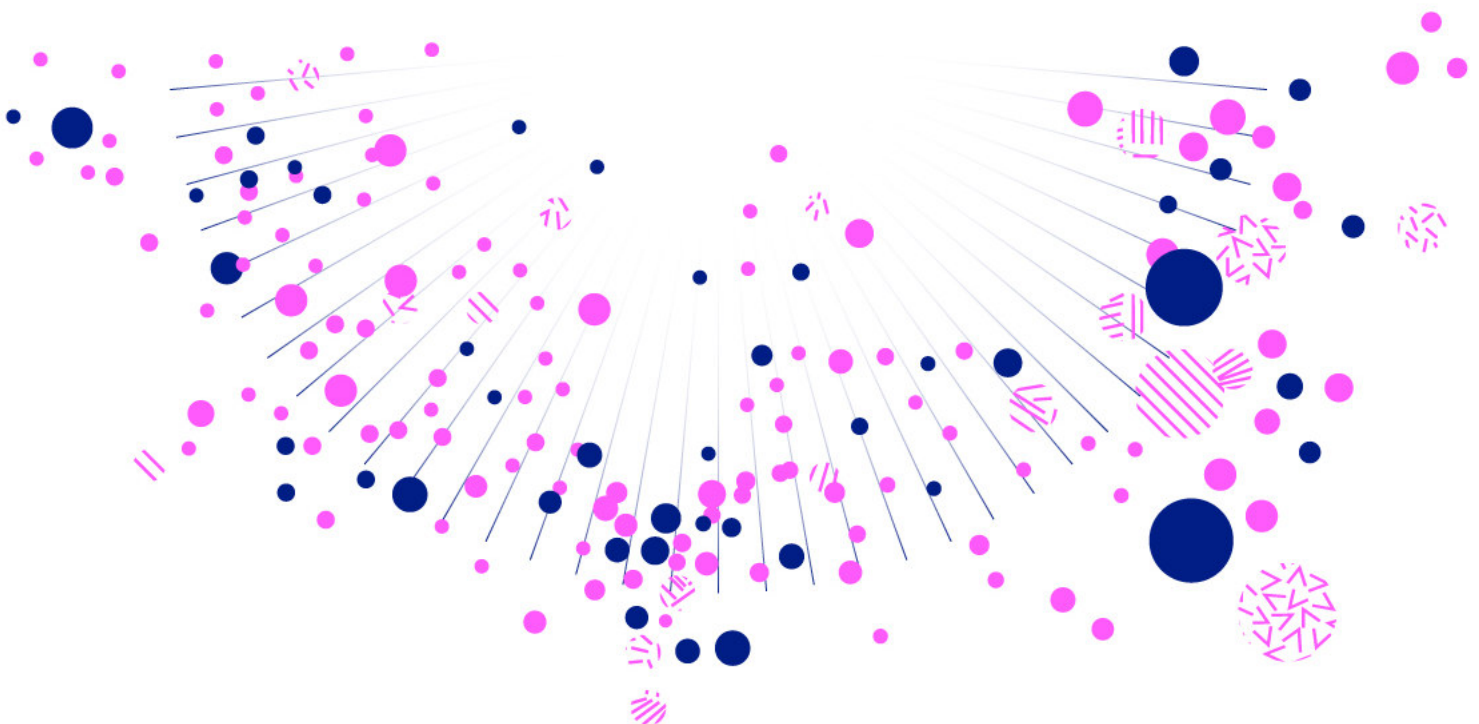


EIF Business Angels Survey 2021/22: Market sentiment

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Executive Summary

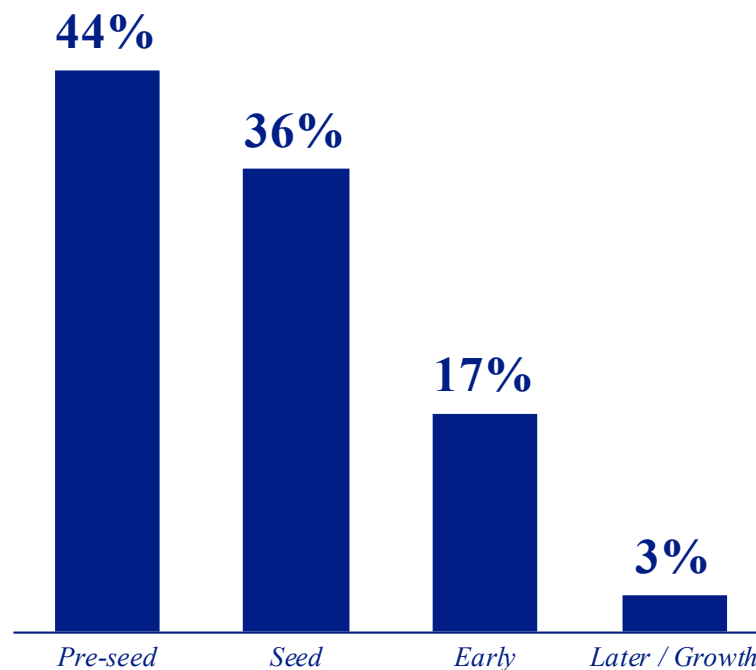
*EIF BA Survey
wave 2021/22*

The EIF BA Survey

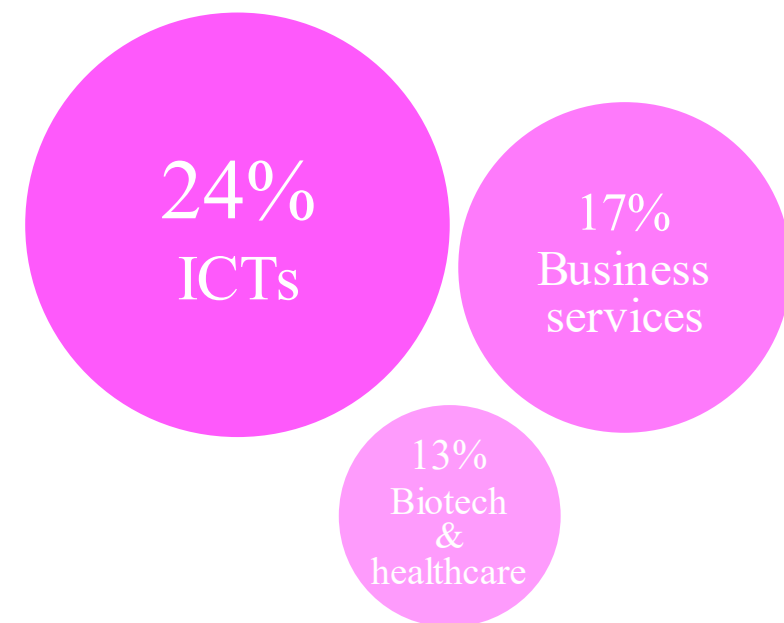
Number of respondents

246

Stage

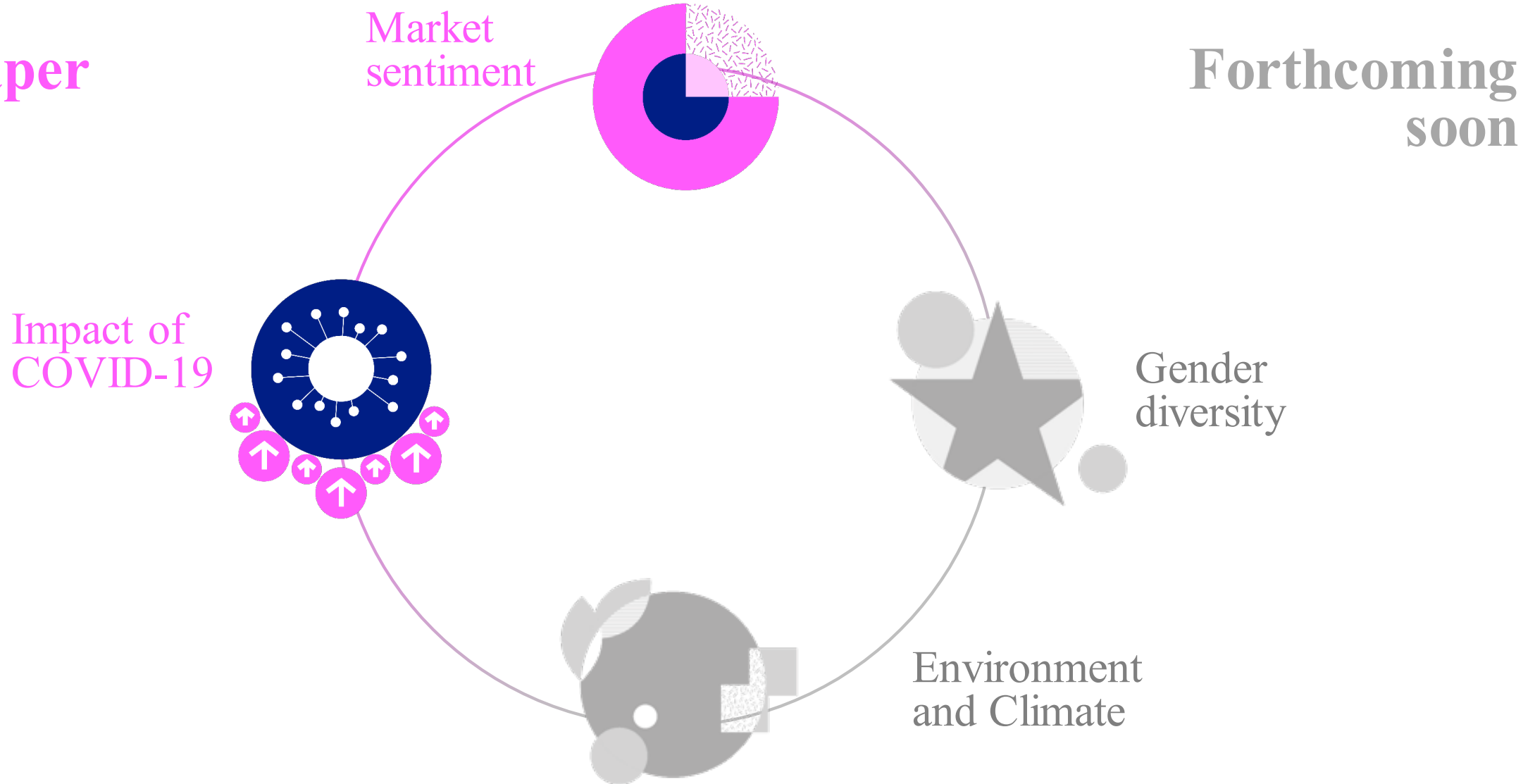


Top sectors



Key EIF survey topics 2021

This paper



EIF BA Survey results: Key highlights (1/2)

The timing of the EIF BA Survey

- The EIF 2021/22 BA Survey has been conducted between **the end of 2021** and **the beginning of 2022**, and therefore the responses of the BA investors **do not take into account the current market conditions**, such as the war in Ukraine, or the rampant inflation.
- As such, the interest of this paper lies in **showing a picture of the Business Angels before the 2022 crisis**, when the current situation was completely unexpected by market participants.
- From the ongoing EIF PE MM and VC surveys, which are currently in the market, we see a clear **decline in the respective market sentiment**. Consequently, **similar developments can be expected for the BA segment**. This needs to be considered while interpreting forward looking statements in this publication.
- The impact of the current geopolitical situation and macroeconomic environment will be explored in more detail in forthcoming publications, based on the latest survey wave, currently in the market.

European BA market recovered since Autumn 2020, with better business environment and greater number of investments

- Perception of the **business environment** by the BAs is **back to the pre-COVID levels**, with almost 50% expecting improvement in the next year.
- BAs are experiencing an **increase in the number of investment proposals**, as well as the **number of new investments**. Around half of the investors expect that this pattern will also continue in the next year.
- **Finding co-investors is now significantly easier** compared to Autumn 2020 and is seen as easiest among other BAs by about 50% of respondents. The majority of investors expect this to stay the same or even become easier.
- Due to these factors, 54% BAs feel that there is **greater competition among investors for potential investee companies**, and 49% expect the competition to increase further.
- About two thirds of BAs report **higher entry prices**, with more than half expecting the entry prices to continue to increase in the next 12 months.
- Compared to 2020, the share of BAs that **did not make investments decreased** from 30% to only 11%, while the share of BAs that invested in **both new deals and follow-ons increased** from 32% to 50%.

EIF BA Survey results: Key highlights (2/2)

Development of portfolio companies and the access to external finance recovered since Autumn 2020

- The **development of portfolio companies recovered substantially** compared to Autumn 2020, being broadly in line with expectations.
- A large majority of BAs (71%) expects further improvements. The respondents are also **optimistic about the evolution of their portfolio value**, which more than three quarters of the respondents expect to grow.
- The majority of BAs see their portfolio companies' **access to external finance as good or very good**, with only 11% seeing it as bad. About half expect the situation to stay the same, while 42% even expect an improvement in the next year.
- Since Autumn 2020, there has been a **substantial improvement in the sentiment regarding current valuations of portfolio companies**, with 3 in 4 BAs expecting this to further improve.
- The **exit environment significantly recovered** since Autumn 2020, with 50% of BAs reporting an increase in exit prices.
- **Trade sales to strategic buyers** continue to be the most frequent exit route (35%), followed by **insolvency / liquidation** (31%). 65% of all exits took place in the EU, but three quarters of IPOs were outside the EU.

COVID-19, challenges, and the scale-up gap

- The pandemic forced 29% of BAs to provide **additional investment to portfolio companies**. The majority of BAs (63%) **do not expect the pandemic to cause any insolvencies of their portfolio companies**.
- Compared to the 59% in Autumn 2020, only 39% of BAs consider the average impact of COVID-19 on performance to be negative. Almost **half expect a neutral effect on the final performance of their portfolio**.
- **Recruiting high-quality professionals** (62%) and **Customer acquisition and retention** (47%) are key challenges faced by BA-backed companies.
- **Identifying good investment opportunities** (42%) and **High investee company valuations** (40%) are the key BA business challenges.
- **The smaller European VC industry with its shorter track record** (16%) and the **Underdeveloped IPO market** (15%) are seen as the key reasons for the scale-up gap by the BA investors.
- BAs consider an **increased engagement by large institutional investors** to be the most effective factor in bridging the late-stage financing gap.
- Most promising sectors for BA investments are in the areas of **digitalization, healthcare, and sustainable approaches**.

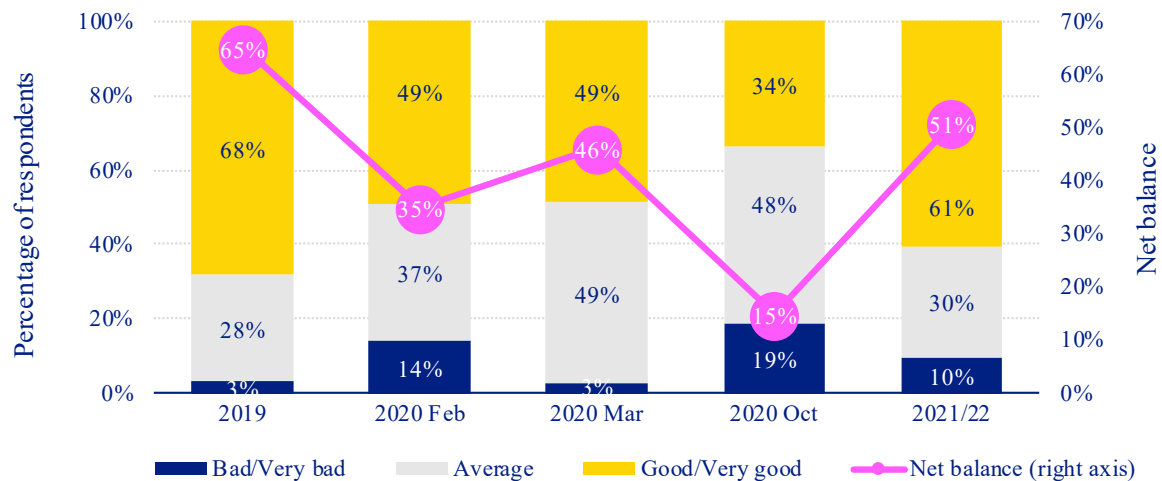
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Market sentiment

*EIF BA Survey
wave 2021/22*

Business environment for BA activities

Current situation

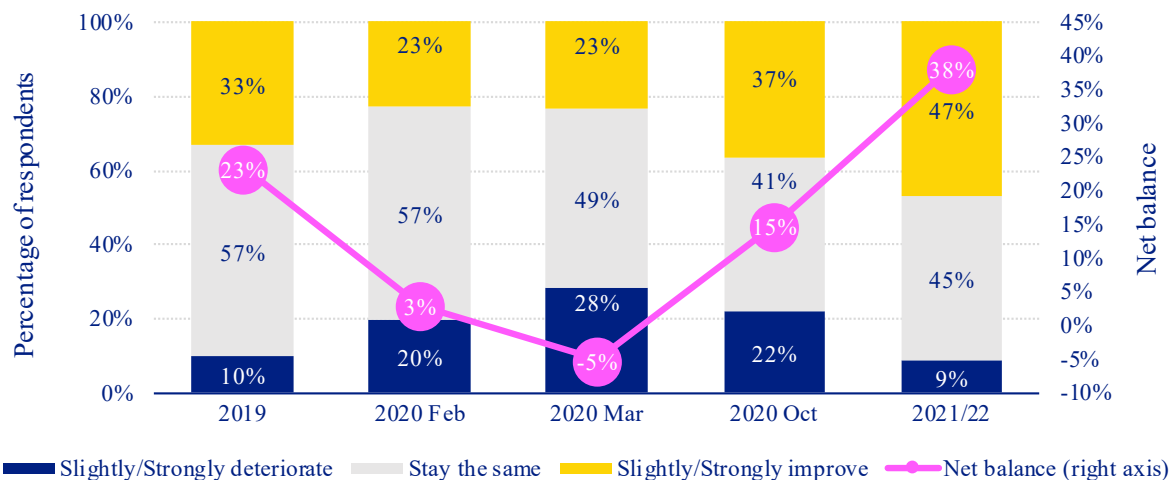


Perception of the business environment is back to pre-COVID crisis levels, and expectations are also much more positive

- After a **decline in 2020**, BAs’ perception of the business environment for BA activities in their main target country is almost **back to the 2019 level**.
- The net balance **increased** by almost 40 percentage points from Autumn 2020 to 2021/22. (See the chapter [Information about this study](#) for an explanation of the term “net balance”.)

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

Expectations for the next 12 months

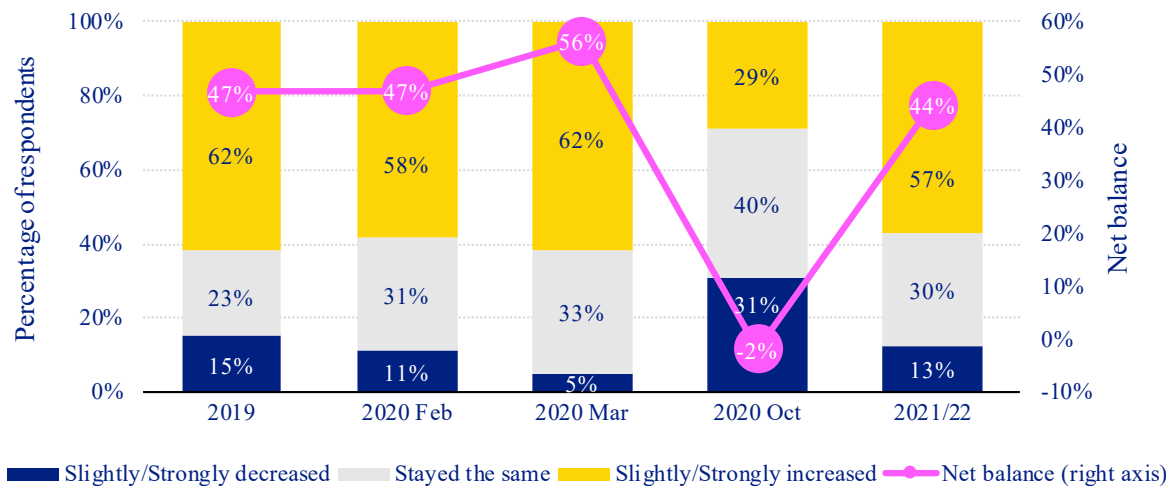


- **Expectations for the next 12 months are very positive** – more than ever before since the *EIF BA Survey* was first launched in 2019.
- Less than one in ten BAs expect business environment for BA activities in their main target country to deteriorate over the 12 months succeeding the survey.

Q: “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

Current situation

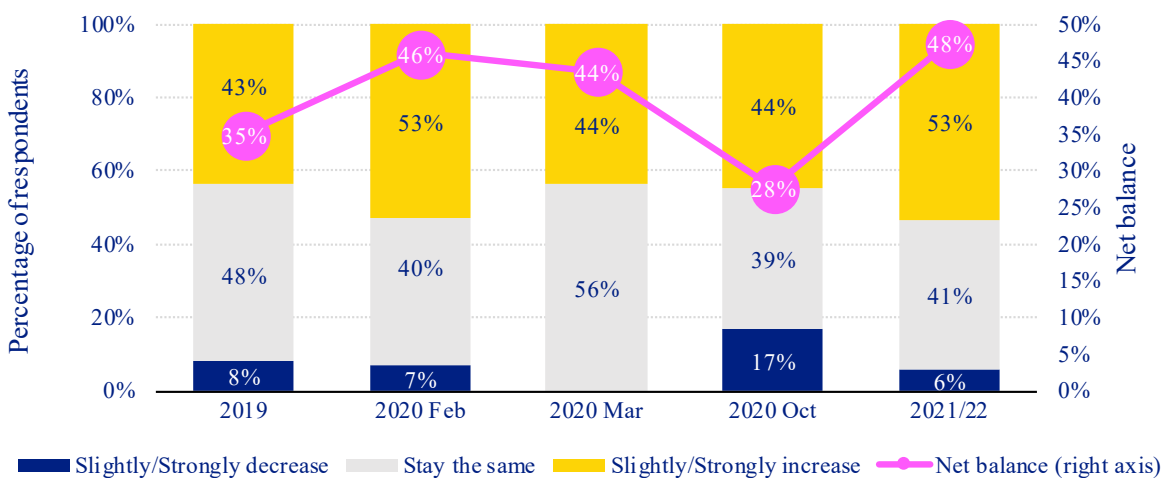


BAs can select from an increased number of incoming investment proposals, which is even expected to accumulate further.

- **The share of respondents stating an increase in the number of investment proposals received almost doubled between Autumn 2020 and 2021/22.**
- At the same time, in 2021/22, the share of respondents who experienced a decline in the number of investment proposals received is still slightly higher than at the beginning of 2020.

Q: “Over the last 12 months, how has the number of investment proposals to you developed?”
 Note: The 2020 Autumn Survey wave (2020 Oct) asked about the developments “since March 2020”, rather than “over the last 12 months”.

Expectations for the next 12 months

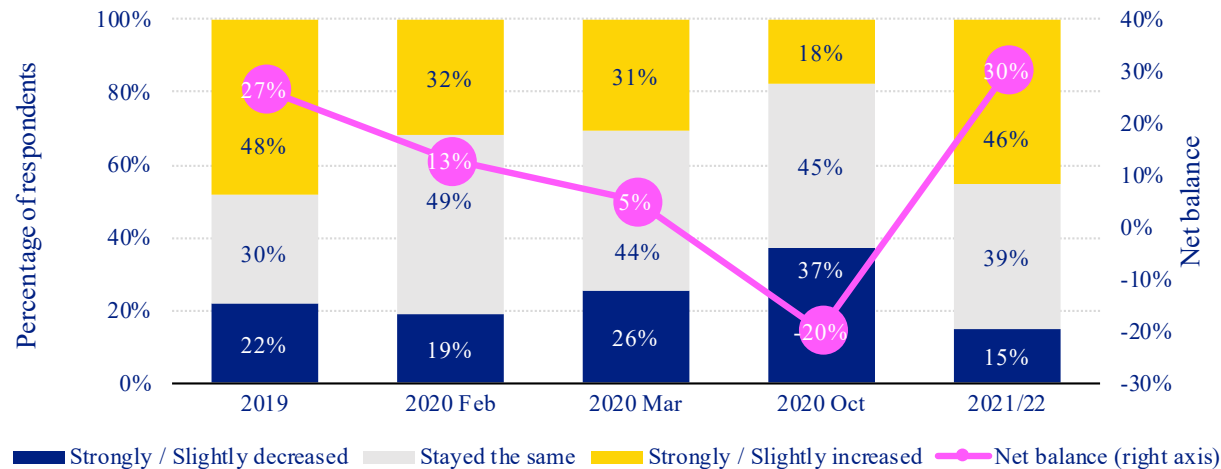


- Despite the already positive current situation, **most BAs expect a further increase in the number of investment proposals to their firm.**
- However, a high number of incoming investment proposals does not necessarily mean that these proposals are of sufficient **quality** for BAs.

Q: “Over the next 12 months, how do you expect the number of investment proposals to you to develop?”

Number of new investments

Current situation



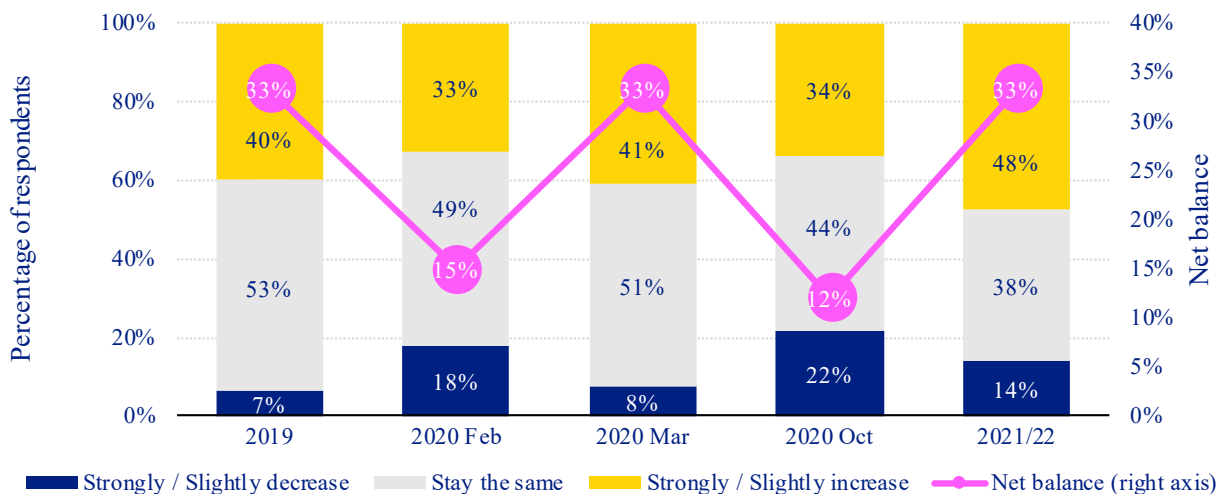
Most BA respondents reported more investments, and a further increase is expected.

- Following a slump in the investment sentiment in the course of 2020, the percentage of respondents stating an increase in the number of their new investments in 2021/22 has largely returned to the 2019 level.
- The share of respondents reporting a decrease in the number of new investments undertaken in the last twelve months is at a record low.

Q: “Over the last 12 months, how has the number of your new investments developed?”

Note: The 2020 Autumn Survey wave (2020 Oct) asked about the developments “since March 2020”, rather than “over the last 12 months”.

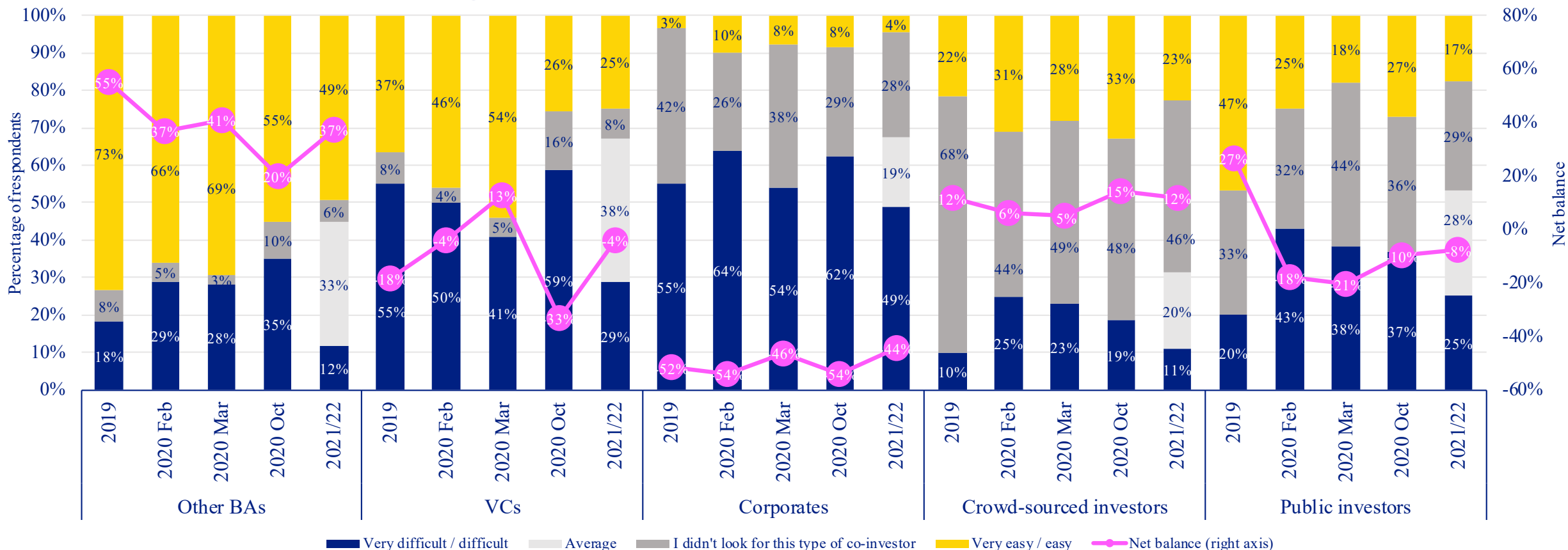
Expectations for the next 12 months



- Following a decrease in the investment expectations in autumn 2020, net expectations for the next 12 months have come back to the levels reached in 2019 and March 2020.
- The share of respondents expecting an increase in new investments is even at a record level.

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

Easiness in finding co-investors – current situation

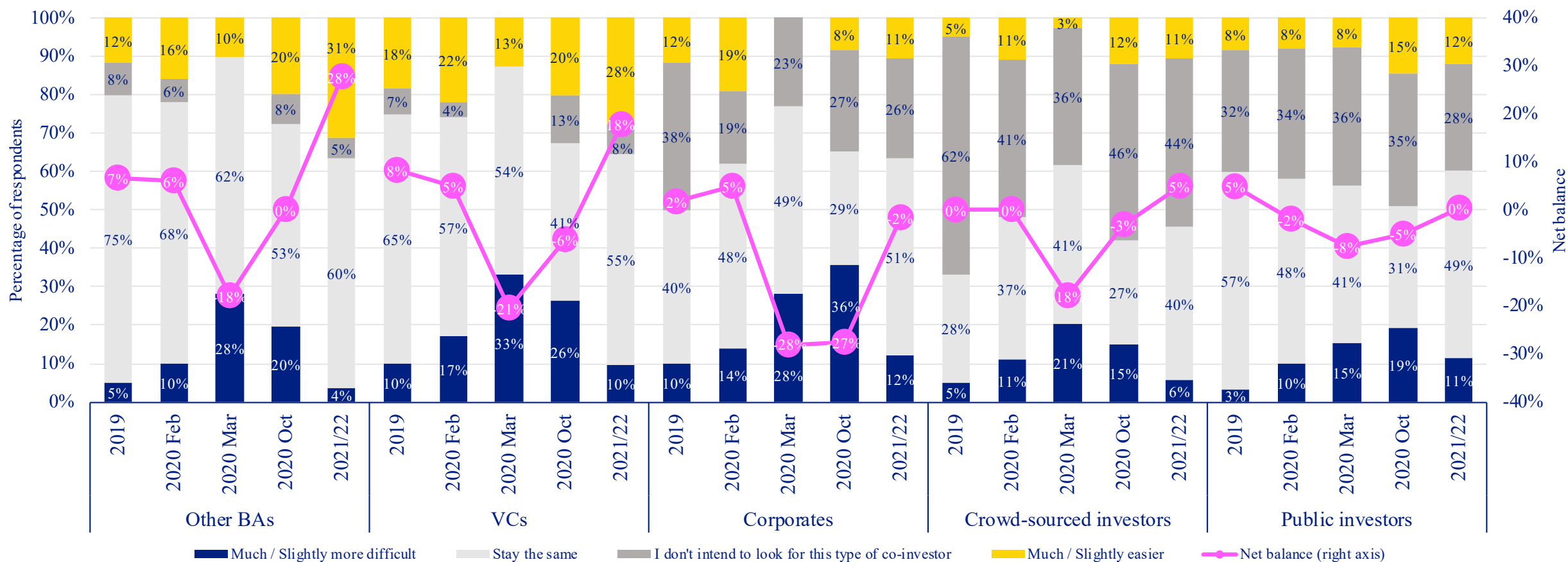


Finding co-investors is easiest among other BAs, and most difficult among corporates.

Q: "How easy/difficult is it currently to find co-investors?"
 Note: The response option "Average" has been included in this survey question since the 2021/22 wave.

- Following an increase in the difficulties to find co-investors among **other BAs, VCs and corporates** in Autumn 2020, **finding those co-investors has become easier** in 2021/22, as reflected by a higher net balance of responses.
- The share of respondents that did not look for co-investors to syndicate decreased for all co-investor types.

Easiness in finding co-investors – next 12 months



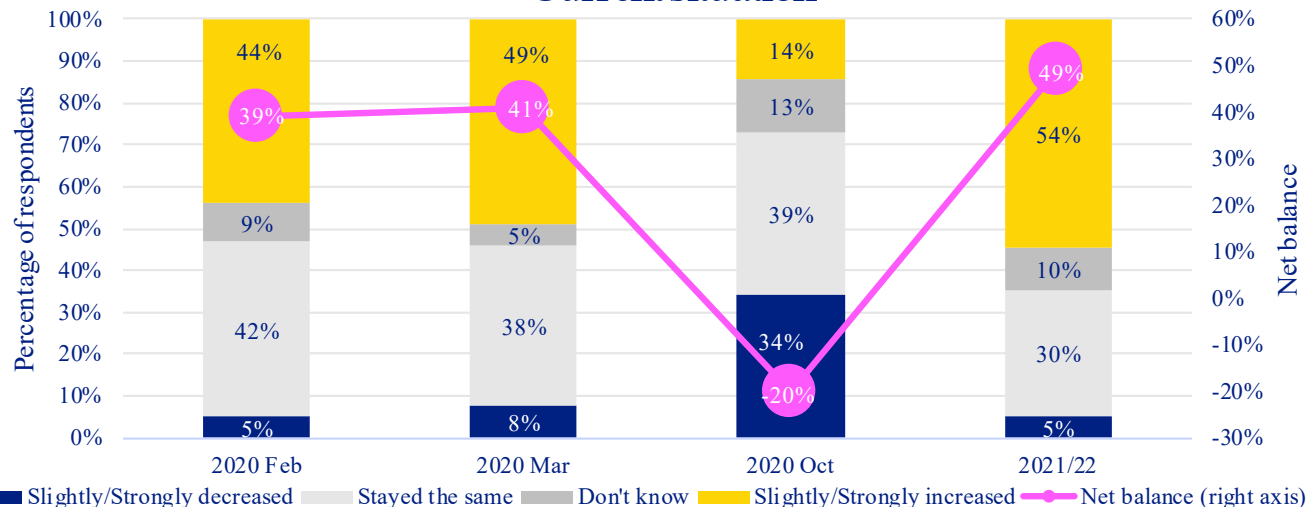
Most GPs expect finding co-investors to become easier.

Q: “Over the next 12 months, how do you expect finding co-investors to become?”

- The perception of BA fund managers regarding the **easiness in finding co-investors in the future** deteriorated considerably in March 2020, before gradually improving in Autumn 2020 and more pronouncedly in 2021/22.
- The share of respondents that do not intend to look for co-investors to syndicate decreased for all co-investor types.

Competition among investors for potential investee companies

Current situation



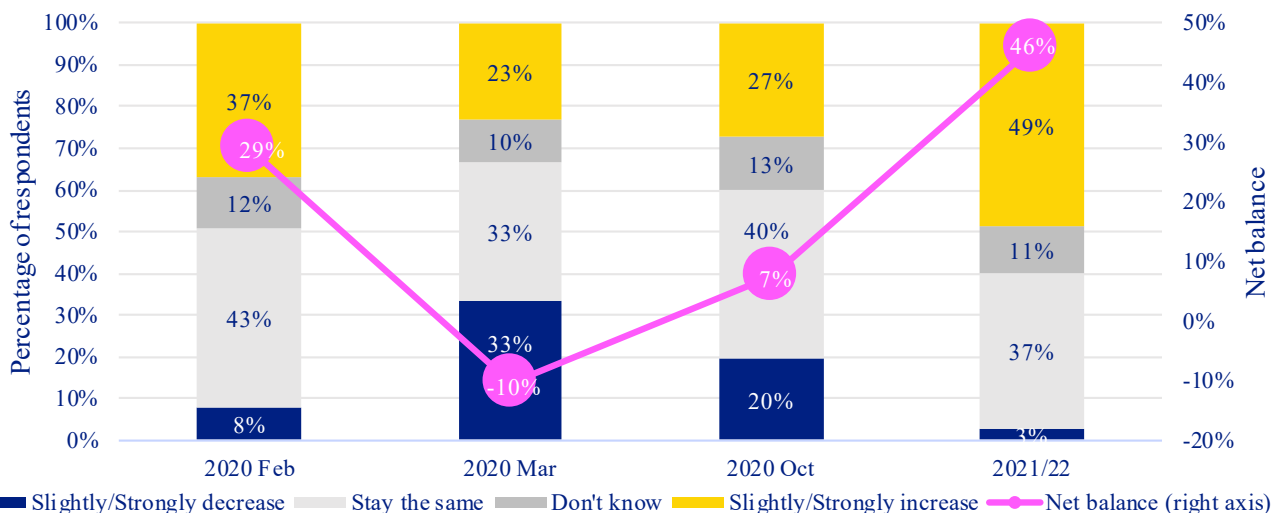
BAs report increased competition for investee companies in the recent past and expect this trend to continue.

- A record share of respondents reported that **competition among investors for potential investee companies increased**.
- At the same time, the share of respondents reporting decreased competition, is as low as in February 2020.

Q: “When you consider your market over the last 12 months, how has the competition among investors for potential investee companies developed?”

Note: The 2020 Autumn Survey wave (2020 Oct) asked about the developments “since March 2020”, rather than “over the last 12 months”.

Expectations for the next 12 months

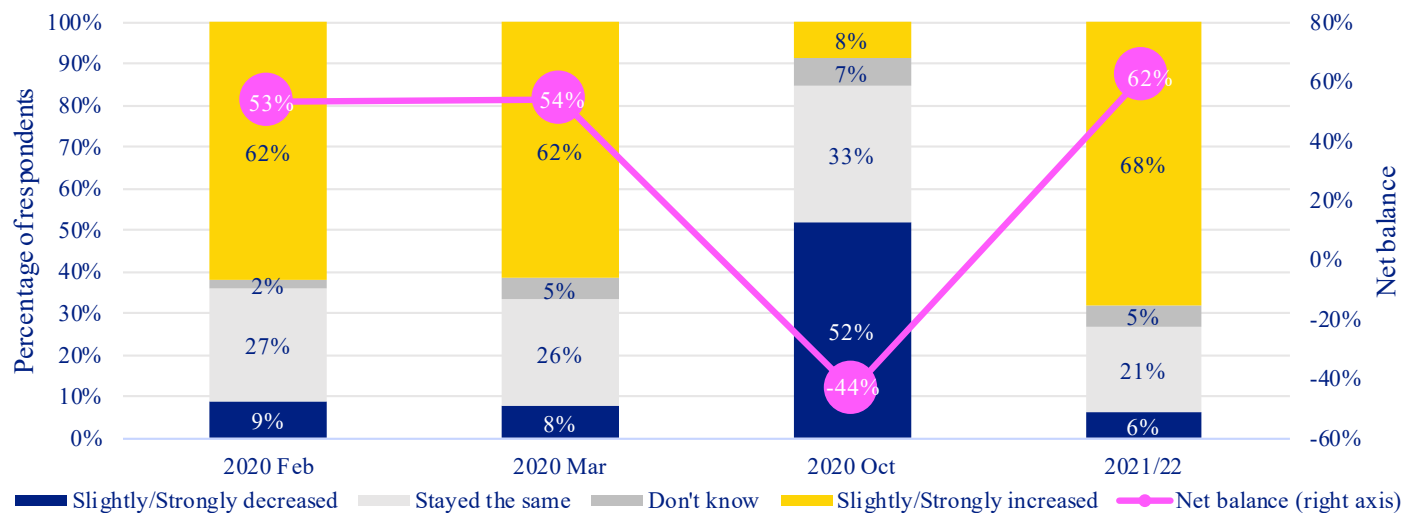


- **Respondents expect, on average, a further increase in competition** among investors for potential investee companies over the next 12 months.
- The percentage of BAs expecting less competition is at its lowest (3%) since the start of the survey in early 2020.

Q: “When you consider your market over the next 12 months, how do you expect the competition among investors for potential investee companies to develop?”

Entry prices

Current situation

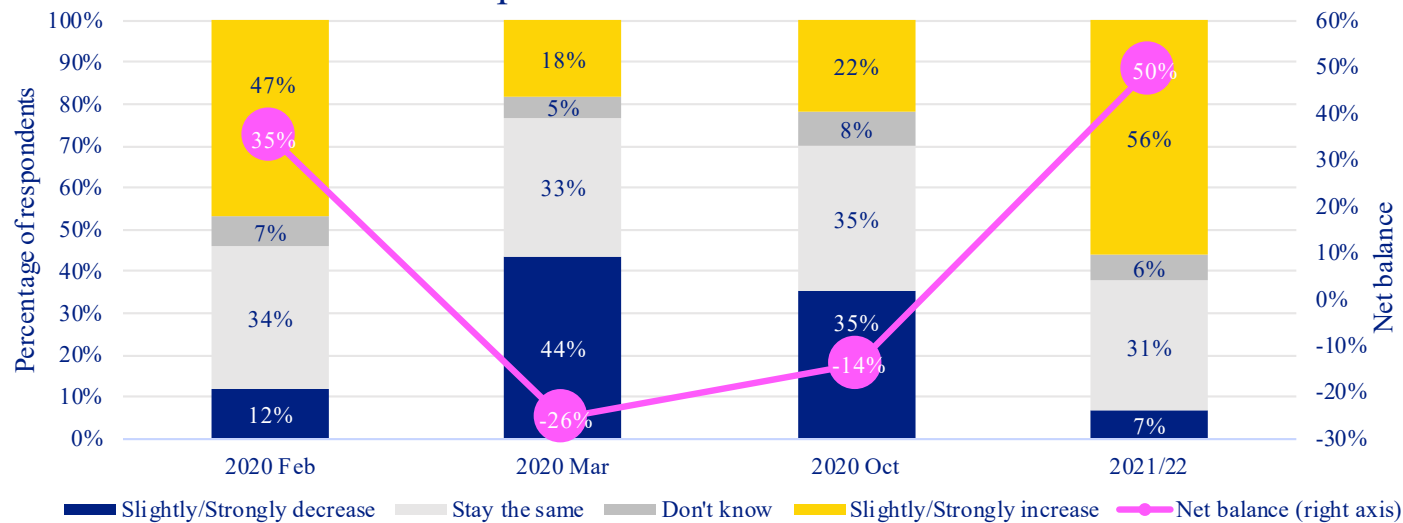


Entry prices have rebounded upwards, and BAs expect further price increases.

- After a strong decrease in entry prices in October 2020, the **entry price sentiment** was at a record high in the 2021/22 survey.
- **More than two thirds of BAs reported increased entry prices**, while only 6% of respondents reported entry price decreases.

Q: “When you consider your market over the last 12 months, how have the entry prices developed?”
 Note: The 2020 Autumn Survey wave (2020 Oct) asked about the developments “since March 2020”, rather than “over the last 12 months”.

Expectations for the next 12 months

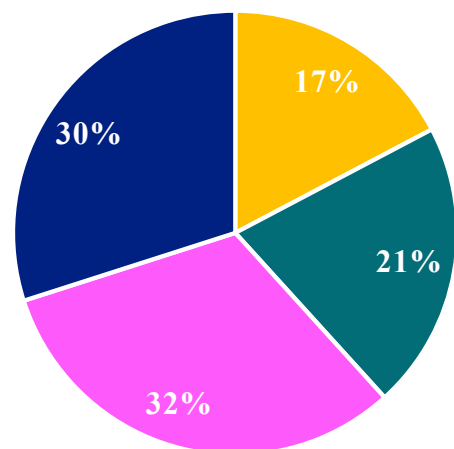


- **More than half of the respondents expect an increase in entry prices.**
- At the same time though, **almost 1 out of 3 respondents expects a stagnation** in entry prices.

Q: “When you consider your market over the next 12 months, how do you expect the entry prices to develop?”

Investment strategy

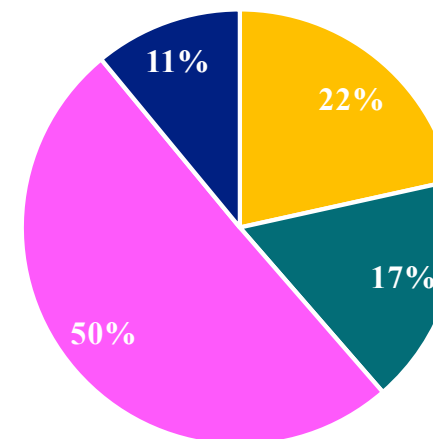
October 2020



Q: “Since March 2020, have you...”

- ...invested in new deals only?
- ...invested in follow-ons in portfolio companies only?
- ...invested in both new deals and follow-ons in portfolio companies?
- ...not invested?

2021/22



Q: “Since October 2020, have you...”

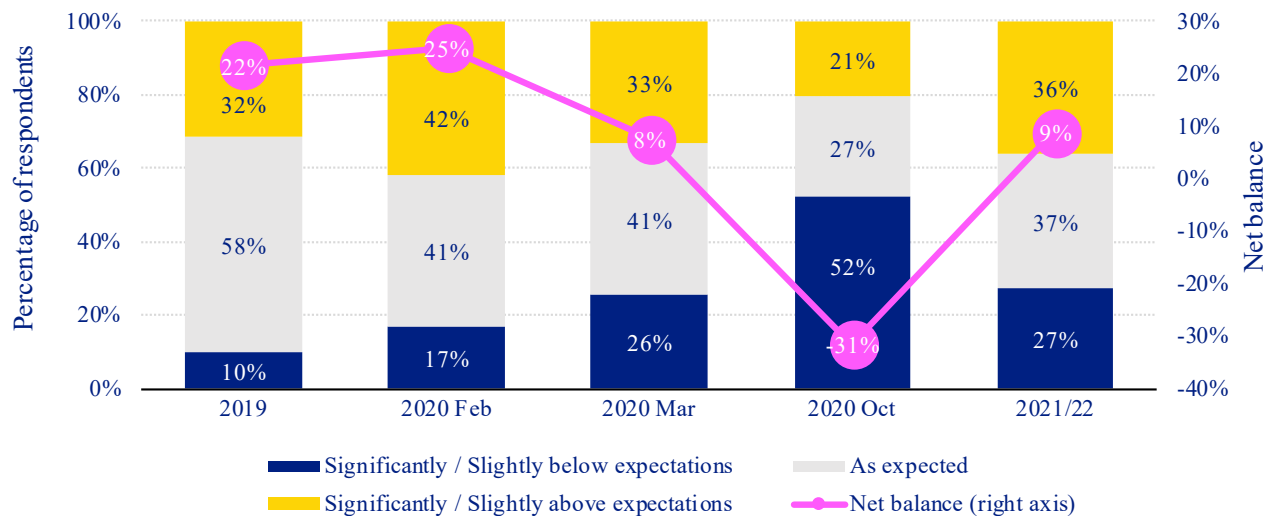
- ...invested in new deals only?
- ...invested in follow-ons in portfolio companies only?
- ...invested in both new deals and follow-ons in portfolio companies?
- ...not invested?

In 2021/22, half of the BAs invested in both new deals and follow-ons in portfolio companies.

- In **2020**, 30% of respondents **did not make investments**, and another 21% limited themselves to **follow-on investments** in portfolio companies. In 2021, these categories decreased to 11% and 17% respectively.
- **The percentage of BAs that invested in both new deals and follow-ons in portfolio companies increased from 32% in autumn 2020 to 50% in 2021/22.**

Portfolio development

Current situation

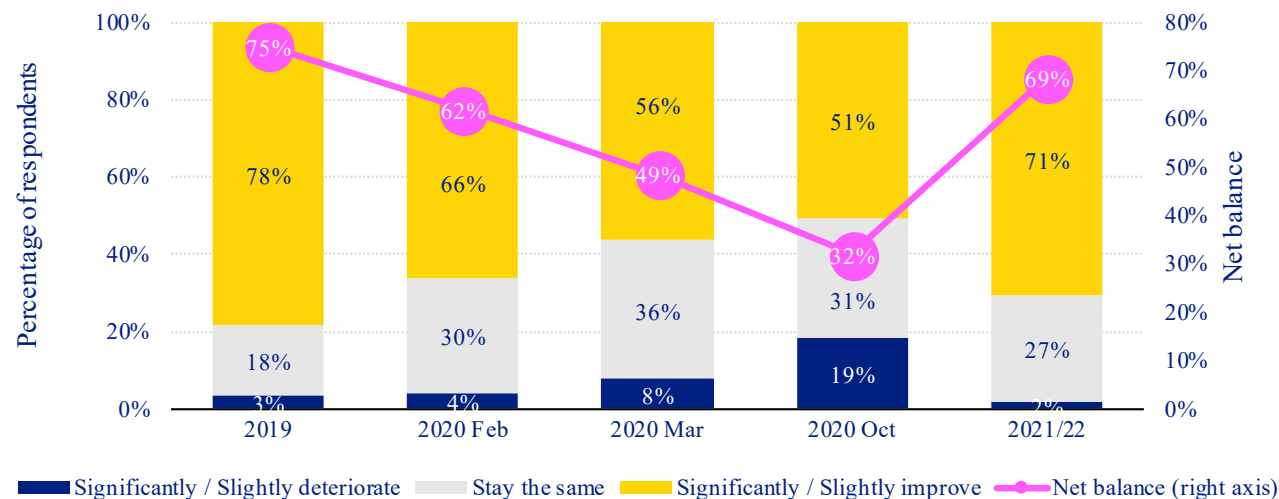


Portfolio companies developed broadly in line with expectations; a large majority expects improvements.

- **Portfolio development had significantly deteriorated**, on balance, in Autumn 2020.
- **In 2021/22, portfolio development recovered substantially.** Portfolio companies developed as expected for more than one third of respondents. A similarly large share of survey participants stated that their portfolio companies developed above expectations.

Q: “Over the past months, how did your portfolio companies develop?”
 Note: The 2020 Autumn Survey wave (2020 Oct) asked about the developments “since March 2020”, rather than “over the last 12 months”.

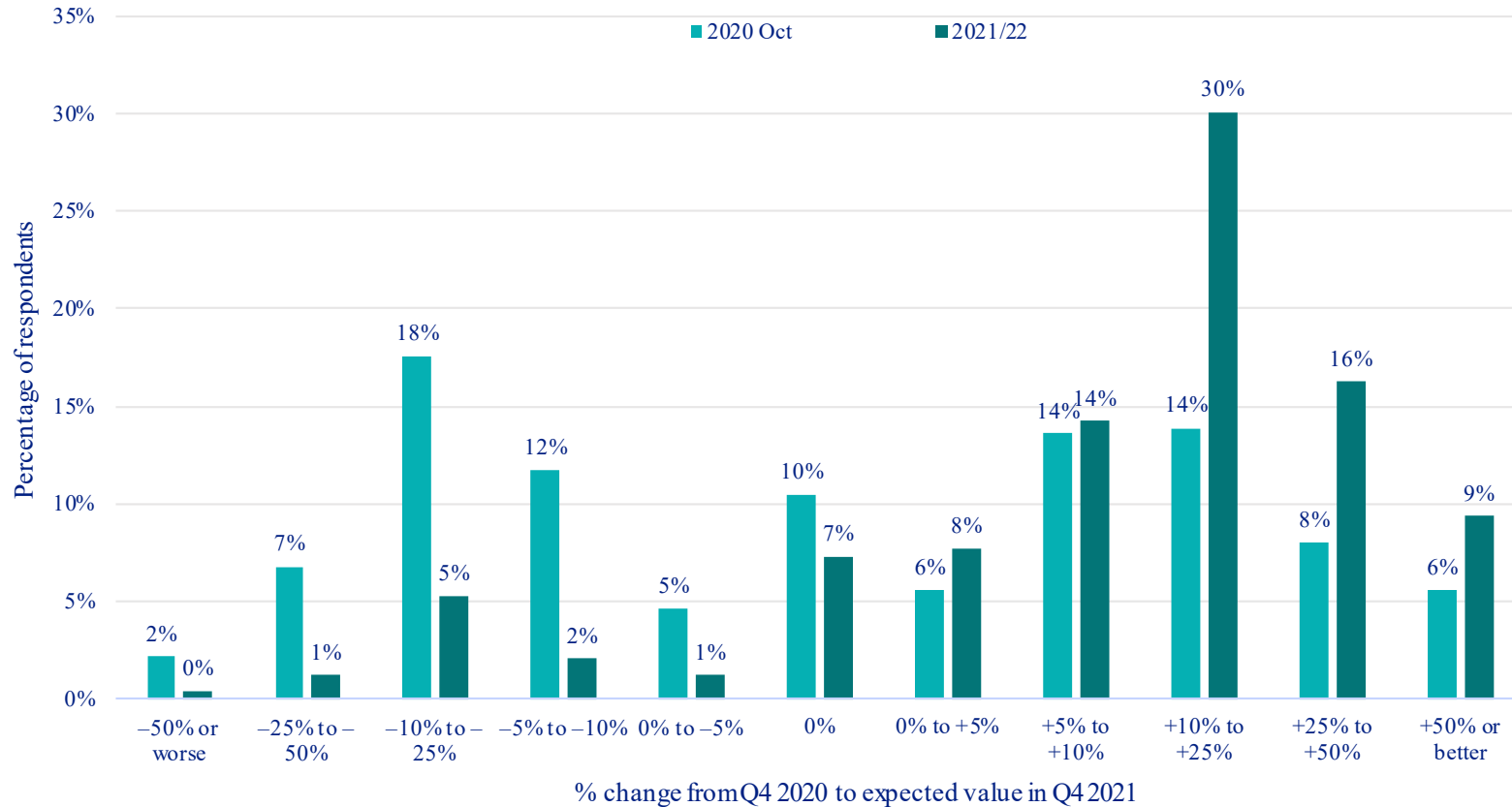
Expectations for the next 12 months



- Expectations for **future portfolio development** had worsened significantly during 2020, reaching a record low level in October 2020.
- Expectations regarding portfolio development **improved in 2021/22**, with the expectation level being almost back to its 2019 level.

Q: “Over the next 12 months, how do you expect your portfolio to develop?”

Portfolio value



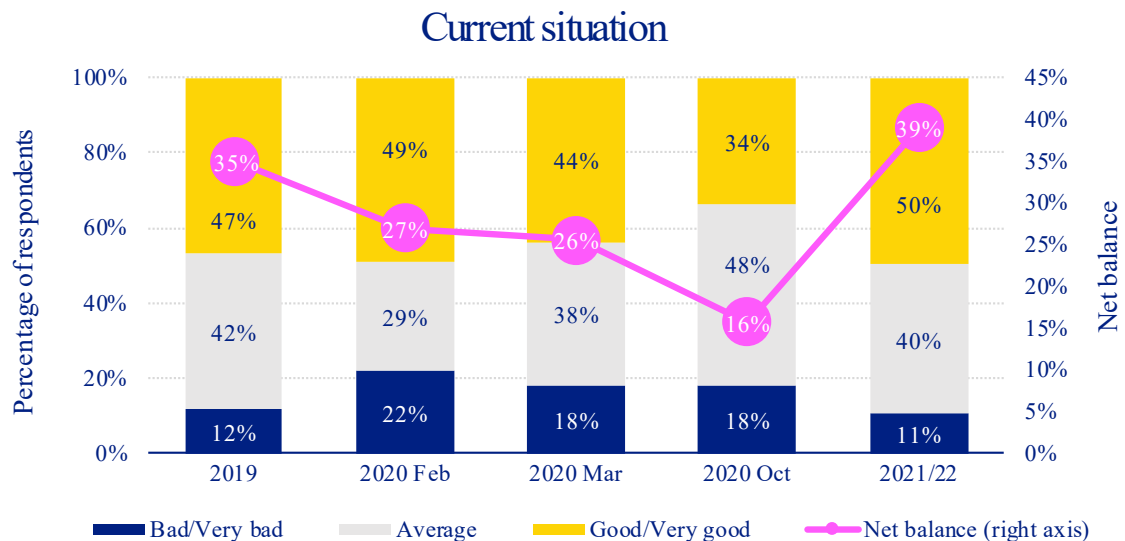
BA respondents are optimistic with regard to the evolution of the portfolio value. Optimism has increased, compared to Autumn 2020.

- **In 2021/22, 77% of respondents expect an increase in their portfolio value** until the end of 2021, compared to the value at the end of 2020. In Autumn 2020, this percentage was considerably lower (48%).
- More than half of the respondents expect a growth in portfolio value of more than 10%.
- **Less than a tenth of respondents expect a reduction in their portfolio value.** In Autumn 2020, this percentage was considerably higher.

Q: “How do you expect the value of your portfolio to evolve until end of Q4 2021 compared to the value as of Q4 2020? (measured as % change from Q4 2020 to expected value in Q4 2021)”

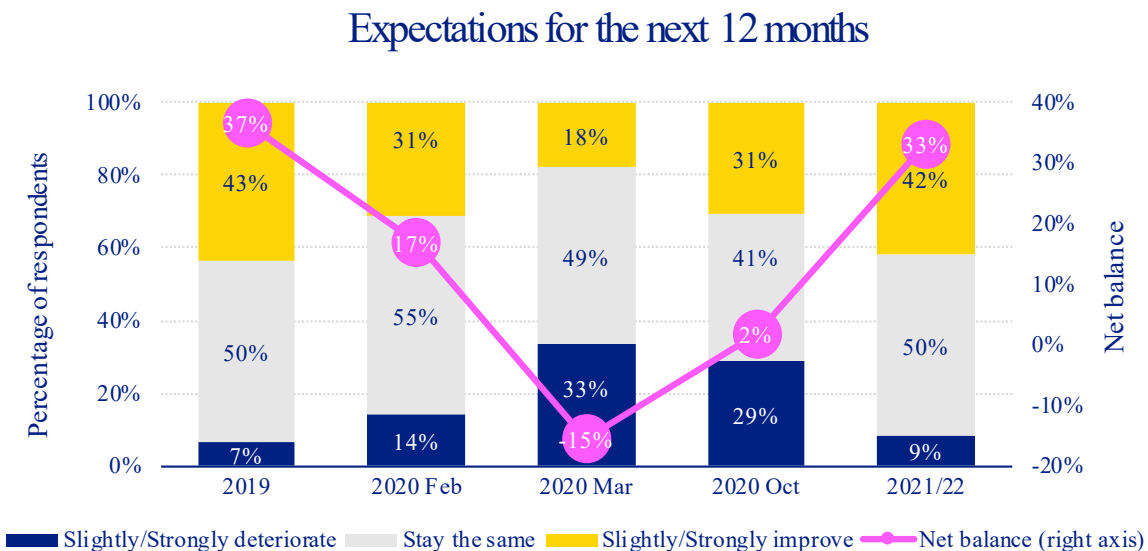
Access to external finance of portfolio companies

Portfolio companies' access to finance situation at a record-high



- **Over time, BA respondents have generally retained a neutral perception** regarding access to external finance of their portfolio companies.
- **Following a gradual deterioration in sentiment since the onset of the COVID-19 crisis**, respondents' perception of access to external finance **improved significantly in 2021/22**, reaching record level.
- The share of respondents who see the access to finance as (very) bad is even smaller than in 2019.

Q: "How would you rate the access to external finance of your portfolio companies?"

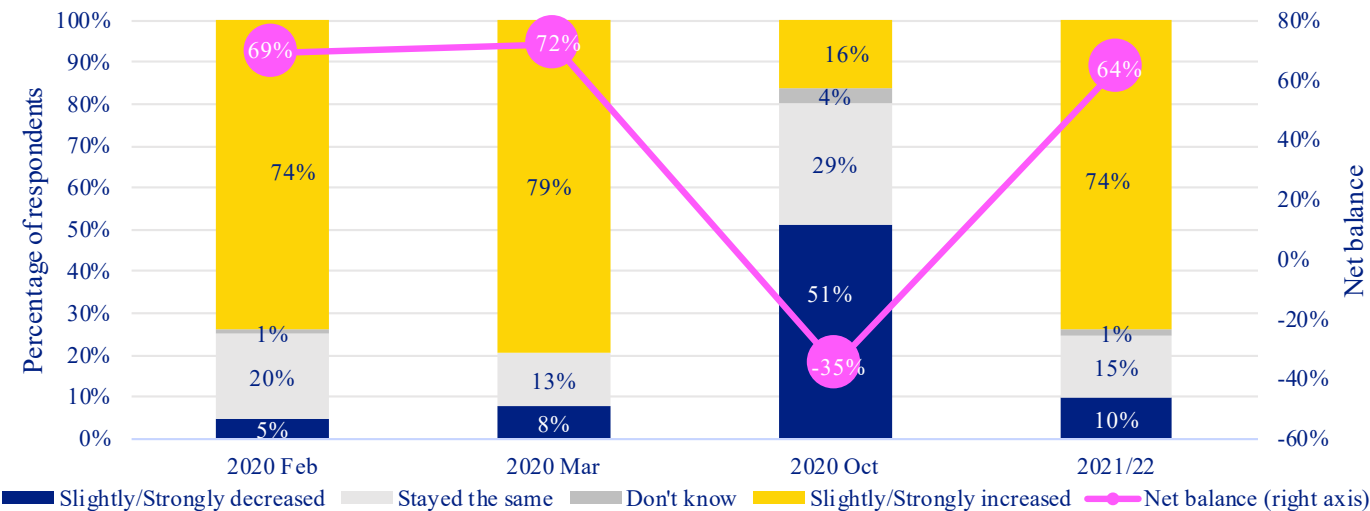


- After a substantial **deterioration in early 2020** (with negative net balance in March 2020), in 2021/22 most survey participants expect the access to external finance of their portfolio companies to either **stay the same (50%)** or **improve (42%) in the next 12 months**.
- **Expectations** are almost in line with those pre-Covid crisis.

Q: "Over the next 12 months, how do you expect the access to external finance of your portfolio companies to develop?"

Valuations of portfolio companies

Current situation



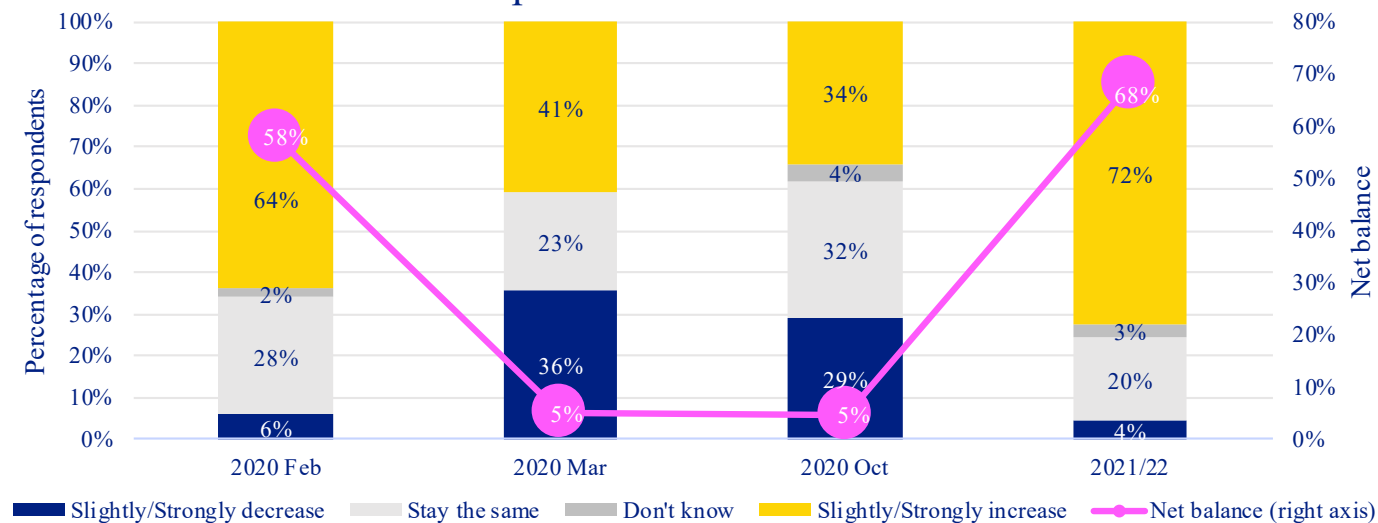
Portfolio company valuations have risen; most respondents expect a further increase.

- A substantial improvement in the sentiment regarding current valuations of portfolio companies was observed.
- The valuations of portfolio companies increased for 3 in 4 BA investors, which is *at par* with the first EIF BA Survey wave.
- However, the net balance has not yet exceeded its pre-crisis level, following its slump in October 2020.

Q: “When you consider your market over the last 12 months, how have the current valuations of portfolio companies developed?”

Note: The 2020 Autumn Survey wave (2020 Oct) asked about the developments “since March 2020”, rather than “over the last 12 months”.

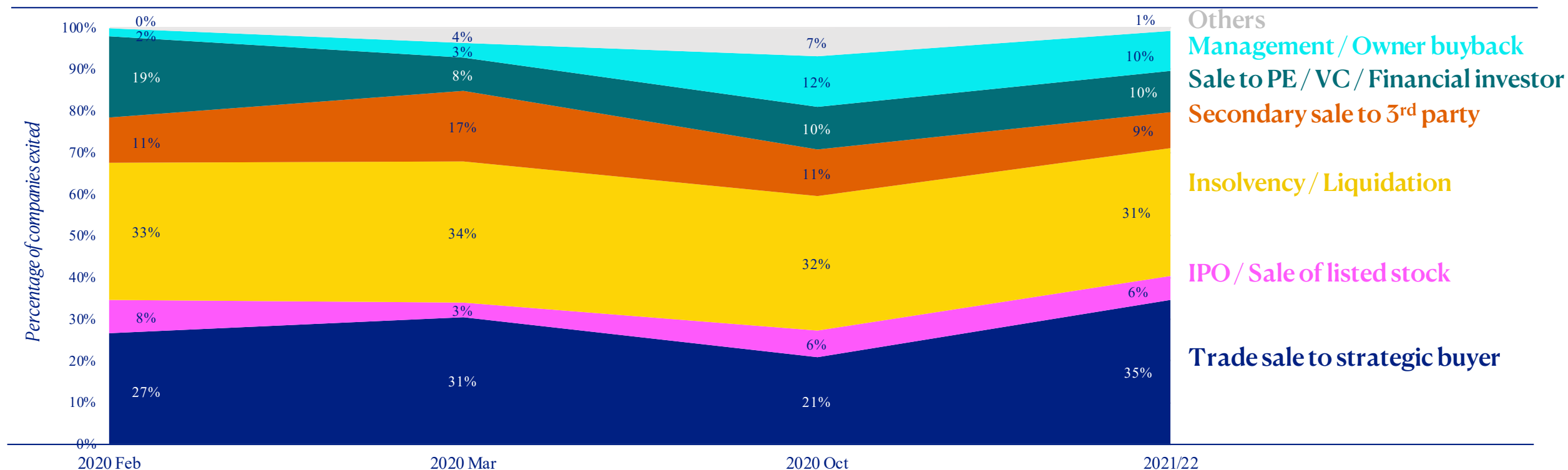
Expectations for the next 12 months



- The valuations of portfolio companies are expected, on average, to increase further.
- Almost 3 in 4 respondents expect an increase in valuations over the subsequent 12 months. The record net balance of 68% represents a **significant rise in optimism**.
- Only a tiny fraction of surveyed BAs (4%), the lowest ever recorded, expect lower valuations in the near future.

Q: “When you consider your market over the next 12 months, how do you expect the current valuations of portfolio companies to develop?”

Exit routes



Trade sales to strategic buyers continue to be the most frequent exit route, followed by insolvency / liquidation.

- The percentage of companies divested via **trade sales to strategic buyers** over all exits **reached a record-high of 35%**, up from 21% in the 2020 Autumn survey wave. Trade sales continued to be the **most frequent exit route**.
- Compared to Autumn 2020, the percentage of exits made up of IPOs and sales to PE / VC / financial investors has remained at the same level, while the percentage of exits made up of secondary sales to third parties, management/owner buyback and liquidations slightly decreased in 2021.

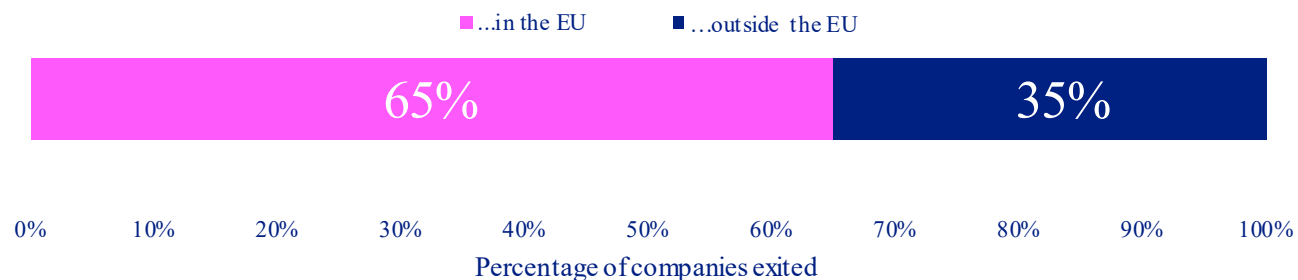
Q: “Over the last 12 months, how many of your portfolio companies exited via the following exit routes?”

Note 1: The graph reports the resulting percentages of the respective exit routes, excluding the “no exit” option.

Note 2: The 2020 Autumn Survey wave (2020 Oct) asked about the developments “since March 2020”, rather than “over the last 12 months”.

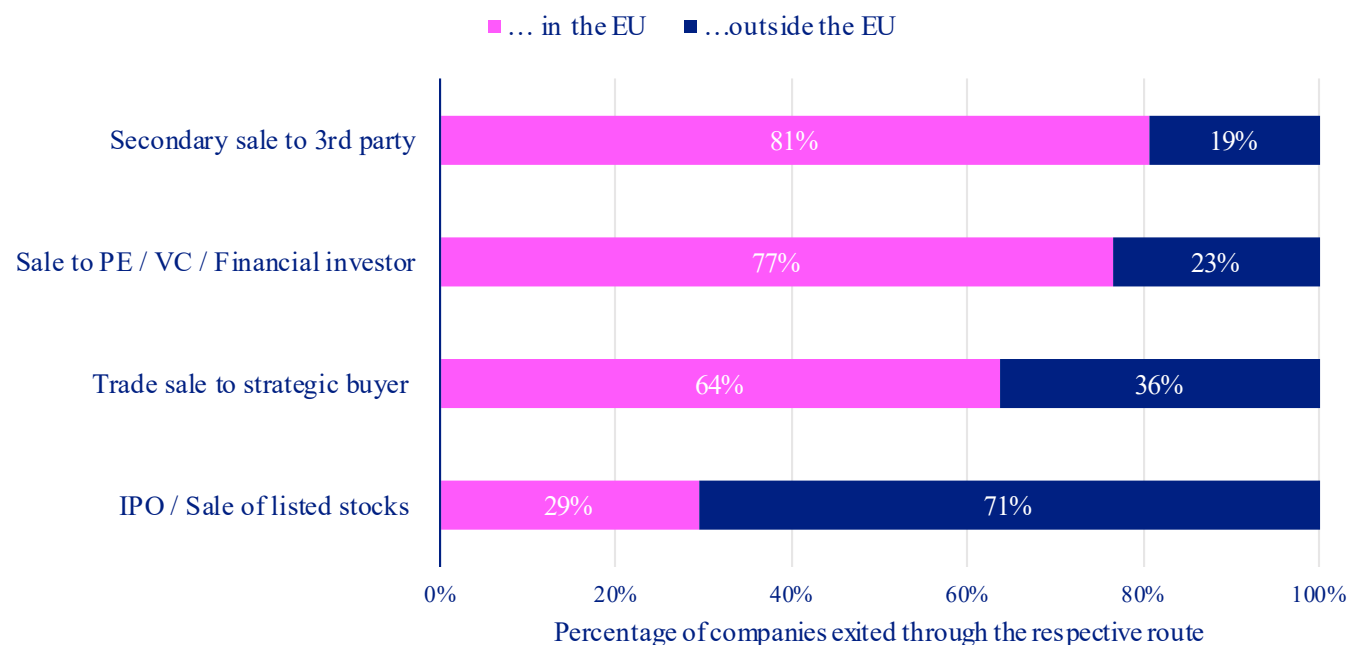
Exit routes – within or outside the EU?

Percentage of all exit routes combined located...



*65% of exits took place in the EU.
At the same time, almost three quarters of IPOs / sales of listed stocks were with primary listing outside the EU.*

Percentage of each respective exit route located...



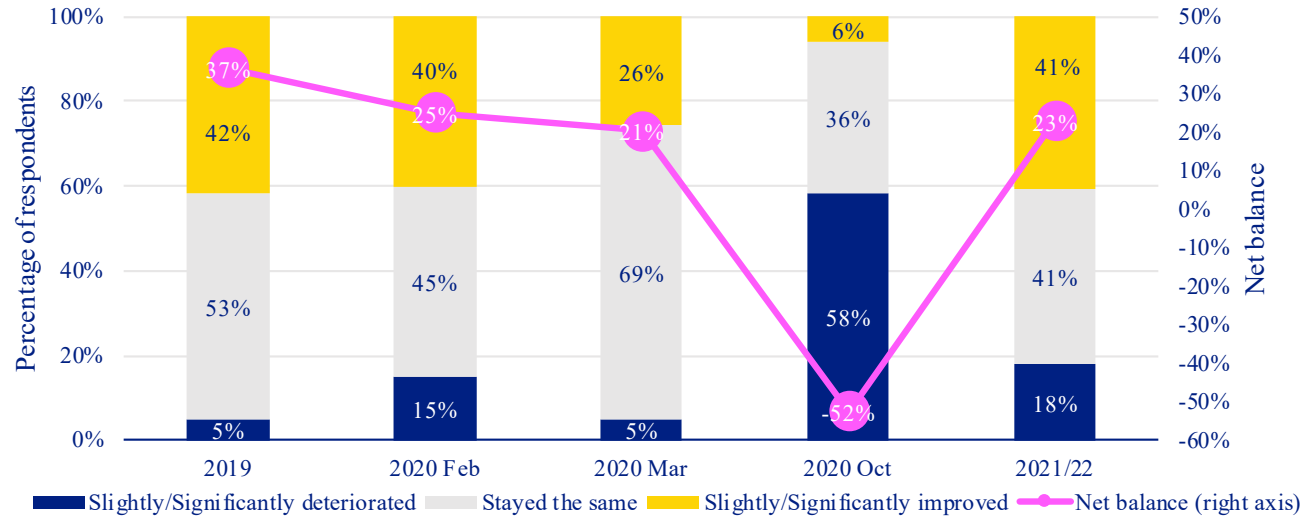
- **The vast majority of exits took place in the form of trade sales to strategic buyers within the EU.**
- Among all companies exited in the form of sales to external parties, almost two thirds were channeled through exit routes in the EU.
- Exits to buyers headquartered in the EU are most common for secondary sales to third parties.
- Exits through a non-EU route are most common in the case of IPOs / sales of listed stocks, in which case the primary listing is largely outside the EU.

Q: "Please tell us, if your trade sales (sales to financial investors; secondary sales) have been to strategic buyers (investors; 3rd parties) headquartered within or outside the EU."

Q: "Please tell us, if your IPOs / sales of listed stocks have been with primary listing within or outside the EU."

Exit environment

Current situation



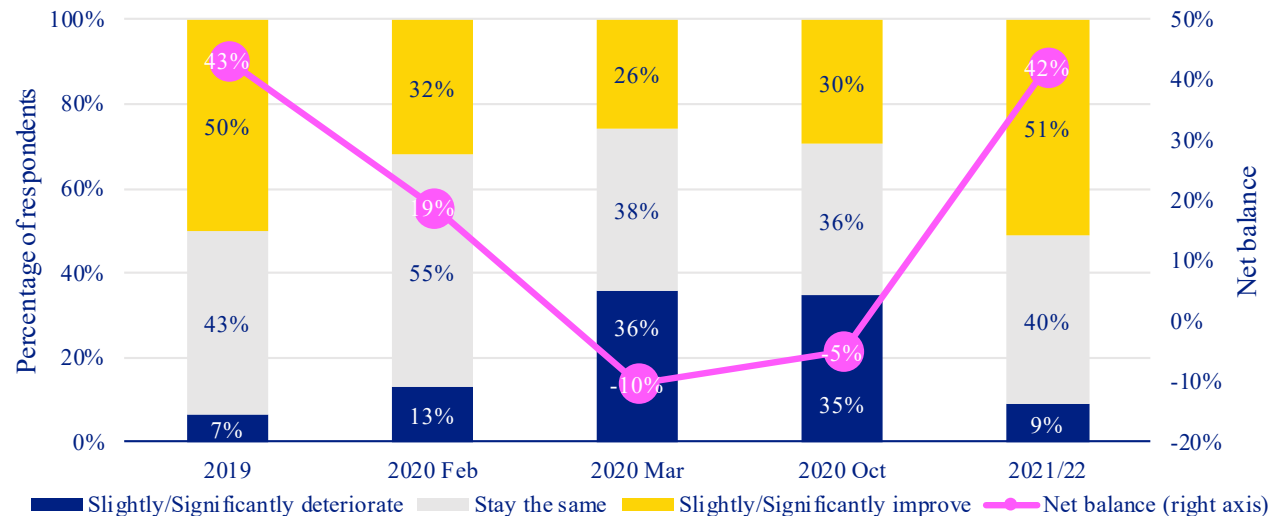
The exit environment substantially recovered since autumn 2020. Expectations for the exit environment over the next 12 months are even more positive.

- After deteriorating significantly between March and October 2020, **the exit environment has recovered strongly** since.
- In 2021/22, the share of respondents perceiving an improved exit environment equals the share of respondents reporting no change. Compared to October 2020, significantly less respondents perceive a deterioration in the exit environment.

Q: “Over the last 12 months, how has the exit environment for your portfolio companies developed?”

Note: The 2020 Autumn Survey wave (2020 Oct) asked about the developments “since March 2020”, rather than “over the last 12 months”.

Expectations for the next 12 months

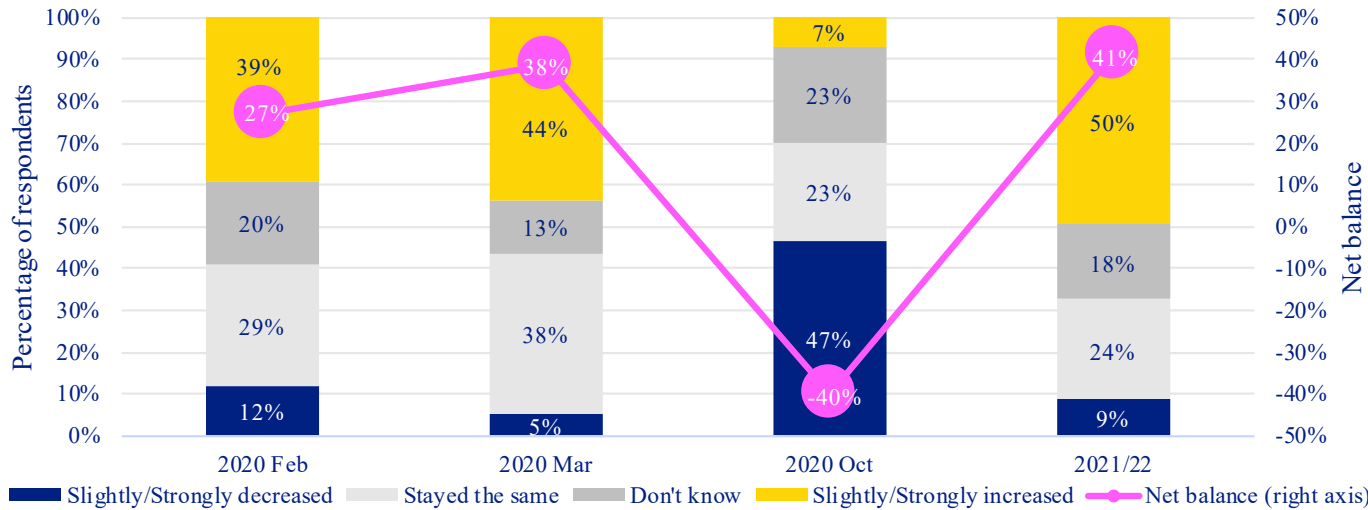


- March 2020 saw a significant decrease in expectations for future exit opportunities compared to 2019 and February 2020. In that period, the net balance decreased from 43% to -10%.
- Since then, expectations have significantly improved, reaching a net balance of 42% in 2021/22.
- In light of this optimistic sentiment, **expectations are almost back to their pre-crisis level.**

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

Exit prices

Current situation



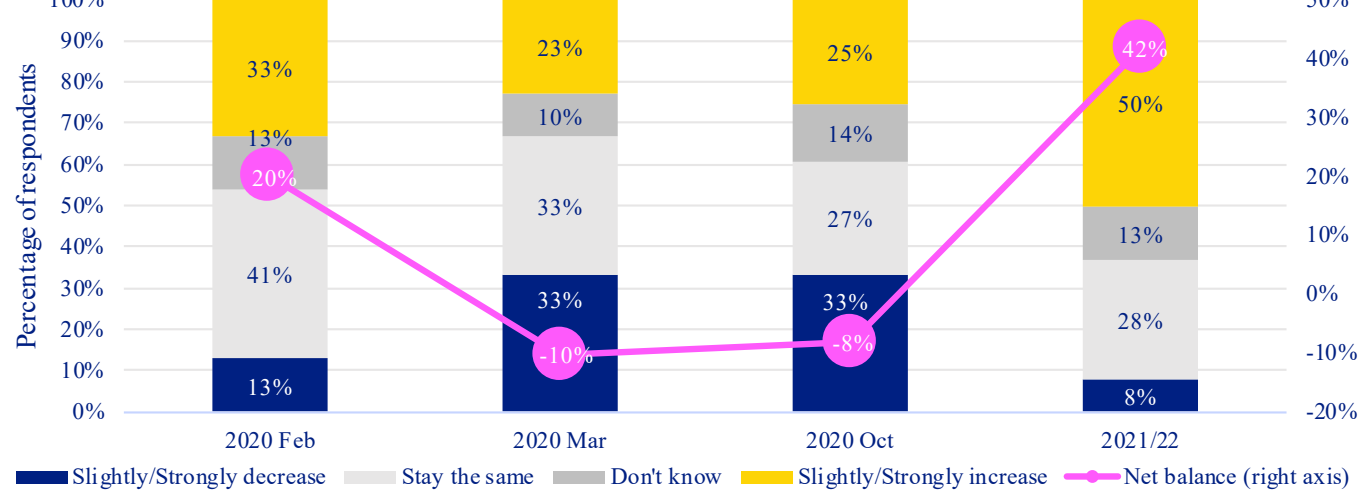
Exit prices have developed upwards and are expected to further increase.

- Similar to the results for entry prices, **exit prices have rebounded** and the net balance was at a **record high** in the 2021/22 survey wave.
- At the same time, a third of respondents reported that exit prices remained stable or even decreased.

Q: “When you consider your market over the last 12 months, how have the exit prices developed?”

Note: The 2020 Autumn Survey wave (2020 Oct) asked about the developments “since March 2020”, rather than “over the last 12 months”.

Expectations for the next 12 months

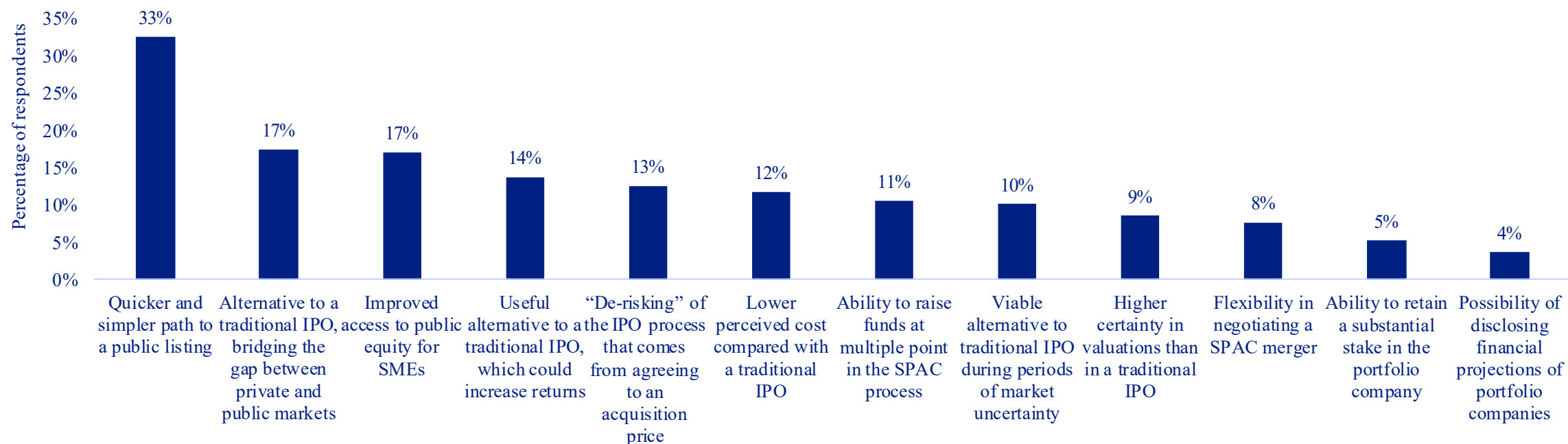


- **Half of the respondents expect the exit prices to further increase.** At the same time, more than a quarter of respondents expect exit prices to remain at their current levels.
- On average, respondents expect the exit prices to keep rising, as shown by a net balance of 42%.

Q: “When you consider your market over the next 12 months, how do you expect the exit prices to develop?”

Advantages of SPACs as an exit route

BA consider the quicker and simpler path to a public listing as the main advantage of SPACs as an exit route.

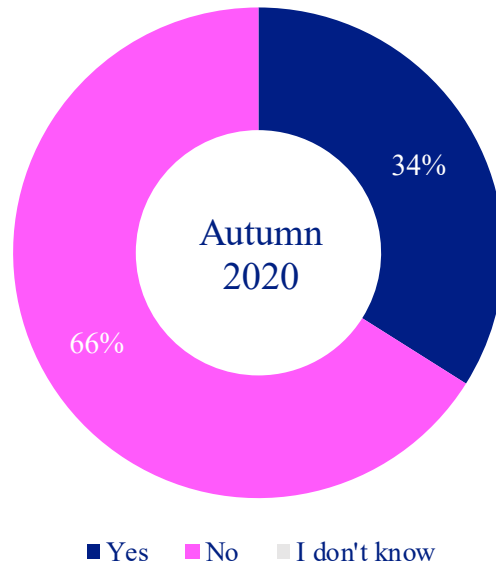


Q: “Which advantages would you consider SPACs having as an exit route?”

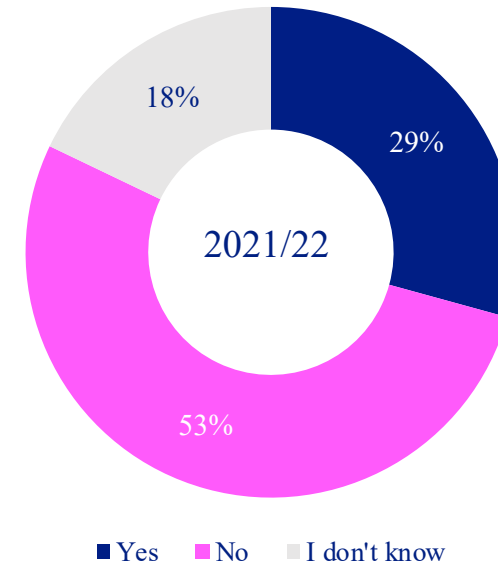
Note: Multiple selection possible. The diagram does not show the percentages for the response options “I don’t know/Prefer not to say” (31%), “None of the above” (14%) and others (1%).

- **“Quicker and simpler path to a public listing”** is most frequently mentioned as the main advantage of using SPACs as an exit route.
- **“Alternative to a traditional IPO, bridging the gap between public and private markets”** and **“Improved access to public equity for SMEs”** ranked in the second and third place of fund managers’ perception of SPAC advantages.

Additional investment due to COVID-19



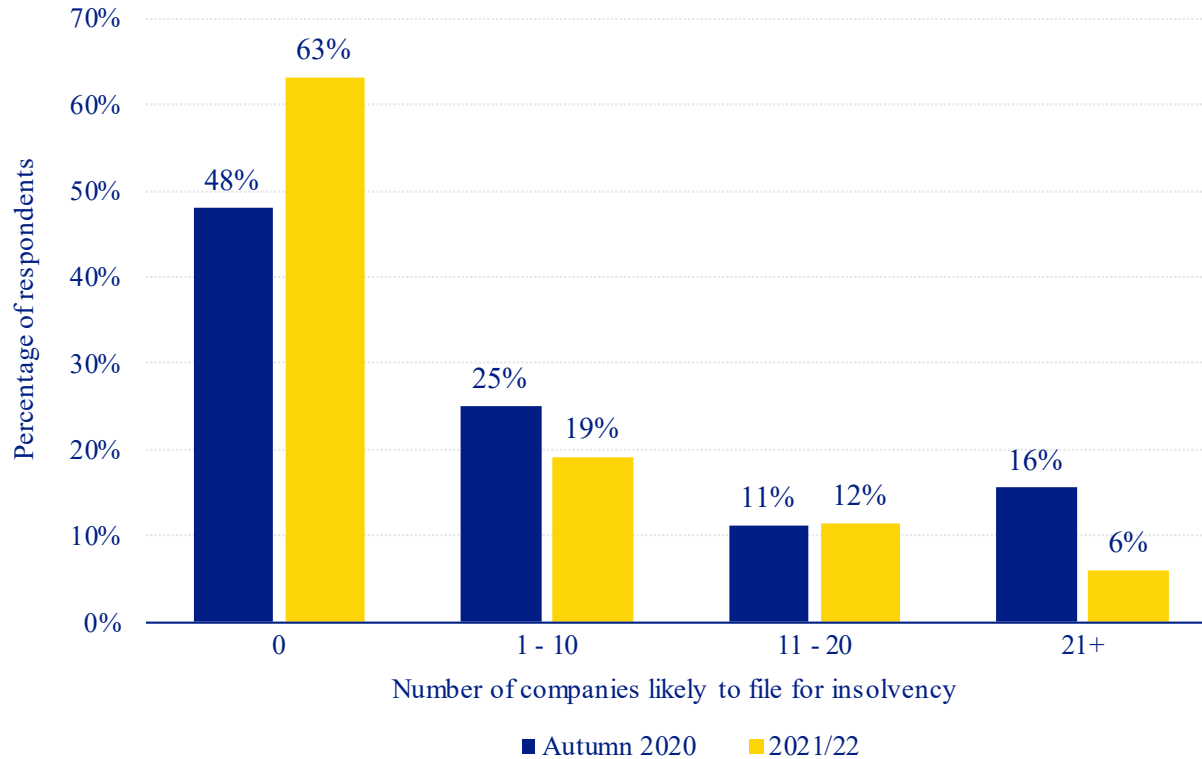
Q: "Have you provided additional investment to portfolio companies due to COVID-19, where such investment was not foreseen at the start of 2020?"



Q: "Are you planning to provide additional investment to portfolio companies due to COVID-19 until the end of 2022?"

The COVID-19 pandemic forces 29% of BA investors to plan to provide additional investment to portfolio companies. This is a slight decrease from Autumn 2020, where 34% of BAs reported that they had to provide additional investment to their portfolio companies.

Possible insolvencies due to COVID-19



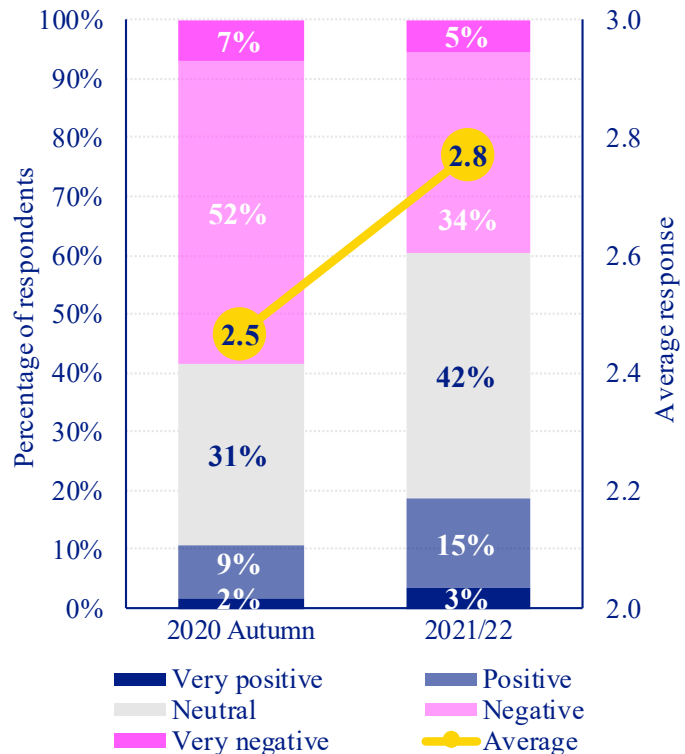
Q: “Please indicate the expected percentage of your active portfolio companies that might file for insolvency due to the impact of COVID-19”.

About two thirds of BA investors report that none of their portfolio companies will file for insolvency due to the impact of COVID-19.

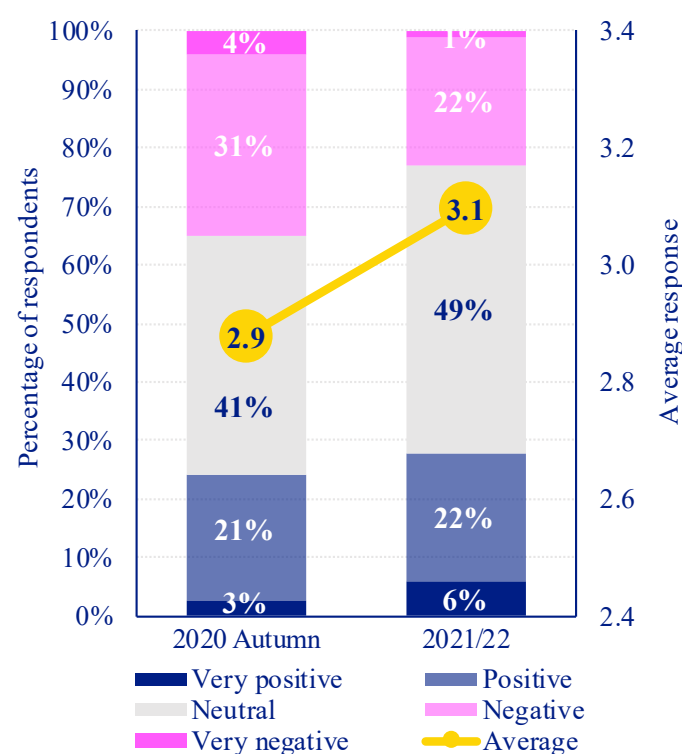
- **The majority of BA respondents (63%) do not expect any of their portfolio companies to be filing for insolvency due to COVID-19 in 2021/22.**
- **Only 6% of the BA investors expect that a very large number of their portfolio companies (21 or more) will be filing for insolvency in 2021/22.**
- **Compared to Autumn 2020, the expected percentage of companies filing for insolvency due to COVID-19 has considerably decreased in 2021/22.**

Impact of COVID-19 on performance

Impact of COVID-19 on **current performance** of portfolio



Impact of COVID-19 on **expected final performance** of portfolio



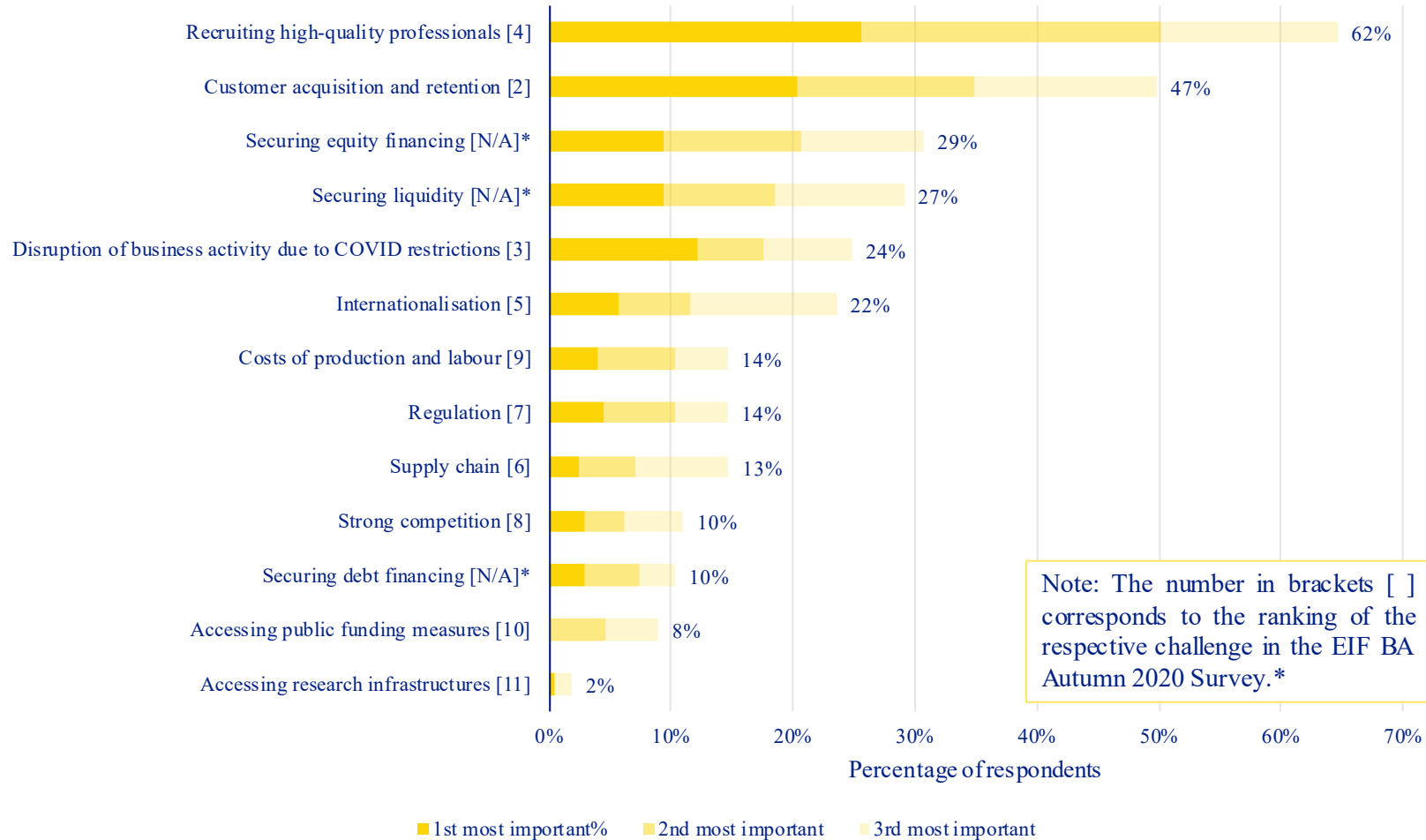
The average impact of COVID-19 on performance is considerably less negative in 2021/22, compared to autumn 2020. Almost half of BAs expect a neutral effect on the final performance of their portfolio.

- The impact of COVID-19 on portfolio performance is seen **(very) negative by almost 40% of BAs** in 2021/22, with 42% rather experiencing a neutral effect. **Only 18% of respondents report a positive effect** of COVID-19 on the current performance.
- Almost **half of BAs expect a neutral effect** of COVID-19 on the final performance of their portfolio. **More respondents actually expect a (very) positive effect rather than a (very) negative effect (28% vs. 23%).**
- The impact of COVID-19 on the current and expected final performance of BA portfolios is **significantly less negative in 2021/22**, compared to autumn 2020. The 2021/22 expected final performance has even become positive on average (average rating of 3.1).

Note: The average rating represents the mean rating between 1 and 5 by all BA respondents for current or expected portfolio performance, where 1 = significantly negative and 5 = significantly positive.

Q: “How do you assess the impact of COVID-19 on the current / expected final performance of your portfolio?”

Biggest challenges of portfolio companies



Recruiting high-quality professionals and customer acquisition and retention are the two most important challenges faced by BA-backed companies.

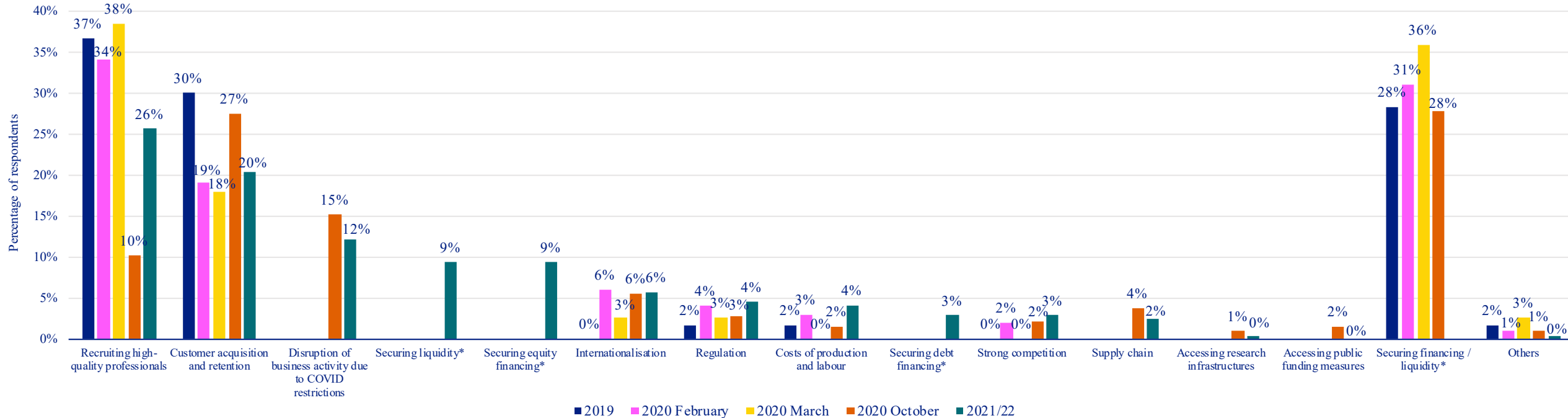
- Having increased in importance since 2020, “**Recruiting high-quality professionals**” is both the overall most important challenge for portfolio companies in 2021 and the challenge identified as the first most important challenge by the highest share of respondents (26%).
- While many challenges have kept their rankings, “**Cost of production and labour**” has become more important as a challenge, and “Disruption of business activity due to COVID-related restrictions” seems to be less significant.

Q: “Please select the biggest challenges currently faced by your portfolio companies, in order of importance.”

Note 1: The graph shows the total percentage of responses with respect to the three most important challenges.

* Note 2: In the Autumn 2020 Survey, we measured the number (percentage) of investors who perceive *securing financing/liquidity* as a challenge only cumulatively. As such, it ranked first. In the 2021 survey we measure *securing equity financing*, *securing debt financing*, and *securing liquidity* separately.

Biggest challenges of portfolio companies over time



“Recruiting high-quality professionals” has become the biggest challenge faced by portfolio companies.

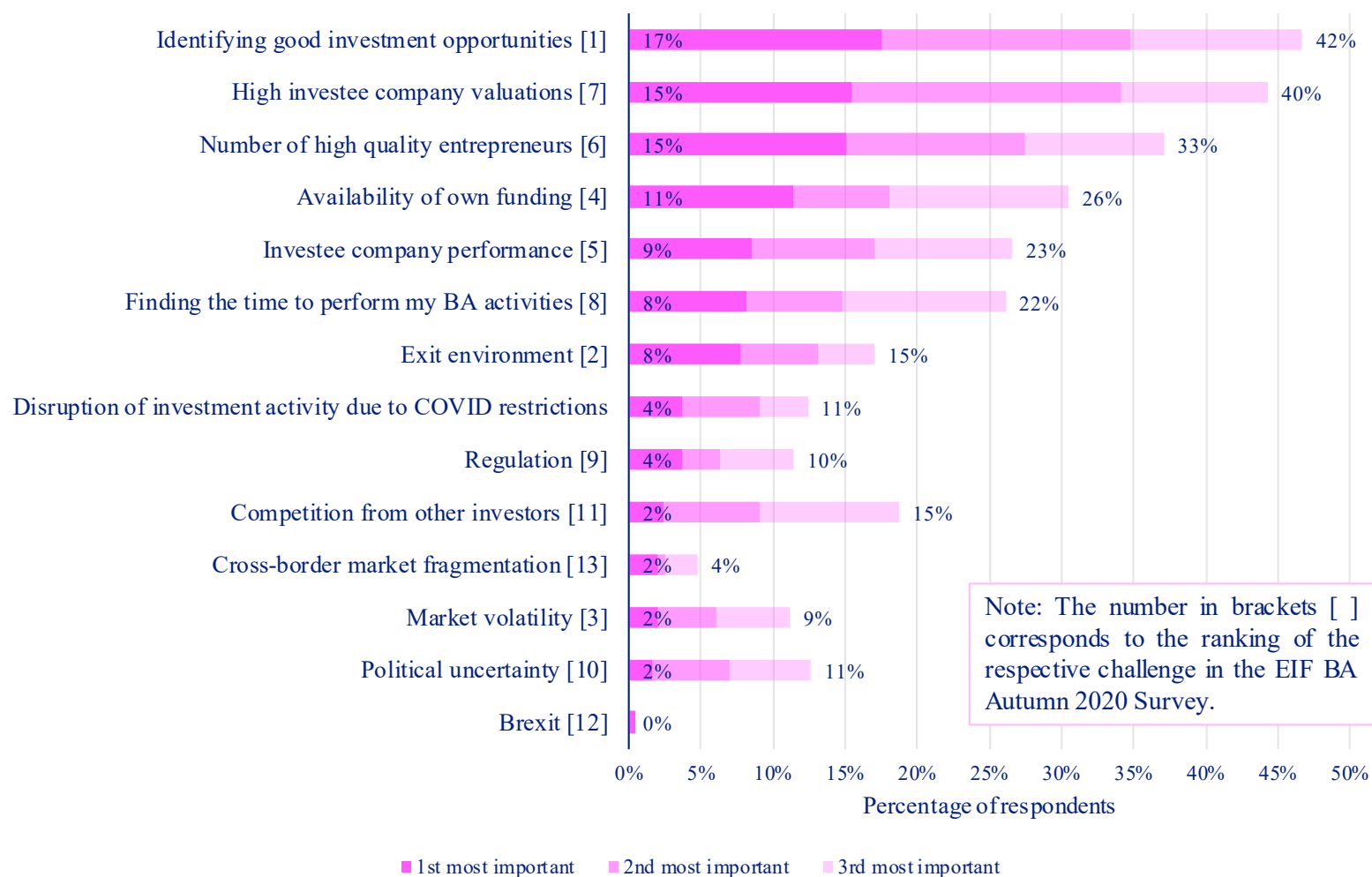
Q: “Please select the biggest challenges currently faced by your portfolio companies, in order of importance.”

Note 1: The graph shows the percentage of respondents that selected the respective challenge as the first most important in each wave.

* Note 2: In the Autumn 2020 Survey, we measured the number (percentage) of investors who perceive *securing financing/liquidity as a challenge only cumulatively*. As such, it ranked first. In the 2021 survey we measure *securing equity financing, securing debt financing, and securing liquidity* separately.

- In the February/March 2020 Survey, “Recruiting high quality professionals” and “Customer acquisition and retention” were the biggest challenge faced by portfolio companies. **The 2021/22 survey wave produces results very close to those pre-pandemic.**
- In Autumn 2020, more immediate challenges became prevalent due to the COVID-19 crisis, with “Business disruption due to COVID-19 related restrictions” decreasing the importance of challenge to “Recruit high quality professionals” at that moment.

Biggest challenges in BA business



“Identifying good investment opportunities” remains the most important challenge currently seen in BA business.

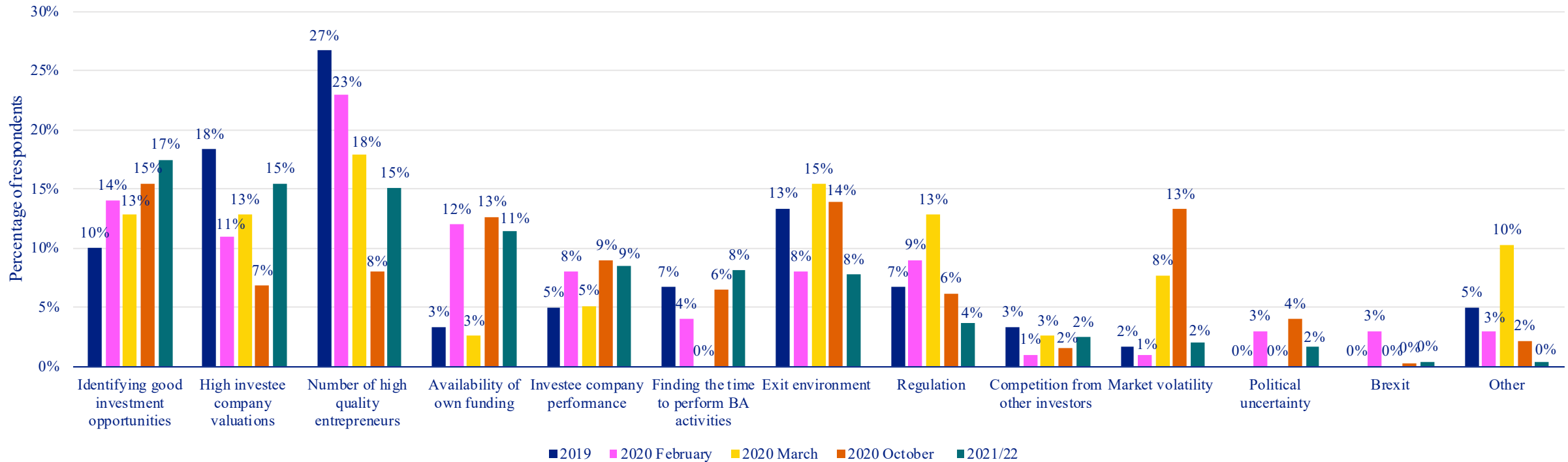
- **High investee company valuations** have become increasingly important since the previous EIF BA Survey wave, increasing from 7% to 40%.
- Similarly, the **number of high-quality entrepreneurs** has also become more important as a challenge, increasing from 8% to 33%.
- The **exit environment** was identified as the top challenge in BA business during the Autumn 2020 Survey wave; in 2021/22, it ranked only 7th.
- When asked about the **challenges regarding the exit environment**, a non-negligible number of BA investors complain about non-developed secondary markets and immature capital markets in the EU, difficulty to find strategic partners, low levels of European IPOs, and non-harmonized tax regulation.
- Similarly, “**Market volatility**” ranked in the third place during the Autumn 2020 Survey wave, while in 2021 it ranks only 12th.

Q: “Please select the biggest challenges currently faced by your portfolio companies, in order of importance.”

Q: “What are the main challenges regarding the exit environment?”

Note: The graph shows the total percentage of responses with respect to the three most important challenges. Responses have been ranked according to the first most important challenge.

Biggest challenges in BA business over time

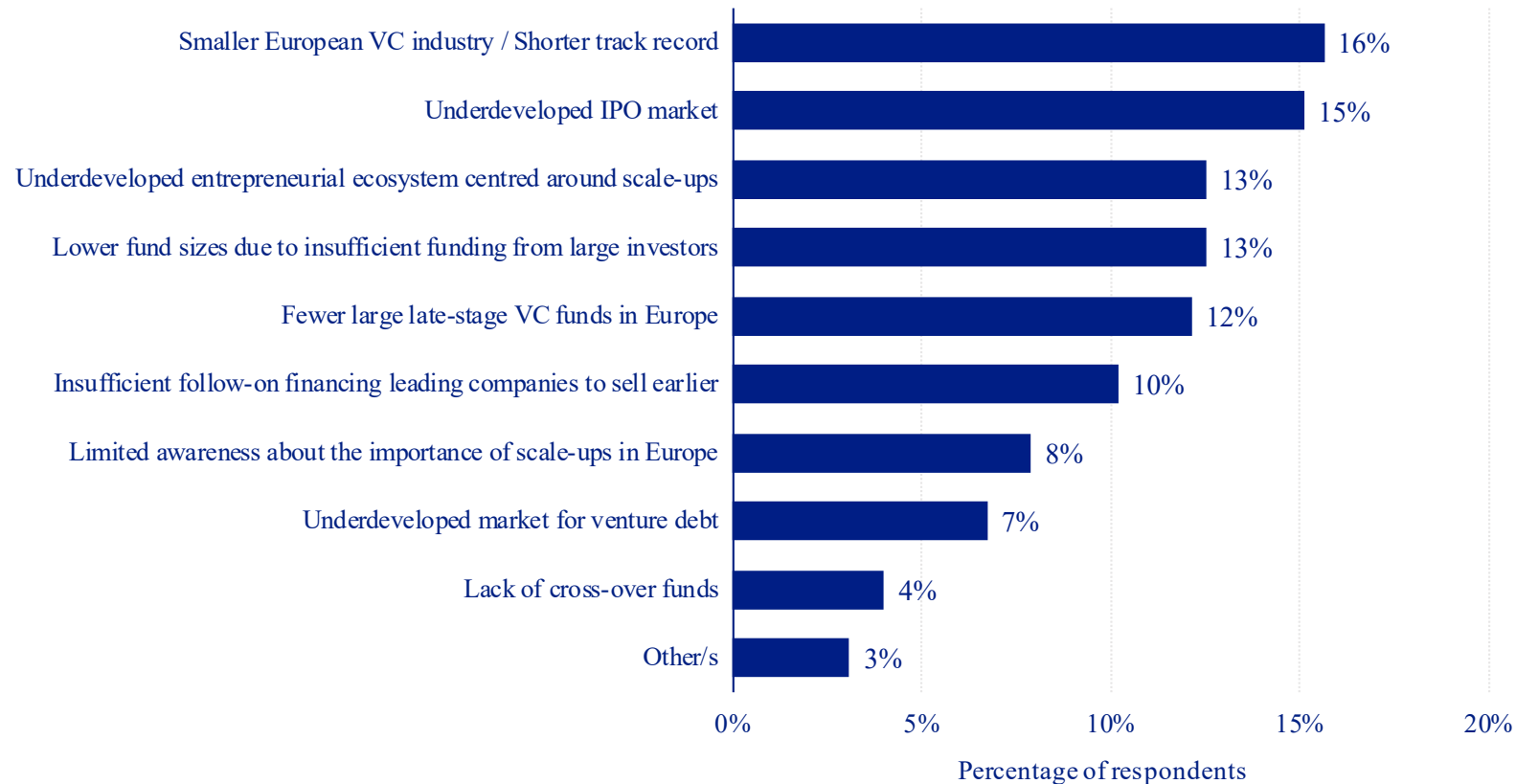


“Identifying good investment opportunities” has increased in importance as a challenge for BA activities over time.

Q: “Please select the biggest challenges you see in your BA activity, in order of importance.
 Note: The graph shows the percentage of respondents that selected the respective challenge as the first most important in each wave.

- During the early phase of the COVID-19 crisis in **March 2020**, “Exit environment” and the “Market volatility” became significantly more important as challenges, while “Finding the time to perform BA activities” and “Availability of own funding” became less prevalent.
- Compared to March 2020, the **Autumn 2020** Survey saw a major increase in the importance of “Availability of own funding,” “Market volatility” rising further.
- **2021/22** again saw major changes: “Market volatility” and the “Exit environment” decreased to their pre-crisis levels, while “Number of high-quality entrepreneurs” and “High investee company valuations” have risen in importance.

Factors explaining the European scale-up gap



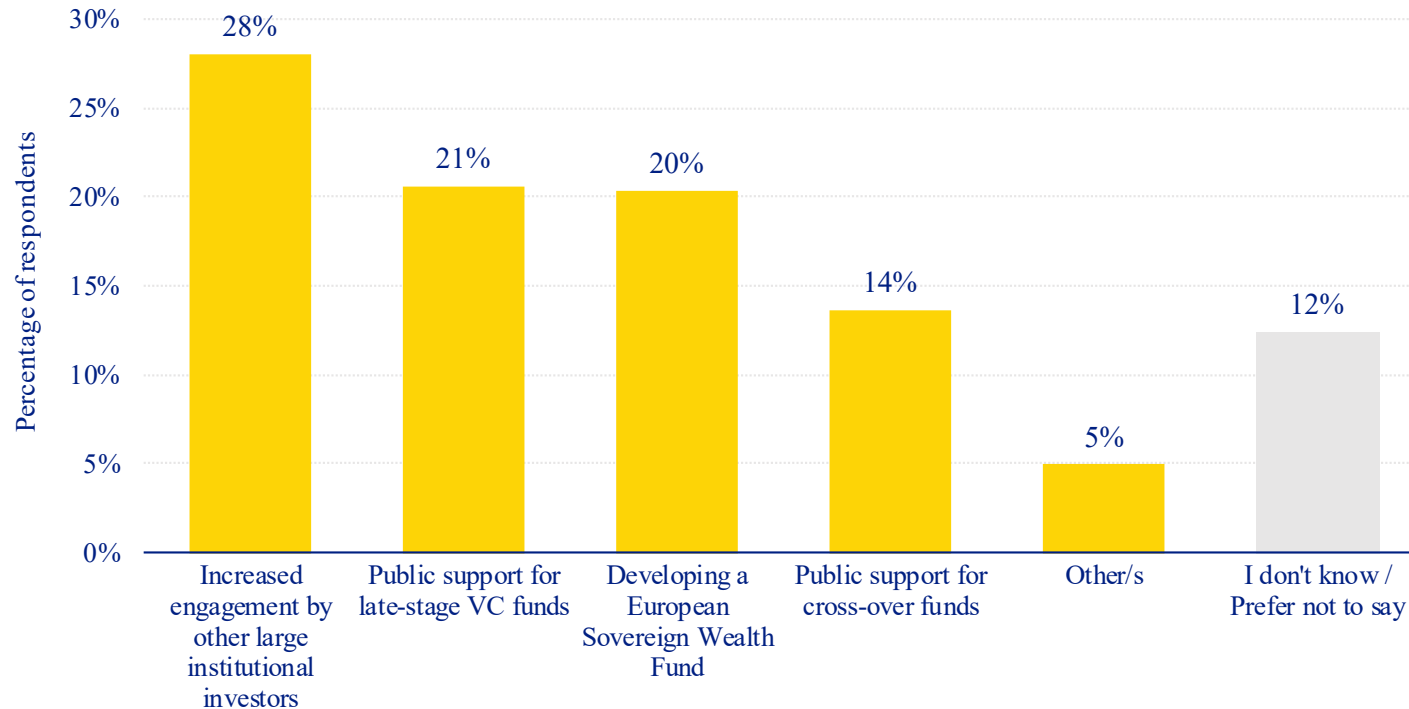
The smaller European VC industry with its shorter track record and the underdeveloped IPO market are stated most frequently as reasons for the European scale-up gap.

- The BA investors also consider the **underdeveloped entrepreneurial ecosystem centered around scale-ups, lower fund sizes, and the fewer large late-stage VC funds** to be important factors explaining the European scale-up gap compared to the US.
- As several additional factors were also selected by respondents, the results show that a wide range of factors seems to explain the scale-up gap.

Q: “Which factors would you consider most important in explaining the European scale-up gap compared to the US?”

Note: Multiple selection possible.

Bridging the European scale-up gap



Note: Multiple selection possible for this question.

Q: “Which factors would be most effective in bridging the late-stage financing gap for European scale-ups?”

Note: Multiple selection possible.

The BA respondents consider an increased engagement by large institutional investors to be the most effective factor in bridging the late-stage financing gap.

- In addition to the increased engagement by large institutional investors factor, the BAs also consider **public support for late-stage VC funds** and **the development of a European Sovereign Wealth Fund** to be effective factors in bridging the financing gap for European scale-ups.
- On the other hand, **public support for cross-over funds** has been considered by a smaller percentage of BAs to be among the most effective factors.

Concluding remarks

*EIF BA Survey
wave 2021/22*

European BA market recovered, but challenges remain

Strong recovery in 2021/22

- In 2021/22, the **European BA activity recovered** from its COVID-19 crisis slump. According to the *EIF BA Survey*, a survey of business angels investing in Europe, **BA investors** have become very **optimistic** again. The **current market situation** is perceived **even better than before the COVID-19 crisis**. **Expectations** for the months succeeding the survey are **very positive**.
- The perception of the **business environment** has been restored to pre-COVID levels and the **exit environment** has substantially recovered since last year. The percentage of respondents reporting an increase in the number of their **new investments** is larger than before the crisis. Following a slump amid the crisis in 2020, **valuations** and **transaction prices** have rebounded upwards and are expected, on average, to increase further.

Mixed COVID-19 impact

- The crisis had a **heterogeneous impact** on the BA investors, with about a third having to provide **additional investments** to their portfolio companies.
- The largest share of respondents view the impact of COVID-19 on the **current performance** of their portfolio as **neutral** – a considerable improvement from 2020. When looking at the expected **final portfolio performance**, most respondents are also rather **neutral**.
- Expected NAV development is found to be **more positive** in 2021/22 than in 2020.
- **Compared to VCs and PE MMs** (see EIF Working Papers [2021/074](#) and [2021/078](#)), **BAs perceive a more negative impact of COVID-19 on the performance of their funds than VCs, but less negative than PE MMs**.

Challenges remain

- **“Recruiting high-quality professionals”** and **“Customer acquisition and retention”** are the two most important challenges faced by the BA-backed companies at the moment.
- **“Identifying good investment opportunities”** and **“High investee company valuations”** remain the most important challenges currently seen in BA business.
- The most promising sectors for future BA investments are in the areas of **digitalization, healthcare, and sustainable approaches**.

Policy implications

A crisis is also an opportunity

- In the aftermath of the COVID-19 crisis in Autumn 2020, BA investors participating in the *EIF BA Survey* stated several **positive developments**. In particular, the acceleration of digitalization resulting from the crisis is seen as a substantial opportunity.
- **COVID-19 accelerated the adoption of new technological solutions and business models**, which benefitted portfolio companies across a wide range of industries offering such solutions.
- The *EIF BA Survey* results support the notion that there exists an **unprecedented opportunity to benefit from some of the strong tailwinds created by the crisis**, for example in the digital transformation across sectors.

Support through appropriate instruments

- **These opportunities might not always be supported by sufficient availability of financing sources**. Previous survey results suggest that this is **particularly relevant in the pre-seed, seed and (very) early stages as well as in the growth stage segment and in the financing of “scale-ups”**. This creates a need for **policy measures** that appropriately ensure that companies which are implementing new opportunities will have sufficient **access to finance**.
- In that respect, **financing provided by BAs is particularly relevant**, which often target the very early stages of a start up’s life cycle.

Existing and new policy solutions

- However, previous survey results have shown that **BAs were less prone to apply for public support measures** than other investors.
- **New and creative policy solutions**, making the best of digital technologies, will be pivotal in developing an increasingly interconnected and thriving European BA ecosystem, capable of nurturing the tech champions of tomorrow.
- Moreover, **policy responses should entail a combination of new and existing measures**. In the case of financial instruments, these should support both existing and new financing channels and market players.

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*Information
about this
study*

*EIF BA Survey
wave 2021/22*

The EIF BA Survey

General survey approach

- The EIF equity surveys are **online surveys** of Venture Capital (VC) and Private Equity (PE) Mid-Market (MM) fund managers, as well as of Business Angels (BAs) investing in Europe.
- Our surveys target **both EIF-supported as well as non-EIF supported** fund managers and BA investors.
- This study is based on the *EIF Business Angels Survey (EIF BA Survey)*.

Respondents and survey period

- The 2021/22 wave of the *EIF BA Survey* includes anonymised responses from a total of **246 BA investors**.
- The survey benefitted from **cooperation** with two partner organisations: A part of the sample for the *EIF BA Survey* 2021/22 comprises members of **Business Angels Europe (BAE)** and **The European Trade Association for Business Angels, Seed Funds and Early Stage Market Players (EBAN)**.
- Responses were received between 15 November 2021 and 5 March 2022.
- As 99% of the responses have been collected before 24 February 2022, **the survey results do not reflect the effect of the war on Ukraine** on BA investors.

Topics

- The main **topics** covered in the 2021 survey are **market sentiment, impact of COVID-19, environment & climate, and gender diversity**.
- **The focus of this study** is on the survey results for the topics of **market sentiment, as well as the impact of COVID-19**. We look at the current situation, developments in the recent past, and expectations for the future. The study therefore provides a unique picture of the developments and the market sentiment in 2021/22.
- Since the market sentiment topic was also covered in all previous survey waves, the main results are summarized and compared on a **time series** basis.

How to read the results

General information

Some results shown in this publication are based on a number of respondents that is smaller than the overall number of 2021/22 EIF BA Survey respondents, either because the other respondents selected the “I don’t know / Prefer not to say” response option or because a filter question preceded the question under consideration. Further details are available upon request.

Terminology: Survey waves

- The following analyses also use results from the previous *EIF BA Survey* waves:
 - “2020 Oct”: 30 September – 5 November 2020
 - “2020 Mar”: 1 March – 16 March 2020
 - “2020 Feb”: 5 February – 28 February 2020
 - “2019”: 28 March – 10 May 2019

Please note that the survey results for “2020 Feb” and “2020 Mar” are based on the first 2020 EIF BA Survey wave, which was performed between 5 February and 16 March 2020. In order to analyze the immediate effects of the COVID-19 crisis, the results of that survey wave were split into two response sets: (i) responses received in February, and (ii) responses received in March. See [EIF Working Paper 2020/064](https://www.eif.org/news_centre/research/index.htm) for details.

Terminology: “Net balances”

- The “**net balances**” (shown in the graphs on the right-hand axis) refer to the percentage of respondents reporting a positive response, minus the percentage of respondents reporting a negative response. (For example: In the question “Over the next 12 months, how do you expect the number of your new investments to develop?”, the net balance refers to the percentage of respondents expecting the number of their new investments to slightly/strongly increase, minus the percentage of respondents expecting the number of their new investments to slightly/strongly decrease.)
- Percentages may not always add up to 100% due to rounding.

List of acronyms

- BA(s): Business Angel(s)
- CESEE: Central, Eastern, and Southeastern Europe
- CEO: Chief Executive Officer
- COVID(-19): Coronavirus disease pandemic
- DACH: Austria, Germany, and Switzerland
- EIB: European Investment Bank
- EIF: European Investment Fund
- EU: European Union
- EUR: Euro
- GP(s): General Partner(s)
- ICT: Information and Communications Technologies
- IPO: Initial Public Offering
- LP(s): Limited Partner(s)
- PE MM: Private Equity Mid-Market
- PEs: Private Equity fund managers
- Q: Question
- RMA: Research & Market Analysis
- SME: Small and Medium-sized Enterprise
- SPAC: Special Purpose Acquisition Company
- UK: United Kingdom
- USA: United States of America
- VC: Venture Capital
- VCs: Venture Capital fund managers

*Respondents'
profile and
investment
characteristics*

*EIF BA Survey
wave 2021/22*

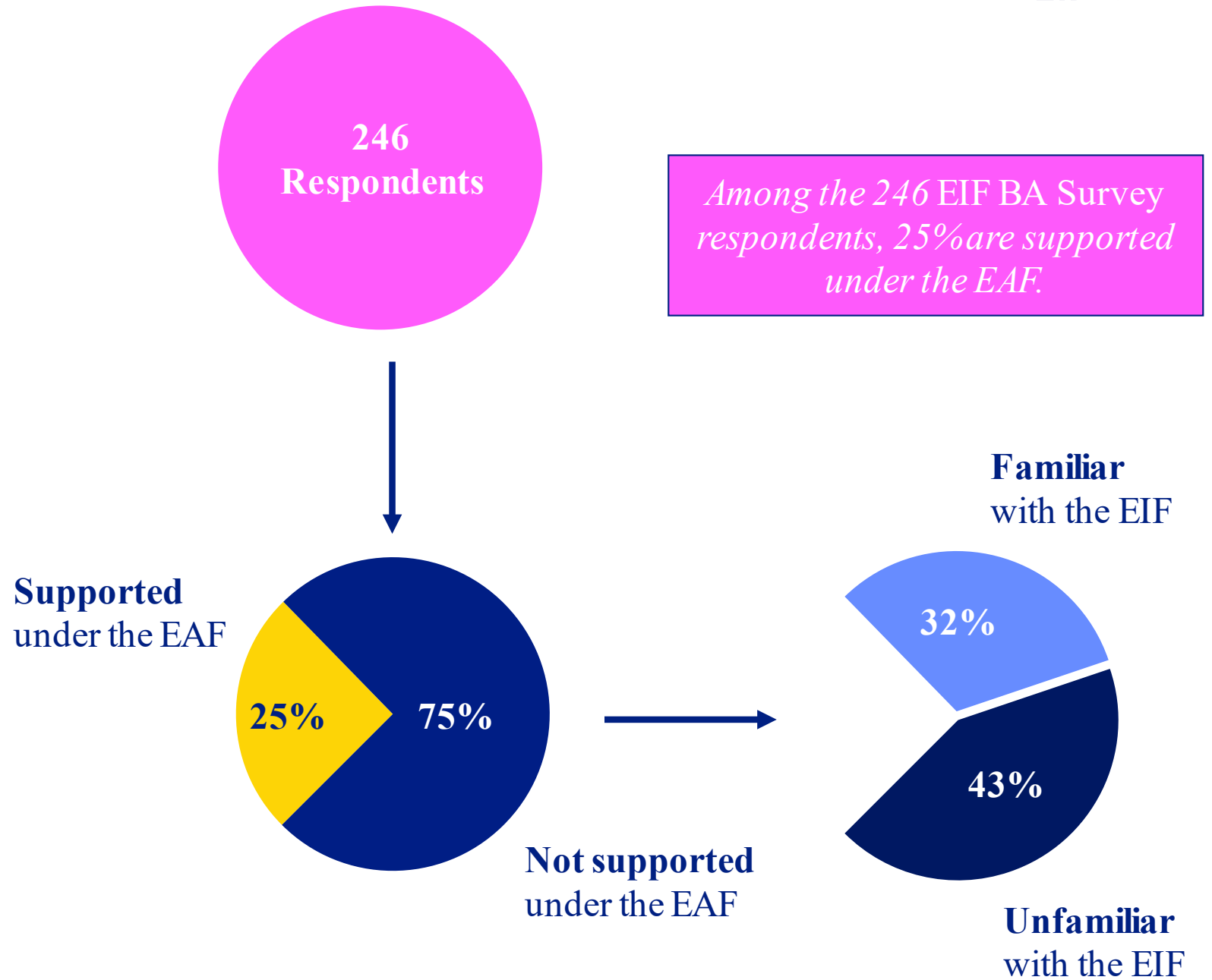
EIF relationship

- Overall, **246 BA investors** have responded to the 2021/22 EIF BA Survey.
- Out of these, **62 respondents (25%) were supported** by the European Angels Fund (EAF)*, while **184 respondents (75%) were not supported**.
- Among the respondents that were not supported by the EAF, **79 BAs were familiar** with the EIF and its activities (32% of all survey participants), while **105 BAs were not familiar** (43%).

Q: "Do you benefit from support under the European Angels Fund (EAF)?"

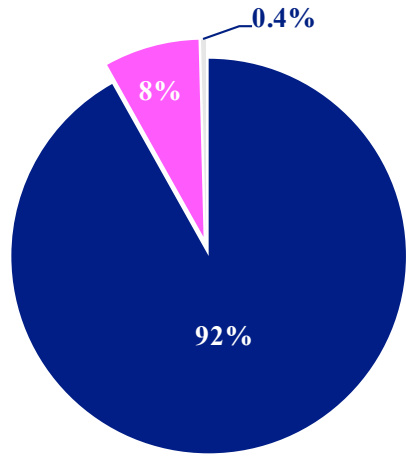
Q: "Are you familiar with the EIF and its activities?"

*EAF: [European Angels Fund](#), an initiative advised by the EIF



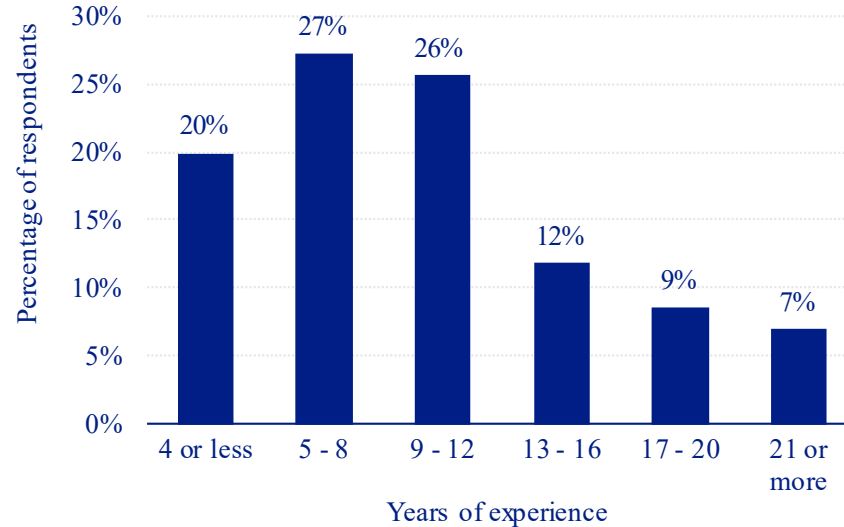
BAs' human capital characteristics

BA gender

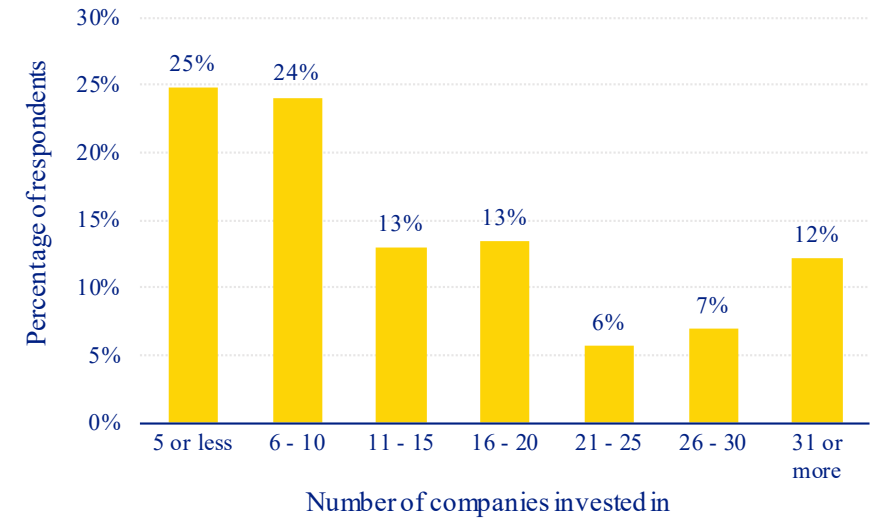


■ Male ■ Female ■ Prefer not to say

Years of experience



Number of companies invested in



Q: "What is your gender?"

More than 9 out of 10 EIF BA Survey respondents are male.

Q: "In total, how many years of experience as a BA do you have?"

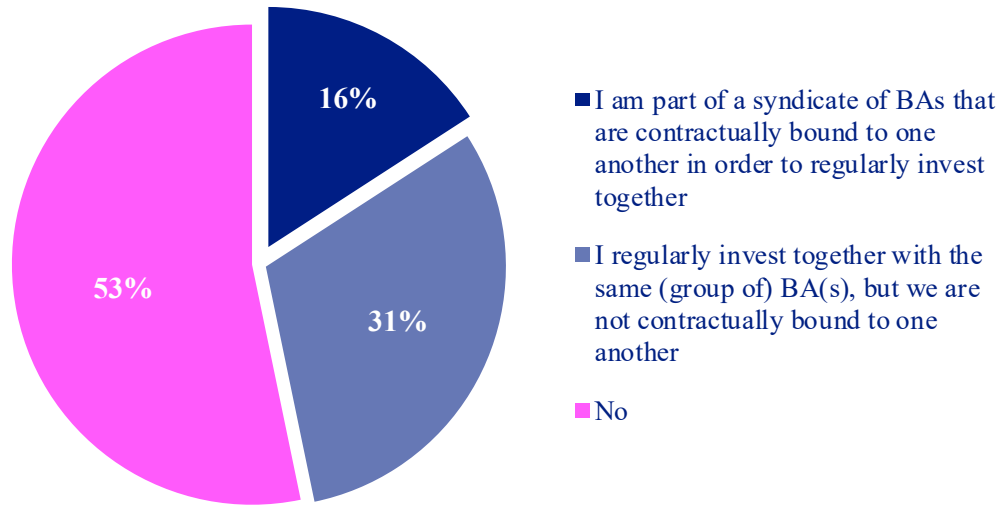
Over half of the BA investors have between 5 and 12 years of experience working as BAs.

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

About half of the respondents have invested in 10 or less companies as BAs, with 12% investing into more than 30.

Syndication & Volume of BA activity

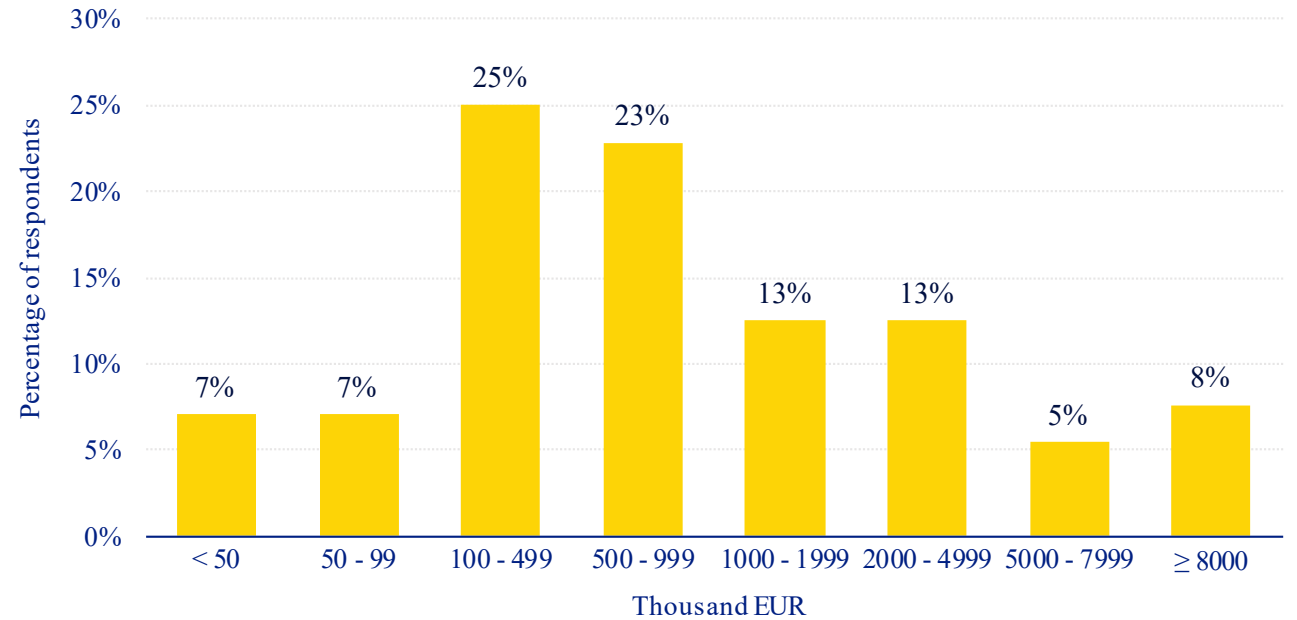
Part of BA syndicate



Q: "Are you part of a stable BA syndicate?"

Almost half of the BA respondents are part of a BA syndicate, with 16% being part of a syndicate contractually bound to one another.

Total volume of BA activity

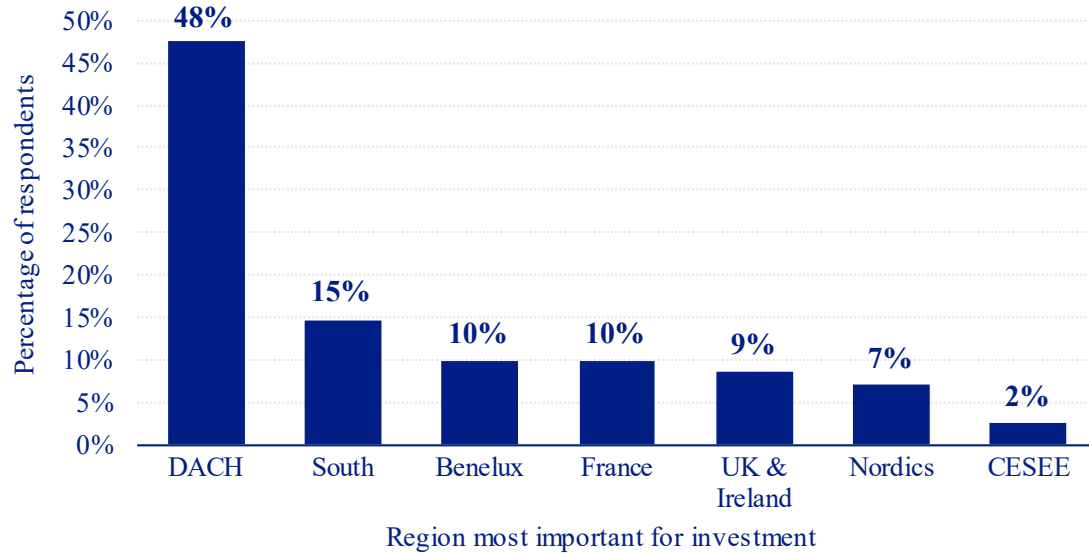


Q: "What is the total volume of your BA activity (including commitments from the EAF or other parties), in Euro?"

BA investors have most frequently a total volume of activity between EUR 100k and EUR 500k, with about 50% being between EUR 100k and EUR 1m.

Key investment region & stage focus

Most important investment region

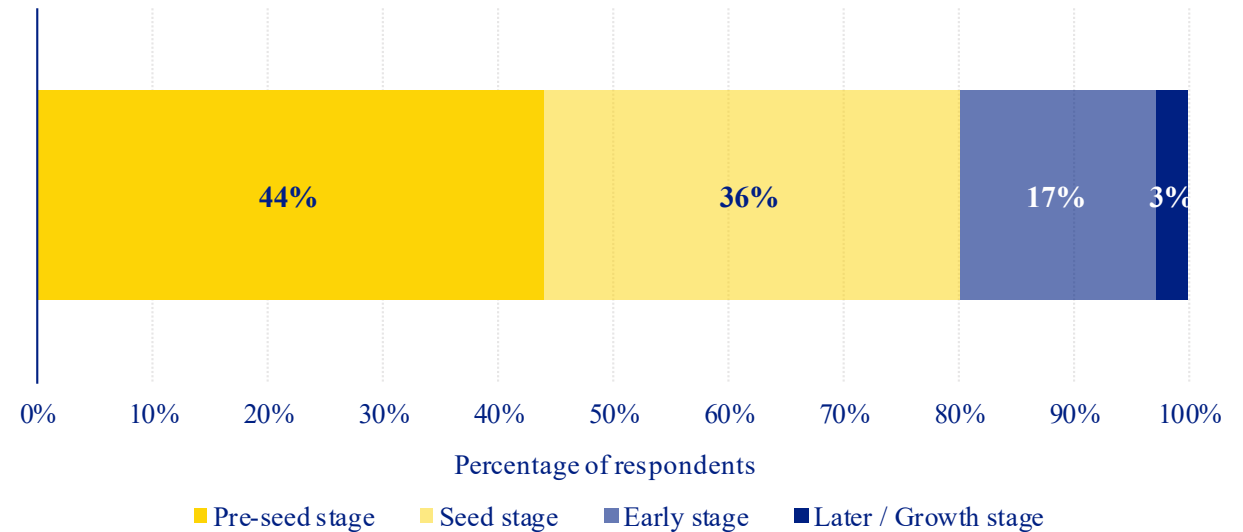


Note: The high share of BAs stating Germany as their most important target country for investments reflects the facts that 33% of surveyed BAs are members of Business Angels Netzwerk Deutschland (BAND) and that Germany was the first country in which an EAF compartment was implemented.

Q: "Please rank the most important countries in which you invest as a BA, in order of importance."

Most BA respondents invest in the DACH region. In terms of countries, Germany (42%), France (10%), Portugal (7%), and the UK (7%) are most relevant.

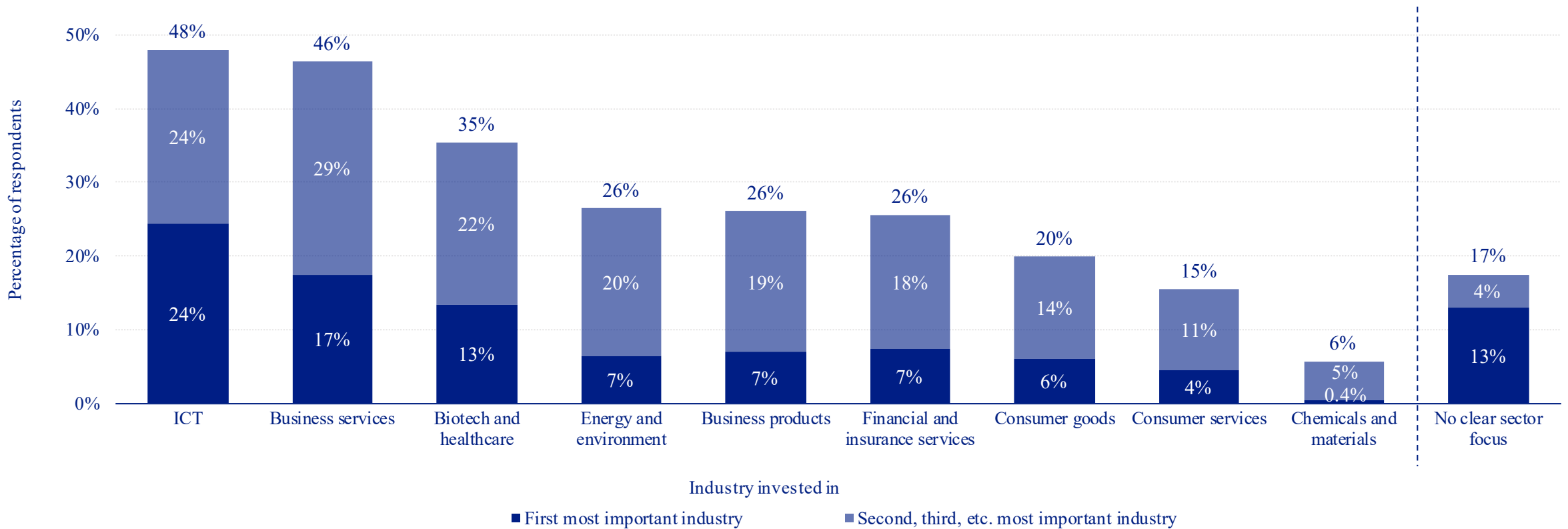
Most important investment stage



Q: "What is (are) the most important stage(s) in which you invest as a BA?"

As expected, the majority of the BA investors (80%) focus on the earliest investment stages – i.e., pre-seed and seed stages.

Most important industries invested in



Q: "Please select the most important industries in which you invest as a BA, in order of importance."

ICT, Business services, and Biotech and Healthcare are the key industries of investment for BAs, while Chemicals and Materials are the least important.

Annex

*EIF BA Survey
wave 2021/22*

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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.

... 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.

... this Working Paper series

The EIF Working Papers 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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