

The Business Finance Guide



Angel Finance

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Seed finance is really when the business has first proved its concept and is ready to go out for its first piece of money. So we're looking for you to have had your idea – but gone past your idea and already have a plan and an idea of how much finance you need to start the business.

Business angel investment is done by angels who invest their own money in your business. They take shares in your business in return for giving you capital to grow your business. They tend to come in when you are ready to give away a small piece of your business in return for taking your business to the next stage of growth.

Typically, business angels tend to invest from £15,000 upwards, those most will prefer to invest about £50,000 - £2 million to seriously help you grow your business.

It's also important to know that most angels don't invest on their own. They invest in syndicates or groups. That way they can pool their money and bring both their own money and their time and expertise to help your business grow.

A business angel would be looking for you to understand your business and your growth needs, and would hope you have calculated the finance you need to grow your business to perhaps the next 12 or 18 months worth of growth. So that might include hiring new staff, or expanding your premises, or building your product, technology or service.

It would be up to you to plan your own money. But typically, because angels use tax breaks, they'd be looking for you to think what you could do with £50-£150,000 and upwards from there to really take your business to the next level.

Business angels recognise that a business that really needs to grow will go through multiple stages of finance to reach success. So angels are prepared to provide further rounds of finance, and particularly when they work in syndicates, they can mobilise a number of angels to pool their money and bring you further rounds.

So they will work with you in to plan your finance needs, and will want to know in advance that you are looking for the next stage of money.

We recognise as angels that your plan will evolve and develop as your business grows and as your needs grow, and we would want to work with you to understand your plan, and how your plan would evolve along with the way as you change your business. That way we can understand what extra staff you need, what further expansions and developments you need, and therefore what further finance you need. It's not a problem to change your plan, but we like to work with you and understand your focus and where you want to go with your business.

It's easy to think as an entrepreneur that you will lose control of your business when someone takes a stake in the business. One of the important things to take in mind is that angels' interests are aligned with yours as a young business. They only take ordinary shares in your business as a rule, which means that they are not looking to push you or make you do things you don't want to do.

That said, they will bring you strategic advice and help to think about your business and how you will move forward. They will be keen to help you focus on growth and be ambitious to succeed. In that way they will succeed and get a better return.

Angel investors are usually people who have strong business or professional experience themselves. They are usually keen to put their money to work alongside their experience, their market knowledge, understanding of customers, perhaps giving you additional leverage their own experience, knowledge and contacts to really put your money to work.

It's worth noting that unlike venture capital, angel investment is patient capital. They like to stay with the business and help you to grow. They are patient and do not expect you to be hurrying to exit or to sell your business. They want to work with you and help you look for the next stage of finance or the right opportunity to sell the business, but they would not push you to do so.