

# Myths on European Early Stage Ecosystem

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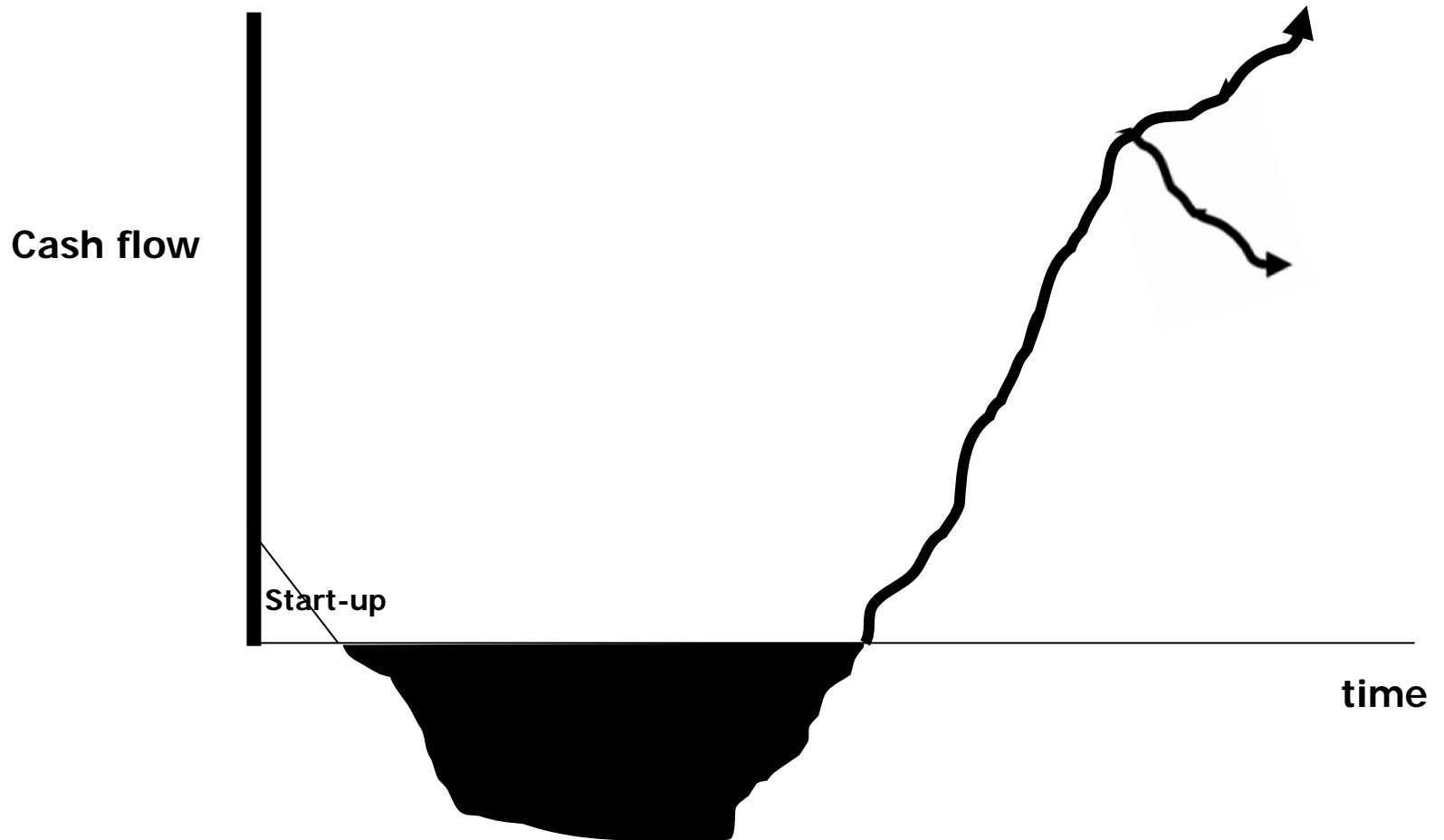
President Emeritus, EBAN

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# Myth 10

**Governments believe that the problem of entrepreneurship is the lack of courage to start a business. Lots of show off with Business Plan competitions.**

# Start Ups Valley of Death



Imagine that you have 100.000 euros in a safe bank,  
and you have 3% of interest rate for your deposit.

Hi, My name is Scott,  
and I want you to invest  
in my new fantastic Start  
Up ! I will pay you 4%  
annually.





**But if the World Bank guarantees you that if Scott's new venture doesn't pay you the 5%, they will pay it immediately to you, would you invest ?**

Family, Friends ,  
Fools & State

Crowdfunding

Business  
Angels

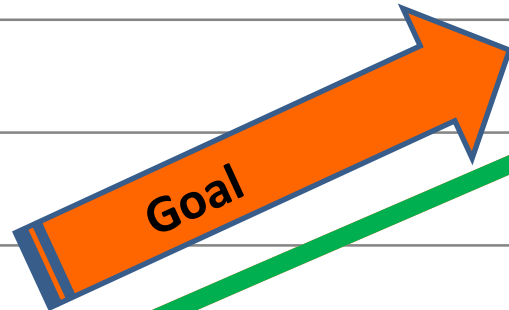
Venture  
Capital

Mutual  
Guarantee

Banks

Probability of an entrepreneur to  
raise money for his/her venture

100%



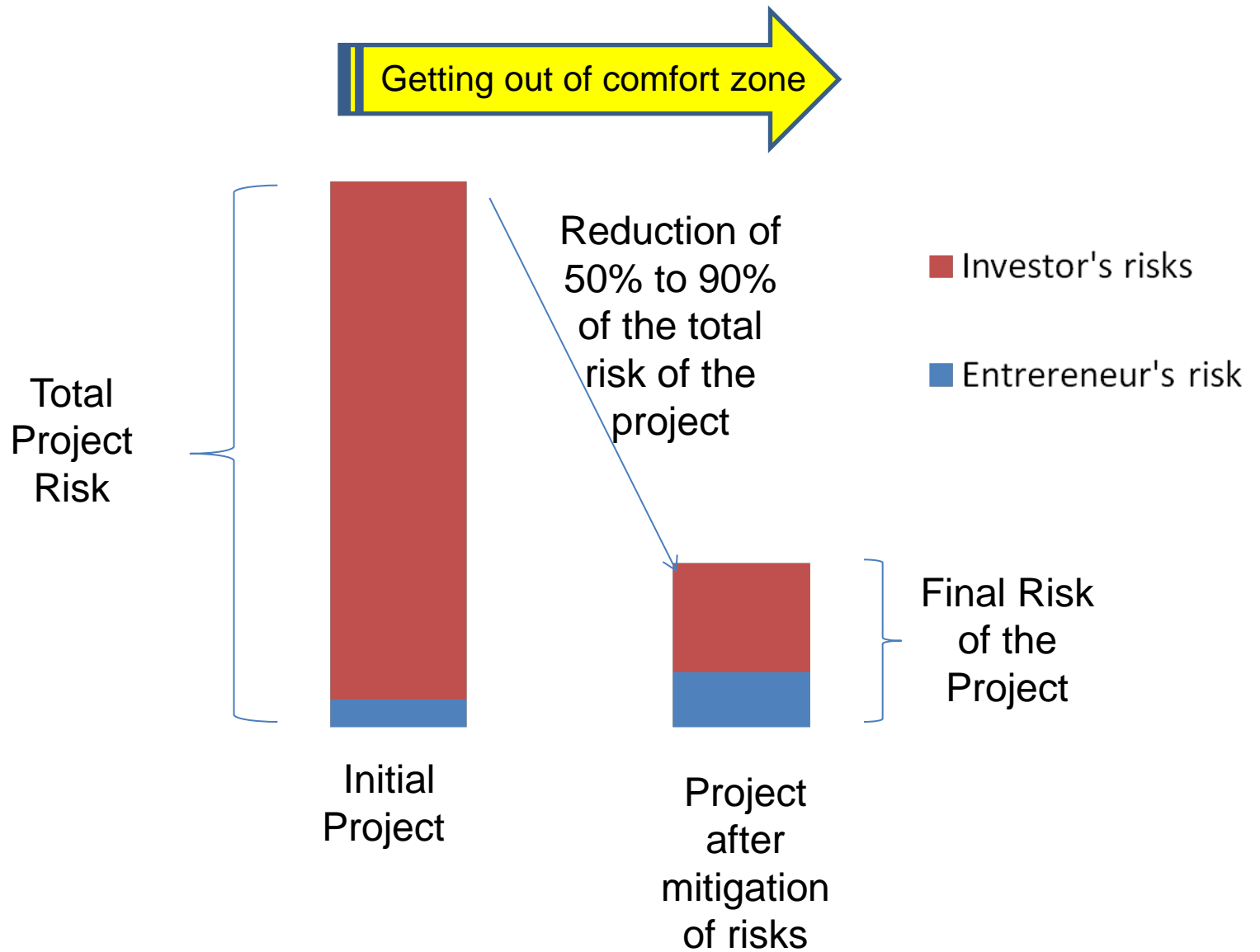
0%

Mitigated Risks

100%

Risks (MELFO)

Market, Entrepreneurs, Legal, Financial & Operational



# Myth 9

**I want to be entrepreneur  
maintaining totally my comfort  
zone. Risk is for investors.**

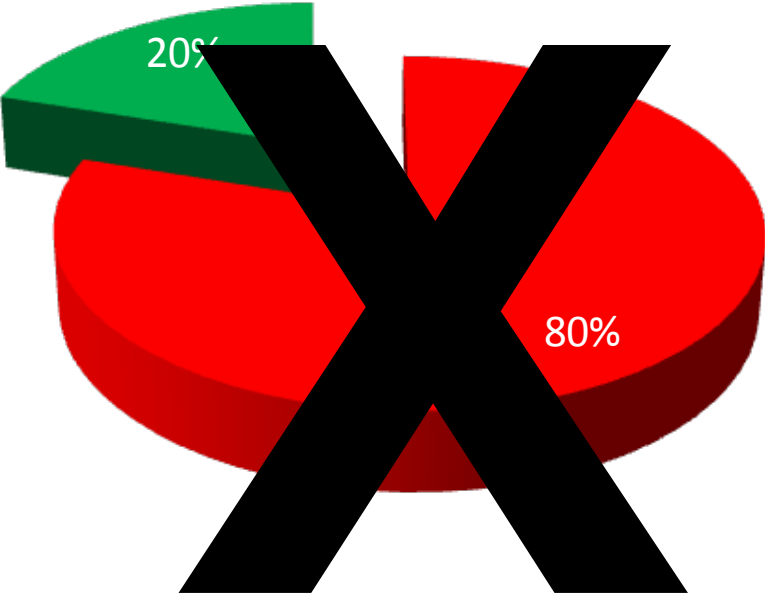


Put Some  
Skin in the Game!

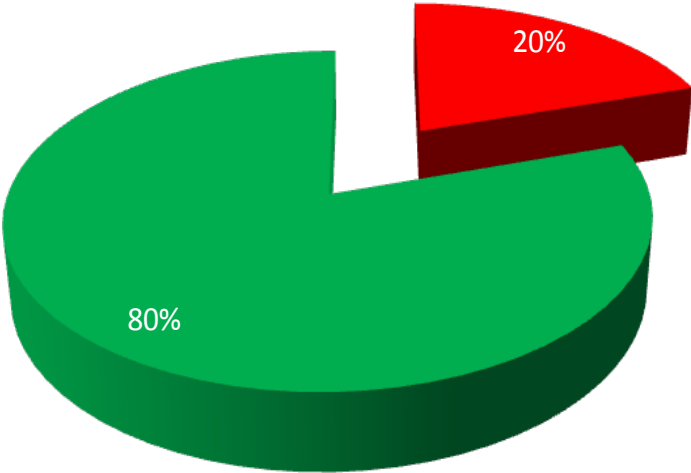
# Myth 8

**If you have a good idea, you'll be funded**

# Entrepreneur's time management



- Time spent getting investors
- Time spent improving the project



# What is the value of a project ?

## Ideas Are Just a Multiplier of Execution

It's so funny when I hear people being so protective of ideas.  
(People who want me to sign an NDA to tell me the simplest idea.)  
To me, ideas are worth nothing unless executed.  
They are just a multiplier. Execution is worth millions:

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Awful idea =	-1	No execution =	\$1
Weak idea =	1	Weak execution =	\$1,000
So-so idea =	5	So-so execution =	\$10,000
Good idea =	10	Good execution =	\$100,000
Great idea =	15	Great execution =	\$1,000,000
Brilliant idea =	20	Brilliant execution =	\$10,000,000

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To make a business, you need to multiply the two.  
**The most brilliant idea, with no execution, is worth \$20.**  
**The most brilliant idea takes great execution to be worth \$20,000,000.**  
That's why I don't want to hear people's ideas.  
I'm not interested until I see their execution. **—Derek Sivers**

## Ideas versus Execution

Source: Derek Sivers, <http://sivers.org/multiply>.

# Myth 7

**Entrepreneurs and investors are  
well prepared to negotiate**

# Myth 6

**Government should not intervene in the market. Rich country syndrome.**

# Myth 5

**Grants are the best way to help new companies to be created.**

# **Myth 4**

**Investing in new buildings for “incubators” is a great way to help entrepreneurs to grow**



# **Myth 3**

**There are no Business Angels in  
our country**

# **Myth 2**

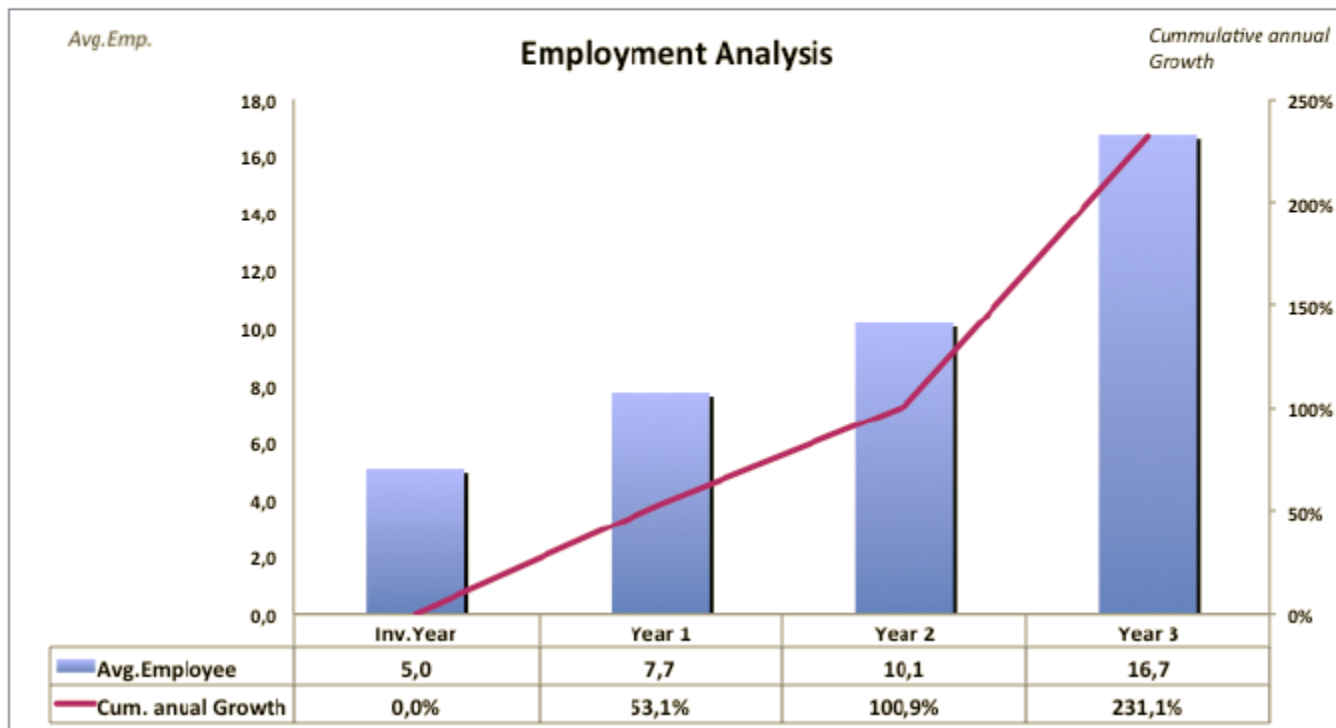
**Governments should not  
“support” rich people as  
Business Angels**

# **Largest study ever done in the world, calculating the real impact of Angel Investment**

- Largest study ever done in the world, on Angel Investment impact based on real data
- 3208 deals from 2004 to 2013
- Data from 37 european countries
- Based on real data due to a partnership with Bureau Van Dijck (Orbis database) and Deusto University (Basque country)

## impact on employment

- Companies, on average, have 5 employees when they receive angel investment
- The employment level more than triples by the third year after angel investment



Source: EBAN and Deusto University study

# How Public entities differentiate the Co-Investment Funds initiatives

1. Pure commercial basis. Get the best and wealthy 20-30 Business Angels in one country and co-invest with them
2. Co-invest with the existing early stage investors in a specific market
3. Attract new early stage investors to the market.

# Added value for PUBLIC entities

- ❖ Help to build an early stage investment community that can start a virtuous cycle
- ❖ Don't invest alone
- ❖ Don't run the risk that the investment decisions can be considered political
- ❖ Attract more money for the ecosystem
- ❖ Don't pay high cost for mentoring, networking and knowledge of the Business Angels
- ❖ Don't pay management fees as it happens with VCs

# Added value for public entities

- ❖ It is cheaper for the government than giving grants for free
- ❖ With BAs investing and more financial amounts available, it is easier to attract VCs to co-invest
- ❖ These initiatives enhance the Research and Development activities in the territory
- ❖ Good pay-back for the state (through taxes)
- ❖ Good ideas & good entrepreneurs do not have to emigrate...

# **Myth 1**

**A Business Angel tax break has a negative impact in the National Budget**



# State return per each 1 € invested by State in a BA Tax break scheme

Assumptions: 25% of the investment is done by BA. Start up ceases activity after the investment is spent , and ends without any revenues.

State Tax level	
30%	1,20 €
35%	1,40 €
40%	1,60 €
45%	1,80 €

Source: EBAN/MAZARS 2013

Note: This is the worst scenario for the state and even though, the State always gets its money back in taxes...

# Contacts



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