

ANGEL INVESTOR

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CAPITAL CARNIVAL

AS BRAZILIAN ANGEL INVESTMENT FLOURISHES

Cassio Spina takes us on a guided tour through the promising and dynamic Brazilian Angel Investment landscape.

CASSIO SPINA Founder and President, Anjos do Brasil

Despite Brazil suffering a political and economic crisis in the past several years, marked by the impeachment of a president and negative GDP, Angel Investment still keeps growing. 2016 saw the Brazilian Angel ecosystem break through the USD \$250m annual investment threshold by the hand of some 7,000 Angel Investors. Although still far behind the ecosystems of the USA and Europe, the progress is more than encouraging as compared to 2011, when total Angel Investment was measured at USD \$142m - representing a growth of over 75% in last 5 years. Cause for further optimism is that Brazilian Angel Investment is showing no signs of slowing, and promises to keep its pace for the years to come.

It is important to observe that this investment surge into startups in Brazil can be attributed to a combination of external and internal factors. On one side, the international expansion of the innovative entrepreneurship culture has noticeably influenced Brazilian entrepreneurs. Domestically, the last decade of strong economic growth has created a more capital flush environment for new companies, who

have further benefited from a push by many non-profit organisations to foster startups.

As part of this ecosystem, Anjos do Brasil has been promoting the creation of various Angel networks spread over Brazil, as well as educating entrepreneurs and investors alike

"Brazilian Angel Investment is showing no signs of slowing, and promises to keep its pace for the years to come."

to prepare them for doing business together. Anjos do Brasil has also been working with the Brazilian government and congress, co-operating to create policies that enable more investors and entrepreneurs to enter into the marketplace. Among the several notable milestones, a law was successfully passed effective 1 Jan 2017 that supports legal security for

Angel Investors, as well as preserving tax breaks for startups. While this is expected to continue to help grow the community, there remain important issues for attention, like the taxation of capital gains. Using references such as the United Kingdom's EIS and SEIS tax break policies, Anjos do Brasil is pushing the government to create similar incentives for further stimulating our economy, especially as it begins to recover from the crisis.

Brazilian government agencies such as Finep (A primary research finance agency) and BNDES (Brazil's development bank) have also created new programs focused on investment in startups. BNDES has already launched three investment funds, called Criatec 1, 2, & 3; and is in the process of launching a co-investment fund for Angel Investors which is expected to boost Angels' coverage. Finep has also launched a program for co-investment with Angels in startups, committing up to USD \$300,000 for eligible promising companies.

Turning attention to the startups themselves - the benefactors of Angel Investment - a handful of huge success stories have demanded attention. Taxi-

hailing app 99taxi is one such example, which recently received a USD \$200m investment from Chinese giant Didi and Japan's largest VC, Softbank. Nubank, a fintech startup has also received over USD \$100m from different Brazilian and American VCs. Some startups are already expanding to international markets. Movable, for example, with its wildly popular PlayKids app, has already established a USA subsidiary. In terms of sectors, many opportunities are arising in agritech, fintech, edtech and healthtech areas, where Brazil's 200 million strong population stimulates great ongoing demand.

Large corporations, seeing the rapid growth of Brazilian startups, have also sprung to action to create their corporate venture initiatives; ranging from basic activities like startup competitions and the funding of co-working spaces, to creating their own fully-fledged investment funds. Bradesco, for example, one of the top Brazilian private banks, has created four programs called inovaBra startups,

hub, ventures and habitat; and now is launching its international initiative establishing a USA branch for scouting the USA fintech market. Another example is Positivo Tecnologia, Brazil's largest tech manufacturer, which has started investing into startups from its own balance sheet. Included in the companies portfolio are some real success stories; including Hi Technologies - an innovative HealthTech startup.

With the rapid growth of the Brazilian startup ecosystem, opportunities for international collaboration with other Business Angel groups appear likely; both for catalysing the international expansion of Brazilian companies, as well as bringing foreign startups to the Brazilian market. Being aware that reaching international markets is a

hard task which demands intimate knowledge of local regulations, networks, and culture; the role of Angel Investors in foreign startups launching domestically is especially pivotal in as far as supporting not only with capital, but with experience and relationships. Further, the culture of investing for an exit continues to grow, with notable Brazilian startups - such as Netshoes - pioneering the previously uncharted waters of international IPOs.

Seeing as Brazil is so large geographically (making up almost an entire continent by itself), it has received immigration from almost all parts of the world. As a result, the country has many different cultural origins from one region to the next. In light of this eclectic, Brazilians are typically very receptive to international partners. That being said, it is important to understand that being local in each region is vital. As such, Anjo do Brasil has driven the creation of different Angel groups spread around all parts of the culturally diverse country, better tailoring investor experience to startup needs.

In 2018, you can expect Brazilian Angel Investment and its entrepreneurial ecosystem to continue to expand rapidly. Thereafter, the upcoming 2019 presidential election holds the promise of a refreshed political model, which is expected to sustain further innovation-driven economic growth for the country. ■



BRAZIL



Cassio A. Spina

WBAF High Commissioner Brazil



Cassio Spina graduated from the Escola Politécnica of the University of São Paulo, having studied Electronics Engineering. Cassio was an entrepreneur for 25 years in the tech sector and currently is a Mergers & Acquisitions and Corporate Venture advisor, Angel Investor, and corporate board member. Cassio is the Founder of Altviva Ventures, as well as Anjos do Brasil - a nonprofit organization with a mandate to foster and develop Brazilian Angel Investment. He is also a columnist and contributor to several major publications, an Endeavor Mentor and author of the book "Angel-Investor - A Practical Guide for Entrepreneurs and Investors".

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BRAZIL

Quick facts

OVERVIEW

Population	208 million
GDP per capita	USD 8,650
Active Angel Investors	7000 (approx)
Capital City	Brasilia

INVESTMENT INCENTIVES

- Existing tax incentives for BA investment
- Alternative Business Angel incentives
- Existing tax incentives for VC funds

What incentives does Brazil have for Business Angel investment?
Recently a bill was approved to protect Angel Investors from any liabilities the invested startup may have.

What is Brazil's biggest local Angel Investment success story?
We have some very successful Angel-funded companies, like Buscapé, which exited for over USD \$370 million.

What is your advice for Business Angels visiting Brazil?
Get in contact with all agents of the startup ecosystem.

What are your top tips for startups seeking Angel investment?
Know your market very well. Get to know the Angels before pitching to them. Know your audience. Be humble.

In 2018, what are you most looking forward to for Brazil when it comes to Angel Investing?
Angel Investment tax incentives.

What is your main goal as WBAF High Commissioner to achieve in Brazil?
To spread the entrepreneurial spirit. 🇧🇷