

Angels In Town

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Starting up a company is a monumental task. Manpower, hardware, rented space, and many other concerns will plague the potential startup business owner.

But nothing is more important than the money. Most entrepreneurs would love to be in the position of having multiple sources eager to invest. However, when you dig beneath the surface, you find that the choices are not easy.

Without an initial investment, the dream of owning one's own company will be just that; merely a dream. Many potential ideas never get past the design stage, as it is either deemed to be risky or too small to get funding from banks.

This is where angels come in.

The term itself comes from the practice in the early 1900's of wealthy businessmen investing in Broadway productions. But the business world is different now.

Today's angels typically offer expertise, experience and contacts in addition to money.

The Leaders Magazine was invited to a meet-and-greet hosted by the ASEAN Retail-Chains & Franchise Federation, where Mr. Andrew Deane, Regional Manager of UK-based Angels Den, was holding a small seminar on angel investment.

But what is angel equity funding? According to Deane, it is a share capital investment in businesses for medium to long term in return for a share of the ownership. In most cases, angel investors will not take more than 50% of ownership, but as they had put their money in, they want a say in how the business is run.

What do angels bring? "Confidence," says Deane. "They bring valuable skills. Angel investors are high net worth individuals with a proven business track record, and can share their experience with potential business owners in order for the business to prosper, and for their investment to reach its full potential."

"They also bring with them long years of experience, their list of contacts, as well as their credibility in order to help grow this business that they're investing in. They help with key decisions, help the business move forward, and quite often, help with follow-up funding as well," says Deane.

Less is known about angel investment than venture capitalist because of the individuality and privacy of the investments, but the Small Business Administration of the United States estimates that there are at least 250,000 angels active in that country alone, funding about 30,000 small companies a year.

The total investment from angels has been estimated at anywhere from USD\$20 billion to USD\$50 billion as compared to the USD\$3-USD\$5 billion per year that the formal venture capital community invests.

For business seeking funding, the right angel investor can be the perfect first step in formal funding. It usually takes less time to meet with an angel and to receive funds, due diligence is less involved and angels usually

expect a lower rate of return than a venture capitalist.

What do angels look for in potential investments is a popular question, says Deane. "To be frank, they look for a return of their investment. They are looking for at least a two hundred percent return in two to three years. So if you are an entrepreneur looking for an angel investor, you have to be able to show that your business can make that kind of monetary commitment."



The downside is finding the right balance of expert help without the angel totally taking charge of the business.

Structuring the relationship carefully is an important step in the process. "Angel funding is not for everyone," he warns. "You might just have an idea without a proper business framework, or you might just need short term cash in order to pay off bank loans."

If this is the case, he says, "Angel investments would not work for you, as angels need to know that they will get a return of their investment."

"Furthermore, angels also want to know what's going on with your business. They want a say in your business decisions. It is their money, after all. And some people do not like that sort of hands-on management style."

"Most importantly, your shares will be diluted, of course. But if you have a great idea, with a great business plan and a proven business model, then perhaps, we angels can help you make that idea a reality," Deane concluded - **TLM**