



The UK Angel Movement
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My Background

- Chairman and Managing Partner of Seraphim Capital - £30m angel led early stage fund
- Led investments into Fund's 7 portfolio companies
- Founder and majority owner of The Summit Group, a financial company and early stage VC investor
- An active personal angel investor

About Seraphim

- Established 2006
- Invests between £0.5 million and £2 million into high growth early stage UK business
- £30 million early stage venture fund
 - £10million from private sector
 - £20million of low cost government loans
- Backed by business angel networks / early stage investors from across the US and UK
 - Access to a network of 1,000 leading business angels, consisting of some of the most successful and influential business leaders from across both the UK and America
 - One of these angels joins the board of each portfolio companies
- c.£10 million invested into 7 companies to date
- Target portfolio of c.12 companies in total

Seraphim Partners



The eight partner organisations that have come together to form Seraphim represent an unrivalled network of early stage investors from across the UK and US

- **GLE / YFM:** Europe's leading early stage investor with over £330million under management across 12 venture funds. Portfolio of 250+ companies. Also includes London Business Angels.
- **Pi Capital:** UK's leading nationwide angel network. 300+ of UK's most influential business leaders
- **Focus Enterprises:** US mid-market investment bank with nationwide presence. Specialise in \$5-300 million transactions
- **New Vantage Group:** Largest angel network on US East Coast. Manager of several VC funds

Seraphim Portfolio

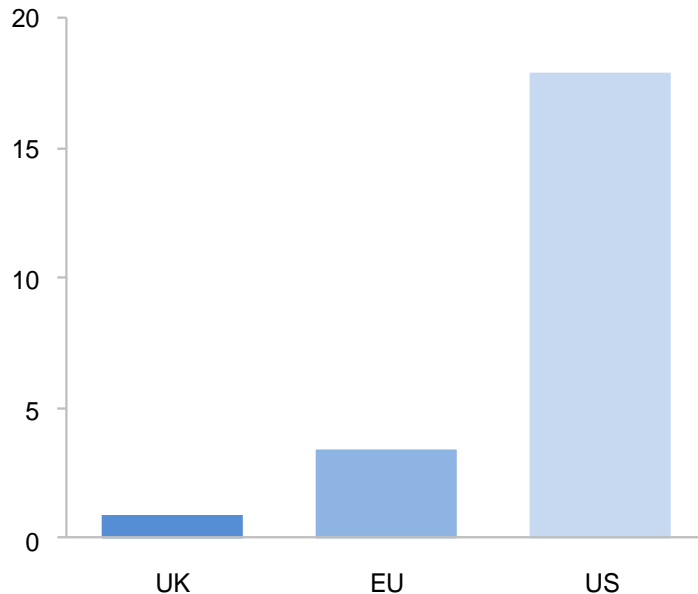
ARIA NetworksHandmade
MobileTestPlantMirriAdSirigenG-T-P
Global Transaction Processingsharpcards

Seraphim has invested c.£9million into 7 companies to date. All share the common attributes of being technology-led, IP-backed, scalable businesses that have already achieved commercial proof of concept

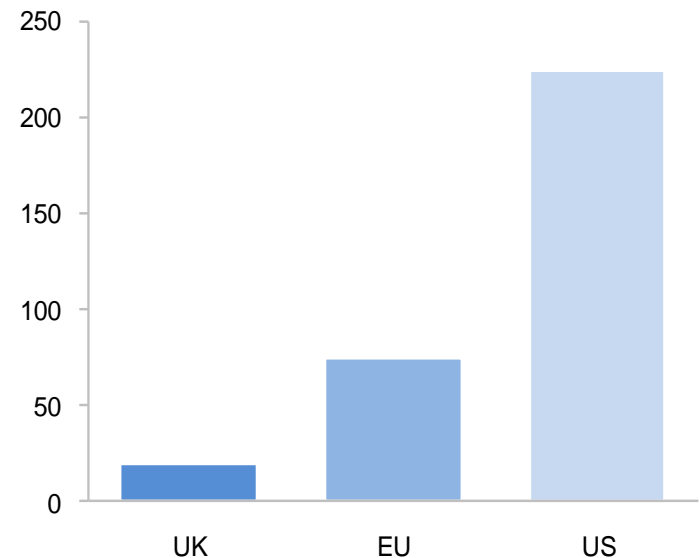
- Seraphim has invested in a wide range of sectors:
 - **Telecoms** (Handmade Mobile, Sharpcards)
 - **Software** (Aria Networks, Testplant)
 - **Media** (MirriAd)
 - **Biotech** (Sirigen)
 - **Business Services** (GTP)

The UK Angel Market (1)

Annual Business Angel Investment (£bn)



Number Of Business Angels (000s)

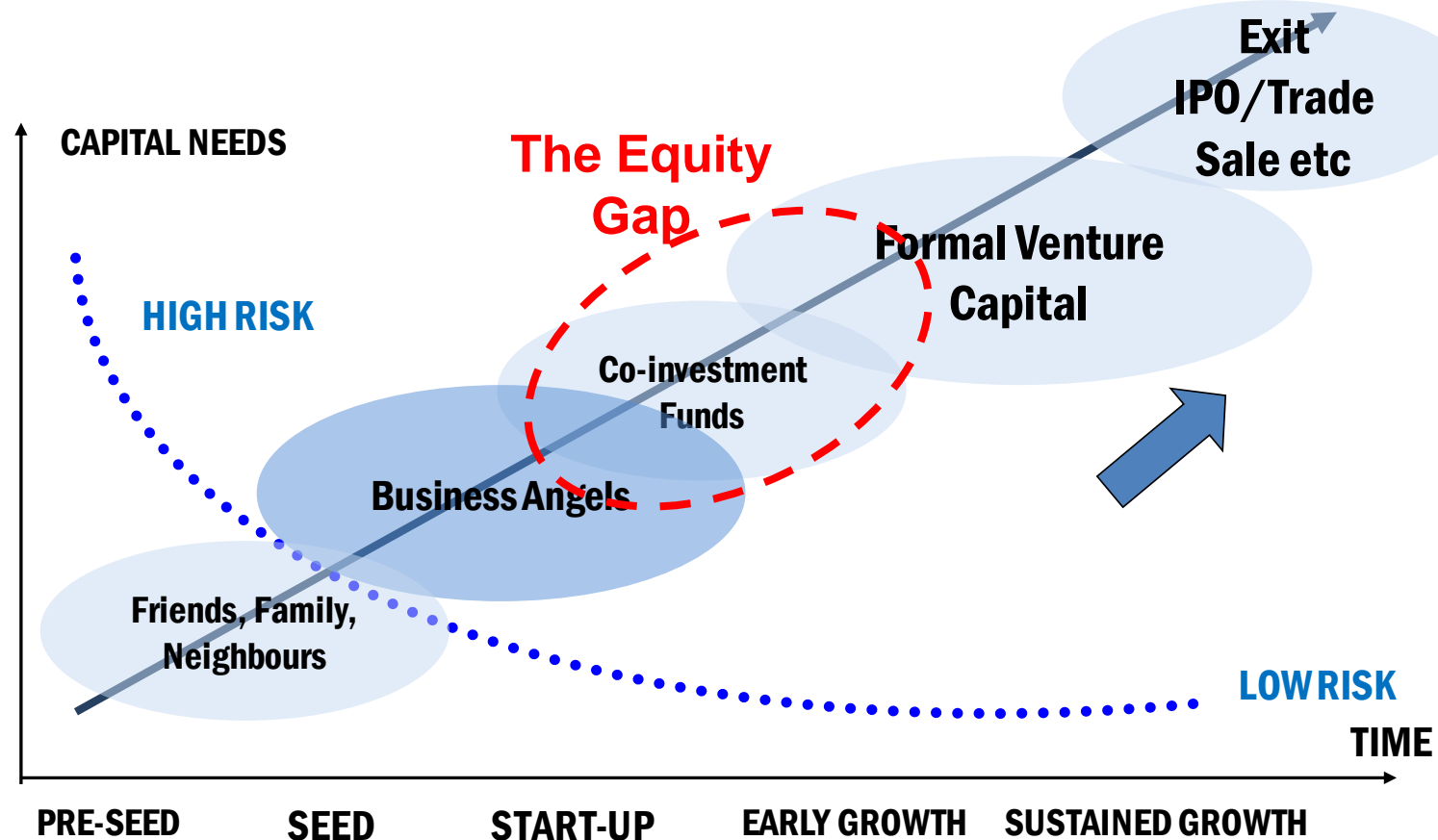


Source: British Business Angels Association

The UK Angel Market (2)

- UK Business Angels invest £750m – £1bn p.a.
- BBAA – 22 networks – 5,000 angel members
- Approx 18,000 Angels (UK EIS statistics)
- 2007 – VCs invested £434m in start-up/early stage
- Equals c.50% of angel investment
- EU: £3bn – £3.5bn invested p.a. (EBAN 2007)
- EU: 50,000-75,000 angels; UK = 30% Europe market
- US: £18bn invested p.a.
- US: 225,000 angels; 10,000 invest in angel groups

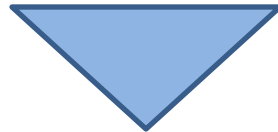
The UK Angel Market (3)



The UK Angel Market (4)

- **£0.5m - £2m+ UK Equity Gap Caused By:**

- Demand and Supply side market failure within SME equity funding gap market.
- Demand = SME investment readiness.
- Supply = Lack of experienced angels / capital for start up early stage businesses.



- **Supply Side Measure to Boost Angel Investment:**

- Tax breaks for angel investors
- Angel co-investment funds
- Seed Funds – public subsidies
- Early stage Public / Private VC Funds
- Enterprise Capital Funds

The UK Angel Market (5)

- **Enterprise Investment Scheme**

→ Income tax refund

- Initial Investment: £10,000
- Income Tax Relief (20%): £2,000
- 'Real' Initial Investment: £8,000

In the event of the company failing totally

- Further Tax Relief On: £8,000
 - Tax Relief (Up To 40%): £3,200
 - Capital At Risk: £4,800
- Capital Gains Tax & Inheritance Tax free

The UK Angel Market: Trends

- **Syndication**
- Angels increasingly investing in groups
 - Leveraging level of finance required by Entrepreneurs and skills of angels
 - Typical £500k deal:- 5-10 angels each angel £30k-50k average
 - Lead Angel appointed
- **Angels Investing alongside VCs**
- 35% of early stage VC deals in UK in 2007 were public and private sector syndications
- **Co-investment funds**
- Increasing number of **funds** set up on side of networks to close equity gap and attract new angels to the market across Europe

2009 Investment Climate

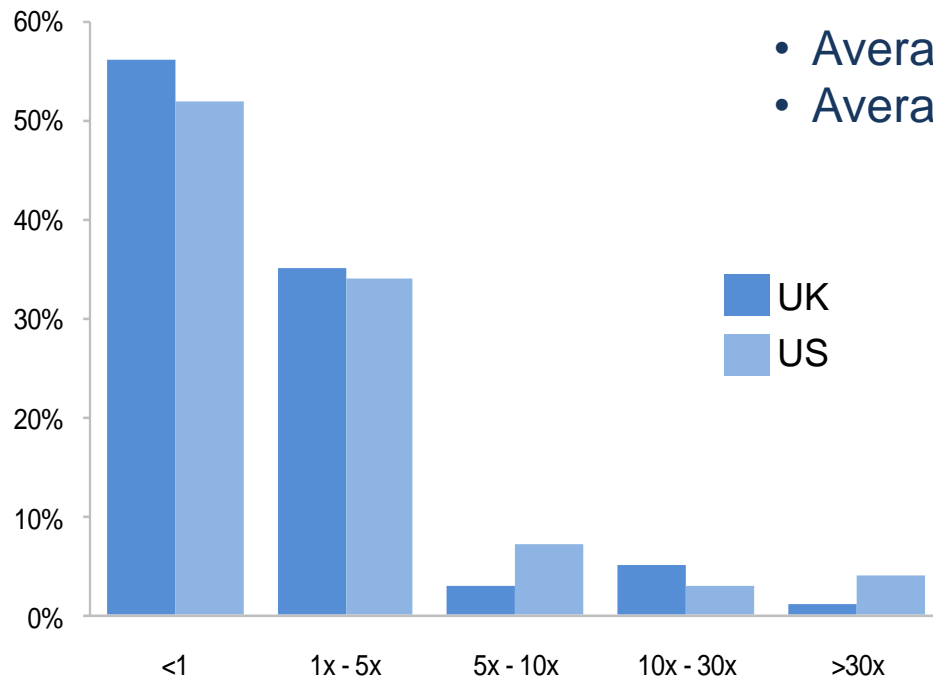
- Seraphim experience significant increase in deal flow
 - 25% increase in last 6 months
 - 40% increase in last 3 months
- Valuations falling as reducing supply of new angel money
- Banks cutting back on lending to early stage SMEs
- Strong management teams vital
- Many investors focusing on following their portfolios
- Only the better deals will get funding

UK Angels Returns Research

- **Recently conducted research in to UK angels returns:**
- Data from 31 different angel groups
- 158 angel investors included in data covering 1,080 investments and 406 exits
- 98% of investments made since 1998 and 70% of exits since 2005
- Average investment unit of £42k (vs. £33k in US)
- Average of 6 investments per angel totalling £220k
- 73% entrepreneurial experience (vs. 85% in US)
- 83% of investments made with co-investors (ie syndicates)
- 57% of investments done under EIS scheme
- 15% investments at seed stage, 36% at start up stage
- 10% of personal wealth in angel investment

UK Angels Returns Research

Distribution of Angel Returns



- Average return of 2.2x (vs. 2.6x US)
- Average IRR of 22% (vs. 27% US)

Source: NESTA/BBAA Research on Business Angel Investing – Outcomes and returns
Robert E Wiltbank, Ph.D. - Associate Professor of Strategy, Willamette University

Thank you – Questions

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