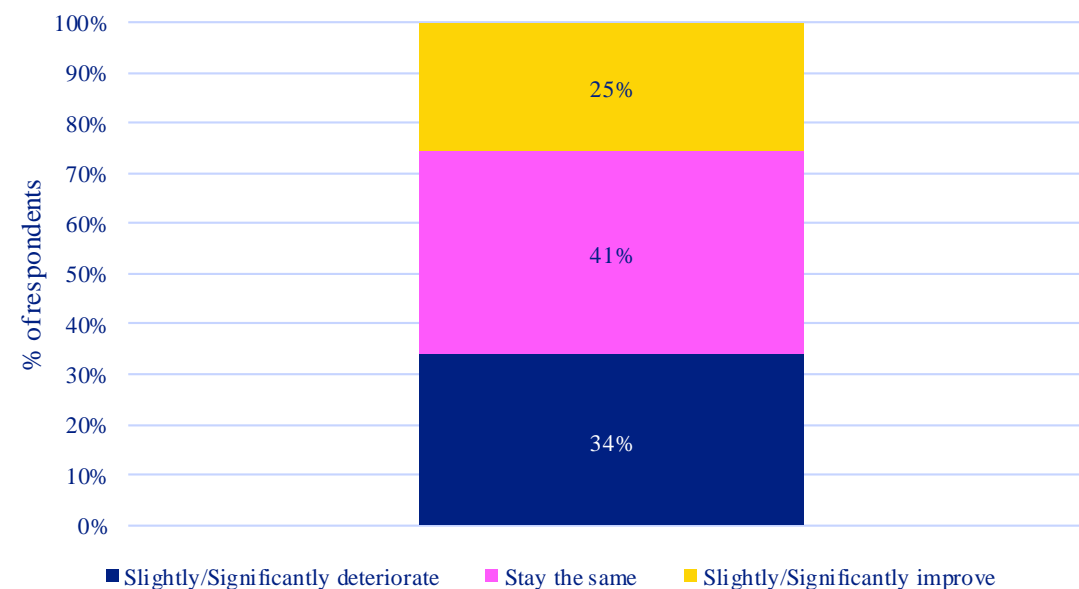
Exit environment for portfolio companies since March 2020



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

*While a quarter of respondents expect an improvement over the next 12 months, one-third expect a further deterioration*

Exit opportunities for portfolio companies over next 12 months

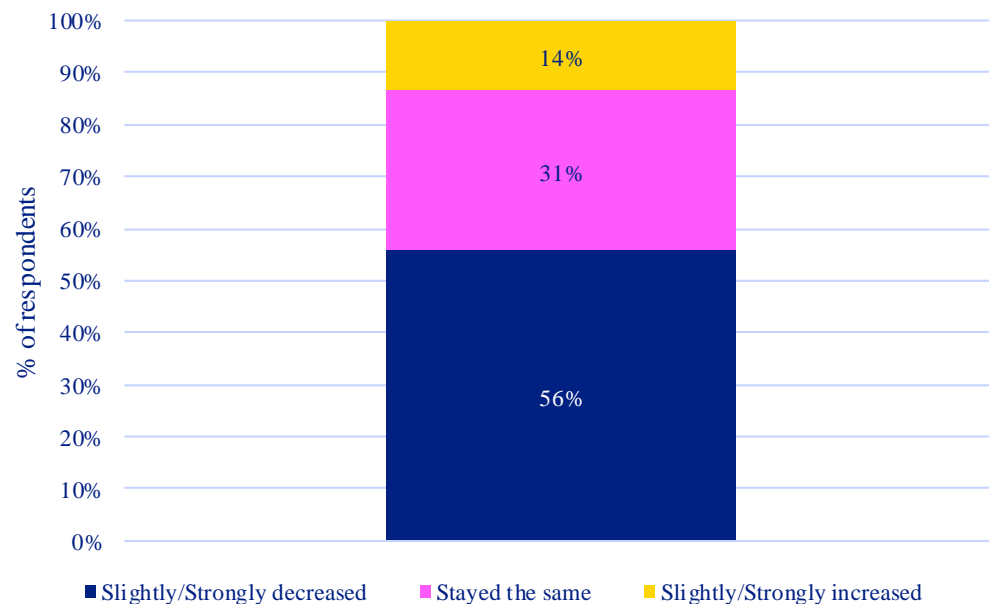


EIF BA Survey question: “Over the next 12 months, how do you expect the exit opportunities of your portfolio companies to develop?”

# Valuations of portfolio companies

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

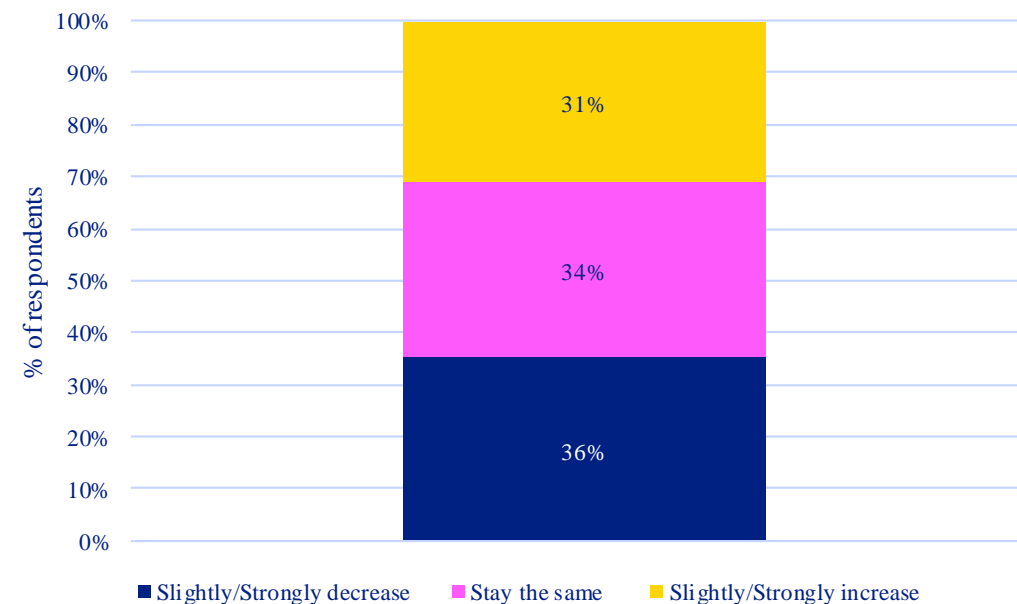
Current valuations of portfolio companies



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”

*Results vary regarding expectations for valuations over next 12 months: one-third expect an increase, while one-third expect a decrease*

Valuations of portfolio companies over next 12 months

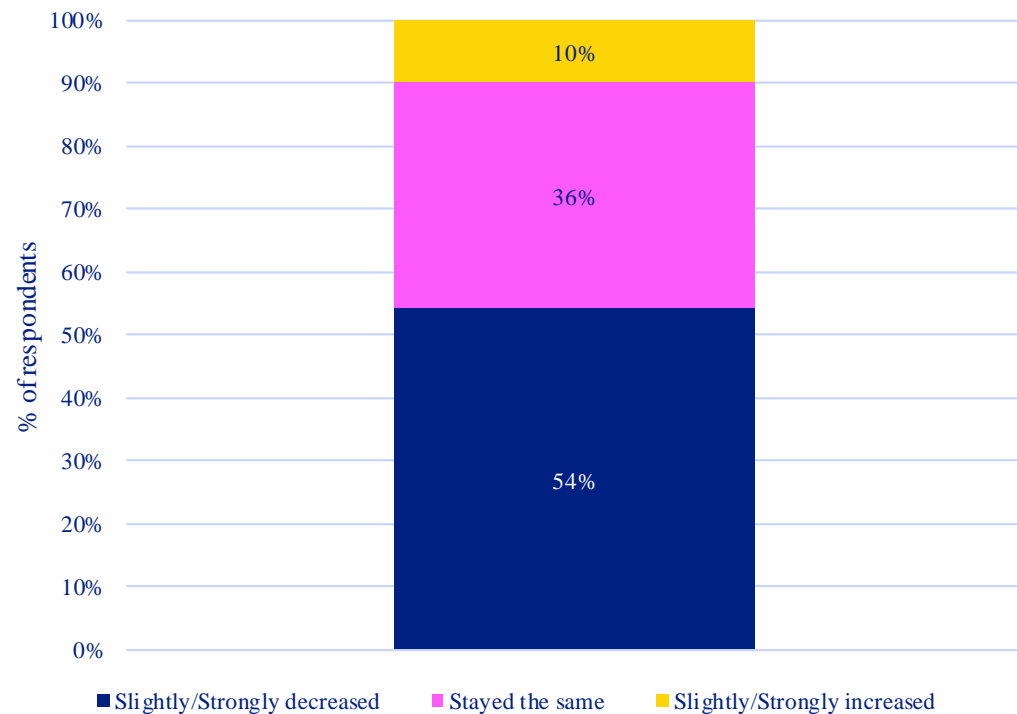


EIF BA Survey question: “When you consider your market over the next 12 months, how do you expect the following items to develop? (in this graph) Valuations of portfolio companies”

# Entry prices

*Over half of respondents experienced a decline in entry prices since March 2020*

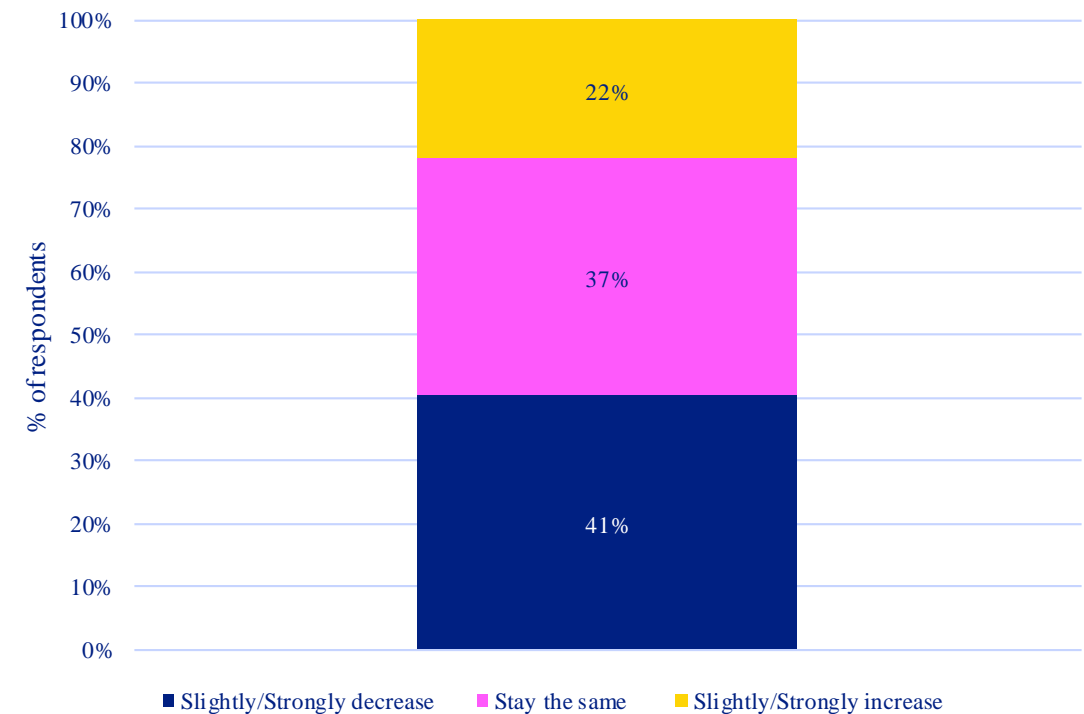
Entry prices since March 2020



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

*4 in 10 respondents expect a further decline in entry prices over the next 12 months*

Entry prices over next 12 months

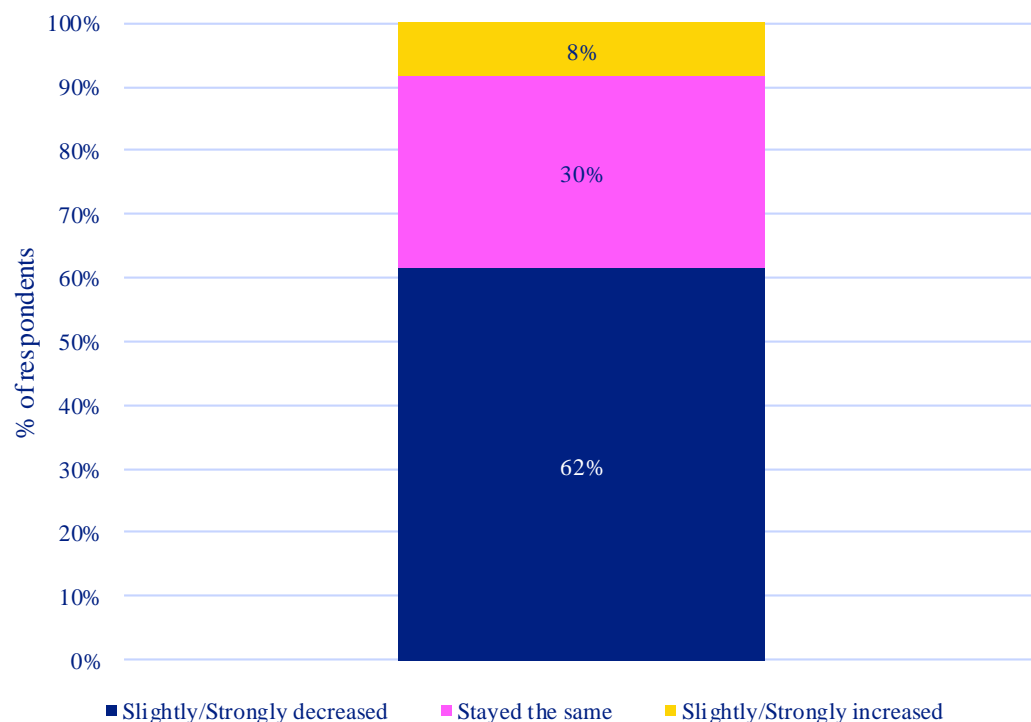


EIF BA Survey question: “When you consider your market over the next 12 months, how do you expect the following items to develop? (in this graph) Entry prices”

# Exit prices

*6 in 10 respondents experienced a deterioration in exit prices since March 2020*

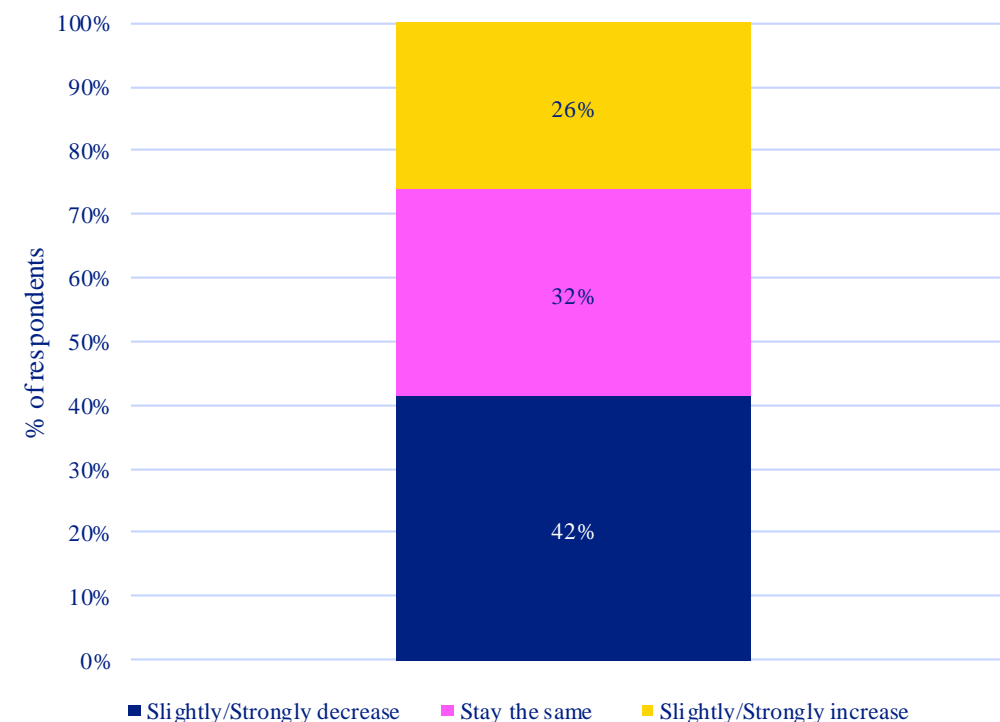
Exit prices since March 2020



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

*4 in 10 respondents expect a further decline in exit prices over the next 12 months*

Exit prices over next 12 months



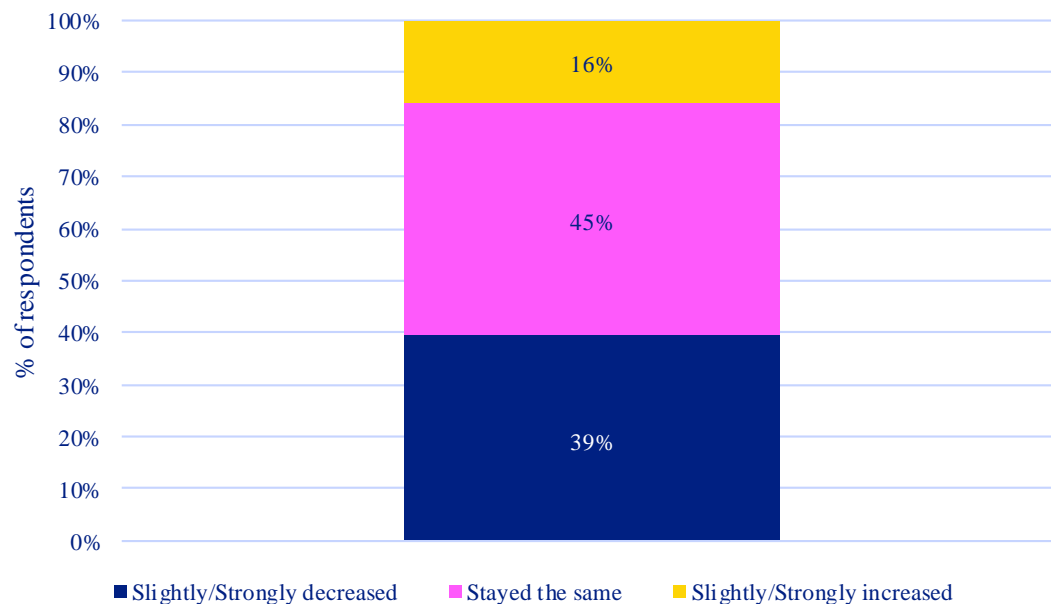
EIF BA Survey question: “When you consider your market over the next 12 months, how do you expect the following items to develop? (in this graph) Exit prices”



# Competition among investors

*4 in 10 respondents experienced a decline in competition since March 2020; for 45% of respondents competition remained unchanged*

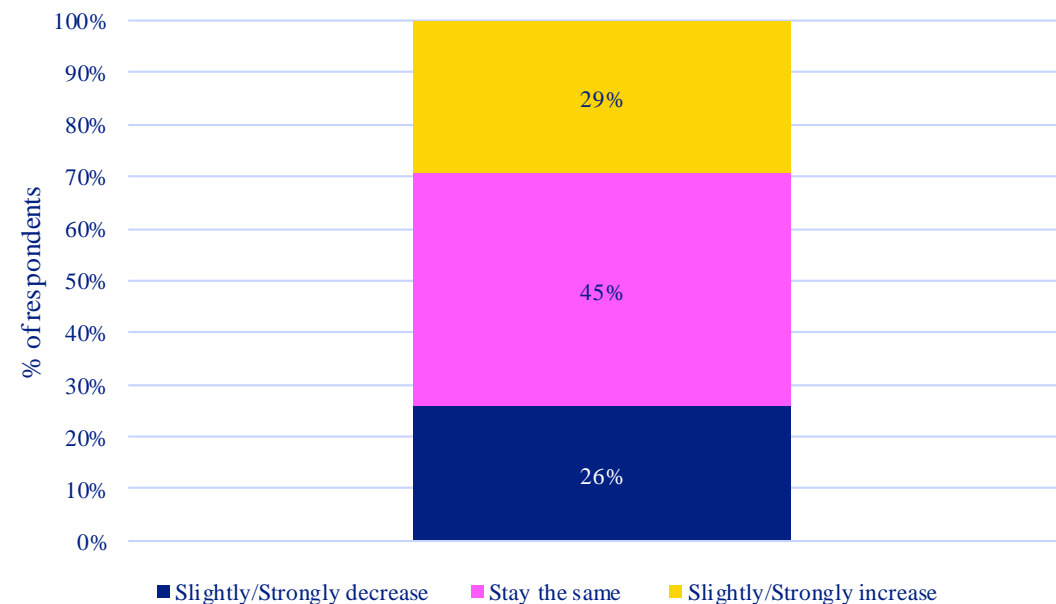
Competition among investors since March 2020



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”

*45% of respondents expect competition to remain unchanged over the next 12 months, while 3 in 10 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”

## BA



*This is coupled with a pattern towards the use of **technology** applications to enable greater **digitisation** of businesses and processes.*

AI: Artificial Intelligence;  
B2B: Business-to-Business;  
IoT: Internet of Things;  
SaaS: Software as a Service.

Source: EIF Business Angels Survey 2020, selected results; 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](https://www.eif.org/news_centre/research/index.htm)

# *EIF Business Angels Survey 2020*

## Results for Business Angels Europe (BAE) respondents

*Impact of COVID-19:*

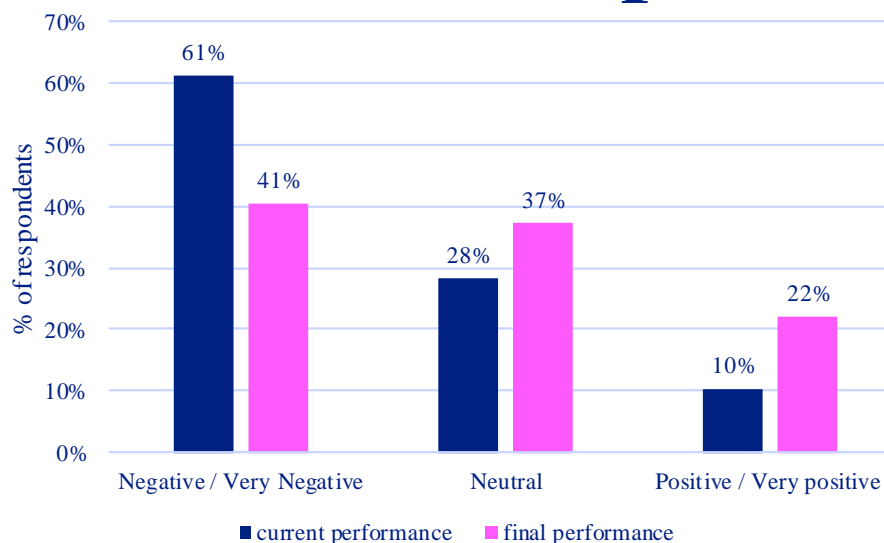
Portfolio impact

***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**



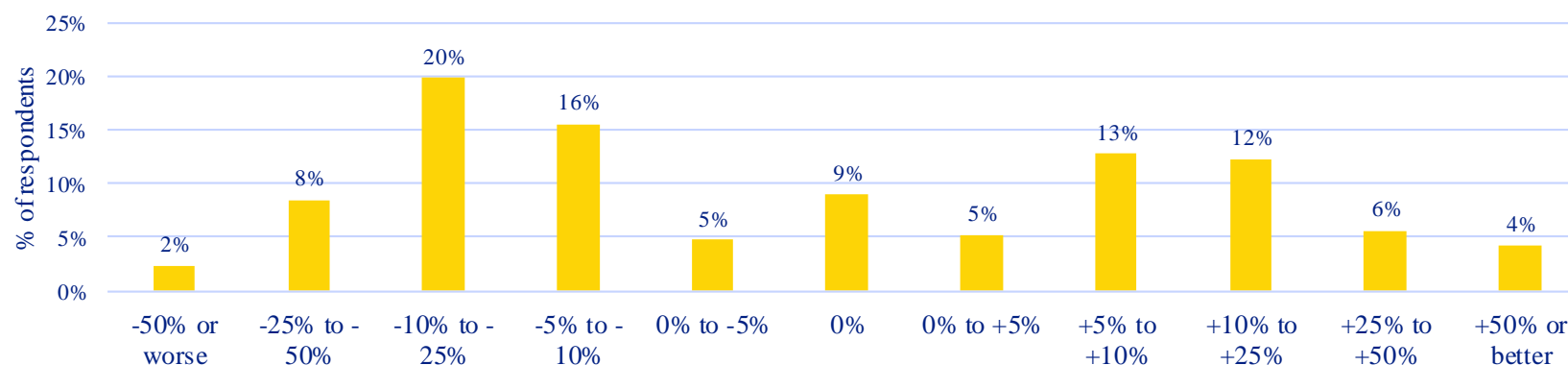
*A majority of respondents view the **impact of COVID-19 on the current performance of their portfolio as negative***

*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 **pessimistic regarding the impact on their portfolio value in the short-term**; 51% expect a negative NAV between Q4 2019 and Q4 2020, while only 40% expect a positive NAV*

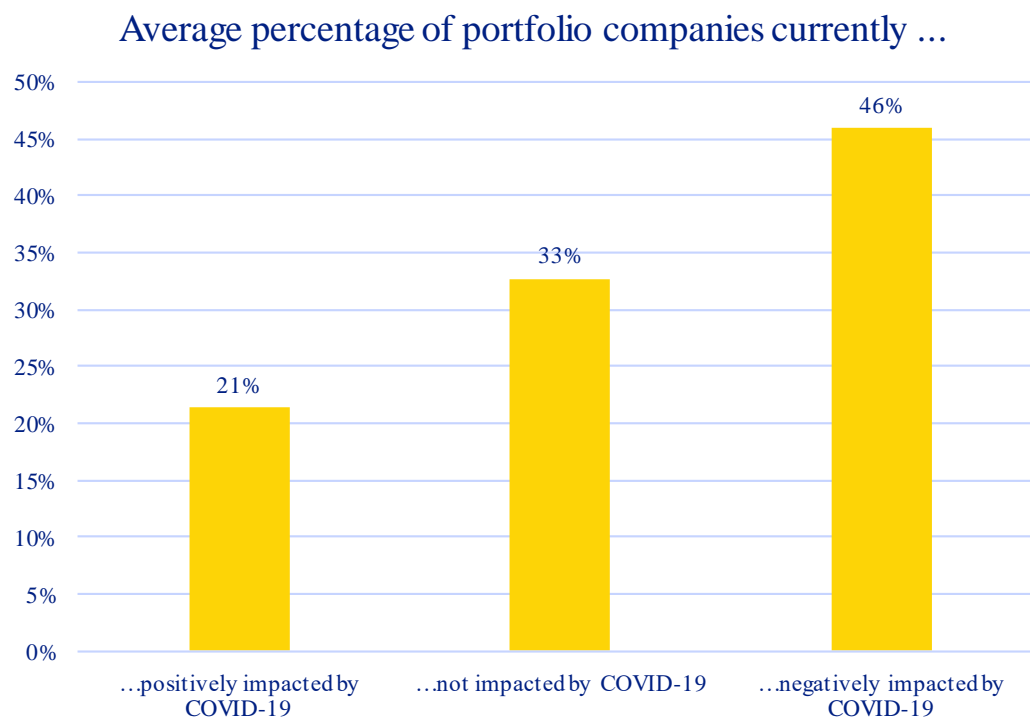
Portfolio value – short-term expectation



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, 46% of respondents' portfolio companies were **negatively impacted** by COVID-19, while 21% were positively impacted*



EIF BA Survey question: "What is the approximate percentage of your portfolio companies that are currently ... :"

Source: EIF Business Angels Survey 2020, selected results; 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](https://www.eif.org/news_centre/research/index.htm)

*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*

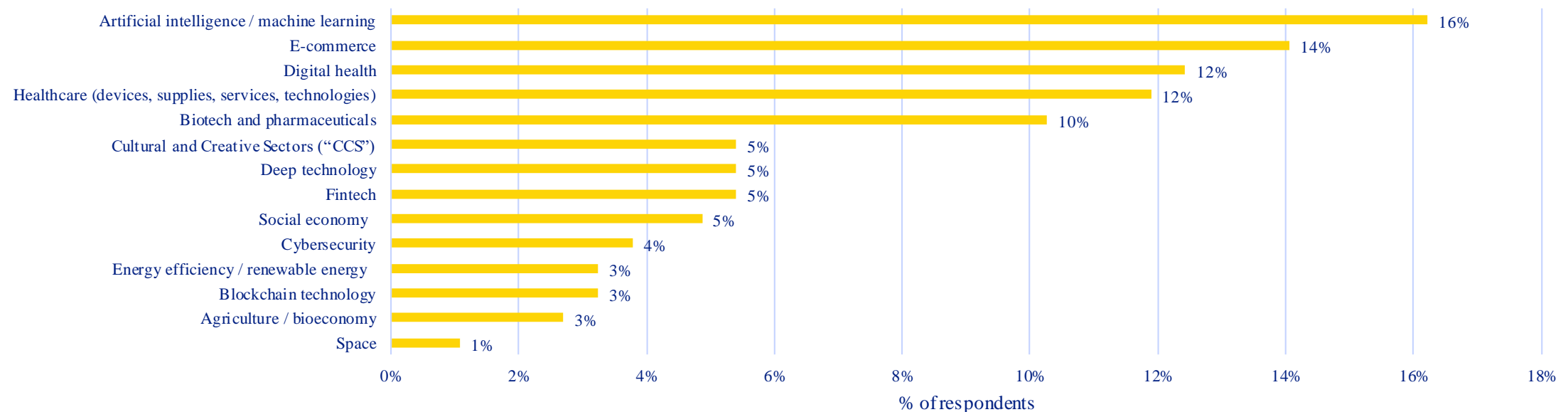
*Portfolio companies in E-commerce were also mentioned frequently as being positively impacted*

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.

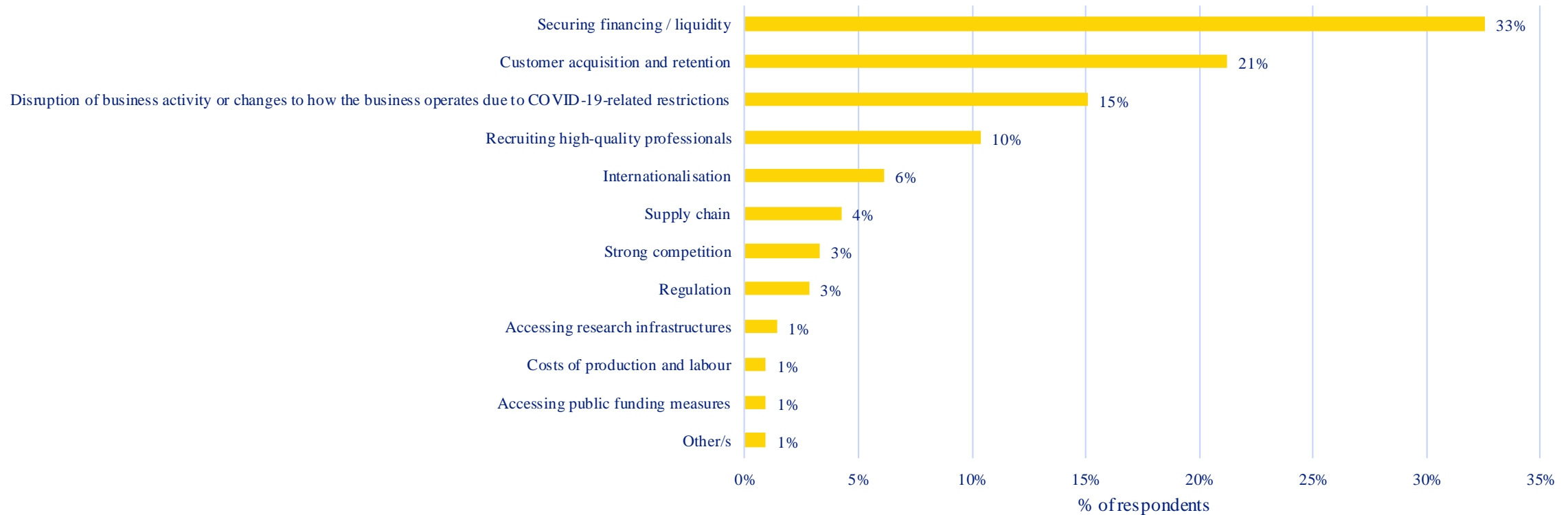
Source: EIF Business Angels Survey 2020, selected results; overall results are published by EIF's Research & Market Analysis in the EIF Working Paper series, available at [https://www.eif.org/news\\_centre/research/index.htm](https://www.eif.org/news_centre/research/index.htm)



# Biggest challenges for portfolio companies

*Securing financing/liquidity is considered the first most important challenge by 33% of respondents, followed by customer acquisition & retention and disruption due to COVID-19 related restrictions*

First most important challenge currently facing portfolio companies

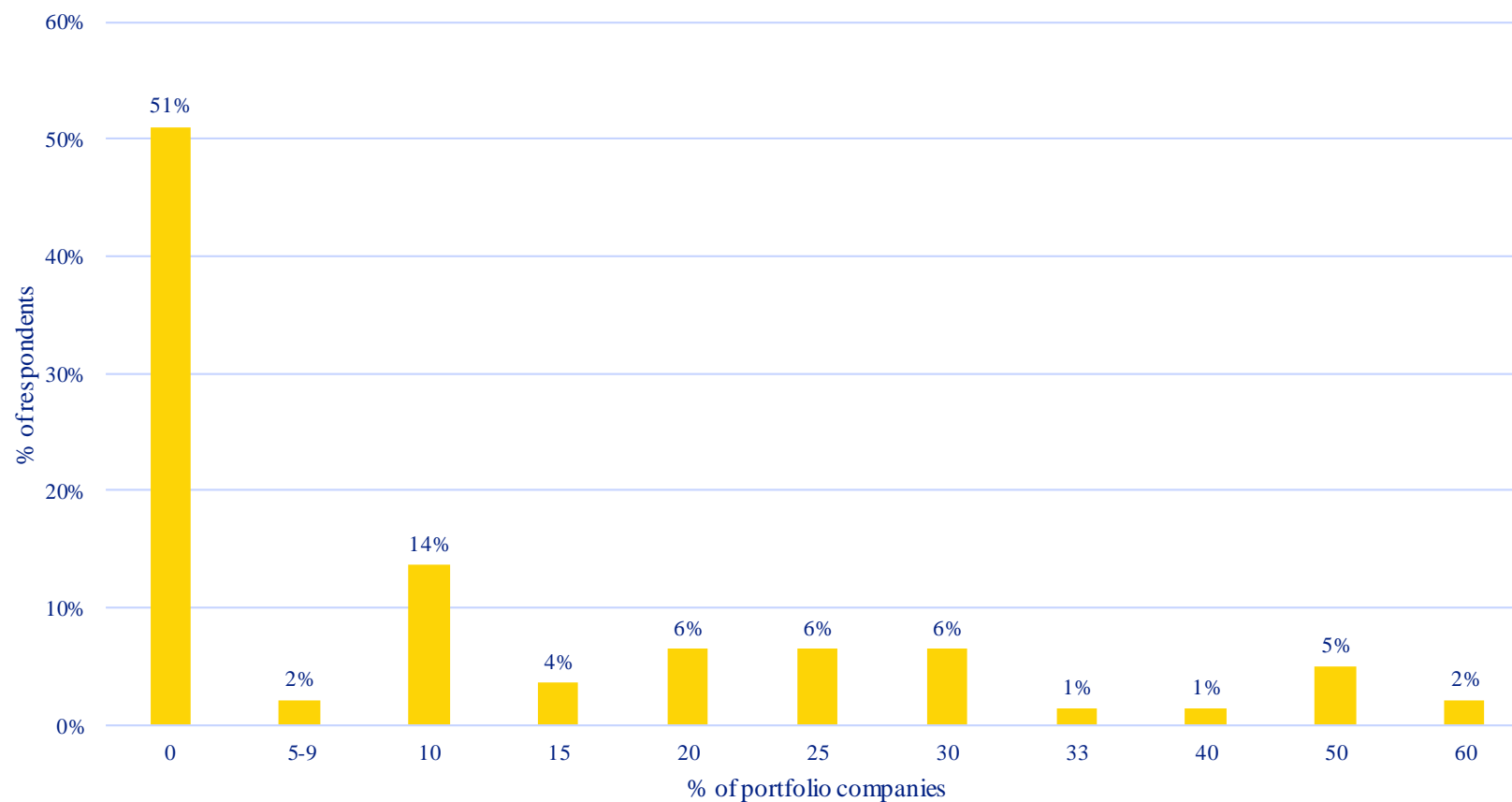


EIF BA Survey question: “Please select the biggest challenges currently faced by your portfolio companies, in order of importance”

Source: EIF Business Angels Survey 2020, selected results; 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](https://www.eif.org/news_centre/research/index.htm)

# Insolvencies due to impact of COVID-19

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



*Over 50% of respondents do not expect any insolvencies resulting from the impact of COVID-19*

*Only 7% expect that 50% or more of their active portfolio companies might file for insolvency due to the impact of COVID-19*

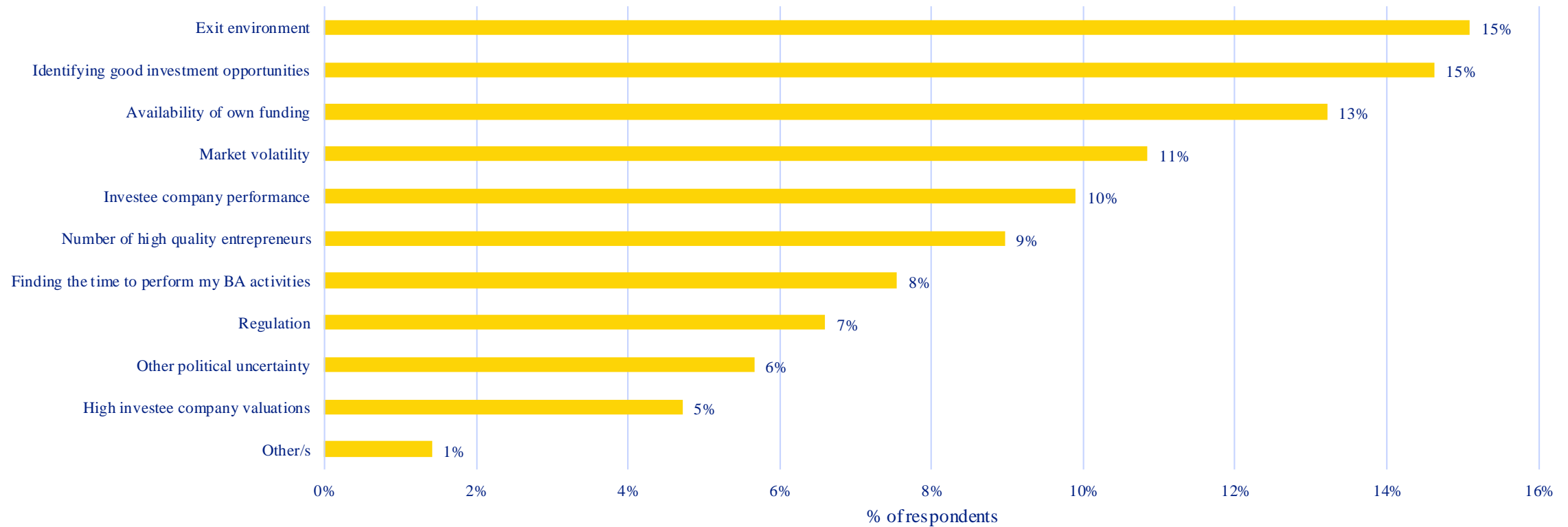
EIF BA Survey question: "Please indicate the expected % of your active portfolio companies that might file for insolvency due to the impact of COVID-19."



# Biggest challenges in BA activity

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

First most important challenge 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 Europe (BAE) respondents

*Impact of COVID-19:*

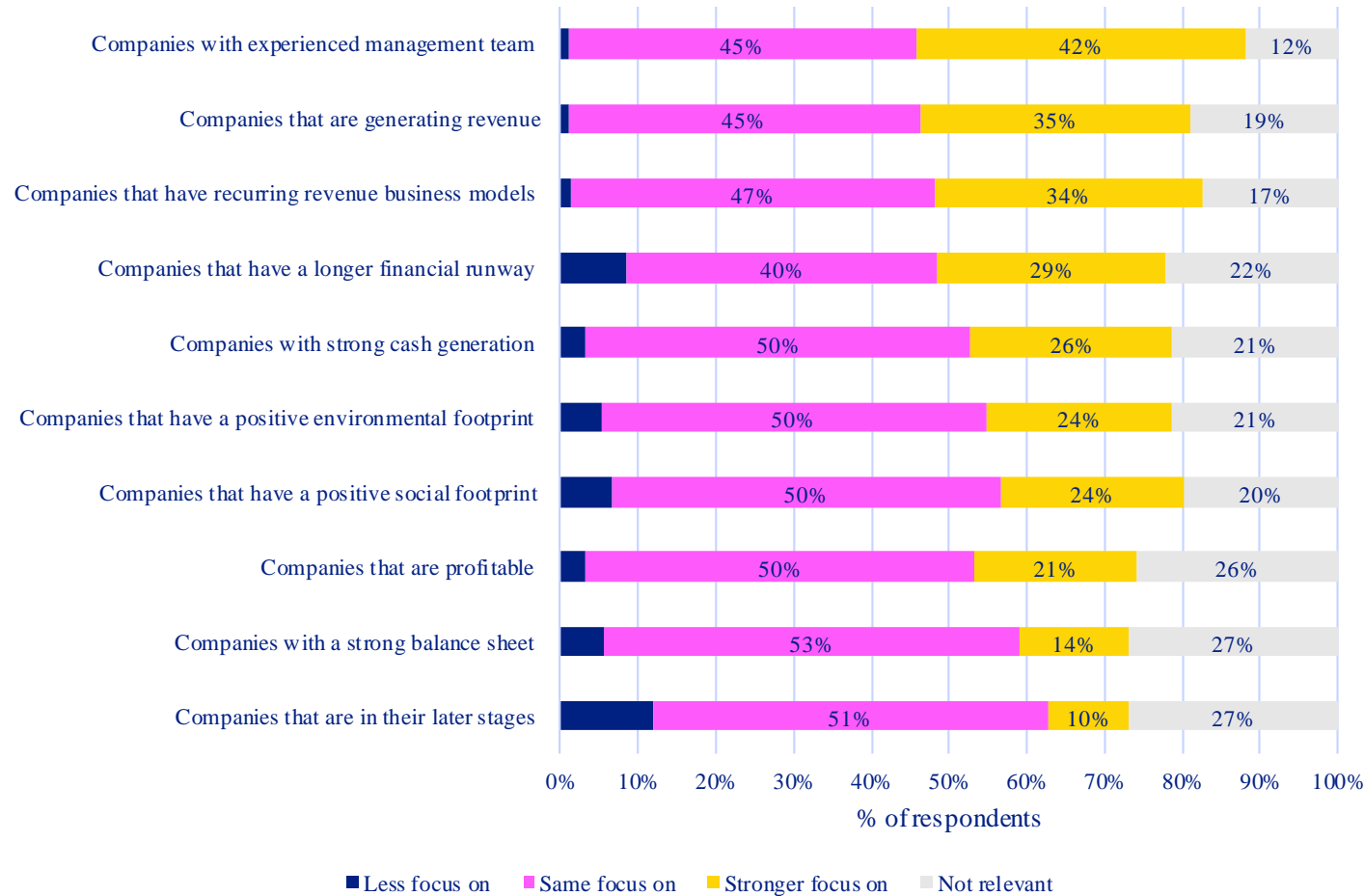
Investment impact

***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  
(42% of respondents)*

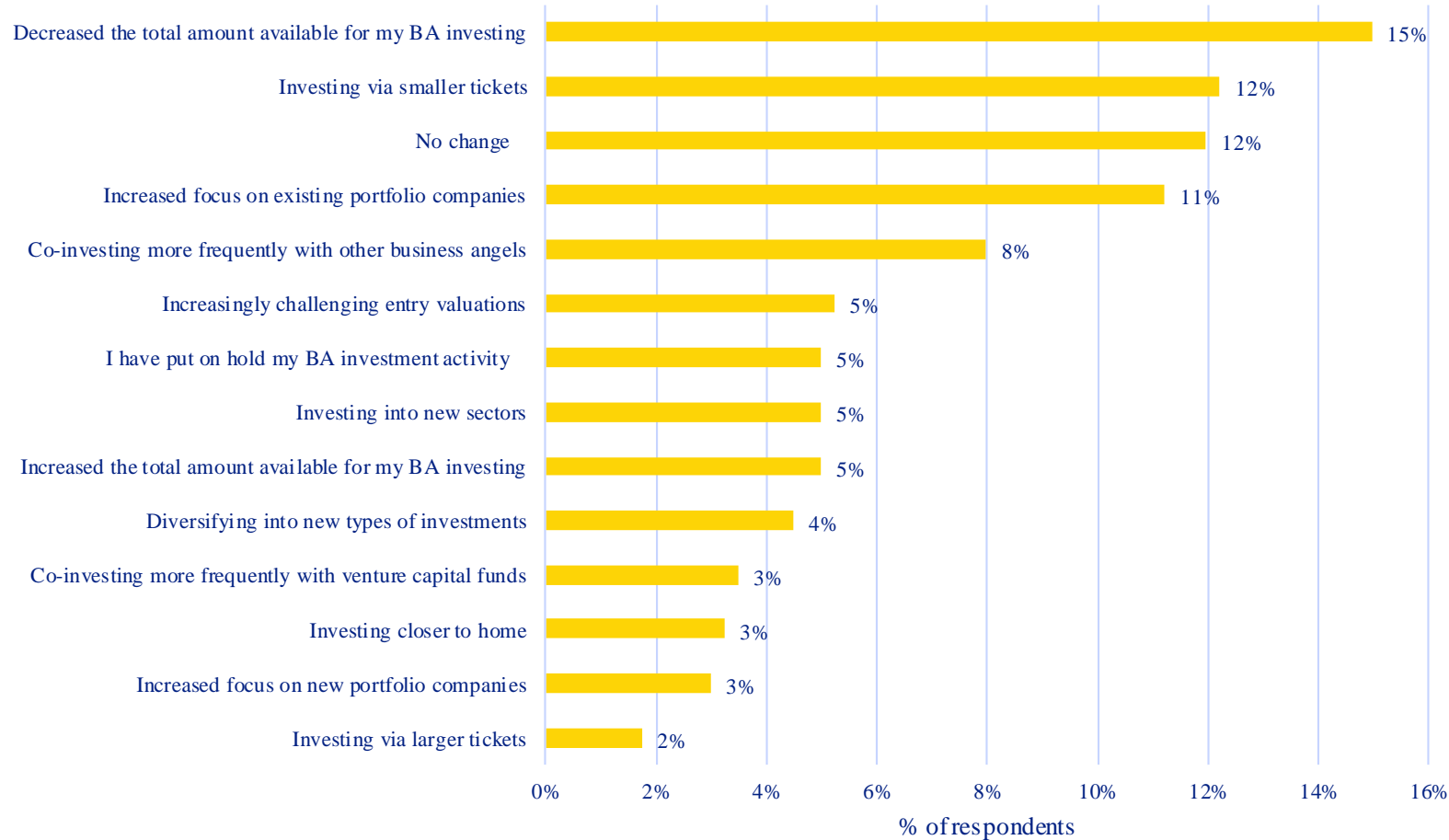
*Revenue generating capability  
(35%)*

*Recurring revenue business models  
(34%)*

*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

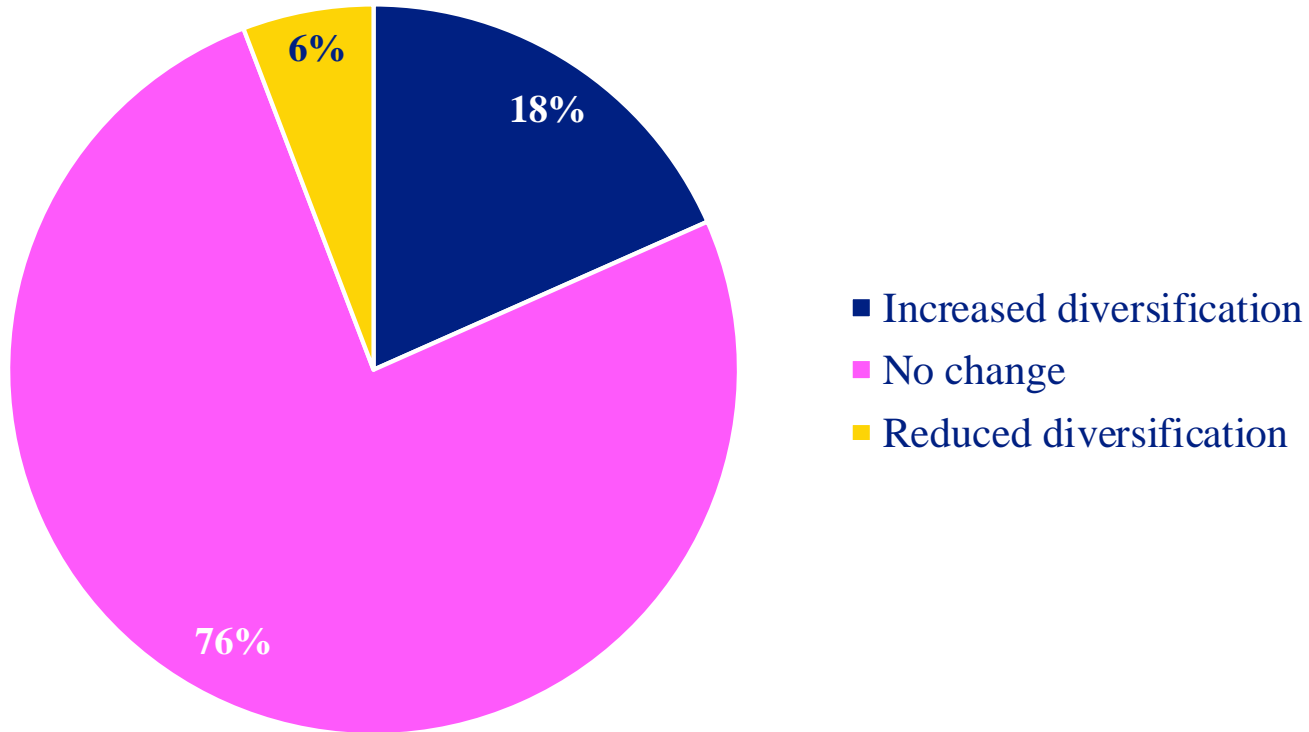


*The most frequent change in Business Angels' investment strategy as a result of COVID-19 was a decrease in the total amount available for BA investing*

*The second most frequently mentioned change was an increased focus on investing via smaller tickets*

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



*Most respondents have not changed their portfolio construction approach*

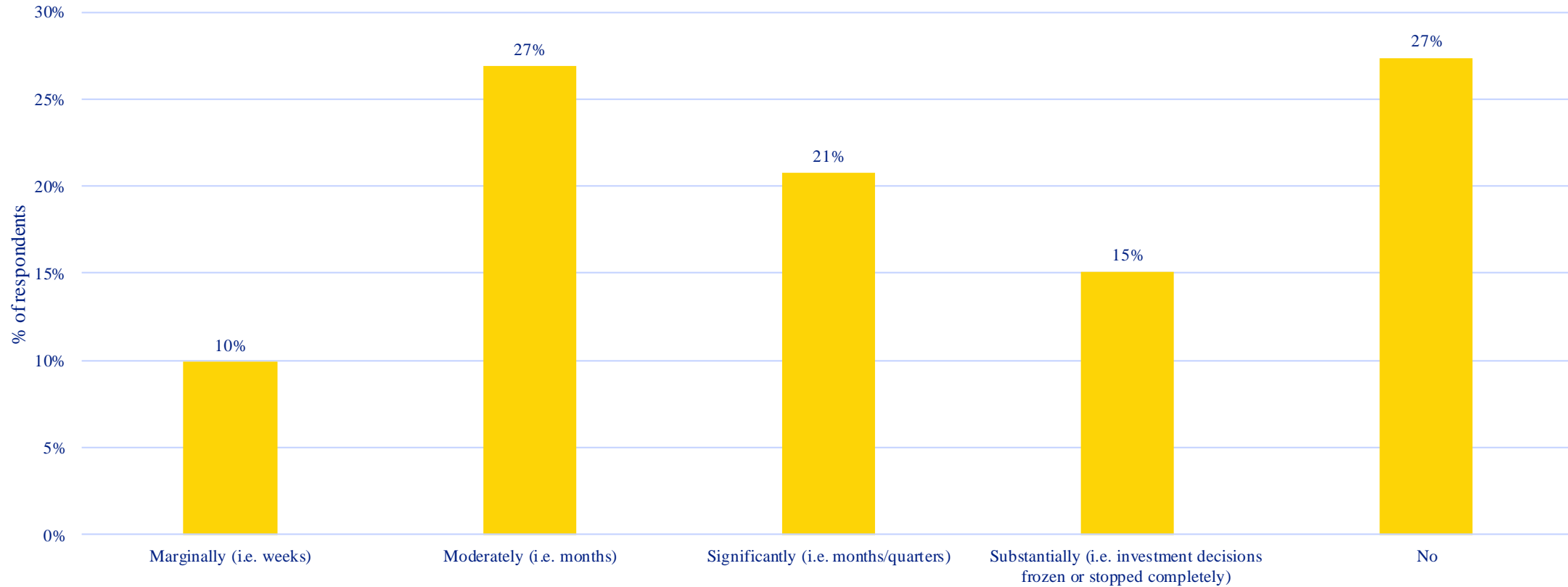
*If at all, the most frequent change was an increase in diversification*

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

# Investment pace

*7 in 10 BAs have slowed down the pace of investments*

Impact of COVID-19 on pace of investments

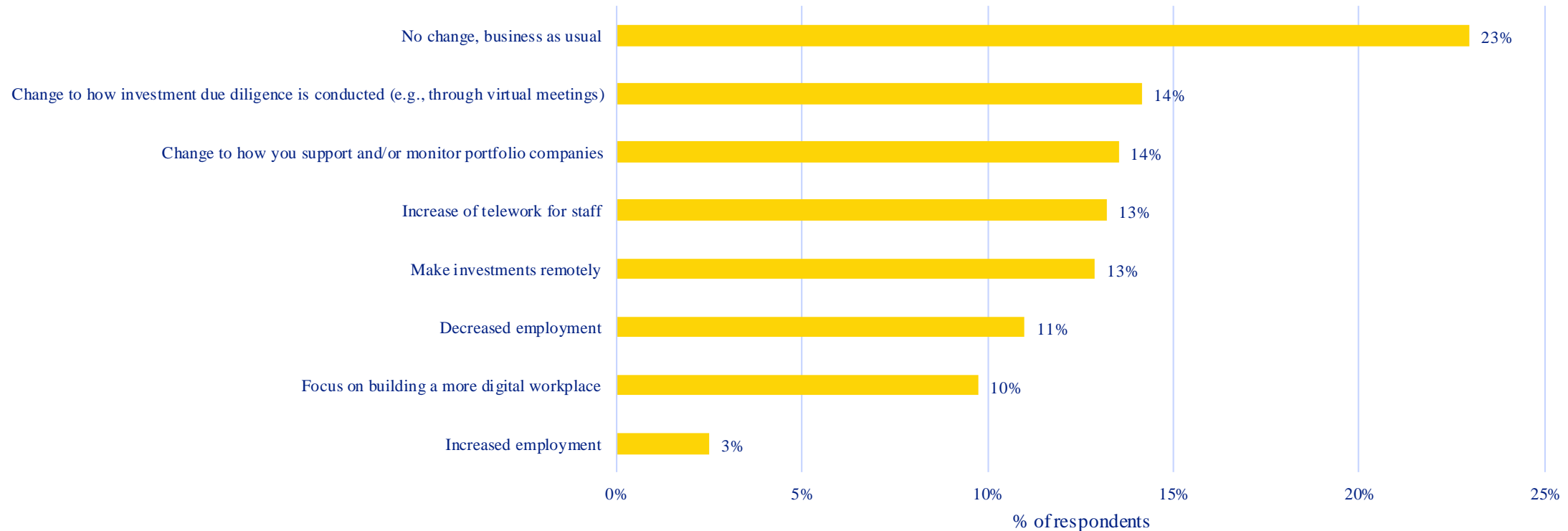


EIF BA Survey question: “Has COVID-19 slowed down the pace of your investments?”

# Structural changes

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

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

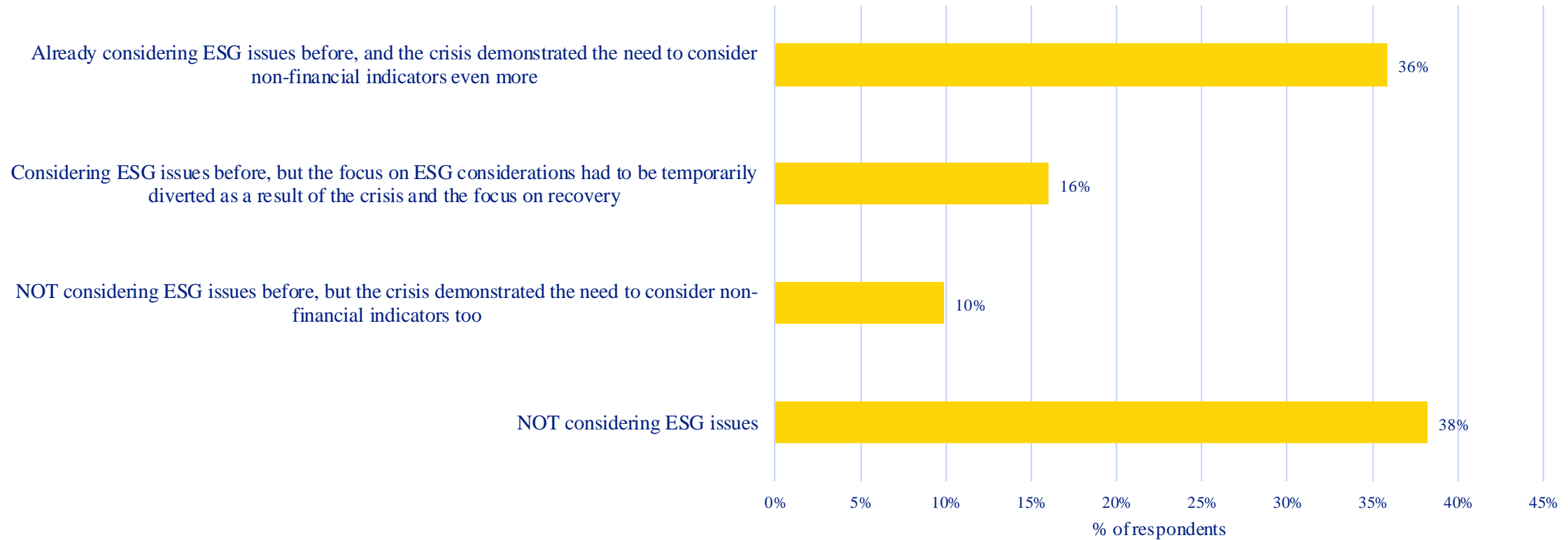


EIF BA Survey question: “Has COVID-19 led to any structural changes in how you conduct your BA investment activity?”

# ESG considerations

*36% of respondents were already considering ESG issues in their investment decisions  
and the crisis demonstrated the need to consider them even more*

Impact of COVID-19 crisis on ESG considerations



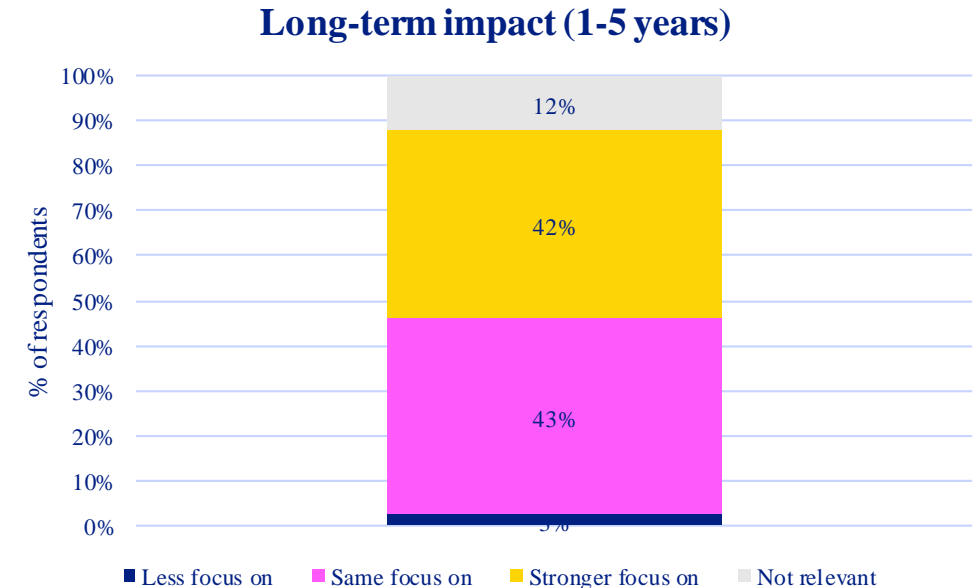
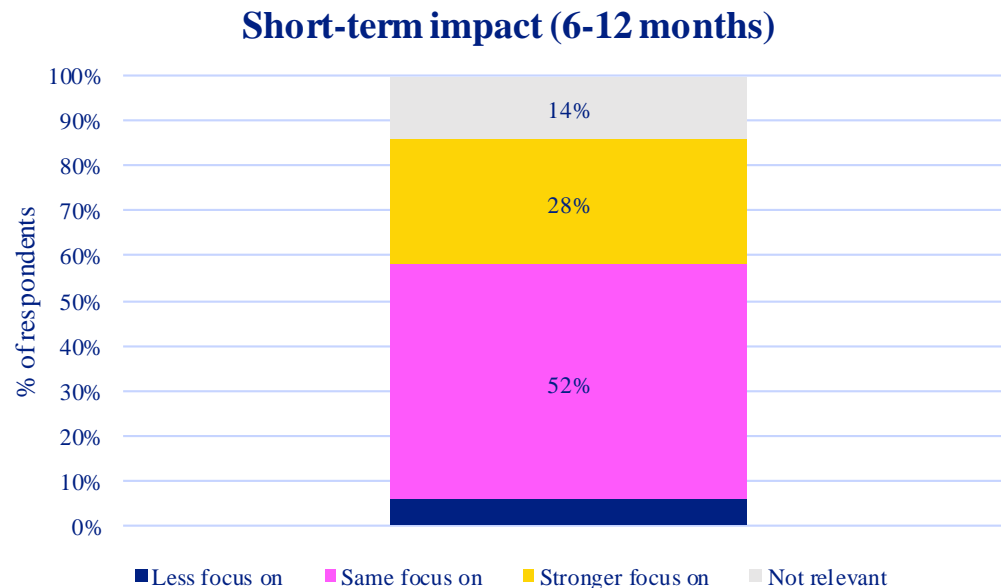
EIF BA Survey question: “How has the COVID-19 crisis affected ESG considerations in your investment decisions?”



# 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, an even greater percentage of respondents indicate their intention to further increase their portfolio allocation in this area.*



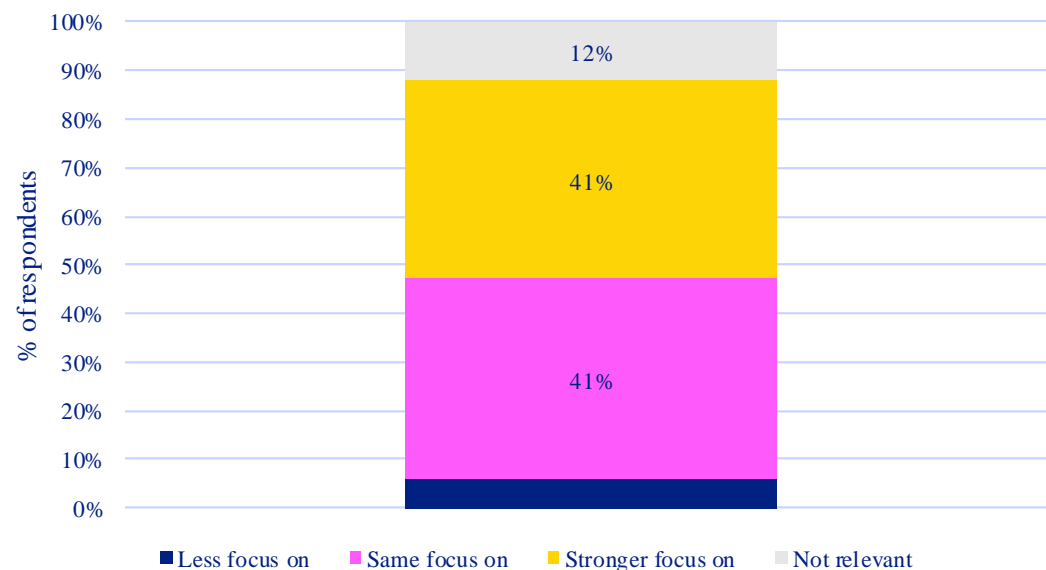
EIF BA Survey question: “Looking forward, how do you expect the COVID-19 crisis to affect your portfolio allocation in the area of environment and climate ... in the short-run (6 to 12 months)/ ... in the long-run (1 to 5 years)?”

# ESG considerations: looking forward (ii/ii)

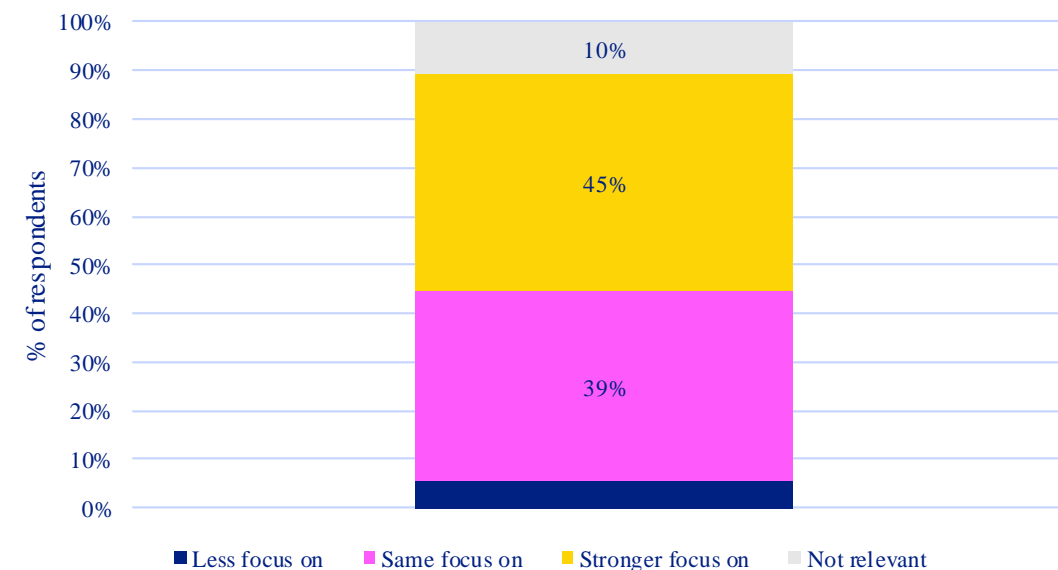
COVID-19 impact on portfolio allocation to **social innovation** (healthcare, education, ...)

*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 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 Europe  
(BAE) respondents

*Policy measures*

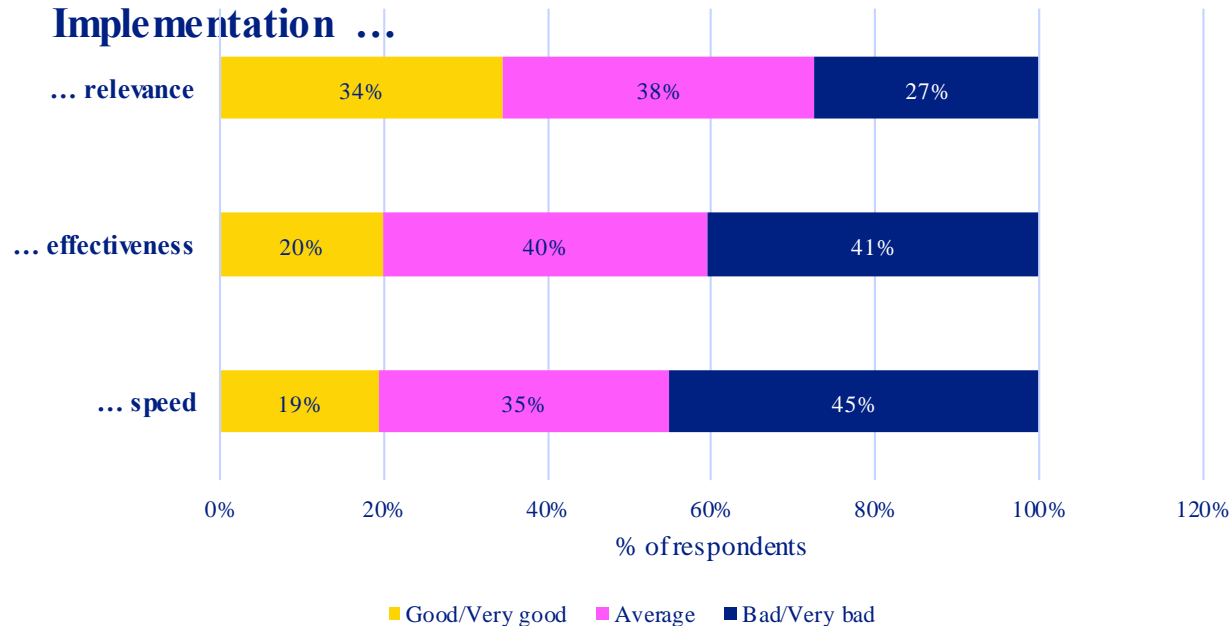
***EIF Research & Market Analysis***  
*Survey waves 2020*

# Implementation of government programs

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

## Regional and national government programs

### Implementation ...

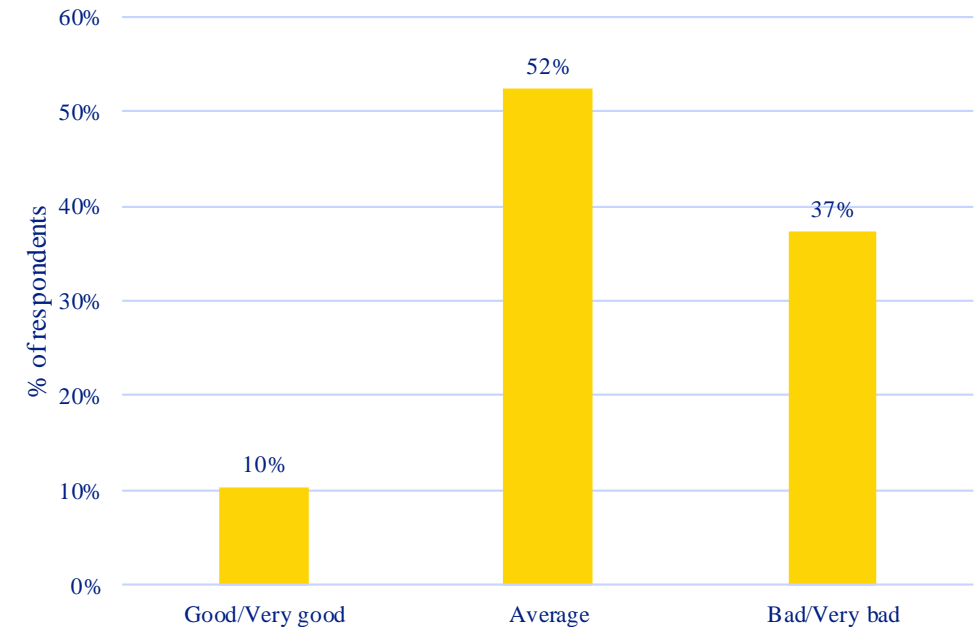


EIF BA Survey question: “Concerning the implementation of regional and national government programs designed to support startups and stimulate investments during the COVID-19 pandemic in the countries you are investing in, how would you rate their...  
...relevance/speed/effectiveness

Source: EIF Business Angels Survey 2020, selected results; 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](https://www.eif.org/news_centre/research/index.htm)

*The majority of respondents rate European-level programs as average*

## European-level government programs overall

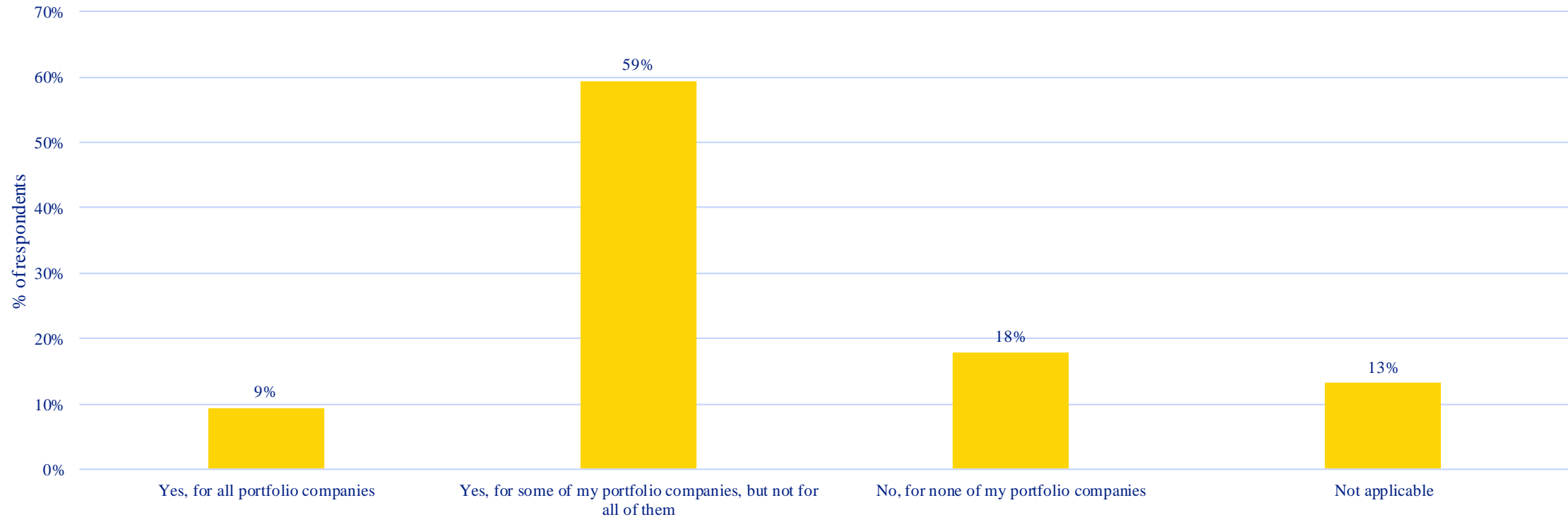


EIF BA Survey question: “How would you rate European-level programs and initiatives aimed at helping struggling startups and promoting investments during the COVID-19 pandemic?”

# 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



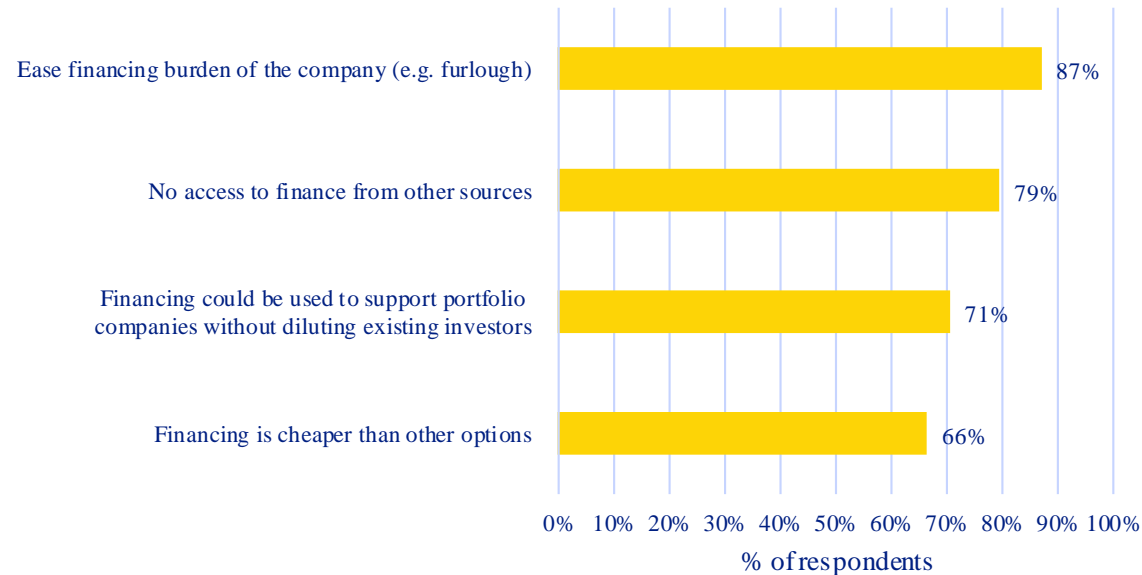
EIF BA Survey question: “Have you / Has one of your portfolio companies applied or considered applying for a government support measure related to COVID-19?”

Source: EIF Business Angels Survey 2020, selected results; 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](https://www.eif.org/news_centre/research/index.htm)

# Government support measures

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

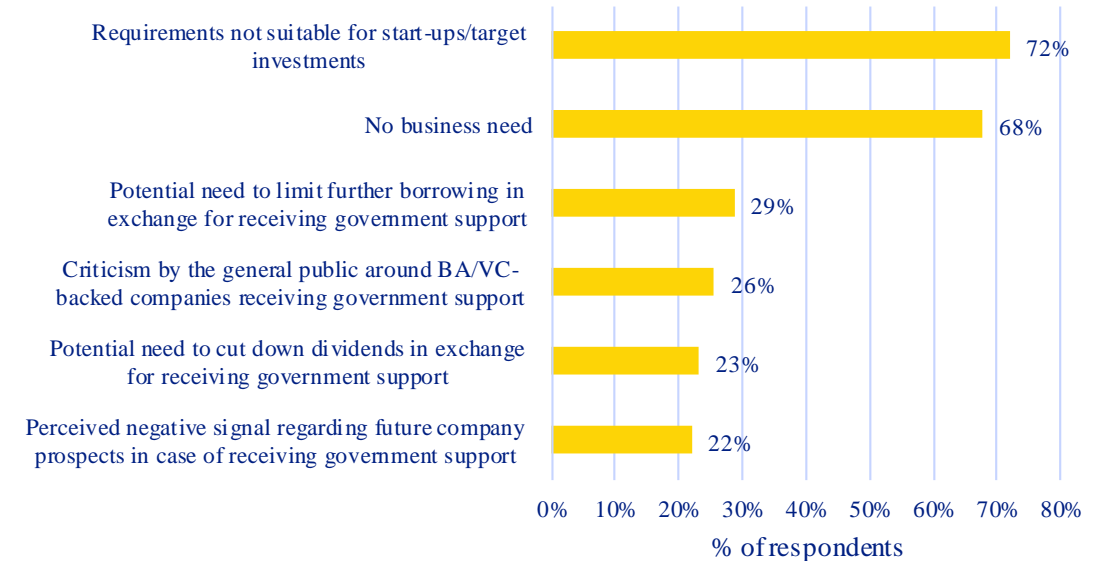
Reasons to apply



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”.

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

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

Less bureaucracy

More grants rather than loans

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?”

Source: EIF Business Angels Survey 2020, selected results; 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](https://www.eif.org/news_centre/research/index.htm)

# *EIF Business Angels Survey 2020*

Results for Business Angels Europe  
(BAE) respondents

*Concluding remarks*

***EIF Research & Market Analysis***  
*Survey waves 2020*

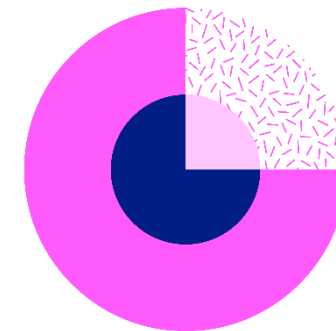


# Due to COVID-19, market sentiment slumped ...

- 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. In response to the crisis, many respondents decreased the total amount available for their BA investing.

## ... but expectations have become optimistic again.

- Respondents reported, on average, a **positive business environment with further improvement expected** over the next 12 months. **Access to finance for portfolio companies** is also perceived quite positively.
- **After a slump of the current situation since March, expectations have at least partially recovered** across most areas.
- 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.**
- Weak expectations with regard to future **exit opportunities** are still a major concern. The exit environment is also considered by the highest percentage of respondents to be the biggest challenge in BA activity during the current crisis.
- While access to external finance for portfolio companies is rated quite positively, **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 pessimistic regarding the impact on their **portfolio value in the short-term**; 51% expect a negative NAV between Q4 2019 and Q4 2020, while only 40% expect a positive NAV.
- On average, 46% of the respondents' portfolio companies were negatively impacted by COVID-19, while 21% were positively impacted.
- When it comes to the **biggest challenges facing the respondents' portfolio companies**, securing financing/liquidity, customer acquisition & retention and disruption due to COVID-19-related restrictions are most frequently mentioned among respondents.
- Over 50% of the respondents do not expect any **insolvencies resulting from the impact of COVID-19** and only 7% 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”, “Identifying good investment opportunities” and “Availability of own funding” are seen as the **biggest challenges in BA activity** during the current COVID-19 crisis.

## ... but opportunities exist.

- 21% 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 not very effective. The implementation speed could also be improved.
- The majority of respondents rate European-level programs as average (52%); 37% rate them as bad or very bad, while only 10% 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](https://www.eif.org/news_centre/research/index.htm)

# *EIF Business Angels Survey 2020*

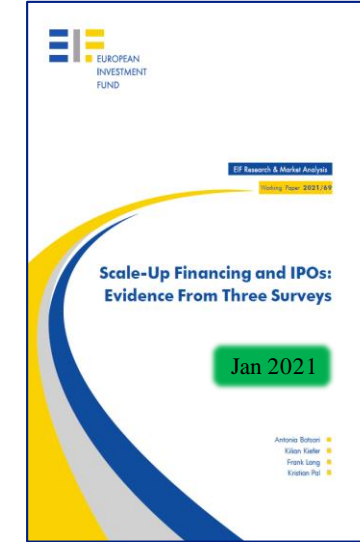
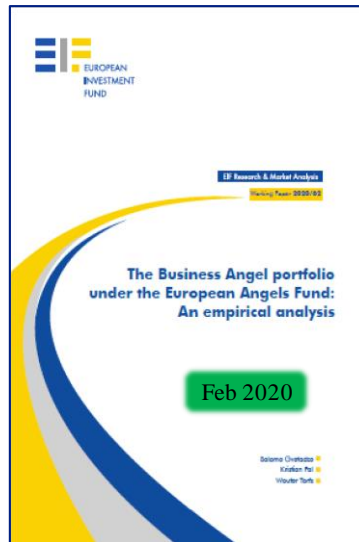
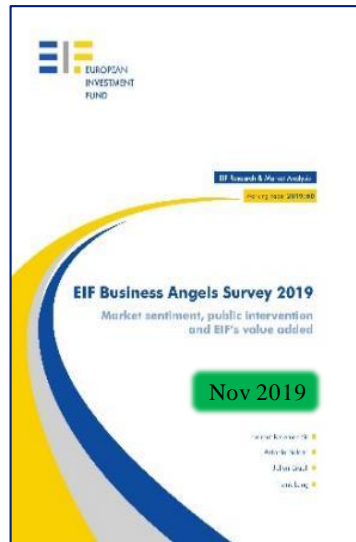
Results for Business Angels Europe  
(BAE) respondents

*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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## About ...

### ... the European Investment Fund

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](http://www.eif.org).

### ... EIF's Research & Market Analysis

Research & Market Analysis (RMA) supports EIF's strategic decision-making, product development and mandate management processes through applied research and market analyses. RMA works as internal advisor, participates in international fora and maintains liaison with many organisations and institutions.

### ... the EIF Working Paper series

The EIF Working Papers, upon which this presentation is based, are designed to make available to a wider readership selected topics and studies in relation to EIF's business. The Working Papers are edited by EIF's Research & Market Analysis and are typically authored or co-authored by EIF staff, or written in cooperation with EIF. The Working Papers are usually available only in English and distributed in electronic form (pdf).

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