

Business Angels

What do the most recognizable start-ups such as Apple or Amazon have in common? These and many similar companies that have achieved international success have raised capital for development from business angels. Business Angels, aka private investors, can support a new business not only with an injection of money but also with experience and a network of contacts. After all, who you know and the people that you know, who do they know is crucial in a good start in business.

In this module, you will find out how to find angel investors, what support you can receive, what form can cooperation take and how to prepare your business for an angel investing pitch.

Business Angels and how to find them

Business Angels, also called an Angel Investors, can be an individual person, a business or a group that provides - especially for small startups and beginner entrepreneurs - financial backing.



Usually can be found among entrepreneur's family or friends. They can either provide an entrepreneur with a one-time money injection or an on-going support for the company throughout the process and in difficult times. With the money invested, business angels also provide their experience and knowledge, as well as a network of contacts, which all together can contribute to the success of new entrepreneurship.

Focus of the angel investors is to help the success of the business they invest in rather than having a big profit out of it. More likely, they invest in the person and not in the viability of the business. What do the business angels pay attention to while choosing which project to finance? The key words can be: quality, commitment, passion, integrity and innovation.¹

Role of a business angel is crucial. If you imagine a life cycle of a startup, first you have an individual with an idea but most probably without money or with a small sum. New entrepreneur is coming up with a concept of how to put an idea into life and needs capital to invest. Sometimes, the first money comes from savings, from support of family members or friends. You are lucky if you have a rich relative abroad, who can support you in the beginning of your journey. But what if you don't have savings, your closest family and friends circle can't offer you much money and you don't have a rich uncle in America?

Many sources, statistics and personal stories of successful entrepreneurs indicate that angel investors come as a first choice if someone needs money for their startup. It is a second choice if you have a rich uncle in America, of course or if you need additional money to combine with those that you received from your family or friends and your own savings. Business angels will invest not only their money in the startups, but also the knowledge, experience, network of contacts and everything that can help to develop your business. Business angels are not only investors – very often they also play a role of mentors, especially in the beginning. They help and nurture the process of growth of the startup throughout its lifecycle.

Business angels invest their money and time in startups that are closeby, to have easy and quick access to monitor what they invested in. It is important for new entrepreneurs to look for business angels in their region or area. The closer the business angel you found is – the bigger chance that you will attract their attention. It is less likely for a business angel to invest in a startup that is more distant – let's say, you are an investor from America supporting a startup based in a European country – it is possible, although it is rather an exception than a rule.

¹ [What is an Angel Investor?](#)

How does it go?

Usually, despite getting investment and signing regular investment agreements between two parties, business angels become mentors for the originators of the startups they fund. It is simply to help the startup in the very early stage and to make sure that things are going to go in the good direction. Sometimes, business angels join the team, being a co-founder and helping out with the knowledge, being all in. What is important to remember is that business angels should be present in the process by giving fuel and a piece of advice to the company but are not there to run it – the entrepreneur plays the main role. The investor invests but the managing force in the company is the originator and both sides should understand this. To put it simply – you have your startup and you have a business angel on your side that helps you both with capital and mentorship, but you are still the head of the company and a decision-maker. It is important, since you are now building your portfolio as an entrepreneur.



Very often the lifecycle of a business starts with FFF – friends, fools and family. Usually, what comes as the second with capital to invest are business angels.

It is more likely that business angels become first external investors, but they rather shouldn't be the first source of funding for your company. Usually, first capital comes either from your own savings or from support of your family or friends. Let's put it this way: if no one from your closest circle – the people who actually know you and are emotionally connected with you – invested money in your startup, why should an angel investor – someone who doesn't know you and doesn't need to trust you – believe that this company is worth investing and is going to give back in the future?

Don't forget that business angels invest their own money. They expect to gain some money back with a plus and to see a growth of the company. They bring much to

society and to the startup ecosystem, but of course they expect something in return. Business angels shouldn't be mistaken with philanthropists.

The stage where a business angel comes to play his role is too early for VCs to come with capital, as it is too risky for them. VCs come naturally as the next stage, sometimes combined together with angel investors. At this stage, the option is also crowdfunding. To say it short: the bigger company grows, the more it goes towards VC.

To sum it up: order that usually puts a startup on the road to success – first FFF or your own savings, then angel investor, and what comes next, VC or crowdfunding.²

How to find a business angel?

For every startup it is good to go through an accelerator or incubator. Events such as info-share conferences or pitching events also connect two worlds of entrepreneurs and investors. Another option is to look through the business angels network, starting from the one that is closeby. Through BAN, a person can usually easily find an email or other contact or specific information on how to apply. You can contact a business angel directly, sending your idea or your pitch deck and asking for feedback.

There are quite many websites or platforms where you can find a business angel.

1. Social media. Believe it that it's working! Nowadays, social media is powerful and you never know who you are going to meet pretty much accidentally. Of course, you should start from being loud and active about your business idea and to build an audience. Then, just imagine, your audience will share your content with their audience - the more shares, the higher chance you'll get in touch with your potential investor. Many sources share that Twitter especially has become a very popular place to connect startup founders with business angels.
2. AngelList. One of the most popular websites where you can create your own profile or a company profile and gain some exposure, thus making you visible to business angels, who can find you through this website. Have you heard about Uber? Through this website Uber found one of the early funds.
3. Angel Capital Association. Through connecting with ACA you get access to a list of potential investors within 15,000 accredited business angels or 250 angel groups. A tight-knit community for easier networking.

² [Your first deal with a business angel. How to prepare for it? | Anu Oks \(EstBAN\)](#)

4. Angel Investment Network. A platform to bring startup founders and business angels closer together with around 300,000 potential investors being part of it. You as a user can pitch your idea live on the platform.
5. Angel Forum. Another place to connect startup founders and investors. You can find there only proven and experienced business angels.
6. Gust. Reliable place to find many contacts, however you should do your own research before you start cooperation with any business angel.³

How can you prepare yourself for a talk with an angel investor?

Primarily, it is important to tell exactly what the startup needs the financing for. If it is clear and understandable for the startup originator, it will be also for the investor. When the originator puts it on paper, it has to be clear why and what exactly the capital is needed for. Then, the investor more likely will ask the questions of what has been done so far, if and what kind of money were already invested. It is necessary for new entrepreneurs to go through a very deep market analysis – the more you know, the better you are prepared and prove your knowledge, which will be also a sign that you know what you are doing and what you want.

If the startup is in a very early stage it is crucial for the entrepreneur to look for an angel investor that is oriented in the same category as the startup is. This means that, for example, if the startup is connected with technology, for the sake of good cooperation and guarantee of taking the most from it, entrepreneurs should look for an investor that has experience in this sector. To say shortly, you received 50K but you don't know what to use them for or how to spend them well, but behind those 50K you have an angel investor experienced in your sector. In the world of finances, we call it smart money. Business angels bring not only the money to the table but also advice on how to spend it smartly, because they know exactly what should be done. The investor also brings useful contacts in the sector and maybe, especially at the start, first clients. On the other hand, if the startup is already in a certain level of development and the entrepreneur gained confidence on how to act and what to do with money, then the source of the money is less important – the angel investor doesn't need to be connected with the specifics of the startup.

³ [8 Ways to Find The Perfect Angel Investor - Finmark](#)

[How To Find Angel Investors](#)

Let's assume that with your startup you have a clear business model and clear understanding of the resources you have, as well as knowledge of the market you are or you intend operating on. You have sent a lot of emails with a one-pager deck presenting your idea while searching for a business angel. What now? For every startup it is recommended to have at least two pitch decks prepared. One should be shorter, 3 to 5 minutes long, where there are not that many details mentioned, and just to give a general overview of the idea, business model, market, competitors and the plan. The second deck, that can be prepared in the form of a presentation, should cover every possible question that a business angel might ask. Just imagine that you sit down with your investor-to-be for a half an hour meeting to convince for invest in your startup – it's good to have such a presentation with you to support you throughout this meeting, isn't it? Deepen what is already prepared in a shorter pitch deck. Focus on what's your unique value proposition, unit economics – how much money will you earn from one customer and what is the customer lifetime value.

What else to prepare for the first meetings with a business angel? Besides the more detailed pitch deck, it is vital to have all sorts of other documents prepared, such as capitalization table, intellectual property agreement, founder's and employment agreement. If you come with all the documents prepared, it leaves the best impression. What is the cap table for? It basically shows who owns the business. Angel investors usually look for later VC-investible startups. Let's say that your rich uncle from America that invested money in your startup and owns 30% of it, but has nothing to do with your business and does not play an important or active role to build and develop your business – this shows to business angel that your company is not investible, because you gave away too big part of it already.

Golden tips:

- Avoid giving too many shares of your company, also to business angels. 20% should be an upper limit.
- Don't give away sweat equity too easily.
- Avoid being too arrogant (there is a thin line between being self-confident and arrogant).⁴

Pitch time!

⁴ [Your first deal with a business angel. How to prepare for it? | Anu Oks \(EstBAN\)](#)

Imagine your pitch as it is yours and your company story. It is nice to greet your audience and to catch their attention with an interesting tagline. Let it be entertaining, or intriguing, or maybe sweet, but keep it short.

Continue with a description of a problem your startup wants to tackle. This part of your story should be passionate and full of emotions, because you genuinely want your audience to feel compassionate about the problem. To support you, numbers should speak and convince about the size of the problem, thus relevant figures and statistics should be used alongside.

Pauses in your storytelling will help you to achieve dramatic effect and will help your audience to digest information so far. Now is your time to be a superhero and to find a solution for a problem you just talked about. In the description of your concept, it should be explained how it works and how it was tested to prove that you have a valid solution to the problem.

Visuals to demonstrate are like your best friend - use videos or pictures of the features of your product/solution. Remember about competition, you need to give your audience something that will make you stand out from other startups/companies. Talk about your unique value proposition. With helping illustration, convince your audience why your solution is absolutely the best among other solutions in your target market.

To show that your plan is solid enough to generate income – explain your business model. Next, show your maturity and your journey so far. Audience should hear what you achieved so far and what is your plan on how to grow bigger now. Convince potential investors that you have a vision. Once you do so, introduce your team and what makes it special and the right one to deliver a solution to the problem you tackle. In all this, don't forget that your pitch is supposed to bring results – either it is to get funds or to gain first clients, or to find partners to help your startup grow.

In case of pitching for getting investment, be realistic with the amount of money you are asking for and show to the audience that you are confident what you need the money for and how to spend it well. You should wrap up your pitch in a full circle, and make sure that you come back to where you started – it is how your story can close properly. Thank your audience for listening to you!

Remember:

Tagline - problem - solution - unique value proposition – traction – team – call to action – wrap up.

Golden tips:

- Use effective and powerful language with words used intentionally. Don't say that you aim to do something – it makes you sound that you are uncertain – instead, be more direct and say that you do so. “We are aiming to make” vs. “We make”.
- Memorize your pitch and practice it! Don't use your notes and don't read from them – it's unprofessional. The more time you pitch it – the better you get in this, finding the best version of your pitch.
- Exercise. Pitch is usually limited within 3 to 5 minutes. Why not make it 1 minute just for the sake of practicing and realizing which elements of your pitch are absolutely necessary to include? Shorter versions of your pitch will help you find what is essential. And how they say in this world – be prepared for anything! Maybe in a networking event you will have 30 seconds to present your idea?
- Prepare your pitch deck. It is basically a powerpoint or other presentation to help you alongside your storytelling, including visuals, images, graphs and little amount, but only necessary text. If you don't have a graphic design on your side, maybe it is a good idea to invest in one or invest in yourself to learn this and that?
- Be confident! Your confidence builds trust among the audience. Through your body language you can also demonstrate your self-confidence. Be natural and relaxed. Smile.⁵

Get inspired on [How to give the perfect pitch - with TedX speech coach David Beckett - Young Creators Summit 2016](#)

Would you like to see the world through a business angel's eyes? Read this story: [I Became an Active Angel Investor Without Being a Millionaire.](#) to understand your potential investor's perspective.

⁵ [How to Pitch your Startup in 3 Minutes](#)