



Wales Business Angel Network
Rhwydwaith Angylion Busnes Cymru



xénos, the Wales Business Angel Network

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What is *xénos*?

- Introduction service that brings together companies seeking funding and investors known as business angels
- Critical mass of investors and investees
- Honest broker
- Encourage syndication, Co Investment & Leverage
- Improved knowledge of investors
- Prepare investees to raise equity



xénos and Finance Wales

- *xénos* - Subsidiary of Finance Wales – not an agent
- Finance Wales – wholly owned by WAG – arms length
- *xénos* does not manage funds directly – Finance Wales does
- *xénos* - Investment from private High Net Worth individuals
Finance Wales – funds from Europe and commercial sources
- *xénos* - Zero restrictions on area and sector
- Finance Wales – cannot invest in some sectors Eg:
Retail
- *xénos* / FW - Co-investment opportunities with each



xénos

- Recruited over **300** investors to date
- **125** business angels registered at present
- Present **60/70 investment opportunities** each year
- xénos has raised over **£17 million** in 130 deals
- Deals ranging from **£10,000** to **£500,000**
- **Average deal** size around **£120,000**
- Average investment per investor **£100,000**



Understanding Angels

- Seek significant financial gain from their investments
- Invest in high growth businesses
- High net worth individuals who invest their **own** funds
- Business expertise – “cashed out entrepreneurs”
- Can play an active role in investee company
- Add value and expertise – money with experience



Investment Preferences

- Typical angel - does not really exist!
- Individuals who have different:
 - **sector preferences**
 - **geographic limits,**
 - **investment amounts**
- Look for **high growth** business with strong USPs
- Invest in people = management, management, management
- Take **tax breaks** on investments - EIS



Benefits of Business Angel Funding

- Suitable for **early stage**, **high risk** and **pre-revenue ventures**. But investors will consider all opportunities including turnaround

- Leverage – encourages other lenders, provides confidence

- Money with management:
 - Fill **skills gap** in management team
 - Non Executive Director appointment **strengthens Board** and **adds credibility**
 - Provide **strategic** guidance and contacts



Case Studies

- **Econotherm**
- **£0.5m Investment**
- **Innovative energy recovery system for industry**
 - 5 investors syndicated with Finance Wales
 - In third year of business
 - Award winning
- **Machine Productions**
- **£175K Investment**
 - Single investor
 - Media TV Drama Production company
 - BAFTA winning producers
 - Angel as MD



Case Studies – Co-investment

➤ **Dat Media**

- £300K investment
- Innovative web based TV applications
- £150K from 3 Xenos investors + £150K from Finance Wales
- Xenos investors Chairman and FD

➤ **View Holographics Ltd**

- £500K investment
- A North Wales company at the forefront of animated holographic technology
- Investment from 4 xénos investors, Finance Wales and the Welsh Assembly Government.



Turnaround Investments

Ezeeeeplay

- £50K investment + professional “sweat” equity
- Children's play company with £0.5M T/O; 12 people employed
- Company had taken action with Bank, suppliers and HM Government
- Costs under control
- Committed and capable management
- Exceptional causal problem – company structurally sound
- Xenos approached by new company accountant
- Distributed to Xenos network within 5 days of meeting company
- 4 investors responded; 3 in discussion; 1 invested plus providing financial input
- Company survived and still trading
- Investor had very competitive deal!



Turnaround Investments - Unsuccessful

Carpet Tile Manufacturer

- £300K investment
- The Carpet Factory is the only Welsh Company producing carpet and flooring specifically for the commercial market.
- Company was Phoenix with some new and some old management
- Too much capacity – not enough sales
- New European owner often absent – sales director lived in London
- Sound customer base but one dominating sales
- Causal problems – management, lack of sales, no real strategy, under capitalised from start e
- Xenos approached by company accountant
- 3 Xenos investors met company
- 1 investor made offer – perfect individual for turnaround – very stringent terms
- Management refused offer
- Company currently in receivership



Summary

- ✓ **Business angel funding ideal for start ups and early stage businesses**
- ✓ **Money with experience**
- ✓ **Active source of funds during economic down turn**
- ✓ **Traditional sources of funds not available**
- ✓ **Investment funds can't follow original investments**
- ✓ **Good source of funding for turnarounds – money with management**
- ✓ **Not necessarily cheap!! Current valuations are very keen.**
- ✓ **Networks provide best format for HNWi's**
- ✓ **Wales in excellent position to fund business at any stage during the recession - £150M fund + active BA's**

Any Questions?

www.xenos.co.uk