Role of Angel Investors in the Swiss Startup Ecosystem

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www.sictic.ch

SIRA Startup Event at EPFL in Lausanne
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2001
2001 - 2005
2006 - 2013
2014 -

Angel Co-Founder of:

25+ direct tech startup investments
Startup Support Ecosystem

in Switzerland
Business Angels
Business Angel (or Angel Investor)

- A Business Angel is a **private individual who invests** his/her own money directly **into a startup**, typically against equity (**Aktien**) or convertible note (**Wandeldarlehen**).
- Most Business Angels have a full-time job and invest as **hobby**.
- A Business Angel must be capable of taking a **loss of the entire investment** due to the high risk that a startup will fail; as a consequence most angel investors are high net worth individuals.
- Many angels are members of a business angel club.
“Smart” money?

What business angels share with startups in addition to money:

• Skills
• Work experience
• Domain knowledge
• Network to experts
• Network to potential customers

Almost everyone with 5+ years full-time work experience has “smart” money to offer!
Who is the right Angel Investor?

Check all the motivations that apply to your angel investors:

( ) Help entrepreneurs
( ) Foster innovation
( ) Connect startups to customers
( ) Like to take a risk
( ) Get rich quick
( ) Tell founders what is best
( ) Get paid for consulting startups
( ) Take control of the startup
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Great Angel Investors are driven by the green motivations.
Investors with a motivation in red can turn into a big pain for entrepreneurs.
Great Motivations for Angel Investors

• Coaching satisfaction (interact with smart people, coach them)
• Giving back (money, time)
• Creating jobs
• New meaning for the career (open up, connect outside main job, learn about innovation; might even find a new exciting job in a startup)
• Shaping the future (empower entrepreneurs to build novel products and services, help to innovate, foster talents that can change the world)
• Return on investments (should not be the only motivation)
Making best Use of Angel Investors

• **Use their business network to grow faster**
  • to get more customers earlier
  • to get expert advice
  • to hire employees

• **Use them as sparring partner for advice**
  • to bounce your crazy ideas
  • to get advice before taking important decisions

• **Set expectations rights**
  • make sure they are available when you need them most (hiring core team members, product/market fit, winning first customers, preparing next investment round)
  • don’t have them make decisions for you
How Business Angels Added Value

Marcos Monteiro
CEO and Co-Founder
veezoo AG

The knowledge of our SICTIC Business Angels reduced the uncertainty of our startup - and that was more valuable than money, especially in the beginning.
Business Angel Clubs
Startup Pitching Events

SICTIC Investor Day at EPFL, Lausanne
Red Flags:

• “one person show” – creates a single point of failure; even harder to survive difficult times

• friends & family in key positions – instead of best skilled people
• **Community of Investors**
  • The club has investors as members; often organized as an association; easy to find co-investors. **Lead Investors** negotiate the investment terms.

• **Startup Dealflow**
  • Startups apply online for pitching at a Business Angel Club.
  • Startups with a good business potential selected by a jury are invited to pitch in front of investors at a pitching event organized by the angel club.

• **Fees**: membership, investment, reporting and exit commissions (SICTIC: CHF 500.-/year excl. VAT investor flat fee, no commission)
Swiss ICT Investor Club (SICTIC) in Numbers

- **200+ Angel Investors** (as of May 4th, 2018)
- **107 startups pitched** (at 125 startup pitches) in year 2017 in six locations: Zurich, Baar, Lausanne, Geneva, Lugano, Schaan (Liechtenstein)
- **30% chance for funding** if a startup pitched at SICTIC in 2017
- **15 investor events** organized by SICTIC in year 2017
Venture Investing
938 Mio. Venture Capital for Swiss Startups

91 Tech Startups
got funding in Switzerland in 2017

33+ (35%) Startups
More than 33 early-stage tech startups that have pitched at an investor event of the Swiss ICT Investor Club (SICTIC) in 2017 got funding.

Source:
Swiss Venture Capital Report 2018
Swiss ICT Investor Club (SICTIC)
Types of Startup Investors

- Family & Friends & Fools (FFF)
- Business Angels
- Seed Funds
- Venture Capitalists (VCs)

Size of Capital Invested:
- 1.5 mio
- 0.2 mio

Complexity of Deal Terms:
Caveat: Hidden fees and deal exclusivity

- Some startup fundraisers, funding platforms, investor events and some angel clubs offer “free” help at first but then take hefty investment commissions (I’ve seen up to 7%!) from the startup or investors.
- Hefty fees might also be charged for e.g. pitching at investor events, investor platform listings, pitch trainings, help with the deck, yearly (!) deal management fees, yearly (!) syndicate lead fees, exit commissions (e.g. 18% of exit proceeds), visiting a startup accelerator (up to 30% equity taken!) etc. Always ask upfront who (startup, investor) they charge what.
- Never grant exclusivity to investors or fundraisers!
Case Study: Contovista

In 4.5 years from incorporation to exit.
ZKB "Finanzassistent"
How Business Angels Added Value

- Launch with a **B2B** product (instead of as a B2C portal)
- **Strong focus** on Personal Finance Management (PFM) as the first product to be launched; postpone other product ideas
- **Building trust** with first banks as customers
  - Homework on security & privacy was done **before** selling to the first bank
  - Introductions to CIOs and CISOs in Switzerland and in Germany
  - Attending sales meetings with banks to have senior people on both sides
- **Strong believe in team** that they will be successful
The Business Angels have strongly supported us with their know-how and business contacts in the start phase.

This support was at least as valuable as their financial investment.
Company Valuation and Investments

- May 2013: Pre-Seed Investment at Incorporation & Convertible Note I
- Aug 2013: Conversion of Convertible Note I
- Feb 2014: Seed Convertible Note II
  (converted Dec 2014 & June 2015)
- April 2014: Fabio Bernasconi (CTO) joins core team
- March 2016: Series A - Aduno Gruppe invests “several millions” and gets 14%
- Dec 2016: Exit talks initiated by Aduno Gruppe
- Aug 2017: Exit to Aduno Gruppe, which newly holds 70%, rest remains with founders
Contovista Exit Party 2017
Thanks for attending! You’re awesome. Any Questions?

Dr. Thomas Dübendorfer

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Upcoming SICTIC Investor Events

- 15.05.2018 : SICTIC Investor Day @Hotel Dante, Lugano
- 28.05.2018: SICTIC Investor Day @EPFL, Lausanne
- 07.06.2018: SICTIC Investor Day @Credit Suisse, Zurich
- 21.06.2018: SICTIC Investor Day with Crypto Valley Blockchain Challenge 2018 (CHF 30’000 prize money), Zug
- 11.9.2018: SICTIC Investor Day @IMD, Lausanne