

The Climate for Angel Investing

**Analysis of Angel Survey by
UK Business Angels Association**



Foreword

Building a thriving and effective community of Angel investors is core to our work at UKBAA and is fundamental to the whole supply chain of equity investment for small businesses from start-up through to scale-up. This Survey was aimed at helping us to better understand the characteristics of our Angel community, their current investment activity, plans for the future and challenges they are experiencing, at a time when there are potentially important economic challenges at both a global and domestic level. I should like to thank all of the investors for taking the time to respond to our Survey.

This research has enabled us to identify the changing demographic of our investment community, showing a clear increase in the number of Angels under 45 whilst we also saw a strong prevalence of Angels with extensive experience of 7-15 years and strong portfolios. At the same time the diversity of our Angel base is only changing slowly, despite the efforts of many of our community and we need to further build on this joint work through a proactive approach in the year ahead to ensure greater representation of diverse Angel investors.

Our respondents all identified the importance of the EIS and SEIS scheme to their investing, but all identified the likely impact of the scheme withdrawal under the 2025 Sunset Clause on their capacity for investment. Furthermore, around one third of our respondents intended to invest less with a number of concerns about the current global and domestic challenges to our economy. However, it was heartening to learn that a significant proportion of the Angels intend to continue their level of investment, with some investing more in the coming months.

Yet, we cannot take the resilience of our community for granted. We need to build on these valuable findings, working with all key players to address these challenges and to ensure that Angel investors can receive the support they need to back great businesses across the UK

Jenny Tooth OBE, Executive Chair, UK Business Angels Association



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The Angel Demographics

NUMBER OF RESPONDENTS

We received 171 responses to our survey.

GENDER

14.5% female Angel respondents is a useful improvement on the 13% that responded to our 2020 survey.

The growth of women-led Angel groups like Angel Academe and Alma together with key initiatives such as the Investing in Women Code and the Women Backing Women Campaign, alongside regional developments such as Women Angels of the North are beginning to have an impact on the number of women coming forward to Angel invest.

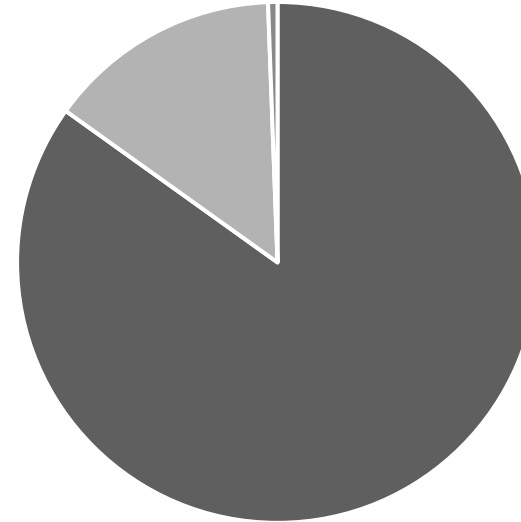
ETHNICITY

The number of Angel respondents to our survey compares relatively closely to the 2011 census data on the UK as a whole (shown in brackets) there is still under representation across major ethnic groups. With such a high number of Angel respondents based in London, which has a more diverse investment base, we could expect to see a higher representation of black and ethnic minority Angel respondents to be truly representative.

Broadening the investment base to include Ethnicity remains an important challenge for our industry.



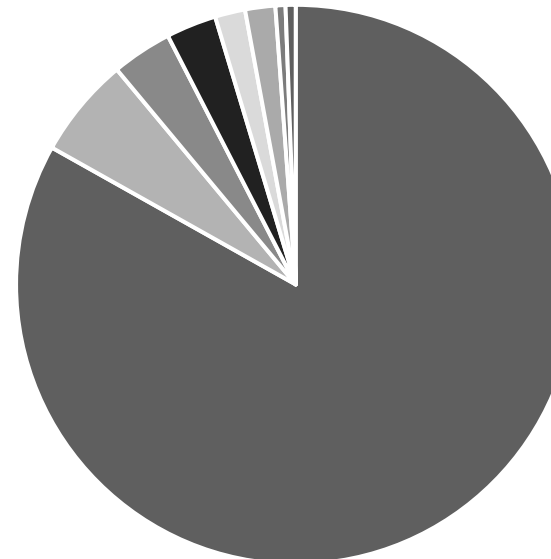
Gender



**85%
Male**

**14.5%
Female**

Ethnicity



83% (86%) White

6% (7.5%) Asian or Asian British

2% (3.3%) Black, African,

Caribbean or Black British

3% Other Ethnic Group

2% Mixed or Multiple Ethnic

Groups

3% Preferred not to say

The Angel Demographics

AGE

Investors are getting younger. 20% of those who participated in the survey are under the age of 44, up from 14% in 2020 (BBB-UKBAA UK Angel Market Report). There are a number of likely reasons for this development. TV, press and social media have raised awareness among younger people in business and the professions about entrepreneurship and the opportunity to back early-stage ideas and innovations as part of their own personal and financial development.

Technology has made access to, and visibility of, early-stage deal flow far simpler than before. It has also driven down the cost of making an investment and managing a shareholder base which in turn has reduced the minimum investment amount. This increases accessibility, making it easier to build a portfolio of investments with fewer resources.

LOCATION

As we see from the mapping of respondents' location, there remains a deep concentration of Angel investors in the London, Oxford, Cambridge triangle. We know from previous research that investors tend to invest in their own home region. This highlights the importance of further growing local, sustainable investment groups around the UK to ensure access for regional entrepreneurs.



Age



Location





Angel Investment Activity

LEVEL OF INVESTMENTS

Our investor respondents have invested a total of £141 million between them into 3,349 founders to date, with some developing their portfolio over many years.

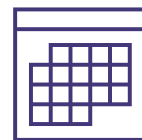
PORTFOLIO SIZE

Whilst Investors have varying portfolio size, with an average of 20 founders per investor, it is clear that many of the investors have built up extensive portfolios to spread their risks .

EXPERIENCE

With many of our respondents still new to Angel investing, it is encouraging to see the significant level of experience that many of the Angels have in our community, with an average of 7 years and with some bringing over 15 years of Angel investment experience.

Number of Years as an Angel



Total	Mean	Mode
1261	7.3	15+
Years	Years	Years

Amount Invested as an Angel



Total	Mean	Mean	Mean
£141m	£823k	£112k	£42k
Invested	per Angel	per Year	Per Founder

Number of Founders in the Portfolio



Total	Mean	Median
3349	20	12
Founders	Founders	Founders

Angel Investment Activity

The survey shows that Angel investors have maintained confidence in investing with 88% of them making an investment during the 21-22 tax year. However, whilst the average level over the year was £180k, 8% of Angels invested over £500k during the year.

RATE OF INVESTING

Investors deployed during the year at a relatively high rate, making 5 investments each in the year, equivalent to an investment every 2.4 months.

TICKET SIZE

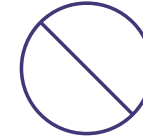
Previous surveys conducted by the BBB and UKBAA showed average ticket size to be between £25k-£40k. At £35k average ticket size per investor per round, this is a fairly high year for Angel investors.



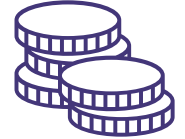
Investment Activity in the 21-22 Tax Year



Average Ticket Size
£35k



12%
Did not invest during the tax year



8%
Invested over £500k

Total £30m Invested



Total 880 Founders

Mean £180k Invested per Angel



Total 5 Founders



Mean £35k Per Founder

Supporting Founders

Angels are well known for bringing significant value to a founder's journey, over and above the investments that they make. This survey clearly underlines this with 74% of investors offering additional support to an average of 7 portfolio businesses. This again highlights the benefits that investors can bring to founders with 1175 founders having been supported by our group of Angel respondents

Support is being offered by the Angels on a range of levels, with 43% offering strategic support through a full board position or observer role. Whilst a significant level of support is also being provided with further funding rounds and introductions and connections.



How often do you support your investee businesses?



1175

Founders supported on their Journey



7

Founders are supported per Angel on average



74%

Provide support to their portfolio businesses

What type of support do you provide to founders?



43% Board position or Observer role

29% Hands on support

51% Support with further funding rounds

59% Introductions and Connections

The Usage of EIS & SEIS

97% of the investors in our survey have used one or more of the EIS or SEIS schemes. Over 50% of the respondents are using both during the year. This shows the importance of the schemes to Angel investors and the high level of usage.

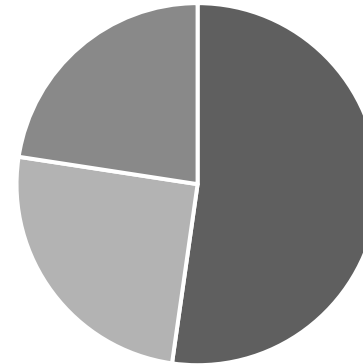
However of the £31m invested using the schemes in the 21-22 tax year, 22% of this investment was deployed without using the EIS/SEIS schemes. This demonstrates that Angel investors are identifying deals that they may fall outside the schemes eligibility and are not motivated by the presence of the reliefs.



S/EIS usage in the 21/22 Tax Year



97% of investors that invested in the tax year used either SEIS or EIS, **51%** used both

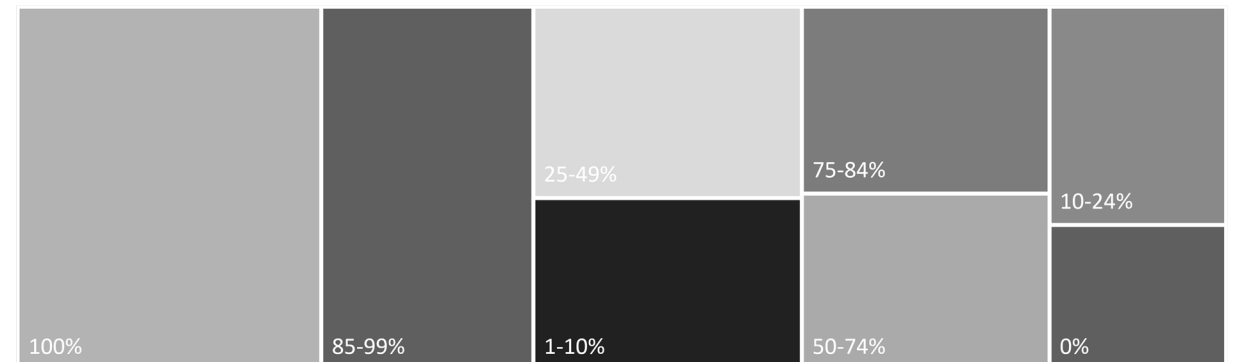


£7.8m (25%) Invested under SEIS

£16.2m (52%) Invested under EIS

£7.0m (22%) Invested without either

The proportion of Angel's investments which would use S/EIS in a typical year



The Importance of EIS & SEIS

88% of Angels cite EIS as very important or crucial in their decision to become an Angel investor.

However the Angels have clearly demonstrated that they were not driven by the tax breaks and this was more than just an incentive to invest. The schemes have also enabled them to invest in riskier, earlier-stage businesses, to make more investments in those businesses and to invest more of their available capital than they would have expected to without EIS or SEIS.



How important is EIS to your decision to be an Angel investor?



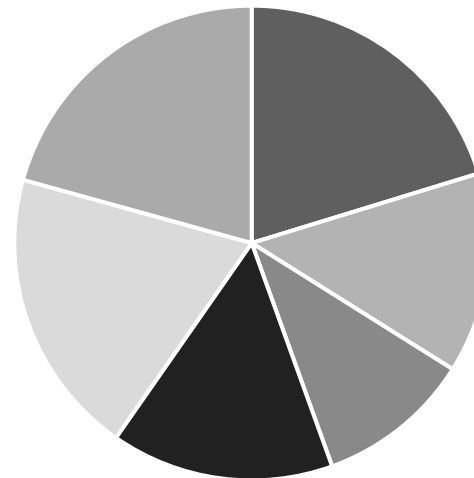
63% Crucial

25% Very Important

7% Moderately Important

5% Not Important

What has EIS enabled you to do?



55% Back earlier stage businesses

54% Become an Angel investor

52% Make more investments

40% Invest more capital into small businesses

36% Back my local economy

28% Back early commercialisation of new ideas

The Impact of the Withdrawal of EIS

Investors completing this survey were aware that the EIS scheme is at risk and may well be allowed to end in 2025 under the existing Sunset Clause.

Our survey revealed the huge impact that the withdrawal of the scheme would have on the Angel community, with the majority of Angel respondents (88%) identifying that they would either reduce or cease Angel investing, whilst 45% would no longer back risky or early-stage businesses. This demonstrates that ending the EIS scheme would have a catastrophic impact on the UK's growing and successful startup and scaleup movement.

It would remove not only a significant pool of capital deployed in the UK but remove capital from crucial early, high-risk stages and alongside it the invaluable advice and support that Angel investors bring to their investee businesses.

This provides us with clear evidence to provide to the Government that they should take steps immediately to provide certainty to the Angel investment community that EIS will continue beyond the 2025 Sunset Clause.

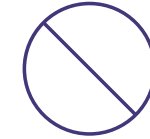


What do you feel would be the impact on your capacity and willingness to invest in early-stage businesses if the EIS scheme were abolished in 2025 under the Sunset Clause?



88%

Would either reduce their investing or cease altogether



45%

Would no longer invest in risky or early-stage business

I would make fewer investments in start up and early stage businesses	I would invest lower amounts of capital into start ups and early stage businesses	I would no longer invest in start-up or early stage businesses	I would only invest in revenue generating de risked businesses
			I would...



The Outlook for Angel Investment in the Year Ahead

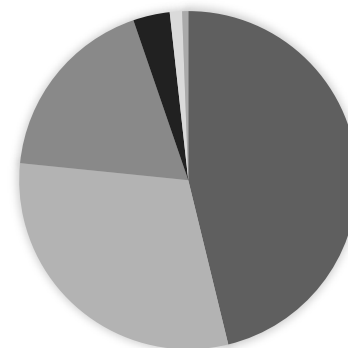
Angel investors are using their own personal available finance to back risky, early-stage businesses so they are especially sensitive to economic changes. This was clearly evident in the previous financial crisis and under COVID when levels of Angel investing were severely impacted. We wanted to understand therefore how far the current global and domestic challenges were affecting Angel investment in 2022.

Nearly half of the Angels listed three or more different factors as influencing their investment decision making process.

It is good to see that two thirds of our respondents intend to invest as much as the previous tax year, with 18% of these planning to invest more. At the same time a third of our respondents felt that the cost of living crisis and the potential UK recession are having a clear influence on their appetite to invest, with a small group planning to do no further investing this year.

We know from existing data that any reduction in the number of deals being done at the early-stages will have a direct knock-on effect on the pipeline for capital, so we need to monitor any further fall-off of Angel investment in the months ahead and ensure that other challenges such as uncertainty on the future of EIS are addressed as soon as possible.

Over the next 12 months what will your level of investment look like compared to now?

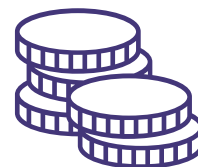


46% I will invest at a similar level

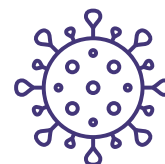
30% I will invest less

18% I will invest more

4% I will not invest



71% of investors that are investing less this year cite the cost of living crisis or the potential UK recession as a key influence



Only **6%** of investors investments are influenced by covid



About us

The UK Business Angels Association (UKBAA) is the trade body for Angel and early-stage investing in the UK, representing over 200 member organisations and around 17,000 investors.

Our members collectively invest an estimated £2 billion per annum and are the UK's largest source of investment for start-ups and early-stage businesses seeking to grow.

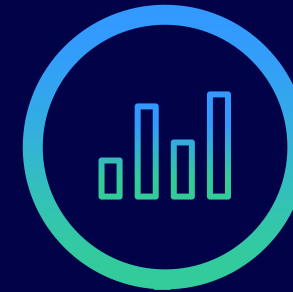
UKBAA acts as the voice of the early-stage investment community and strives to build, train and connect the seed investment ecosystem to ensure a coherent landscape for financing high-potential entrepreneurs.



1000s ANGELS



82 ANGEL GROUPS



50 FUNDS



15 PLATFORMS

ukbaa.org.uk

