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AUSTRIAN ANGEL INVESTORS ASSOCIATION ANNUAL REPORT 2018

Quick intro - about the Austrian angel investors association and what you can expect from this report	2
What we do	2
Our members	2
About this report	2
Background information and where we got the numbers from	3
Overview of the Austrian angel investors industry 2018	4
Angel investment insights	5
The typical Austrian angel investor - who are they?	5
Demographics	5
Personal traits	5
What an Austrian angel investors portfolio looks like	6
How much money angel investors really invest	8
Into one venture	8
Total value of angel investments	8
In 2018	9
When do angel investors get in?	9
Number of investments	9
In portfolio at one given time	9
In a lifetime	10
Portfolio satisfaction	10
Collaboration	11

Investment facts	12
Investment lifetime	12
Return on Investment	12
Successful exits	13
Where the money flows	13
Investment criteria	13
Industries & sectors	14
Development of the Austrian investment industry and what the future holds	14
How aaia contributes to the investment ecosystem	15

Quick intro - about the Austrian angel investors association and what you can expect from this report

What we do

The Austrian Angel Investors Association (aaia in short and what will be used throughout this report) is a private high-level network of successful entrepreneurs, investors and corporates in Austria. As a non-profit organization, we pursue the vision of sustainably promoting the investment culture in Austria through targeted measures and strengthening the business location in the long term.

This is done by raising awareness about alternative investments in general, improving angel investment legislation, collaborating, passing on valuable know-how and connecting nationally and internationally.

Together with our strong partners, we at aaia are dedicated to bringing together experienced investors with those who are just starting off or want to become investors so we can support each and every one of them on their journey.

We give people a reason to invest in the future and the next generation - today.

Our members

aaia's members are extremely diverse, many of them include successful entrepreneurs, top managers, and corporations. The one thing that brings them all together is a passion for new and innovative ideas and a drive to turn visions into reality. As you read on in the report you will see that angel investors differ hugely - some invest thousands others millions, some have been investing for years and others are just starting out and some spend a large amount of time with the startups they've invested in whereas others rather little.

The thing is, there is no standard model when it comes to angel investing. Which is why we want to encourage more people to get into the industry - no matter what investment range you have at hand or what sector you've been working in.

About this report

This report gives an overview of the most important facts and figures of the Austrian angel investment industry in 2018. Figures can be a bit of a bore - we get it - which is why we dug into them for you to conclude and highlight the most vital findings of the Austrian angel investment industry in 2018.

In this report you will find out about; just what attributes a typical Austrian angel investor has, valuable investment insights of the market, where the money flows and trends in the industry.

Enjoy the read, and don't forget to forward on this report to anyone who you think would benefit from reading it.

Background information and where we got the numbers from

Since we set up aaia in 2012 - a thing or two has changed. The angel investment industry has grown, investments have risen and luckily, so have returns. In this report we dig deep into the numbers and show exactly where things are at in 2018.

We also take a look at how the numbers compare to 2016, how things have changed, how aaia has contributed to these developments in the past and more importantly - plans to drive the Austrian angel investor industry in the future.

For the purposes of understanding the industry better and creating this report, we decided to go to the source - Austria's core angel investors. By sending out an in-depth questionnaire to a wide network of angel investors (not just ours) and asking about where they've put their money during the year 2018 gave us a deep understanding of just what is happening in the industry right now. 106 angel investors partook in the questionnaire to be precise.

If you are wondering exactly how we distributed the questionnaire to ensure we receive a representative result, this is exactly how we went about it:

Austrian angel association network

As one of the leading angel investor associations in Austria we have access to a large group of top angel investors, so we initiated a big outreach campaign. We leveraged our email list, social media channels, created ads and reached out to our personal network for the purposes of creating this report.

Startup network

Angel investment and the startup network go hand in hand. So we got in touch with the big names and stakeholders in the startup scene such as IECT Hauser, Startup300,

Austrian Startups, Speedinvest, primeCROWD, AWS and asked them to distribute the questionnaire to their network using similar tactics as we did internally.

Press

Two Austrian start-up magazines, derbrutkasten.at and trendingtopics.at picked up our questionnaire and each created articles referring to it.

We then went on to crunch the numbers, analyse the findings and create this unconventional report.

Overview of the Austrian angel investors industry 2018

By carrying out this questionnaire we managed to get an in-depth analysis of the Austrian angel investors industry in 2018. For those who don't have the time to dig deep into this report, here is a quick overview of the most valuable insights we gathered.

A typical Austrian investor is male, around 45-54 years old and lives in Vienna. He spends around €50.000 - €100.000, per angel investment venture and the most common investment sum over a lifetime is between €300.000-500.000 and €1.000.000-2.000.000. The average investor also has 1-6 years experience and spends 0-10 hours on business angel activities a week. His portfolio contains around 1-5 investments and it is also very likely to hold foreign investments. 76.2% of business angels are not invested in venture capital funds with a focus on startups. Indicating that angel investing is a great alternative to venture capital funds.

Austrian angel investor's money tends to flow towards seed rounds, which is when the startup has already built a prototype. The majority of angel investors (70.9%) have already made an investment during 2018 and a quarter of all investors plan on investing more than €500.000 this year.

Portfolio performances generally fulfill expectations and one thing's for sure - angel investors are collaborators. More than half of investors prefer to invest in a syndicate rather than alone and to act as a co-investor rather than a lead investor.

Angel investment is definitely not considered to be a short term investment, a mere 0.9% of all Austrian angel investors hold their investment for less than 3 years in their portfolio. 76% - the majority plan to hold their investment for 3-7 years and 23.1% want to hold their investment in the long(er) term, more than 7 years.

Austrian's angel investors have proven to be rather successful - an impressive 12% of investors received more than 20x return on their investment. 50% of all angel investors have achieved at least one successful exit. Yet it turns out that Austria's angel investors are not just out for the money. Investors tend to feel very strongly about the personal attributes such as commitment and motivation of startup teams as investment criteria.

Whereas things like exit possibilities and return on investment actually tend to rank very low.

The most sought out sectors of investment in 2018 are software, e-commerce businesses and health tech/life science startups.

Angel investment insights

The typical Austrian angel investor - who are they?

Demographics

The typical Austrian investor is male and around 45-54 years old. Our questionnaire responses came in at 90.1% male and just 9.9% female showing that the Austrian Angel investor scene still remains hugely male-dominated. In future we want to encourage just as many women to join in and start investing in ventures. In terms of age, the largest proportion (39.6 %) of the participants is between 45 and 54 years old. Whereas only 16.5 percent are either younger than 35 or over 64 years old. The typical Austrian angel investor also lives in Vienna.

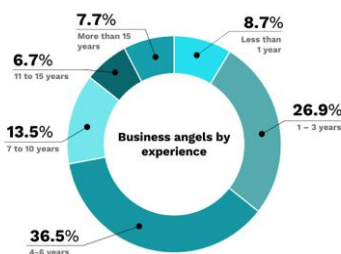
F4a



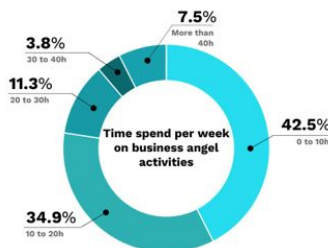
Personal traits

The average investor has 1-6 years experience, spends 0-10 hours on business angel activities a week and contributes to the startup by giving relevant advice as well as connecting them with their networks.

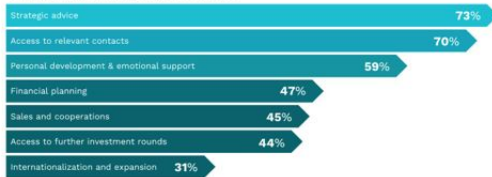
F2a



F2m



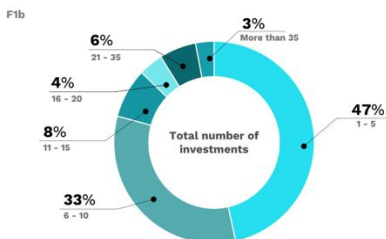
Support provided by angel investors



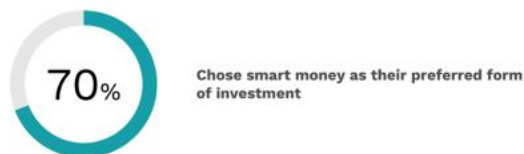
This shows that those interested in becoming angel investors are assured that they needn't spend a high amount of hours involved in their investment projects and on the other hand startups can see that the most value gained through angel investing is access to strategic advice and a relevant network.

What an Austrian angel investors portfolio looks like

A typical Austrian angel investor holds around 1-5 investments in his portfolio.



70% of all angel investors choose smart money as their preferred investment option. Meaning they prefer to invest into a venture where they know a lot about the industry and/or hold a lot of experience.



It is also very likely for the investor to hold foreign investments in their portfolio or for them to have already co-invested with a foreign investor.

F4d

Have already invested in one or more startups that are NOT based in Austria



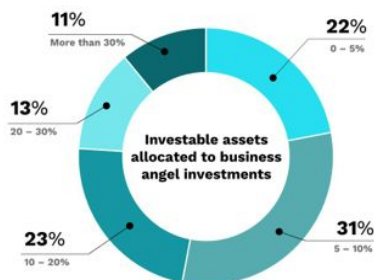
F4f

Have already co-invested with a foreign investor.



As F4d shows the amount of money invested is pretty widespread, as well as F4f indicating that for some investors angel investments play a key role in their portfolio and for others more of a minor role.

F1h



That's the beauty of investment the diversification aspect and many options to choose from.

What is more, a large number of investors have taken advantage of the aws Risikokapitalprämie which encourages investment into startups through government sponsorship.

F4h

41.3%

Of angel investors have used the "aws Risikokapitalprämie".

F4i

76.2%

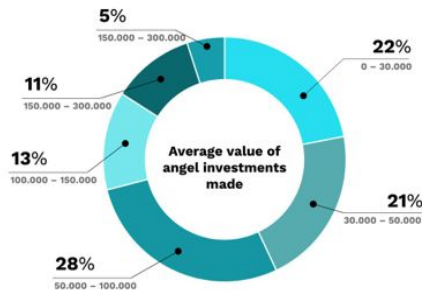
Of business angels are **not** invested in any venture capital funds with a focus on startups.

Another interesting finding is the fact that an impressive 76.2% of business angels are not invested in venture capital funds with a focus on startups. Indicating that angel investing is a great alternative to venture capital funds. This is especially true if you want to see where your investment is going and want to be involved in the growth of the company by providing strategic advice, mentorship and a relevant network that will leverage the startups potential.

How much money angel investors really invest

Into one venture

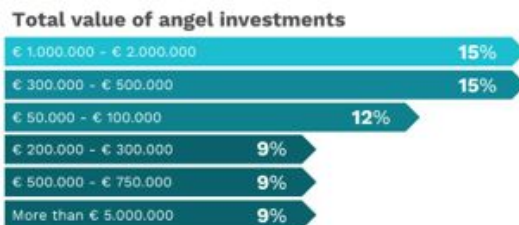
F1d



The amount invested is pretty widespread showing that even angel investors with a smaller stake can get on board. Over a quarter of investments were between €50.000 and €100.000 which was also the most common investment range during the year 2018. A total of 43% invested below this range and 29% invested €100.000 up to €300.000 this year.

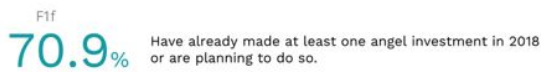
Total value of angel investments

F1e



Similarly the total value of angel investments in a life time differs widely. The most common total values of investment lie between €300.000-500.000 and €1.000.000-2.000.000 both coming in at 15%. The second most popular total investment range is between €50.000-€100.000. And the highest value - more than €5.000.000 - comes in at 9%.

In 2018



The majority of angel investors (70.9%) have already made an investment during the current year 2018. A quarter of all investors plan to invest more than €500.000 this year.

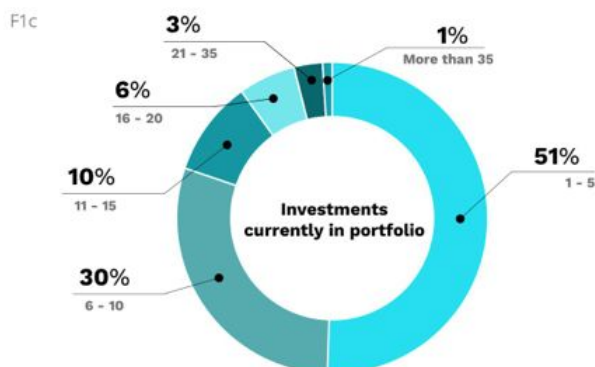
When do angel investors get in?



Turns out that angel investors tend to get into ventures in the medium term. With most of their money flowing toward seed rounds, which is when the startup has already built a prototype - so your best bet as a startup founder is to build a prototype before you start approaching angel investors. Whereas only 10% invest into the expansion phase of a startup.

Number of investments

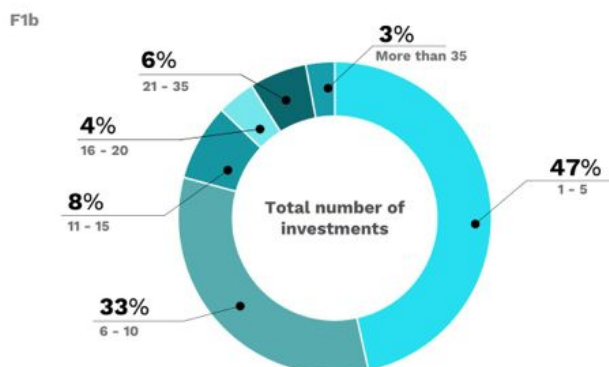
In portfolio at one given time



Although we have previously seen that many angels have invested in quite a number of companies the number of investments kept in their portfolio at one given time is kept relatively low. More than half of all investors currently have 1-5 investments in their

portfolio. 30% currently hold 6-10 investments in their portfolio, 10% hold 11-15 investments and the remaining 20% hold more than 15 investments.

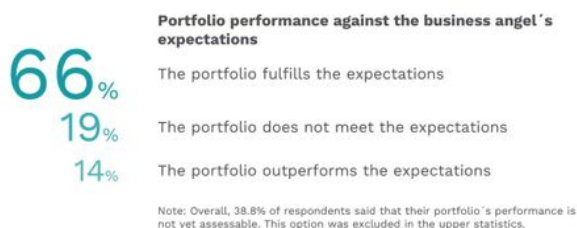
In a lifetime



Over half of Austria's angel investors have invested in more than 5 companies in their entire lifetime. Whereas only 3% have invested in more than 35 companies these are considered to be super angels. Because they've been super crazy busy investing throughout their life. A little under half of angel investors, 47% have merely invested in 1-5 companies. Angel investing is relatively new, so they might just be getting started in their investment career or also set their money on other assets.

Portfolio satisfaction

F2e



Our numbers show that portfolio performances generally fulfill expectations - which is fantastic news. This means that the information provided by us and within the angel investment industry is accurate, doesn't overpromise and reflect a culture of transparency.

Collaboration

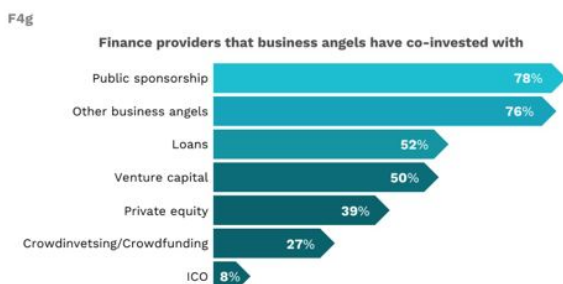
F2b
54.9% Of angel investors prefer to invest in a syndicate rather than alone.

F2c
56.4% Of angel investors act more often as co-investor than as lead investors.

One thing's for sure - angel investors are collaborators. More than half of investors prefer to invest in a syndicate rather than alone and to act as a co-investor rather than a lead investor. Co-investment takes place involving other business angels extremely frequently with 76% getting together with business angel partners. Similarly angel investors like to team up with public sponsors ranking at 78%.

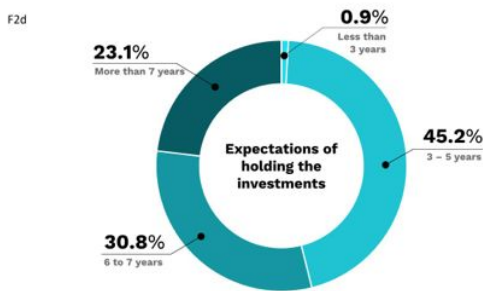
Also quite popular coming in at around 50% are loans and venture capital financed startups. Private equity, crowdfunded and ICO startups come in lower - angels are not as keen to invest in startups financed through these channels.

This displays the value of collaboration, exchange of know-how and network which is exactly what we're all about at aaia.



Investment facts

Investment lifetime



Angel investment is not considered to be a short-term investment and the numbers reflect that investors are in it for the long run. A mere 0.9% of all Austrian angel investors hold their investment for less than 3 years in their portfolio. 76% - the majority plan to hold their investment for 3-7 years which is considered to be rather medium term and 23.1% want to hold their investment in the long(er) term, more than 7 years.

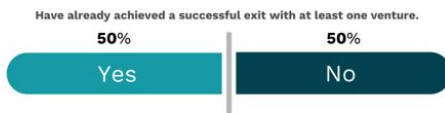
Return on Investment



Investments to have received a return of less than 3x were the most common at 29%. A quarter of all - 25% - received a return of less than five and 20% less than 10x. 12% received more than 20x return. Only 4% of investments received a return of less than 1x which is very promising indeed.

Successful exits

F2f



An impressive 50% of all angel investors have achieved at least one successful exit - which means a startup they have invested in was successfully acquired. In most cases this means an investors equity was bought at an increased price during the acquisition resulting in significant gains for the angel investor. These figures definitely speak for the angel investment sector and show it to be a very lucrative method of investment to get into.

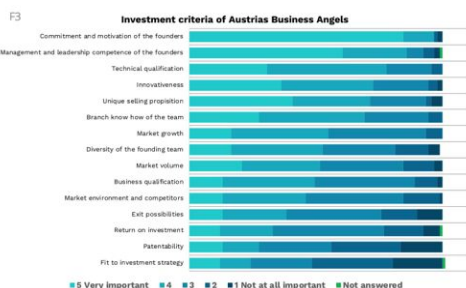
F2i



On the other hand over half of investors had to write off a stake, indicating that there is some rather high risk involved.

Where the money flows

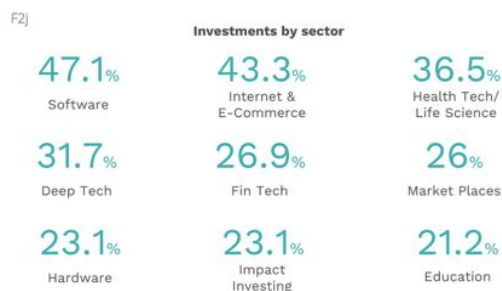
Investment criteria



Turns out that Austria's angel investors are not just out for the money. Investors tend to feel strongly about personal attributes such as commitment and motivation of startup teams as investment criteria. Whereas things like exit possibilities and return on investment actually tend to rank very low as investment criteria. This just goes to show how personal investing is and what intentions investors have. It's not just about

financial gains it's about pushing motivated individuals, driving a unique idea to realisation and being a part of the innovative ecosystem.

Industries & sectors



The most sought out sectors of investment for angel investors are software, e-commerce businesses and health tech/life science startups. One of the biggest exits this year and a company leading the way when it comes to health tech in Austria is mySugr. This startup manages to remove the burden of diabetes by providing an easy to use sugar monitor connected to their app.

<https://www.trendingtopics.at/mysugr-exit-2017/>

After these sectors deep tech, fintech and marketplaces follow. On the lower scale of investment interest is hardware, impact investing and education.

Development of the Austrian investment industry and what the future holds

As we have seen from our Austrian angel investment insights the most sought out sectors of investment in 2018 are software, e-commerce businesses and health tech/life science startups. In 2016 software was also the most sought out industry, however fintech and media were not far behind. Although these are also still popular in 2018 the focus seems to have shifted to e-commerce and health/life science tech is somewhat of a new category to have erupted.¹

In 2016 the average investor held around 7 investments whereas in the most common amount to hold by far was 1-5 investments, perhaps investors have come to notice that quality wins over quantity. Moreover, investors do need to allocate time to their startups so they can give strategic advice and connect them with the right network - it might also be that they have seen the value of dedicating to fewer ventures. Generally speaking angel investor's behaviour and tactics don't seem to have budged much, but the sectors definitely have.

¹ http://aaia.at/aaia_blog/overview-of-the-austrian-angel-investor-scene/



Investors remain positive during the year 2018, 56% of investors believe the year 2019 will be promising and expect at least one exit to go through from the current portfolio of startups they are invested in.

How aaia contributes to the investment ecosystem

In 2019 aaia wants to excite even more people to join angel investment ventures in Austria. We will do so by not only raising awareness about alternative investments in general but by bringing angel investing to regional areas across the country.

Strengthening international and cross border connections are also at the core of our expansion strategy. We have already partnered with the CEE Unleashed programme and are once again looking forward to hosting an international investor's day in 2019, uniting over 200 investors from the entire CEE region.

We are also extremely dedicated to increasing the number of female investors in 2019 by hosting networking events and partnering up with female led programs, encouraging female entrepreneurs to join angel investment ventures.

As we have done throughout the past six years, aaia will continue to drive the industry and support angel investors on their journey every step of the way. We look forward to what the future holds and hope you join us on this exciting endeavour of investing into the future and next generations - today.