



# Risk Mitigation

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**Brussels, 16-02-2016**



The European Trade Association for Business Angels,  
Seed Funds and Early Stage Market Players

# Executive summary

1

Why Business Angels Exist ?

2

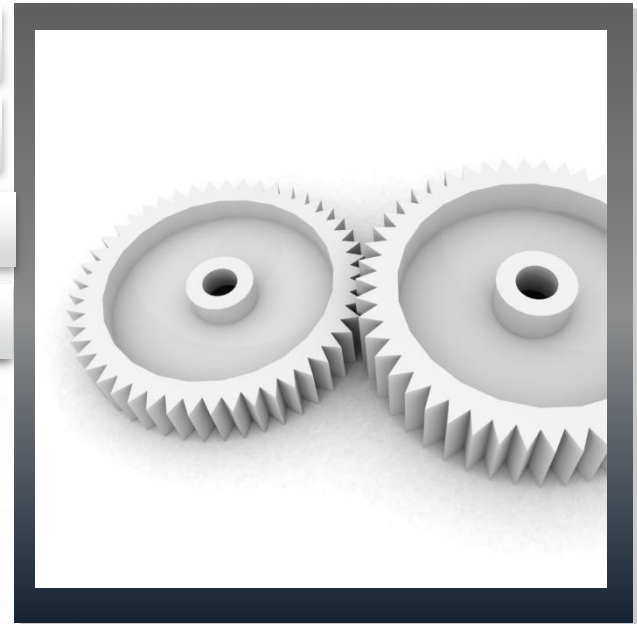
Risk mitigation

3

Angel market

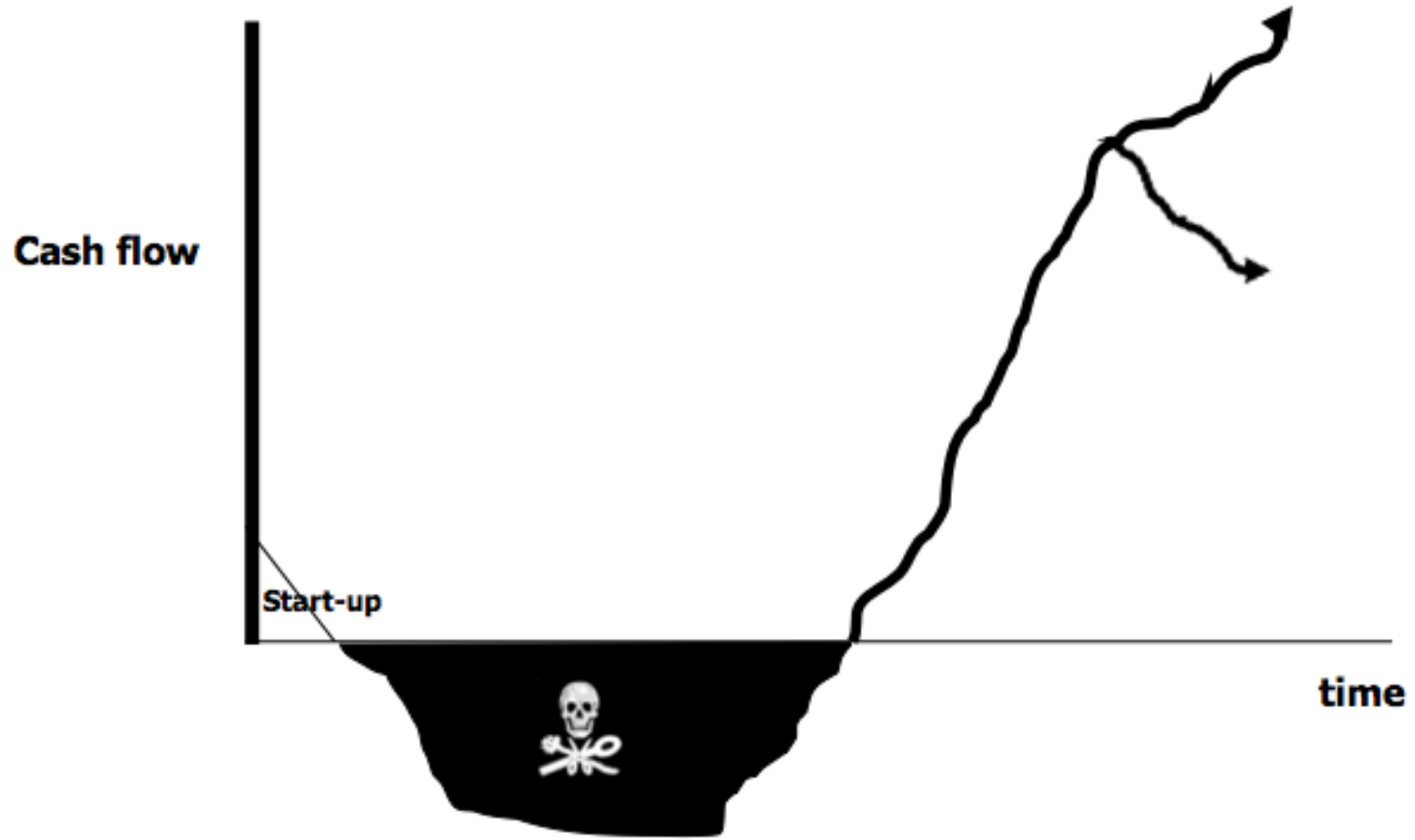
4

Business Angels do not sign NDAs in the first meeting




WIRTSCHAFTS?

# Startups Valley of Death





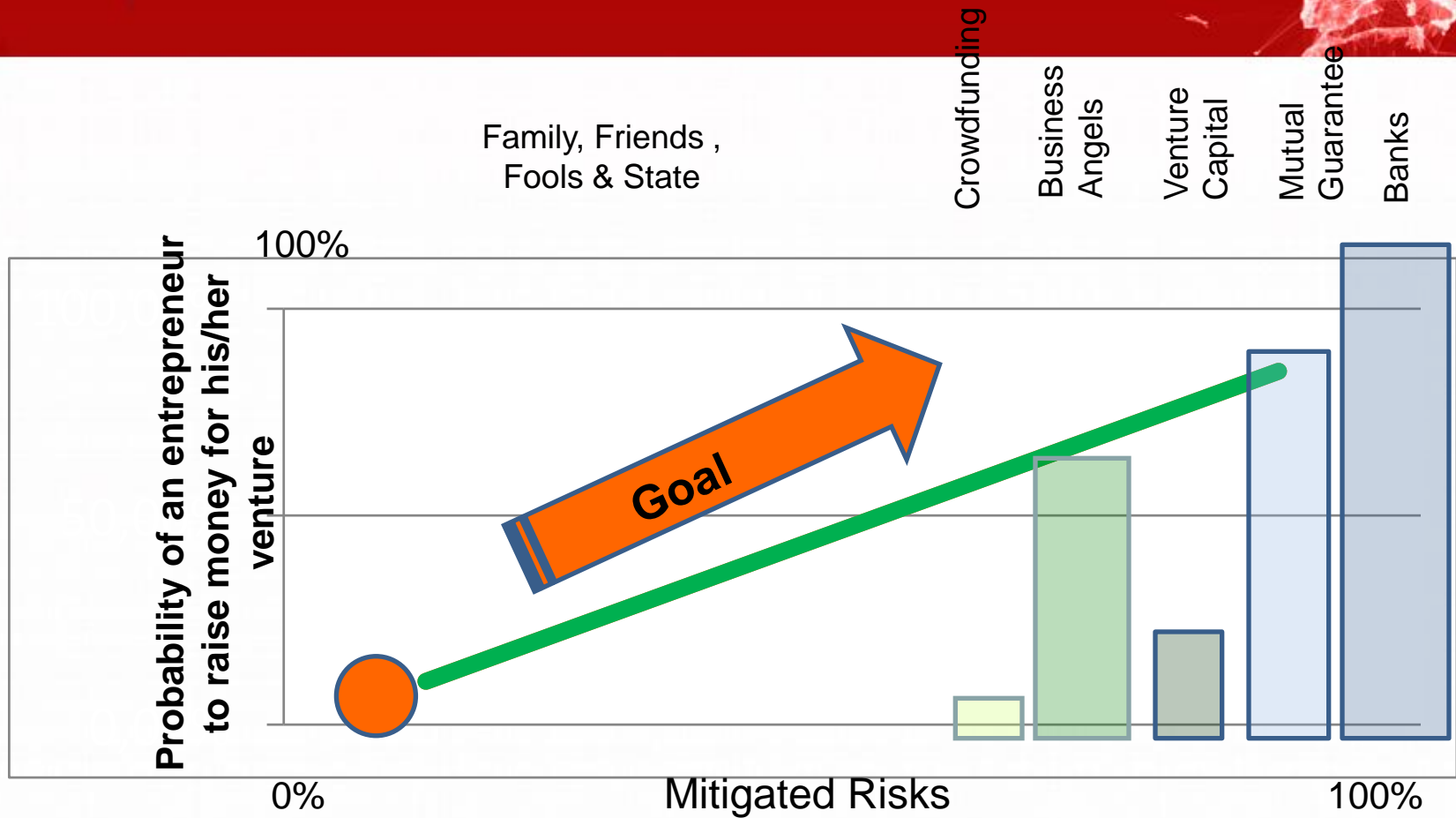
*Imagine you have 100.000 euros in a bank,  
with a 4% of interest rate.*



Hi! My name is Zephyr,  
and I want you to invest  
in my new fantastic startup!  
I will pay you annually 5%!

*But what if the World Bank guarantees  
to pay the 5%, would you invest?*





Risks (MELFO)  
 Market, Entrepreneurs, Legal, Financial & Operational

Source: Paulo Andrez



# Startup Risks (MELFO Methodology)

Market

Entrepreneur/  
Team

Legal

Financial

Operational

# Risk Impact

Low

High

High

**Low Impact  
High Probability**

**High Impact  
High Probability**

*Risk Probability*

Low

**Low Impact  
Low Probability**

**High Impact  
Low Probability**

# ERTA Methodology

Eliminate

Reduce

Transfer

Accept

# Get Out of the Comfort Zone!

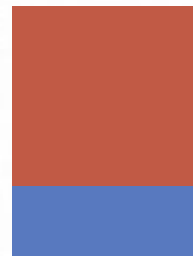


**Total Risk of the Project**



Initial Project

Reduction up to 90%  
of Initial Project



Project After  
Risk  
Mitigation

- Investors Risk
- Entrepreneurs Risk

**Final Risk of the Project**



Put Some  
Skin in the Game!



# *Investment Risk vs Project Risk*

"All the News  
That's Fit to Print"

# The New York Times

Late Edition

New York: Today, mainly sunny and warmer, high 84. Tonight, a few clouds, low 70. Tomorrow, partly sunny, a few showers late, high 88. Yesterday, high 77, low 61. Details, Page D1

VOL. CLIII . . No. 52,896

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NEW YORK, WEDNESDAY, JUNE 30, 2004

ONE DOLLAR

## IRAQ WILL CHARGE HUSSEIN IN COURT ALONG WITH AIDES

### LEGAL CUSTODY TO CHANGE

U.S. Will Still Guard Him  
— Ex-Dictator to Gain  
Access to Counsel

By JOHN F. BURNS

BAGHDAD, Iraq, June 29 — Iraq's interim government announced Tuesday that it would take legal, but not physical, custody of Saddam Hussein and 11 of his top associates from the United States on Wednesday.

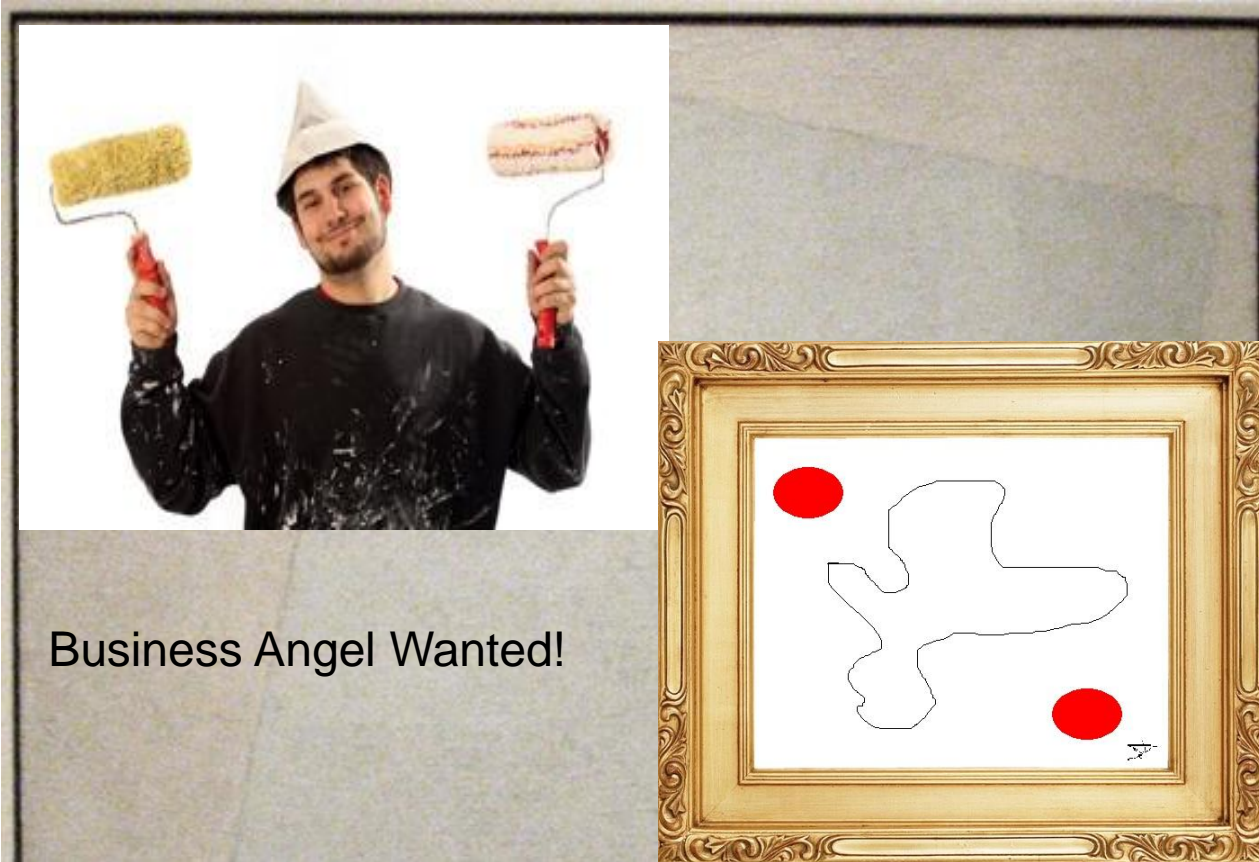
The government will file charges against all 12 on Thursday in a special Iraqi court set up to try members of the ousted government on charges of crimes against humanity.

Under terms approved by President Bush, the men, including several of the most notorious figures in Mr. Hussein's inner circle, will remain indefinitely under American military guard at an undisclosed location in or near Baghdad.

But they will cease to be prisoners of war from the moment they are arraigned, becoming criminal detainees with legal protections under Iraqi criminal procedures, including access to legal counsel, that were previously denied.

Also on Tuesday, three marines were killed by a roadside bomb in southeastern Baghdad, but there was no evidence of an overall surge in attacks since Iraq formally resumed sovereignty on Monday. [Page A10.]

In claiming jurisdiction over Mr. Hussein and the others as the interim Iraqi government's first major act,



Business Angel Wanted!

## Reality Intrudes on Promises in Rebuilding of Iraq

By JAMES GLANZ  
and ERIK ECKHOLM

BAGHDAD, Iraq, June 29 — The four big smokestacks at the Doura power plant in Baghdad have always served as subversive truth-tellers. No matter what Saddam Hussein's

2,300 Projects Planned  
but Fewer Than 140  
Are Under Way

gun pumping out long-awaited money and work orders, committing \$1.4 billion in just the last week even as a spreading insurgency cripples the ability of Western contractors to oversee their projects and has made targets of Iraqi workers.

American authorities, while admitting to a slow start and more

## PATAKI ASKS BUSH FOR CITY RAIL AID

Seeking to Trade 9/11 Tax  
Breaks for Airport Link

## COURT, 5-4, BLOCKS A LAW REGULATING INTERNET ACCESS

### WEB SITES NOT FOR MINORS

Justices Say That Filter  
May Be Better Option to  
Limit Pornography

By LINDA GREENHOUSE

WASHINGTON, June 29 — The Supreme Court on Tuesday rejects Congress's latest effort to curb children's access to sexually explicit material on the Internet. But at the same time it gave the Bush administration a second chance to defend the law as a trial on its constitutionality goes forward in Federal District Court in Philadelphia.

The 5-to-4 majority kept in place an order that the district court issued in 1999, blocking enforcement of the Child Online Protection Act until its validity can be resolved. The six-year-old law, which imposes criminal penalties of as much as \$50,000 a day on commercial Internet sites that make pornography available to those younger than 17, has never taken effect.

The decision came on the final day of the Supreme Court's term. Justice Anthony M. Kennedy, writing for the majority, said that the government must now show why the voluntary use of filters to screen out material unsuitable for children would not work as well as the law's criminal penalties. Filters "impose selective restrictions on speech at the receiving end, not universal restrictions at the source," Justice Kennedy wrote. The opinion, which was joined by

Paint + Frame = 1000 Euros  
Time Invested = 4000 Euros

Painting Price = 15000 Euros

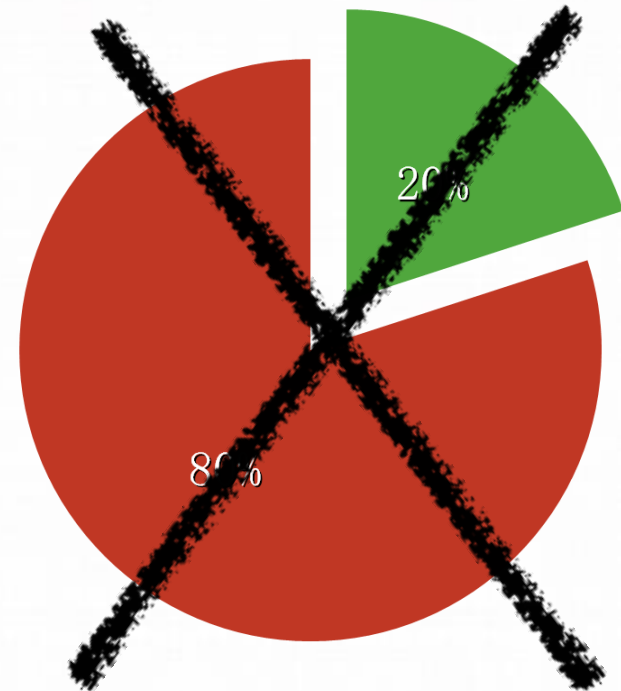
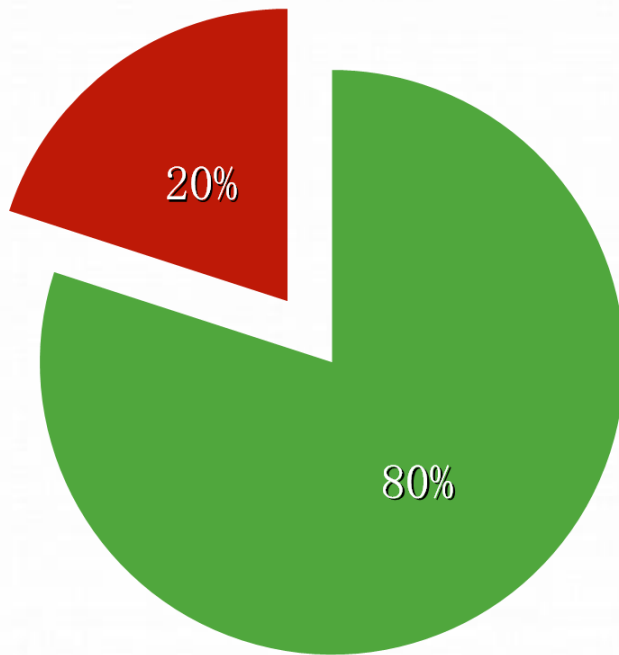
**Investor Wanted!**  
50% for 5000 Euros



After Risk Mitigation

Investment = ?

# Time Management



- Time to Get Investment
- Time to Reduce Risk

# 1

## Risk – Market

**B2C products - > reward crowdfunding**

**B2C can be transformed initially in B2B**

**B2B - Approve samples before production line is built**

**B2B – Get pre-orders or intentions**

**Find key sales managers in strategic markets, with direct access to market**

**Choose suppliers that can buy the final products**



FINDSTER

# 2

## Risk – Entrepreneur (Team)

**Add cofounder(s)**

**Hire Interim Manager**

**A Lead angel can become temporarily CEO, while founder can become CTO or COO**



# 3

## Risk – Legal

**Subcontract a due diligence**

**Hire an IP attorney with international experience to do the IP due diligence**

# 4

## Risk – Financial

Get written quotes from main suppliers

Reduce the level of investment (by splitting the investment)

Rent instead of buy (buildings, vehicles, machines...)

Extensively use buy back options for main equipments

Use SaaS solutions (e.g. search in [www.capterra.com](http://www.capterra.com))

Subcontract initially the production before investing hugely in a production line

Make agreements with main initial suppliers, transforming fixed cost in variable cost. Revenue sharing.

Receiving the payments from clients to secure orders

# 5

## Risk – Operational

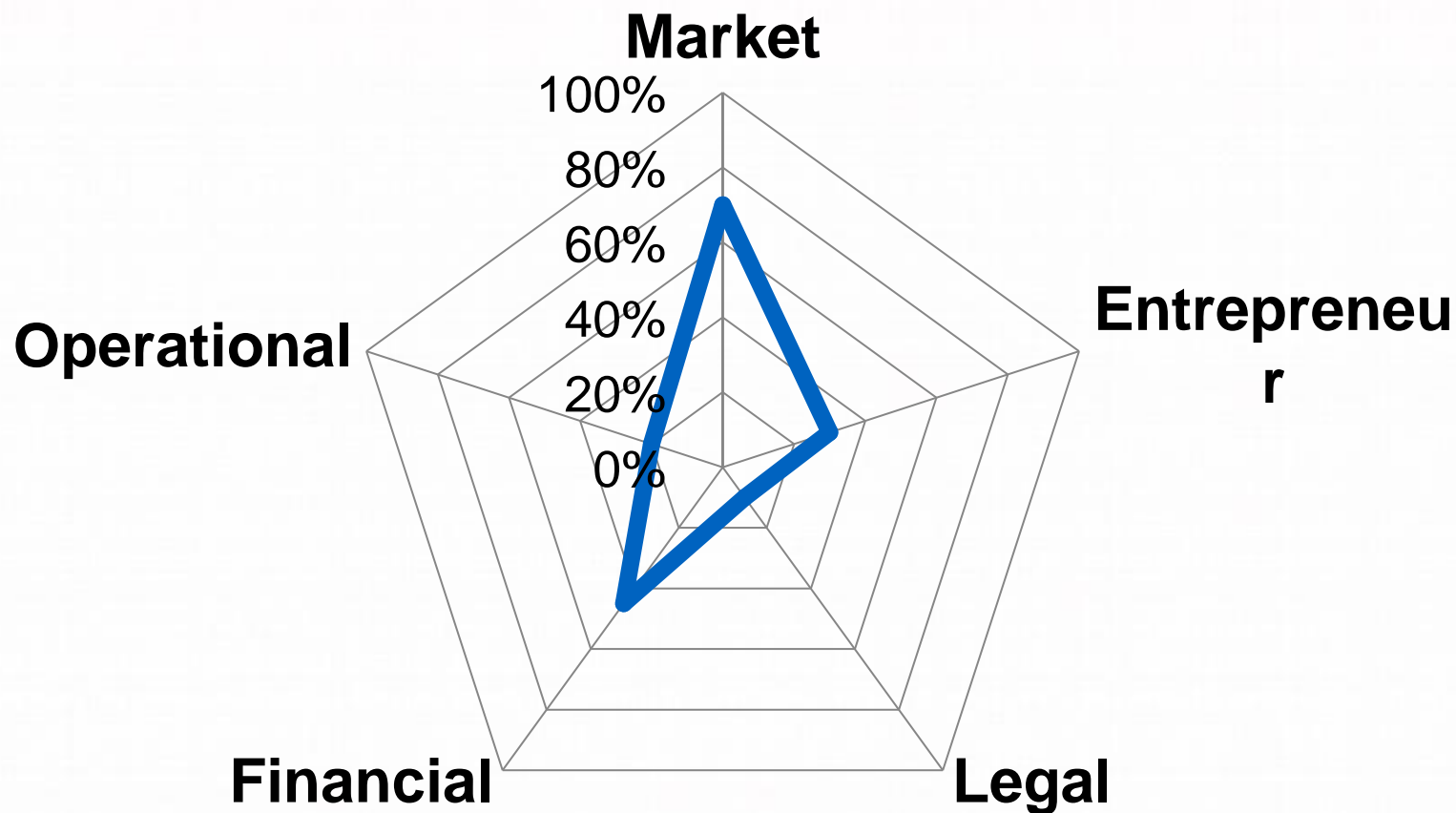
**Get written statements from reliable entities confirming that the product will perform as expected**

**Do not reinvent the wheel. Use standard pieces and equipments in the products. Reduces the risk of non performing units**

**Make a prototype using smart negotiations with suppliers and eventual partners in the region**



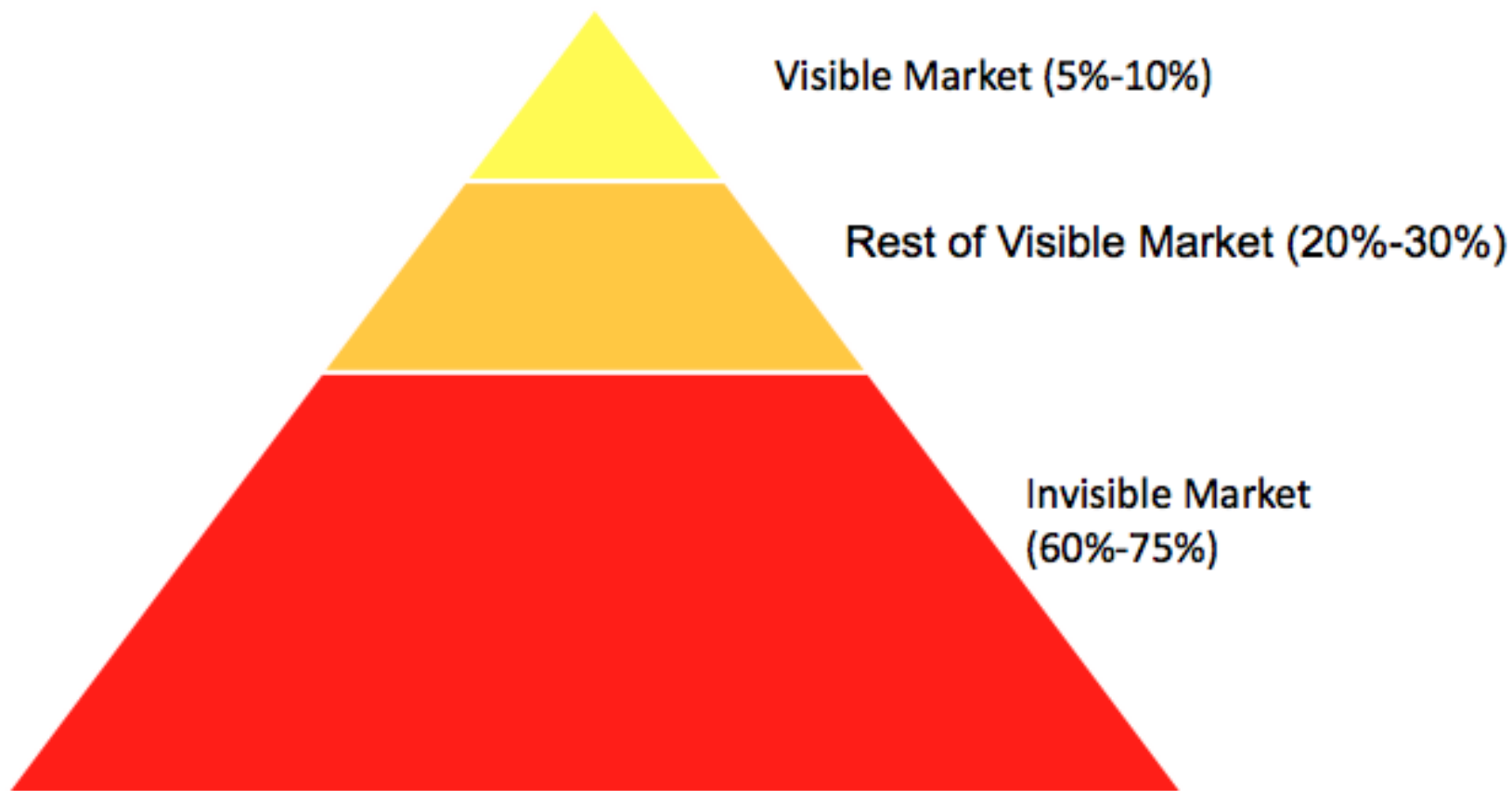
# Melfo Risk Radar



# Risk Mitigation Process (MELFO)

1. Identify the Key Risks
2. ERTA process
3. Give up or continue mitigation

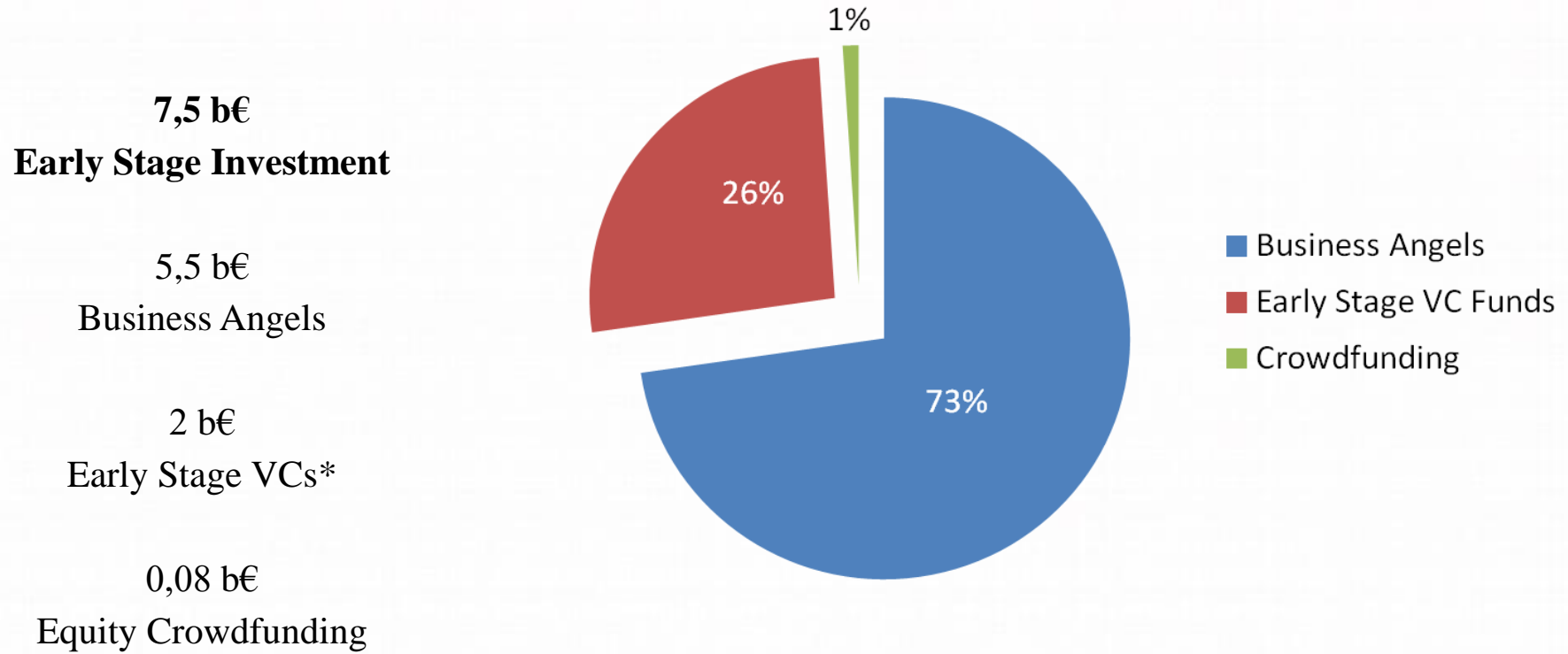
# Angel Market Size



Source: EBAN, ACA, OECD

Note: Visible Market is data related with BANs, Angel Groups

# Early Stage Market



Source: EBAN  
\*EVCA 2014

# Angel Market



	2011	2012	2013
Average Investment per company	181.400	174.833	165.787
Average Investment per BAN	1.041.616	1.107.081	1.184.378
Average Investment per BA	19.653	19.480	20.437

Source: EBAN 2014

# Angels do not sign NDAs in the first meeting

## Main reasons for not asking a NDA to be signed by Angels

- It is a bad start by telling the Angels that you do not trust them
- Angels see tens or hundreds of business plans per year so signing NDA's on all of them , would put the Angel out of the business in some weeks or months
- Some entrepreneurs like litigation and if they see an opportunity... So Angels are very careful about signing anything when they do not know the entrepreneur well
- In 99% of the cases, there is nothing to protect, which makes the situation a bit ridiculous and a reason for non investment



startup  
**investors**  
manifesto

***A brief guide to grow early stage investment***

*to €15 billion and generate 1.5 million new jobs by 2017*

# “7 Things you think you know about business angels” – 3 minutes video

*Watch in Youtube. Share it among your entrepreneurs.*





# Questions and Answers

