

BUSINESS ANGELS AND VENTURE FINANCING

Д.А. Коноплицкая, 3 курс

Научный руководитель – Г.Г. Карлова

Белорусский государственный экономический университет

To start a new company or to bring a new product to the market, the venture may need to attract financial funding. There are several categories of financing possibilities. If it is a small venture, then perhaps the venture can rely on family funding, loans from friends, personal bank loans or crowd funding. For more ambitious projects, some companies need more than what mentioned above, some ventures have access to rare funding resources called Angel investors.

The term “angel” originally comes from Broadway where it was used to describe wealthy individuals who provided money for theatrical productions and contributed their skills and contacts to enhance the success of the show. The same term was used centuries ago by traders searching for merchants. In 1978, William Wetzel, a founder of its Center for Venture Research, completed a pioneering study on how entrepreneurs raised seed capital in the USA, and he began using the term “angel” to describe the investors that supported them.

Business angels are wealthy, entrepreneurial individuals who provide capital in return for a proportion of the company equity. They take a high personal risk in the expectation of owning part of a growing and successful business. Angel investors are often retired entrepreneurs or executives, who may be interested in angel investing for reasons that go beyond pure monetary return. These include wanting to keep abreast of current developments in a particular business arena, mentoring another generation of entrepreneurs, and making use of their experience and networks on a less-than-full-time basis. Thus, in addition to funds, angel investors can often provide valuable management advice and important contacts. Because there are no public exchanges listing their securities, private companies meet angel investors in several ways, including referrals from the investors’ trusted sources and other business contacts; at investor conferences and symposia; and at meetings organized by groups of angels where companies pitch directly to investor in face-to-face meetings.

Business angels are divided into corporate angels, entrepreneurial angels and professional angels. Corporate angels use their severance or early-retirement pay from former senior management positions at large corporations to make entrepreneurial investments. Typically, they seek a new senior management job in the investment, want to be involved in one investment at a time, have about \$1 million in cash, and make investments in the \$200,000 range. Entrepreneurial angels are the most active of the angel investors; they invest the largest amounts, generally \$200,000 - \$500,000. They tend to have been successful entrepreneurs themselves, now looking for ways to diversify their portfolio or expand their current business, rather than looking for a new job. Professional angels prefer to invest in firms that offer a product or service with which they have experience, frequently offering their sector expertise to the investee firm, although they’re usually not too actively involved. Generally investing in a number of firms simultaneously, they tend to invest from \$25,000 to \$200,000 each and prefer to co-invest with their peers.

A small but increasing number of angel investors organize themselves into angel groups or angel networks to share research and pool their investment capital. There are many business angel groups around the world: in the USA, Canada, Europe, Australia, for example the European Business Angels Network, British Business Angels Association, Business Angel Partnership and many others. They provide a central register where both angel investors and businesses find each other, help small businesses and investors find the best options in the private venture capital market.

Venture capital financing is a type of financing by venture capital: the type of private equity capital is provided as seed funding to early-stage, high-potential, growth companies and more often after the seed funding round as growth funding round in the interest of generating a return through an eventual realization event such as an IPO or trade sale of the company.

There are many successful examples of business angels work, they invested their money in different projects, helping start new companies such as Apple, Microsoft, Gillette, DELL, Intel, EasyJet and many others. They usually prefer to invest their money in high-tech sectors. According to the latest research software accounted for the largest share of angel investments, with 27 percent of total investments, followed by healthcare services, and medical devices and equipment (19 percent) and biotech (12 percent).

The role of business angels is becoming more and more important in our country. Many start-up companies are trying to attract foreign investors, that’s why their role is getting a great popularity. The right combination of people, business venture, capital and skill gives a greater chance to, not only succeed, but exceed expectations. If the venture is undertaken with careful planning, good preparation and clear agreements it should prove successful for all concerned.

Список использованных источников

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