

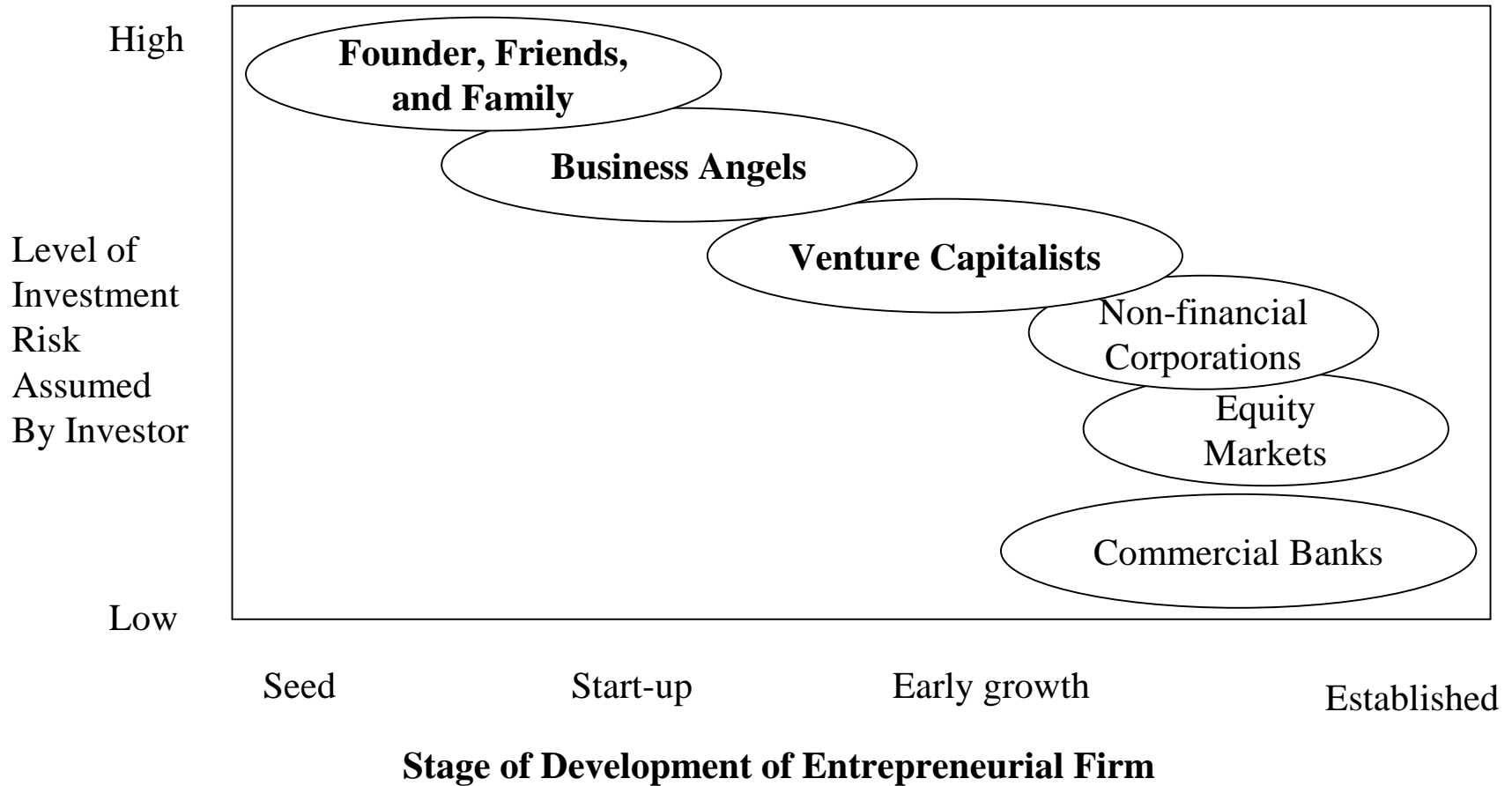
# **Development of Angel Investing in Asia: The Role of Private Networks and Universities**

**Presentation to the High Level Workshop on:  
Asia Angel Investors:  
Financing New Technologies for Thailand's Future  
Bangkok, Thailand; July 19, 2001**

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# Angel Investing Fills an important gap in the Start-Up process...



# Role of Angel Investing in the US

- Angel investing represents a more important source of financing for early stage start-ups than Venture Capital firms in the US (see e.g. Mason et.al.(1996), NVCA(1998), Benjamin & Margulis (1996), etc.)
  - angel investors invested \$60-100 billion in 1998 (mostly in early stage start-ups) vs. \$15 billion for VCs (of which < \$5 billion were in early stage firms)
  - angel investors funded over 30,000 early stage start-ups vs. just over 1100 by VCs in 1998



# Role of Angel Investors in the US

- One estimate indicated that there are about 2 million business angels in the US in the early 1990s with personal net worth exceeding \$1 million each; their equity investment portfolio totalled \$100-300 billion (Freear et.al., 1996)
- Latest estimate from GEM2000 Study suggests that as much as 7% of adult population aged 25-64 in US engaged in some form of angel investing in 2000



# Role of Angel Investors in the UK

- It is estimated that there were about 30-50,000 business angels in UK in the early 1990s (Bowden(1994)); their total annual angel investment exceeded £ 4 billion, which was 3 times more than the amount invested by UK VCs in start-ups (Van Osnabrugge(1998))
- Latest estimate from GEM2000 Study suggests that 3% of adult population aged 25-64 in UK engaged in some form of angel investing in 2000

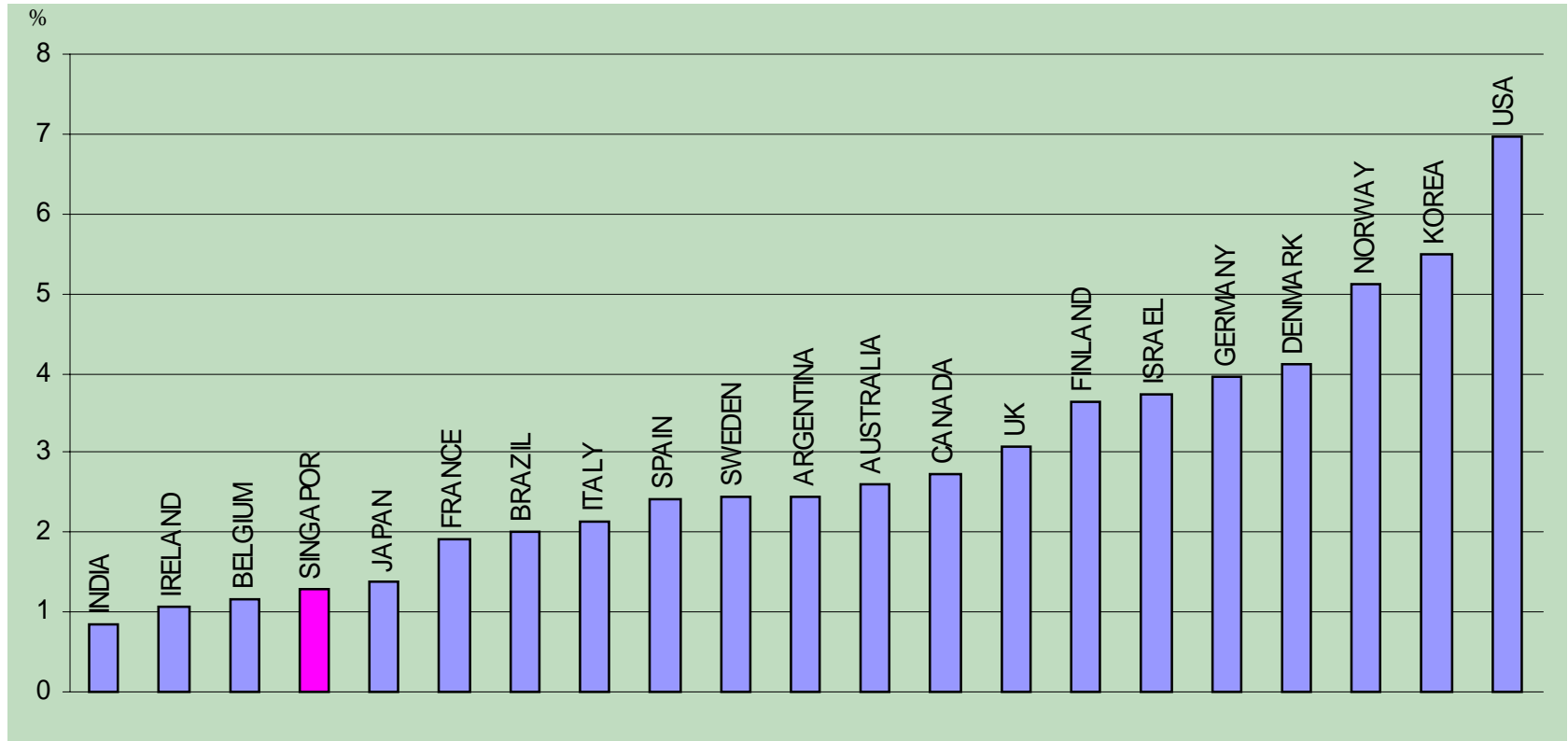


# Angel Investing in Other Countries

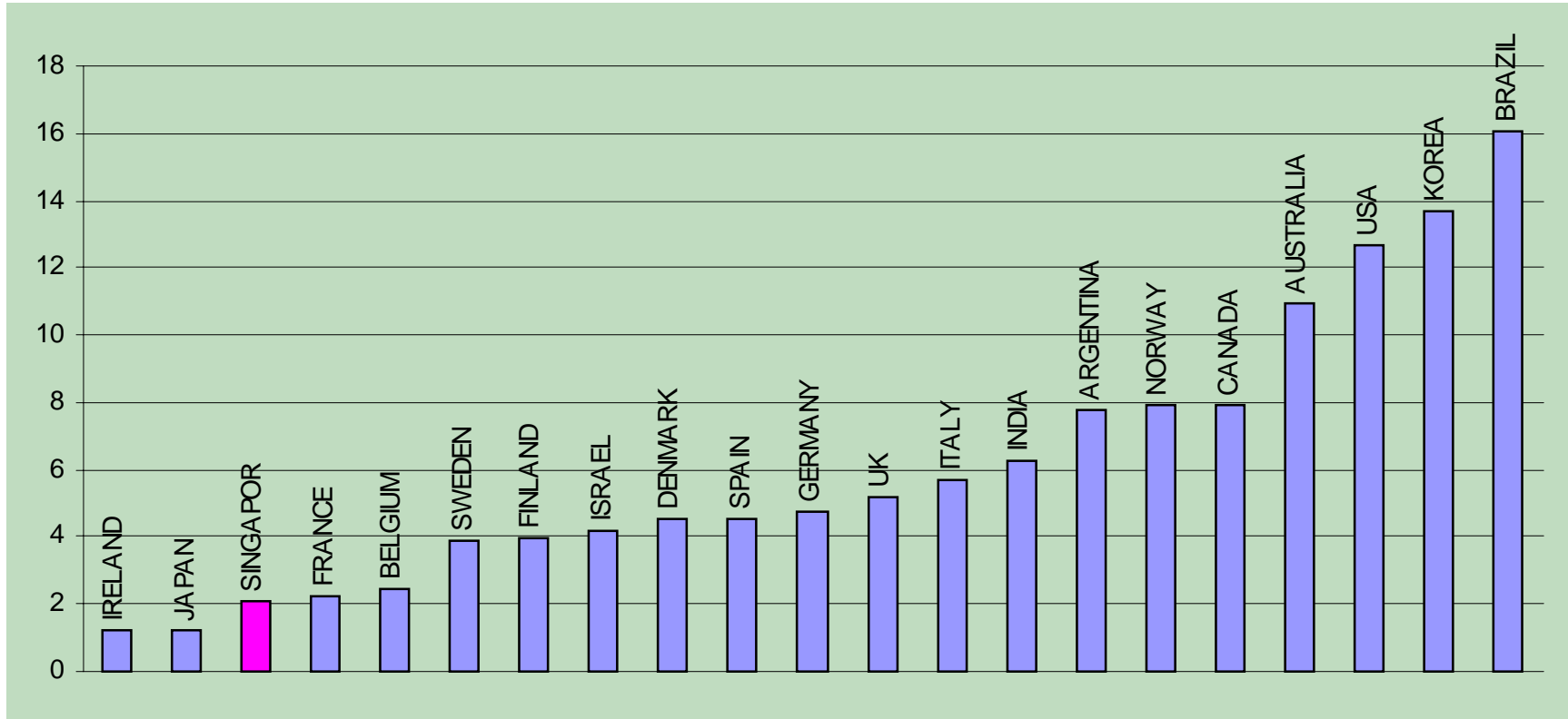
- The Scandinavian countries have generally high rate of angle investing (2.5%-5% of adult population) (GEM2000)
- Israel has close to 3% rate of angle investing
- In Asia, with the exception of Korea (over 5%), angel investing propensity appears to be low (slightly over 1% for Singapore and Japan, less than 1% for India)
- **There is potential for significant growth of angel investing in Singapore !**



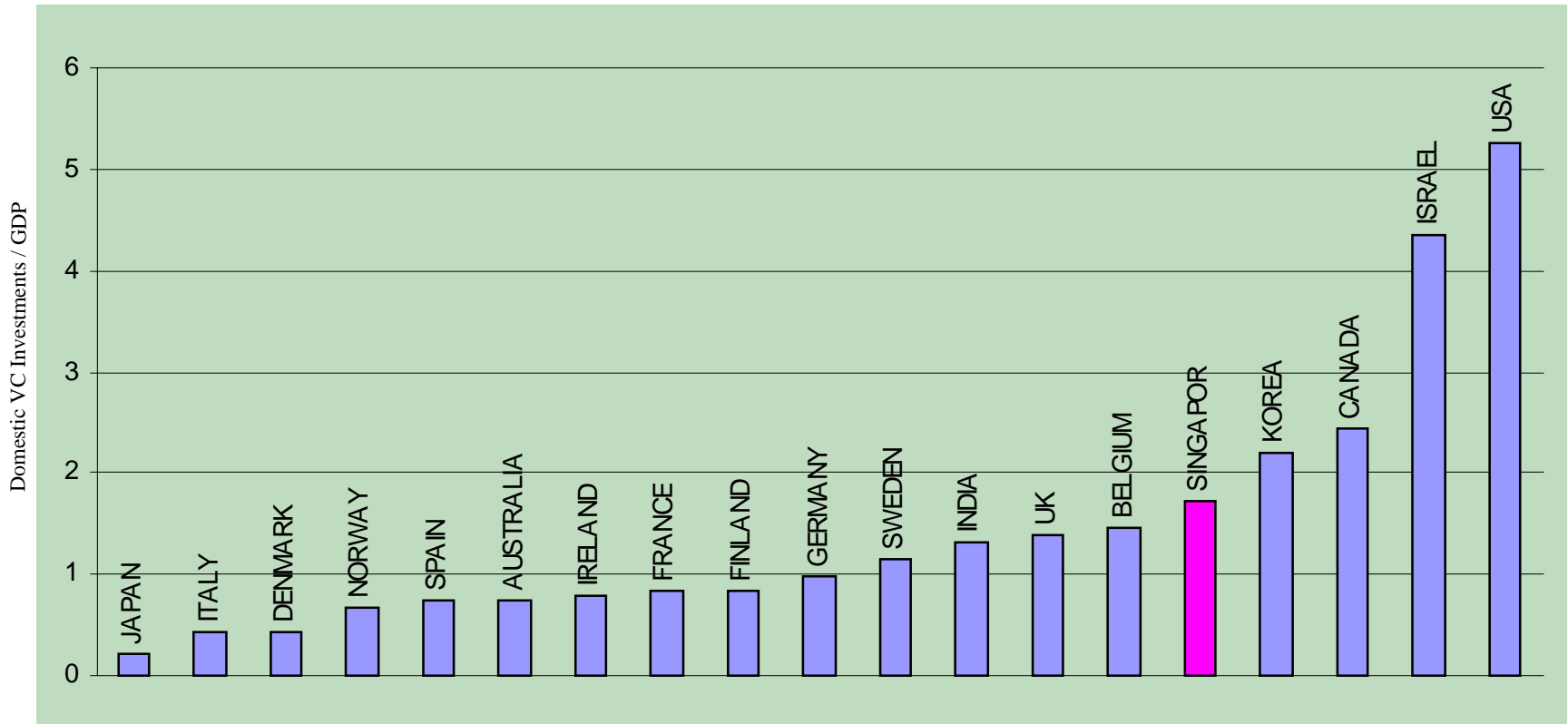
# Percentage of Business Angels in the last 3 Years



# Total Entrepreneurial Activity Prevalence Rate



# Ratio of Venture Capital Invested Domestically to GDP in 1999



# Correlation of angel investing with entrepreneurship activities

- Across the 21 countries covered in the GEM 2000 Study, there is a high degree of statistical correlation between angel investing propensity and entrepreneurial propensity (0.507\*\*)
- There is also a high degree of statistical correlation between angel investing propensity and venture capital investment/GDP ratio (0.527\*\*)
- **In Singapore, compared to the level of venture capital investment, angel investing is under-developed!**



# Promoting Angel Investing in Asia

- **Role of Private Angel Network**

- continuum of forms of venture financing

- solo angels -> angel groups/networks -> VC firms

- angel groups increasingly important in the US and other advanced countries

- models of angel groups:

- loose networks -> structured groups -> priv. equity fund

- (e.g. eban                      band of angels                      common angels)

- most angel groups are highly localized



## Examples of Angel Groups & Networks

- Band of Angels (Silicon Valley)
- Common Angels (Boston)
- Alliance of Angels (Seattle)
- Tech Coast Angels (Southern California)
- Angels' Forum (Bay Area)
  
- European Business Angel Network (EBAN)
- ACE-Net (Angel Capital Electronic Network)
- International Angel Investor Institute (IAII)



## Examples of Angel Groups

- Band of Angels (Silicon Valley)
  - formal group of 150 members
  - monthly meetings to consider investment in 3 selected companies; individual members decide to invest, not the Band as a whole; mainly in Series A and B rounds, not zero stage
  - a Band of Angel Funds LP available to provide follow on investment funds to those companies receiving funding from Band members
  - Focused only on start-ups located in Silicon Valley



# Examples of Angel Groups

- **Angels' Forum**

- Provide investment matching services like Band of Angels; individual members of the forum decide to invest; a special partnership among the investing members is established for each investment deal
- Also provide educational services and supporting professional services to member investors through a management services company run by the forum
- Affiliated Venture Capital Fund (Halo Fund) for co-investment/follow-on investment



## Example of Angel Networks

- **ACE-Net**
  - operated by a non-profit entrepreneurial development center at the University of New Hampshire, with funding from the State government and US SBA, to provide subscription fee-based entrepreneur-investor matching services via the internet;
  - connects to a network of similar non-profit organizations in most states in the US that conduct regional/local forums and mentoring services for angel investors and start-ups; ACE-Net serves as a clearing house for information on all affiliates' activities and research findings related to angel investing & small business developments



## Example of Angel Networks

- International Angel Investor Institute (IAII)
  - a non-profit organization devoted primarily to promote *international* networking of angel groups and development of the angel investment *community* through educational programs and improvement of regulatory environment affecting angel investment
  - headquartered in Palo Alto, has established chapters in San Francisco, Ohio, Toronto, Korea, Japan, Hong Kong, and various other locations are in process of formation
  - works with various existing angel groups to promote networking and community development



# Angel Investor Groupings in Asia

- Virtually no reliable data/research on angel investing activities in most Asian countries, due to preference for anonymity and discreteness among angel investors
- Anecdotal evidence suggests that angel groups in Asia tend to be less formal and usually involve smaller members; usually highly localized; primarily organized for investment purposes; some later evolved into private equity funds
- Few have broader involvement in educational programs and promotion of the angel investment community at large; little formal networking contacts with angel groups in other countries, and little contact with universities
- **Business Angel Network (South East Asia) intends to fill this gap!**



# Role of University

- University as source of new technology & knowledge that can lead into innovative business ideas...
- ...but there is often a gap between the technology/business ideas coming out of the university and venture capital
  - too early stage, too high risk, too low capital requirements
  - need mentoring from experienced business mentors to shape business strategy and to provide network contacts with potential customers/business partners, experienced managerial talents and financiers
- ..alumni network tends to be social, not investment oriented
  - ==> **Strong links with Business angel groups can help bridge this gap!**



# An Example of University-based Angel Group

- UniversityAngels.com
  - entrepreneur-angel investor online matching service targeted exclusively at entrepreneurial students/alumni from leading universities in the US and Europe (including Israel)
    - Help angel investors to tap into the early-stage deal flow from the students and graduates of these universities (especially their alma mater), and to network with their peers and stay abreast of the entrepreneurial happenings of their alma mater and fellow alumni
    - Help entrepreneurial students and professors at these universities to tap angel investment from prominent alumni and their networks
  - currently operates a network of 75 online communities, each serving alumni of a particular university (none in Asia yet...)



## An example from Korea

- “Investment club” among alumni of Korea Advanced Institute of Science and Technology (KAIST) Management School
  - each graduating batch set up an investment fund to be managed by one of the graduating classmate, individual subscription as “limited partners”
  - fund is invested in both start-ups by their professors, classmates, and other new venture introduced by fellow classmates



# Role of Business Angel Network (SEA) Ltd

- Non-profit organization devoted to promote the development of the angel investment community in South East Asia through networking, investment match-making, educational programs, research and other activities to promote improvement in the regulatory environment affecting angel investors
- Affiliates with IAII and its associated chapters in Asia; also other similarly minded organizations such as EBAN in Europe
- Work closely with universities in the region to hasten the pace of technology commercialization, promote university-angel community interactions and education
- Work closely with VCs in the region to facilitate deal flows between angel investors and VCs



# Planned Activities of Business Angel Network

- Monthly Angel Investment Forum
  - 3-4 selected ventures invited to present their plans to Network members
  - Guest Talk/Social Networking function among Network members
- Educational workshops for Angel Investors
  - “Angel Investing 101” - Basics of angel Investing from deal screening, valuation, negotiation and investment contract, mentoring and monitoring to exit strategies
  - “Term-sheet 101” - How to structure investment contract terms & options and protect investor interest



# Planned Activities of Business Angel Network

- Annual Asian Angel Investment Seminar
  - invite participation of Angel organizations from around Asia and elsewhere (esp. Silicon Valley)
- Angel Networking Events in the regions (starting with Malaysia and Thailand)
- Collaborate with CMIT, NUS and other universities in the region to conduct and disseminate research on Angel Investment in South East Asia
- Operate AsiaAngelInvestor.org website to disseminate relevant and timely information on angel investment activities in Asia and around the world, and to offer online educational materials for the angel investment community; possibility of going into online matching services later



# Planned Activities of Business Angel Network

- Collaborate with other organizations to jointly organize/promote Technopreneurship-related activities in South East Asia, e.g.
  - *StartUp@Asia* Business Plan Competition
  - Joint event with IAI in Silicon Valley/Asia
- Provide inputs to governments in the region on regulatory developments that affect the angel investment community in the region; sharing of national experience
- Other Activities, including opportunities for sponsorship/partnership with various venture professional organizations -- **we want to hear from YOU!**

