Angels eye the post-pandemic future of business

Ireland's angel investment landscape has gone from strength to strength, even investing through the pandemic. HBAN's John Phelan talks to ThinkBusiness.

In Ireland many business angels invest in start-ups through consortia or syndicates organised by the Halo Business Angels Network (HBAN).

Examples of successful syndicates include HBAN's Bloom Equity, Boole Investment Syndicate and the South East Business Angel Network.

HBAN recently reported that the last 12 months have seen its angel investors celebrate exits of up to 10 times their initial investment. Companies like Iconic Translation Machines, Payslip, Decawave and Finovation have all raised at least seven-figure sums while in the last five years notable exits have included Phorest, iCabbi and Embo Medical.

HBAN director John Phelan Phelan heads up a network of almost 700 angel investors across Ireland who fill the gap in seed funding in a market with declining levels of venture capital investment and where the EIIS that used to be known as the "friends and family" round compares harshly with the far more effective SEIS (Seed Enterprise Investment Scheme (SEIS) in the UK.

The role of angel investors – often seasoned businesspeople who have made some money and relish the opportunity to invest in and offer guidance to younger companies – is often overlooked in Irish society and in the business pages. But the role they play has been substantial.

Angel investment has enabled rising medtech companies like CroíValveto raise €3.2m, salon software firm Phorest to raise €20m and agritech player Hexafly to raise €1.1m.

Last year HBAN reported how angel investment activity in Ireland surpassed the €100m mark.

Earlier last year HBAN kicked off a campaign to recruit 75 new angel investors with €15m to invest in start-ups.

The angels are coming

We spoke to Phelan about the role angel investors play and how the post-pandemic funding landscape might look.

What funding options work best for starting a business in Ireland?

Sweat equity – whereby the prospective business owner contributes to the project in the form of labour – will help to establish the technical and commercial teams required to get the project off the ground. These workers don't necessarily need to be full-time from the get-go, but they will provide invaluable support at this critical early juncture.

The next step would be to secure an early round of funding – this can sometimes take the form of financial support from friends and family. A Competitive Start Fund (CSF) from Enterprise Ireland can help validate the technology or service offering before market launch. Accelerators are also very useful at this stage. Once a clear roadmap and arc of potential growth have been established, business angels, such as HBAN, will be the next port of call.

Angel investors provide an excellent source of capital with syndicates now investing up to €2m and co-investing with institutional investors. Once you are through the seed and growth stage, you hit the Series A funding rounds and they are typically institutional funds with follow-on top-ups from existing investors.

Does Ireland have the right tax supports to help entrepreneurs get their businesses up and running or to reward risk?

No – I firmly believe that the Employee Investment Incentive Scheme (EIIS) is not fit for purpose. The inherent complexities mean that it costs a minimum of €10,000 for tax advice, whereas in the UK the cost is between £250 and £2,000. There is simply no rationale for such a wide differential. In an effort to improve the policy environment for high-potential start-ups in Ireland, HBAN has joined the recently formed Alliance for an Innovation Driven Recovery – representing a coalition of organisations with a shared goal to foster the growth of the indigenous tech sector here in Ireland.

Looking to the future, do you believe the current pandemic will result in a surge in start-up/entrepreneurial activity?

The 2008 global financial crisis instigated a prolonged period of 'forced entrepreneurship'. However, the dynamics are different in this current crisis. Some business sectors have proven to be Covid-proof, and were already set up to thrive irrespective of extreme external variables.

For example, businesses with a focus on cybersecurity solutions, online communications and online learning were on an upward trajectory anyway pre-pandemic, and are now accelerating that growth.

The sectors that have been hit hardest such as the retail, hospitality and services sectors will need to display great agility and adaptability, which may result in a proliferation of new technological and entrepreneurial innovations.

However, the strategies of these businesses have to be grounded in the here and now. Survival is the priority. Beyond that, the potential for growth will come. For now, enterprises need to steady the ship, before re-emerging from the pandemic on more assured footing."

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