



Business Angels Knowledge for Entrepreneurs



Unlocking potential: 37 practical cases of entrepreneurs- Business Angels collaborations

Project Result 1 Practical cases



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Financial Serendipity: An Entrepreneur's Stroke of Luck

Guess who?



Entrepreneur

Adrián Plazas

Cofounder, General Drones

- Founder profile
- Gender: Woman / female
- Age: 36-46

Story of the Entrepreneur

We wanted to develop a product, we didn't have our own funds, and banks wouldn't grant us loans. As soon as you asked if the project or product was liked and you argued it well, there were people willing to invest money, whereas with banks, you never get past the risk analysis circle.

Key takeaways:

- Make sure you scout all possible investment. When seeking funding for a project, presenting a well-liked product idea can attract willing investors, even without personal funds.
- Banks often pose challenges in obtaining loans, while the appeal of a project can be a more effective means of securing financial support.

How the entrepreneur found the BA

So, the initial steps were to search the internet, start gathering information, and ask people who were knowledgeable in the field or industry.

*I began attending events I found online. **Any event I came across that seemed interesting, I would attend.***

Initially, I would attend events and seek advice from people who clearly had more expertise in the investment sector than I did.

Key takeaways:

- The initial steps involved online research and seeking advice from industry-related individuals.
- Attending events found on the internet was a valuable way to gain knowledge and network.
- Seeking advice from experts in the investment sector was a crucial part of the process.

In what way did the entrepreneur-BA negotiations progress



One crucial point I would like to emphasize is the connection between the investor and the founder. This emotional bond is what ultimately seals the deal.

The BAs assisted me in preparing the Business Plan, focusing on business analysis, sales, structural costs, and forecasts. They adjusted the revenue projections for the next three years. They primarily worked on preparing a pitch deck. They also accompanied me to events where I presented, especially handling financial questions.

What we did was to value the company at one million euros, based on its current state and growth expectations. At that time, proposing this was challenging as no contracts were signed, everything was just a conceptual idea, a sketch on paper.

They agreed to this valuation without imposing additional conditions, except for signing a shareholders' agreement.

*One crucial point I would like to emphasize is the connection between the investor and the founder. This emotional bond is what ultimately seals the deal. **Regardless of how impressive the numbers may be or how logical the plan is, investors, often former or current entrepreneurs themselves, need to fall in love with the project and the person behind it.** Once that happens, the next steps start to make sense and aren't seen as mere craziness.*

Key takeaways:

- Assistance in preparing the Business Plan included business analysis, sales, cost projections, and revenue adjustments.
- Valuing the company without signed contracts was a challenging but pivotal step.
- Building a strong emotional connection between the investor and the founder is a critical factor in closing a deal, even beyond the numbers and logic of the plan.

Types of conflict that might have raised and how they dealt with it

*The main obstacle, I would say, is that most people say no. That's it. **I'd say that's the biggest hurdle, presenting it and hearing everyone say no until someone finally says yes. That's the point, really.***

Key takeaways:

- The primary challenge is facing repeated rejections until eventually securing a positive response.

Type of relationship between the BA and the entrepreneur

In my opinion, success lies in building oneself. When you set certain boundaries with investors, it's about being close to people because they appreciate proximity, trust, and they are human, no matter how high up the scale they are. So, I believe that if we start with a good relationship, if we set ethical limits that make sense, like the sales projections we discussed earlier, and say, 'Hey, I think this is fair, right?'

Then, investors look for people they see as empowered. I've seen projects at Esad, and I thought, 'Wow, this guy really knows his stuff.' I liked him, more than the project itself. So, I wanted to get closer to him, congratulate him, and tell him how much I liked his presentation.

It's a partnership between the project and the person.

Key takeaways:

- Success involves self-development and setting ethical boundaries with investors.
- Building a strong relationship and being perceived as empowered by investors is crucial.
- The project and the individual behind it form a tandem in the entrepreneurial journey.

Key Factors for Investing in Early- Stage Startups: The Case of George Gvazava and Irakli Chikava

Guess who?

Business Angel



George Gvazava
Business Angel, **Axel**

Background:

Having a master's in business administration and finance, and professional qualifications like CFA and ACCA, he worked as a financial auditor, lecturer and investment banker. He co-founded several companies, but as he frequently jokes about it, mostly unsuccessful ones so far. Currently, he works as a Chief Crypto Officer at Bank of Georgia, also is an advisor, and associate professor of finance.

Activity as a Business Angel:

More than 2 years of experience, with more than 5 investments.

Sectors of interest:

Blockchain & Cryptocurrency / Cyber-Security / Artificial Intelligence / Biotechnology / E-commerce / FinTech / Internet Software & Service

Country:

Georgia

Entrepreneur



Irakli Chikava
Founder&CEO, **Agronnect**

Background:

Previously founded several other companies since the age of 21, bachelor's in business administration and management.

About the current company:

Agronnect is an innovative agricultural knowledge marketplace to connect farmers with professional agronomists. It was founded in 2021.

Sector:

Agritech

Country:

Georgia

At the beginning of 2022, Irakli Chikava was looking for funds for his startup, Agronnect.

He had founded startups before but had never thought about the angel investment option until he founded his first tech company, Agronnect. Everything started with a simple Google search. He sought new opportunities to get funds for his new company and angel investment appeared at the top of the list. Once he discovered this option, he decided to reach out to Axel, the Georgian Business Angel Network.

In particular, Irakli saw that he knew one of the co-founders of Axel, Guri Koiava, and contacted him. Guri introduced Irakli to several BAs in the network. Soon after, they asked him to pitch in front of them.

The \$20.000 funding round was closed in November 2022, only about three weeks after his second pitch in front of the network, showcasing the efficiency and effectiveness of the fundraising process at Axel. George Gvazava was one of the Business Angels.

How the entrepreneur found the BA

For Irakli, the whole process started with a simple Google search. He knew that the startup ecosystem was a completely new world in many ways and there were different ways to develop his tech company. He started looking for opportunities online and saw the angel investment option. Although he was very sceptical about it, as he had never experienced it before, he decided to take his chance.

When Irakli noticed that Guri Koiava, whom he already knew, was the co-founder of Axel, the Georgian Business Angel Network, he contacted him and asked for more information about the network and about angel investing. Guri asked him to pitch in front of the network. His first pitch in June 2022 was a great opportunity for Irakli because, even though they didn't get any investment since Axel was still a young organisation on its way of development, the audience was international and they obtained a ticket to Nice, France, to pitch again in October 2022, this time in front of Sophia Business Angels Network. He did not receive any investment after this second pitch either, but the feedback from Business Angels was positive. In the end, Irakli received another invitation from Axel to pitch in November 2022. After this third pitch, several Business Angels part of the network, including George Gvazava, believed in his idea and decided to invest in his startup.

For George, the founder and the team played a big role in his decision to invest in the startup. He liked how the founding team demonstrated their dedication to their project and how well they were aware of the problem the startup is trying to solve. On top of this, George got positive feedback about the founder's personality and the project itself from other trustworthy and experienced international Business Angels.

After the pitch, Agronnect received the funding in about 20 days.

Irakli: Business Angels are just like entrepreneurs. They look at things, observe them and make decisions based on progress. There were six months in between the first and the third pitch, and we have changed a lot of things and had a couple of big updates as well as achievements in the company. If a Business Angel hears your pitch once and then again after six months and you show them you have already implemented some actions, he/she will think that he/she should have invested back then. It is easier for the Business Angel to invest after more than one pitch.

We should not look at it as a one time game. You pitch several times, and you will get the funds. But in the meantime, you do your homework. So it is a blessing to get a couple of pitches.

Key takeaways:

- Make sure you scout all possible investment sources.
- Reach out to someone who has knowledge about angel investment.
- Do not consider the investment process only one time shot, pitch more than once to increase your chances and present the results obtained in between.

In what way did the entrepreneur-BA negotiations progress

Once the Business Angels showed their interest in the project, they proceeded with due diligence and the negotiation process was facilitated through the Dealum platform. During the process, the role of Axel was crucial because the Business Angels trusted the network to take the lead. The network prepared all the documents, took care of the legal matters, and provided the Business Angels with a draft of the agreement before signing it. Axel simplified the procedures by letting one lead Business Angel communicate with Irakli. This Business Angel took into consideration the interests of both Business Angels and the founder and simplified the communication process.

Irakli: I have up to 10 Business Angels, I don't even know the exact amount. I have basically never talked with any of them except the lead Business Angel. It was great dealing with only one because a lot of Business Angels can have many different ideas.

But I know that in case I need them, their support or contacts – they will always be eager to help us as much as they can.

Although the process was fast and convenient for both sides, the preparation of the contract was rather challenging for Irakli. This is due to the fact that Axel was still a young organisation in the learning process, and it was their first syndicate without a SAFE contract, so the new terms had to be written from scratch. Irakli also did not have much experience on syndicate contracts. As a consequence, it took more time than expected, but the final “product” was 100% acceptable for both sides.

According to George, **it was of paramount importance to understand the company structure and the growth plan, as well as discussing valuation thoroughly before signing the agreement.** In this case, they agreed that the Business Angels will automatically be shareholders of the new company Agronnect founders are currently establishing in Europe.

The Business Angels and the founder did not negotiate much on valuation but **it was very important for George that the startup did not overpromise, even if they had ambitious goals.** The valuation of this startup was in line with the market reality and market sentiment. If this was not the case, founders should have been open to comments from Business Angels.

George: At least for Georgian startups, I can tell that sometimes the valuations are too high and founders do not decrease them according to the market. There was one startup which was a very close copycat of an American startup that was raising the same type of round. The American startup was valuing itself at \$4 million taking into consideration the situation of the economy. The Georgian one was valuing itself at \$7 million and that was a red flag for me. It means that this company does not adjust to market sentiment and market reality because I do not believe that they could do better than the American startup addressing the same industry but with a much bigger potential market to grasp.

For Agronnect, **the valuation was not only in line with the market, but there was also mutual trust and honesty between the network and the startup.** A condition that was set in this case to protect the stakeholders is that if Irakli decides to sell the company in the same round with a lower valuation, he will need to adjust their investment according to the new valuation.

At the end, the terms were perceived as fair for both sides.

George: The thing was that we gave them money after two or three weeks from pitching. It is very important for startups to get either a quick no or a quick yes and have the money in their bank account as fast as possible.

Key takeaways:

- Having guidance during the legal part of the negotiation can speed-up the process.
- Do not overvalue your company and be in line with the market reality.
- Consider the feedback from Business Angels and be open for discussion.

Level of engagement from the BA

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Using the value of Business Angels for knowledge, advice, and network is as important as receiving money from them.

After the investment, George has not actively supported the startup. This is mainly due to the fact that the investment is very recent, and there has not been any direct contact between George and Irakli. However, the network has shown its openness to help Irakli from the beginning and Irakli has been feeling very comfortable

with asking for help for any type of issue. For instance, recently Irakli asked the lead Business Angel if they could suggest a Chief Technology Officer (CTO) since he was looking for someone new. At the end of the day, Irakli had a new CTO through the connection with Axel.

Irakli: So far, my experience with my Business Angels is going well. I am very motivated to ask them for help when I need it. There are two reasons behind it. The first is that they are very influential people who can solve your problems. Second, I want them to know if I have a problem because I do not want to hide it away. If anything goes wrong in the future, I want to make sure that everybody knows about the problem.

Business Angels are not just the money machines that will provide money and disappear. If you want to get the best out of your Business Angel, you need to work with him/her or make him/her work for you, because at the end of the day you are in the same boat. In my experience, every time I ask a question to a Business Angel, he/she is happy to support me. I am asking questions because they do not consider themselves just a money machine either and they are extremely helpful most of the time. If I have to go through the route again or if I have to suggest it to anyone, I would do it. I am already suggesting angel investing to entrepreneurs.

Similarly, George thinks that using the value of Business Angels for knowledge, advice, and network is as important as receiving money from them. However, the startups that he has invested in rarely benefit from this value, and only a few of them have asked for support so far. The potential benefit that startups have can be much higher when they ask for help or support from their Business Angels, especially at an early stage.

Key takeaways:

- Be aware that Business Angels are not only a source of money, but a source of insight, network, and experience.
- Do not hesitate to ask for help and support from the Business Angels.
- Keep a clear channel of communication with Business Angels, especially when things are going in the wrong direction.

Types of conflict that might have raised and how they dealt with it

Since the investment, there have been no major legal, technical, or administrative conflicts between the network and Irakli. For him, **reporting to several Business Angels instead of one might create a conflict in the future due to different opinions** of the Business Angels. Nevertheless, this is not an issue for him to worry about today since he has received support from Business Angels through a clear communication channel.

Irakli: Business Angels support you with their actions and thoughts. They want you to succeed. It is great to have people encouraging you and your business. So far, I cannot talk about challenges. I'm not in a position to do so.

One challenge mentioned by George was the frequency of communication. As a BA, he prefers to receive more updates from his startups. According to him, **informing the Business Angel on a regular basis (e.g., every one or two months), can be beneficial to keep track and not to lose communication between Business Angel and founder.** So far, George has received only one update from Agronnect since the deal was closed. According to the agreement they have signed, Agronnect is obliged to give an update to the Business Angels every three months.

For Irakli, the first thing he did after the deal was closed was to inform the Business Angels personally via email, stating that he will be the one that notifies the Business Angels about any kind of updates, good or bad. He feels responsible and thinks that direct communication is better to give news to the Business Angels. However, being legally bound to give quarterly updates can be challenging because there might not be any news in three months. **Irakli believes that founders should give updates semi-annually to keep the Business Angels on track.**

Irakli: I believe updating the Business Angels every 3 months is too much. This is not because I get bothered of sending out updates, but sometimes you simply do not have updates in those three months. We wrote three months in the agreement because we were not experienced enough to discuss this.

Updating every six months, even every year, can be a good practice because the investment is not a one-year game or half-year game. It is a three-to-five-year game, sometimes a ten-year game. So, you do not expect to have some major updates every six months. But it keeps you in shape at the end of the day.

Key takeaways:

- It is important to update the Business Angels regularly. Keeping them on track will benefit the development of the company.
- Build direct communication with the Business Angels.
- Find a frequency of communication that works for both parties. Keep in mind this is a team game and the Business Angels can support you better if they are well informed.

Cases of entrepreneurs that turned into Business Angels

George: **"It is a huge benefit to be an entrepreneur before, at least in terms of failed startups and why it happened.** You are able to analyse and spot the potential weaknesses in the teams that are pitching to you.

Type of relationship between the BA and the entrepreneur

George: I think, also **the statistics confirm that about 90% of startups fail. So, you cannot expect too much from early-stage startups.** Most of the startups that are pitching to Business Angels are at the early stage without any traction. **So, you depend on the founder or the founding team and on the fact that they are passionate about it. You also depend on the market for their idea and the product-market fit.** If they can answer the most common questions that they probably should expect from Business Angels, or at least if they write it down and come back to you, that's good enough for me and for a lot of Business Angels, especially at the early stage. At later stages, obviously there are more metrics that you can see and more information that you can use to back up your investment decision. With early stages, that's not just possible.

I expect the following from a startup. It depends on the startup's potential market but generally **if they can describe the first 10, 100 or 1000 customers and how they are going to get them, that is good.** It is also good if they **have key employees on board**, for example someone with a tech background for a tech company. **It is very hard to invest in a startup that does not have at least one technical co-founder, because there would be no in-house person to be responsible for some radical changes** that could need to be done to the software or there could be some intellectual property (IP) issues. I think these are the important things that need to be ticked off. If they have team experience (i.e., if they have worked together and know each other) that is also an important factor.

Irakli: From the day that we started building this company, we were building it with a Google or Amazon exit in our mind. So it is a very easy job to be fair because it only gives you one option: to have everything clear and be honest. Any small stick in the process can become a huge one in the future. We just play an open game all the time and it is extremely comfortable. **No matter how ugly the truth might be, we just inform the Business Angels and it is easier for us then in the future.** So, on our side, it is an easy job to do. On the Business Angel side, I do not think there should be any fairness needed. **All they need to do is make sure they are interested and be present with their investments.** That is it. Easy as it is.

Open section for contributions

Irakli: It is real that people who do not know you at all can be willing to invest in you. It allowed me to address other people and freely ask to invest 5K, 10K, or 15K in my company. It works when somebody sees that other people have invested in you. Of course, it is an additional verification for them and also it is a verification for you.

When it comes to investments, the first things that come to startup founders' minds are VC funds or big organisations. I would tell them 'forget about them. Wait for one year until you are big enough, because at least that is how much it takes for VCs to make the decision and get back to you. Go with the business angels because they are way faster. Also, look for small money, not for the big money, which is the common mistake everybody makes.

George: During this process, I learned that online farming consultancy can be a big business. I did not know online farming was so important and there were good solutions.

You always learn new things. Some startups could fail and will fail, but as a Business Angel I can benefit from their knowledge, experience, and the contact I have with them in the future... I might be paying for some contacts for the future in specific countries where they do their business, and I might be paying for some open doors somewhere.

It is not only about financial return. For instance, there could be some intangible benefits when you have a startup in your portfolio that is good with Indian, Philippine, European or Eastern European markets. As a Business Angel if you have potential projects in these regions, or another startup is serving that market, you know who to ask questions to, even if they fail. In the future, maybe five years from now, you can just call the founder or founding team, have a short conversation with them to validate some ideas.

A Very Committed Business Angels with Entrepreneurs Focused on Mobility, Logistics and Industry

Guess who?

Business Angel



This person is a male aged between 35 and 45 years old.

I became a Business Angel because I wanted to mentor entrepreneurs/startups. Until now, I have invested in two entrepreneurs, one that was in Lanzadera and the other because another BA recommended it to me.

I think I have a personal project as a BA. I consider my commitment to the startup rather high both in mentoring and in contacts and ideas the startup may need. I'm agnostic when it comes to areas where to invest.

About my interests in sectors where to invest my favourite ones are Mobility, Logistics, Industry 4.0 and Energy because my professional background is related to these areas.

Regarding experiences I would like to mention I started investment 5 years ago, in this moment all the startups are alive, so I think that's already an achievement and one of them is near an interesting exit.

How the entrepreneur found the BA

Normally startups get in touch with me through LinkedIn.

In what way did the entrepreneur-BA negotiations progress

During the first meetings, the negotiation process regarding bargaining power depends on many factors, generally if you are successful in raising part of the capital or have reference investors, your negotiating position usually improves, otherwise, you start to lose it, and it is accentuated if you run out of cash flow.

Regarding the bargaining power, each investment round depends on many factors, generally when the entrepreneur advances in rounds they have professional partners that help fundraising and improve their position.

I haven't agreed any negotiation structure but in this area there are some implicit rules known by everyone: the entrepreneur has to facilitate a data room and follow a series of steps and there has to be a shareholder agreement.

Level of engagement from the BA

I show my commitment to the entrepreneur with 4 hours weekly per entrepreneur and project so I can help the project grow, with no costs.

Types of conflict that might have raised and how they dealt with it

Regarding types of obstacles that entrepreneurs may find when it comes to finding BA's, I think there are less and less, but it is true that you must find the ecosystem and people who have a BA mentality. Currently the capital is more demanding and there are more problems to raise capital.

I've found sometimes some conflicts like lack of preparation of the entrepreneur and documentation (data room) and verifying that some things are not really what is initially said.

Cases of entrepreneurs that turned into Business Angels

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A Business Angel should have soft skills, investment knowledge, facility to analyse a profit and loss statement, contacts in different sectors and skills typical of an entrepreneur.

I was an entrepreneur before being a BA and I decided to become a BA to return part of what I have received to society and prevent people from making mistakes that I suffered in my flesh. I think my experience as an entrepreneur in this context is an advantage because experience has an invaluable value.

For me, a Business Angel should have soft skills, investment knowledge, facility to analyse a profit and loss statement, contacts in different sectors and skills typical of an entrepreneur.

Type of relationship between the BA and the entrepreneur

A balanced relationship between entrepreneur and BA depends on many factors, a “professional” BA is not the same as a BA who is partially dedicated to mentoring and supporting projects laterally, in the end the entrepreneur and the BA must find personal balance that allows them to develop the project better and faster.

For me, for a fair and equal relationship mutual trust and a lot of transparency are core.

A Former Entrepreneur that Does Successful Exists as a Business Angel

Guess who?

Business Angel



Tom Horsey is a well-known business angel in the Spanish startup ecosystem. He is between 35 and 45 years old. He has a strong presence in social networks, especially in LinkedIn. He's a Business Angel but also has Eoniq. He founded his own fund where other investors act as LP's.

I decided to become a Business Angel because it was the natural evolution from being an entrepreneur. As a business angel I have done 60 investments and, from those, I have done 8 exits.

I consider this is a personal project as a Business Angel because it's the way I live. The way I get

involved in investments regarding equity is taking a 5 to 25%.

These all entrepreneurs I have invested in are related to the areas of smart mobility, Edtech, Ecommerce, Health Tech, Martech and Foodtech, however the area of smart mobility.

The most successful experiences I'm proud of is Grupo Mox (where I made a partial exit at 85x) and Eva Global (where I haven't done an exit yet but it's 80x right now and is a global leader in its field).

How the entrepreneur found the BA

Entrepreneurs normally get in touch through LinkedIn, WhatsApp, web and email. **As meetings advance, entrepreneurs realise our added value and that's how our bargaining power grows.**

In what way did the entrepreneur-BA negotiations progress

About the negotiation, we do it at the end, if the valuation that the entrepreneur proposed initially compared to the traction initially suggested doesn't fit at all, we don't even analyse the project.

During the meetings we take notes of every meeting and there are investment committees after every call.

Level of engagement from the BA



There are many obstacles to find professional BA's. If you're not as mediatic as a BA, it's very difficult for the entrepreneur to find a relevant one.

I'm committed to the project with the participation commented before.

There are many obstacles to find professional BA's. If you're not as mediatic as a BA, it's very difficult for the entrepreneur to find a relevant one and distinguish between a BA of 500€ that invests in a crowd equity platform and a BA that invests 100K€ with a direct investment (both put in their LinkedIn Profiles they are BA).

Types of conflict that might have raised and how they dealt with it

Lots of times, but that's something lawyers normally resolve.

Cases of entrepreneurs that turned into Business Angels

It was the natural evolution from entrepreneur to business angel.

Type of relationship between the BA and the entrepreneur

For me, a balanced relationship must be based in equality: we are all partners in the same ship. In this ship one puts more money but less work and the other puts more work but less money.

Two factors which I consider crucial for achieving a fair and balanced relationship between the BA and the entrepreneur are **mutual respect and teamwork**.

When Should You Decide to Seek an Investor?

Guess who?

Entrepreneur



The entrepreneur started its journey in August 2018. At that time, there was a need to publish some books by a family member of the founder. The contracts offered by publishing houses were not working, so combined with his desire to create something of his own, he decided to create the company. The books were published and available for purchase in digital format from the website. Because for him a simple digital ebook buying store was not enough, he

started thinking about how he could evolve by adding more features. One of his initial ideas was “Netflix for ebooks”, as one could briefly describe it. When he finished his military and academic obligations in November 2019, having received his first degree, he decided to look at things differently, putting technology development as a priority and setting bolder business goals. It was then that he decided to seek for an investor.

How the entrepreneur found the BA

The entrepreneur worked non-stop to find an investor. He carefully investigated potential investors, seeking for individuals who had a history of assisting cutting-edge publishing ventures. He approached numerous business angels, presenting his tale and the exciting possibilities of the company, armed with an engaging presentation and a clear vision.

There were obstacles along the way. Along the journey, the entrepreneur encountered difficulties and rejections, but he didn't let that stop him. He continuously improved his presentation by drawing on his enthusiasm, the company's distinctive value proposition, and his unflinching faith in the platform's future success.

When the entrepreneur eventually made contact with a business angel who recognized the huge potential of the company, his perseverance paid off. This angel understood the market disruption and shared the entrepreneur's goal.

In what way did the entrepreneur-BA negotiations progress

Both parties engaged in extensive discussions to align their visions and establish mutually beneficial terms for their partnership. The negotiations were marked by a balance between financial considerations and the long-term strategic goals of the company.

At the outset, the entrepreneur presented a compelling case, highlighting the unique value proposition of the company and its potential for disruption in the ebook industry. He showcased the platform's technological advancements, user-friendly interface, and the growing demand for digital reading experiences. These discussions allowed the business angel to gain a deeper understanding of the market opportunity and the growth potential of the company.

As the negotiations progressed, both the entrepreneur and the business angel exchanged insights and perspectives. They explored various aspects, including the investment amount, equity structure, and the business angel's expected involvement in the company's decision-making processes.

The entrepreneur articulated his plans for utilizing the financial support to fuel the company's growth and enhance its technology infrastructure. He emphasized the importance of strategic partnerships, marketing initiatives, and talent acquisition to expand the company's reach and solidify its position in the market.

The business angel, on the other hand, expressed their expectations for a return on their investment. They provided guidance and insights based on their industry experience, contributing valuable advice on market positioning, revenue models, and potential growth opportunities. Additionally, the business angel shared their network of contacts and industry connections, which could be leveraged to propel the company's growth.

Level of engagement from the BA

The business angel demonstrated a high level of commitment in his partnership with the company. His involvement extended beyond providing financial support, as he actively contributed his expertise, guidance and industry connections to drive the company's growth.

Types of conflict that might have raised and how they dealt with it

During their partnership, the entrepreneur and the business angel occasionally encountered conflicts, but worked together to address and resolve them. These conflicts were generally rooted in differences of opinion, strategic approaches or differing perspectives on specific aspects of the company's operations. Despite these conflicts, both parties remained committed to finding mutually beneficial solutions. **Open communication and a shared goal of the company's success allowed them to effectively address these challenges and maintain a strong working relationship.**

Type of relationship between the BA and the entrepreneur

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They shared a common vision for the company's growth and success, working together to address challenges, make informed decisions and seize opportunities. BA's involvement extended beyond financial support, as they actively contributed expertise, industry connections and guidance to help the company grow.

The relationship between the BA and the entrepreneur can be described as a partnership based on common goals, trust and cooperation. BA played a key role not only as a financial investor but also as a mentor,

advisor and strategic partner for the entrepreneur and the company. They shared a common vision for the company's growth and success, working together to address challenges, make informed decisions and seize opportunities. BA's involvement extended beyond financial support, as they actively contributed expertise, industry connections and guidance to help the company grow. This relationship was built with mutual respect, open communication and a shared commitment to fully exploit the potential of the company publications.

More than Just Funding: Support and Counselling from a Business Angels to Tackle Challenges in Your Entrepreneurial Experience

Guess who?

Business Angel



Jesper Jarlbæk
Chairman, DanBAN

Background:

Previously executive manager till 2006 when he decided to quit his executive career and sit on listed boards, work with private equity funds, and do Angel investing.

Activity as a Business Angel:

16-17 years of experience, with more than 40 investments and 6-10 exits performed, often as a lead investor.

Sectors of interest:

Professional and support, Retail / e-commerce / m-commerce, Financial services

Country:

Denmark

Entrepreneur



Henrik Johannessen
CEO & Founder, Tjommi

Background:

Previously founded an ecommerce store, Real estate analyst, Bachelor in finance.

About the current company:

Tjommi is an app that gets you money back if the price of something you have bought drops after your purchase. It was founded in 2019.

Sector:

Financial services

Country:

Denmark (Originally Norway)

At the beginning of 2022, Henrik Johannessen was looking for funds for his startup, Tjommi. This was his third funding round and he had already secured the commitment of some Venture Capital firms, Strawberry Capital, VF Venture and Spring Capital. He was looking for Angel Investors to close the round.

He had already had experience with Business Angels, and he knew how to deal with them. He wanted Business Angels because he knew that while Venture Capitals (VCs) usually provide only money, Business Angels also commit their time and experience. Thus, having both VCs and Business Angels creates a balance for the entrepreneur and energy to push the company forward.

At the end, he met Jesper Jarlbæk, a Danish Angel Investor. He liked the idea, led the round, and brought on also another VC, Nordic Makers.

The €1.1 million funding round was soon closed in June 2022.

How the entrepreneur found the BA

In 2022, Henrik was looking for funds but he was not getting commitments. He understood that he needed to take a step back and reconsider his pitch deck. His Co-Founder and CMO, Jesper Brok, knew Jesper Jarlbæk because he had invested in and sat on the Board of the other company Jesper Brok co-founded, Happy Helper. Jesper Brok then managed to organize a meeting between Henrik and Jesper Jarlbæk during which Jesper went through the pitch to provide feedback. At the end of the meeting, though, Jesper was excited about the business. He then contacted other Angel Investors to form a consortium and analyse the opportunity.

Henrik: "From my experience, everything goes through the network. You need to know people that know people."

Key takeaways:

- Nurture your network.
- Organize in person meetings.
- Ask for feedback on your pitch.

In what way did the entrepreneur-BA negotiations progress

Once the interest was raised, each investor proceeded with the due diligence. Since both sides, the entrepreneur, and his team on one side and the investors on the other, were experienced, they spoke the same language, so it was easy to understand each other. When one or both parts do not have previous experience in dealing with the counterpart, there is a higher risk of misunderstanding. In this case, they quickly reached a common arrangement on the situation and form of transaction.

The agreement they used was founder friendly and plain vanilla. Any law firm can provide these standard texts with the important clauses such as drag along, tag along, non-compete and others. Also, in this case there was a shareholder agreement already in place due to the previous investments raised. Thus, the team already understood the basics of the content of such an agreement and checking the modifications was all that was left to do.

Being the contract a standard text and being both sides experienced in investment clauses and jargon, there were only 3 factors to investigate: the idea needed to be exciting, the team needed to be passionate and competent, and the price needed to be perceived as fair by both parties.

Henrik: "the good Business Angels know that the companies will be raising another round and that they need to have a good balance on the CAP table to be able to raise the next round. So entrepreneurs and Business Angels have a mutual goal of getting a fair price."

Key takeaways:

- Make sure to have a team member with fundraising knowledge.
- Reach out to local law firms for standard shareholder agreements.
- Understand what the Business Angel is looking for when investing.
- Make sure to propose a price that is fair for the Business Angel.

Level of engagement from the BA

To make sure that information continued to be shared fairly after the investment was made, they not only followed the typical Nordic two-tier governance system, but they also implemented the practice of holding theme-based workshops – open to management, board members and other network members.

The two-tier governance system is a typical Danish, and Nordic in general, model to run companies. This implies that there is an executive management team, which is responsible for daily management of the company, and a Board of Directors, made by non-executive supervisors. Usually, there are quarterly meetings and a couple of extra meetings to discuss strategy or for the General Assembly, while the Chairman has frequent communication with the team members.

Since in this case the company is still immature, they opt for several additional workshops, in person and online, on themes that are relevant to develop the business. Instead of keeping this only for the founding team, they decide to open the participation to the Board of Directors, other shareholders, and people in their combined networks with relevant skills.

Jesper: "This startup is a bit blessed or gifted. In some of these workshops we had 12 or 15 skilled professionals participating, because they thought this was an exciting case and they wanted to contribute. This was the case even though the workshops have been organized at short notice, and outside of the preset schedule and participation was voluntary."

Key takeaways:

- A two-tier governance model facilitates effective information sharing.
- Business Angels can organize workshops to support their startups.
- Voluntary participation in additional activities is a sign of goodness of the company.

Types of conflict that might have raised and how they dealt with it

In this case, both sides agreed on the project vision and on respective boundaries, the Business Angels actively supported the startup, there were neither conflicts nor legal or administrative problems.

The main challenges encountered by the entrepreneur were related to limited preparation before implementing the investment process. When he had started looking for funds, before meeting the Business Angel, they had not built a strong enough pitch, they didn't have a precise structure in the round and the traction over the platform was decreasing.

Henrik: "You should do your homework really well before the process starts."

However, these challenges were overcome together with the Business Angel. In particular, the Business Angel gave feedback to the pitch, then the investment consortium decided to set up KPIs connecting the structure of the investment and the platform traction. The investment was then planned to be made in 3 tranches in 12 months. Relevant KPIs were set to make sure that both a 10% monthly user growth rate was maintained and that several partners were onboarded. This strategy should mean that the investment was less risky and that the team was committed to the results, while still not having any earnings. At the beginning of 2023, a Venture round would follow.

Henrik: "Jesper wants to see the growth and that keeps us on the toes to reach those targets and execute. So it's beneficial for both sides as long as it's reasonable."

However, the market is volatile. The market in 2022 was already not as hot as in autumn 2021. The rest of 2022 and beginning of 2023 were even more challenging, especially after Silicon Valley Bank bankruptcy and its repercussions on the venture market. Even though the financial system is not going to collapse, it is more difficult for ventures to find funding. Entrepreneurs' business was on track to reach the KPIs, but the question was whether the KPIs set were enough to secure a follow up investment. The startup then also changed Business Model to better respond to the requests of the market, focusing more on the merchants rather than the consumers. This change required the assignment of specific team members to this task, basically running 2 different companies with the same team and budget.

Jesper: "Almost every startup experiences inflection points where you have to change direction because you get a better understanding of where the money is or because the funding scenario looks different. So, you have to pivot the company."

Henrik: "You need to be very agile and work a lot, refine the strategy and then execute as fast as you can to be able to achieve that. I think adaptability is the main learning of the last year."

Even though the market had changed, the KPIs set initially for the entrepreneurs business have been reached, so all 3 investment tranches have been invested into the company.

Key takeaways:

- Correct and redo your pitch and plans regularly.
- Set reasonable KPIs and connect them to the investment.
- Be ready to pivot.

Type of relationship between the BA and the entrepreneur

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Henrik: "I think the most important thing is having a good dialogue and being on the same page in terms of the way where you want the company to go, then execute together as a team."

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Jesper: "Angel investing is about sensing a good chemistry with the founder team, because there will always be a lot of challenges. You need to have a good personal relationship, and that's something which I assess during the due diligence phase. Is it a team that I like and do we have mutual trust?"

Open section for contributions

Jesper: "What is fascinating as a Business Angel working with entrepreneurs is to see new business models being created which rely on new technologies, systems, actors that did not exist 5 or 10 years ago. The market continues to evolve and the fascination is to understand which business models are coming up next.

The other fascinating element is the partnership between the founders and the investors. Investors are coaching the team according to the experiences they have had. However, in terms of process both parties are learning continually. You never stop learning as a founder and as an investor."

Henrik: "Compared to VCs, the VCs come with money and that's it. BAs are way more active in terms of availability to actually do some hands-on work to move the company forward. I have just good experience working with business angels. I think the combination of both is very healthy for a company."

Jesper: "If you find a business model which is cash flow positive, then you do not need the VC. This is valid maybe for one out of 10 business models. For the other 9, you will need investors and if you are successful, you will need institutional investors."

Insights from an Entrepreneur's Negotiation Adventure into the Business of Candles and Aromatics

Guess who?

Entrepreneur



The entrepreneur in this case is a **pharmacist with a specialisation in pharmaceutical marketing**. She decided to go beyond her training and experience, **creating her own company for the manufacture and marketing of candles and aromatic products** for the home.

Up until now, she has **financed her business with her own money**, but the time has come to seek external investment. She is in the **seed stage**, with a proven business model and solid financial metrics. She has applied for an ENISA, a public loan that

matches the BA investment, to minimise dilution in the investment round.

Her goal in seeking a Business Angel is not just to obtain financing, but also to find a partner who can bring experience and knowledge to her business.

She is excited about this new stage in her entrepreneurial journey and is eager to see how her company will grow with the support of a Business Angel.

How the entrepreneur found the BA

The entrepreneur found the Business Angel through an **online search and cold outreach**. To present her project, she prepared an **Investor Deck**, a key document that provides an overview of her business. This document was sent via email as the first point of contact.

The initial meetings with the Business Angel focused on discussing the project and the vision of the company. The entrepreneur prepared for these meetings by ensuring she had all relevant information at hand and ready to present. Additionally, she sought feedback from individuals who had already undertaken investment rounds to improve her presentation.

In terms of strategy, the entrepreneur focused on finding a **Business Angel who could provide not just funding, but also add value to her company in terms of experience and knowledge**. To do this, she researched potential Business Angels, looking for those who had invested in similar companies or who had experience in her sector.

Furthermore, the entrepreneur created a **cloud** on Google Drive with all relevant financial and legal documentation for the Business Angel to access. This demonstrates her **transparency** and **willingness** to provide all necessary information for the Business Angel to make an informed decision.

In summary, the entrepreneur used a combination of careful preparation, research, and transparency to find and attract the right Business Angel for her company.

In what way did the entrepreneur-BA negotiations progress



She didn't just look for funding, but also for a partner who could bring experience and knowledge to her business.

The entrepreneur stated that the **valuation method used was calculated by multiplying by ten the turnover of the previous year**. If the company doesn't have turnover yet, the valuation is based on the market they are targeting and the percentage of that market they expect to capture with the resources they are asking for. In this specific case, the entrepreneur valued their company at one million euros. Her transparency with the financial statements was due to prove this value to the BAs.

The early stages of negotiation involved **several meetings**, where the entrepreneur and the Business Angel discussed the project and the vision of the company. The entrepreneur prepared for these meetings by ensuring she had all relevant information at hand and ready to present. At the time of the interview, the entrepreneur was negotiating with 2 BAs.

The entrepreneur used an Investor Deck to present her project, which was sent via email as the first point of contact. She also shared all relevant financial and legal documents for the Business Angel to access, demonstrating transparency and preparation.

The most remarkable experience during the negotiation process was the entrepreneur's approach to finding the right Business Angel. She didn't just look for funding, but also for a partner who could bring experience and knowledge to her business. This involved researching potential Business Angels, looking for those who had invested in similar companies or who had experience in her sector.

Level of engagement from the BA

The entrepreneur has valued their company at one million euros and is planning to ask for 200,000 euros in an investment round for 20% of the company. This indicates that the Business Angel would acquire a substantial stake in the company, reflecting a high level of engagement.

The entrepreneur has also applied for an **ENISA**, a state-level loan in Spain with good interest rates, to dilute less in the round. This shows that the entrepreneur is considering other forms of investment alongside the Business Angel's contribution and wants to keep control of the startup.

The negotiation process is still ongoing, with the entrepreneur currently in talks with two Business Angels. The process involves several meetings and communications, primarily conducted via email. The entrepreneur is also seeking assistance from a company called Upbizzor.com for the ENISA application.

In summary, **the Business Angel's level of engagement is demonstrated through the potential acquisition of a significant stake in the company and the ongoing negotiation process**. The entrepreneur is also considering other forms of investment to support the growth of her business.

Types of conflict that might have raised and how they dealt with it

The entrepreneur mentioned that **disagreements are normal in such processes**, but no specific instances of conflict were mentioned. The entrepreneur seems to be prepared for potential disagreements, indicating an understanding that **negotiations involve give-and-take and that not all points will be agreed upon immediately or without discussion**.

Type of relationship between the BA and the entrepreneur

The relationship between the entrepreneur and the Business Angel is currently in the **pre-investment stage**. In terms of communication, the entrepreneur mentioned that the process involves several meetings and communications, primarily conducted via **email**. She is currently in talks with two Business Angels, indicating an **ongoing negotiation process**.

Open section for contributions

There are several **key takeaways** that could be useful for students looking to secure funding or start their own startups:

- **Preparation and Transparency:** The entrepreneur prepared an Investor Deck to present her project and created a Google Drive cloud with all relevant financial and legal documentation for the Business Angel to access. This level of transparency and preparation is indicative of the entrepreneur's approach to the pre-investment relationship.
- **Valuation and Investment:** The entrepreneur valued her company at one million euros and planned to ask for 200,000 euros in an investment round for 20% of the company. Understanding how to value a company and plan for investment rounds is crucial for any startup.
- **Seeking Assistance:** The entrepreneur sought assistance from a company called Appvisor for the ENISA application, suggesting that seeking professional help when needed can be beneficial.
- **Open Communication:** The entrepreneur mentioned that the process involves several meetings and communications, primarily conducted via email. This highlights the importance of maintaining open lines of communication during the negotiation process.
- **Exit Strategy:** The entrepreneur has a clear exit strategy for her investors, planning for a future investment round in 2025 where the company will be worth more, and the initial investors can recover their investment

Investing in Spanish Innovation: Marta Huidobro's Role in Spotlab's Success

Guess who?

Business Angel



Marta Huidobro
Business Angel, WA4STEAM

Background:

Previously an entrepreneur, not for startups but for regular businesses, she is the co-founder and member of the executive committee of WA4STEAM.

Activity as a Business Angel:

More than 6 years of experience, with more than 60 investments and 10 exits performed.

Sectors of interest:

Healthcare and media-tech / ICT-software, Food and drink / Digital media and content / Leisure / Biotech - live sciences / Manufacturing / Advanced manufacturing and new materials / Security

Country:

Spain

Entrepreneur



María Postigo Camps
COO & Co-Founder, Spotlab

Background:

Previously Product Manager in healthcare sector, Biomedical Engineer, Master's in Strategies and Technologies for the Development.

About the current company:

Spotlab helps create AI algorithms with clinical impact. Based either on clients' data or new images acquired with their devices. Clients have the option to deploy AI models either in their own infrastructure or utilise user-friendly web and smartphone (edge-AI) platforms to access comprehensive solutions.

Sector:

Healthcare

Country:

Spain

María Postigo Camps established her company, Spotlab, in 2017. After receiving a grant from the European Commission (EC), she started to look for private funding in 2018.

As a newly established startup, Spotlab had a very good team but no revenue and no marketable product. They needed investors/ Business Angels who believed in their ideas, prototypes, teamwork, and principles. For this reason, she opted for business angels. They could help them find the best way for the company to move forward and provide additional support when needed.

The first business angel to believe in the company was a friend of one of the founders. Several other BAs joined the same round. Marta Huidobro was one of them.

How the entrepreneur found the BA

In 2018, María was raising funds for her company, Spotlab. She had contacted Venture Capital firms, but they were demanding a developed product and a business plan. Then, she opted for the angel investment option.

The first Business Angel of the company was a friend of one of the founders. He was soon joined by 13 other investors for the same round. Some of them were friends and acquaintances, some from events, and some of them were from Ashoka, a non-profit organisation that connects and supports entrepreneurs where Miguel Luengo, the Chief Executive Officer (CEO) and co-founder of Spotlab, was a fellow member.

María soon realised that the first meeting with a business angel does not necessarily happen in a specific place; it can happen anywhere, any time.

María: "At any moment, you can find or talk with a possible business angel. Last year, I went to the first communion of one of my cousins. During the event, someone asked me to explain my company and work. Later, I found out that they were asking about my company because they knew someone at the table who wanted to invest in companies like mine. Of course, I did not know why they asked me at that moment, but I learned that every person you talk to about your project can be a potential business angel."

Marta Huidobro was one of the 14 Business Angels that joined the round. María and Marta met through a mutual friend, a WA4STEAM member who knew one of the co-founders of Spotlab, Jose Nistal. The first thing that caught Marta's attention was the **technology** behind the project and its **impact** on society. She found it incredibly impressive and decided to invest in the company.

Marta: "I have invested in Spotlab because it is a project that can generate great impacts for society. Through the technology they have developed, a medical expert can spot health issues in a country that is hundreds of kilometers away through a mobile camera and diagnose them. It allows them to provide medical services to countries where the healthcare system is underdeveloped."

Key takeaways:

- Consider BAs when lacking an MVP or developed product, and not yet ready for VCs.
- Network plays a vital role in finding funding for your company.
- Consider that there is always an opportunity to meet a potential Business Angel anywhere, any time.

In what way did the entrepreneur-BA negotiations progress

To consolidate the relationship and the investment round with the interested BA, María invited all of them to their office to get to know the Spotlab team in person as well as to show them the way they worked, their principles, and business plan. **Meeting physically and spending time with the Business Angels induced a more personal relationship** between the two sides, hence building trust between them.

María: "We had intense conversations that lasted for several months. This was something different than having a relationship with the VCs. VCs were looking more for a very detailed plan whereas business angels were looking for trust and a clear vision, BA understood how we were moving forward in the best way."

Once the Business Angels confirmed their interest in the company, **the lawyers drafted straightforward terms for the convertible loan agreement, ensuring clarity and ease of understanding.** There was not much negotiation on the part of the Business Angels. They simply prioritised the **avoidance of any restrictive clauses** that might hinder them, striving to create an agreement that was mutually convenient for all parties involved. However, having each of them a different relationship with the company, the approach was different.

The investment was not only a new endeavour for the company. It also marked one of the earliest investments for WA4STEAM. At that time, this network's investment process was less structured compared to today. While Spotlab had an external lawyer, WA4STEAM had members who were lawyers and they preferred to deal with it internally.

Lastly, **building trust was very important for them and it played a crucial role during the negotiation.** Unlike VCs, who would like to have more control in the company and detailed business plan, **business angels focused on fostering trust initially and offering support when necessary.** Consequently, this mindset resulted in the development of a concise and uncomplicated agreement and concluding the negotiation process in around six months.

Key takeaways:

- Be prepared for unique negotiation processes when dealing with multiple Business Angels with different backgrounds and relationships.
- Keep your agreements simple and clear, ensuring easy understanding for all parties involved.
- Focus on building trust with Business Angels, prioritising collaboration and support over excessive control or detailed business plans.

Level of engagement from the BA

Once the investment was finalised, Spotlab received support from its Business Angel in many ways. The strong communication between the two parties enabled the company to receive such effective support. The team updated the Business Angel through one member of WA4STEAM as a representative every three months and this helped them to solve the company's problems easier and faster.

Marta: "If you engage in an open conversation with the entrepreneur on a regular basis and know how everything is going within the company, you can be ready to intervene quickly and support in a complicated moment. Business angels do not only expect good results from the startups, we also would like to help our startups when they need anything, such as a contact, a technical problem, a new direction to follow. Of course, we are not going to substitute the leadership, but help them make sure that the project goes where it needs to go."

Furthermore, **the business angel offered valuable visibility and expertise** to the company. They facilitated Spotlab in **establishing connections** with influential individuals, such as additional potential investors/BAs. At the same time, they provided guidance on **effective stakeholder communication strategies.** Ultimately, the company had the opportunity to leverage these relationships to obtain additional funding.

María: "It is important to have the first business angel invest in your company to attract more Business Angels. The initial investment is often the most challenging to secure. Once you have an established business angel, follow on rounds become comparatively easier than starting from scratch. It becomes simpler to attract more investors when you already have a business angel involved, perhaps because it instils confidence in other potential Business Angels. This scenario has occurred multiple times in our experience. One of such follow-on rounds took place six months ago. During a particularly challenging and stressful period, our investors showed unwavering trust in us, even more than we had in ourselves. We secured the necessary funds to sign new contracts. Some other times, these follow-on rounds require patience and can be quite demanding."

Key takeaways:

- Stay in regular communication with investors/BAs to receive timely support during challenging times in your company.
- Leverage the expertise, connections, and visibility that business angels offer to enhance your startup's networking and attract potential investors/BAs.
- Securing the first business angel investment is crucial as it paves the way for easier subsequent funding rounds and builds confidence in other potential investors/BAs.

Types of conflict that might have raised and how they dealt with it

Marta and María **did not face major challenges before or after the investment.** For María, **the most challenging part was getting to know each investor** and understand what they expected from the company

in a short period of time. Dealing with 14 different investors made it difficult for the team to establish a common way of communication and reporting, as each investor requested different information. This **lack of reporting standardisation resulted in a time-consuming process** for the team. However, WA4STEAM decided to **communicate with Spotlab through only one investor for quarterly reporting**. This ensured an easier experience for both parties.

Additionally, María became aware of the **complexities associated with cross-border investment** in Spain when they had a foreign investor participating in the funding round. The bureaucratic procedures proved to be more challenging than anticipated, requiring a significant investment of money, time, and effort to ensure the successful completion of the investment. Although the Spanish government is changing the law covering Foreign Direct Investment (FDI) to make the process easier, this was not the case when the investment took place.

Another challenge occurred when Spotlab requested a follow-on round. Although the investors were expecting the round to be finalised soon, it took one year to be concluded due to changes in the funding and financial plan. According to Marta, it took a lot of effort and was time-consuming for both parties. **It is important to have a solid financial path to follow and inform the investors/BAs accordingly.**

Marta: "It is acceptable to openly communicate if, for example, I initially planned to have the next round in February, but then received a grant or obtained additional cash, causing me to anticipate or delay it by a few months. This way, we are all aware of the situation. Otherwise, it requires significant effort, especially since financing is a time-consuming process for both partners and business angels."

Key takeaways:

- Be aware that BA might request different information and have a different reporting system.
- Communicating one representative when you have several investors from one network could be time efficient and easy for both sides.
- Make sure to have transparent communication with your investors and update them on any changes or delays in the financing timeline.

Cases of entrepreneurs that turned into Business Angels

Marta: "As a former entrepreneur, you realize the reality of managing everything on your own or just with another person. From administrative tasks to regulatory obligations, there's always something to take care of. This understanding makes me ensure that founders are aware of these responsibilities, without a romantic approach."

Type of relationship between the BA and the entrepreneur

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The fair relationship is based on communication. If there is no contact between parties, then there is no possibility to build trust.

Marta: "It is very important to be open and honest. Discovering that things are not like the founders say is more harmful and complicated for me than them saying that the business is not going well, and the company will be wound up. I can understand the latter because it is part of the risk."

Another important thing is reporting on an agreed basis and not waiting until the last moment to indicate that you have a problem. At WA4STEAM, we ask the founders to report their results every quarter and a few KPIs that we agreed at the beginning. This is really beneficial not only for us to be updated but also for the company to pay attention to critical issues like cashflow. Startups deal with many things at the same time, such as building the product or contacting customers and sometimes no time is dedicated for these important KPI.

We also have one person in charge of getting in touch with the companies and having a conversation with them on a regular basis. If the conversation proceeds well and they update the person, it is easier for us to help them if there is a problem."

María: "The fair relationship is based on communication. If there is no contact between parties, then there is no possibility to build trust. For me and for us as a company, it has been challenging but also very important to learn how to communicate with business angels. We have several business angels and each of them has different ways of contacting us. Inviting our business angels to our company at least once a year is the best way of keeping them involved for us. However, once a year sometimes it is not enough to get support from them or effectively communicate successes, challenges and difficulties."

Open section for contributions

Marta: "The most challenging part of working with entrepreneurs is making sure that the founder is being open and honest. When you have 60 investments, you have every kind of story. You are working on trust and for me it is even more harmful when you discover that things were not like they said than to declare that the business is not going as well as planned and it is going to close. This is part of the risk."

María: "The challenge with Business Angels is learning how to communicate efficiently with them. There is not a standard way to report, to communicate, to do the paperwork. This is something we are still learning."

It's Green: A Story of Entrepreneurial Resilience in the Horeca Industry

Guess who?

Entrepreneur



- **Higher Education**
- **29 years**
- **Cofounder of It's Green**
- **Sector(s): HORECA industry**

Story of the Entrepreneur

It's Green is a restaurant, created in 2019, that offers healthy fast food with the idea of becoming a healthy and affordable food chain, designed mainly for people who work in offices, split shifts and do not have to sacrifice their nutritional health due to lack of time.

"We couldn't seek bank financing because we had already lost it, and we had to restructure with a 30,000 euro advertising debt and nearly 100,000 euros in other loans. This was mainly because we had just opened."

"We were barely open when we had to close due to the pandemic. In 2020 we simply made a loss, which

led to re-indebtedness. We were also ineligible for public sector support, it was an absolute crisis. 2021 was also a weak year given the losses and the existing restrictions that still persisted. We survived thanks to contributions from some partners and third parties. However, the company had a positive trend, we have been improving and learning all this time".

Key takeaways:

- Inability to secure bank financing due to previous losses necessitated restructuring with significant debts, including advertising and other loans, primarily due to the recent establishment of the business.

How the entrepreneur found the BA

"We had experience with some entrepreneur support offices, including mentoring, but the truth is, it wasn't in any specific place. We didn't have a clear direction. We also had some connections with other entrepreneurs and companies, and a few scattered contacts that allowed us to get some email addresses or ideas. However, in the end, we resorted to searching on the internet and sending our pitch deck to as many investor offices as possible."

"I realised that our lack of direct references was the issue. We could access investors if we had common contacts, someone to open the door for us. We never even got to the door of analysis, never got a chance to be heard. So, we simply lowered the bar."

Key takeaways:

- Lack of direct references and connections posed challenges in accessing investors.
- To overcome these obstacles, the approach shifted to searching for investor offices online and sending pitch decks to a wide range of potential investors.
- Having common contacts or someone to introduce the business to investors can significantly facilitate access to funding opportunities.

In what way did the entrepreneur-BA negotiations progress

Being the BA someone close, communication was quite easy. The director and other partners met with the BA at the company's premises, the business model was explained, documentation was provided, and the price of the shares was negotiated. The process was fairly straightforward.

"We considered the negotiation of the price of the shares, taking into account the immediate availability of the BA's capital".

The director (also a co-founder) had a background in negotiating with investors, so this greatly facilitated the process.

Level of engagement from the BA

"We created a WhatsApp group for quick communication, and it's been working well so far."

Key takeaways:

- Building connections with someone close or familiar can simplify the process.
- Effective communication through platforms like WhatsApp can enhance collaboration and discussion of key details, such as percentage shares.

Types of conflict that might have raised and how they dealt with it

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No matter how we want to present ourselves, how we write the email, we won't get anything. Unless you know someone who can introduce or recommend you.

"My feeling has been that if you don't know someone who can open doors for you (because that's been very clear through emails or websites), we won't achieve anything. No matter how we want to present ourselves, how we write the email, we won't get anything. Unless you know someone who can introduce or recommend you."

"I believe that sending emails or checking websites and databases was not the way to go. You had to actually go to events, present your company, or attend events where others were presenting, see if it was an entrepreneurs' association, and make your presence known there. That's what had to be done."

Key takeaways:

- Knowing someone who can provide introductions and recommendations is crucial in gaining access to opportunities.
- Relying solely on emails and website inquiries may not be an effective approach. Attending events, presenting the company, and engaging with business associations can be more productive in building connections and opportunities.

Type of relationship between the BA and the entrepreneur

"We even liked the fact that the BA was a young person because we move amidst much uncertainty, and we wanted someone dynamic, at the very least. It's not that older individuals can't be dynamic, but it provided some assurance. So, right now, we're taking care of it. If there's any need for an extraordinary contribution, we won't ask him to pitch in. So, there's trust, but now we hope he reaches the breakeven point and starts functioning normally."

Key takeaways:

- The choice of a young person for the BA's role brought a sense of dynamism and confidence in navigating uncertainties, with trust in their ability to contribute to the project's success.

Open section for contributions

"I've seen a lot about how to create a pitch, how to edit, how to present problems... I used to squeeze my project in, because I wasn't convinced by the structure, but they told me I have to tell a story, pose a problem. Then they would ask, 'Is it working? Is it working? Because people are asking for this and that. These are the numbers that matter.' So, instead of just the vital storytelling, there's a gap here, you know? There's a leap from one circle to another, the circle of entrepreneur startups and the institutional circle of investment funds and Business Angels."

Key takeaways:

- The entrepreneur is looking for content that provides insights into finding Business Angels or investors, as well as understanding the inner workings of investment funds.
- They seek information that goes beyond the basics of pitching and storytelling to bridge the gap between startup entrepreneurship and the world of institutional investors, funds and Business Angels.

Pioneering Healthcare: The Story of a Care Startup

Guess who?

Entrepreneur



When a few years ago, the 30-year-old researcher entrepreneur worked - as part of a European project - with Parkinson's patients at the hospitals "Agiros Dimitrios" and "Papanikolaou" in Thessaloniki, he experienced - as he says - first-hand the problems in their daily life and social life. The questions arose spontaneously: what would it be like if the disease could be detected at an earlier stage? Would doctors have data at their disposal that would allow better planning of treatment? And how could the patients themselves and their relatives, friends or carers be helped so that those with Parkinson's could live an easier daily life?

These questions were the "yeast" for the foundation - together with other researcher - of the start-up company based in Antwerp and aiming to develop digital biomarkers to monitor the progression of Parkinson's disease. The startup of the two Greek researchers, founded in June 2022, may still be in

its infancy, but it has just secured a considerable amount of funding that will be used to support the development and improvement of the innovative technology, which uses advanced artificial intelligence algorithms.

It is basically an application that will be installed on the patient's smart mobile phone or wearable device (for example a smart watch), providing data on the patient's nutritional, social and motor behaviour, thus helping the doctor to design a more appropriate treatment regimen and the patient's environment to support them in a more efficient way when needed. Within the next six months, the development of the Greek startup's product will be completed, so that by the end of 2023 it will be ready to enter the market. The company's goal is to market its products in Europe and abroad, with Greece being among its primary targets.

How the entrepreneur found the BA

The startup's path has not always been easy, as there was a period when it had no funding other than equity and money from its founders' circle. However, "we had stamina" says the entrepreneur and adds that the two founders of the startup had contacts with many investors before the deal was finalized, which allows him to now deal exclusively with their business venture. The entrepreneur used various techniques and strategies to connect with investors for funding and support.

During the entrepreneur's time at Amazon in Luxembourg, he actively networked with other founders in the healthcare sector who had already established companies. These founders had connections with investors who were fascinated by the potential growth of startups in the healthcare industry. Through these networking opportunities, the entrepreneur created valuable partnerships and contacts in the region.

Dimitris recognized the importance of maintaining a strong online presence. He leveraged platforms such as social media and LinkedIn to increase his visibility and attract potential investors. By sharing his expertise, publishing articles and participating in the online community, the entrepreneur aimed to generate interest and capture the attention of potential investors.

the entrepreneur's active online presence and his contribution as a researcher and entrepreneur attracted the attention of interested investors. They approached him after discovering his work, and their interest was not only limited to financial support. These investors also offered their guidance and acted as advisors, contributing their expertise to help the start-up grow.

In what way did the entrepreneur-BA negotiations progress

Circumstances aligned in such a way that a positive message accompanied the launch of their business venture. From the outset, there was a sense of viability that would sustain them into the foreseeable future, allowing them to focus on creating a product that would actually make sense on a product level. The initial innovation they brought to the table had reached an advanced level of maturity that set it apart from existing market offerings.

The entrepreneurs received positive messages and encouragement from the individuals who eventually became their initial funders. These backers expressed their commitment to assist in building the company and securing the necessary financial resources.

However, before they could obtain funding, a demanding challenge lay ahead: the task of convincing investors that their project was well-prepared and worthy of financial support. This phase required considerable effort and strategic execution. The entrepreneurs embarked on a journey to demonstrate the viability of their business model, presenting a convincing case for their innovation and highlighting the potential for long-term success.

Level of engagement from the BA

From the very beginning, the investors played a crucial role in shaping the establishment and growth of the company. Their involvement went beyond mere financial support. They assumed an advisory role, providing valuable guidance and insights to help set the company on the right path. This advisory aspect of their engagement was instrumental in charting a clear course for the startup.

In the company, the investors hold shares through a SAFE (Simple Agreement for Future Equity). By converting the amount of their investment into equity value, they established themselves as key stakeholders in the company. However, day-to-day operations and decision-making authority remain firmly in the hands of the co-founders.

While the investors have a management presence in the company, with two of their representatives embedded in the general staff, ultimate control and authority belongs to the co-founders.

Types of conflict that might have raised and how they dealt with it

As the partnership progressed, they faced different types of conflicts, but they dealt with them with determination and a common goal of success.

A common source of conflict was the different recommendations made by individuals involved in the project. The entrepreneur acknowledged that everyone's history and motivations influenced their perspectives. However, they were committed to making decisions that would positively impact the start-up. Through open discussions and careful evaluation, they sought to find common ground, ensuring that each decision made sense in the broader context of the business.

Fortunately, there were no major disagreements that threatened the partnership. Although minor problems arose from time to time, the entrepreneur and the investors recognized that their collective pursuit of creating something of value was more important than their personal gain. They embraced the human element, fostering empathy and understanding, which helped to resolve conflicts harmoniously and strengthened their cooperation.

An important factor that influenced their collaboration was the cultural difference between the entrepreneur, who came from Greece, and his Belgian counterparts. Dimitris observed that in Greece, in an environment plagued by widespread fraud, suspicion was deeply rooted in the mindset. This was in contrast to Belgium, where trust was more easily given. Recognising the importance of trust, the entrepreneur and the investors actively worked to build a foundation of trust through transparent communication, consistent actions and demonstrating their commitment to the success of the start-up.

The presence of experienced investors played a key role in managing conflict. They had overcome storms and turbulence in the past and their expertise provided reassurance to the entrepreneur. Their track record of successfully guiding entrepreneurs inspired confidence that they were not solely focused on financial gains, but were genuinely interested in helping the entrepreneur overcome challenges.

Eventually, the entrepreneur understood that conflict was a natural part of the business journey. Valuing open communication, empathy and trust, the entrepreneur and the investors overcame their differences and strengthened their partnership. Together, they sought to build a successful startup while ensuring that their decisions were aligned with the vision and purpose that brought them together in the first place.

Type of relationship between the BA and the entrepreneur

“

The investors played a vital role in providing not only financial backing but also guidance and expertise. They served as mentors, offering valuable insights and advice based on their own experiences in the entrepreneurial realm.

The relationship between the investors and the entrepreneur was characterized by collaboration, support, and a shared vision for the success of the venture. The investors played a vital role in providing not only financial backing but also guidance and expertise. They served as mentors, offering valuable insights and advice based on their own experiences in the entrepreneurial realm.

While the entrepreneur maintained full control over the day-to-day operations and decision-making of the company, the investors had an administrative presence within the organization.

The investors' role extended beyond financial investment. They served as trusted advisors, helping the entrepreneur navigate challenges, make informed decisions, and capitalize on opportunities. The investors' experience and track record provided a strong support system for the entrepreneur, offering guidance in managing the complexities of the startup journey.

The relationship was built on mutual trust and shared objectives. Both parties worked towards a common goal: the growth and success of the venture.

A Coincidence: BAs in My Entrepreneurial Path

Guess who?

Business Angel



In this case, the business angels were not interviewed because of the wish of the founder.

This case demonstrates the importance of increasing entrepreneurial education about BA investment as lack of information may lead to inequality or imbalance in negotiations.

This case also demonstrates the importance of BA-founder chemistry and shared mission, and what can happen in a case where these are a mismatch.

The case brings to our attention that when seeking for an BA investment, ensuring matching values and mission with the business angels is equally important as the investment itself.

FiBAN encourages entrepreneurs to take careful time to review agreements and ask for help, and also to carefully perform background checks and ask for references.

Entrepreneur



- **Entrepreneur in the food industry**
- **Female founder**
- **Age: 26-32**

"I created a special-diet suitable food product and people around were asking me to make it for them."

The founder studied in the UK, where she came up with the idea, and came to Finland to develop her startup further.

Founder's Background & Profile

The founder has a Bachelor's degree in a practical field connected to marketing that she thinks prepared her well for entrepreneurship. She also describes having learning difficulties and a family with an academic background. She describes her education as following:

"I found this degree to be project-based and practical. We got trained and tuned to find how you spot what's going on in the market, recognize customer needs and fulfil them. I learned how to do qualitative and quantitative market research, company deck, and business plan, and it taught me about trends, market positioning, branding, and knowing your customer profiles."

Key takeaways:

- Bachelor's degree, higher education family background.
- Learning difficulties.
- Entrepreneurship and mentorship.

How the entrepreneur found the BA

The founder describes that she was not looking for an investment, but joined a pitching event where she met the future lead BA.

"It was a coincidence that I got a BA onboard. I was not really looking for funding. I had heard a lot of talk about companies needing an investment for scaling and growing a company. I had heard a lot of that hype talk."

"I was open to an investment kind of but thinking back, it was way too early."

Key takeaways:

- Pitching competition exposure to BAs.
- The Founder met the business angel at a startup pitching event.
- The founder was not proactively looking for funding.

In what way did the entrepreneur-BA negotiations progress

The founder says that she founded the company 50/50 with the BA and that the BA ended up investing less than he had promised.

"Before we founded the company, he promised to invest more than he ended up investing. He only put half of what he had promised. In the end, we both invested the same amount each to start the company."

"Before that, I had also invested by buying machinery and a market report, ingredients for developing and making the product, and sweat. I was the founder of the idea, and he came involved as an BA but ended up kind of taking 50% against the prior agreement."

The other BAs joined through the first BA's networks:

"We started raising funding in August-September. The BA started connecting me with other BAs."

BA 1 introduced the founder to the rest of the BAs who all joined on different terms, some with sweat, some with capital, and some with both.

"By January, by the end of the month, I told them I needed to know if they were onboard or not. " she says.

After the first funding round, the founder had one third of the shares, while the BAs had a majority of 2/3 of the shares.

Key takeaways:

- Negotiation advantage (senior BAs vs. junior founder), unfair advantage.
- Sweat equity.
- Cap table - founder giving up too much equity too early.
- Closing the investment deal.

Level of engagement from the BA

Shares distributed after the first investment round, including direct investments from BA's and sweat. Before this distribution, BA 1 and Founder owned 50/50% of the company.

Shares after first funding round:

- Founder with 1/3
- BAs with 2/3

Types of conflict that might have raised and how they dealt with it



My shares were tied to sweat for 3 years. I didn't fully understand what it meant. But now I do understand that there is a basis to being there, to protect the BAs and not have a key person leaving suddenly.

The founder has both positive and negative BA experience with the same company.

"One of the BAs asked me if I plan to have kids or get married in the near future. As a young female and single at the time, I wanted to prove to them that I can do this and I can commit so I expressed that it (the business) was my whole life. Now, if I was in a similar situation again, and the BA would ask that, I would tell them that this meeting is over."

"Without informing the other BAs, the BA 1 wanted me to sign an exit deal with him that if there was ever to be an exit, I would have to give him half of my exit profits. He claimed to have put more sweat in than he had actually put in, and this was the reasoning behind his demanding my share of a potential future exit. When the other BAs found out, they told me I should have not signed the agreement when they heard about it and we ended up disqualifying the agreement. They didn't like what the lead BA had done."

"With the chair of the board, we had a good connection. My other BAs went through the shareholder agreement with me to make sure I understood everything. I appreciated it."

There was a value mismatch as well as an expectation mismatch between the founder and some of the BAs:

"I was in the understanding that BAs are excited about my product and mission, but later turned out that the motives were not entirely a match, or were unclear between us. I think something that I didn't understand was that the legal requirement is to maximise shareholder profit unless otherwise agreed."

"My shares were tied to sweat for 3 years. I didn't fully understand what it meant. But now I do understand that there is a basis to being there, to protect the BAs and not have a key person leaving suddenly."

Resolving conflicts

As the founder owned the minority of the company, there was an issue with the cap table:

"The issues with the cap table never got addressed. Regarding other matters, I tried to have a conversation with the chair, but it was hard to have these conversations, I was not really understood or listened to."

The BAs and the founder had disagreements about essential strategic issues regarding the brand and sales. Both the founder and BAs, who consisted the company board, made strategic decisions without communicating transparently with one another.

"When the pandemic hit, they suspended me temporarily until a further decision was made on how to continue."

"In the end the situation resolved so that we signed an agreement, which resulted in me getting my rights to the product back, I was released from the noncompetition, and the rights for my trademarks were given back to me in full."

Key takeaways:

- BA intervening too much (micromanaging)
- Mismatch in expectations, lack of communication, lack of communication skills.
- Negotiating the terms and cap table
- Mismatch in expectations and communication.

- Standard term sheet practices (committing the founder with an equity deal).
- Lack of transparency, trust issues, unfair advantage.
- Responsible BA that offered founder guidance.
- Positive and negative BA experiences.
- Lead BA and syndicate investing.
- Micromanaging BAs
- Unclear communication
- Mismatching inventors and founder
- Trust issues, communication issues.

Type of relationship between the BA and the entrepreneur

Negative BA experience

- Inequality between BAs and founders: older (mostly) male BAs vs. young female founder, first-time founder.
- Expectation and value mismatch.
- Lack of communication, lack of trust.
- Operationally Involved BAs.

The founder describes the communication and cooperation of being too hands-on from the BAs' side: "I liked it in the beginning that they were hands-on.

But then it became too limiting when they intervened too much and didn't seem to trust my vision."

Open section for contributions

How would you describe a fair relationship between founder and BA?

What elements does a fair relationship have? How to make it even fairer?

"A fair relationship between a founder and BA had mutual understanding. Education of founders is important."

"There are invisible power relations and barriers between BAs and founders. We need to improve and balance the hype and make it cool to build companies slowly. Fast growth is not always healthy. The field of startups needs more transparency."

"The BA needs to believe in the founder. The founder needs to have the decision-making power, when an BA invests, they are taking risks but to have that carry, they need to trust the founder. Do not invest in a founder if you don't trust their vision and company."

Key takeaways:

- Transparency vs. lack of transparency.
- Imbalance in power relationships.
- Lack of experience vs. experience based power imbalances and unfair advantages.

What would be one piece of advice you would give to aspiring and new entrepreneurs looking for business BA funding?

“Check the backgrounds of the BAs. As much as you want to prove to them that you are worthy of an BA investing in your company, switch the focus and ask: are they worth having in your company? Switch the power dynamic. You are interviewing them too.”

“BAs should be validated through the question: Do I want to work with this person for the next 10 years? They will be with you until you make an exit or something happens.”

Key takeaways:

- Entrepreneurs validating business BAs.
- Entrepreneurial self-worth.
- Entrepreneur vs. BA power dynamic.
- Aligning and sharing BA and founder mission and values.
- BA-founder chemistry.

The Power of Networking

Guess who?

Business Angel



Lorenzo D'Amelio
Digital Strategist & Startup Advisor
CEO & Founder @Merakyn - Innovation Hub
CoFounder @StartupAfricaRoadtrip

CEO consulting agency (benefit company) dealing with communication support, digital marketing for SMEs and startups and helping traditional companies to become benefit companies, bcorp with a focus on sustainability. Co-founded 3 Digital Companies:

- Co-Founder & Partner | Digital Strategist BTREES
- Co-Founder & Partner | Business Advisor Kaleidoc
- Co-Founder | Startup Advisor & Mentor Startup Africa Roadtrip

And invested in +6 Startups.

Belonging to the Angels4impact network .

Administrator of Merakyn, an agency with a focus on social and environmental impact startups (SDGs).

The main focus is contributing to the innovation ecosystem first and foremost, with an eye on the other key aspect which is return on investment.

Entrepreneur



The story of Beeing began with a small but very special inheritance: a dozen beehives left to Roberto by his beekeeper grandfather. It was at that moment that Roberto began to approach the world of beekeeping and bees, recognising all its beauty but also its difficulties: the need for large spaces, equipment and a lot of time and energy.

Roberto, now CEO of Beeing, thus began to question a practice that had remained virtually unchanged for so long. But it's in 2017 the turning point, since in a start-up accelerator Roberto met Gabriele, a computer engineer and today co-founder. The two of them combined design and technology to develop an innovative business, on the basis of which there was a main goal at the same time: to protect bees, to digitalize beekeeping and to spread urban beekeeping, as a tool for the transition towards sustainable cities.

Beeing's activity started with the development and commercialization of digital sensors for beekeepers, called ioBee (today under the brand antifurtoarnia), sensors that allow to remotely monitor the health of bees.

How the entrepreneur found the BA

Thanks to a call for a proposal launched by Milan Impact Hub accelerator. Impact Hub supports start-ups in the different stages of development and investment and companies interested in internal open innovation practices, scouting start-ups for investment purposes or carrying out activities and collaborations with impact start-ups.

As well as, by social channels and personal contact.

In what way did the entrepreneur-BA negotiations progress

The entry was thanks to the work of Impact Hub Milano accelerator. Merakyn was the new partner of Impact Hub Società Benefit, which has just completed the screening phase of the startups that have sent their applications to the IH Acceleration 2022 call for equity / 2023. It has the participation of startups with environmental, social and cultural impact from all over Italy every year. The selected start-ups will have access to a 6-month program worth a total of 300.000€ in seed money and acceleration services in exchange for equity. The accelerator selected some start-ups to be accelerated, and Lorenzo decided to invest in this start-up (they had already obtained investments).

Level of engagement from the BA

The BA has a strong interest in contributing to the innovation ecosystem of startups, especially those that can contribute to a social and environmental impact.

Types of conflict that might have raised and how they dealt with it

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It's indeed very important, if there are multiple roles, that there's a clear contract (both for BA as Advisor in exchange of equity for example, or as a consultant) in order to create transparency and avoid conflict of interest.

Not in this case, there were no conflicts, but one issue is the interest as business angels and the interest of the start-up companies.

It is not easy to find “pure” Business Angels, for the most part of them are consultants, entrepreneurs, etc. They put time (network, skills, etc.) and money into startups and it is a kind of high-risk investment. Business angels indeed usually are running (as owners or managers) companies/agencies or have connections with agencies/companies, when startups need some services they could create a connection with these companies/agencies and it's important both for BA and Startups to be aware of the different roles (business angel or manager/entrepreneur). On one side there is an alignment of interests since BA and Startups are partners with the same goal. On the other hand, an entrepreneur/manager/consultant and a startup have a different relation. It's indeed very important, if there are multiple roles, that there's a clear contract (both for BA as Advisor in exchange of equity for example, or as a consultant) in order to create transparency and avoid conflict of interest.

One suggestion, in order to put at the center the goals and needs of the Startup, could be to ask for multiple quotes and not only the one from the company related to the BA / Entrepreneur.

Type of relationship between the BA and the entrepreneur

The BA is currently the advisor.

Contractual arrangements, and the relationship between the two, were formalised by Impact Hub accelerator.

From the Startup World to Business Angel to Help Others Like Him

Guess who?

Business Angel



We are talking about Juan José Mostazo Salazar, aged between 30 and 40 years old:

I didn't have any experiences before as a BA. Actually, I had always been an engineer and an entrepreneur and from that experience there was a natural evolution coming from the startup world. The evolution was possible because I had available capital for investment and I wanted to have fun while helping other entrepreneurs. This is why I think I have a personal project as a BA.

When I invest in a startup I normally have 0.1%-2% of equity. I put little tickets in the different startups I consider, and then I have extra tickets for those startups which stand out during the next months.

Regarding areas I have invested in I'm agnostic to both the ones I invest in and the ones that interest me. However, if the project has no technology or the technology is too complicated for me to understand I don't go with it.

How the entrepreneur found the BA

I receive a lot of projects from all kinds of channels, but I have to, somehow, filter those projects so I only value the word-of-mouth projects. Regarding the **first meetings with entrepreneurs**, I think **he or she has more bargaining power**, but the more time passes less bargaining power the entrepreneur has.

In what way did the entrepreneur-BA negotiations progress

I have never agreed to any negotiation structure with the entrepreneur nor the negotiation process was tracked and there was no kind of assistance either.

About the experience of the entrepreneurs when they get in touch with me it really depends. **The earlier the stage, the more inexperienced they are.** However there are no rules, it depends on the person. Some entrepreneurs are very bullish, some others a bit naïve. Typically in a pre-seed or seed stage there's some room for negotiation and processes are not super structured, especially if there are no VCs in the cap table yet.

Level of engagement from the BA

I show my commitment collaborating and helping as an advisor (mostly as a techie as it's where I'm an expert) and doing leverage of my network.

However, I think that, until we get to that point, the entrepreneur has difficulties finding BA's.

Types of conflict that might have raised and how they dealt with it

Regarding legal or administrative problems I have never had any of them. But I think in that aspect you must have some experience and you have to be creative.

Cases of entrepreneurs that turned into Business Angels

I had always been an engineer and an entrepreneur and from that experience there was a natural evolution coming from the startup world. **The evolution was possible because I had available capital for investment and I wanted to have fun while helping other entrepreneurs.** This is why I think I have a personal project as a BA.

Type of relationship between the BA and the entrepreneur

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When talking about a balanced relationship, it must be bidirectional.

When talking about a balanced relationship, it must be bidirectional. The entrepreneur should treat in a good way the BA (report frequently to the BA, take care of him when new investors come in future investment rounds, etc) and vice versa (the BA should contribute with expertise and network, involve him/herself at least a little bit and find a good way to help the startup).

Open section for contributions



100 Investors and Counting: Scaling Momoven with Business Angels

Guess who?

Business Angel



The **Business Angel** interviewed has a robust track record in the tourism industry, having worked in several multinational companies in the sector. This experience provides him with **profound knowledge and a valuable network of contacts**, especially when it comes to investing in tourism businesses.

The motivation for investing is based on his desire to contribute his knowledge and experience to startups. He is drawn to **projects that “touch his fibre”** and where he sees potential to add value.

He considers himself an active BA, although his dedication is not full-time. He has his own consultancy and works for a large company 20 hours a week. He dedicates the rest of his time to his role as a Business Angel. Although his dedication is not full-time, he is deeply involved in the startups in which he invests, even talking to them daily during certain stages, such as funding rounds.

The main contact channel is through LinkedIn. He has his profile set up as an investor or Business Angel, which makes it easy for startups to find him and send him **proposals**. **He receives proposals from startups almost every day and analyses between 60 and 70 a year, although he ultimately sticks with very few.**

He **recommends startups’ proposals to be personalised and show that they have researched his profile and believe he can fit into their project.** He appreciates both subtle approaches and direct ones that already send him a deck and a link to Calendly. He also values founders having a background related to the sector in which they are setting up their company, as this gives him more confidence that they will be able to carry out their idea.

Entrepreneur



The **entrepreneur** in question is **one of the founders of Momoven, a platform for renting motorcycles**. He studied at ESIC and had previously considered several entrepreneurial ideas during his studies. The idea for Momoven came from a conversation with a friend from high school. They noticed a gap in the market for renting technology products and specifically motorcycles, which are often underused, especially the larger ones. They saw potential in this niche and decided to set up a platform to facilitate motorcycle rentals.

The company started small, **initially seeking investment from friends and family**. They valued their company by comparing it with similar companies that had **recently raised a round of funding**. As the company grew, they sought larger investment rounds, which attracted the interest of Business Angels. **They have more than 100 investors, including 5 or 6 semi-professional Business Angels and more than 10 professional ones.**

The decision to engage with Business Angels was a natural progression as the company grew. They realised that **to attract Business Angels, they needed to be working hard and showing progress**. They also understood that they might have to approach many potential investors and Business Angels before finding one who was interested and aligned with their investment strategy.

The entrepreneur's economic situation was not explicitly mentioned in the interview. However, it was mentioned that they started by asking for money from friends and family, and when that was exhausted, they sought external funding. They also participated in competitions with economic endowments, which helped finance their initial operations.

In terms of the stage of the business, it appears to be in a growth phase, having moved beyond the initial start-up stage and having secured investment from over 100 investors.

The reasons for engaging in the financing scheme with the Business Angels were primarily to **secure the necessary funding to grow the business**. They also valued the opportunity to learn from the Business Angels, gain access to their networks, and receive feedback on their business.

How the entrepreneur found the BA

The entrepreneur found one of the Business Angels (BA) through an **association of Business Angels in Murcia**, which was introduced to them by a friend of the launcher. The initial contact was made via email. The process was not as face-to-face as it used to be due to the pandemic, and **the initial pitch was done via video call**. If the BAs were interested, they would request more information and ask for regular updates on the company's economic data. The entrepreneur's partner was primarily responsible for this task, updating the data as requested by the investors/BA and presenting it in the format each investor/BA preferred.

The first meetings involved quick pitches and the sharing of economic data. The entrepreneur's partner dedicated most of his time to this task when they were looking for funding. The process was iterative, with the BAs often asking for updated data without necessarily providing immediate feedback. The entrepreneur's partner had to adapt the data presentation to the preferences of each investor, which involved a significant amount of work with Excel.

In terms of strategies used by the entrepreneur to meet the first BA, it seems that they **relied heavily on networking and referrals**. They also participated in roadshows, where Business Angel associations would gather in one place. The entrepreneur would travel to these locations to pitch their business idea and then engage in networking. They also used **LinkedIn** and other connections to reach out to potential BAs.

It's important to note that the entrepreneur emphasised the **need for persistence** in this process. They mentioned that one might have to knock on a hundred doors and only two might answer. Of those two, only one might be convinced to invest. They also highlighted **the importance of believing in the project, even when faced with numerous rejections**.

The entrepreneur also mentioned that they have more than 100 investors, but many of these are micro-investors who participated in investments in companies through a **CrowdEquity platform**. They have around 5 or 6 semi-professional Business Angels and more than 10 professional ones.

In what way did the entrepreneur-BA negotiations progress

STARTUP:

The negotiation process between the entrepreneur and the Business Angels (BAs) was a **dynamic and evolving** one. The entrepreneurs used a **comparative approach for valuation**, comparing their company with other similar companies and selling future potential. They also used **market potential as a justification for their valuation**, considering the number of motorbikes in Spain and the number of people with a motorbike licence to estimate the potential market size.

In the early stages of negotiation, the entrepreneurs initially sought investment from their close circle, including friends and family. They also participated in competitions that provided some economic endowment. When they needed more funding, they started to approach Business Angels. They used LinkedIn and their network to connect with potential investors and BA.

The entrepreneurs were aware that they had to present their information and documentation in a way that would interest the BAs. They also understood that they had to be persistent, as they might have to knock on a hundred doors before finding a BA. On the other hand, the BAs were interested in understanding the potential market and the growth prospects of the company.

One of the most remarkable experiences during the negotiation process was the realisation that raising money requires a lot of effort and persistence. Despite being rejected by many, the entrepreneurs kept believing in their project and continued to approach potential investors and BA.

BA:

The initial contact between the Business Angel and potential investees typically occurs via LinkedIn. His **profile is set up to indicate his investor status, making it straightforward for startups to identify and approach him with their proposals.** Upon receiving a proposal of his interest, he moves forward with more detailed discussions with the startup founders.

The negotiation process is marked by a mutual appreciation for transparency and personalisation. The Business Angel values proposals that demonstrate a clear understanding of his profile and an indication of how he could fit into the startup's vision. He is **open to both subtle and direct approaches, with some startups even sending him a comprehensive deck and a link to Calendly** for scheduling further discussions. On the other hand, startups are expected to present a **clear and transparent communication strategy**, outlining their business plan, financial needs, and how they intend to utilise the investment.

A standout aspect of the negotiation process for the Business Angel is the **personal connection he feels towards certain projects.** He is particularly drawn to projects that “touch his fibre,” where he sees potential for his knowledge and experience to make a significant impact. **This emotional connection often serves as a crucial deciding factor** in his investment decisions.

Level of engagement from the BA

STARTUP:

In terms of ownership distribution, the entrepreneurs and their partner owned about 68% of the company, with each owning approximately 32%. The largest investor owned about 5-7% of the company. There were **no significant conflicts or misunderstandings** with the BAs. The entrepreneurs **maintained regular communication** with the BAs, sending them a **monthly report with all the figures.** The BAs were also very dedicated and offered their help whenever needed.

BA:

The Business Angel's **level of engagement is quite significant. He is not just a financial contributor but also an active participant** in the startup's journey. He is involved in daily discussions, updates, and decision-making processes, often spending more time with the founders than with his own family. This level of commitment is driven by his belief in the startup's vision and his desire to see it succeed.

As for the type of investment, the **Business Angel typically acquires a share of the company.** The exact percentage varies depending on the startup's valuation and the amount of investment. However, it's important to note that the **Business Angel's investment is not just about acquiring equity. It's about forming a partnership with the startup,** providing not just funds but also knowledge, experience, and network.

Types of conflict that might have raised and how they dealt with it

STARTUP:

During the interview, there was no explicit mention of any conflicts or misunderstandings that arose between the entrepreneur and the business angels. The entrepreneur, Pablo, mentioned that the **Business Angels were very dedicated and always available for assistance.** He even joked about the BAs feeling a bit neglected because they like to be involved in the project. However, he also acknowledged that they are busy with their own companies.

BA:

One type of conflict that might arise is related to the valuation of the startup. The Business Angel notes that valuation is a complex process that involves various factors, including the startup's operational capabilities, market positioning, brand value, and customer base. Disagreements over the startup's valuation can lead to conflicts during the negotiation process.

To deal with such conflicts, the Business Angel encourages a transparent discussion about each party's perspective on the startup's value. He believes that understanding the rationale behind each other's valuation can help bridge the gap and reach a consensus.

Another potential source of conflict is related to the startup's strategic direction. The Business Angel, with his extensive experience and knowledge, might have different views on the startup's strategy compared to the founders. In such cases, he emphasises the importance of respectful dialogue and mutual respect. He is open to hearing the founders' perspectives and also expects them to consider his insights.

In conclusion, the **Business Angel's approach to conflict resolution is rooted in open communication, mutual respect, and a willingness to understand each other's perspectives.** This approach has proven effective in maintaining a positive and productive relationship with the startups he invests in.

Cases of entrepreneurs that turned into Business Angels

BA:

The Business Angel in this case **began his journey as an entrepreneur**, founding a consulting firm and later involving himself in the mobility sector. His transition from an entrepreneur to a Business Angel was driven by his desire to leverage his experiences and network to support other startups.

His entrepreneurial background has been instrumental in shaping his approach as a Business Angel. He understands the challenges startups face, from raising capital to scaling the business, and uses this understanding to guide the startups he invests in. His past experiences have not only equipped him with valuable insights but also helped him build strong relationships with the entrepreneurs he invests in.

Moreover, **his network of contacts, which includes Family Offices, Venture Capitalists, and other investors, is a valuable resource** for the startups he invests in. He connects the startups with potential clients and other investors, helping them expand their network and increase their chances of success.

Type of relationship between the BA and the entrepreneur

STARTUP:

In terms of categorising the cases, the entrepreneur and their BAs have a **post-investment relationship**. The BAs have previous experience as entrepreneurs themselves, and they provide ongoing support and advice to the entrepreneur. The entrepreneur did not specifically mention any focus on social issues, sustainable investment, or female investors among their BAs.

The relationship between the BA and the entrepreneur in this case is **collaborative**, with the BA providing not only financial support but also knowledge and experience. The entrepreneur and their partner maintain a majority stake in the company, with each holding about 32%. The largest investor among their BAs holds between 5-7% of the company.

The entrepreneur found their BAs through various channels, including an association of BAs in Murcia, through friends, and via email. They also used platforms like CrowdEquity, which allows small investors to

participate in company investments. This has resulted in a diverse group of over 100 investors, including 5-6 semi-professional BAs and more than 10 professional ones.

BA:

The Business Angel's relationship with the entrepreneur is a post-investment partnership, marked by **active involvement and strategic guidance**. Leveraging his own entrepreneurial experiences, he has helped the startup navigate its early stages, from business planning to scaling up the commercial aspect. His approach is characterised by transparency and regular communication, fostering trust among the investors and BAs and keeping them informed about the startup's progress. The relationship is underscored by mutual respect, with the Business Angel always striving for resolutions that best serve the startup's interests.

Open section for contributions



Having a personal stake in the business shows commitment and dedication, which can be a significant factor in attracting external Business Angels.

STARTUP:

Networking is essential. Use platforms like LinkedIn and your personal connections to approach potential investors and BAs. A mutual contact can facilitate an introduction to a potential investor/BA.

Understanding how to present your business to BAs is crucial. You need to **know which figures are important to them and how to effectively present the less favourable aspects** of your business.

BA:

The Business Angel emphasised **the importance of entrepreneurs having some personal investment in their business**. This is not just about financial investment, but also about the time, effort, and passion that entrepreneurs put into their venture. Having a personal stake in the business shows commitment and dedication, which can be a significant factor in attracting external Business Angels. It demonstrates to potential BAs that the entrepreneur is fully invested in the success of the business and is willing to take on risks.

In addition to providing financial support, **the role of a Business Angel extends to being a mentor and advisor**. The Business Angel in this case described his role as being more than just a financial investor. He provides guidance and support to the startup, helping them navigate through challenges and make strategic decisions. This highlights the **multifaceted role of Business Angels** and the value they can bring beyond just financial investment. They can offer their expertise, industry connections, and mentorship, all of which can be crucial for the growth and success of a startup.

Trust the Process

Guess who?

Business Angel



Several BAs from different backgrounds are talked about in this interview. The founder tells about her BAs and other BAs in general, which is why this case is separated into a case of its own. A brief profile of the lead angel is below:

- **Gender: Female**
- **Age: 42-52**
- Active Business Angel
- Experience: 8-9 years
- Has received BA training through FIBAN
- Has entrepreneurial and board member experience prior to becoming a business angel.

Entrepreneur



- **Founder profile**
- **Gender: Woman / female**
- **Age: 36-46**
- Background at two large globally known technology companies before becoming an entrepreneur
- Comes from a family of engineers
- Higher education in the technology industry, and vocational education in technology.

Story of the Entrepreneur

"The biggest reason for leaving was my Company X and Company Y background and the continuous lay-off negotiations. Although Company X and Company Y were good employers in the sense that they had projects and supported entrepreneurship, giving an option for that under lay-offs. My spouse was on that entrepreneurial path during a lay-off round and I had a good impression. I had been a coder for 16 years. Maybe I was a little bored out of that work when I had been doing it for so long that I wanted to be something else.

First I entered Company Y's startup path with a different business plan, then the idea changed to setting up a coding school. It was more of a bootstrapped business that enabled getting customer funding. The same program also ended up being one of our first customers.

The Entrepreneur's professional and educational background

"I had very good grades in elementary school. I chose to study for a double degree in high school and vocational school in car-electrical engineering, a preparative school for polytechnic. From there I applied to a technical school to study machine engineering. A few years after that they had put a sign on the door about looking for students to major in programming. I took that path and I liked

it more than machine automation. I graduated as a programmer/developer.

In 2010, there were a couple of small children and Company X was in a situation where the projects were about to end, but the work continued. I applied for a program offering further education in technology leadership, Master of Engineering.

Key takeaways:

- Family background: higher education, engineering.
- Technological education in engineering.
- Female founder.
- Good corporate compensation package and entrepreneurial programs, layoffs.

How the entrepreneur found the BA

"I knew my lead BA (Female BA X) who was my boss's boss in the Company X days. I often suggested ideas in the company even if they were not taken into account. If my supervisor didn't seem to take my ideas forward, I invited Female BA X to the meetings. The ideas didn't always pass in my name, but eventually, they did pass through her.

That's how I found Female BA X, who advised and guided me as an entrepreneur and reviewed our pitch decks.

I had hired a team for internationalization, and if hadn't looked for funding, I would have had to fire them and the internationalization process would have stopped right there. It was either that or keeping people employed and pursuing internationalization with funding from BAs.

Key takeaways:

- Networks from previous contacts/workplace.
- Necessity to seek funding for scaling and internationalization, the necessity for funding to grow.

In what way did the entrepreneur-BA negotiations progress

“

Finding funding is a lot of work. But it's ideal from the BAs' perspective that they won't just send you money without knowing enough about the company. All in all, everything has gone smoothly according to processes. As smoothly as it can. The first time was a lot of work, but I understand why they require to see all that information

Negotiating the terms of investment

Founder's answer:

No external advisors were used by the founder to interpret the terms of the contracts, as the founder didn't find it necessary and was happy with FiBAN agreement templates.

"I trusted the FiBAN templates because so many startups have been doing so. I read the templates and agreements as if I was investing myself. There was not much to negotiate about, because it made sense. It's not that peculiar. The agreements just have peculiar names. If you think about the sections of the agreement through the questions: why they are there in the first place, then you'll understand why it was placed there. There's always a reason for every clause.

Our lead BA (Female BA X) arranged the term sheet negotiation with the other BAs. We used the FiBAN shareholder agreement template. I interpreted it to myself and I think it was okay. I didn't think that anything should be changed. It was also ok for the BAs. Female BA X collected from other BAs what they'd like to invest and how they want to handle the paperwork, cap table, and shareholder agreement, attachments, and everything. The FiBAN BA agreement template is great. I wouldn't know what to include without it. It's a good template that is familiar to shareholders and BAs. The FiBAN templates were very valuable.

It would be of course great if you could just call people when you're out of money and then get a bank transfer immediately. Finding funding is a lot of work. But it's ideal from the BAs' perspective that they won't just send you money without knowing enough about the company. All in all, everything has gone smoothly according to processes. As smoothly as it can. The first time was a lot of work, but I understand why they require to see all that information.

The due diligence was easy with angels, but with VCs, it's a long process that one should be aware of. With my BAs, the female BA X knew that I didn't know anything and she didn't get annoyed when I asked questions.

*But the VC company that invested, seemed to assume that I know how the process works. They just sent me their requests and expected me to just do my part. But it wasn't explained or briefed anywhere. **I would have felt much more insecure if I had delivered their requests without help from others.***

We even had to change our shareholders' agreement for every shareholder when the VC contract arrived. When you have 20 BAs and you make even the slightest mistake, or someone complains about something or sends a question, then everyone has to re-sign the new contract all over again. Everything has to be in order and aligned to get the contract signed. The deal may break surprisingly easily if there's anything unclear for any shareholder. If there's even one little mistake in any attachment, you may have to send everything back to everyone to be signed again.

When you're tired, it requires extra effort. It's hard to give advice concerning this because you just have to have the skill to nail the process. But it helps if the templates are ready. People don't understand that it takes so long to do all this. You can't just go to an BA event if you need the money in 3 months. You need at least 6 months to close the deal from the moment you've met the BA."

Key takeaways:

- FiBAN agreement templates; shareholder agreement template.
- Active lead angel, helpful lead angel.
- Mutual trust between BA and Founder.
- Proactive founder seeking to understand the terms
- Preparing enough time for the investment process.
- Time-consuming due diligence (more consuming in the VC stage than in the angel stage)
- Tip: Preparing in advance before deal-closing, ensuring enough runway before finding an BA.

Level of engagement from the BA

Lead angel helped the founder to understand terms, and agreements and walk her through when she needed help. The lead angel took time to explain and support the founder with later funding rounds as well.

Types of conflict that might have raised and how they dealt with it

"If the BA is not just an BA, but also on the board of the company, they're supposed to have opinions. One BA dropped out of the negotiation because of misbehavior, and I received support from the board for this. Otherwise, nothing significant has happened."

She describes another small case of conflict, where the negotiation didn't proceed further:

"There was one case, where an BA requested my business plan.

*When I sent it to them, they said this is not a business plan and that they cannot help me to make a business plan. I had sent a business plan as requested and didn't know what they were after. They just said they don't want to continue the discussion when we don't have a business plan, which I had just sent him. He didn't take the time to tell me what he wanted from the business plan, or what he wanted to see in it. **It's not worth it to work with people like that. Now I think they just were not for us.**"*

Type of relationship between the BA and the entrepreneur

"For the Female BA X, the line is always open. Some of the BAs are my friends and some of them are employees who have wanted to invest small sums of money.

Regarding other Bas, for some of them we have promised to deliver a quarterly report, but BAs receive a BA report every 6 months. None of the angels have requested these. For the VC investors we have, we send them our runways, HR-related statuses very precisely, how much funds have been spent and how much we've gotten money, our plans, and what we succeeded in. It's very structured what they want to see and how often. The first time it took a bit more time, but now that we know all the expected parts, it's easier to deliver the key metrics.

Other shareholders, we meet once a year in the shareholders meeting. With one of the BAs I have a meeting every six months, and with another BA who is also an advisor and a mentor, we have a call every Friday.

Our lead BA (female BA X) arranged the term sheet negotiation with the other BAs. We used the FiBAN shareholder agreement template. I interpreted it to myself and I think it was okay. I didn't think that anything should be changed. It was also ok for the BAs. Female BA X collected from other BAs what they'd like to invest and how they want to handle the paperwork, cap table and shareholder agreement, and attachments and all. The FiBAN BA agreement template is great. I wouldn't know what to include without it. It's a good template that is familiar to shareholders and BAs. The FiBAN templates were very valuable."

"The founder shouldn't promise too much, especially not something that you don't even believe in yourself. I think that's bad behavior and deceitfulness. You must always do your best, even if you wouldn't reach it, you should at least seek to do so. If you have requested money to make marketing videos, you should also do what you promised. If you requested money for internationalization, you must use the money for that.

Even among BAs, it can be an active BA or someone who just wants to invest and does not want to be active. We have 15 BAs. If all of them would participate actively, all time would be spent on talking with them. 5 of them are active, and 10 of them have mostly just invested money.

Do what you promise to do, and proceed with the pace you promised as best as you can.

From a BA, what is fair?

Maybe something like, that if you invest in something, you shouldn't expect to get something cheaper or for free from that company. Investing and receiving services are not connected to one another. It is not fair.

BAs are there to maximize profit - that's the name of the game. I do my best to maximize that for them. That's fair and that's what we are doing. It's about expectation management.

BAs can help the founder by giving them contacts, but it's not a duty. Growing the company is not the responsibility of the BAs, but the people who are assigned to do so. It's not the BA's responsibility to help but I am grateful if they offer help.

Key takeaways:

- FIBAN agreement templates; shareholder agreement template.
- Active lead angel, helpful lead angel.
- Structured due diligence, VC expectations.
- Varying communication practices depending on the BA.
- Board member vs. BA expectations.
- BA expectation management.
- Honesty and transparency.

Open section for contributions

Advice from the entrepreneur to other entrepreneurs

"For Finnish entrepreneurs, I'd say, fill out that FIBAN funding application. Start it already now and tell about it on social media already that you're looking for BAs. Start early and talk about it even before you need an BA.

Open the application and start filling it little by little, and then you'll learn what you need for that. The question fields are short so you should summarise. When you build a pitch deck, you learn the process little by little.

FiBAN can support in finding a lead business angel. Basically, I found mine already before FiBAN. You can just copy and paste the same content to different funding applications. You will have to send applications to many places and you cannot avoid that. A lot of the time they will lead nowhere, despite the conversations.

It takes time to find BAs, it took me 1,5 years to find 220 000 euros, so you just have to trust that someone will come along at some point."

Key takeaways:

- BA-founder match.
- Tip to founders: Prepare for the funding round early on as it takes a lot of time to do applications and due diligence with BAs.

Get to Know a Business Angels that Helps Entrepreneurs to Pivot Their Business Models

Guess who?

Business Angel



This Business Angels' profile is a man aged between 30 and 40 years old.

I became a Business Angels because I liked to mentor startups while I invest.

The previous experience I have are some startups projects as entrepreneur.

I consider I have a personal project as a Business Angels and I normally have a medium high commitment with the entrepreneurs.

I'm agnostic when it comes to both areas of investment I have interested in and the ones I have a big interest in. However, it's important

for me to mention that normally, what I find attractive are areas that are going to transform the economy and the way we do business.

Regarding successful experiences I would like to mention I could help pivot the business model successfully and in another one the participation of big venture capital firms even if the startup was in a very early stage.

How the entrepreneur found the BA

I pay attention to entrepreneurs referred by other contacts.

In what way did the entrepreneur-BA negotiations progress

“

Regarding bargaining power when it comes to investment rounds, depends on the metrics. The more traction the startup has, the more power the entrepreneur has.

I think during the negotiation process, the entrepreneur loses bargaining power the more meetings he/she has.

Regarding bargaining power when it comes to investment rounds, depends on the metrics. **The more traction the startup has, the more power the entrepreneur has.**

When it comes to the negotiation process and a concrete structure, we have agreed on the valuation criteria, the cap table composition and the shareholders' agreement.

Level of engagement from the BA

My commitment is shown through my involvement in concrete projects and coaching the entrepreneur.

Types of conflict that might have raised and how they dealt with it

The problem was solved calling together for a control of the Capex.

Type of relationship between the BA and the entrepreneur

A good relationship between de BA and the entrepreneur should consider the role each person has.

For a successful relationship for me it's really important to undertake what was promised and show commitment from both parts.

Pedro Almeida and Pedro Lourenço: A Tale of Mutual Inspiration in Entrepreneurship

Guess who?

Business Angel



Pedro Lourenço
Investor, Ideias Glaciares

Background:

Previously entrepreneur, till 2015, when Pedro Almeida contacted him to propose two startups to invest in.

Activity as a Business Angel:

8 years of experience, with more than 11 investments and 1 exit performed, leading the deal in pre-seed investments.

Sectors of interest:

ICT-software, Food and drink, Digital media and content, Retail / e-commerce / m-commerce, Financial services, Mobile and telecoms, Social media, Fashion and design, Gaming.

Country:

Portugal

Entrepreneur



Pedro Almeida
CEO, MindProber

Background:

Previously Researcher and PhD in Cognitive Neuroscience of Criminal Behavior, Doctor of Philosophy, Graduated in Psychology.

About the current company:

MindProber is a media measurement solution that gives content producers, distributors, and brands the ability to measure the emotional impact their content has on consumers to optimize advertising and content decisions.

Sector:

Digital media and content

Country:

Portugal

How the entrepreneur found the BA

Pedro L.: "I became an investor mostly because of Pedro Almeida".

Pedro A.: "This is funny because when someone asks me why I became an entrepreneur, I always say that it was because of Pedro Lourenço"

Pedro Almeida and Pedro Lourenço **met at university**. They became friends, but followed different paths after graduation. The former became a PhD student, researcher and professor at the University of Porto. The latter moved to Angola and decided to found seven companies in different fields, from consulting, to real estate to agriculture. **They stayed in touch and several times Pedro Lourenço told Pedro Almeida that he could have a much bigger impact becoming an entrepreneur.**

One day, Pedro Almeida **realized that he could actually use his friend's advice**. He was in the lab of his university and he was struggling to obtain further public funding, so **he decided to switch to private money and realize his two business ideas**. The first person he contacted to ask for support was exactly Pedro Lourenço, who was in Angola at that time.

Pedro A.: “Back then I always needed to get money and I realized we couldn’t just depend on public funding. We couldn’t run just on European projects. We needed to get private money. And I had this project in my head, because it sort of combined psychophysiology and neuroscience. And I presented this to Pedro together with another project which was much easier to understand, a travel agency. And we decided to go with this second idea first.”

Pedro L.: “Pedro, whom I knew from university, called me when I was walking in Angola, in Luanda. And he had two ideas that might be interesting for me to take a look at and put some money and interesting enough, I ended up putting money in both.”

Key takeaways:

- Count on your network.
- Consider using private funds to finance your ideas.
- Not always the idea that is easier to pitch will be the most successful.

In what way did the entrepreneur-BA negotiations progress

“

We don’t invest in ideas, we don’t fund technology, we fund founders. A good idea won’t work if you don’t have the right people putting it together.

After the call, there was not a proper negotiation process between the two Pedros. The Business Angel **knew the founder and this was an important factor in the decision.**

Pedro L.: “We don’t invest in ideas, we don’t fund technology, we fund founders. A good idea won’t work if you don’t have the right people putting it together. If you have not such a good idea, but you have the right people picking it up, they will do something different and they will take every opportunity they have and I think that really makes a difference.”

Pedro Lourenço provided Pedro Almeida with the **money sufficient to create an MVP for MindProber that got interest from important clients** in Portugal. At that point, they raised a new seed round, which Pedro L. participated in with €150k and other 2 investors also invested in it. With that money they hired the team to write the front end of the software. These negotiations were concluded with simple 2-3 pages contracts.

Pedro A.: “From the moment someone writes you a check, there’s no turning back. I owed money to someone and so I was obliged to actually do my best to provide the return on investment and to thank this person for the trust they put in me. From the moment there was really money on the table, not just time, we have been playing another game.”

The real negotiation happened during the most recent Series A round, which was closed in October 2022. During the negotiations for this last round, valuation was a minor part. They had to **discuss technical issues**, like how much investors could intervene in the direction and strategy of the company, if they got to seat on the board and with whom, who could be a board observer, if they had to buy someone else’s shares and for how much, if the budget was correct and what they wanted to do with the money they were investing, the structure of the company and who the entrepreneur wanted to hire, how the company would be presented on the market, what would happen in case of default. Pedro Almeida had to represent not only his own interests, but also the interests of the other early stage investors, in front of the new investors. Obviously, lawyers are needed in Series A rounds. Legal fees are also expensive, on the scale of tens of thousands. This process lasted from July, when Pedro Almeida got the commitments of the investors, till the end of October, when everyone signed the agreements.

Pedro A.: "In a Series A round, you have lots of investors on the table and you have to manage all of them. As an entrepreneur, it is my responsibility to take care of the interests of the early stage investors and those that are not being represented, even though they have to sign in the end. Later stage investors don't usually care about the early stage investors. So I'm negotiating on my behalf and on the behalf of everyone who's right now a shareholder of the company."

Key takeaways:

- Business Angels invest in people: Make sure you have the right team.
- Business Angels can support you to create your MVP.
- Be mindful about Business Angels in the following rounds.

Level of engagement from the BA

After the first investment in 2016, Pedro Lourenço has been an important asset for Pedro Almeida. While all investors receive monthly updates, the Board convenes every three months and there is a General Assembly once per year with all shareholders, **the two Pedros talk on the phone three to four times a week, sometimes daily.** There are also other investors from Portugal Ventures with whom the entrepreneur speaks on a weekly basis and some have been more involved in the company.

Pedro A.: "You figure out who can help and who can't".

Pedro Lourenço, in particular, **supported Pedro Almeida as his BA in dealing with other investors or stakeholders when it was difficult to find an agreement.** The investors generally know when they can help on the basis of their background. The problem arises when they don't know their limits, because the entrepreneur needs to listen to them even though they are not respecting their work.

Key takeaways:

- Different investors need different updates.
- Ask for support from your Business Angels on your day-by-day operations.
- Listen to your investors, but understand their limits.

Types of conflict that might have raised and how they dealt with it

There have not been any challenges in the process through which Pedro Lourenço invested in MindProber. **There have been challenges in the process to build the company,** as always.

Pedro L.: "It is important to understand that the path and the growth is never as fast as we think. We struggled. We had moments without money. We had moments when we really needed to get new funding to keep the company going. And now it's doing great, but it was an interesting path to get there."

Pedro A.: "I think that entrepreneurs and investors are optimistic by nature, so we always see the bright picture and we need to learn how to temper our optimism. Things get tough sometimes. There are always problems. It never went as I pictured it. Mike Tyson used to say "Everyone has a plan until they get punched in the mouth." You're always getting punched in the mouth. You think everything is great and one guy quits. Then again, you think everything is great and then we are hacked."

Pedro L.: "One of the pages that I hate the most on pitches is the TAM-SAM-SOM. People draw a path when they are starting a business and they claim that their tangible market is billions of billions of billions, but first of all it isn't. And second, many events happen in between, like COVID, the war between Russia and Ukraine, a team member who needs medical assistance. That's why we should invest in founders and not in ideas because the right founders will

go over these obstacles and they will make it.

MindProber has grown a lot since 2015, enlarging the workforce at a multiple of 5 just in the last year and it is expected to double it soon, reaching 100 employees. At the same time, **investors have also increased and now there needs to be people who are devoted to Investor Management only, because each investor has a different way of reporting.**

Pedro A.: "I need to put my attention to selling, structuring organizational processes, reporting, and so on and so forth because I need to scale the company. It takes a lot of time, but it's intensive and necessary. It's what I have to do."

Key takeaways:

- Changing plans is normal, but it needs the right people.
- Business Angels are invested in the company in good and bad times.
- Consider hiring a proper Investor Relations team when scaling up.

Cases of entrepreneurs that turned into Business Angels

Pedro Lourenço, an entrepreneur, turned into a Business Angel. Pedro explains that his experience as an entrepreneur, starting his own company in Angola and being the sole shareholder and employee for two years, has given him a deep understanding of the struggles and challenges faced by founders in the early stages of their businesses. **This firsthand experience has allowed him to empathize with entrepreneurs and better support them in their journey.**

Pedro **emphasizes the importance of people in a business, stating that individuals are the ones who can make or break a company, rather than just the concept or ideas behind it.** This understanding of the significance of human capital has likely influenced Pedro's approach as a business angel, focusing on the individuals behind the ventures he invests in and providing support beyond just financial backing. By drawing on his own experiences as an entrepreneur,

Pedro can offer valuable insights and guidance to the founders he invests in, leveraging his knowledge and understanding of the challenges they face. This **combination of entrepreneurial experience and investment expertise allows Pedro to provide not only financial support but also mentorship and guidance** to the entrepreneurs he works with.

Type of relationship between the BA and the entrepreneur

The relationship between the Business Angel and the entrepreneur can be **categorized into different stages:** pre-investment and post-investment.

In the **pre-investment stage**, the BA acts as an early-stage investor who places **trust** in the entrepreneur and their ideas. They provide **financial support and guidance** to help the entrepreneur develop their business. During this stage, the BA and the entrepreneur **build a close relationship, often resembling a partnership.** The BA may offer **mentorship, advice, and assistance** in overcoming challenges.

In the **post-investment stage**, the BA **continues to support the entrepreneur, but their involvement may vary depending on the needs of the startup.** Some startups may require more hands-on support, while others may be more self-sufficient. **Regular communication** between the BA and the entrepreneur is essential to maintain a strong relationship. The **frequency of updates and meetings may vary depending on the agreement** between the parties involved.

It is worth noting that the categorization of BA relationships can also extend beyond the pre-investment and post-investment stages. For example, some BAs may have previous experience as entrepreneurs themselves. This experience can provide valuable insights and a deeper understanding of the challenges faced by the entrepreneur.

Additionally, BAs may have specific focuses or interests, such as social issues or sustainable investments. These BAs prioritize investing in startups that align with their values and contribute to positive social or environmental impact. Similarly, there are also female investors who focus on supporting female entrepreneurs, aiming to address the gender imbalance in startup funding.

These different types of BAs bring unique perspectives and expertise to the relationship with the entrepreneur, which can greatly influence the dynamics and outcomes of the partnership.

Open section for contributions

Pedro Lourenço: "I think it's important that I was an entrepreneur before becoming a Business Angel because I understand how difficult it is to start a company when there is no one there. I started my first company in Angola when I was 26 and besides being the only shareholder, I was the only person working at the company for 2 years. So that really made me understand that founders struggle to keep on working on their idea when they are just starting. So that's the first thing. The second thing is that it's all about people. People are the ones that can accomplish results or not."

Pedro L.: "When we get to a company that has already some money in or at least some people interested I do a kind of double due diligence, to the company and to the investors. I put money in some companies just because of the investors that were putting money in that company. The last investment I made was in Sensei, a marketplace. I don't like marketplaces. I don't invest in marketplaces. I like B2B. I don't like B2C. The only way for me to put money on a B2C company is if I trust the other investors/the founders. In this case, the founder of Zomato was investing in Sensei and the CEO and founder was coming from Zomato. At the same time, if I don't believe in the investors that are putting money in a company, either I really like the founders and invest anyways or I just won't do it."

Pedro L.: "I think the most challenging thing about working with entrepreneurs is that usually you are meeting people for the first time. And like in a normal job interview, you get a sense of the person who is in front of you. And it is challenging to understand what's on the other side that you want to bring to your side."

Pedro A.: "Some businesses wouldn't come to life without investors. So there are some businesses that would, like traditional businesses, but most technological businesses for which you need to build a product before you get revenue wouldn't exist without investors. When the relationship is cooperative, then entrepreneurs can really make the most out of the investors. At the same time, the more you grow, the more investor management needs to be done."

Yiannos Hadjiconstantouras: The Entrepreneur Behind StudentLife

Guess who?

Entrepreneur



- **General information:** Yiannos Hadjiconstantouras, Man, app. 35 years old
- **Educational background:** Business Administration

The entrepreneur remembers himself having an entrepreneurial mindset from a very young age, always trying to find new ways to sell various things and always curious to learn more about going from zero to one.

While being a university student in Cyprus, he teamed up with his brother, who had a background in IT, and together they created StudentLife, a website through which university students could exchange notes for the modules they were attending.

Later on, StudentLife turned out to be more than just a website for the exchange of students' notes, since the entrepreneurs kept integrating and providing

more solutions for students. The most indicative example of that was the provision of rental options for used university books.

StudentLife is now a subsidiary of **PeopleFirst**, the mother company which is owned by the same entrepreneur and three more partners.

The entrepreneur is now owner or partner in three more projects: StudentLife Academy (online courses on digital marketing), **Marinado** and **Flipstreet** (two distinct food projects preparing food only for delivery, under the same roof).

How the BA found the BA

After creating StudentLife and graduating from university, the entrepreneur along with his team **pitched their project at a national competition for aspiring entrepreneurs**. After the competition, **3 business angels approached** the interviewee and his team and asked them to pitch their project to them, with even more options for students.

In what way did the entrepreneur-BA negotiations progress

After a period of 4-5 months, consisting of long hours of brainstorming, follow-up meetings, presentations and discussions with the business angels, the team managed to convince 2 of them to invest in their project.

It is worth mentioning that **the 2 business angels stressed their intention to invest, not entirely based on what they had presented, but mostly because they believed in the potential of the people involved**.

Level of engagement from the BA

The team managed to negotiate successfully with the business angels and win their support. The business angels' offering included an **initial financial investment, free conference/ working space for the whole team, mentoring and useful networking possibilities.**

In exchange, **the business angels would receive part of the project's profit (if any), and engage in a continuous re-adjustment** of any new financial offerings for a different exchange, in terms of **equity.**

Types of conflict that might have raised and how they dealt with it

No conflicts whatsoever occurred during the negotiations, or even after that. On the contrary, one of the business angels had a very friendly approach and provided the team with everything they needed at any given point.

Cases of entrepreneurs that turned into Business Angels

Since the entrepreneur has not yet invested in projects of others as a business angel, instead he was asked to provide the qualities that could make a business angel an ideal partner for an aspiring entrepreneur.

The entrepreneur then discussed with the interviewer the notion of **"smart money"**, in the sense that **the financial aid that the business angel provides should be accompanied by other substantial means of support,** such as mentoring, networking and trust as an equal partner.

Depending on the industry you are about to enter, **the knowledge, skills and network of the business angel in that given industry are the most important features** to help you make the first crucial steps.

Type of relationship between the BA and the entrepreneur

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The most important thing which the Business Angels had offered them during this journey was, beside all the rest, the trust they had shown in them. This trust led to a higher self-esteem.

The entrepreneur described the relationship between his team and the business angels as highly beneficial.

According to the entrepreneur, the most important thing which the Business Angels had offered them during this journey was, beside all the rest, the trust they had shown in them. This trust led to a higher self-esteem and gave the entrepreneurs enough time and space, in order to fully utilise their skills and resources for the best possible outcome.

Open section for contributions

The overall impression from the relationship with the business angels who contributed in the entrepreneur's efforts is very positive.

The entrepreneur acknowledged the significance of crossing paths with two business angels and he feels lucky that, along with some other incidents, this cooperation led to the realisation of their dream, that is to create something from scratch and be able to see it grow into a blooming and sustainable enterprise.

An Investor that Seeks Projects in the Health Area: The Future of an Elderly Society

Guess who?

Business Angel



This Business Angel is a man aged between 30 and 40 years old.

I became a BA to earn money. My experience with investment is mostly in **seed stage investments**.

I consider this as a personal project for me although I normally have a passive role once I have invested.

I'm interested in the **health area** because, as I see it, the future is going to be very conditioned by the advancements in this area.

How the entrepreneur found the BA

I pay attention to entrepreneurs referred by other contacts.

I think entrepreneurs don't have it easy and have obstacles because BA's have a lot of projects that are not filtered and lose focus.

In what way did the entrepreneur-BA negotiations progress

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As I see it, the entrepreneur normally maintains the bargaining power but each time he or she opens an investment round, loses bargaining power.

As I see it, the entrepreneur normally maintains the bargaining power but each time he or she opens an investment round, loses bargaining power.

The type of negotiating structure was an achievement of objectives, that's why each step of the negotiation was monitored.

Level of engagement from the BA

Although my management is more passive, I try to perceive the entrepreneurs' needs so I can connect them with people that can bring a solution.

Cases of entrepreneurs that turned into Business Angels

I was an entrepreneur before a Business Angels and for me, this experience is an advantage in this context. An advantage I think I have is that necessity sharpens wits just like experience.

To become a BA, I think is core to prioritize, detection of needs and objectivity.

Type of relationship between the BA and the entrepreneur

An equal relationship for me is the one where the BA has the capacity of decision or power for influencing.

Successful factors for me to have an equal and fair relationship are **confidence** and **support in one another**.

Business Angel and Chairman Khalid Al- Tawil's Guide to Angel Investment

Guess who?

Business Angel



Khalid Al-Tawil

Angel Investor - Board Member and Chairman
NRC committee

Background:

Previously:

Vice Chairman and head of Executive committee,
Board Member and Chairman NRC committee,
Founder & Vice-Chairman of the Board, and head of
executive committee.

Country:

Saudi Arabia

Level of engagement from the BA

The **silent investment** - the entrepreneur calls once a month for money (all the initiative comes from him and usually does not ask for any support).

The **active investment** - the investor spends 7 to 8 hours each month and advises the entrepreneur on various points.

Types of conflict that might have raised and how they dealt with it

The team is the first challenge, since it needs to be diverse, (not only finance experts, but not only tech experts etc...) and they need to **trust** each other **working well together and with clear objectives**.

The second Important point is the industry. It is crucial to identify an industry that **allows for the business to scale up**.

The **Business model**: The BA in question explained that **he requires before investing a business model that guarantees reaching a breakeven point in two years**; Business models **also enables the investor/BA to determine the feasibility and the logistics** behind the entrepreneur's team which makes it an extremely important aspect into the decision-making process.

There are conflicts of interest from his side, in the case he invests in entrepreneurs with similar projects. The investor uses transparency and arranges meetings with both founders who are working on the same pillars.

The BA usually deals with conflicts by expressing his willingness to terminate his investment and asking for his money back. It happened 2 or 3 times.

- **The most challenging aspect with entrepreneurs is finance** - they usually have a hard time managing money and spend it faster than expected and find difficulties in finding fundings.
- **Ego** is another challenge since they are sometimes stubborn and don't change easily - one who can't be mentored easily.
- 10% of entrepreneurs **are not focused**, they go to a lot of events and spend time networking with people and creating connections but running away from their tasks and their businesses. **Although networking is extremely crucial it is important to dedicate enough time and energy on the project itself.**
- Another challenge is when it comes to **dealing with entrepreneurs whose project failed**. It is not always easy to provide the required physical, emotional, psychological and financial support to the persons whose long-lasting project did not flourish as expected.

Cases of entrepreneurs that turned into Business Angels

Yes, the BA confirmed gaining valuable experience:

He explained that **it is important to not invest more than 10% of one's net worth into startups since although being a very rewarding sector it is a very risky one as well**. Indeed, he has seen a dramatic situation in which one instead spent all their money in a startup that ultimately failed.

Type of relationship between the BA and the entrepreneur

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Trust is the most important aspect, so there must be transparency from both parties.

A successful relationship is to have a cooperative relationship.

The business angel should not push the entrepreneur. Indeed, the business angel should leave control to the entrepreneur. However, the BA should **share ideas and encourage** the entrepreneur.

It is important to **work together and not be stubborn** since it could really tear apart the relationship.

The BA/investors' role falls under the money control part of the project and to share its past experience as well as its accumulated knowledge to give recommendations to the entrepreneurs.

It is also important for the investor to connect the entrepreneur to synergic businesses, startups, etc.

Ideally, the business angel should support the entrepreneur in case he is facing any issues in general, even sometimes by advising to cut the losses and give up the business.

In conclusion: Trust is the most important aspect, so there must be transparency from both parties.

Open section for contributions

- You should limit your investment to 10% of your wealth but if you are an experienced business angel you could consider arriving at 20%.
- For both angel investors and entrepreneurs, you should utilise all the existing opportunities from both sides. Networking, recommendations etc. It is important to learn and grow.
- Never reject money, it is important to never give up any opportunities that could bring more money on the table.
- Don't start on failing startups, you can't save them, you should learn to say no. It is also important to know when to cut the losses as well. It is imperial to not fall into the saviour narrative especially since the angel investments tend to be already risky as they are.

From CEO to Investment Guide: Empowering Others

Guess who?

Business Angel



Angelica Bellver

- **Age: 30 years old**
- Geomatics engineering and topography
- Master's degree in drone construction and piloting
- Master's degree in geotechnological cartography in engineering and architecture
- Master's degree in start-up management
- Master's degree in project management

Entrepreneur



Angelica Bellver

She founded and developed her first drone surveying service company, but in the last steps of the company she made a joint venture with another company, which acquired a percentage of the company and subsequently an exit took place.

Although she has completely disassociated herself from the company, her partner remained in charge of the company.

How the entrepreneur found the BA

It was not my first choice, as I wasn't aware of this possibility. I didn't know what a BA was. First, I applied for a bank loan, which was granted to buy my first drone. Then, through the IDEAS Institute of the Universitat Politècnica de València, I was able to meet people who were linked to me.

In the last few years, there has been a very big advance in terms of investment. At that time, if I met with a BA, it was because I had met someone who allowed me to contact a BA, because IDEAS helped me or because I had qualified for a prize-giving ceremony and got them interested in the project. I had to be very active. Now, since I've been an investor, I think there are a lot more Venture Capital and Bas events. You can also upload your pitch so that they can know more about your project online, just like BIGBAN does.

Pitches were another way of contact. When you are an entrepreneur, you make pitches all the time. One thing I learned was that when I started doing them, I described the project in a very technical way because that's what the project was and I had that mentality, but people didn't understand me and I had to rephrase it. I had to reduce it to, for example, an image and a simple explanation. **It isn't the same to talk to a client who understands what you are saying, as it is to talk to a BA who may not have technical knowledge and is simply interested in the entrepreneurs behind the project and that the business model has a growing prospect.**

Pitches should be rehearsed a lot, although it will always be easier to explain a project externally because when you are so involved you feel the need to tell everything, but you must not lose sight of the fact that you must be understood.

If you want to know if your pitch is right, explain it to a family member who doesn't know the subject. **The BAs should understand you, but something else that is very important is the attitude with which you tell**

the project idea. If you show that you believe in your project, you show that you are investing your time and resources, and in the end, people are looking for confidence.

Also, you always get feedback and validation is always obtained by talking to many different people.

Types of conflict that might have raised and how they dealt with it

I made several pitches but didn't get funding because of the characteristics of the business. One part was services offered by the company, which is very difficult for a BA to decide to invest in because it isn't scalable. But the other part of the business had parallel projects that were scalable, as was the case of thermal anomaly detection software. This second one was scalable, but it needed a very large cash injection at the beginning, but no return on investment in the short term, which meant that the BAs didn't find it attractive.

As those side projects didn't get investment, they didn't sustain over time and I focused on the service side. However the type of investor that the company attracted were other companies that were interested in acquiring the company to include the innovative component within their company.

When you start a startup and it is divided into two lines of action, one service and the other scalable, you have to decide and I decided to go for the sure thing, which was the service line that was profitable. In order to develop the financing route, I would have needed a larger team to decentralise the efforts.

Another common mistake is that, when a project needs several capital injections, the CEO ends up making it his or her main task to raise finance. This causes them to stop investing time in the product and lose focus. So, behind the investment, there is no solid product.

There is also the risk that the CEO focuses all efforts on raising finance but forgets about product development. And it has happened on many occasions that the CEO has only focused on raising money and when the product has been analysed it has been discovered that there was no clear and specific product. **There must always be a balance between "what do I need" and "what do I need to do".**

Cases of entrepreneurs that turned into Business Angels

I didn't plan to change my role, it happened by accident. Apart from my company, I really liked starting up new projects and I had led some projects, I was also a mentor in different projects, and when I left my company I decided to take some time off. During another start-up event, a former contact suggested I should "go to the other side", so that I could assist people in starting their businesses.

Days later, I saw a job offer at Demium Start-ups to lead the incubator in Valencia. Finally, I started with the projects with the entrepreneurs and, in addition, I was the interface with the investors, presenting the projects I applied for to the fund. So, I had to understand what BAs wanted to invest in.

Although I am currently on the investment side, I don't share the way of thinking of the majority of the sector. Many times, a project is analysed simply for the possible scalability it may have and, after a short time, the company fails due to multiple factors (the team, the plan, etc.). **And on the other hand, there are other projects that aren't so scalable because you cannot recover the investment in the short term, but you see how the team is very involved and has a lot of interest in promoting the project and you think "they can change the model and promote it at any time", and for me that is much more valuable.**

Often a project is analysed for its scalable potential and future projection. There are projects that the team or entrepreneur works hard and is very involved in projects that have a long-term projection but are very solid, and there are other projects that are scalable in the very short term but disappear in a very short period of time.

Open section for contributions



In my opinion, there is a lot of focus on the pitch, but this makes us forget that the BA wants to have a normal conversation with you and understand your project, in short, to get a good impression of you.

My first experience as an entrepreneur was a source of knowledge and gave me many tools to be able to advise others. Also, in my opinion, there is a lot of focus on the pitch, but this makes us forget that the BA wants to have a normal conversation with you and understand your project, in short, to get a good impression of you. I understand that, for a generic presentation, the pitch is a good tool, but it becomes very mechanical. **In a meeting, it is better to have a relaxed conversation, get to know the person, and not directly present your project. It's a conversation, get the right feedback.**

To get positive results from these interactions with BAs, an entrepreneur needs to have soft communication skills. **Investments are based on the fact that we are people, but we forget that.** Building relationships with people is the most basic and, in these cases, seems to be the most difficult. **It is often easier to know what event the BA you are interested in is going to be at and in networking have a little chat with him or her.**

In addition, I recommend not doing the job of finding investment alone. Traditionally, it has been assumed to be solely the CEO, but I don't think it has to be. The important thing is to get to know the founding team and give indications of what the project is about, as well as let them give us feedback. Even if a BA doesn't invest, their feedback can be valuable.

According to me, a BA should be involved in the project to maintain a balanced relationship. In my opinion, from an entrepreneur's point of view, I would go for a BA who brings added value or knowledge to the project. If the BA is closely linked to the sector or to the interests of the project, her/his main objective is going to be to make the project work. On the other hand, as an investor, I would look for a project that I could be interested in to try to make the project work as much as possible so that I can get the maximum return.

The important thing is to find these synergies. For me, the best BAs are those who have previously invested, because they are the ones who are going to help you the most and get involved.

From Theatre Hobby to Successful Business

Guess who?



Business Angel

Kostas is a university professor with a passion for the arts, particularly theatre. He is a hobbyist actor who attends theatre classes in his free time. Through these classes, he met Elena and became great friends with her. Kostas was impressed with Elena's knowledge and experience in the arts, and he saw an opportunity to help her achieve her vision of creating a culture and arts center in the local area. As a business angel, Kostas is greatly involved in the day-to-day operations of the center, providing guidance, advice, and support to Elena as she runs the business. He draws on his experience as a professor and his love of the arts to help the center thrive, and he is committed to seeing Elena's vision succeed.



Entrepreneur

Elena is an actress with a passion for the arts. Before opening the culture and arts center, she was working as a full-time waitress to make ends meet. Despite her economic situation, she continued to pursue her passion by assisting a theatre workshop that offered classes to amateurs and taking part in some theatrical performances. Elena communicated her vision for the culture and arts center to Kostas, a fellow theatre enthusiast and university professor. Kostas was impressed by Elena's business idea and even helped her develop her business plan, which included additional activities in the cultural center. With Kostas's support as a business angel, Elena was able to secure the funding she needed to launch the center and make her dream a reality. Today, she is the driving force behind the culture and arts center, which offers a variety of activities for local artists and community members.

How the entrepreneur found the BA

Elena was assisting a local theatre workshop when she met Kostas, a university professor who was also a theatre enthusiast. They struck up a conversation and Elena shared her vision for a culture and arts center with Kostas. He was intrigued by her idea and offered to meet with her to discuss it further.

For their first meeting, Elena presented her idea in detail outlining her vision for the culture and arts center, including the various activities that would be offered, the target market, and the funding requirements. She also highlighted her own experience and expertise in the theatre industry. During the meeting, Kostas asked several questions to better understand the concept and the potential for success. Elena was well-prepared and able to answer all of his questions confidently.

Following their initial meeting, Kostas expressed interest in supporting Elena's venture as a business angel. Elena was thrilled at the prospect of having Kostas as her mentor and financial backer. They continued to meet regularly to discuss the progress of the project and to refine the business plan. Elena also made sure to keep Kostas updated on the latest developments and milestones achieved by the culture and arts center.

In what way did the entrepreneur-BA negotiations progress

In the early stages of the negotiation process, Elena and Kostas discussed the details of the business plan and the funding requirements for the culture and arts center. Kostas offered to provide financial backing as a business angel, but also wanted to ensure that the project was viable and had a strong chance of success. As such, they agreed on a number of evaluation methods, including regular progress updates and financial reporting.

Elena was transparent about the financial needs of the culture and arts center, and was open to feedback and suggestions from Kostas.

One of the most remarkable experiences for Elena during the negotiation process was the realization that Kostas was genuinely passionate about her project and invested in its success. His support and mentorship gave her the confidence and motivation she needed to make the culture and arts center a reality.

For Kostas, the negotiation process was an opportunity to contribute to the development of a cultural institution that would benefit the local community and support the arts.

As the negotiation process progressed, Elena and Kostas were able to come to a mutually beneficial agreement that provided the funding and support needed to launch the culture and arts center.

Level of engagement from the BA

After extensive negotiations, Elena and Kostas agreed to a funding arrangement in which Kostas would provide financial support and guidance as a business angel, while Elena would retain a majority share in the culture and arts center. Specifically, the shares of the company were divided in such a way that Elena held a 51% stake, while Kostas held a 49% stake.

This arrangement allowed Elena to maintain a strong degree of control over the direction of the center, while also benefiting from Kostas's expertise and financial backing. Kostas, in turn, was able to contribute to the success of the center while maintaining a vested interest in its performance.

Over time, Kostas continued to be involved in the growth and development of the culture and arts center, providing occasional guidance and support as needed. However, he respected Elena's position as the majority shareholder and did not interfere in the day-to-day operations of the center.

Types of conflict that might have raised and how they dealt with it

Despite their close working relationship, Elena and Kostas were able to avoid any major conflicts throughout their partnership. This was largely due to their open and transparent communication, as well as their shared commitment to the success of the culture and arts center.

However, there was one minor conflict that arose early on in their partnership. Specifically, Elena had initially proposed a particular marketing strategy that Kostas did not agree with. He felt that it was too costly and might not yield the desired results, whereas Elena was convinced that it was the best approach.

To address this conflict, Elena and Kostas decided to hold a series of meetings to discuss the issue in depth. They each presented their arguments and listened carefully to the other's point of view. Ultimately, they were able to find a compromise that satisfied both parties. They agreed to modify the marketing strategy in question, incorporating some of Elena's ideas while also taking into account Kostas's concerns about cost and effectiveness.

Type of relationship between the BA and the entrepreneur

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Kostas was greatly impressed by Elena's unwavering passion and dedication to the project, and was determined to assist her in any way he could.

Kostas, an expert in business management and an “inactive” business angel, played a crucial role in supporting Elena as she embarked on her journey to establish a culture and arts center. Despite not having direct entrepreneurial experience, Kostas provided invaluable mentorship and guidance to Elena, which was built on a foundation of mutual respect and trust.

Elena deeply appreciated Kostas' input on significant business decisions, recognizing the value of his expertise in the field of business management. For his part, Kostas was greatly impressed by Elena's unwavering passion and dedication to the project, and was determined to assist her in any way he could.

With his keen understanding of business strategy and financial management, Kostas contributed significantly to the development of a robust business plan and provided valuable insights on customer attraction and retention. Together, Kostas and Elena navigated the challenges of launching a new venture, demonstrating the power of collaboration and expertise in the world of business.

Timpers' Inclusive Sneakers Journey with Angels Capital

Guess who?

Entrepreneur



The **entrepreneur** in this case study is a **co-founder of a company called Timpers**. He has a background in Law and has also worked as a vendor for ONCE and pursued a career in music. His business partners, Aitor and Roberto, have backgrounds in Architecture and Business Administration respectively. Their company, Timpers, was born out of a desire to create a **unique and inclusive brand of sneakers that are designed by people with disabilities**.

The company is currently in a growth stage and has been profitable since its inception. **They have not needed to seek external financing due to their profitability**. However, after a robbery at their warehouse in August 2021, they received an **investment from Angels Capital**, the investment fund of Juan Roig. This investment has allowed them to continue their operations and grow their business.

The reasons for engaging in the financing scheme with the Business Angel were primarily due to the robbery incident and the opportunity to have Juan Roig as part of their shareholding. The process of contacting the Business Angel was **straightforward and quick**, with the entire process from the robbery to moving into a new office taking place within a month.

The entrepreneur and his team have always been motivated by their passion for their project and the desire to create a successful and inclusive brand. Their commitment to their vision and their ability to turn a negative situation into a positive one has been a key factor in their success.

How the entrepreneur found the BA



The Business Angel was not just interested in the financial metrics of the business. They were also interested in the people behind the project. This highlights the importance of not only having a solid business idea and potential for growth, but also a dedicated and passionate team.

The entrepreneur found the Business Angel through their involvement in an **accelerator programme called Lanzadera**. The accelerator programme provided a platform for the entrepreneur to meet and interact with potential investors and BAs.

In terms of techniques used, the entrepreneur focused on **showcasing the growth and potential** of their business. They highlighted the fact that their business had multiplied its growth by six times in two years, which was a key factor that attracted the Business Angel.

The first meetings between the entrepreneur and the Business Angel were facilitated by the accelerator programme. These meetings provided an opportunity for the entrepreneur to **present their business idea, discuss their vision, and demonstrate the potential for growth.**

The entrepreneur's **strategy** to meet the Business Angel involved **participating in the accelerator program and leveraging the opportunities** it provided. They focused on demonstrating the growth and potential of their business, as well as their commitment to the project.

It's important to note that the Business Angel was not just interested in the financial metrics of the business. They were also interested in the people behind the project. This highlights the importance of not only having a solid business idea and potential for growth, but also a dedicated and passionate team. The BA also gave value to the fact that every founder and worker was disabled and that had not stopped them from their success.

In summary, the entrepreneur found the Business Angel through an accelerator programme, used the platform to showcase their business's growth and potential, and leveraged the opportunities provided by the program to meet and engage with the Business Angel.

In what way did the entrepreneur-BA negotiations progress

The negotiation process between the entrepreneur and the Business Angel was not a typical one, as it was not based on a specific financial or mathematical model. **The valuation of the company was more a matter of demand and supply**, with the entrepreneur stating, "I offer you this. If you consider that for this percentage this money would serve us, then good. If not, then there is no agreement and that's it" (Page 3).

The early stages of the negotiation were quite straightforward, as the entrepreneur had been part of the Business Angel's accelerator programme for two years. This meant that the Business Angel was already familiar with the entrepreneur, the business, and its financials. The entrepreneur did not have to seek out investors, as the Business Angel was already well-acquainted with the business.

In terms of techniques used, the entrepreneur did not mention any specific strategies. However, it was clear that the negotiation was based on a **mutual understanding and trust** that had been built over the two years in the accelerator programme.

The most remarkable experience during the negotiation process was the entrepreneur's realisation that **the valuation of a company is not always a straightforward mathematical calculation**. The entrepreneur stated, "I know there are quite a few methods to make the value of the company, but in our case, in particular, it was a bit of a question of demand and supply".

The entrepreneur also mentioned that they had a **25-page agreement with the Business Angel, which included various conditions**. For example, the entrepreneur had to stay in the project for two years after the investment. If they left before this period, they would lose their shares. The entrepreneur was negotiating this contract down to five pages to make it easier to negotiate with other investors in future funding rounds.

In summary, the negotiation process was not a typical one, as it was based more on mutual understanding and trust rather than a specific financial model. The entrepreneur and the Business Angel had a unique relationship due to their time in the accelerator programme, which made the negotiation process smoother.

Level of engagement from the BA

The BA showed a **significant level of engagement** with the startup. The BA invested **€150,000** for an **18% stake** in the company, indicating a high level of trust and commitment. This investment was not just financial but also involved a deep understanding of the company's operations and potential for growth.

The BA was not just an investor but also a partner who provided valuable insights and guidance. The BA's investment was not tied to specific growth targets, providing the company with the flexibility to grow at its own pace. The BA's investment was made with a long-term view, with an expected investment period of around 7-8 years.

The company also **received financial support from other sources.** For instance, they received funding from **ENISA** and **Valenciana Finanzas**, which provided loans with favourable conditions. They also received support from **Lanzadera**, an accelerator programme that provided training, mentorship, and networking opportunities.

It's important to note that **the company's unique business model, which involves employing a 100% disabled workforce, played a significant role in attracting investment.** Despite the challenges associated with this model, the company was able to demonstrate profitability and a strong growth trajectory, which made it an attractive investment opportunity.

In summary, the BA's engagement with the company was multifaceted, involving not just financial investment but also strategic guidance and support. The BA's investment was made with a long-term view, reflecting a high level of trust in the company's potential for growth.

Types of conflict that might have raised and how they dealt with it

The entrepreneur and the Business Angel seemed to have a **clear understanding and agreement on the terms of the investment.** The entrepreneur mentioned that they had a 25-page agreement with the Business Angel, which included various conditions, but these were all deemed reasonable and were agreed upon by both parties.

It's important to note that the **absence of conflicts could be due to the unique nature of the startup.** The company is a social enterprise that employs people with disabilities, which could have influenced the negotiation process and the relationship between the entrepreneur and the Business Angel. **The shared commitment to the social mission of the company could have helped to prevent conflicts from arising.**

Type of relationship between the BA and the entrepreneur

The relationship between the BA and the entrepreneur in this case is one of **mutual understanding and respect. The entrepreneur appreciates the BA's investment and guidance, while the BA values the entrepreneur's vision and determination.**

The entrepreneur and the BA have a shared goal of **growing the business sustainably.** They have a pact that includes conditions such as the entrepreneur's commitment to stay in the project for at least two years from the time of investment. The BA's investment period is approximately 7-8 years, indicating a long-term commitment to the business.

In terms of categorising the case, it's clear that this is a **post-investment scenario.** The BA has already invested in the business and is actively involved in its operations. The BA's focus seems to be on sustainable growth rather than rapid expansion, which could suggest a focus on sustainable investment.

The entrepreneur's approach to the relationship is **pragmatic and focused on the future.** They are keen to grow the business sustainably and are open to further financing if necessary. They are also committed to staying in the project for at least two years, demonstrating their dedication to the business.

Open section for contributions

- **The Value of Networking and Building Relationships:** The Timpers team found their Business Angel through networking. This emphasises the importance of building strong professional relationships and networks.
- **The Significance of Social Impact and Unique Business Models:** Timpers' business model is not only profitable but also has a significant social impact. All the founders and employees are disabled, which has not been a barrier to them being profitable. In fact, in Spain, having disabled workers can lead to significant fiscal advantages. This highlights the potential for businesses to be both profitable and socially responsible, and shows that a unique business model can be a strength and not a limitation.

**In Contact with
Investors from All
Around the World
Thanks to this Business
Angel**

Guess who?

Business Angel



This is the case of a man aged between 25 and 35 years old.

I decided to become a business angel to earn money, however it has been since that moment a passion that nowadays is a personal project.

Until now, I have done 20 investments in startups around the world: United States, Spain, France and Germany.

Although investment and entrepreneurship are a passion for me, I work, and the time I can

dedicate to startups is limited, so my implication with the entrepreneur's team is normally making intros (introducing the entrepreneurs to a potential client/investor I know) or answering some questions I can help with. I haven't done investments in any area, I'm agnostic although my biggest interest is the advertising area due to my previous experience.

A Hannun IPO (Initial Public Offering) is a successful experience I'm particularly proud of.

How the entrepreneur found the BA

Entrepreneurs normally use LinkedIn to reach me out, that's why I have some indicators, so they know before getting in touch if there's lace.

In what way did the entrepreneur-BA negotiations progress

I think that, during the negotiation meetings, the entrepreneur loses negotiating power, however, the more rounds the startup gets I think the entrepreneur is the one that gains negotiating power.

During the negotiation process I didn't agree on any **negotiation structure**, neither the negotiation was tracked, nor any assistance was received.

Level of engagement from the BA

As a BA, I think I'm committed to the project as I offer help any time the founder team needs it.

Types of conflict that might have raised and how they dealt with it



Some negative experiences could be lies on the part of a founder, or a partnership agreement signed with abusive clauses and in an unethical and illegal manner. That is something to avoid.

Regarding some negative points that have occurred during the negotiating process I can talk about some experiences that had not been pleasant: Lies on the part of a founder, a partnership agreement signed in confidence with abusive clauses and in an unethical and illegal manner.

Some negative experiences could be lies on the part of a founder, or a partnership agreement signed with abusive clauses and in an unethical and illegal manner. That is something to avoid

Cases of entrepreneurs that turned into Business Angels

Turning a BA from a previous entrepreneur experience hasn't been my case.

The Founders' Perspective: The Key of a Commitment

Guess who?

Business Angel



Ali Rıza Babaoğlu

- **Case: REM People**
- **Gender: Male**
- Focusing on B2B SaaS technologies. Investment count: 16
- A computer engineer with an MBA education.
- Entrepreneurial, board member, and syndicate lead experience.

Professional Background

I am an experienced salesperson and business professional since 2008 focused on B2B IT Solutions for the markets of Europe, Turkey, and the Middle East. Also, I have been a financial BA since 2015, having strategic positions in several scale-up tech companies/startups and real-estate assets.

Before the investment focus, I worked at LinkedIn EMEA Headquarters, where I held the Director of Turkish Speaking Territory role in Dublin, Ireland. Before, I have been with SAP AG and IBM in Turkey.

I continue to invest in the tech domain with a focus on SaaS solutions for B2B and B2C markets and real estate options in developing markets with ROI targets. Also, I took Board Member roles in start-ups with over € 10 M+ valuation to help them grow in different markets such as Segmentify.com and REM People.

In 2013/2014, I saw on social media that there was a big wave in BA, and I decided to take part in this. First, I found the companies I like, then invested in them, and helped them access different markets. So the story started like that and continues like that.

Up to now, I have invested in 16, and 12 of them are still on the market. Nearly 30-35% of this is doing very well. The rest is affected by COVID, market change, economic problems, etc.

Key takeaways:

- Saw an upcoming trend in BA and wanted to be part of it.
- Background in computer engineering and sales.

How the BA gets approached by startups

What do REM People do?

REM people provide technological solutions for offline stores to measure the trends, understand customer behaviour, and how the trends affect customer behaviour.

They try to understand what is going on in the offline stores. For example, if you go to K-market or S-market, you need some technologies inside the markets to understand how many people are entering today. Maybe

the next day there will be 20% fewer people entering, affecting the sales at the end. One must also understand how the weather affects how people visit grocery stores, so there are some trends. And to understand the trends, you need to measure them.

How the BA found the startup

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If I see something out-of-the-box, different from the others, I want to reach them to talk with them first. Rather than the investment idea and others; I just want to understand their story from the founders' perspective.

I try to position myself in a smart money position, and I also know some industries because I've been in the retail sector a lot. I worked in tech but in the retail domain, so I know the retail needs and look for what the companies in retail are going tech-wise, and the company that we are talking about now, REM people, I found them that way.

It was 2015 when they founded the company, and I invested in it in 2016, so eight years back. I don't remember the channel, but I think I saw them maybe in the news, and I found the names and reached out to them via LinkedIn or email, and we sat together because I wanted to understand their vision.

I looked at the team and what they do and thought the retail industry is changing because money is moving there fast. Every day someone is buying or selling something. So if you just optimise something from 1% or 2%, that means a 1% improvement in the cash at the end of the day.

I talked with the team about their vision. We discussed and agreed that I would support them financially at some point and business-wise in the other markets. So this is how I started working with them. Three co-founders created the company, and there was not even a big product, only some initial products. Now there are more than 200 people.

If I see something out-of-the-box, different from the others, I want to reach them to talk with them first. Rather than the investment idea and others; I just want to understand their story from the founders' perspective.

*It happens that people reach out to me and that I like the ideas. It happens also, but in these cases, rather than investing directly or in a lead BA position, I always want to act with a group. I believe that if someone is reaching you, there is an urgent money need or some missing things, and I am not sure if I am the right guy to fit in this. **Money is not enough for today's work because today's technological needs are totally different than just money. You need an outstanding team, an BA team, to help you.***

Key takeaways:

- Gaining an understanding of the BAs' investment focus before the initial contact.
- Building and maintaining relationships with BAs.
- Preparing for future funding rounds early.

In what way did the entrepreneur-BA negotiations progress

Negotiating the terms of the investment:

You need to discuss valuation in close detail because it is not a very clear area. It's a very unclear area. The solution is there, the team is there, the market is there, and so on.

So it was like that also with REM people.

In valuation negotiations, valuation is discussed with the founders and BAs. If the startup needs, let's say, €100,000 and is ready to give 5% of the company, the company valuation is €2 million. It starts from here, it is only an indicator.

These days I want to fund the needs of the company rather than the valuation. *So I always ask the companies to tell me their costs for 1,5 or two years, your monthly burn rate, and how much money you need to be in the same ground for two years in.*

If we come to your question, it didn't happen like that. It is what I learned during my BA journey. At that time, I remember they needed some money, and I financed it, but it was just an estimate.

When making estimations, nothing is certain. So you need to have a clear position. This was me 8-9 years back, but now I try to calculate it more by asking about the expenses, the cost for two years, and then after this asking how much of the company they want to give to cover this cost: how much money do you need and how long do you need this money?

Potential challenges in negotiations

It was quite a long time, and the BA investment scene wasn't that evolved in Turkey back then, so putting everything on paper was challenging, but now this problem has been solved. Now, the BA investment scene is developed to cover this. Also, the overall law system.

Investment is not just a one-day thing. Investment starts once we invest. After the investment, there's a process you need to manage. And this part was also not as easy back in the days as today because today you can invest with professional networks like FiBAN, and they manage most of the things or provide tools and materials for paperwork, communications, etc.

At that time, I did everything from my side. So the angel investment scene has also evolved. Standardisation happens, and now I have all kinds of processes and standards in my mind.

The BA mentions using market's best practice contract templates

I need to be in the same position with each company. Otherwise, it would be a headache to think about what was agreed with each company.

At that time, with REM people, we took a law firm that stepped into the process. They made the first drafts of the shareholder's agreement (SHA). For me, for the company, and between the founders because there are three founders.

Also, there are co-founders that come to you for the investment, but sometimes the processes between them are not defined yet. One says I am the 10% owner, and the other one says I am the 90% owner, but if one is 10% and the other one is 90%, then the process needs to be different because the other cofounder is more in the process, but they are co-founders. So they need to define the responsibilities and how much time everyone spends with the company, etc.

Key takeaways:

- The angel investment scene has been evolving during the past 10 years.
- Using the best practice in the market. Agreement templates with standard terms.
- Defining the responsibilities of the founders and BAs and discussing expectations.

How did you communicate with the founders during the whole process?

Best practice on post-investment communication

BA mentions formatted quarterly updates being beneficial, including information about the financials, what has happened, and what are the needs of the company

"What I like, and what is really valuable, is the headcount and needs part, because in a startup, you need enthusiastic people to help you to grow. So in the email updates, I always follow what's happening in the headcount, whether it has increased, which positions they will open, who left the company, and why they left. If I know some people around fitting the company's vision, I try to connect these people. So yeah, this part is important."

Key takeaways:

- Sending regular updates in an accurate format by email.
- Communicating important KPIs, what has happened, and what are the needs of the company.

Type of relationship between the BA and the entrepreneur

The BA mentions that the building blocks of a working founder-BA relationship are open communication and trust and continues by describing a fair relationship between BAs and founders:

After the investment, rather than the solution or problem, your relationship starts to matter. So it is the most important thing. I always say that investment starts after the money transaction; it does not start before. You make the money transaction and then start managing the relationship.

If you want something crazy from the founders, daily or weekly, or you push them hard, they cannot do their job. The main thing is helping them. You need to know your area; they need to know their area. They can't forget about you because you help them, support them, etc. So it's a fair balance, and it builds with time.

Key takeaways:

- Trust, open communication, and a fair balance.
- Understanding each others' focus areas.
- Maintaining the relationships.

Open section for contributions

Advice from the BA to new entrepreneurs looking for angel funding

In the startup world, you don't just need money; you need other people. If someone is experienced enough and has the money, they are probably quite clever. So you can use their mindset also rather than just their money.

When searching for investments, try to understand the BAs' investment criteria, and find those that invest in your domain. After it, you can decide if you like the BA or not. If you come to me and I don't understand the domain, you need to explain the domain, the problems, etc. It is an unneeded time for you and me.

BA investment is the first kind of support for you. You need to find true guys to help you. As a startup founder, you must define what kind of support you need. Then you need to look for it rather than sending emails to everyone. If

you only try to find money, you can find some headache with this if some unrelated people just put money to earn something and start buzzing you each week. Because of this, you cannot do your job, so it also needs to be a good fit for the entrepreneur side.

Key takeaways:

- Try to understand the BAs' investment criteria, and find those that invest in your domain.
- Make sure the BA is a good fit for your company.

Exceptional Founders and Speedy Investments: Lessons from Rita Sakus and Walk15

Guess who?

Business Angel



Rita Sakus

Founding Member and Board Member,
Lithuanian Business Angel Network

Background:

After her MBA in High Technology and Business Administration, she pursued a career in Corporate Venture Capital in the US, in Canada and in Israel, to then go back to Lithuania and co-found LitBAN in 2018.

Activity as a Business Angel:

More than 20 years of experience, with more than 20 investments and more than 6 exits performed, sometimes as a lead investor.

Sectors of interest:

Healthcare and med-tech, Financial technology, Mobile and telecoms, Energy and environment, Biotech - life sciences, Security, Space tech and Fem tech

Country:

Lithuania

Entrepreneur



Vlada Musvydaite

CEO & Founder, Walk15

Background:

20 years experience in health and wellbeing, serial entrepreneur, professional athlete, TV producer, journalist, Master's in International Communication.

About the current company:

Walk15 is a global walking platform, offering step challenge solutions for companies. It was founded in 2019.

Sector:

Active mobility

Country:

Lithuania

How the entrepreneur found the BA

In 2020, Vlada had just founded Walk15 and needed funding to grow. 70 Ventures spotted the company and decided to invest €240k. Gytenis Galkis, Partner of 70 Ventures, connected them with the Lithuanian Business Angel Network (LitBAN), which he had co-founded. Vlada then pitched in front of LitBAN members alongside other startups and claimed the top spot. Rita Sakus was among the jury members and she presented Vlada with the prize, a lunch with any selected LitBAN member. Although Rita was impressed by the company and its founder, at that moment, Rita chose not to invest since she was uncertain whether her gut feeling about the entrepreneur was correct or not - and another board member was picked by Vlada for the lunch.

Rita explained: "It is crucial for me to connect with the people I invest in, as I have had negative experiences in the past where I was not initially sure about the relationship with the founder, leading to a poor deal. If the founder hides information or does not act as a team player or manager, it is not a good fit. So, I didn't have any strong ties to Vlada. However, I continued to observe her progress, and I liked what I saw later."

It was in 2022 when Vlada and Rita crossed paths once more, at a Women's Leadership Conference, where Rita was delivering a keynote speech. Rita approached Vlada after the conference and learned that Vlada needed a bridge loan. Without hesitation, Rita reviewed the agreements and promptly transferred the funds to Vlada's bank account within a few days.

Rita recounted, "I am listening to Vlada who was participating on a panel at the same conference, sitting in the front row, captivated by everything she shared. Her humorous explanation of how she established her company, driven by her desire to involve her kids in more physical activity, was both natural and inspiring. I was drawn to her and her story once again. We chatted briefly during the conference, and she mentioned her urgent need for a bridge loan. That's when I decided to step in. In fact, I provided more funds than she had requested. This is not typical, but I understood their challenging position. I did not want Vlada to worry at every turn. I wanted her to feel secure and have resources for the coming year. By doing so, I demonstrated my trust and belief in her."

When Rita expressed her interest in investing, Vlada was surprised as she had not anticipated securing Business Angel funding again.

Vlada remarked, "Finding support was tough because we were in the seed stage with promising traction but not yet at Series A. We had opted not to return to LitBAN, despite their swift previous investment process. Then, Rita's offer came unexpectedly. Some startup founders doubted my story, but it happened twice in my life. You need funding, you pitch, and the right opportunities arise. Following another pitch, Daiva Rakauskaitė approached us, expressing interest in investing in Walk15 through the Lithuanian Business Angel Fund."

Rita added, "This is not the norm. Not all founders experience such swift progress. Much of it is due to Vlada herself; she is an exceptional founder and communicator."

Key takeaways:

- Business Angels must establish strong relationships with Entrepreneurs.
- Angel Investing can occur unexpectedly and swiftly.
- Exceptional founders naturally attract investors.

In what way did the entrepreneur-BA negotiations progress

The first investment by LitBAN members in 2020 concluded rapidly. Three weeks after the pitch, the funds were already in Vlada's bank account. In 2022, the process with Rita was similarly swift. Rita promptly reviewed the agreement and transferred the funds to Vlada. This rapid process was thanks to Rita's familiarity with the company, as well as her involvement in bridging a round that had already been negotiated.

Vlada remarked, "Rita did not wait for my pitch; she wanted to review the contract directly. While the amount was not substantial, the valuation was high as we were anticipating funding from larger funds. I sent Rita the agreement, and she responded with an amazing email, promptly transferring the funds. She truly acted as an Angel. This support was incredible because it allowed Walk15 to continue without pause. Thanks to this, we launched a project with Euroleague Ventures, the largest European basketball league. It is remarkable how a small injection of funds can propel a startup to a €15 million valuation."

Rita elaborated, "It was a bridge round, and I was not the sole business angel involved at the time. Other angels had joined slightly earlier, so everything, including the valuation and documents, was already in place, requiring minimal negotiation from my end. I could have opted not to invest due to the high valuation, which was not the most favourable opportunity for me mathematically. However, I understood Vlada's passion, her operational style, her role as a team player, how she set up her business, her goals, and the potential for success under her leadership. Despite the deal not being the most lucrative from an angel investment standpoint, I was confident in the company's growth potential under Vlada's guidance."

Aside from Rita, other investors quickly approached Vlada with decisive offers. One such instance was a Business Angel who contacted her on LinkedIn after a pitching event. Despite the late hour, he expressed immediate interest in proceeding. Vlada shared the contract with him, and he promptly transferred the funds.

Vlada recounted, "It was unexpected for me; after my pitch, I received a LinkedIn message from a Business Angel expressing a strong desire to invest. I informed him of the €10,000 minimum investment and the high valuation. He asked why he should not invest. It was 8 pm, and I wanted to call, but it was not possible. So I messaged him, and he requested the contract. That is when I realized it was happening. As a founder, you are accustomed to swift decisions and seizing the moment. Shortly after finalizing the details and sending the contract, he confirmed his investment, and the funds were in my account."

A similar scenario unfolded at the end of 2022. In November, following a successful round with notable business angels in Lithuania and Europe, as well as the "Business Angels Fund II" in Lithuania, Vlada was approached by EIT Urban Mobility. This initiative of the European Institute of Innovation and Technology (EIT) aims to encourage positive changes in urban mobility to create more liveable cities. They had taken an interest in Walk15 since meeting Vlada at the Web Summit in Lisbon, considering adding the startup to their portfolio of impact ventures. Despite the holiday period, Vlada promptly prepared the pitch and all the requested information. Two weeks later, Walk15 secured the first investment from EIT Urban Mobility in the Baltic Sea region.

The swift negotiation process was not solely due to Vlada's exceptional qualities, as highlighted by Rita. It was also because Vlada had meticulously prepared all necessary documents in advance, ensuring she was ready to share them with potential investors. Another contributing factor was Šiaulių bankas, a Lithuanian bank facilitating swift and notary-free investments.

Vlada reflected, "Some founders have asked me how I managed everything. It is crucial to have all legal documents prepared and presentable to both startups and business angels. From the outset, you must work diligently and professionally, involving lawyers, banks, and ensuring all legal details are in order. Investors will scrutinize every aspect, from your story to the rapid progress. Preparation is key, and when opportunities arise, founders must act swiftly."

In her diligence, Vlada sought recommendations about the investors approaching her. It was paramount to her that they were members of reputable investor networks such as LitBAN, EstBAN, or FiBAN and had no ties to war, terrorism, or criminal activities.

Key takeaways:

- Have your legal documents prepared in advance.
- Entrepreneurs should be prepared to act swiftly and seize opportunities.
- Find a bank that streamlines the investment process.
- Always conduct thorough background checks on potential investors and seek recommendations.

Level of engagement from the BA

Following the investment, Vlada expressed her gratitude by sending personalized frames to each investor containing a recorded message accessible through a QR code.

Rita spoke fondly about the gesture: "To this day, I think she is very grateful. As a matter of fact, I have here a framed 'Thank you' that says 'The Walk15 team thanks you for your trust and investment. We promise not to let you down. And together, we will walk around the world' with a QR code on it, featuring a personalized message from Vlada for each investor."

The Business Angels went beyond financial support, assisting Vlada in various ways, such as providing contacts for other investors or connections within the news media.

Rita emphasized: "Even seemingly small investments from business angels can lead to significant changes for companies. In this case, my investment of €30,000 may not seem substantial for a company with a high valuation, but it was the intent and motivation behind it that mattered and got them to the next critical step required for business development. This resulted in more people joining the effort and even greater successes than if she had chosen another investor. So it is crucial to choose your investors wisely."

Rita contributed: "LitBAN came into my career at a later stage, aligning perfectly with my long-held passion for angel investing. When I met Gytenis Galkis, another co-founder, everything fell into place, and I joined as a co-founder of our Business Angel Network. Right from the start, our goals were lofty and ambitious. I believe we have surpassed our wildest dreams in growing the network to what it is today in such a short time. In Lithuania, many early entrepreneurs were pioneers in traditional businesses. After gaining independence from the Soviet occupation, there was a blank slate. We did not have gas stations or shopping malls. Every venture undertaken was an improvement of over 100%. This perseverance and high level of entrepreneurship is why Lithuania has the potential to become a strong hub for business angels and investment. The individuals who achieved success 20 or 30 years ago are now able to reinvest their capital into the bright entrepreneurs emerging today, who have the vision to create scalable ventures that can impact the global market."

Vlada understood the value of having well-known Lithuanian Business Angels among her investors, as their presence instilled trust in other potential investors.

Vlada explained: "When other business angels saw star Angels like Rita Sakus, Vladas Lašas, and Donatas Dailidė had invested in my company, they trusted it as a solid investment opportunity."

This sentiment holds particularly true for local angels, but it also extends to international events.

Vlada elaborated: "When preparing to pitch to investors in other countries, platforms like Dealum come into play. Here, you upload your pitch deck and await responses. Thanks to the support of our business angels and platforms like Dealum, we also had the opportunity to present in flagship events such as the EBAN Congress in Greece."

Key takeaways:

- Show gratitude to investors for their support and trust.
- Well-known Business Angels can attract additional investors.
- Consider platforms like Dealum for facilitating cross-border investments.

Types of conflict and how they were addressed

Valuation Discrepancy: One significant challenge faced was the high valuation of the company, which did not align with the potential returns for the angel investors. However, Rita recognized the company is potential and decided to proceed despite the unfavourable valuation.

Rita's investment proceeded smoothly, and there were no significant challenges in their relationship thereafter. The main issue Vlada recalls was related to another business angel. Despite seeking recommendations about him and his recognition within LitBAN, he eventually acted inappropriately. Fortunately, Rita provided valuable support and encouragement to Vlada, urging her to persevere. Following Rita's advice, Vlada and her team continued their efforts and successfully raised additional funds.

Vlada shared an experience: "There was a business angel recommended by LitBAN who approached us independently, eager to finalize everything swiftly. We sent him the contract as we needed funds urgently, and the terms seemed favourable for him. After signing the contract, we celebrated with champagne and a photo. However, in the end, he did not transfer the promised funds, citing a change in plans. It was a significant setback, disrupting our plans and wasting valuable time. Such an incident could have been disastrous for another startup. However, I eventually secured seven times more funding. Rita was there to support me through this unexpected turn of events. We were both surprised, but unfortunately, there was nothing more we could do. I learned that celebrating should come after the money is in the bank."

Rita added: "If something goes awry, it is essential to swiftly address it, let it go, and focus on the future. Dwelling on past negative events serves no purpose. As an investor, I have had investments that did not go as planned and founders who let me down. The key is to learn from these experiences and keep moving forward. Keep walking."

Vlada emphasized the importance of regular communication and supportive relationships with investors, suggesting that conflicts related to communication or support might have arisen.

It is important to recognize that conflicts are a natural part of any business relationship. Effective communication, negotiation, and compromise are typically crucial in resolving them. Building strong, trusting relationships with investors, like Rita, proved invaluable in navigating such challenges and moving the company forward.

Type of relationship between the BA and the entrepreneur

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There has got to be a connection because the relationship between business angels and entrepreneurs can last longer than some marriages, in some cases. So, you really have to make sure to understand the person that you are getting involved with, that you are investing in, that you are trusting, and putting your faith in.

The relationship between the Business Angel (BA) and the entrepreneur can be categorized in several ways:

- **BA with Previous Entrepreneurial Experience:** Business Angels with prior entrepreneurial backgrounds bring valuable insights and guidance to the entrepreneurs they invest in, having firsthand knowledge of the challenges and opportunities in starting and growing a business.
- **Pre-Investment Interaction:** Prior to the investment, there is a period of interaction and evaluation between the BA and the entrepreneur. This includes activities such as pitching, due diligence, and negotiations. Vlada Musvydaite mentioned she pitched her startup to potential BAs, and the process was swift, with the investment being finalized within three weeks. This indicates a pre-investment relationship involving discussions and negotiations to determine investment terms.
- **Post-Investment Relationship:** After the investment, the BA and the entrepreneur enter into a long-term relationship. This involves ongoing communication, support, and collaboration. Rita Sakus emphasizes the importance of open communication and a strong relationship where the founder feels comfortable seeking guidance from the investor. This suggests that the post-investment relationship should be built on trust and mutual understanding.
- **Female Investors:** Although not explicitly stated in the interview, the conversation included both female entrepreneurs and female angel investors, highlighting the presence and active participation of women in the entrepreneurial and investment ecosystem.

The interviewees primarily emphasized the crucial nature of the relationship between BAs and entrepreneurs, with less focus on specific categorizations.

Vlada shared insights: “A successful relationship between Business Angels and entrepreneurs is one where the entrepreneur maintains open communication with the business angel. It is not just about sending revenue numbers after receiving the funding. In my case, it is successful because I can call, for example, Rita, and ask questions, drawing from her wealth of experience. Success is when your business angels proactively promote you without prompting. They introduce you to their social networks, feature you in articles, and share relevant resources via email, WhatsApp, Facebook, or FaceTime. Success is when they genuinely support you, and you feel it. I am delighted that in my journey with Walk15, this has been the case.”

Rita added: “There must be a connection because the relationship between business angels and entrepreneurs can last longer than some marriages. So, it is crucial to understand the person you are investing in and trust. It has to be an open relationship with lines of communication open, where the founder feels comfortable reaching out to the investor.

In this case, the personality and trust are definitely present. We are often on the same wavelength. I feel joy for her successes and have stepped in to support her when she was in need."

This mutual understanding and supportive dynamic between the BA and the entrepreneur, particularly highlighted through Rita's positive involvement, underscores the importance of such relationships in the success of startups like Walk15.

Open section for contributions

Rita contributed: "LitBAN came into my career at a later stage, aligning perfectly with my long-held passion for angel investing. When I met Gytenis Galkis, another co-founder, everything fell into place, and I joined as a co-founder of our Business Angel Network. Right from the start, our goals were lofty and ambitious. I believe we have surpassed our wildest dreams in growing the network to what it is today in such a short time. In Lithuania, many early entrepreneurs were pioneers in traditional businesses. After gaining independence from the Soviet occupation, there was a blank slate. We did not have gas stations or shopping malls. Every venture undertaken was an improvement of over 100%. This perseverance and high level of entrepreneurship is why Lithuania has the potential to become a strong hub for business angels and investment. The individuals who achieved success 20 or 30 years ago are now able to reinvest their capital into the bright entrepreneurs emerging today, who have the vision to create scalable ventures that can impact the global market."

Empathy and Understanding of the Entrepreneurs' Projects: key Aspects for Business Angels

Guess who?

Business Angel



This Business Angel is a man aged between 30 and 40 years old.

I decided to become a Business Angel because I liked mentoring the startups, I invested in. As a Business Angel I have invested in startups such as Toswim, Sailor, Modular Thinking, TRL+, in addition to the 20 companies I have previously created that have all been financed by me.

It could be said that I have a personal project as a BA, because in addition to investing I am very actively involved in investments, especially through mentoring.

I am agnostic in terms of investments made and in all of them I do not have a sector or

preference requirement, although I have a marked tendency lately to focus my attention on Deeptech.

Regarding successful experiences, I am proud of the purchase of 40% of a Costa Rican company, later we bought the operation from DHL and in 18 months, after an aggressive sales plan that I led, we sold it to an investment fund. The operation resulted in an 80% return on the investment in less than 24 months.

How the entrepreneur found the BA

Entrepreneurs normally use LinkedIn to send me their projects.

In what way did the entrepreneur-BA negotiations progress

Regarding bargaining power, I think that the entrepreneur maintains it throughout the meetings, without significant changes.

However, from my point of view, with the progress of the investment rounds I do believe that the entrepreneur loses negotiating power.

As for the negotiation process, I would say that there is not a particular fixed or reference process, it is very varied and depends on each company.

This does not mean that the negotiation is not monitored, or some type of assistance is received.

Level of engagement from the BA

My commitment is total to the entrepreneurs' team, which is why we hold at least two 30-minute meetings a month to give feedback, connect with partners and guide depending on the stage of the project.

Types of conflict that might have raised and how they dealt with it

I have never encountered any type of conflict.

Cases of entrepreneurs that turned into Business Angels

“

A Business Angels must have skills such as leadership, emotional intelligence and understand what sales, communication, networking, marketing, and finance consist of.

As I mentioned before, I did some successful trades. With that capital I decided to give back everything I learned during that time.

Also, I think my experience as an entrepreneur is being an advantage in the investment context. It is very useful to have experienced many times what the entrepreneur is going to experience on the path that he is just beginning to follow.

A Business Angels must have skills such as leadership, emotional intelligence and understand what sales, communication, networking, marketing, and finance consist of.

Type of relationship between the BA and the entrepreneur

A balanced relationship between Business Angel and Entrepreneur for me implies that both parties win and mutually benefit from the value that both parties bring.

We didn't know each other before we started negotiating. For me, communication and integrity were key.

An Entrepreneur with BA Skin

Guess who?

Business Angel



I've started investing as a BA with Squat & Basilico.

I was interested in financing a disruptive company in order to reach an impact in the local region.

After Squat and Basilico I've invested, together with others Business Angels, in startups focused on foodtech and logistics market.

I've decided to become a business angel in order to diversify my investment portfolio and at the same time have a real impact through the creation of new jobs.

I want to bring my experience, especially in the Marketing field, and furthermore give the opportunity to startups to scale thanks to important network relationship.

Entrepreneur



Squat e Basilico was the first Italian startup focused on nutritious food delivery. Thanks to our ecommerce platform our customers were able to select their goals (weight loss, detox, mass gain...) and order their weekly diet plan, prepared by nutritionists directly at home.

We started by bootstrapping the idea in Bologna. After 3 months thanks to our traction we decided to share our KPIs with new potential investors in order to raise capital and replicate the delivery service in new towns. We decided to raise capital from Business Angel because in addition to initial capital, we also needed business angel experience and network.

How the entrepreneur found the BA

“

The main challenge was represented by the identification of the fair startup valuation and most part of the negotiation was related to this value and to the governance of the startup after the entrance of the new investor board.

We started looking for funding using business angel online platforms and by participating to startup dedicated events.

We met our first business angel in the Startup Day Event, organized by the University of Bologna.

In that occasion I've personally met the first business angel who believed in our project and showed trust in our team. After this first meeting he decided to invite investing two other business angels from his network.

We met 3 times in the first two weeks and after have signed an NDA we decided to start with the due diligence process. During the due diligence we defined all the materials the investors needed to evaluate our company and the timing of the evaluation process.

In this phase we were assisted by a legal office selected by both parts of the agreement.

The main challenge was represented by the identification of the fair startup valuation and most part of the negotiation was related to this value and to the governance of the startup after the entrance of the new investor board.

In what way did the entrepreneur-BA negotiations progress

We started using platform like Italian Angels for Growth, Club degli investitori and most of all LinkedIn.

We also tried to be always part of networking events related with startups in the main Italian cities (Rome, Milan, Bologna, Turin)

Starting the negotiation process with investors we Have used a due diligence set of tools in order to give them All the data necessary to identify the health state of the company.

The set of tools was identified in order to collect data about the startup:

- *Balance Sheet*
- *Profit & Loss statement*
- *KPIs*
- *Business Model*
- *Marketing strategy*
- *Financial plan*
- *Team*
- *Agreements*
- *Scalability strategy*

We communicate via email and share all the materials in a drive folder. We also scheduled meetings to discuss the data and the strategy.

The final goal was the evaluate the company in order to negotiate the equity share and the governance.

Investors decided to enter with an initial investment of 300 k and an agreement on purchasing new equity shares based on company future revenues.

Level of engagement from the BA

I was committed to the team and their business idea. I believed since the very beginning in the mission of the company and I saw a potential significant impact in the Italian market.

We wanted to be close to the founders helping them to take good strategic decisions. Our experience was focused on Marketing and Financial strategy.

Our main goal was to create a good and fair environment in order to allow the company to reach a sustainable growth.

Types of conflict that might have raised and how they dealt with it

First obstacle was to find potential investors contacts. Startup events were more focused on networking and not on raising capital.

Second obstacle was to find the right business angels with the proper knowledge on startup investment. They tend to compare startups to traditional company investment with the risk of misunderstanding in the negotiation logics.

The issues were mainly due to the business angels try to push down the valuation of the startup in order to have more equity shares and more power inside the company after the agreement.

This issue was hard to overcome and caused an increasing on negotiations time.

Some contractual clauses were not clear and the legal studio helped us in the process of fulling understanding.

Since business angels were very able to negotiate it was not easy in the due diligence process to establish a balanced relationship.

Cases of entrepreneurs that turned into Business Angels

I think it is very important to have experience in business and entrepreneurship.

I want to invest in startups that enter in good markets, with great team and good metrics.

It's also very important to evaluate their business model and the scalability strategy.

The role of the business angels must be to facilitate the scalability of the company through experience, differentiating skills and network.

Type of relationship between the BA and the entrepreneur

We met the founders many times before starting the due diligence process.

It was important for us to establish a fair and balanced relation with the management.

In this phase I want to reach trust and connection with the founders before starting evaluating the company.

I want to be sure that I'm investing in the right team.

In general there is a gap on information between startups and BAs most of all due to the different goals they have.

BA's want to maximize their return on investment while startups want to raise money to finance growth.

a training course dedicated to entrepreneurs and investors would certainly help for a more balanced negotiation.

How BAs Could Contribute to Helping the Company

Guess who?

Business Angel



Turo Numminen
Business Angel, Sofokus Ventures

- Active Business Angel, Co-founder at Sofokus Ventures
- Experience: First investment in 2000, has been investing more actively the past 5 years.
- 15 startup investments made since summer 2020.
- Has been teaching entrepreneurs how to set up companies prior becoming an BA and has a consulting agency



I don't like investments, where you are kind of blind to what your companies are doing. So that's why I like startups. Because you can really talk with founders, you can have insight into how the company is doing, and you can have some impact on what's happening with companies.

"Well, yeah, I have been investing in startups for quite a long. I think the first startup investment I made was when I was a student at the Turku School of Economics in 2000 and I have been investing on and off in startups for 15 years. And more actively for the last five years. In addition to startups I have invested in real estate, stocks and other alternative instruments."

"So this is my investment background, but I don't like investments, where you are kind of blind to what your companies are doing. So that's why I like startups. Because you can really talk with founders, you can have insight into how the company is doing, and you can have some impact on what's happening with companies."

BA/board/entrepreneurial experience

The BA describes having work experience from multiple different positions, such as an BA, teacher, consultant, and BA.

Entrepreneur



Oliver Mänttari
Founder, CaterMate

- Higher education and background in sales



It was pretty much our team all the time. So we knew we would need some outside help as well, like knowledge-wise, and then also to boost growth and, of course, digitalize a lot of our processes.

Story of the startup

"CaterMate is a personnel service in the HoReCa industry (food service and hotel industries), and we rent waiters and waitresses to different restaurants, events, and catering companies, and pretty much wherever you need a waiter, we tend to be there. What makes us a bit more different from everyone else is that we understand what the waiters want. We want to make and revolutionize the way of waiting and how it's perceived by everyone else."

"CaterMate was originally created in 2016, and I've been watching it ever since, doing a bit of gigs here and there, and the three main founders were really close to me. In 2019, after my military service, I started CaterMate in Turku, and then after that, in 2021, in January, I took over CaterMate and started running it from there."

"We pretty much noticed last summer that there are quite a few things we can already start improving in the industry and in our processes as well. So we always have been like wanting to digitalize a lot of our things..."

Story of the entrepreneur

"I've always thought I'd be an entrepreneur because I want to make a difference and have a role where I can have more, you know, impact. Where I can see what I'm doing. If it makes any sense."

"And regarding my professional experience, I have been doing entrepreneurship education, teaching students how to set up their companies. I have a small side hustle, a consulting agency, but the main work is investing in new startups with Sofokus Ventures, so I'm kind of a semi-professional BA. We have led some rounds and some rounds we follow. We are open to both."

Key takeaways:

- Male founder, higher education and experience in sales.
- Started CaterMate in Turku and later started managing the company.
- CaterMate is a personnel service in the HoReCa industry that aims to revolutionize the industry through digitalization.

"Before I started studying, I did a lot of sales. I was, for example, in the Nordic sales group. I did a lot of door-to-door sales and stand sales and stuff like this. I learned quite a lot working there because I sold cleaning services door to door, and it was like a monthly or weekly subscription of a cleaner coming home and cleaning for you. So if you could sell that to a person, then you know it was, it was pretty easy selling waiters to an industry where they really need it."

Reasons for seeking business angels

"We noticed that there are a lot of things that we can automate then and make it easier for us to have a bigger and better control of everything going on within the company, but also offer these solutions to our partners because the industry is really old in a way where people use like paper calendars for everything..."

"So we decided we want to make a platform and have some digital input to everything, so that of course needed for us to find a couple of BAs so that we can go on with our main core thing and then have BAs back our digitalization of the whole thing"

"It was pretty much our team all the time. So we knew we would need some outside help as well, like knowledge-wise, and then also to boost growth and, of course, digitalize a lot of our processes."

Key takeaways:

- Male founder, higher education and experience in sales.
- Started CaterMate in Turku and later started managing the company.
- CaterMate is a personnel service in the HoReCa industry that aims to revolutionize the industry through digitalization.

How the entrepreneur found the BA

"Actually, I don't know if it's called a lucky strike, but I had a discussion with one BA (decided to invest in CaterMate) about his investment. I didn't know him earlier, but I had seen him once before. He had invested in a bar, and they were out of waiters and stuff like this. And then we had a discussion about, well, pretty much like we're looking for BAs, and he was like yeah, I could hop in if you guys need..."

"...and we knew that we needed, like, one or two more besides him, and then I pretty much had a chat with a friend who is working with a couple of startups; and he said like you guys are doing like this digital thing and he knows a person from Sofokus Ventures..." "...So then I started talking with Turo, and now we're pretty much here. So it was pretty smooth, I would say."

Potential challenges during the search process

*"Well, of course, when contacting BAs for the first time, **the first challenge is always knowing how to approach people and how everything works.** Not knowing how the whole process works is always a challenge, like just trying to find out what you're supposed to do. I was thankful and happy that everything went very smoothly, but you know, just having no idea about how everything should work is always a challenge in the first place."*

Key takeaways:

- Found BAs mainly through own networks.
- Looked for BAs who have knowledge and experience in the HoReCa industry and digitalization.
- Everything went smoothly in the search process.
- Mentioned that contacting BAs can pose challenges for new entrepreneurs when everything is new.



Business angel networks (BANs) match startups and BAs through their deal flow process, so if you can't find BAs through your networks, BANs are always a good starting point.

BA's tips for approaching business angels

*"It really helps if the startup has some idea why they are contacting this particular BA. **If one just sends the same pitch deck to everyone saying we are doing this, then you know it's kind of a random e-mail.** It's been sent to 1000 people."*

Instead, it's good to know the BAs' focus area and, for example, contact by saying, "I have been discussing with this person, and I think you could help with these kinds of issues, and it would be great to have you on our team because... and then you can really have some sensible explanation why for example we would be a good BA."

"So always have some reasoning for why this BA would be a good addition to your existing angels or why they would be a good lead for your round."

Business angel networks (BANs) match startups and BAs through their deal flow process, so if you can't find BAs through your networks, BANs are always a good starting point.

Key takeaways:

- Having a clear understanding of what kind of help the company needs and how BAs could contribute to helping the company in addition to money (Knowledge, experience, networks).
- Sending a personalized message to a potential BA.

In what way did the entrepreneur-BA negotiations progress

Negotiating the terms of investment

BA: *Usually, BAs and founders discuss the terms during the negotiation process. I think in this case, everything was really smooth, as I said; vesting (i.e team commitment for a longer time) was ok, valuation was ok, and the company was growing. So it was easier to see where it could go in this case. So we had shared ideas on where we want to take the company and what kind of things we want to do. **So that was kind of an exceptional case in this sense.***

Founder: *Yeah, it felt like everyone was on the same line, and there was a consensus on pretty much everything. **It has to be a good relationship and motivational for everyone to continue and, you know, push the company forward.***

We pretty much just went further, checking with all the due diligence and me clearing out the pitch deck and explaining solidly what we're trying to achieve with this; then we had a meeting with the Sofokus venture's board, and after that, checking the due diligence that everything is ok.

BA: *We used the FiBAN shareholder agreement template and the documents, so it made the process a lot easier, I would say. I feel that they are fair for both sides. And as Oliver said, there was some stuff we needed to do before*

the investment. In this case we had some CAP table clearance, what we call it. So the shares were flipped back and forth a little bit between the founders. That was one of the things we advised them to do, because it will help the company in the future and in later rounds. But other than that, as I said, I kind of proposed, let's use this agreement and let's work all the topics on the agreement, and I think that process was quite smooth. As Oliver said we had meetings when we discussed and went through the agreement and made some minor adjustments, but that was it. We also introduced two other BAs who joined in this round with a small ticket in order to get a bit wider network for the future.

Founder: We were all pretty much on the same board everywhere. Just checking with the shareholder agreements and stuff like this, Turo was a lot of help, here and there, that we could start fixing everything and make it right from the beginning so that there wasn't anything that you have to go back to, and start to do again later. So Turo was pretty much very helpful in every way where we needed it there in the process.

Was there something that was new? Something that you didn't understand during the negotiation process?

Founder: Probably a lot, but it's not that difficult to find the information you need. It's quite easy, and Turo was very helpful too, I maybe had quite a lot of questions for him, like "What is this and what about this one," but he was very helpful in explaining everything, so that was really good. And then we have a good connection with a law firm. So I got to check everything with them also. It's all okay when you have a good supporting network around you.

What were the success factors in the negotiation?

Founder: In my opinion, I think it was because Turo has been doing it quite a few times, so he knew what he was doing, and he was really helpful and clear about the process telling what's going to happen next. And I think from our end, we were pretty good at explaining what we're going to do with the company next and being transparent to each other about everything. So I think that builds a base of trust in the beginning and then also having a clear view of what's happening, I think that's a key, at least one of the factors which makes it easy.

Key takeaways:

- CAP table clearance/correction.
- FIBAN agreement templates.
- Active BA, helpful BA.
- Mutual trust between BA and Founder.
- Proactive founder seeking to understand the terms.

How much to communicate and to whom after the investment is made?

Best practice on post-investment communication

BA: Every company is different. Usually, if there are four or five BAs, it's kind of easy to create common rules on communication. And for us, I hate the word reporting, but it's good to know what companies are doing because if we know what you are doing, then it's a lot easier to help you. **If I don't know what's up or what kind of issues you are tackling, then it's a shot in the dark to try to help you in any way.** By telling the BAs what you do, you are helping yourself because you can get better advice.

And, of course, we are not expecting heavy monthly reporting. It's more like, what are the issues you are tackling? What are the wins you have done? What are the things that didn't go that well and so on? It's more action-based reporting than long financial numbers.

Founder: In my opinion, the best way to communicate is that the founder communicates forward to the BAs and everyone because **the founder has a good sense of everything that's going on in the company...** having the same communication threads then you don't have to answer everyone separately you can answer or address everyone at the same time. And then, for example, I think it's good to have an open line of communication because a short answer can be a lot of help, pretty much.

Type of relationship between the BA and the entrepreneur

Founder and BA describing what is a fair relationship between BAs and founders

Founder: *Having a win-win relationship where both know that helping each other is the key here and as I said earlier, having a good line of communication and being transparent about everything. Everyone is a human, it's not that scary too to be in contact with anyone, so why not.*

BA: *Yeah, and we also want to hear the bad news; otherwise, it can become a trust issue. Because if everything is not going along the plan, but we hear the bad news early enough, then it's a lot easier to help.*

Key takeaways:

- Aim for a win-win relationship, fair shares.
- Communication, transparency, and trust.
- Communicating about the bad news also.
- Helping each other is the key.

Open section for contributions

Advice from the entrepreneur and BA to new entrepreneurs looking for angel funding

Founder: *Maybe just don't overthink it; it's not that scary. Just try to get a good discussion with BAs, and then get into that world.*

Also, don't be afraid to ask because I think everyone here is human, and asking questions might just be a sign that you're really interested and you want to make it work. So if you're at a negotiation table with an BA who has been investing a lot and has been active. I don't think it's the first time they're sitting there, and I think just asking them well, so I don't think it's that bad either.

BA: *Well, I would say that be open about the shortcomings or holes in the story because we know that companies are not perfect; that's why they're startups. We like honesty and transparency on what founders are good at and what they really don't know yet. So if you are open about those, it's a lot easier to invest because you don't need to try to figure out by yourself what's wrong with the company. It's also easier to help.*

Key takeaways:

- Approach BAs and have a good discussion.
- Be open about the shortcomings.
- Don't be afraid to ask questions.
- Be honest and transparent.

Tech's Missed Opportunity: The Funding Block

Guess who?

Entrepreneur



Chema Vazquez

- 35 years old
- Co-founder
- Telecommunications engineer

Atomity developed software that linked electronic gadgets and other household appliances to a main electrical device to centralise them in a terminal. It was like the beginning of home automation, which connected devices to the smart homes of that era (10 years ago).

When we wanted to promote the project, the particular knowledge about home automation was not yet widespread and was only limited to families with high purchasing power.

I was working in another company linked to home automation, developing housing projects for high-income families who were interested in incorporating this technology. As time went by, we saw that more and more affordable gadgets were coming out and we saw the opportunity to promote the software, but we needed a team to be able to market and promote the product.

How the entrepreneur found the BA



There is no single or uniform way, so you have to be flexible and agile to prepare for different BA requests.

Due to the country's economic situation (economic crisis), the final target market was abroad, so we also needed to be able to travel to market the product (to be able to travel, hire people, etc.). In addition, each market required different product functions, so more development was needed, which was a higher cost.

It was complicated because we didn't have a significant market, and our product was dependent on the development of the rest of the market ecosystem.

The market was at a very early stage and we needed resources for the product to grow in development and communication, so we needed external funding.

We followed several paths, starting with some friends and family contacts. We also contacted the Universitat Politècnica de València (UPV) to get in touch with BAs and through BIGBAN.

We were able to access a small amount of funding that allowed us to add the developer to the team. After not being able to access public funding or bank loans, we decided to go out for a private equity round by talking to more BAs.

We participated in some events with different entrepreneurs and BAs, but it wasn't a usual practice because we used to approach the BA contact directly.

We sent different company summaries with the project depending on what they requested. Sometimes they asked for a 'one page', sometimes they asked for a more developed PowerPoint, sometimes they asked for an Excel to be able to see the forecasts. Different types of profiles asked for different types of information. There is no single or uniform way, so you have to be flexible and agile to prepare for different BA requests.

In what way did the entrepreneur-BA negotiations progress

In this case, the people with whom we spoke had different interests. It depended more on the profile of the BA than the source you could go to, as depending on the interest of the BA would set the direction of the conversations.

We spoke to one BA who wasn't interested in the technology sector, so he thought it was a very interesting project but wasn't interested in investing in it. **Financial institutions prioritize numbers or guarantees, while BAs focus on the project they like.**

We found different situations: there were those who liked the project but did not invest in the technology sector, those who were not interested in the project, some who thought that the project was interesting but didn't agree with the investment approach we requested, there were those who wanted a very high stake in the company for their investment in a first round, etc.

The process that progressed the most was with a BA that we contacted through a common contact. After showing him what the project consisted of, he told us that there were some details that didn't convince him and the negotiation was put on hold. We met again at another entrepreneurs' event and the project was already at a very critical moment due to not finding funding, and the BA proposed to help us with a soft proposal, but we had to complement it with investment from other BAs with higher tickets, but we didn't manage to do so.

To prepare for the meetings, **we tried to get to know the BA a little better in order to find out what sector they were interested in, their previous experience in order to try to anticipate their questions or requirements, and to do some research beforehand.**

In terms of possible improvements derived from feedback from BAs, we did receive feedback from BAs during the various interviews we had with them on what they were willing to invest in or what they didn't want to be spent on. However, we didn't receive feedback that would assist us in improving our business plan or alter our investment strategy in general.

Types of conflict that might have raised and how they dealt with it

There were a few proposals that were abusive in the process.

At the project proposal level, the BAs were afraid that there wasn't yet a market for this product ("I don't know who has this" or "when is this going to be generalised"). And if we focused on the industrial side (industrial automation), they didn't see the project as exciting.

Long before the current standards, our project already had a responsive interface and the user experience was very well worked, the product was advanced at the time. But from the BA's point of view, it was not understood that it was going to be a developing market.

Additionally, at that time there was a lack of information and training about financing methods. Today there is a lot of information, for example, there are a lot of podcasts on investment and financing. We did some communication or presentation workshops, but in a very generic way.

On the other hand, internally in the project and more specifically in the economic area, within the team we had the help of financial advice, but we also had the help of an external consultancy with which we worked on the more extensive financial details. The more exhaustive analysis was carried out by them.

Internally, we did not manage the cash flows well, which led to economic asphyxiation caused by the optimistic vision of the forecasts that prevented us from continuing with the project without investment.

Open section for contributions

A balanced relationship should always include a majority shareholding of the project's promoter team. The founding team shouldn't be required not to have a salary or to cover financial needs, and this should be understood by the BAs. The investor must help and accompany, whenever the promoter team needs it or requests help beforehand, i.e. collaborative work. In other words, the demands related to the team shouldn't be abusive.

Business Angels Collaboration: Meta Ventures and Italian Angels for Growth in Speaker's Success

Guess who?

Business Angel



META Ventures has been investing since its constitution as a co-investment fund, investing alongside with the largest Business Angel club and networks.

META Ventures is an early-stage venture capital fund managed by META Group. The fund is located in Terni (Italy) and invested in Europe. It targets software and mobile sectors.

Entrepreneur



Spreaker was the first social web radio that transformed every user into the creator of his own radio programme, mixing and transmitting contents of all kinds, from music to news, from sports to news. Thanks to an exclusive technology, it combines the experience of using a radio with the typical interaction of a social network. After launching the Beta version at the beginning of 2010, Spreaker already has 10 thousand “personalizers” and over 200 thousand listeners present in the community. CEO, Francesco Baschieri, and his founding team had great entrepreneurial and technological expertise.

The market was particularly attractive given the large budgets of advertisements linked to the world of broadcasting by large industrial groups interested in sponsoring their products. Italian Angels for Growth was already a shareholder when META Ventures invested into the company.

How the entrepreneur found the BA

The investment has been presented to META Ventures by the deal champion of Italian Angels for Growth, the largest network of Italian business angels investing time and capital for the growth of innovative start-ups. Founded in 2007, IAG is the non-profit association that has brought to Italy an investment formula, born in the USA, capable of involving private capital by putting it at the service of innovative start-ups with method and professionalism. IAG members form a consortium (Club Deal) for each investment operation, using shared guidance and methodology and the support of our professional staff.

In what way did the entrepreneur-BA negotiations progress



META Ventures did its own due diligence but the presence of financial investors into the company made the investment smoother.

META Ventures did its own due diligence but the presence of financial investors into the company made the investment smoother. There were no relevant issues during the negotiation and closing phase.

Level of engagement from the BA

BA and the other investors played an active role in the company providing business support and advice in the long process of the internationalisation of the company, with specific reference to the US market.

Types of conflict that might have raised and how they dealt with it

Investors were always minority shareholders: the company has been managed by the CEO until the exit, who was always entrusted by the other shareholders.

Cases of entrepreneurs that turned into Business Angels

Francesco Baschieri is still working for the buyer.

A Story About Pivoting: How to Turn Around Your Business Idea Thanks to a Business Angel

Guess who?

Business Angel



Peter Cowley
President Emeritus, EBAN

Background:

After studying Engineering and Computer Science at the University of Cambridge, he founded fourteen businesses in technology and construction. He became Angel Investor in 2008, by investing in a mentee company.

Activity as an Angel Investor:

15 years of experience, with more than 76 investments, over 30 as a lead investor, and more than 20 exits performed.

Sectors of interest:

Healthcare and media-tech, ICT-software, Food and drink, Retail / e-commerce / m-commerce, Financial services, Financial technology, Mobile and telecoms, Energy and environment, Biotech - live sciences, Manufacturing, Advanced manufacturing and new materials, Security, Transport and logistics ICT

Country:

United Kingdom

Entrepreneur



Robert Fryers
CEO, Spotta

Background:

Previously founded another startup designing projects for product cost optimization, consultant and development engineer, Master's in Electrical and Electronics Engineering.

About the current company:

Spotta is a smart pest systems company providing a cost effective, automated, and real-time monitoring platform that could be applied to any insect. It was founded in 2018.

Sector:

Agri-Tech

Country:

United Kingdom

In 2018, Robert Fryers was looking for funds for his startup, Spotta. He and his co-founder, Neil D'Souza-Mathew, had got as far as they could bootstrapping and needed external capital. They were not ready to go straight to Venture Capitalists and opted for Angel Investors.

First, Angel Investment could fill the essential gap between what the founders could do with their own resources and what is needed to raise multimillion-euro VC rounds. Second, they needed patient capital, because they were envisioning a long journey ahead due to the status of the sector. Third, they needed people that could contribute with their knowledge about running a business as well.

Robert identified Peter Cowley, a British Angel Investor, and his Angel group, Cambridge Angels, as the Angel Investors to contact. He finally met Peter, who co-lead the investment process together with Paul Anson, who now seats on Spotta's Board, and brought on around 20 investors.

The deal was closed in December 2018. Then Peter and Cambridge Angels invested in other 3 rounds raised by Spotta. One in 2019, then in May 2020 and finally in September 2021.

How the entrepreneur found the BA

At the beginning of 2018, the entrepreneur had just co-founded Spotta and bootstrapped as much as he could, but he knew he needed external funds to let the company grow properly. He knew he needed Angel Investors because they were not ready yet for a Venture Capital round. However, he was facing a crossroads, because he could either raise money in Cambridge, the city where they were based, or in London or in the USA, where they could probably get a much higher valuation.

This wasn't the entrepreneur's first business and he had many contacts in his network who had founded a business, so he knew how the market works. Nonetheless, he knew nothing about pest control. He had built medical devices for 10 years and then started a service business. In the end, he opted for raising money in Cambridge because he understood he needed additional support and a long-term view rather than only money and he was eager to get a slightly lower valuation in exchange.

Robert: "When you're at the very early days and you're a team of one or two or three people, you have got to choose: Is it better to spend your time finding the right investor, or is it better to spend your time building the business? If you're doing something in a sector you already know very well, you're probably unlikely to find an investor who brings more to the table than you already have, in which case you can probably go after cheap money. We wanted smart money from people with the skills we didn't have and we were willing to accept that it was a bit more expensive."

The entrepreneur had identified Peter Cowley, the Business Angel, from his website. He has always been transparent, and his investment criteria can be found on the web. The entrepreneur noticed that they were ticking all his requirements. On top of this, he knew some people who had already had business relations with him, and they all gave very positive feedback.

In February 2018, the entrepreneur managed to get in touch with the Business Angel through a friend of his entrepreneur who was in a company that the Business Angel had invested in. He then onboarded another colleague, who led the investment process.

Key takeaways:

- Consider Business Angels when you are not ready for Venture Capitals.
- Understand if you are missing any skill that Business Angels could help you fill in.
- Do research on the Business Angels before meeting them.

In what way did the entrepreneur-BA negotiations progress

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Peter: "We hardly invest in a single entrepreneur. It's about how the team, the founders, work together, how they'll cope with problems, and how they'll cope with their own relationship under pressure."

Once the interest was raised, Peter had to get to know the entrepreneurs better and vice versa, talk through the business plan and mentor them up to the point they became investment ready.

Peter: "Angels invest in people with a plan not in a plan with people. They invest in the people primarily, who need to have a plan because of course you're going to give them some money they need to use, and they need to tell you

what they're going to use it for. The plan will always change, it will pivot. They won't recruit fast enough. They won't get enough customers fast enough. You're fully aware of these factors but you need something to start with."

With later stage and VC rounds or if the entrepreneurs had terms already set, then the business plan is not usually discussed and revised together with the investor and term sheets are analysed earlier. In this case, as with most deals managed by Cambridge Angels, the Business Angels proceeded with a due diligence on the people and on the market in particular, but also a bit on the financials to check the assumptions. Regarding the market, it was important to check Intellectual Property and competition, to understand if there was not a big incumbent that could jeopardize the business. This was necessary to understand if the investment was worth it. As a matter of fact, a big part of the investment decision comes from gut feeling and psychology and to be more confident, asking a lot of questions and doing the right research is of outmost importance. In the UK there is a governmental website where it is possible to check data freely about the companies and this helps. It was also really important for the Business Angel to meet the entrepreneur and team in person and analyse the team dynamics.

Peter: "We hardly invest in a single founder. It's about how the team, the founders, work together, how they'll cope with problems, and how they'll cope with their own relationship under pressure."

It is also really important for the entrepreneurs to inform themselves about the investors. They can ask for references for the investors, as Robert did, but also ask other connections about their experience with the investor. Obviously, when there are so many investors as in this case, it is not possible to get references for all of them. In this case, Robert trusted Peter, but also Paul Anson who had to sit on the board.

Peter: "Often it's easier to get divorced than it is to break this whole Angel-entrepreneur bond. Business failed because of bad behaviour by investors."

Once the business plan was adjusted, then the term sheet could be discussed. In June 2018, the Business Angel organized a pitch event with other investors from Cambridge, both Business Angels and VCs. A second pitch was organized soon afterwards. Around 20 investors were onboarded and at that point the process of building the term sheet started.

The Business Angels has a standard term sheet he usually proposes, but in any case, the terms are negotiated. Especially valuation, but also board representation, investor, and director rules, vesting and reverse vesting.

At that point, the entrepreneurs business had got into an acceleration program that supported them in understanding and finalizing the deal with Cambridge Angels.

Robert: "We were supported by someone who wasn't involved in the deal on either side. So, it wasn't a lawyer. It wasn't another Angel who was thinking about investing in us. It was someone who was very clearly not going to take any part in the deal and was just able to reflect what the market's like and what's normal."

At the same time, the experience they got with their lawyer was not the best. For the smaller deals at Cambridge Angels usually Angels represent themselves, while companies are suggested to get a lawyer, but without suggesting which lawyer so that they are sure he/she is independent. Cambridge is a close-knit community, so lawyers usually know what Cambridge Angels want. Getting a lawyer also for the angels could lead to the lawyers arguing among themselves.

Robert: "I would definitely recommend entrepreneurs to find someone else in their network who has done a deal and get them to recommend a lawyer or if they have an impartial third party as the accelerator, ask them to recommend it. Knowing what I know now about Cambridge Angels, I would have no hesitation in accepting their recommendation of whom to use, even if I was negotiating with them, but obviously we didn't have that depth of trust and knowledge of them at that stage. We wanted to find our own representative."

In this case, Paul Anson, who sits on the Board, was the interface for the Angels. Peter was dealing with other entrepreneurs at the time and couldn't commit to be on the board of directors. He rather decided to be a board observer.

Key takeaways:

- Be ready to modify your business plan.
- Ask for references about the Angels.

- Find an independent third party to help you understand the terms.
- Ask for references about the lawyers.

Level of engagement from the BA

Since the first investment in 2018, the Business Angel has been a Board observer for Spotta, while Paul Anson took the role of Board director for Cambridge Angels. Both the entrepreneur and the Business Angels speak every week, and they have board meetings every two months. The Business Angel doesn't attend every single board meeting, since he is just an observer, but he reads through the board minutes and comments them if he can and he spends 4 or 5 full days per year, while Paul spends 50, being basically part of the management team, providing mentoring and coaching, on a paid basis.

Peter: "It is an English practice that angels join the boards."

Key takeaways:

- Let Angels seat on the Board if you trust them.
- Angels could also be Board observers.

Types of conflict that might have raised and how they dealt with it

Before starting Spotta, the entrepreneurs had another business, which was a service business. Product and service businesses work differently. The main issue with service businesses from an investor's perspective is that they grow with people, while for investors it is better to scale with technology. On top of this, service businesses work when they completely satisfy customers' expectations, while for product businesses there is a sort of compromise. Thus, the risk with entrepreneurs who change from service to product business is that they will change the product continuously without being able to scale because of human involvement. However, in the end, the Business Angel was convinced that they could have made it to successfully build and grow the business.

Peter: "We had lots of discussions so that I could gradually understand more. There were times when I thought these guys would never be able to build a product business and then I would have walked away, but they understood what the problem was, they are super bright."

The investors then asked them which plans they had for the other business. The two cofounders were immediately clear with them that they would stop working for the other business once Spotta was in place. To make sure this would happen, the investors asked them to sign a letter with these promises. Robert and Neil closed the other business in 6 months.

The fact that they had already started another business helped them at least dealing with valuation, share rights and founders' conditions, the most important topics to discuss according to the entrepreneur. In this case, there was not much negotiation on the valuation, while there was more discussion on the founders' exit terms. Usually, investors put stringent terms for entrepreneurs to avoid them leaving the company. In this case, however, the two cofounders were the biggest contributors to the business even after the Angels' investment, because they paid for everything, even an employee, for the first year and a half, and they kept the accounts to prove how much they had invested, so they managed to get more flexible terms.

Robert: "We probably undervalued the company because we didn't negotiate on the price at all, so we probably got that wrong, but it doesn't matter in the long run. A fraction of the percent 10 years later is quite irrelevant."

Anyway, every business has ups and downs, and this was the case also for Spotta. Entrepreneurs' success is bound with their businesses' success. Sometimes it was difficult for the entrepreneur to visualize the bigger

picture, especially during difficult times. However, having Business Angels encouraging him to think in a long-term perspective, from 5 to 10 years' time, was helpful, especially because they could provide him with examples of companies that were in similar situations and made it.

Robert: "The principle is to be able to look at things in rounds and take a longer-term view and when you think you are on top of the world, be mindful that there is uncertainty and when you think you are at rock bottom, equally, that companies succeed from this position, too, and having someone to say that is really valuable."

After the investment, there was only a problem with the legal documents, because they were giving some additional rights to the investors that had not been agreed on during the negotiation. However, due to the extreme honesty of the investors, they immediately recognized the mistake and the documents were corrected straight away.

Robert: "Because we have been honest with them and they have been honest with us, there is a lot of trust, which I think really helped."

A major issue, however, occurred during Covid-19. As a matter of fact, at that time Spotta was providing detectors of bed bugs for hotels. With the pandemic the hotels shut down and it was not clear how long they would be interested in a bed bug detector for. In this case, Robert and his team did a great job and pivoted successfully to the detection of weevils in forests, so that they started addressing the forestry market.

Peter: "The pivot was hard, and we put together a round to assist them in that pivot. We trusted them to be able to pivot because they were listening enough and they were doing enough market research."

Now, hotels are just a tiny fraction of the business.

Key takeaways:

- Let the investor know your potential and be open to change.
- Keep evidence of the cash you invest in your business.
- Take a long-term perspective.
- Be ready to pivot.

Cases of entrepreneurs that turned into Business Angels

Peter: "I have experienced the sort of things the entrepreneur experiences. I have been through the pain, the joy and all the rest of it. I have experienced the processes, problems, hiring, firing, losing, and getting customers taxation. That's why I can help. I have got a lot of connections. Whether an Angel is a banker or an entrepreneur, he/she has still got connections. But I have got connections not just to money. I have got connections with suppliers and professional services and other investors etc."

So, in general, an Angel that has been an entrepreneur has many more connections and experience than an Angel who hasn't been."

Type of relationship between the BA and the entrepreneur

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Robert: "Successful is easy right? You get to an exit and everyone gets rich, that is the successful part. But fair is more

complicated. There is the potential for a big information imbalance, especially if you are a first-time founder and you are negotiating with an Angel who has perhaps seen dozens, or in some cases even hundreds, of companies and has done many deals before. I think the best angels actively avoid taking advantage of that, because they know the long-term success of a really trusting relationship. That is worth far more than squeezing a slightly better deal out of the first round, particularly in the first round, since it is almost never the last time they invest. So, openness and transparency are needed for a fair relationship”.

Peter: “A relationship between Business Angels and entrepreneurs is fair when there is bidirectional open transparent communication. The two things I really want from an entrepreneur are honesty and openness or good communication and being coachable as well.”

Robert: “Successful is easy right? You get to an exit and everyone gets rich, that is the successful part. But fair is more complicated. There is the potential for a big information imbalance, especially if you are a first-time founder and you are negotiating with an Angel who has perhaps seen dozens, or in some cases even hundreds, of companies and has done many deals before. I think the best angels actively avoid taking advantage of that, because they know the long-term success of a really trusting relationship. That is worth far more than squeezing a slightly better deal out of the first round, particularly in the first round, since it is almost never the last time they invest. So, openness and transparency are needed for a fair relationship. I think you have got to avoid very hard overselling, and the angels were always very upfront about what was important to them.”

Open section for contributions

Robert: “The best thing about working with Business Angels is that you get the wealth of knowledge from a variety of different people, particularly as we didn't work with a single Business Angel, we worked with a group. They are people who have run their own startup businesses, they are not just wealthy people from banking or law or whatever, they have been entrepreneurs themselves. So, there is a wealth of experience there to draw on and a great network of contacts.

The flip side of course is making strategic decisions when you're getting potentially conflicting advice. However, it's only relatively rare that it becomes a big issue. Normally they funnel most of their communication through Paul and through Peter who filter and interpret them and, ultimately, it's on my cofounder and I to take a decision. If the angels disagree, since it's rare, we listen to them.”

Peter: “The learning and teaching are the best parts of dealing with entrepreneurs. The entrepreneurs need to be focused but at the same time they need to be able to listen and to be coachable. As a teacher, finding out that the entrepreneurs I am following are listening and growing is really wonderful. But at the same time, I've learned so much. As I say to everybody, I'm not always right. Mine is just one opinion. The secret is to have strong opinions weakly held. So, I have strong opinions about things, but I will listen and I will change them in case. When I started, I was about a generation older than the entrepreneurs I was backing. I have been learning about tech and business models and everything else. And we also became friends. Like everybody, you tend to spend more time with the people that you know you enjoy being with, those that are listening and you are learning from.

The challenging part is when the entrepreneur is too driven and they are not able to listen. Of course, I have been through tough times with entrepreneurs. There was a case when, very unusually, I chose to leave the board because

I just got to the point where I couldn't bear the situation anymore and the entrepreneur wouldn't listen. I should have walked out three years before, but I was representing quite a lot of money and the Angels I brought in, and I felt duty bound, to be loyal to those angels. But there was a point when I just couldn't stay any longer.

Also, I need to spend some time with the entrepreneur and the team in a non-pressured business environment to get to know them better. In the depths of COVID, when everybody was locked down, there were some investments going on and I was investing a lot at that point, but only if I had already made an investment in the company. I didn't make any new investments at all.

However, this is true if I am deal leading because other investors trust that I have done all the work and negotiating correctly. If I am not deal leading, I trust somebody else, eg for cross-border investing. In that situation, in my view, you are investing in the entrepreneurs, of course, because the money is going to them, but you are doing it through the person who is leading the deal. So, you have got to build trust, not with the entrepreneurs, but with the Angel that is actually the one who is doing the work. The only way of doing that in my view, is to get to know your fellow angels.

To start the process in cross-border investing you could do reverse pitching. There are many more entrepreneurial opportunities than there are angels out there, so you can't always do that. But it would be really interesting to do reverse pitching from angels to other angels. The problem is, as you can imagine, most angels are older than entrepreneurs and getting older, you tend to be more capable of manipulating if you want to. So actually investors are more capable, unfortunately, of hiding stuff from entrepreneurs than vice versa. That's why I have seen so much bad behavior by investors.

However, what I always try to avoid happening when I do the due diligence is hiding stuff, lying, and misinterpreting."

Bio-Health Sector and Legal Support as Part of the Core of the Business Investment Strategies

Guess who?

Business Angel



The man interviewed has an age between 55 and 65.

Although I didn't have any experience as a Business Angel (BA), I knew the startup and investment ecosystem before and I considered it an interesting option to generate assets in the midterm.

I would say I have a personal project as a BA. A proof of all of that is that I participate in my own vehicle and directly in a bio health startup.

When I invest in a startup, I normally involve myself with mentorship, incubation and advisory. I have invested in bio health, edtech digital platforms, ecommerce, and retail. I don't have any area where to invest in, but I like to invest in SaaS (software as a service)

Regarding successful experiences, in this moment, just the collaboration is positive itself.

When I started investing, I didn't have any previous experience.

But now, I think that now I have a personal project as a BA as I participate in my own vehicle and directly in a bio health startup.

When I invest the involvement, I normally have is through mentorship, incubation and advisory.

Although I have invested in different areas as bio health, edtech digital platforms, ecommerce and retail the interest I have in investment is about SaaS.

There's not any successful milestone I would like to comment on at this moment, just the collaboration with the projects is positive itself.

How the entrepreneur found the BA

The channels entrepreneurs use to get in touch with me and send me the projects are my own web and other networks.

During the first meetings with an entrepreneur, I like to know the project first and see what I can contribute with. After that, I negotiate valuation.

In what way did the entrepreneur-BA negotiations progress

During the negotiation process, the entrepreneur and I just talk about common points of view. During the analysis and negotiation process I always ask for legal support.

Level of engagement from the BA

My commitment can be seen because I offer the entrepreneurs Analysing the reports and the needs the team communicates.

And regarding the obstacles for the entrepreneurs can find to reach out BA's I think there's a general lack of empathy from both sides, we must understand what ones and others want.

Types of conflict that might have raised and how they dealt with it

When talking about legal or administrative problems I think there's a lot of confusion about the potential agreements that can be subscribed. From not taking into consideration the mid-long term and think it's just a transaction, to the subsequent governance of the company where the entrepreneur doesn't want to lose independency, but the investor wants to have continuous feedback from his investment.

Type of relationship between the BA and the entrepreneur

“

A success factor for achieving a fair and balanced relationship is the continuous information and communication channels where there's no judgement, there's just teamwork.

I think a balanced relationship is when there's an investment based on a well-balanced valuation, in the transparency of how this relationship is going to be managed and the experience added to generate positive and productive ideas between each other.

A success factor for achieving a fair and balanced relationship is the continuous information and communication channels where there's no judgement, there's just teamwork.

Should We Go on to The Hard Yes?

Guess who?

Entrepreneur



- Entrepreneur in the cleantech
- Studies in business, economics, and innovation
- Co-founded a cleantech accelerator in Estonia.

The Entrepreneur's Story

It started with studying business and economics and innovation. Innovation is always about bringing a new product or service to the market, but I also found out that the economics is broken. I started to focus more on cleantech and sustainable development 10 years ago.

That's how I first started to look into the sector and quite soon I went to work at a cleantech accelerator in Estonia, which promotes cleantech startups and gives them grants and runs accelerators. Also, I co-founded another cleantech accelerator in Estonia.

At some point, I still felt that I wanted to build my own company as well. It's always been a dream of mine to just build something. Not software, but hardware, because to change the climate you can't only use the software we need new technologies, we need new materials.

At one hackathon that we organized, I met my now co-founder who had this great idea to solve the packaging issue that I had been looking into as well before because of this huge pollution, and he had a genius solution and I thought, heck, let's try to push it forward.

It was a very good combination of him being more of an engineer type of person with the inventor type of person and me, let's say more of a business marketing footprint analysis type of a person. We started to participate in some hackathons and accelerators and quite soon we validated the idea on the market by talking to clients. Then it started to roll out and things started to happen, and we got supported by many very good organizations and programs, such as one by FiBAN and EstBAN that we participated in. Thanks to that we found from some of our investors as well.

At some point we put the case together and suddenly from just the two of us now we're ten people in the company and all of the people are engineers.

I'm in this entrepreneur position by default and looking rather for the resources, what people need, talk to clients, and push it from that angle. Hopefully, we will have more of these business people soon.

So far, so good. It's been quite a journey.

Packaging is a 1 trillion industry, but it's using technologies from previous centuries which are massively polluting and the whole recycling system is broken as well. My co-founder came up with this amazing idea of how to minimally treat the wood and give so much more volume to it that it makes sense from the production point of view. It uses so few resources compared to competing solutions and it's harmless for nature after use. It's food for soil and it's very beautiful and shock-absorbing. It's used in amortization in other industries.

In short, it is a packaging innovation, 100% natural packaging material that has, if not the lowest then definitely one of the lowest environmental footprints in the industry.

Key takeaways:

- A climate hardware company.
- Startup sector experience before becoming a company founder.
- Participation in cross-border investing program.

How the BA gets approached by startups

The founder found the investors through accelerators, direct calls, and emailing:

We founded the company in January 2021. The first year we went through accelerators just getting any kind of smaller cash just to build the first prototypes. We just needed to prove to business angels at least the lowest quality prototype that this thing works.

In the first year, we went to different accelerators to find validation, meet people, network and to build the case a little bit more in this startup world. We started the discussions in summer 2021 so half a year after founding and the whole process took six months.

We don't have a background of being very known founders before. We needed to validate our case on the market and that's why we went to many accelerators. We won some global awards and nominations.

We went through around 5-6 accelerators and we had a goal that at least from every accelerator we would find at least one contact or one useful or one interested person, and that's how the cake started to build up.

We didn't have a lead investor, but we were on TV for example and some people contacted us already so we had some soft interest already gaining.

Based on those, when we had all the basic financials, nominations, prototypes, and the IP out within the first six months, we started calling or writing emails to Estonian wood industry innovators.

For example, I looked out at an article of a very large investment case in Estonia where they wanted to make this cellulose factory here but it didn't go through because people didn't want to have it in Estonia. Under the article, there were the names of the people who were behind this project. So we thought that hey these guys want to do some innovations in Estonia in the wood sector, so we should write to them. I think three or four of them heard us out and came on board.

So in the end we had a lot of soft agreements and at some point, we got the whole funding together. There were also some accelerators, such as the program organized by FiBAN and EstBAN. We found some of our investors as well.

We also had some of our friends and family come on board as well, which is always a bit risky thing to do.

Key takeaways:

- Business development with the support of accelerator programs.
- Networking and contacts through accelerators
- 6 months for closing the investor deal.
- FFF also as investors (friends, family, fools)
- Cold-contacting industry personnel
- Cold-contacting for investor soft-commitments.

In what way did the entrepreneur-BA negotiations progress

“

Maybe a tip from our case would have been that first when you don't have any investors saying yes, then start the process, get to know each other and start with a very soft commitment.

“

“Hey, would you hypothetically be interested in this if we got the whole round together?” Because they don’t have to say the hard yes first, and then we got all those hypothetical yeses together by a lot of different sides.

How would you then describe the deal-closing process?

Maybe a tip from our case would have been that first when you don't have any investors saying yes, then start the process, get to know each other and start with a very soft commitment.

“Hey, would you hypothetically be interested in this if we got the whole round together?” Because they don't have to say the hard yes first, and then we got all those hypothetical yeses together by a lot of different sides.

Then we told everyone that “everybody said hypothetical yes, so we have now the round together. Should we go on to the hard yes?” That was how our process went because we didn't have a lead investor.

We just gathered soft commitments from everybody and asked if everything would go very well, which would be one point, and then at some point, you just say to everybody okay, so everybody's kind of in, so we can start.

We had the team members, so we did a pre-work already that we had a potential team put together before the investment. Then we could hire them over whenever the round was closed.

Were there some challenges that you faced during the search process?

Definitely. It takes more time than you think. There are negotiations for sure. In the end, you might not be happy with how much you get away with the first round. We had a little bit of a negotiation, but the investors were nice, and they understood as well that they're gonna raise a little bit more, and that raised the valuation. It might be better as well for the next round then. Challenges as well. I mean regarding the hardware in the very early stage it's even difficult to produce the first MVP.

The development takes more time, everything takes more time than you think. So that's the main challenge and your own time management as well, such as work-life balance. That's the main case as well when building a startup.

At first, when I just started to raise the funding, then that was the part where I went through every detail in the document.

There are definitely terms that you don't know about if you haven't seen these things. You start to navigate that first. When you get to the negotiation table then you already have to know all these things.

How did you overcome these challenges?

It's just the iterations. Get feedback from investors and then improve your case, and don't give up.

Key takeaways:

- Openness to feedback and improvements.
- Not giving up.
- Founder tip for looking for investors: Gathering a large amount of soft commitments that can later turn into hard commitments.
- Time-consuming investment negotiations.

Communicating after the investment

At first, we made a kickoff meeting in Zoom with everybody and just let everybody introduce themselves to each other as well because it was like a big gang, we didn't know each other.

Just to get everybody to know each other and then I've done quarterly updates in a free format, such as a newsletter. I send everybody a common email, and then once a year a Zoom meeting as well.

Once the machinery started producing then we started inviting the investors over to check what we'd done already.

Sometimes I also talk to some of the investors on the phone about some topics that they would know about or sometimes they just call me and ask how it is going. Some of them like formal parts like quarterly updated formats, one-time Zoom, and then these ad hoc calls and things with separate investors. It is quite easygoing and at the same time quite open, and if we have problems then I will say it out loud, of course.

Key takeaways:

- Regular communication to investors
- Openness and transparency
- Keeping investors informed about progress
- Emails, Zoom calls and physical meetings.

Open section for contributions

What elements does a fair relationship have? How to make it even fairer?

I would say just like a good relationship, you need to have a good relationship. You can let them know when you have problems, not only successes. You have to be open and fair with investors. That you can just call them. I don't want to keep my investor relations very formal. It needs to be like a friendship rather.

What would be your tips for founders when they negotiate with investors?

You just have to be brave, but you also have to have a good explanation.

You can't just say that we just raised our valuation. You have to give an explanation of why it happened. You have to be as honest as possible.

Both sides want to have the best deal over there. You really have to either compromise or set your own targets at first and see if that works.

If you see that many investors say that this specific thing is not okay for us, then there might be something in there. But regarding general terms, if you have standard model documents, then that helps to put a lot of the topics away from the table.

Use model documents and then be bold in the sense that it's your vision, but have very good clarifications.

In the end, if it doesn't work out for a few months and you get the same feedback all the time, then you got to be open to some sort of a compromise if still want to push this thing further

Key takeaways:

- Aiming for mutually beneficial deals.
- Openness to feedback to improve the business.
- Honesty, fairness, and transparency.
- Templates and model documents.

Nearchos Petrides' Business Angel Journey in Startup Investments

Guess who?

Business Angel



Nearchos Petrides is a Business Angel who has been active in the field of investing in startups since 2015.

He is 35 years old and he is the **executive officer of a micro-financial firm in Nicosia**. He is a qualified chartered accountant and is considered as a private equity expert.

He has been active as a business angel since 2015 and he was one of the first members of **CYBAN** (the Cyprus Business Angels Network). By now, he has invested in 6 startups in the areas of technology, medicine, culture and the food industry, also counting 2 exits out of those 6 investments.

Another fact worth mentioning was the participation of the interviewee as a “dragon”

investor in a big competition/event in Cyprus called “The Impossible Pitch”, which had a similar approach to the world-known shows “Dragon’s Den” and “Shark Tank”.

One of the projects that the interviewee found worth-investing in was **Stagedoor**. The Stagedoor App, as described on the project’s official website, is now “your one stop shop for discovering theatre shows, booking tickets, and reading theatre reviews of London’s best shows”. Stagedoor was later on acquired by Trafalgar Theatres for €3,5 million. It is considered by the interviewee as one of his most successful investments in startups.

How the entrepreneur found the BA



The team showed a genuine interest to listen and learn from the Business Angel and this humbleness made it even easier for him to proceed with this particular project.

The business angel was approached by the Stagedoor project and decided to invest in their project. The reasons behind the BA’s decision were several. Firstly, the interviewee believes that the most important success factor for a project is the team behind it. In this case, the interviewee identified a significant potential in the project’s team. In addition, the venture’s valuation was assessed by the BA and was considered as reasonable, something that showed for him the ability from the side of the founders to assess their own project objectively.

Finally, the team showed a genuine interest to listen and learn from the Business Angel and this humbleness made it even easier for him to proceed with this particular project.

In what way did the entrepreneur-BA negotiations progress

In terms of the negotiation process, as mentioned earlier, the interviewee **agreed with the founders' estimated value for their enterprise**. This made the whole procedure a **straightforward agreement** between the two interested bodies. The BA did not feel the need to negotiate since, as he stated, found the **valuation very precise and realistic**. Furthermore, the interviewee believes that in such cases, it is very clear for the BA if a certain project is worth-investing in. In this case, he was positive that this venture would have the desired return on investment.

Level of engagement from the BA

The BA **is now a board member in Stagedoor**, utilising his expertise to provide continuous consulting to the rest of the team and maintaining an excellent relationship with the founders.

Types of conflict that might have raised and how they dealt with it

No conflicts arose during the negotiation process with Stagedoor. Nonetheless, for the needs of our research, the BA provided another example, where the founder failed to reach the goals that were set beforehand. This resulted in the BA losing money and not having the desirable return on his investment. At that point, the interviewee felt that it was futile to insist on investing in that venture and terminated the cooperation with the founder to cut his losses. Once again, this was another case which was not related to Stagedoor whatsoever.

Type of relationship between the BA and the entrepreneur

An important example for the BA is NIPD, which is another venture where he decided to invest. This particular investment turned out to be a pioneer in the field of genetics, having contributed through a worldwide patent related to pregnancy tests.

Make It Relatable

Guess who?

Business Angel



An exceptional startup growth case where two FiBAN members, Reima Linannvirta and Janne Jormalainen, took an active role in helping the founders in growing the business. The company made a successful exit only after 104 days of receiving the initial investment.

In addition to discussing the case, Reima Linnanvirta, who was interviewed for this case, gives many valuable tips on the search process, negotiations, expectation setting, funding, etc., for first-time entrepreneurs looking for business angel funding to accelerate the growth.

- **Case: Whiteboard.fi**
- **Investor: Reima Linnanvirta, President Emeritus of FiBAN**
- **Gender: Male**

- Active business angel turned into a VC partner
- Experience:
- Consulting and legal experience. Entrepreneurial background. Extensive board member and syndicate lead experience. An author of #StartupTipOfTheDay: 365 Tips to Boost Your Startup
- First angel investment in 2010. Started BA more as a hobby but turned into an active BA. Served on the FiBAN board between 2018-2021. Partner at Trind Ventures.
- As a BA, invested in over 30 companies.

Business Angel Background

I started my BA around 2010 more as a hobby. Some of my customers were fundraising, and I had the opportunity to participate in those funding rounds. After exiting my company in 2015/2016, I started making angel investments more actively. Originally, the plan was to have something like a part-time activity, but I ended up investing in over 30 companies. In the hype, there were over 25 companies in the portfolio, so it wasn't anything like part-time at that point anymore. So before I jumped to the VC side, it was pretty professional, full-time BA.

Lead angel/board/entrepreneurial experience

The investor has work experience in multiple different positions, such as an investor, board member lecturer, and consultant. The investor often took an active role as a lead investor;

I was more of leading than participating. Partly because it's difficult to find leads, and I just get frustrated if things are not moving, but also partly because some of the rounds were done by a very small group of angels. So I don't know if 'syndicate' is even the right term when talking about a group of three or four persons, especially because those cases were often with people we used to cooperate with. So we had sort of a fixed way of operating; we knew already who would take care of which things.

Key takeaways:

- Investor journey: An active BA turned into a VC
- Background in law, consulting, and entrepreneurship
- Takes an active role in leading syndicates, partly because it's difficult to find lead investors

The investor described the growth story of the Whiteboard.fi

What does Whiteboard.fi do?

As the name says, it's a whiteboard, an EdTech technology solution. Originally, it's been built for classroom use, but it works exceptionally well online and hybrid also, making it the kind of tool that was boosted by covid, and the need for it was quite clear then.

So in a very simplified way, the teacher can see their own whiteboard, plus every student's whiteboard. At the same time, the students can only see the teacher's whiteboard and their own whiteboards. So think about the blackboard in a classroom, the teacher can see their own, and the students can see the teacher's whiteboard, and the students can see their own papers. Now, add the feature that the teacher can also see the students' papers.

In learning, it translates to the teacher giving an assignment and being able to monitor the whole classroom at the same time. For example, when there is a biology test to draw these body organs where they are in the human body, the teacher can see that quite a lot of students are putting the brain in one place, but somebody is putting the heart where the brain should be, maybe I should use some time with that student, or you can see that one student is not getting started so maybe focus time on that student. So it helps teachers to help the right students.

The investor describes the growth story of the startup:

We tested four different monetization models over four weeks. The first didn't work out, the second worked out but not as well as we liked, the third didn't, and the fourth was a home run. So actually, we did a bit less than €50,000 in less than 1,5 days with the last monetization model. So at that point, we knew that, okay, now we have tackled the monetization part. Now we can start focusing on the scalability part and can drive the scalability.

On top of that, we had a positive problem. What we didn't have in our roadmap was that we started to get purchase orders from the US... We hadn't prepared to process those. The first thought was that we were not going to do it; it's not that big. Then at one point, we had half a million purchase orders unanswered on the table.

All in all, we were able to scale the company up to 8,000,000 monthly active users from the original few hundred thousand, and we had a revenue run rate of 2,000,000.

How the investor found the startup

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One thing for entrepreneurs to keep in mind is that investors see a lot of cases. As an BA, I saw approximately 800 cases per year and invested in maybe four per year. If you get 800 cases per year, you cannot loop into all of those. Now, as a VC, I get even more. So immediately when I get the first reach out, I need to have a reason to spend any time with the case.

I found the startup at a very small pitching event. All in all, eight companies were pitching, and the quality was terrible, but apparently, there was one good company in the bunch.

In the beginning, I actually wasn't convinced. The founder was pitching the company, saying that he doesn't have a company, doesn't have a team, but what he did have was a product with a few hundred thousand users back then.

Even though the investor wasn't convinced by the pitch and idea at first, he saw the potential in the founder:

When asking different questions from the founder, I understood that he really knows his field, so he is definitely a clever guy and can achieve something. I wasn't so convinced about the idea, partly because it was an EdTech solution, and it was out of my focus back then, but I realized that the founder is somebody who can build something.

The investor made an introduction to another investor who is more experienced in the EdTech field:

I introduced him to another business angel looking more into EdTech, and when we met the founder together with this other business angel, we sort of convinced each other. So basically, we had the know-how of the EdTech field and the understanding of the capabilities of the founders.

The case was more of a venture-building case, where investors took a hands-on role in helping the company:

We started to figure out that this is not a ready business, there are a couple of pieces missing, but we know what those missing pieces are. Also, we were quite confident that we can help the founder build those missing pieces and build a successful company out of it.

It helped that the other business angel knew the EdTech field and understood the needs in the market. So he knew it better than I did, and that convinced us that it's a cool solution that we know because there are hundreds of thousands of users, but can you build a business out of that? With this other investor's understanding of the industry needs, we were more comfortable that you could turn this into a business as well.

Investor's tips for approaching business angels:

"One thing for entrepreneurs to keep in mind is that investors see a lot of cases. As an BA, I saw approximately 800 cases per year and invested in maybe four per year. If you get 800 cases per year, you cannot loop into all of those. Now, as a VC, I get even more. So immediately when I get the first reach out, I need to have a reason to spend any time with the case."

The mistake that I often see founders make in events, for example, is that they reach out on a matchmaking platform with a generic message, not saying anything about the company or why I would be the right investor for them. The same happens if it comes from LinkedIn cold contact or via e-mail.

Make it relatable for the investor by answering these two questions; why the case is good and why the investor would be the right one, and the latter is something to do a bit of homework.

It's a bit more complicated with BAs because there is not necessarily much public information about them. Still, you can usually find the previous portfolio companies on LinkedIn or elsewhere and see which field and phase the investors are investing in. For VCs, it is easier because VCs have the investment thesis on their website, and when you contact them, first of all, you can check if it's a match or not. If it's not, then it probably doesn't make sense. If you pitch a food tech case to a software investor, there is no match.

I get a lot of messages from the founders asking how I know if it's not the right case if I don't meet them, but unfortunately, I cannot take 5000 meetings every year. The only thing I would be doing is taking meetings and nothing else. So for that reason, I need to screen out already from the first contact, and personally, besides just an e-mail or reach out, I would like to already get the material, so an investment deck or something. Otherwise, it's difficult to analyze whether it's relevant for me or not.

Key takeaways:

- BAs take different kinds of roles in the company, ranging from passive to more active ones. Understanding what kind of help you need with growing your business.
- Doing homework on gaining an understanding of the investors' investment focus before the initial contact.
- Giving a reason for the investor to spend more time with your case by communicating why your case is good and why they would be a good match.
- Attaching your pitch deck or other useful materials when sending a first message to the investor.
- Asking for introductions - the investors might know other investors that can help with your case.

In what way did the entrepreneur-BA negotiations progress

The investors and founder build the roadmap of the company and discussed different areas of business:

We had quite a few meetings, mainly revolving around the company's roadmap. It went from product development to monetization, future funding, and team building. The company wasn't investment ready, so to speak. So it wasn't like there was a founder that had it all figured out, a clear go-to-market plan, a clear investment plan with clear uses of funds, but this was more like still a bit of a venture-building. So there was a product and one founder, but that's it.

We worked on three main things. Firstly, how to get it from one founder to a team. That was relatively easy because the founder had a candidate for a cofounder who joined our discussions a bit later and turned out to be a really good and energy-driven person, but also balancing the other founder. They knew each other quite well, which helped them build the trust needed. Secondly, on the roadmap, we mainly focused on go-to-market and what kind of features we need to go to market. Thirdly, we talked about monetization, but here, we realized that it's something that we need to try, try and try and then figure out what will work.

Negotiating the terms of the investment:

I wouldn't call it negotiation because it wasn't investment negotiation. Only after we had tackled the things mentioned above, we started to address what was expected from us as investors. So, this was a really hands-on investment.

So, we kind of didn't even have a valuation discussion. It was sort of the founders thinking that this is what we need from you, this amount of equity we can give up, and from our point of view, it was that we're going to put this much time into it, this is the stake we need to get to make that investment in time reasonable. And the monetary valuation was determined at the end of the day when we had fixed the equity stake in the company. We only looked at how much money needs to be put into the company. So totally, almost an upside-down approach to evaluation compared to many other cases.

The investor describes that valuation is often the last thing to be agreed upon and how often investors also use valuation as a filtering tool:

***The valuation should be discussed as a last thing.** I discuss it quite early, but that's one filtering thing. If somebody is looking for funding with a 20 million valuation, and I see that as a 2 million valuation case, it saves me time because it's highly unlikely that we'll see eye to eye on the valuation anyway. As an BA, I would first try to sort out everything else and see if there is a business case or not. Especially in the early-stage investment, you don't necessarily know the investment case until the roadmap is clear or the funding need is clear. As a VC, I'm currently investing in a bit later stages, and for that reason, I can use the valuation as a filtering element.*

Before signing the contracts:

At the point when we had agreed on the equity stake and the valuation, it was pretty straightforward. So we agreed to use the FiBAN templates; we used the standard terms. So it was pretty much just filling out the paperwork. The founders were carefully reviewing the documents and asking really good questions. In this case, the documents took something like an hour, 2 hours max.

Investor highlights the importance of ensuring everybody understands what they are signing:

***One thing that I always do is that I go through the documents with the founders to see they understand what they were signing.** I'm drafting those documents often, and the founders are not. For founders, it might be the first time.*

The investor also mentioned a difference in markets regarding the contract templates:

In Finland, it's easy because we sort of have fixed standard terms. So most of the deals are done using SeriesSeed or FiBAN templates, probably over 90% of the cases. The FiBAN terms follow the SeriesSeed terms, and SeriesSeed have been prepared together by investors and founders to lay on the common ground. The terms are similar not only in Finland but also in the Nordics and Baltics.

So that means you don't need to negotiate, and shouldn't negotiate, in the early stage deals. You have one best practice, and you go for it. So the valuation is the only moving part. If you start to negotiate about, for example, voting rights or liquidation preferences or details about where to use the capital of the company, that's going to take a lot of time. At the end of the day, that is micro-managing which we don't know if it makes any sense over the next ten years, which is the investment's lifetime.

Knowing someone with legal expertise can be valuable for a startup and investors since using external expertise is costly. As the investor describes:

It's very difficult for BAs to use external expertise because the expenses get too high, and the investments are too small that the external expert would make sense. If you put 10% of the investment amount into the consultant, it doesn't make sense.

As mentioned, what I always do with my cases is walk through the agreements with the founders to see that they understand everything.

From the founders' point of view, because you cannot trust every investor doing it, it would be good to have somebody on your team with a basic legal understanding. If not, if you are in a market with a clear best practice, get those best practice documents, convert these terms to the best practice terms, and then you can start asking about the ones that are differing and why those are differing. But of course, the most difficult one is if there is no best practice in the market.

Key takeaways:

- Valuation should be discussed last.
- FIBAN agreement templates with standard terms.
- Making sure that all parties understand the terms.
- Using the best practice in the market.
- Difference in markets in the terms.
- Active lead angel, helpful lead angel.
- External expertise can be costly. Having basic legal knowledge in the team helps.

How did you communicate with the founders during the whole process?

Best practice on post-investment communication

The investor describes different communication channels that investors and founders can use for messaging:

We had a WhatsApp group for everything urgent. Especially when we were testing the monetization, we agreed to share the results on a weekly basis, but we actually shared them faster. For instance, with the last monetization model after the implementation, it was less than 24 hours when the founders shared the two days' revenue when we knew that now hit the jackpot.

This was more hands-on than a typical case, so we communicated with the founders several times a week. So at least one call per week, usually several, and then quicker stuff in WhatsApp, something by email. This was a hands-on case, partly because things were happening so fast. I always say that this case was like you pushing an average startup's life of 80 years in four months.

Is it typical for investors to have a WhatsApp group with the founders?

I prefer to have some kind of WhatsApp group, Slack, or Telegram so that there's a low threshold to ask questions or give a quick update, but there should still be regular updates in an accurate format in an e-mail.

Also, it should be reminded that some things need to be discussed. Personally, I like to have calls with startups. If I'm more hands-on - monthly by a monthly basis. If I'm more hands-off - at least quarterly basis. Otherwise, getting on track with what is happening in the company, it's really easy to lose.

What should the e-mail updates consist of?

*It is something to be agreed between the investors and founders, but I would say that there shouldn't be anything else than what the management team is already following. **So the metrics that the management team is following should be the ones that the investor is looking at, with the difference being that investors want to see more of a snapshot, and the founders can have a more detailed one for themselves.***

Suppose there becomes a situation where the founder is creating something just for the investors. In that case, the chances are that either the investor is asking for something that is not really needed for the business or that the founder is not monitoring the right metrics for the business. Both of them are bad situations.

How I'm usually structured with my portfolio companies is that they report the key metrics they are following. It usually relates to their key objectives, where they drive the growth. So, for instance, the number of customers and customer acquisition speed, and the financials, most important being the burn rate and runway, to ensure that it's not a surprise to any of the investors when the company needs the next funding round. If you have set these kinds of milestones, you need to achieve some goals; then the logical starting point is to think about KPIs that contribute to those, or how you can measure those goals, follow those and communicate those.

Key takeaways:

- Using both email and instant communication tools for messaging. Some things need to be discussed in closer detail, so it's important to have calls and meetings too.
- Sending regular updates in an accurate format by email.
- Agreeing on what the updates should consist of. Only key metrics that the management team is following.

Type of relationship between the BA and the entrepreneur

Investor, describing what is a fair relationship between investors and founders

Like any working relationship. There needs to be a level of trust. There needs to be a level of openness so that you can discuss difficult things. Mutual respect—so nobody's above the other. Unfortunately, I've seen both of the cases. I've seen investors acting like, "I gave you the money, now I'm your boss," and I'm seeing entrepreneurs acting like, "Hey, I'm the one running this business, you are only financiers", and even if I agree that the founder is the most crucial thing in building a startup, as a corporation, as human beings, it should be on the same level.

How to bring fairness considerations to the surface during the negotiation process?

There are two things to keep in mind. One is that, even though I'm always referring to Finnish best practices, there should be a universal best practice line on investment terms. In my view, investors should avoid putting any terms stricter than that because our job is to support the entrepreneur running the business and let them grow the business. If we need, for example, clauses that we are restricting the founders' rights somehow, it means that we are not investors anymore; we are managing the company.

The second comes to valuation, and here I would keep the rule of thumb that while trying to do a good deal for yourself, try to make a deal that works for the founders in the long run. If it doesn't work for the company in the long run, then it harms you as well. So if, for example, you take too big stakes in a company in the earlier rounds, it means that the company becomes uninvestable in future funding rounds.

So ideally, the founders and team would have over 50% of the company after the A round, which means that they should have over 65% of the company after the C round, which means that they should have about 80% after the pre-seed round. So if you are taking 30% of the company in the first angel round, then you are in a position where the company doesn't raise future capital anymore. You have killed the cap table.

Key takeaways:

- Trust, openness, mutual respect.
- Following best practice line on investment terms.

- Making a deal that works for the founders in the long run.
- Helping each other is the key.

Open section for contributions

Advice from the investor to new entrepreneurs looking for a BA

What makes a great investment deck?

*It's not rocket science, so it's a couple of things. First of all, **what is the problem you're solving? What is your solution? What makes you different than the others? What is your secret sauce? What is the mode that you're having? What is the team behind? What is your go-to-market strategy? How you're going to scale with money? How much money you're looking for?** So at the end of the day, you don't need 20 pages. A good pitch deck can be seven pages; even five pages is enough to cover these things.*

*The areas where I see most problems with pitch decks are that the focus is on the solution and that the problem is sort of passed by, whereas **the problem is the one that makes it relatable and understandable for the reader.** The second thing is the team slide. Quite often, it's just names. In good cases, there might be links to LinkedIn, which is good. But what we're looking at the team in the first place is whether this team is the best one to build this company. I would like to see in the team slide answer to this question: **Why is this the best team to do what they are trying to do?***

What is your advice on a good pitch?

Personally, I'm not a big fan of pitching. I feel that it's a bit of a circus for a circus audience. It throws the people to the events and captures the audience, but at the end of the day, I'm not seeing pitching related to investing. In a good pitch, the audience doesn't matter. It's the same whether they are investors whether they are potential customers. You frame the problem, you frame the solution, and then you tell how you can make it big.

How to find the right investor?

If there is no choice for investors and you don't want to take the investor, don't take the investor. If the case is good enough to get one investor on board, it's good enough to get another investor on board as well. So if somebody proposing really aggressive terms is the only one interested, then you need to ask, is that person really an investor, or is there some kind of play going on there?

Things vary from market to market, but build networks and use them. *Ask for advice from a co-founder or somebody else who has received funding. All the startup events are there. There are angel networks that want deal flow and organize pitch events.*

BAs are more difficult to approach on a cold call than VCs. The difference is that you can Google and find databases on different VCs with different theses, and everybody has on their website how to reach out to them.

Whereas BAs, you can try to find them. If they have 'BA' on their LinkedIn title, that is usually a good sign because it means they are open about being BAs. It means that, most likely, they are active BAs or at least have been active BAs. These kinds of people usually list their portfolio companies there. If this is the case, then most likely, they will also read the pitches, the cold approaches, that come, for example, through LinkedIn or via e-mail.

How to handle rejection when the answer is no?

Always ask the feedback and learn from it. *One feedback doesn't tell much, but when you start to have feedback from many investors, you may begin to see repeating patterns. When you look at those repeating patterns, the question is whether those patterns are fixable or not.*

Of course, investors are not always right. They are quite often wrong. At the same time, let's keep in mind that over 90% of startups never get funded. So when you start getting a lot of NOs, there is a reason for it.

Take no as a default. As a BA, I invested in approximately four companies out of 800. So that means 796 NOs. So something like 99.5% NOs. Sometimes it's the case, sometimes the investor, and sometimes the combination.

There are many reasons, but if it relates to something you are doing, for example, if you start getting the information that we are not seeing the scalability here, dive into those questions. Why are the investors not seeing the scalability? Which are the issues there?

How investors and founders can build together as successful cases as Whiteboard.fi?

It's no different than building any successful case. It takes a great team that can build a product that satisfies a market need. So very simple in the end. Investors can add by giving money to accelerate things and bringing their expertise in so that you can avoid repeating all the mistakes they have made. They can leverage their contacts.

The risk is that the investors and founders start to act as counterparties. So two months of the founder's efforts are used for one reason or another with the investors. For example, It can be that there is disagreement on the strategy, it can be that there is some conflict, or it can be just administration or information reporting levels required. In those cases, unfortunately, the investors do more harm than good.

So maybe my two cents here are for investors; think about where you add value and where you are on the way. How can you facilitate things to the founder so that your reporting doesn't generate additional work and that it is as straightforward as the founders' activities?

From the founders' point of view, it's important to understand what to expect from investors, when to ask for help, and when not to ask for help. In early investments, working together on the roadmap and understanding where the investors can take a role. Of course, things don't always work out that way, but working together sort of sets the baseline for what is expected of each party.

What would be your one piece of advice to aspiring and new entrepreneurs looking for funding from business angels?

Ensure that the angels are the ones you want to work with. No matter how much money is on the table, the working relationship is the most important.

Key takeaways:

- Communicate well what is the problem you are solving and why your team is best to solve it.
- Build your networks and use them.
- Take no as a default. Ask for feedback and use it to learn.
- If there is not a good match with the investor, don't take the investor.
- Investors, think about where you add value and where you are on the way.
- Founders, understand what to expect from investors; when to ask for help and when not to ask for help.
- Ensure the BAs are the ones you want to work with.

The Journey of a BA

Guess who?

Business Angel



- **Gender: female**
- **Age: 26-32**
- Active Business Angel
- Experience: 8-9 years
- Has received BA training through FiBAN
- Has entrepreneurial and board member experience prior to becoming a business angel

Business Angel Background

I did my first angel investment 8-9 years ago. That case came to me through a friend, who was a former colleague, who was a chairman in one of the startups. They had an investment round and naturally people call to friends in the first pre-seed.

Then I heard about FiBAN and thought it was good to join.

Thinking of my journey, it has become more professional.

I am also discussing actively with other angels, who have similar interests than me and as if they have an interesting case. I've become more selective, and I don't invest in cases where I don't know the industry.

I'm mostly looking for impact cases. I've seen in 9 years the cycles of startups, there's been startups going bankrupt, with some doing exits with, learning different parts and different life cycles of the startup life. Some of the startups I've been investing in, I'm jumping in as an operative person, to contribute to some of the turnaround.

Previous experience

The Business Angel (BA) has experience as an entrepreneur, board member and a BA.

I've been a BA in 3 cases. I've also been an entrepreneur, now for 5 years. As an entrepreneur I've been in a tech and a tech-health company.

Key takeaways:

- Investor journey: learning curve as an investor.
- Selecting investable startups.
- Dealflow channels.
- Entrepreneurial experience.
- Experienced BA.

How the BA gets approached by startups

I've found half of the startups through the FiBAN dealflow, and half of them by the entrepreneur contacting me. Or there have been 1-2 cases where I've contacted the entrepreneur through LinkedIn, email or in startup events.

One dealflow stream was through an international investment program FiBAN was a part of, where we had the training to form a syndicate. That was a very systematic way of investing which had several rounds of pitching, getting to know the syndicate members very well.

Normally startups contact me through LinkedIn, very typical. Every week startups contact them and send their pitch decks. If it's in my focus area, I would have a meeting.

In startup events like Slush, in a networking tool, of course people are booking meetings through that one. FiBAN events, where I go to talk after pitches, we may start discussing and find out it has a good case.

Key takeaways:

- Investing in syndicates,
- Guiding entrepreneurs.
- Finding deal flow from multiple sources (events, LinkedIn, personal contacts, angel network).
- Participation in a cross-border investment program.

In what way did the entrepreneur-BA negotiations progress



Of course the commitment of a founder is a chicken-egg problem. The founders may need to work in several companies to ensure their livelihood and it is a tough decision. When the founders see that they're able to get the funding, then they can see paying salary to themselves, and when the compensation has been settled and they know there's an upside opportunity to work full time with the startup.

After proceeding, valuations are something to be discussed (most discussions are about this). Of course, if there is a VC involved, which is not very often in angel cases, we've pretty much followed the FiBAN templates and terms without issues.

In some cases, the founders direct the contracts, and some of the founders work in several startups. Those ones can be a bit tricky cases. In these cases, the founders would like to continue working with different companies, but every investor wants those people to commit to the startup they're investing into.

Normally part of the CEO contract is done for the key founders. For example, the CEO may have other startups as well. CTO is another one. If a startup has hired a CTO who works 1-2 days a week, it's risky for an investor for commitment, as they don't likely have enough time. People have to be very committed in order to get an investor onboard.

In most cases we've been able to agree on the terms.

There have been some tough cases that have taken a long time: the reason has been the discussion about the founders' commitment to the company, the CEO agreement etc. Of course the commitment of a founder is a chicken-egg problem. The founders may need to work in several companies to ensure their livelihood and it is a tough decision. When the founders see that they're able to get the funding, then they can see paying salary to themselves, and when the compensation has been settled and they know there's an upside opportunity to work full time with the startup.

Key takeaways:

- Founder full-time commitment.
- Negotiating the terms.

Level of engagement from the BA

Investor has acted as a lead angel in 3 cases, and in total has invested in 9 cases.

Types of conflict that might have raised and how they dealt with it

Often conflicts come in the follow up funding rounds. Quite often it's the founders who start to disagree among the founder team. As an angel, I try to take a little bit of distance. I normally don't positive in these conflicts, because they take too much energy.

One of the topics of disagreement is the valuation of the company, what type of investors they'd like to take in. The founder may be wanting to take in investors who someone feels are not a good fit for the company for reputation, or something like that.

The third topic of conflict has been the secondary exits: the founders would like to sell their shares too early, and investors would like to invest in growth. Founders may be quite tired already. It's quite common actually that founders want to exit too early. Most of these cases, we've found a solution, found a new investor who joins and purchases the shares.

I've witnessed 2-3 cases where a founder has wanted to exit early. It impacts the whole morale of the company when a founder leaves. There may be employees who also have the stock option plan, and it doesn't show a good example to the employees.

In a case, where the founder wants to exit earlier than expected, often their group of investors have been working actively to find suitable investors who purchase these shares. Sometimes shares were offered to existing investors. Normally a startup does not have money to buy the shares, and that's why investors step in.

Key takeaways:

- Communication in board meetings, annual meetings.
- Conflicts: follow-up funding rounds.
- Conflicts between the founder team.
- Equity commitments, secondary exit of a founder.

Type of relationship between the BA and the entrepreneur

A fair relationship is where we listen and respect each other: investors are respecting the integrity of the founder, that a founder has freedom to execute operatively. Investors shouldn't come and micromanage or disturb the business.

It's not the company of the investors. They need to let the founders go their own way. I've witnessed this kind of investor behaviour all the time, micromanaging, how the marketing should be done, what kind of people to hire etc.

Founders should have to say with confidence that they run the operative business. Investors can give advice but founders don't have to follow their advice.

When it comes to board members, you have to be active as a board member. But even then, board members should be asking questions and demand certain things to be done. But they shouldn't micromanage either.

Key takeaways:

- Mutual respect and trusting the founder.
- Avoiding micromanaging the founder.
- Open communication.

Open section for contributions

Advice from the business angel to entrepreneurs

It is quite important to see that the chemistry between the founder and investor works, and that the chemistry of the founders work as well. Sometimes there have been cases where the founder and investor are fighting all the time because they come from different worlds.

Especially when investors are going to the board, it's good to have someone to challenge you, but not have too different values. You should share the same goals and same values. That they all believe in the mission.

Different things can be changed, but not the mission or values of the company. Values and mission has to be the common understanding between investors and founders.

Key takeaways:

- Mutually shared mission and values between investors and founders.
- Matching chemistry between investors and founders.



Business Angels Knowledge for Entrepreneurs



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