
Angels and early stage investors

Early stage investment may be something you need. Let's take a look at your options.

Angel investment

Angel investors are often "high net worth" individuals who are prepared to take an investment risk by buying equity (or shares) in a start-up or early-stage business.

Some work individually and others work as part of formal or informal angel networks. For some angels, this is a bit of a hobby and they're prepared to accept a level of risk with the businesses they support.

Other angels are much more serious and spend a lot of time identifying suitable opportunities, while providing both formal and informal support to the businesses they back. *The Dragons' Den* TV series provides an insight into how angels engage with entrepreneurs, and why they back certain types of businesses.

New businesses also attract another type of angel, those who often don't make these kind of investments but who know the promoter. They are typically:

- Friends and family members who agree to chip in a given amount to help get the business off the ground
- Business contacts or former colleagues of the founder

Remember that there could be fallouts and relationship issues if the business gets into trouble or folds.

What business angels can offer

Business angels offer a range of supports to businesses other than equity, including:

- **Skills and experience:** Business angels offer specific skills and advice, and generally invest in sectors in which they have an interest.
- **Leverage:** If your business is backed by a business angel, it will instantly generate more interest and credibility. Other financiers could be interested, which will obviously help.



Finding an angel

Angel investors are individuals with capital to invest, but they don't part with their money easily. Getting in touch with angel investors is generally an informal process, however the [Halo Business Angel Network](#) and the [Halo Business Angel Partnership](#) provide services for businesses seeking investment. There are plenty of formal and informal angel networks in particular sectors, like tech. The amount of money that angel investors offer businesses varies. Angel investors are useful for:

- Businesses whose equity requirement is too small to attract venture capital investment
- Businesses that need to strengthen their boards and/or management team
- Businesses that need to generate capital

Seed capital funding

Seed capital funding is generally made in early-stage businesses where there is a gap between the amount that can be raised by angel investors and venture capitalists. Like venture capital, it is investment in a business in exchange for a stake in that business.

An example of a seed capital fund is the [Western Development Commission Investment Fund \(WDIF\)](#), which concentrates on funding businesses in the west of the country.



Venture capital funding

A venture capital fund is an investment fund that manages money from investors (individuals and businesses) seeking stakes in start-up, small and medium-sized businesses with high growth potential. This type of funding is generally associated with more mature businesses, or those that are reckoned to have high potential, often in export markets.

Venture capital funding offers added prestige for your business, skills and experience, and funds. Venture capitalists generally don't seek scheduled repayments, but rather opt for a stake in your business. Venture capitalists usually invest in a business that is looking to raise €500,000 and above.

To qualify for venture capital funding, a business must have excellent potential in a fast-growing sector, with a strong management team and a product or service that is well differentiated.



Incubators

Incubators are an excellent way for start-ups to develop in a supportive environment. Incubation centres are generally located on college campuses, and have attracted significant interest. For example, over 200 businesses employing over 1,000 people are based in [incubation centres funded by Enterprise Ireland](#). There are also a number of privately-run incubators.

Businesses do not get funding from incubation centres. However, there are still a number of advantages of basing yourself in one, including:

- Access to mentoring on key aspects of business development, such as market research

and finance

- A prestigious address with high quality office space
- Proximity to research teams in the college and the use of R&D facilities on-campus
- Peer-to-peer learning from other ambitious start-ups located in your incubation centre
- Access to a pool of students for placements and recruitment

Access to an incubation centre depends on your business's potential, as well as your plans to develop a strategic partnership with the host institution.

Useful resources

There are a huge number of resources covering angel investment, seed capital funding, venture capital funding and incubation in Ireland. For more information, ensure you check out

- [Enterprise Ireland](#)
- [InterTradeIreland](#)
- [Your Local Enterprise Office](#)