

HOW THE FUNDING LADDER HELPS BRITISH FIRMS AND INVESTORS

Business angels

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ANGEL INVESTORS HAVE established an enduring asset class for the provision of capital to high-potential small and medium-sized enterprises (SMEs) but please note that investing just for the tax benefits is plain

stupid. Sandwiched between 'Friends and Family' and later-stage venture capital funds, according to the UK Business Angels Association approximately 18,000 angel investors provide UK SMEs with £850 million a year. Many investors continue to be tempted by the allure of tax breaks (think venture capital trusts) but the point of angel investing is to hit the jackpot and identify and invest in a winning ticket (think **Facebook (FB:NDQ)** or **Google (GOOG:NDQ)**, Instagram or Tumblr).

If you are considering angel investing Restoration Partners would encourage you to know your tax shelters and take specialist tax advice. Join a club and/or a syndicate and learn from the mistakes of more experienced investors and angel network managers.

If you are a high-potential SME requiring angel funding, start with your own close network of friends and family. As an example, our client **Outsourcery (OUT:AIM)** raised significant investment from the founders' networks before reaching out to the angel community prior to raising £13 million by floating on London's Aim market. Do not forget almost all ventures require follow-on funding for good and bad reasons, and remember, as with all opportunities it is a case of *caveat emptor!*

PHILIP LETTS

Chief executive officer, blur



THE TRADITIONAL ROUTE for a high-growth start-up beginning to make money and to prove its business model is to take on private equity or venture capital investment as an interim stage. The problem with

this is it comes with a pressure to exit - which can sometimes be before it is best for the company's future. At **blur (BLUR:AIM)**, the Aim-quoted global services exchange, we felt angel funding was the most appropriate for a networked business such as ourselves. In one of Europe's largest angel investment rounds, in 2012, we sought not just investment but investors who could provide us with an enhanced network - people who understood what we were trying to achieve but also people who we felt would want to use our services.

It is this closeness to the business that we believe makes angel investors so critical to the success of some companies, and certainly for blur, and so much better than venture capital money with its short-term goals. The majority of our angels, which includes such high-profile investors as Archie Norman, Kevin Lomax and Tim Schoomaker, have stayed with us through our recent initial public offering (IPO) on Aim (5 Oct '12). They have made a good return on their investment, but, more importantly for us, they are as passionate about our business as we are. To us it is clear that this support makes angel investors a crucial part of the investment mix in any growing company.

Friends and family

