

**HALO PHASE IV EVALUATION
EVALUATION - FINAL**



Cogent Management Consulting LLP

24th March 2016

HALO PHASE IV EVALUATION

EVALUATION

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List of Abbreviations

Abbreviation	Definition
BCC	Board Casework Committee
CFD	Corporate Finance Division
EAM	Economic Appraisal Methodology
ERNI	Employers National Insurance Contributions
EIS	Enterprise Investment Scheme
FCA	Financial Conduct Authority
FSMA	Financial Services and Market Act
FTE	Full Time Employees
GB	Great Britain
GVA	Gross Value Added
HBAN	Halo Business Angel Network
HM	Her Majesty's
HMT's	Her Majesty's Treasury
Invest NI	Invest Northern Ireland
MoU	Memorandum of Understanding
NI	Northern Ireland
NIGEAE	Northern Ireland Guide to Expenditure Appraisal and Evaluation
NISP	Northern Ireland Science Park
SMART	Specific, Measurable, Achievable, Realistic and Time-bound
SMEs	Small and Medium Sized Enterprises
UK	United Kingdom

EXECUTIVE SUMMARY

Introduction

Invest NI has commissioned Cogent Management Consulting LLP ('Cogent' or the Evaluation Team) to undertake an independent interim evaluation of the Halo Programme, covering the period 1st May 2011 to 30th November 2015.

The evaluation has been undertaken in line with national and regional requirements. It is compliant with Central Government guidance including:

- “The Green Book: Appraisal and Evaluation in Central Government”, HM Treasury 2003;
- “The Northern Ireland Guide to Expenditure Appraisal and Evaluation (NIGEAE), Current Edition”, Department of Finance and Personnel;
- “The Magenta Book: Guidance for Evaluation”; and
- Invest NI Economic Appraisal Methodology (EAM) guidance.

Strategic Context and Rationale

At the time of Halo's approval there was a need for Government to provide support to facilitate the development and growth of the NI business angel network which was recognised to be underdeveloped relative to the rest of the UK in terms of Business Angel activity;

Specifically, there was a gap in the continuum of the supply of finance for deals up to £2m for start-up and early growth businesses. This gap had arisen due to (amongst other things) key structural market failures (including asymmetric information, risk aversion and market power), the downturn in the economy which affected the availability of finance and structural issues associated with the NI Economy; and

There was (at the time of approval), and continues to be, clear alignment between the aims and objectives of Halo and the strategic imperatives of the NI Government (including with DETI and Invest NI's Corporate Plans and the Invest NI Access to Finance Strategy). Specifically, in line with Government's strategic focus, the research indicates that the activities supported by Halo have helped to “*eliminate the real and perceived barriers to growth*” and encouraged the growth of the private sector.

Operation and Delivery

It was the view of consultees, and shared by the Evaluation Team, that the model of support being employed by Halo to foster the supply of finance to start-up and early stage businesses/entrepreneurs is, on the whole, appropriate and has been well managed and delivered by the NISP Halo management team.

This view is supported by feedback from business angels and entrepreneurs/businesses that received support from Halo during the period under review, who suggested that (amongst other things):

- Halo is playing an effective role in both selecting suitable entrepreneurs/businesses to 'pitch' to business angels for equity investment and ensuring that those selected to pitch are appropriately prepared and up-skilled to do so;
- The current format of the investment meetings (i.e. dinner, pitch presentation and post-pitch meetings/networking) is appropriate to facilitate the 'matching process' between investors and investees;
- Halo is providing an effective forum to facilitate business angel networking and the delivery of business angel 'masterclasses' (by an experienced angel investor) to enhance the investment knowledge and expertise of business angel investors; and
- Halo is an effective conduit for channelling equity investment to SMEs at different stages of their development.

The total direct cost of facilitating Halo's operational activities during Phase IV (to November 2015) was £1,127,048, circa 9% less than anticipated. The inclusion of programme administration costs (in terms of Invest NI staff costs and external evaluation costs) indicates that the full economic cost of delivering Halo (to November 2015) was £1.19m.

Performance and Impact

Reflecting stakeholders' high levels of satisfaction with the Halo delivery model that has been implemented, Halo has largely delivered against its remit during the period under review. That is to say; it has provided a forum whereby businesses can pitch their propositions to business angels to receive equity finance and, in many cases, expertise. The model of delivery has been underpinned by high quality educational and skills development support which, as evidenced by the calculated levels of additionality (66% reported by business angels and 62% reported by businesses), contributed to both stakeholders achieving their motives for participation. Our benchmarking research, coupled with feedback from key consultees, suggests that NISP has been undertaking appropriate activities to develop the NI business angel market and any future appointed EDO should be encouraged to maintain the positive work that has been undertaken in each of these areas.

A longitudinal analysis indicates that the levels of annual investment channelled through Halo have significantly increased from previous phases. During the period under review, £7.63m of business angel investment was made in 41 unique NI-based businesses through 56 deals. Based on the feedback from businesses and business angels circa £4.8m of this investment is directly attributable to the support that was provided by Halo. The calculated levels of net additional investment, and feedback from the majority of business which indicates that they would not have been able to get support elsewhere, indicates that Halo has played an important role in promoting a continuum of funds and creating a deal flow chain for deals up to £2m for start-up and early growth businesses. The calculated levels of additionality and ongoing evidence of market failure suggests the continued presence of a gap in the continuum of finance at these investment levels.

The overall level of investment and number of deals were substantially higher (46% and 24% more respectively) than anticipated at the outset. Whilst the levels of investment should be viewed positively, given the extent to which the established targets were achieved, future targets will need to reflect an enhanced level of ambition for any further phase of the programme.

Notwithstanding the levels of investment achieved, the Network continues to be dominated by business angels making investment on an individual basis with limited progress being made towards the creation of an umbrella organisation where the investing 'engine' is a series of angel group/syndicates. This in turn, has limited the practical implementation of the capital efficiency model. Whilst our benchmarking analysis indicates that the creation of such an umbrella organisation can take considerable period of time, cannot be forced and is highly dependent on the maturity of the wider ecosystem, the research suggests that actions can be taken to foster an environment which encourages the development of these groups or syndicates including providing favourable tax regimes, access to co-investment and support toward the costs of facilitating a syndicate. Whilst progress has been made in a number of these areas, continued focus needs to be placed on creating an environment whereby angel syndicates can develop.

Whilst caution should be taken in relation to any assessment of the impact that Halo has had on generating outcomes and impacts at this stage, the research indicates that Halo may have directly:

- Contributed £1.4m in net additional GVA to the NI economy
- Created 44 FTE jobs, 40 of which had salaries in excess of the private sector median; and
- Safeguarded 26 FTE jobs.

Businesses indicated that in addition to these monetary impacts noted above, they had derived a number of other benefits as a result of the initial investment and/or expertise provided by the Halo Business Angel with most frequently cited including increased access to business networks/ contact and, importantly, an increased chance of business survival.

Encouragingly, the feedback indicates that, since receiving investment, the majority of businesses have successfully progressed along the development pipeline. This is best evidenced by the decreasing proportion of businesses at the pre-market ready stages and the increasing proportion of business that are now trading (including those that are now trading in external and/or export markets).

In addition to the aforementioned benefits, the analysis suggests that the support provided through Halo has contributed to delivering a number of wider (e.g. knowledge transfer, skills development, entrepreneurship etc.) and regional benefits (degree of R&D being injected and innovative nature of the project) to the NI economy.

The research suggests that whilst Halo has made positive progress in developing the business angel ecosystem in NI, the region continues to lag behind other regions in terms of its level of maturity. Given the ongoing evidence of market failure, in our view, further public sector support will be required to continue the work undertaken to develop the 'visible' business angel market and encourage more formal engagement from the 'invisible' business angel market.

Notwithstanding business angels' reported optimism in relation to the potential of deriving a positive return-on- investment from their respective investments, we note that the historic number of exits from business that derived investment through Halo is low, with only 1 exit achieved to date.

Whilst noting the importance of business angel funding as a source of growth finance for start-up and early stage businesses, it is well documented that angel investment is high risk and the number of exits achieved will be dependent on a variety of interrelated factors within the broader ecosystem including the strength of the propositions coming forward, market conditions, levels of competition and the availability of additional support to facilitate growth. Notwithstanding this, depending on the relative weighting of their motives for making investments, it is clear that a risk continues to exist that NI business angels become disillusioned with making investments in the event that they do not make a positive return on investment (or, at a minimum, get their money back out of the propositions that they are investing in). Whilst ongoing educational activities with investors and investees are likely to help in this regard, additional time is likely to be required to develop the maturity of the business angel ecosystem in terms of the number of exits and promote a cultural/attitudinal change amongst stakeholders.

Return-on-investment and Value-for-money

The level of net additional GVA (i.e. £1,423,279) indicates that return on investment was:

- £1:£1.77 based on the costs to Invest NI; or
- £1:£1.19 when examined on a full economic cost basis.

However, it is the Evaluation Team's view that a fully informed assessment of the monetary impact delivered by Halo can only be undertaken in the medium to longer term. This assertion is based on the fact that it is widely recognised that there is a time-lag (which can amount to years) between businesses receiving business angel investment and the subsequent realisation of outcomes and impacts.

This should not, however, detract from the significant benefits that have been delivered by Halo during the period under review, in terms of fostering private sector investment in start-up and early growth high-potential businesses/entrepreneurs, as well as the significant wider and regional benefits that have been generated. In short, the Evaluation Team is content that Halo successfully delivered upon its remit during the period under review.

Based on all available evidence, the Evaluation Team concludes that Halo has delivered VFM during the period under review.

Recommendations

1. Invest NI should continue to support the development of business angel activity within NI. In doing so, Invest NI should ensure that all relevant approvals are obtained in a timely manner.
2. Whilst noting that the current EDO has established strong linkages with the business angel community and considerable experience and expertise in fostering business angel investment, by way of maximising the economy measure of VFM, consideration should be given to engaging in an open procurement exercise for the appointment of a suitably qualified EDO to deliver any future phase of Halo. Given the potential time period involved in undertaking an open procurement exercise, by way of avoiding any regression in the development of the ‘visible’ business angel market, Invest NI should ensure that there is no break in current provision.
3. Any future EDO should be encouraged to build upon the positive strategic work delivered during Phase IV of Halo. In particular, any future open procurement exercise should require potential EDOs to illustrate their proposed approach to (amongst other things and at a minimum):
 - Supporting the transition from a classic network structure towards an umbrella organisation. In doing so, this should include articulating the processes that would be implemented to creating sustainable angel groups/syndicates;
 - Embedding the capital efficiency model;
 - Increasing the levels and standards of angel investing through (at a minimum):
 - The provision of educational and skills development support to investors (e.g. on the role of syndication) and investees (e.g. to aid their understanding of how equity finance works and the common reasons as to why business propositions fail to gain investment);
 - Engagement with complementary initiatives (e.g. NI Co-Fund, crowdfunding platforms) and organisations with the wider ecosystem (including with other angel groups such as HBAN); and
 - Expanding the business angel cohort both within and outside NI.
 - Increasing engagement with the ‘invisible’ side of the angel market. This should include demonstrating the proposed approach to working with intermediaries and very high net worth individuals.
4. Linked to Recommendation 3, Invest NI should seek opportunities to further embed Halo/the NI business angel market within its Access to Finance initiatives that require private sector match funding (e.g. the NI Co-Fund) and seek to stimulate investment in early stage high growth potential businesses (e.g. those businesses supported through the NI Seed Accelerator and Propel).
5. All future SMART targets should be developed taking cognisance of the achievements of the Network during Phase IV. Of particular note, more challenging targets should be set in relation to the levels of business angel investment to be delivered.
6. A longitudinal approach should be taken to evaluating the longer term impact of the activities delivered by Halo. This will require future evaluations to revisit previous phases of the Programme to ascertain the impact that has been derived.
7. Whilst recognising the tax and currency differences are likely to act as a barrier to cross-border business angel investment between NI and ROI, opportunities to increase engagement between Halo and HBAN (and vice versa) should be explored. This may include: better co-branding and marketing, better sharing of resources and, importantly, support in marketing investment propositions within the opposing jurisdiction.

8. Invest NI should review the procedures that have been put in place to monitor the total actual costs incurred (by key cost categories) and income/in-kind contributions derived against those anticipated at the outset.
9. In the event that the amendments to the Halo delivery model are fully embedded by the EDO responsible for any future phase of Halo, the impact of the new model should be robustly monitored by the EDO and Invest NI on an ongoing basis and assessed (in terms of its operational effectiveness) as part of all future external evaluations of the Programme.
10. By way of measuring the impact of Halo investment in leveraging any follow-on investment (i.e. the causal relationship), consideration should be given to monitoring the:
 - The timing of the investment made by the public and private sector sources relative to the timing made by the Halo investment; and
 - The size of the Halo investment as a proportion of the total investment made in a given businesses as part of any given funding round.
11. Invest NI should consider the merits and demerits of removing investor readiness from these initiatives (including Halo) and delivering a standalone investor readiness programme which businesses could avail of, as and when required. In doing so, consideration should be given to the logistical arrangements that would need to be embedded within the wider ecosystem and the potential impact of the change on the ongoing operational effectiveness of these programmes and their associated ability to address businesses' needs.
12. In the event that NISP is appointed to deliver any future phase of Halo (or any extension to the current phase), the effectiveness of new model of delivery (involving the dissemination of weekly pitching briefs) currently being embedded should be closely monitored and evaluated in a timely manner.

1. INTRODUCTION AND BACKGROUND

1.1 Introduction

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- "The Magenta Book: Guidance for Evaluation"; and
- Invest NI Economic Appraisal Methodology (EAM) guidance.

1.2 Halo NI

1.2.1 Overview and Background

A significant body of research exists which suggests that there is a recognised gap in the continuum of the supply of equity and debt finance for start-ups and early growth businesses. The research suggests that this gap has emerged due to a combination of structural market failures relating to the demand for, and supply of, finance¹.

Business Angels - high net-worth individuals who invest (either individually or with other angels as part of 'syndicate') in an entrepreneur/business and provide ongoing advice and expertise - have long been recognised as playing an important role in addressing the aforementioned gap in the finance ecosystem.

Over the last three decades, Business Angel networks have emerged to facilitate the investment process by providing a forum which brings together the high-potential early stage businesses and business angels.

Northern Ireland's Business Angel network Halo NI (hereafter 'Halo') was established in 2004 and seeks to "*create a strong business angel network, investing in NI based companies; with the active involvement of a strong community of motivated high net worth individuals*".

1.2.2 Development of Halo

Halo was established in March 2004 as a two year pilot (Phase I) by Investment Belfast Limited with financial support from Invest NI, InterTradeIreland and the Northern Ireland Bankers Association.

A second phase (Phase II) of Halo was supported by the aforementioned organisations between March 2006 and February 2008. During this time (March 2007), Investment Belfast Limited ceased trading and the Halo programme moved into the management of the Northern Ireland Science Park (NISIP) who agreed to manage the programme until February 2008. This was subsequently extended to July 2008 pending a decision on whether or not Invest NI and InterTradeIreland would continue to fund the network's costs.

¹ See Section 2 for further details.

Funded by Invest NI and InterTradeIreland, the third phase (Phase III) of Halo ran from May 2009 to April 2011 and continued to be managed by the NISP. Invest NI is now the sole funder of the current Phase (Phase IV) which commenced in May 2011 (initially as a three year intervention) and was extended for a further 2 years in April 2014 to April 2016.

Table 1.1: Overview of the development of Halo				
Phase	Start date	End date	Manager	Funder(s)
I	2004	2006	Investment Belfast	Invest NI, NI Bankers Association, InterTradeIreland
II	2006	2008	NISP	Invest NI, NI Bankers Association, InterTradeIreland
III	1 st May 2009	30 Apr 2011	NISP	Invest NI, InterTradeIreland
IV (and Phase IV extension)	1 st May 2011	30 Apr 2014	NISP	Invest NI
	1 st May 2014	30 Apr 2016		

Whilst Invest NI is the sole public funder of Halo Phase IV, the brand and assets of Halo jointly belong to Invest NI and InterTradeIreland. These are licensed to the Halo Programme manager (NISP) for the duration of the current phase.

1.2.3 Halo Manager

Since 2008 (Phase II) Halo has been managed by the Northern Ireland Science Park (NISP). With campuses in Belfast and Derry/Londonderry, NISP is a peer-driven network providing focus and support for knowledge-based entrepreneurs, investors and global corporations through the provision of incubation space, the NISP CONNECT suite of programmes and Halo. Currently 3 members of NISP staff (Director, manager and administrative assistant) are engaged on a full time basis with HALO with other staff, notably a marketing person, contributing on a part-time basis.

1.2.4 Model of operation – Facilitation of Halo Events

Halo’s operation centres on a series of bi-monthly investment events at which entrepreneurs/businesses are provided with the opportunity to ‘pitch’ investment opportunities to prospective business angel investors. An overview of the model of delivering these events is provided below with further detail provided in the succeeding paragraphs:

Figure 1.1: The Halo Event process



Stage 1: Entrepreneur/business selection

The selection process commences with entrepreneurs/businesses completing an on-line Short Application form which enables Halo to make an initial assessment of whether the business is both eligible and ‘investment ready’ in terms of having:

- An idea with potential;
- A credible market in mind;
- Some of the key staff in position or lined up ready to join;
- A believable business model;
- Projections which show significant potential;
- A credible exit strategy e.g. a trade sale of the business; and
- Ideally being suited to the Enterprise Investment Scheme (EIS) or Seed EIS tax scheme which is very attractive to angel investors.

In addition, the company:

- Must have a significant presence in NI; and
- Must not be dealing in property or land or be involved in core retail activity (e.g. shops).

All other types of company are potentially eligible and there is no sectoral targeting.

Entrepreneurs/businesses that are deemed to fit the above criteria² are then invited to fill in a Full Application Form, which provides further details of the business proposition, some of which will ultimately be shared with the business angels³. Based on the growth potential of the proposition and the likelihood of gaining funding from the Halo Angel Group, typically six businesses are selected to pitch (with up to three shorter 'mini-pitches' added to this).

Entrepreneur/business preparation

Once selected to pitch the entrepreneurs/businesses engage in a pitch preparation stage where they are typically required to:

- Update their application form;
- Attend a Halo training day to prepare them to pitch to the business angels. More specifically, the training provides example (real) pitches, information on the format of the Halo event and the angel audience and support to enhance their presentation skills;
- Prepare a 12 slide 'pitch' presentation based on a standard format provided by Halo, who then critique the slides and remove unnecessary information (typically this will occur over three iterations);
- Undertake a rehearsal of the presentation with Halo staff at least one week before the event. It is not unusual for companies to be made to repeat this rehearsal until they are deemed to be ready to pitch at the Halo event; and
- Where required, entrepreneurs/businesses video-record their full pitch for the website (in cases where only a mini pitch is being given).

Event facilitation

Meetings are usually held in the NISP and are facilitated by the Halo Project Director to optimise the opportunities for interaction between entrepreneurs and investors. With a view to encouraging higher attendance levels, no information about the pitching business/entrepreneur is provided to the Angels in advance of the event.

The event commences with dinner at tables where angels and companies are mixed. All attendees have colour-coded badges which allows for instant recognition of those who might invest. This affords angels the opportunity to ask informal questions and to establish their own interest in investing. Each presentation follows a predetermined format and has a strictly limited (fifteen minute) time slot within which to present. Shorter, five minute 'mini pitches' are also utilised. The presentations are also videoed and uploaded onto the secure investor area of the Halo website to facilitate access for those business angels who are unable to attend. Halo contacts angels who were unable to attend and prompts them to view pitches that may be of interest.

² Halo notes that common reasons for entrepreneurs/businesses being turned down at the Short Application stage typically includes the business not being based in NI and/or the investment opportunity not having sufficient growth potential and/or the investment opportunity not being sufficiently developed.

³ During consultation, Halo confirmed that 25-40 Short Application forms will typically be submitted with 15-20 of these asked to complete the Full Application form. The application window closes one month before each Halo event.

No question and answer (Q&A) sessions are included. Instead, angels are strongly encouraged to visit the tables of the pitching companies and to ask their questions directly.

All pitching entrepreneurs remain present throughout the event and hence get to see the pitches of the other companies. The final session after all of the pitches allows the angels to visit the tables of all of the companies and is when most potential business relationships are started.

Post event

On the night, the reaction from angels on each company is received via feedback forms and this allows angels to indicate who they are interested in following up. From this, Halo is able to co-ordinate those interested with that particular entrepreneur/business via email. Halo will also provide a web tool that will allow the company and the investors to arrange the best time to hold a group meeting. Some investors will be unable to make it to this meeting, so it is the responsibility of the entrepreneur/business to ensure that the investor is kept up to date and a meeting arranged individually.

The meeting will usually be facilitated in the Science Park, although the company is free to hold it at their own premises. At these meetings the entrepreneur/business can go into additional detail not permitted by the 15-minute limit on the pitch, such as discussing their Business Plan, company accounts and projected growth. Importantly, as Halo is exempt from the provisions of the Financial Services and Markets Act 2000, and is not regulated by the Financial Conduct Authority (FCA), it cannot provide investment advice or provide due diligence support to investors.

1.2.5 Model of operation – Other Halo activities

Whilst the facilitation and delivery of events is the key focus of Halo, the network seeks to engage in a range of other activities that seek to foster the investment process. Other key activities delivered by the Network include (but are not limited to):

- Creating new groups of angels or ‘syndicates’ which allow business angels to spread their monetary risk whilst also increasing the level of knowledge and experience that can be applied to the entrepreneur/business;
- Facilitating non-investment meetings to facilitate business angel networking and the delivery of business angel ‘masterclasses’ (by an experienced angel investor) to enhance the investment knowledge and expertise of less experienced investors;
- Administering centralised funds such as the Halo Business Angel Enterprise Investment Scheme (EIS) Fund. These funds are discussed in greater detail in Section 3;
- Partnering and relationship building with external angel groups (both North/South and East/West);
- Developing partnerships with other non-angel groups where relevant; and
- Research and collection of data on NI angels to inform regional government.

Whilst not implemented during the period under review, with the agreement of Invest NI, NISP intends to streamline the delivery Halo during the final six months of the current delivery phase. Details of the anticipated changes are outlined in Section 3.

1.3 Programme Approval

The period under review (May 2011 to April 2016) was approved in two stages; firstly for a 3 year period ended 30 April 2014 on the basis of a Business Plan submitted by NISP in 2011 and secondly for a 2 year period ending 30 April 2016 on the basis of Business Plan submitted in 2013. Both plans were appraised and the subsequent casework submissions were approved by the appropriate Casework Committee in April 2011 and April 2014.

1.3.1 SMART Targets

As detailed in Table 1.2 below, the 2011 Economic Appraisal identified 14 SMART targets for Halo over a three year period.

Target	2011/12	2012/13	2013/14	2014/15	2015/16
Angel investment	£1.125m	£1.15m	£1.2m	£1.2m	£1.3m
Deals	10	10	10	10	11
Leveraged investment	£2.25m	£2.3m	£2.4m	£1.2m	£1.3m
EIS ⁴ or other angel Fund	1	1	1	1	1
Funds raised in the EIS Fund	£250k	£250k	£250k	£150k	£150k
Deals invested by the Fund	4	4	4	-	-
Angel members of Halo	150	175	200	-	-
% Angels outside NI	-	-	-	15%	15%
Meetings with pitching companies	60	60	60	-	-
Halo investment meetings	5	5	5	-	-
Investment meetings outside Belfast	1	1	1	-	-
Companies pitching (incl. virtual)	30	30	30	30	32
Angel networking events	5	5	5	-	-
PR articles or broadcasts	20	20	20	-	-
New syndicates formed	1	1	1	1	1

The progress made towards the achievement of these targets for the first two years is detailed in Section 3.

1.3.2 Programme funding

It was envisaged that the total cost of delivery Halo over the three year period would be c. £1.3m (£747k for the first three years and a further £585k for the two year extension period). It was anticipated that the operational costs would be supported by a mixture of financial support from Invest NI, NISP and other income (e.g. from business angels).

Further information on the proposed and actual costs incurred during the period under review is detailed in Section 7.

1.4 Invest NI's Requirements

Invest NI requires an evaluation of Halo Phase IV covering the period 1st May 2011 to April 2016. The overall evaluation objectives are to:

- Set out the objectives of the intervention and assess the extent to which it is meeting its stated objectives and all associated targets;
- Assess the appropriateness of the intervention's delivery model and the effectiveness of the intervention's management and operating structures;
- Compare the support offered by the intervention against equivalent services available to businesses in the UK, EU and other similar regions, identifying, where appropriate, potential service options for consideration going forward. To benchmark the management, performance and impact of the intervention against appropriate comparators.
- Review progress against the action plan relating to the recommendations arising from the previous evaluation;
- Assess the inputs, outputs, outcomes and impacts associated with the intervention, to include a detailed assessment of the overall economic and wider impacts;

⁴ Enterprise Investment Scheme - a Fund consisting of monies introduced by individual Angels administered by NISP and managed by a suitably qualified individual. The Fund invests in a number of companies and therefore any Angel investing in the Fund, has their investment effectively spread over a number of businesses.

- Identify the internal and external factors which have impacted upon the performance of the intervention either positively or negatively, within the period;
- Determine the Return on Investment associated with the intervention, clearly identifying actual and anticipated values;
- Assess the economy, efficiency and effectiveness with which public funds have been used on the intervention;
- Assess the extent to which the intervention represents good Value For Money (VFM) and appropriate use of public funds across the full spectrum of relevant VFM indicators;
- Present a succinct set of conclusions from the evaluation, taking account of all of the evidence gathered during the assignment;
- Consider the merits of Invest NI continuing to fund the intervention, including an assessment of whether the strategic context remains valid and if need and demand still exist taking into account other publicly (Invest NI and other) available services; and
- If this assessment is positive, to identify recommendations. The recommendations should be numbered and concisely worded and be Specific, Measurable, Achievable, Relevant and Time-Bound (SMART) where possible/relevant.

1.5 Methodology

In conducting the evaluation, Cogent employed a methodology that included:

- A robust desk-based analysis of pertinent materials relating to Halo during the period under review;
- Development of primary research tools to be used with Business Angels and investees⁵;
- Consultation with the Steering Group that was established for the evaluation. This included representation from Invest NI’s Corporate Finance and Economics teams;
- Consultation with key stakeholders involved in supporting the delivery of early stage finance to businesses and entrepreneurs. A list of consultees engaged in the primary research in provided is Appendix I;
- Distribution of an electronic survey to 130 registered Halo Business Angels. 49 business angel responses were received providing a confidence level of +/- 11.43%.

Table 1.3: Overview of Business Angels taking part in the primary research			
No. of Halo Angels	No. of Angel responses	Response rates	Confidence Interval
145	49	34%	+/-11.43%

- A telephone survey with 26 investees/businesses that ‘pitched’ to Business Angels during the period review and received investment;
- A telephone survey with 56 investees/businesses that ‘pitched’ to Business Angels during the period under review but did not receive investment at any stage during Phase IV;
- A summary of the number of businesses engaging in the primary research (and the associated confidence intervals) is provided in Table 1.5 below.

Table 1.4: Overview of businesses taking part in the primary research					
Programme Phase	No. of businesses receiving investment	Numbers of business contact details provided by Halo	No. of businesses providing feedback	% of potential businesses engaged in primary research	Confidence Interval
Phase IV - Investment	41	41	26	63%	+/- 11.77
Phase IV - Pitch Only	101	81	56	69%	+/- 8.78
Phase IV total	142	112	82	73%	+/- 7.06

⁵ The content and format of these primary research tools were agreed in conjunction with Invest NI and Halo.

2. STRATEGIC CONTEXT & RATIONALE

2.1 Introduction

In-line with Invest NI's TOR, Section 2 provides a high-level summary of the rationale that was approved for supporting Phase IV of Halo, as well reviewing the strategic context under which the current phase operates.

2.2 Investment Rationale

The Evaluation Team's review of the 2011 Economic Appraisal for Halo Phase IV funding, the Casework papers relating to the extension to Phase IV and other existing research suggests that a number of factors combined to provide a strong rationale for Government intervention. These included:

- **The existence of the 'Debt and Equity Gap'** - A significant body of research⁶ existed which suggested that there was a recognised gap in the continuum of the supply of finance (typically for deals up to £2m) for start-up and early growth businesses during the investment period of Nitech. The research suggested that a number of market failure and non-market failure factors combined in relation to the demand for, and supply of, finance to create the debt and equity gap. These included:
 - **Structural market failures on the supply and demand side** - Research suggested that the existence of asymmetric information on the supply and demand side had (and continues to have) contributed to creating the finance gap (both in debt and equity terms);

Supply side

On the supply side, a structural market failure exists in the provision of debt finance to SMEs due to asymmetric information between the lender and the business. It is difficult for the lender to distinguish between high and low risk entrepreneurs without incurring significant costs. To avoid the costs associated with gathering this information, lenders often require borrowers to provide evidence of a financial track record and/or collateral as security for the finance. Therefore, a market failure exists because the financial institution's decision to lend is based on collateral and track record, rather than the economic viability of the business. This means, some young businesses with viable business propositions that lack a track record or collateral are prevented from raising the finance they need.

Lenders aversion to providing capital to fledgling entrepreneurs and businesses was, and continues to be, exacerbated by the economic downturn which has significantly reduced financial lending. However, research by the ACCA/CBI⁷ suggests that *"as the recovery gets underway it is creating a need for working capital and thus a great deal of latent demand for finance. Only a small part of this, however, translates into actual requests for new funds. One reason for this is discouraged demand – the perception that banks and other providers will simply not lend is forcing SMEs to abandon their financing plans and instead tap their suppliers, their customers, or even friends and family, for finance."*

It is widely recognised that an 'equity gap' also exists in the provision of modest amounts of equity finance to individuals and SMEs. This is also due to asymmetric information between the investor and the business on the likely viability and profitability of the business. Assessing

⁶ For example, see 'Bridging the Finance Gap', HM Treasury (2003), 'SME Financing Gap', Joint European Resources for Micro to Medium Enterprises (April 2008), 'The Supply of Equity Finance for SMEs: Revisiting the equity gap', SQW for BIS (2009) and SME Access to External Finance (BIS Economics Paper No. 16 (2012)).

⁷ Small business finance and the recovery; results of the 2010 SME credit and finance surveys, ACCA and CBI 2010

the quality of SME proposals and associated risks is difficult and leads to the investor to incur transaction costs of undertaking due diligence. These transaction costs are generally fixed and do not vary greatly with the size of investment. For instance, due diligence costs are typically between £20k and £50k. They are therefore higher as a proportion of the investment deal size for smaller investments, and for a small investment in a technically complex company, the costs can easily account for 10% or more of the investment. This results in a structural gap in the market where investors and risk capital fund managers focus on fewer, larger investments in more established (lower risk) businesses at the expense of early stage venture capital. This leaves potentially viable businesses with growth potential not being able to obtain equity finance given their relatively small deal size.

In addition to the above, investors (especially those from outside NI) may not be aware of the potential investments that exist in a small peripheral market such as NI due to the historic lack of investment activity and their lack of knowledge of the NI market (i.e. asymmetric information).

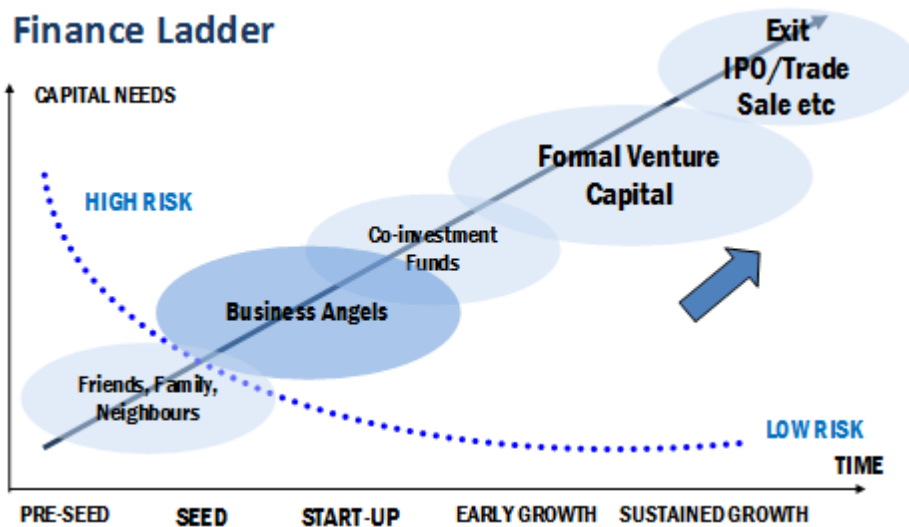
Demand side

In addition, research suggests that there are asymmetric information market failures affecting the demand side for businesses seeking finance. Individuals or SMEs may not fully understand the potential benefits to their business of raising finance or their likely chance of success in gaining finance, which ultimately means they do not apply which may, in turn, restrict the growth of businesses. Business owners can also lack knowledge of funding sources available or lack the skills to present themselves as investable opportunities to investors, which combine with problems on the supply-side. It is suggested that demand side market failures may be most acute in businesses seeking equity finance, with many SMEs lacking information on how equity finance works and where to obtain such finance.

- **Existence of positive externalities** - There is an under supply of equity finance to young high growth potential businesses due to the divergence of private and social benefits from investing in these businesses (as investors are primarily concerned with the financial returns from their investment). It is suggested that this results because investing in early stage innovative businesses can lead to a number of positive spill-over effects known as externalities through innovation and knowledge transfers to other parts of the economy, which private investors do not take into account when making their decision to invest in venture capital; and
- **Market power** - Market power can arise as a result of insufficient actual or potential competition to ensure that the market continues to operate efficiently. Market power can also be created by high start-up costs, which can deter entry by competitors in the first place. The 2011 Economic Appraisal suggested that this form of market failure is evident in the NI business angel and VC markets due to the limited supply of angel and VC funds and the lack of outside private investment. The relatively low levels of business angel and VC activity in NI means that the cost of business angel and VC management and set up costs are disproportionately high, which may be a deterrent to investors from outside NI.

It was suggested that business angel investment could play an important role in closing this gap (especially at the £250k to £1m levels). For example, HM Treasury (HMT) stated that *“business angel activity has become an increasingly important source of equity finance over the last decade for new and nascent businesses as venture capital investors are not able to accommodate a large number of small deals with their attendant due diligence and oversight needs”*. The potential ‘fit’ of angel funding in filling the finance gap is depicted in Figure 2.1 overleaf.

Figure 2.1: The role of business angels in closing the Equity Gap



- **Historic trends in Angel investment in NI-** It is commonly noted that NI angel investment market is underdeveloped relative to the rest of the UK in terms of (amongst other things) the number and average size of deals, the number and experience of its angels, the number of syndicates (1 at the time of funding) that had been formed and the number of successful exits (0 at the time of funding).

The 2010, Interim Evaluation of Phase III of Halo suggested that “*the Northern Ireland business angel market is still immature relative to other UK jurisdictions. Whilst the Halo (NI) project has made a good start, it is no more than that and there is a long way to go to develop the scale and scope of early stage funding that a successful knowledge-based, export-oriented economy requires.*”

The 2011 Economic Appraisal and Phase III Evaluation suggested that NI is perceived to suffer from a number of factors including:

- The NI business sector is dominated by SMEs who are typically characterised as being conservative in nature and have been reluctant to sacrifice equity in exchange for finance;
- Angel investing is relatively new in NI⁸ with NI-based investors historically choosing to invest in other opportunities such as property. As a result of their lack of angel investment experience, NI-based angels are viewed to be more prone to making ‘green’ investment mistakes;
- The lack of track record in angel investing creates some uncertainty regarding how to structure such deals;
- Northern Ireland has traditionally had relatively little mentoring resource for business promoters;
- There is a culture of privacy and secrecy regarding monies available to invest and subsequent investments made; and
- NI is too small to sustain sector specific angel syndicates on its own.

- **Structural issues in the NI Economy -** The 2011 Economic Appraisal suggested that there are a number of structural issues associated with the NI economy that have an impact on the demand for equity finance. These issues, including the peripherality of NI, its small business population and high levels of economic inactivity, have all contributed to lower levels of GDP per head in NI than the rest of the UK. Overall these have a negative impact on the demand for early stage and development finance.

⁸ At the time of funding, the Halo network had only been running for 9 years. This is short in comparison to other UK regions e.g. Scotland which has been operating for over 15 years.

Furthermore, the Appraisal noted that a number of other economic factors, more specifically related to early stage and development investment activity, have resulted in market imperfections, including the relatively small number of technology and knowledge based businesses, a smaller number of universities from which spin-outs can emerge and a dependency on government grants, which have helped to displace equity. It was the view of the Appraiser that these structural problems exist in NI, which impact on the demand and supply of business angel investment, are unlikely to change in the short term.

- **Positive findings emerging from the previous Evaluations of Halo** - Previous evaluations of Halo (including the Evaluation of Phase III and Interim Evaluation of Phase IV) indicated that Halo was playing a pivotal role in channelling private sector investment to NI early stage companies (as exemplified by the high levels of net additional investment that had been made).

2.3 Strategic Context

Table 2.1 provides a summary of the strategic context within which Halo operated during the period under review.

Table 2.1: Strategic context within which Halo operated	
Strategy	Overview of Strategy and Halo's potential contribution
NI Programme for Government 2011-2015	The NI Programme for Government (PfG) 2011-2015 sets out that the Executive has taken the important step of making the economy its top priority. The PfG contains 5 key priorities, one of which is: <i>"Growing a Sustainable Economy and Investing in the Future"</i> . The primary purpose of this Priority is to achieve long term economic growth by improving competitiveness and building a larger and more export-driven private sector. To do this, the PfG notes that we must <i>rebuild</i> the labour market in the wake of the global economic downturn and <i>rebalance</i> the economy to improve the wealth and living standards of everyone. Halo was viewed to offer the potential to contribute to the NI Government's associated objective of 'growing the private sector', with the support provided through the Network also offering the potential to facilitate 'more jobs' and 'encouraging innovation and R&D'. In terms of specific 'key commitments', Halo offers the potential to facilitate the delivery of 'Achieving £1 billion of investment in the Northern Ireland economy'.
NI Economic Strategy	The NI Economic Strategy sets out NI's economic vision for 2030 as being: <i>"an economy characterised by a sustainable and growing private sector, where a greater number of firms compete in global markets and there is growing employment and prosperity for all."</i> Of particular relevance to Halo, the Strategy identifies the need to rebalance our economy by (amongst other things) stimulating innovation, R&D and creativity so that we widen and deepen our export base, encouraging business growth and increasing the potential of our local companies. To deliver upon these strategic objectives, and in recognition of the fact that <i>"NI has traditionally lacked the vibrant venture capital and debt finance markets that are necessary to support economic growth"</i> , the Strategy highlights the need to ensure that our SMEs have adequate access to finance to support their business plans.
DETI Corporate Plan 2011-2015	In-line with the NI PfG and Economic Strategy, DETI's current Corporate Plan places focus on creating wealth and employment through a focus on export-led economic growth. In reflection of this, the Department's goal over the life of the Plan is to <i>"promote the growth of a competitive and export led economy"</i> . Within the Strategic Framework, a number of key priorities have been identified under the twin themes of rebuilding and rebalancing the economy. Of particular relevance to Halo, the Plan highlights the need to increase private sector productivity by (amongst other things) 'encouraging business growth'. Key measures and targets identified within the Corporate Plan that Halo offers the potential to contribute to include: increasing the number of new business start-ups and improving access to finance for businesses.
Invest NI Corporate Plan 2011-2015	In-line with the NI PfG, Invest NI's 2011-2015 Corporate Plan sets out that the organisation will contribute to the rebalancing and rebuilding of the NI economy to increase the overall standard of living by driving productivity growth and increasing employment. The Plan states that the support provided will be fully aligned with the

Table 2.1: Strategic context within which Halo operated	
Strategy	Overview of Strategy and Halo's potential contribution
	<p>drivers of economic growth (including 'encouraging business growth') and its activities will be targeted to increase the size, competitiveness and value of the private sector by <i>'embedding innovation, growing our local companies to scale, increasing our export base and attracting inward investment'</i>.</p> <p>By way of encouraging business growth, Invest NI states that it will <i>"support ambitious entrepreneurs to accelerate growth, encourage higher levels of investment in local business formation and help eliminate the real and perceived barriers to growth."</i> In doing so it is envisaged that this will lead to increased productivity and profitability amongst supported businesses.</p> <p>The Corporate Plan notes that on the basis that <i>"Northern Ireland has suffered from market failure in the micro-financing, debt finance, venture capital, technology transfer and business angel funding markets"</i> steps will be taken to <i>"ensure that early stage businesses with high growth potential are not unduly constrained by lack of investment"</i>. Whilst Invest NI states that it intends to utilise its Access to Finance Strategy to ensure this investment is provided, it is the Evaluation Team's view that Halo also plays a vital component in the financing ecosystem and hence offers the potential to contribute to a number of the Corporate Plan's objectives including :</p> <ul style="list-style-type: none"> • Encourage a thriving entrepreneurial economy with an increased flow of innovative start-ups; • Supporting the emergence of strong export focused businesses operating in clusters based on the market need they serve; • Enabling more businesses to pursue aggressive and progressive growth strategies to succeed in international markets; and • Increasing productivity amongst supported businesses.
Invest NI Access to Finance Strategy	<p>As part of the Invest NI Access to Finance Strategy, Invest NI acknowledges that NI businesses are facing greater difficulties in financing growth given the lower level of grant that is available and more stringent lending regimes by banks. However, alternative sources of finance, such as micro-financing, debt finance, venture capital, technology transfer and business angel funding, have not been widely available in Northern Ireland.</p> <p>Against this background, the Strategy suggests that financial instruments, such as venture capital and debt financing, need to be made available to support local businesses. It is anticipated that this will help to rebalance and rebuild our economy and to drive private sector growth. Given this need, Invest NI has developed a suite of venture capital and loan funds to ensure that early stage companies with high growth potential are not held back because of a lack of access to finance. Thus the core tenets of Invest NI's Access to Finance Strategy are to:</p> <ol style="list-style-type: none"> 1. Promote a continuum of funds; 2. Create a deal flow chain across seed, early stage and development funds; and 3. Retain and build on skills and capability of venture capitalists locally. <p>It is the Evaluation Team's view that Halo offers the potential to contribute to the objectives of the Access to Finance Strategy by contributing to the continuum of funds available to support the creation and growth of high potential early stage companies. Further information on the 'fit' of Halo with the Access to Finance Strategy is detailed in Section 5.</p>

2.5 Summary Conclusions

The preceding analysis suggests that:

- At the time of Halo’s approval there was a need for Government to provide support to facilitate the development and growth of the NI business angel network which was recognised to be underdeveloped relative to the rest of the UK in terms of Business Angel activity;
- Specifically, there was a gap in the continuum of the supply of finance for deals up to £2m for start-up and early growth businesses. This gap had arisen due to (amongst other things) key structural market failures (including asymmetric information, risk aversion and market power), the downturn in the economy which affected the availability of finance and structural issues associated with the NI Economy; and
- There was (at the time of approval), and continues to be, clear alignment between the aims and objectives of Halo and the strategic imperatives of the NI Government (including with DETI and Invest NI’s Corporate Plans and the Invest NI Access to Finance Strategy). Specifically, in line with Government’s strategic focus, the activities supported by Halo offer the potential to grow the private sector by facilitating the provision of investment and expertise to start-up and early growth businesses. In doing so, Halo offers the potential to *“help eliminate the real and perceived barriers to growth”*.

Please note that the Evaluation Team’s analysis of the degree to which there continues to be a need for Government intervention (including the nature and extent of market failure that currently exists) can be found in Sections 5 and 8.

3. PROGRAMME ACTIVITY

3.1 Introduction

Section 3 provides an overview of the activity that was delivered through Halo during the period under review. In doing so the Section considers the degree to which the targets established for Halo were achieved.

It should be noted that the nature of targets were amended during the approval of the extension to Phase IV (i.e. for the period 1st May 2014 to 30 Apr 2016) to streamline the number of targets and more closely align them with the overall aims and objectives of Halo. This is discussed in further detail below.

3.2 Overview of progress towards targets

Based on the Evaluation Team's review of Halo monitoring reports and consultation with Halo, Tables 3.1 and 3.2 provide a summary of the progress that was made towards the targets that were established for the period under review. Further detail on the activity is provided in the succeeding paragraphs.

Table 3.1: Summary of target achievement (May 2011 to September 2015 ⁹)					
Target	Period covered by Tgts.	Target	Actual	Achieved	Variance
Angel Investment	May 2011 – Sep 2015	£5.141m	£7.63m	✓	+48%
Number of Deals	May 2011 – Sep 2015	45	56	✓	+24%
Leverage following Angel Investment/ Non Angel Investment	May 2011 – Sep 2015	£8.641m	£9.72m	✓	+12%
EIS Fund or other angel Fund established	May 2011 – April 2014	3	2	X	-33%
EIS Fund or other angel Fund raising	May 2011 – April 2014	£750k	£300k	X	-60%
EIS or other angel Fund Deals	May 2011 – April 2014	12	5	X	-58%
Angels Registered	May 2011 – Sep 2015	100-200	108-145	X	-27.5%
Percentage of non-NI Angels	May 2014 – Sep 2015	15%	15%	✓	0%
Halo Centralised Fund Monies received (e.g. in the Halo Grow Fund)	May 2014 – Sep 2015	£212.5k	£40k	X	-81%
Meetings with pitching companies	May 2011 – April 2014	180	260	✓	+44%
Halo investment meetings	May 2011 – April 2014	15	18	✓	+20%
Investment meetings outside Belfast	May 2011 – April 2014	3	2	X	-33%
Entrepreneur pitches	May 2011 – Sep 2015	133	185	✓	+39%
Angel networking events	May 2011 – April 2014	15	32	✓	+113%
PR articles or broadcasts	May 2011 – April 2014	60	108	✓	+80%
New syndicates formed	May 2011 – Sep 2015	5	3	X	-33%

⁹ Please note that this was period for which monitoring information was available at the time of analysis.

Table 3.1: Summary of progress towards targets¹⁰

Target	May 2011 – April 2013				May 2013 – April 2014				May 2014 – April 2015				May 2015 – September 2015				
	Tgt.	Actual	Achieved	+/-	Tgt.	Actual	Achieved	+/-	Tgt.	Actual	Achieved	+/-	Annual Tgt.	Prorated Tgt. ¹¹	Actual	Achieved	+/-
Angel Investment	£2.2m	£3.06m	✓	+39%	£1.2m	£1.32m	✓	+10%	£1.2m	£2.535m	✓	+110%	£1.3m	£541k	£715k	✓	+32%
Number of Deals	20	24	✓	+20%	10	15	✓	+50%	10	13	✓	+30%	11	5	4	X	-20%
Leverage following Angel Investment/ Non Angel Investment	£4.5m	£4.58m	✓	+1.7%	£2.4m	£1.4m	X	-41%	£1.2m	£2.905m	✓	+141%	£1.3m	£541k	£840k	✓	+55%
EIS Fund or other angel Fund established	2	1	X	-50%	1	1	✓	0%	N/A				N/A				
EIS Fund or other angel Fund raising (minimum)	£500k	£100k	X	-80%	£250k	£200k	X	-20%	N/A				N/A				
EIS or other angel Fund Deals	8	4	X	-50%	4	1	X	-75%	N/A				N/A				
Angels Registered	150-175	108-113	X	-32%	200	123	X	-38%	100	132	✓	+32%	110	145	145	✓	0%
Percentage of non-NI Angels	N/A				N/A				15%	15%	✓	0%	15%	15%	15%	✓	0%
Halo Centralised Fund Monies received (e.g. in the Halo Grow Fund)	N/A				N/A				£150k	£40k	X	-73%	£150k	£62.5k	£0	X	-100%
Meetings with pitching companies	120	161	✓	+34%	60	99	✓	+65%	N/A	43			N/A		16		
Halo investment meetings	10	11	✓	+10%	5	7	✓	+40%	N/A	8			N/A		3		
Investment meetings outside Belfast	2	0	X	-100%	1	2	✓	100%	N/A	3			N/A		1		
Entrepreneur pitches	60	89	✓	+48%	30	44	✓	+46%	30	43	✓	+43%	32	13	9	X	-30%
Angel networking events	10	19	✓	+90%	5	13	✓	+160%	N/A	12			N/A		5		
PR articles or broadcasts	40	70	✓	+75%	20	38	✓	+90%	N/A	39			N/A		15		
New syndicates formed	2	1	X	-50%	1	1	✓	0%	1	1	✓	0%	1	0.5	0	X	-0.5%

¹⁰ Please see Appendix II for a breakdown of the activity for the period May 2011 – September 2015.

¹¹ The 2015/16 targets have been prorated to September 2015 to facilitate comparative analysis.

3.2.1 Halo Business Angel membership

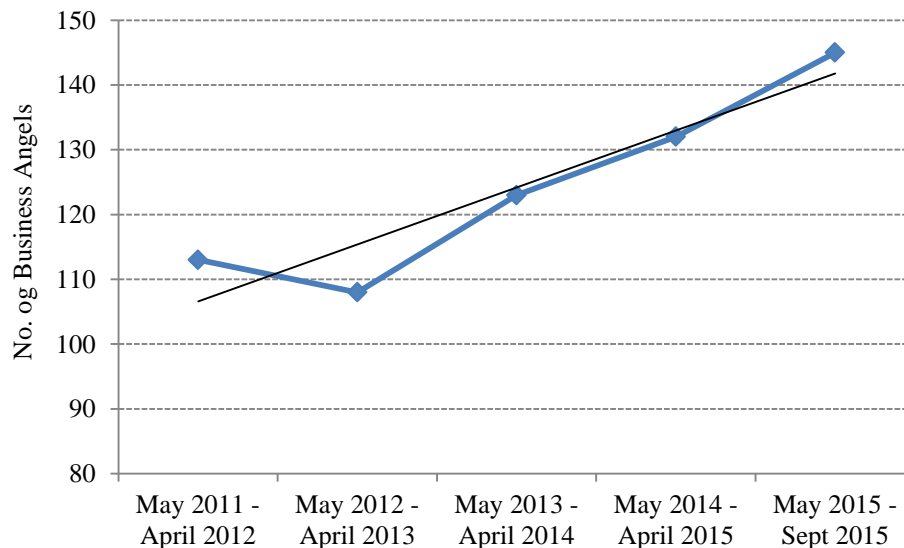
At present (November 2015), there are 145 business angels registered as part of the Halo network, disaggregated by the following locations of origin:

Table 3.3: Business Angel location of origin		
Location	No. of Business Angels	% of Business Angels
Belfast	42	29%
Rest of Northern Ireland	79	54%
Republic of Ireland	6	4%
England	17	12%
Scotland	1	1%
Total	145	100%

Salient points to note include:

- Just over four-fifths (83% - N=145) of all registered business angels are from NI with the remainder (17%) being located outside NI. Of the total number of NI business angels (N=121), 35% are located in Belfast and the remainder (65%) are from the rest of NI;
- The total number of Halo angels has increased by more than 37% (from 108) since July 2013 (the Phase IV Interim Evaluation period);
- The number of registered angels varied from 104 to 145 at any one time. Between May 2011 and November 2015, the number of Business Angels increased by 28%. Whilst it is the Evaluation Team's view that the quality (in terms of investment track record and experience) of business angels should be viewed as being a relatively more important indicator than the quantity of angels, the increasing size of the number of registered angels should be viewed positively as these additional angels offer the potential to support the growth in key output and outcome metrics e.g. levels of investment made.

Figure 3.1: Number of Halo Business Angels



- However, the number of registered angels was significantly below the number projected during the first three years (25% less in Yr 1, 38% less in Yr 2 and 24% less in Yr3) due to two interrelated reasons, namely:

- The targets, which were developed at a time of increasing membership and based on an assumption that membership levels would continue to rise, were (in hindsight) overly optimistic. During consultation, Invest NI also confirmed that the target was set at a time when the size of the angel market was unknown (both in overall terms and the potential number that would be willing to become Halo members); and
 - The introduction of membership charges (£200 per business angel per annum) had served to remove angels that were attending Halo events on a more passive basis (e.g. out of interest) rather than utilising it as a vehicle for making investments, as well as those who could not commit sufficient time to the Halo process. It is the view of Halo that whilst the introduction of these charges may have contributed to c.40 business angels leaving the network, the network has been left with a pool of more ‘focused’ angels that are interested in utilising the network to make investments. As such, it is the view of Halo, and shared by the Evaluation Team, that the quality of the Angels is of greater importance than their quantity. Furthermore, benchmarking analysis undertaken by Halo with other networks across the UK suggests that levels of angel turnover are similar to that being experienced in NI.
- The target for the number of registered angels was lowered for the final two years and was subsequently exceeded (by 32% each year).
 - Years 4 and 5 of Halo saw the introduction of a new type of Halo event - Halo Awareness Dinners – which were aimed at recruiting new Business Angels. The events involved 15 tables being sponsored by a law firm, accountancy firm, bank or wealth manager who invited clients to attend and gain an understanding of angel investing from guest speakers.
 - Consultation with Halo indicates that it continues to undertake targeted recruitment activities of appropriate professionals and intermediaries to increase the number of angels in the network. It is anticipated that this targeted approach, coupled with the focus of creating new angel groups to syndicate deals and the use of business angel Funds, will serve to increase the quantity and quality of business angels in the network moving forward.

3.2.2 Facilitation of Halo events

During the period under review, a total of 29 Halo meetings were facilitated, at which there were 185 entrepreneur/business pitches¹² and 319 meetings between business angels and pitching entrepreneurs/businesses. Whilst the number of Halo event targets was reduced after Year 3¹³, it is noted that Halo exceeded all targets (for the respective periods) in relation to the number of Halo investment meetings, entrepreneur pitches, business angel meetings with pitching companies and angel networking events.

In addition to the core Halo events run at the NISP, a target was established for Halo to deliver three investment meetings outside Belfast during Years 1 to 3 (i.e. 1 per annum) to increase opportunities for investment, as well as ensuring that the network is not viewed as being overly Belfast-centric. However, only 2 investment meetings were delivered¹⁴, one in Newry in conjunction with a local accountancy firm¹⁵ and one at Hillsborough Castle in March 2014. A further 4 meetings were delivered outside Belfast between May 2014 and September 2015. Notable events that were delivered by Halo during the period under review (including a number of events outside Belfast during Years 4 and 5) including:

¹² Includes virtual pitches.

¹³ With the removal of targets relating to ‘meetings with pitching companies’, ‘Halo investment meetings’, ‘meetings outside Belfast’ and ‘angel networking events’.

¹⁴ A further Halo event was planned to be delivered in Derry~Londonderry during May 2012, however this had to be cancelled given uncertainty in relation to the number of high net worth individuals in the region and the degree to which the local potential angel community were ready (in terms of their skills and experience) to make investments.

¹⁵ Consultation with Halo suggests that whilst the proportion of ‘guest’ angels at this event was considerably higher than typical Halo events, the majority of angels were not suitably prepared to make investments on the basis that this was their first event. As such, Halo has suggested that there is a need to ensure that support and Halo events continue to be delivered in the area in order to foster both a culture towards, and levels of, investment.

- Facilitating ‘Pitchfest’¹⁶ meetings in conjunction with other organisations (e.g. NISP Connect, Par Equity (Edinburgh)). Whilst these events do not provide monetary investment to the pitching entrepreneurs/businesses (and hence do not contribute to the targets detailed in Table 3.1), they do offer the entrepreneurs/businesses scope to develop their pitching skills, as well as the opportunity to network and build relationships with experienced investors;
- Participation at 4 ‘Pitch@Palace’ events - Founded by HRH Duke Of York and held at St James’ Palace, Halo acted as a partner (N=2 events) and mentor (N=2 events) at 4 Pitch@Palace events during the period under review. Each event was attended by c. 300 people (including investors) who viewed ‘pitches’ from 15 businesses¹⁷;
- Facilitation of a networking event at Buckingham Palace - Delivered during Year 5 in conjunction with the NI Science Park, and hosted by HRH Duke of York, this was a one-off event that sought to showcase NI to a range of guests invited from NI, GB and overseas. 100 people attended the event and whilst there were no formal pitches, 3 NI companies were provided with the opportunity to showcase their respective propositions¹⁸; and
- Halo introduced the British Business Bank (BBB) Angel Co-fund to a number of NI businesses and brought its investment director to NI to speak at an angel dinner. Consultation with Halo indicates that these networking activities resulted in the first NI company receiving investment from the BBB and a number of NI businesses being better connected with this UK co-investment fund.

3.2.3 Angel Networking Events

In addition to the main Halo events, NISP also delivered 42 Angel networking events during the period under review. These non-investment meetings (which included ‘Angel without Companies’ meetings and Angel masterclasses) sought to facilitate business angel networking and the delivery of training and awareness raising ‘masterclasses’ (by an experienced angel investor¹⁹) in order to:

- Enhance the investment knowledge and expertise of less experienced investors;
- Increase opportunities to form business angel groups (in order to syndicate deals); and
- Stimulate overall levels of investment through the network.

Whilst the target relating to angel networking events was removed after Year 3, it is noted that Halo delivered more than twice (113% more) the number of networking events that was anticipated during the initial three years of the period under review.

3.2.4 Formation of Angel Groups (Syndicates)

By way of fostering higher levels of investment activity, Halo has actively sought to provide support to form groups of angels who would subsequently syndicate investment deals. In doing so, this allows business angels to share the financial risk with other angels and providing the angel with the opportunity to spread its investment across a number of different deals (thus sharing the financial risk across all the deals). Syndication also provides the opportunity to increase the level of knowledge and experience that can be provided to the entrepreneur/business (i.e. the investee).

Table 3.4 provides a summary of the syndicates that have been created with the support of Halo, with further detail provided in the succeeding paragraphs.

¹⁶ Two Pitchfest meetings were delivered in conjunction with NISP Connect during the period under review. These meetings facilitated 23 entrepreneurs/businesses pitching to in excess of 20 business angels.

¹⁷ Pitch@Palace events were established to provide a platform for Entrepreneurs to engage and interact with potential supporters, showcase the work of Entrepreneurs to a wider community, achieve positive outcomes for the Entrepreneurs both in terms of funding and business direction and, in due course, develop a Digital Platform or Network to encourage and promote continued dialogue after the events. Investment was made in 1 company but has not been included by Halo under the investment figures included in Table 3.1 and 3.2.

¹⁸ Consultation with NISP indicates that this event was requested by NISP on the basis that that the Pitch@Palace events were being viewed by some stakeholders as being too London-centric.

¹⁹ Angel investors delivering the masterclasses included Nelson Gray (from Scotland) and Bill Payne (USA).

Table 3.4: Overview of NI syndicates

Syndicate	Date created (Halo Phase)	Number / location of angels	No. of investments	Value of investment through Halo	Commentary (incl. current Status / Future Potential)
Volcano Syndicate	Apr 2010 (Phase III)	5 angels NI	1	£600k	Disbanded - Originally formed to foster an investment in Sophia Search. The Angel group disbanded on the basis 4 of the 5 business angels had no interest in making wider investments. The remaining business angel may re-establish the syndicate (but with new members) or form a new syndicate.
M1 Syndicate	Feb 2011 (Phase III)	10 angels (7 ROI and 3 NI)	-	-	Disbanded – This syndicate was created principally by HBAN with support from Halo. It was anticipated that investors would be drawn from the greater Newry / Dundalk localities with the formation of the first cross-border syndicate. However, consultation with stakeholders indicates that a number of factors combined which prevented the progress of the syndicate including: angel tax relief differences in each jurisdiction, a lack of willingness to contribute time and effort to complete deals, a lack of deals emerging from the border region and differences in opinion as to how the group should operate.
Arran Syndicate	Mar 2013 (Phase IV)	7 angels (3 NI, 2 Scotland and 2 England)	1	£500k	Actively viewing deal flow – The Arran Syndicate was created by angels with considerable experience in business angel investing and the retail, engineering, marketing and accountancy sectors. The syndicate has made 1 significant investment which, in Halo’s view, took considerable time and effort. The syndicate is currently actively examining potential deals and is undertaking networking activities (facilitated by Halo) with other business angels and angel networks.
Acorn Angels Syndicate	May 2014 (Phase IV)	10 angels (NW of NI)	-	-	Actively viewing deal flow - Syndicate has pledged to invest over £1m into NI companies with a strong focus on undertaking deals in the North West area. It is the view of Halo that the syndicate’s focus on the North West has, and is likely to continue to, lead to investments being undertaken on a protracted basis. However, the group is currently actively examining potential deals.
True North Venture Syndicate	Aug 2014 (Phase IV)	Min. 1	-	-	Syndicate in abeyance - Originally established in Belfast and focusing on technology niches such as cyber security and Internet of Things (IoT) this syndicate is currently in abeyance as a result of the lead business angel relocating to London. Halo is currently introducing the business angel to a number of other London-based Angels with an anticipation that the syndicate will become fully operational. Halo anticipates that the syndicate will have representation from NI-based angels once fully established.

Salient points to note include:

- Whilst it was anticipated that one new angel group/syndicate would be formed per annum (i.e. 5 during Phase IV), as of November 2015, only three syndicates were created during the period under review. Only 1 of the three syndicates (Arran syndicate) has made an investment (of £500k);
- Two of the three syndicates are actively reviewing investment opportunities, whilst the other syndicate is currently in abeyance;
- Consultation with Halo indicates that a further syndicate, which is likely to focus on making investments in the financial technology (‘fintech’) is in the early stage of development; and
- The first two NI syndicates (Volcano and M1 syndicate) that were created during Phase III of Halo have been subsequently disbanded;

3.2.5 Angel Investment

Based on monitoring information provided by Invest NI and Halo, Table 3.5 provides a summary of the investment made by Halo business angels during the period under review. Figures 3.2 and 3.3 provide a summary of the investment made through Halo, both by Programme phase and on an annualised basis, since its inception.

Table 3.5: Business Angel investment - May 2011 - September 2015																		
	May 2011 - April 2012			May 2012 - April 2013			May 2013 - April 2014			May 2014 - April 2015			May 2015 - Sept 2015			Total		
	Target	Actual	Var.	Target	Actual	Var.	Target	Actual	Var.	Target	Actual	Var.	Target ²⁰	Actual	Var.	Target	Actual	Var.
Angel Investment	£1.125m	£405k	-64%	£1.150m	£2.658m	+131%	£1.2m	£1.32	+10%	£1.2m	£2.535m	+111%	£541k	£715k	+32%	£5.22m	£7.633	+46%
Number of Deals	10	9	-10%	10	15	+50%	10	15	+50	10	13	+30%	5	4	-20%	45	56	+24%
Range in deals	-	£25k - £100k	-	-	£50k - £550k	-	-	£30k - £395k	-	-	£30k - £500k	-	-	£30k - £375k	-	-	£25k - £550k	-
Average size of deal	-	£45k	-	-	£177k	-	-	£88k	-	-	£195k	-	-	£179k	-	-	£136k	-

Figure 3.2: Historic levels of investment by Halo Phase²¹

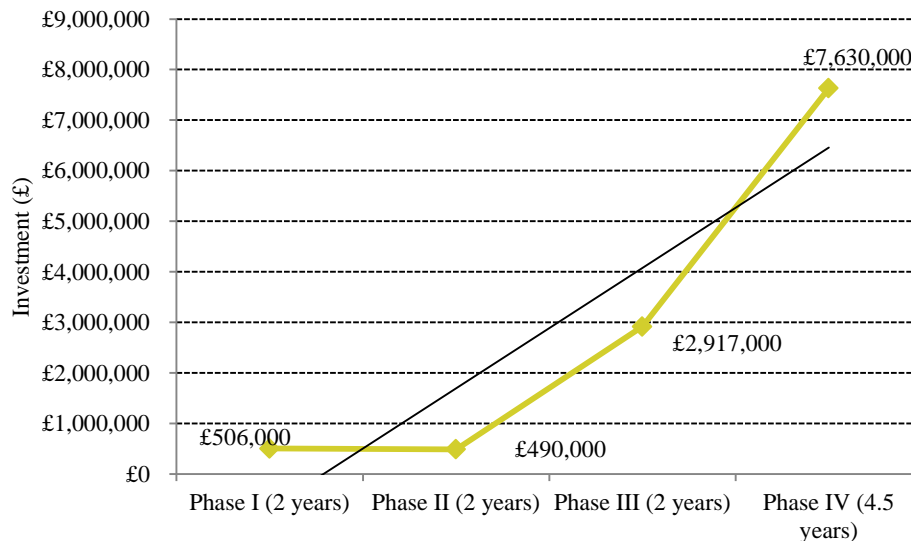
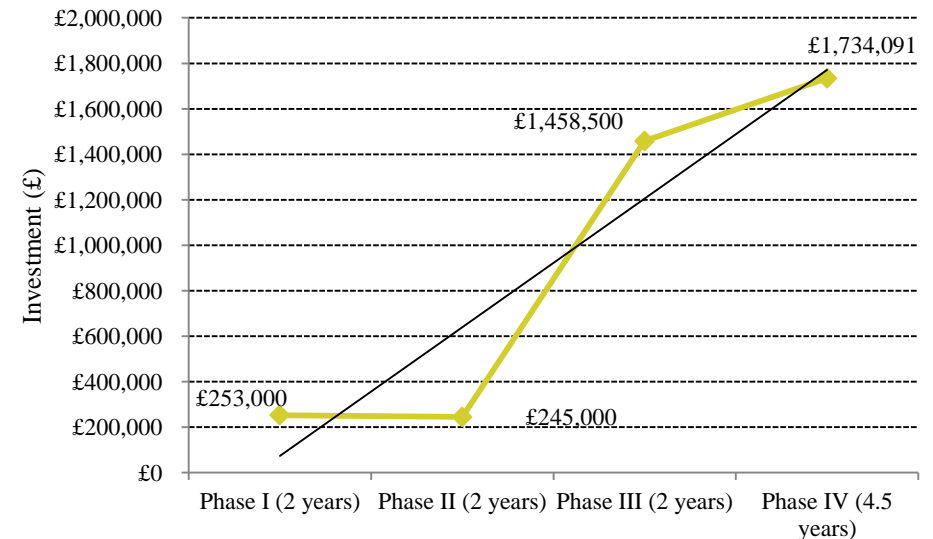


Figure 3.3: Annual level of investment



²⁰ Year 5 target has been pro-rated to September 2015.

²¹ Source: Halo Phase I and II investment data - 'Evaluation of the Halo project and Recommendations about the Future for the Project' (2007), Phase III investment data - 'Final Evaluation of Halo Northern Ireland' (September 2013).

Salient points to note include:

- £7.63m²² of business angel investment was made in 41 unique NI-based businesses through 56 deals, equating to an average deal size of £136k. The overall level of investment and number of deals were substantially higher (46% and 24% more respectively) than anticipated at the outset.
- Levels of annual investment varied considerably (e.g. £405k - £2.658m) during the period reflecting the sporadic or ‘lumpy’ nature of business angel investment. That is to say, there can often be a lengthy time period between when business angels make their investments (i.e. rather than making continuous investment). Furthermore, based on the April 2012 Interim Evaluation of the Northern Ireland Spinout (NISPO) Fund, the Evaluation Team understands that the Invest Growth Fund (IGF)²³ made considerably lower than anticipated levels of investments during 2011. This consequently had a knock-on impact on the number of potential deals being brought forward to Halo to access private sector funding from business angels.
- 12 businesses received multiple investments during Phase IV (to date). 3 businesses, that received investment during Phase IV, also received investment during previous Halo phases.

Number of investments	No. of businesses	% of businesses
1	29	70%
2	9	22%
3	3	8%
Total	41	100%

- A longitudinal analysis indicates that the levels of annual investment channelled through Halo have significantly increased from previous phases. For example that annual level of investment made by business angels (i.e. £1.7m) is c. 19% higher than was made during Phase III (when the network was viewed to be reinvigorated under its current management structure);
- 57 unique Halo Angels made an investment, equivalent to c. two-fifths of all Halo angels. The average number of angels involved in each deal was 2;
- Levels of investment by individual Halo members (excluding investment made through the centralised funds) ranged from £2.5k to £250k. The average level of individual investment was £39k and the median was £20k;
- The average size of deal ranged from £25k to £550k; and
- The number of deals done on an individual Halo member basis (excluding investment made through the centralised funds) ranged from 1 investment to 9 investments. The average number of deals was 1.9 investments and the median was 1 investment.

In addition to facilitating Halo investment meetings to foster increased levels of business angel investment, the network has undertaken considerable activity to increase levels of investment, which has included (but is not limited to):

- Forming partnerships with equity crowdfunding²⁴ organisations - During the period under review, Halo has established partnerships with three crowd funding organisations namely: Seedrs, Crowdcube and SyndicateRoom;
- Signing a Memorandum of Understanding (MoU) with Par Equity, a Scottish angel syndicate and fund management company. The MoU gives NI businesses access to a £5-10m fund willing to invest in NI. It also provides for joint membership i.e. NI angels will pay £300 per annum with

²² Figures include investments made through the Halo centralised Funds.

²³ The Invest Growth Fund is a venture capital fund set up to invest in start-ups and early stage businesses based in NI. The Fund makes seed and early stage investments in businesses which can demonstrate that they are scalable, and innovative. IGF investment can range from £50k-£250k, with a requirement to have at least 30% of matched private sector funding from business angels or other private investors.

²⁴ Equity crowdfunding is the collective effort of individuals to pool their financial resources, usually via the internet, to provide financial support to a start-up or early stage businesses in exchange for equity in the business (thus enabling the sharing of risk amongst investees).

£200 going to Halo where membership is automatic. Four joint pitching events will be held per annum with 3 companies, 1 each from NI and Scotland. In addition, Par will scan the Halo deal flow and may invite selected Par Syndicate members to invest;

- Working in conjunction with HBAN to identify opportunities for NI businesses to gain investment from new all-island sectoral (e.g. in medical devices and food) angel groups/syndicates.
- Joining LINC Scotland and regularly attending its Angel Leadership Forum (which is attended by the majority of Scottish angel groups);
- Ongoing liaison with in excess of 50 intermediaries (e.g. accountancy, solicitor firms);
- Attendance at a significant number of events to raise the profile of the network and encourage subsequent investment. A small sample of the events attended include:

- Astia Conference in London for female entrepreneurs;
- InterTradeIreland Investment Conference;
- EBAN Congress;
- The Business Leader Network Conference and the Cambridge Angels Summer Soiree in Cambridge;
- The BBAA dinner and conference;
- EBAN Winter Congress in Brussels;
- An angel event in 10 Downing St which was addressed by the Prime Minister;
- HBAN/HBAP meetings;
- The Innotribe Challenge where Fintech companies from across Europe pitched;
- A London meet and greet session with a number of VCs; and
- The Angel Capital Association conference in San Francisco.

- Delivering a number of awareness raising activities in the North West of NI including:
 - Organising a meeting with local companies and investors;
 - Hosting an initial information meeting for the Acorn Syndicate including briefings from NISP and an experienced Belfast-based angel;
 - Facilitating a visit to a series of Belfast companies to Derry~Londonderry to present to the Acorn Syndicate;
 - Delivery of a presentation by a guest speaker (Nelson Gray) to a group of Derry~Londonderry angels and also on local radio;
 - NISP delivering an event on angel investing as part of Culture Tech;
- Other marketing activities including:
 - Rebranding Halo as an ‘Angel^{Plus} Network’ to better reflect the increasing involvement of a network of partner organisations (e.g. private angel groups, angel clubs, early stage venture capital companies, specialised crowdfunding platforms), located outside NI, alongside an organised group of angels.
 - Revising the content, and private video site, of the NISP website;
 - Creation of a Halo blog (www.angelangle.ni);
 - Publication of an extensive number of articles in business related magazines (e.g. Ulster Business Magazine);
 - Media appearances; and
 - Visiting all Invest NI offices and a number of the Enterprise Agencies²⁵.

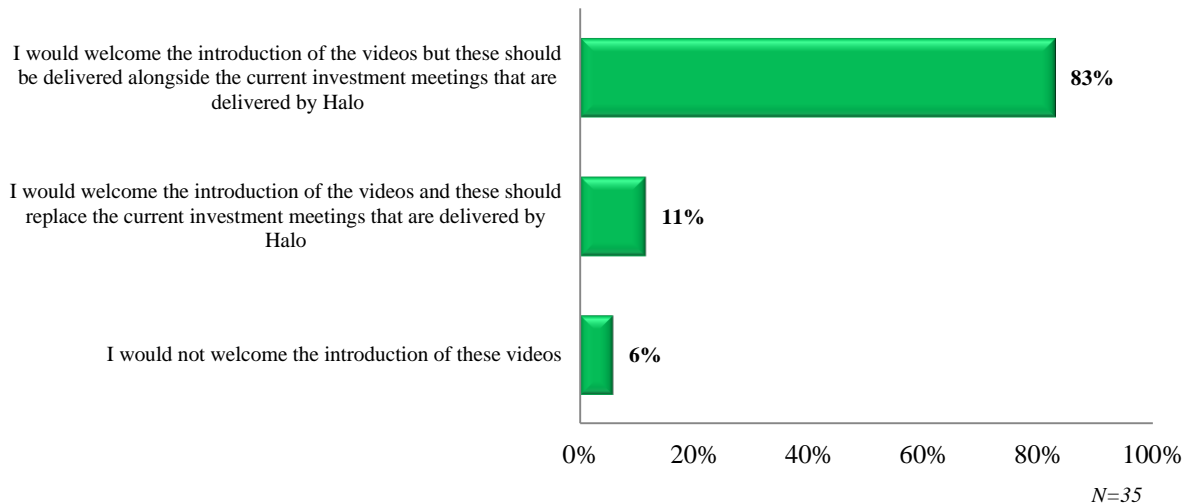
²⁵ Whilst it is difficult to identify a direct link between the aforementioned marketing activities and the realisation of any tangible impacts to date, it is the Evaluation Team’s view that the benefits of this activity are likely to be reflected in the wider outcomes achieved to date (detailed throughout this report). It is also the Evaluation Team’s view that these marketing activities play a critical role in raising awareness of Halo within the broader marketplace and, in doing so, offer the potential to foster increased levels of business angel investment through the network.

In addition, whilst not implemented during the period under review, consultation with Halo and Invest NI indicates that a number of changes will be made to the model of delivery, to encourage greater levels of investment, by the end of Phase IV. Key changes that are due to be implemented include:

- **Introduction of weekly pitching briefs** - Registered Business Angels will be sent a weekly email inviting them to log on to a secure site to view a number of investment propositions. On the secure site the angel will be able to view a ninety-second pitch and an interview of the company undertaken by Halo. Supplementary information on the proposition and company, including a one page summary and its Business Plan, will also be made available on the secure site for review. As a result of the introduction of the weekly pitching briefs, Halo intends to reduce the number of formal Halo pitching events to c. 4 per year and increase the amount of time available for business angels to network with one another in a hope of encouraging greater levels of syndication.

Whilst the Evaluation Team’s discussions with Business Angels indicate that they would welcome the introduction of the weekly pitching briefs (Figure 3.4), as part of any future phase of Halo (and assuming NISP is contracted to deliver this) the impact of the new model of delivery should be robustly monitored and evaluated. Similarly, Invest NI should ensure that all future SMART activity targets are reflective of the new model of delivery (assuming that NISP is appointed to deliver ant future phase of Halo).

Figure 3.4: Business Angels’ views on the proposed new model of delivery



- **Changes to the charging structure** - At present individuals are required to pay a membership charge to NISP to be a registered Halo Business Angel. However, moving forward the Evaluation Team understands that there will be two types of registered Business Angels
 - Full members will be eligible to avail of all Halo services including receiving the weekly pitching briefs and attendance of pitching events and angel masterclasses. These registered members will continue to be required to pay an annual membership fee; and
 - ‘Virtual’ members will typically only be eligible to receive the weekly pitching briefs. These registered members will not be required to pay an annual membership fee.

During consultation Halo also indicated its intentions to pilot a number of more informal monthly ‘mixer’ style events that would include a larger number of shorter pitches and greater levels of company and business angel networking.

3.2.6 Halo Centralised Funds

During the 2009/2010 tax year, Halo facilitated the operation of its first HMRC approved tax fund known as the Halo Enterprise Investment Scheme (EIS)²⁶ which is designed to help to raise finance for high risk start-up by offering a range of tax reliefs to investors who purchase new shares in the businesses. From an angel perspective, the fund allows angels to more easily spread their money across a wider range of companies. It is structured to allow the Halo angels to be involved in the process of selecting, discussing and investigating which companies to invest in. However the final investment decision is taken by an FCA-approved fund manager.

The first EIS fund opened for investment from business angels in December 2009 and closed in March 2010. It met the HMRC criteria of investing at least 90% of the fund in a minimum of 4 companies within 12 months (i.e. by March 2011). This fund then moved from investing to solely monitoring its investments²⁷.

A second EIS fund opened for business angel investment during January 2011 and closed in March 2012²⁸. This Fund was subsequently able to make its investments between April 2012 and March 2013. It had been anticipated that a second approved EIS fund would raise £250k of investment; however as part of this fund 12 business angels collectively invested £100k (i.e. 60% less than anticipated). These funds were subsequently invested in 4 businesses/deals (1 in Year 1 of the review period and 3 in Year 2)

A third Halo fund - the Halo Grow Fund²⁹ - was created in March 2013. In September 2013 the fund had achieved £180k of investment and started investing. Up to November 2015, the Fund made 5 investments in 4 businesses

Per Table 3.1, levels of investment in the Halo Grow Fund have been significantly below that anticipated at the outset (£40k versus the c. £213k envisaged on a pro-rata basis³⁰). Discussions with Halo indicates that whilst the Fund is facilitating existing and new angels to invest, it has not yet developed into a fund of size anticipated and it was the view of Halo that the Fund should be allowed to develop at its own pace. The development of crowdfunding relationships was also cited as being a factor for the lower than anticipated levels of investment through the Fund.

²⁶ The Halo EIS has been run by Javelin Ventures, the FCA manager.

²⁷ The 1 year cycle is dictated by the EIS tax scheme. The Fund is only open to Halo members who will be notified when each year's new prospectus is available.

²⁸ The second EIS fund was open for a substantially longer period of time (14 months) than the first EIS fund (4 months) to take advantage of the a change in HMRC's amendment in the rate of relief of the cost of the shares (which increased from 20% to 30% during the period).

²⁹ The Halo Grow Fund is non-HMRC approved and is a mixture of the EIS and Seed Enterprise Investment Scheme (SEIS). The Seed Enterprise Investment Scheme (SEIS) is designed to help small, early-stage businesses to raise equity finance by offering a range of tax reliefs to individual investors who purchase new shares in those companies. It complements the existing Enterprise Investment Scheme (EIS) which will continue to offer tax reliefs to investors in higher-risk small companies. SEIS is intended to recognise the particular difficulties which very early stage companies face in attracting investment, by offering tax relief at a higher rate than that offered by the existing EIS. The Halo Grow Fund is an 'evergreen fund' (i.e. open continually for investment) and is only open to Halo members and other people who can be certified as being 'High Net-worth' or as 'Sophisticated Investors' (as defined by the Financial Services and Market Act (FSMA) 2000). It is understood that Halo facilitates investment in the Fund and Javelin Ventures manages the Fund (as an approved FCA manager).

³⁰ It was anticipated that £150k of investment would be required per annum. Halo has indicated that this was an estimate based on the fund able to generate a small surplus against its costs each year.

3.2.7 Leveraged investment

As detailed in Table 3.1, during the first three years of Phase IV it was envisaged that entrepreneurs/businesses would leverage £2 of additional funding for every £1 invested by a business angel. Almost £6m of investment was leveraged during these three years against a target of £6.9m (i.e. 15% less than anticipated).

The target was subsequently lowered during the last two years of the Phase IV, when it was anticipated that each £1 of Halo investment would leverage £1 of non-angel investment. During these years £3.75m of investment was derived by 11 businesses against a target of £1.75m (114% more than anticipated). £2.3m of this investment (c. 60%) was derived from private sector sources (including VC investment) and the remainder was derived from public sector sources (including TechStartNI and the Northern Ireland Co-Fund).

Whilst it is positive that NI businesses have been able to derive further investment from a range of other private and public sources, based on available monitoring information, the Evaluation Team is unable to conclude as to the degree of influence that the Halo investment had in attracting this non-angel investment. In addition to consulting with the sources of the investment to ascertain the importance of the Halo investment in leveraging the investment, information should be monitored in relation to:

- The timing of the investment made by the public and private sector sources relative to the timing made by the Halo investment;
- The size of the Halo investment as a proportion of the total investment made in a given businesses as part of any given funding round.

3.2.8 Development of a strategic 'Roadmap' for Halo

During the period under review, NISP developed a 'roadmap' to outline the strategic development of Halo moving forward and how it would be affected as angel groups formed and developed. This strategic roadmap formed the basis of a Phase IV Extension Business Plan submitted by NISP to Invest NI for the period 2014 to 2017³¹.

Key strategic objectives which NISP identified as needing to be addressed in the short-to medium term included:

- Moving to an umbrella structure over a number of angel groups/syndicates;
- Creating partnerships with other geographies e.g. LINC Scotland, HBAN and selected angel groupings in London;
- Creating an environment where many companies can receive multiple angel rounds which are syndicated between angel groups (including those outside NI);
- Up-skilling of NI angels by master classes and by exposing to working with experienced (UK) angels;
- Creating of a new type of permanent SEIS/EIS fund to be gradually developed as a major part of NI angel investing;
- Extending the geographical reach of Halo within NI e.g. in Derry and Newry; and
- Increasing advocacy to NI government about angel and risk capital.

A summary of the progress made towards the key tenets of the Business Plan is detailed under Section 5.

³¹ Final Extension Business Plan submitted in November 2013.

3.3 Summary of progress towards targets

Based on the monitoring information provided by Halo, Table 3.4 provides a summary of the progress that was made towards the targets that were established for the period under review.

Table 3.7: Summary of progress towards targets			
Number of targets over the two-year period	No. of targets	No. of targets achieved	% of targets achieved
No. of individual targets	58	38	66%
No. of cumulative targets	15 ³²	9	60%

The analysis suggests that two-thirds of the individual targets (N=58) that were established for the Phase IV (to September 2015) have been achieved. If the progress towards the targets are examined on a cumulative basis for the periods during which they existed³³, then 60% (N=15) of the targets were achieved.

It should be noted that the targets that Invest NI consider as priority targets (relating to levels of angel investment, number of deals, leveraged support, meetings with companies) were achieved when examined on a cumulative basis.

3.4 Risks

The 2011 Economic Appraisal identified eleven potential risks that could impact upon the successful delivery of Halo's activities during the period under review. A summary of these risks is provided below with commentary provided as to whether these risks arose (and the associated actions that were undertaken).

Table 3.8: Assessment of risks		
Potential Risk	Risk occurrence (Y/N)	Commentary
Inability to access funding	N	Invest NI implemented appropriate approval procedures which enabled the timely award of funding to allocate support to Halo to ensure the continuity of its operation at a level envisaged with the Economic Appraisal.
Insufficient demand - Failure to attract sufficient number of angels	N	Whilst the number of registered Halo angels is below the number anticipated, this does not appear to have had a negative impact on the number of deals and level of angel investment that have been fostered through Halo's activities. In addition, and as detailed previously, the Evaluation Team also notes that Halo continues to place effort in attracting additional angels into the Halo network.
Insufficient demand - Failure to attract sufficient number of entrepreneurs/companies	N	As detailed previously, the number of pitches at Halo investment meetings was considerably higher than anticipated.
Level of 'passivity' of angel network	Y	As detailed previously, analysis undertaken by Halo suggests that 52% (or £1.581m) of the total investment (£3.063m) was made by 29 business angels that were Halo members during the period under review. Based on the number of Halo angel members at the end of the period under review (i.e. 108) suggests that c.27% of business angels were 'investment active' during the period.

³² The target relating to the number of 'Business Angel Registered' cannot be examined on a cumulative basis; hence the number of cumulative targets is 15 and not 16.

³³ Targets have also been examined on cumulative basis given the given the fact that investment will not occur on a continuous or straight-line basis.

Table 3.8: Assessment of risks		
Potential Risk	Risk occurrence (Y/N)	Commentary
		<p>Furthermore, as detailed in Section 4, it is the view of the entrepreneurs, that a number of angels in attendance at investment meeting are potentially present on a more passive basis (e.g. out of interest and/or for social reasons and/or for kudos) and were not overtly interested or focused in making an investment at the event.</p> <p>As detailed previously, Halo has sought to minimise levels of angel passivity by (amongst other things):</p> <ul style="list-style-type: none"> • Filtering potential deals to ensure that only deals that are at an appropriate stage of development are presented during the investment meetings, thus increasing the opportunity for investments to be made; • Ensuring that businesses/entrepreneurs are appropriately skilled and prepared to ‘pitch’ to the business angels, thus increasing the opportunity for investments to be made; • Delivering support to angels through masterclasses and networking events to enhance the investment knowledge and expertise of business angels and hence give the greater confidence to make investments through the network; • Supporting investment activity through the provision of centralized funds (e.g. EIS funds and establishing partnerships with crowd funding organisations); • Developing angel groups/syndicates to minimise business angel risk and build investment portfolios; and • Introducing an annual membership fee of £200.
Low quality of entrepreneur projects	N	As detailed in Section 4, business angels expressed a high level of satisfaction with the potential opportunities that had been shortlisted for them to consider. It is the view of the business angels, and shared by the Evaluation that this is reflective of the positive filtering, including the screening and pre-selection of propositions by Halo during the application process.
Lack of relevant experience in angel investment	Y	<p>There is a general consensus that the NI business angel market is relatively immature when compared to other UK regions.</p> <p>During the period under review, Halo has delivered support to angels through masterclasses and networking events to enhance the investment knowledge and expertise of business angels and hence give the greater confidence to make investments through the network.</p>
Lack of management capability	N	At the Invest NI level, in December 2012 a Sponsor Control Review was undertaken of the sponsor control arrangements operated by Invest NI in relation to the management and delivery of the Halo by NISP on behalf of Invest NI. On the basis of the internal work performed
Inability to deal with application numbers	N	

Table 3.8: Assessment of risks		
Potential Risk	Risk occurrence (Y/N)	Commentary
		<p>the internal auditor considered that Invest NI had established ‘substantial’ risk management, control and governance arrangements in connection with Halo and no control weakness were noted.</p> <p>Similarly, as detailed in Section 4, both entrepreneurs/businesses and business angels expressed a high level of satisfaction with the role of Halo staff in delivering its core function during the period under review.</p>
Delays in project activity relating to uncertainty over evaluation outcomes	N	There is no evidence to suggest that there were delays in project activity taking place during the period under review.
Continued Economic downturn	Y	Whilst the economic climate is outside the control of both Invest NI and Halo and levels of business angel investment have been in excess of that anticipated (when examined over the whole of Phase IV), it is reasonable to assume that levels of business angel investment could have been higher had the economic climate been more favourable (especially during the initial years of Phase IV).
Changes in policy and legislation	N	<p>As detailed in Section 2, there was (at the time of approval), and continues to be, clear alignment between the aims and objectives of Halo and the strategic imperatives of the NI Government (including with DETI and Invest NI’s Corporate Plans). Specifically, in line with Government’s strategic focus, the activities supported by Halo offers the potential to grow the private sector by facilitating the provision investment and expertise to start-up and early growth businesses. In doing so, Halo offers the potential to “<i>help eliminate the real and perceived barriers to growth</i>”.</p> <p>In terms of legislation, Halo has kept abreast of all relevant HMRC changes (primarily relating to tax breaks and EIS funds) during the period under review and has provided information to relevant parties (e.g. business angels) as and when required.</p>

In addition to the above, as detailed in Section 7, the Evaluation Team’s review of the monitoring of Halo costs and income suggests that:

- The disaggregation of the total Invest NI contribution between salary and overhead costs was not identified and documented;
- Whilst the total value of claims to Invest NI were monitored, actual costs incurred against key individual costs categories (salary and overhead costs) were not monitored; and
- Monitoring was not undertaken of the total actual costs and associated income on an ongoing basis.

Discussion with Invest NI indicates that (as detailed within the LoO) the NISP was responsible for funding any shortfall in income (and associated costs) and hence the risk of the organisation not being able to undertake its core activities was minimal. However, the Evaluation Team notes that in not

monitoring the overall costs and income associated with the operation of Halo, Invest NI was exposed to a risk of contributing towards a higher proportion of Halo's operating expenditures than originally anticipated (i.e. more than the 62%). Associated risks of not monitoring against individual cost and income categories include the risk of not being able to identify the need for corrective action to be taken should income fall below the level anticipated or costs rise above those anticipated.

Whilst the aforementioned risk does not appear to have materialised during the period under review, the Evaluation Team recommends that corrective action is taken to minimise the opportunity of it occurring in the future (see Sections 7 and 8 for further details).

Given the fact that Invest NI and *InterTradeIreland* have joint ownership of the Halo brand and assets, there is a further potential risk of differing opinion as to who should be granted the license (i.e. if it should be licensed to NISP or a different EDO) and the associated potential for a hiatus in the provision of support to develop NI's business angel ecosystem. However, during consultation, Invest NI confirmed that the opportunity for this risk occurring was unlikely on the basis that it is currently the sole funder of Halo and both organisations have confirmed that they are satisfied with the activities being undertaken by the current licensee (i.e. NISP).

In summary, it is the Evaluation Team's view that Halo undertook appropriate steps to mitigate those risks that were envisaged at the outset and emerged during the period under review. In not monitoring the overall costs and income associated with the operation of Halo, Invest NI was exposed to a risk of contributing towards a higher proportion of Halo's operating expenditures than originally anticipated. Whilst the aforementioned risk does not appear to have materialised during the period under review, corrective action should be taken to minimise the potential for this to arise in the future.

3.5 Equality Considerations

Section 75 of the Northern Ireland Act 1998 requires that Invest NI shall, "in carrying out its function relating to Northern Ireland, have due regard to the need to promote equality of opportunity" between the following nine Section 75 groups:

- Persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation;
- Men and women generally;
- Persons with a disability and persons without; and
- Persons with dependents and persons without.

In addition and without prejudice to these obligations, in carrying out its functions, Invest NI is also committed to promote good relations between persons of different religious belief, political opinion or racial group.

During June 2012, Invest NI completed a Section 75 Policy Screening for its Access to Finance Strategy (which Halo forms a component part). The Screening concluded (amongst other things) that:

- No particular Section 75 category was anticipated to overtly benefit from the Access to Finance Strategy;
- The Access to Finance Strategy has been developed and informed by economic need and the proposed suite of support would ensure that companies of all sizes and all spectrums of the development cycle would have access to financial support;
- Whilst it was envisaged that individuals falling within the majority of Section 75 categories would not have particular needs to facilitate them accessing the support available, alternative literature formats would be made available to those individuals that were disabled and/or of a minority racial group; and

- The policy was not anticipated to impact (positively or negatively) on good relations and no opportunities were identified to promote good relations between people of different religious beliefs, political opinion or racial group.

On the basis of the completed screening it was concluded that an Equality Impact Assessment (EQIA) was not required; however Invest NI would continue to monitor the outcome of the Strategy.

In addition to this, the Evaluation Team's review of Halo activity, monitoring information provided during the evaluation process and our discussions with entrepreneurs/businesses and business angels have identified:

- No evidence of higher or lower participation or uptake of different groups;
- No evidence to indicate that different groups had different needs, experiences, issues and priorities in relation to Halo activity;
- No opportunities to better promote equality of opportunity or better community relations by altering the work of Halo;
- No accessibility issues that might run contrary to the Disability Discrimination Act 1995.

On this basis, the Evaluation Team concludes that whilst Halo was not specifically targeted at any specific Section 75 categories, it does not appear to have had an adverse impact on any Section 75 group.

3.6 Progress towards the Action Plan arising from the Interim Evaluation of Phase IV of Halo

The Interim Evaluation of Phase IV of Halo made 11 recommendations, as to how the Programme could potentially be improved, for Invest NI's consideration. Table 3.9 provides a summary of the actions that have been taken (or otherwise) by Invest NI since the completion of the Interim Evaluation.

Table 3.9: Progress made towards the Action Plan arising from the Interim Evaluation of Phase IV (Invest NI verbatim response)		
Recommendation	Invest NI Management Response to the Recommendation	Monitoring Update as at Nov 2015
Invest NI should continue to support Halo and ensure that all approvals are obtained in a timely manner.	Agreed. A case work supported by economic advice was prepared for a Halo phase IV extension. Halo is currently preparing a business plan requesting an extension. The current phase IV ends at 30 th April 2014 Implementation / Review Date(s): By 30 th April 2014	<u>Complete</u> Approved and signed off 30 th April 2014
Invest NI should introduce a SMART target relating to Halo network member investment. This should only include investments made by an individual/syndicate during the period that they have paid their membership fee. Follow-on investment and number of business angel members should be monitored but there should not be an associated Halo target.	Partial agreement. Halo angel investment will be a KPI and it is agreed that halo angel investment will be recorded when an investment is made by a halo angel member. The fee structure to be introduced permits an angel to have free membership for the first 6 months and for a year after he/she has made an investment. Therefore, if an angel member (irrespective of whether it is made during a free or paid period) makes an investment, it shall be counted against the KPI target. Implementation / Review Date(s): By 30 th April 2014 – as part of any proposed letter of offer	<u>Complete</u> In the casework and draft letter of offer. Final Letter of Offer and IP agreement dated 28 th July 2014
By way of assisting with the accurate measurement of levels of business angel activity/passivity, Invest NI should encourage Halo to provide a disaggregation of investment made by both Halo and non-Halo business Angels, at an individual angel level. This information could, where necessary, be provided in an anonymous format.	Agreed. This will be part of the monitoring information in any proposed letter of offer. Halo angel investment will be a KPI Implementation / Review Date(s): By 30 th April 2014 as part of any proposed letter of offer	<u>Complete</u> In the casework and draft letter of offer. Final Letter of Offer and IP agreement dated 28 th July 2014
Invest NI should review the procedures that have been put in place to monitor the total actual costs incurred (by key cost categories) and income/in-kind contributions derived (i.e. from the NISP, membership fees and sponsorship income) against those anticipated at the outset.	Agreed. This will form part of the required monitoring reporting and will be checked in grant claims Implementation / Review Date(s): <ul style="list-style-type: none"> • Ongoing during the proposed halo phase IV extension. • Check implementation properly embedded by 30th April 2015. 	<u>Complete</u> In the casework and draft letter of offer Final Letter of Offer and IP agreement dated 28 th July 2014

Table 3.9: Progress made towards the Action Plan arising from the Interim Evaluation of Phase IV (Invest NI verbatim response)

Recommendation	Invest NI Management Response to the Recommendation	Monitoring Update as at Nov 2015
<p>Invest NI should appropriately assess the risk of Halo working in collaboration with Seedrs (and any other organisations licensed by the FCA to provide financial advice).</p>	<p>Agreed. Invest NI will take legal advice as to the impact of any collaboration with Seedrs or any other crowd funder</p> <p>Implementation / Review Date(s):</p> <ul style="list-style-type: none"> • By 30th April 2014 • Review Sept 2014 • Review Dec 2014 • Review Nov 2015 • Review March 2016 	<p>Legal/FCA advice being taken. A NI legal firm is undertaking the work – not just for Halo but also for NISPO and the Co-investment Fund. Draft report expected before end July 2014.</p> <p><u>Sept update</u> A draft report from Tughans is expected in the next two weeks. A response from Tughans is being actively sought. Draft report was expected in May 2014. Review in November 2014</p> <p><u>Dec update</u> Draft report has been received from Tughans and is currently under review.</p> <p><u>Nov-15 Update</u> Report due to be finalised this month</p>
<p>Any future economic appraisal should take cognisance of the findings of the ‘roadmap’ being developed by Halo, especially as part of the setting of future SMART targets.</p>	<p>Agreed. By the nature of halo being a facilitator of investment by angels in companies that present to them, there is a lag in economic impacts</p> <p>Implementation / Review Date(s): Ongoing during proposed Phase IV extension of Halo.</p> <ul style="list-style-type: none"> • Review March 2016 	<p>Provided for in the casework – economic appraisal to be undertaken at the end of the Phase IV extension in 2016</p> <p><u>Nov-15 Update</u> Evaluation has commenced. Economic Appraisal will follow if Evaluation determines that it is worth doing.</p>

Table 3.9: Progress made towards the Action Plan arising from the Interim Evaluation of Phase IV (Invest NI verbatim response)

Recommendation	Invest NI Management Response to the Recommendation	Monitoring Update as at Nov 2015
<p>In the event that approval is given to the creation of NI's first Pilot Seed Accelerator (currently being appraised by Invest NI), Invest NI should explore the mechanics of how Halo should be embedded within its future operation (and specifically the demonstration day element of the Accelerator Programme).</p>	<p>Agreed. Subject to the accelerator being approved, halo angels will form a key element of the potential investor pool for accelerator companies at the end of the accelerator term</p> <p>Implementation / Review Date(s):</p> <ul style="list-style-type: none"> • Dependent of when first accelerator programme ends. • Review Sept 2014 • Review Dec 2014 • Review Nov 2015 • Review March 2016 	<p>Accelerator procurement is being prepared and an information day to form part of the process – expected September 2014</p> <p><u>Sept update</u></p> <p>Procurement planned and is imminent.</p> <p><u>Dec Update</u></p> <p>Due to budget uncertainty, procurement process was halted until positive signal received in budget settlement activity. Confirmation to re-activate procurement process received on 14th Jan 2015. Anticipate contract award in Feb 2015.</p> <p><u>Nov15 Update</u> Accelerator now launched</p>
<p>Invest NI should ensure that the longer term/downstream impacts of the investment on the NI economy are examined (in-line with NIGEAE and Invest NI's EAM). Cognisance should be given to deadweight and displacement considerations, as well as the level of support provided by Invest NI to Halo as a proportion of the total support/income when determining the contribution that Halo has made to the achievement of these benefits.</p>	<p>Agreed. By the nature of halo being a facilitator of investment by angels in companies that present to them, there is a lag in economic impacts. It should be noted that post halo investment, companies are not obliged – and cannot be obliged to provide the information to allow economic impact to be measured. They are and will continue to be asked to co-operate with any future measurement of economic outcomes. Job numbers will be captured annually. The main measurement of economic impacts will be through future evaluations. Companies are asked to co-operate with the provision of information for economic measurement.</p> <p>Implementation / Review Date(s):</p> <ul style="list-style-type: none"> • Ongoing during proposed Phase IV extension of halo • Review March 2016 	<p>Evaluation/economic appraisal to take place in 2015 – reflected in casework and minutes.</p> <p><u>Nov-15 Update</u> Evaluation Appraisal has started as noted in point 6 above</p>

Table 3.9: Progress made towards the Action Plan arising from the Interim Evaluation of Phase IV (Invest NI verbatim response)

Recommendation	Invest NI Management Response to the Recommendation	Monitoring Update as at Nov 2015
<p>A longitudinal approach should be taken to evaluating the longer term impact of the activities delivered by Halo. This will require future evaluations to revisit previous phases of the Programme to ascertain the impact that has been derived.</p>	<p>Agreed. By the nature of halo being a facilitator of investment by angels in companies that present to them, there is a lag in economic impacts. It should be noted that post halo investment, companies are not obliged – and cannot be obliged to provide the information to allow economic impact to be measured. They are asked to co-operate with any future measurement of economic outcomes. Job numbers will be captured annually. The main measurement of economic impacts will be through future evaluations. Companies are asked to co-operate with the provision of information for economic measurement.</p> <p>Implementation / Review Date(s):</p> <ul style="list-style-type: none"> • Halo Phase IV will provide for an evaluation at the end of year 3 – and at the end of year 5 • Review March 2016 	<p>Has been changed – Phase IV extension only approved for two years. During the second year, an evaluation is to be undertaken and subject to a positive outcome, an economic appraisal is then to be carried out.</p> <p><u>Nov-15 Update</u> The Evaluation has now commenced.</p>
<p>Linked to the previous recommendation, it is recommended that cognisance should be taken of the outcomes of Invest NI’s future review of the impacts made by Halo to date (due to be undertaken in 2014/15) when establishing future output and outcome SMART targets.</p>	<p>Agreed. and will be reflected in the proposed casework for a phase IV extension.</p> <p>Implementation / Review Date(s):</p> <ul style="list-style-type: none"> • Halo Phase IV will provide for an evaluation at the end of year 3 – and at the end of year 5 • Review March 2016 	<p>Has been changed – Phase IV extension only approved for two years. During the second year, an evaluation is to be undertaken and subject to a positive outcome, an economic appraisal is then to be carried out.</p> <p><u>Update Nov-15</u> As noted above; Evaluation by Cogent has now started</p>
<p>By way of ensuring that Invest NI is fulfilling its equality obligations (for example relating to Section 75 of the Northern Ireland Act 1998 and the Disability Discrimination Act) it is recommended that Invest NI undertakes an Equality Impact Assessments of Halo at the earliest opportunity.</p>	<p>Agreed. Equality Impact Assessment to be completed</p> <p>Implementation / Review Date(s):</p> <ul style="list-style-type: none"> • 28th February 2014 	<p><u>Completed</u> Equality Impact Assessment completed.</p>

In summary, the Action Plan suggests that Invest NI has made positive progress towards implementing actions to address the recommendations arising from the Interim Evaluation. However, based on the current Evaluation, it is evident that further work is required in regards to Recommendation 4, which identified the need for Invest NI to review its procedure for monitoring the costs associated with the delivery of Halo. This is discussed further in Sections 7 and 8.

3.7 Summary Conclusions

Salient points to note with regards to the Evaluation Team's review of Halo's activity during the period under review include:

- There are currently 145 business angels registered as part of the Halo network. Just over four-fifths (83% - N=145) of all registered business angels are from NI with the remainder (17%) being located outside NI. The total number of Halo angels increased by more than 37% (from 108) since July 2013 (the Phase IV Interim Evaluation period);
- A total of 29 Halo meetings were facilitated, at which there were 185 entrepreneur/business pitches and 319 meetings between business angels and pitching entrepreneurs/businesses;
- £7.63m of business angel investment was made in 41 unique NI-based businesses through 56 deals, equating to an average deal size of £136k. The overall level of investment and number of deals were substantially higher (46% and 24% more respectively) than anticipated at the outset.
- A longitudinal analysis indicates that the levels of annual investment channelled through Halo have significantly increased from previous phases;
- Whilst it was anticipated that one new angel group/syndicate would be formed per annum (i.e. 5 during Phase IV), as of November 2015, only three syndicates were created during the period under review. Only 1 of the three syndicates has made an investment (of £500k). Two of the three syndicates are actively reviewing investment opportunities, whilst the other syndicate is currently in abeyance. The first two NI syndicates (Volcano and M1 syndicate) that were created during Phase III of Halo have been subsequently disbanded;
- Levels of investment through the Halo centralised fund have been significantly below that anticipated at the outset. Discussions with Halo indicates that whilst the Fund is facilitating existing and new angels to invest, it has not yet developed into a fund of size anticipated and it was the view of Halo that the Fund should be allowed to develop at its own pace;
- The analysis suggests that two-thirds of the individual targets (N=58) that were established for the Phase IV (to September 2015) have been achieved. If the progress towards the targets are examined on a cumulative basis for the periods during which they existed, then 60% (N=15) of the targets were achieved. It should be noted that the targets that Invest NI consider as priority targets (relating to levels of angel investment, number of deals, leveraged support, meetings with companies) were achieved when examined on a cumulative basis;
- Whilst Halo undertook appropriate steps to mitigate those risks that were envisaged at the outset and emerged during the period under review, the Evaluation Team recommends that Invest NI undertakes a review of its process for monitoring the full-economic costs of delivering Halo; and
- Whilst Halo was not specifically targeted at any specific Section 75 categories, it does not appear to have had an adverse impact on any Section 75 group.

4. STAKEHOLDERS' SATISFACTION WITH, & VIEWS OF, HALO

4.1 Introduction

Section 4 provides a detailed analysis of the key findings emerging from the primary research with entrepreneurs/businesses and business angels in terms of their satisfaction with, and views of, Halo.

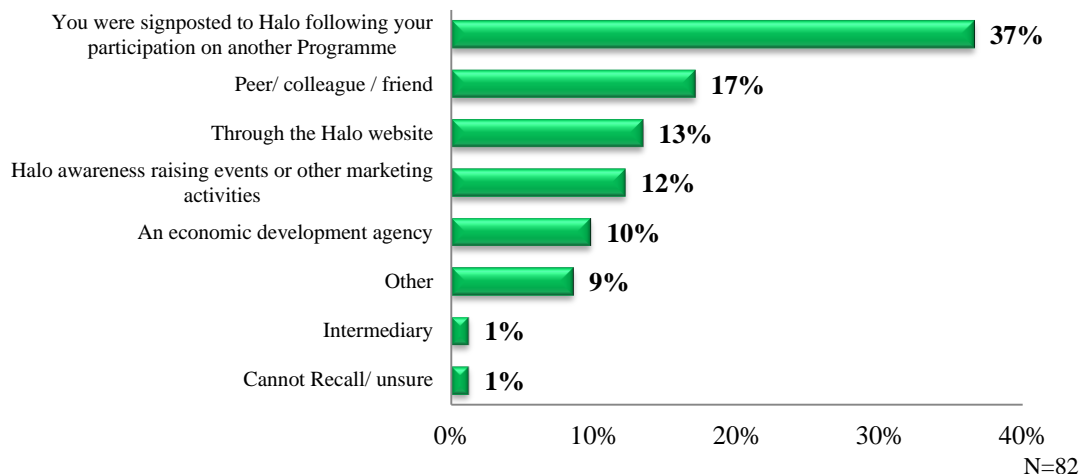
4.2 Entrepreneurs'/businesses' satisfaction with, and views of, Halo

4.2.1 Marketing and Promotion

Key means by which businesses became aware of the Halo Network included through:

- Their participation on another business start-up/growth Programme (37% - N=82) including the NISP Springboard Programme and Invest NI's Propel programme;
- NISP's/Halo's marketing activities including the Halo website or other direct marketing/awareness raising activities (25% - N=82); and
- A Peer/colleague/friend (17% - N=82).

Figure 4.1: Awareness of the Halo Network

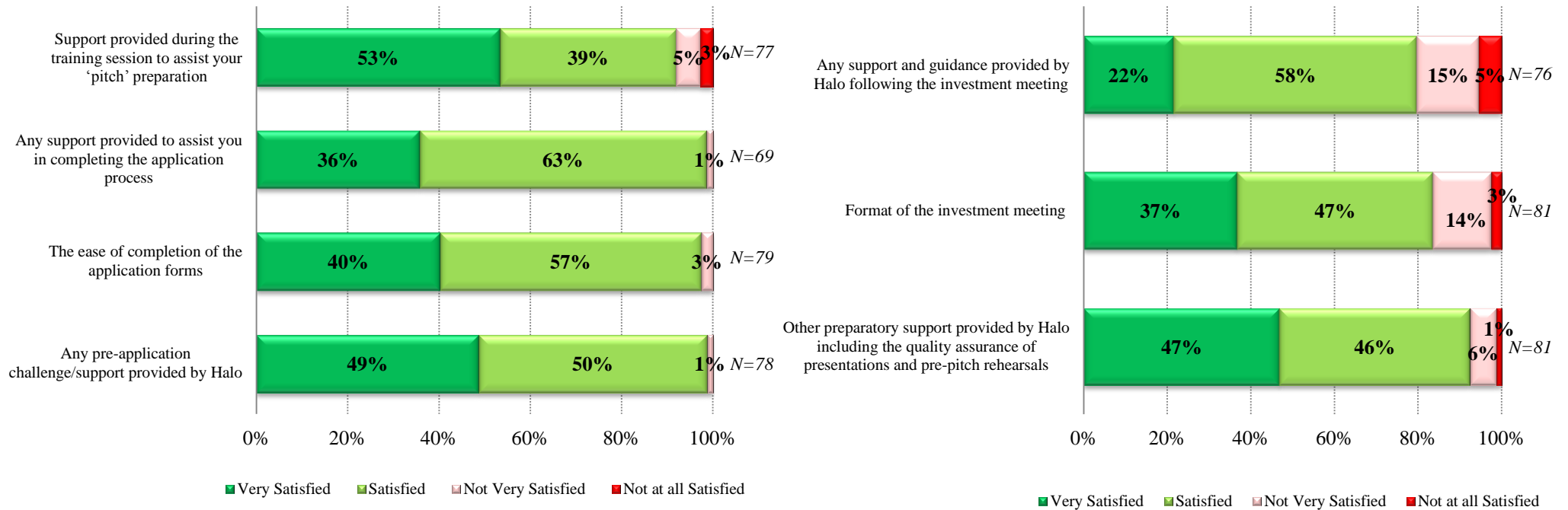


4.2.2 Satisfaction with support provided by Halo and the format of Halo events

Encouragingly, as detailed in Figure 4.2, businesses expressed a high level of satisfaction with the support provided by Halo and the format of Halo events. More specifically, more than four-fifths of businesses/entrepreneurs (80%+) indicated that they were very satisfied or satisfied with the:

- Pre-application challenge/support provided by Halo (99% - N=78) and any support that was provided to assist them to complete the application process (99% - N=69);
- Support provided during the training session to assist their 'pitch' preparation (92% - N=77) and any other preparatory support provided by Halo including the quality assurance of presentations and pre-pitch rehearsals (93% - N=81); and
- Format of the investment meetings (83% - N=81); and
- Any support and guidance provided by Halo following the investment meeting (80% - N=76). It should be noted that the majority (80% - N=16) of those respondents who noted they were dissatisfied did not receive investment. These respondents suggested that they would have benefited from additional feedback as to why their 'pitch' was unsuccessful and be provided with more communication post the investment meeting.

Figure 4.2: Satisfaction with support provided by Halo and the format of the Halo events



“I felt the applications were easy to complete, and if I had any problems I knew that I was able to ask for the advice I needed from Halo.”

“Overall, I had very positive experience with Halo. I feel the pitch training was very useful and the overall investment meeting was well organised with a good number of angel in attendance.”

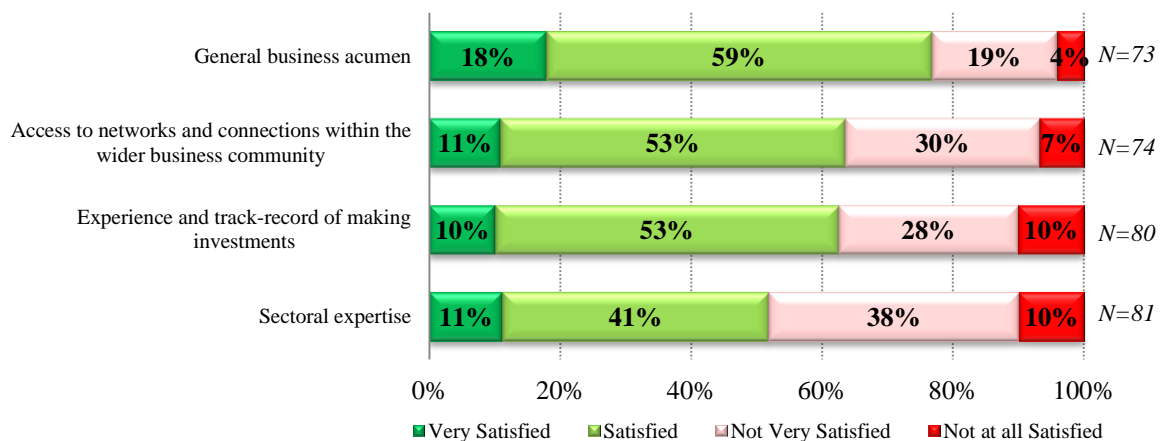
“The support provided by the Halo team before the event was invaluable. They helped me to develop and rehearse my pitch; including covering areas that I might be asked by an angel. This pre-pitch support really increased my confidence and I am in no doubt that it ultimately helped me to get the investment that I received during the event.”

Entrepreneurs/businesses

4.2.3 Suitability of Business Angels in attendance of the Halo Events

Whilst the majority (50%+) of businesses expressed satisfaction in relation to Business Angels that were in attendance, a significant proportion of businesses (23%+) indicated that they were dissatisfied with the business angels’ sectoral expertise (48% - N=81), experience and track-record of making investments (38% - N=80) and access to networks and connections within the wider business community.

Figure 4.3: Suitability of Business Angels in attendance of the Halo Events



However, caution should be taken in interpreting this data on the basis that levels of dissatisfaction were considerably higher amongst those businesses/entrepreneurs that had not received investment relative to those that had (Table 4.1). We do however note, that a significant proportion of businesses in both groups expressed concern in relation to the sectoral expertise of the Angels in attendance.

	Businesses receiving investment			Businesses not receiving investment		
	N	% very satisfied or satisfied	Dissatisfied or very dissatisfied	N	% very satisfied or satisfied	Dissatisfied or very dissatisfied
General business acumen	24	88%	12%	49	71%	29%
Access to networks and connections within the wider business community	23	87%	13%	51	53%	47%
Experience and track-record of making investments	26	93%	8%	54	48%	52%
Sectoral expertise	26	77%	23%	55	40%	60%

“From talking to a number of business angels, I got the impression that a number of these had limited experience in making investments and even less in supporting those investments during the post-investment phase.”

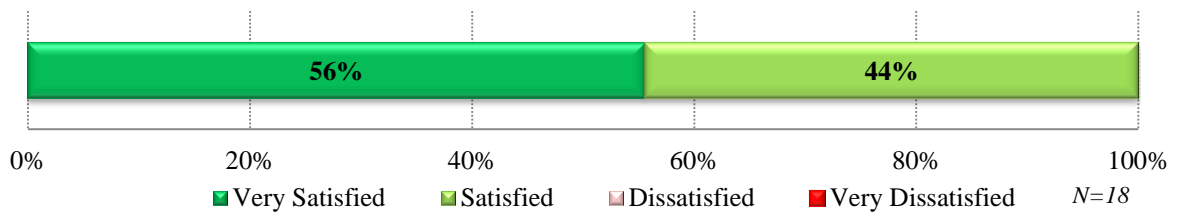
“Very few angels had any experience in the sector that I was seeking to target with the new product I was developing.”

Entrepreneurs/businesses

4.2.4 Satisfaction with non-investment support provided by Halo Business Angels

Of the 26 entrepreneurs/businesses that had received financial investment from Halo Business Angels, just over two-thirds (69% - N=26) reported that they also received non-investment support by the business angels, typically in the form of, product development advice, financial management advice, information on potential sources of investment and corporate compliance advice. All entrepreneurs/businesses (100% - N=18) that received non-financial support indicated that they were either ‘very satisfied’ (56%) or ‘satisfied’ (44%) with the non-financial support that has been provided.

Figure 4.4: Satisfaction with the quality of any non-monetary support and advice provided



“As well as providing finance, the business angels have taken a real hands-on role in driving the business forward. I have especially welcomed the advice that he has provided in marketing the product and get meetings set up with key suppliers as well as potential investors and customers”.

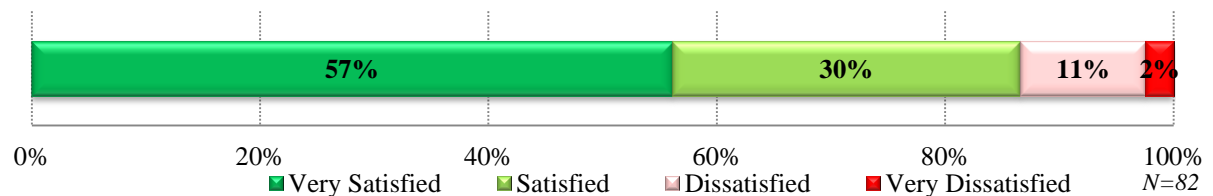
“I have been lucky enough to get investment from three different Halo Business Angels and they have all added value to my business in different ways. There is no way that I would have got as far as I have without this.”

Entrepreneurs/businesses

4.2.5 Overall Satisfaction and business’ recommendation for improvement

On an overall basis, more than four-fifths (87% - N=82) of entrepreneurs/ businesses stated they were either ‘very satisfied’ (57%) or ‘satisfied’ (30%) with the overall support through Halo.

Figure 4.5: Overall satisfaction with support provided through Halo

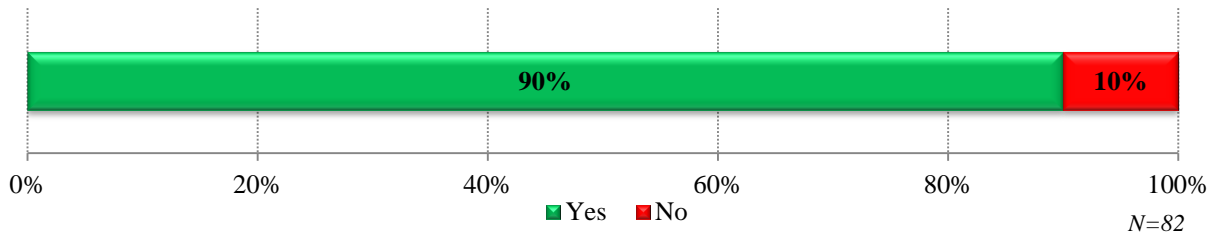


“Halo played a critical role in helping us start our business. I could not fault the programme or any of the support and guidance provided through the business angels”.

“The support provided to help pitch our business idea was excellent, although I would like to see more business angels in attendance at these investment meetings”

Aligned to the high level of overall satisfaction with Halo, the vast majority (90% - N=82) of entrepreneurs/businesses stated that they would recommend Halo to other potential start-ups and businesses who are in need of seed/early stage investment to support their creation and growth.

Figure 4.6: Willingness to recommend the Halo programme



Given the high level of satisfaction with the support delivered through Halo, businesses made only a small number of recommendations on how it could be improved. These included:

- Have a larger number of angels from a range of different sectors present at the investment meetings;
- Receiving information on the investors including information on what they have previously invested in, their track record and experience. However, discussions with NISP indicate that businesses are currently already provided with the opportunity to network with business angels, to discuss (amongst other things) their track record (where the business angel is happy to discuss this), at the pitch presentations ; and
- Receiving additional feedback from business angels of the quality of their pitch, including reasons for non-investment and recommendations for improving their proposition.

4.3 Business Angels satisfaction with, and views of, Halo

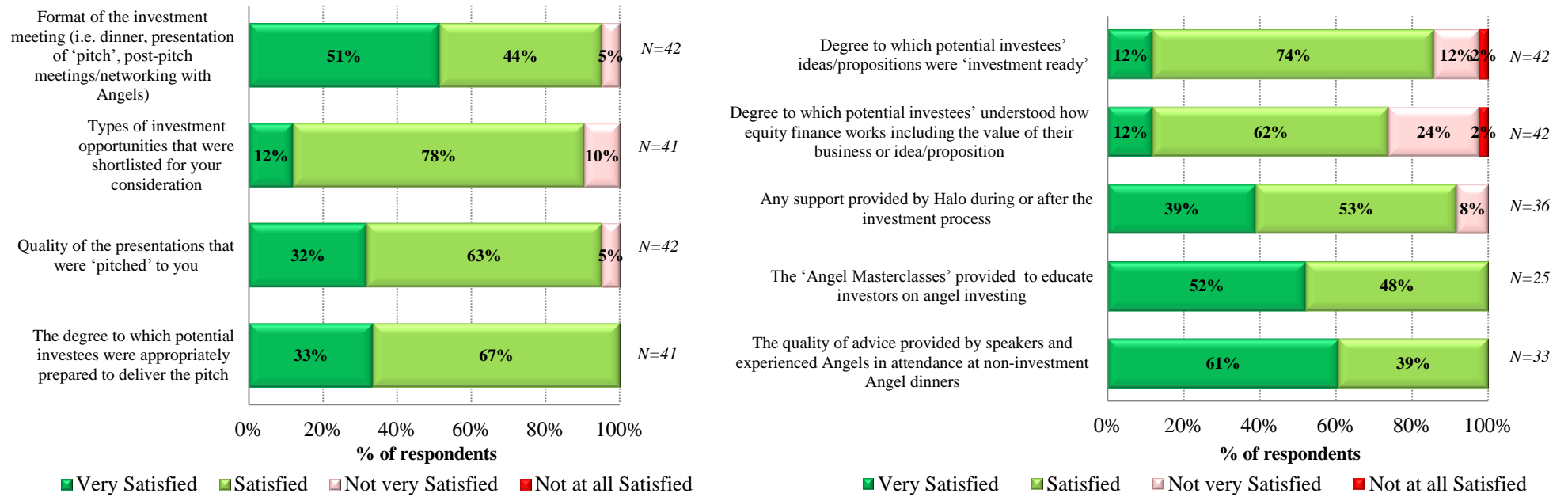
4.3.1 Satisfaction with the Halo delivery model and support provided by Halo

Positively, business angels expressed a high level of satisfaction with the Halo delivery model including the support provided by Halo. For example, 85%+ of business angels indicated that they were 'very satisfied' or 'satisfied' with the:

- Format of the investment meetings;
- Types of business propositions that were shortlisted for their consideration;
- Degree to which businesses/entrepreneurs appropriately prepared to deliver the pitch, the quality of their pitch and the degree to which their propositions were investment ready; and
- Business angel educational activities delivered including the quality of advice provided by speakers at the angel masterclasses.

However, circa one-quarter of business angels (26% - N=42) expressed dissatisfaction with the degree to which potential investees' understood how equity finance works including the value of their business or idea/proposition.

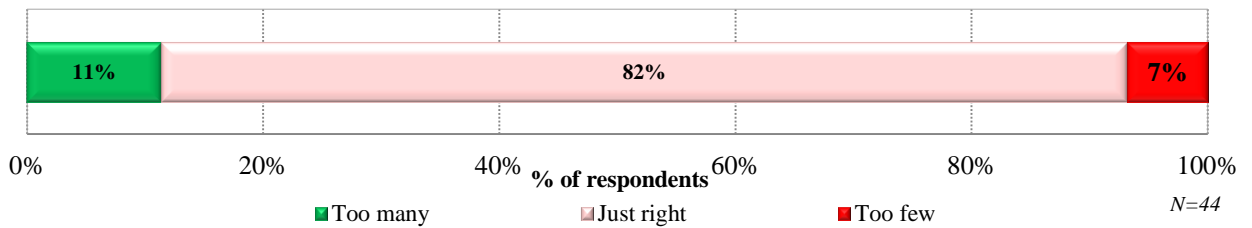
Figure 4.7: Satisfaction with Halo Investment Process



4.3.2 *Appropriateness of the investment meetings*

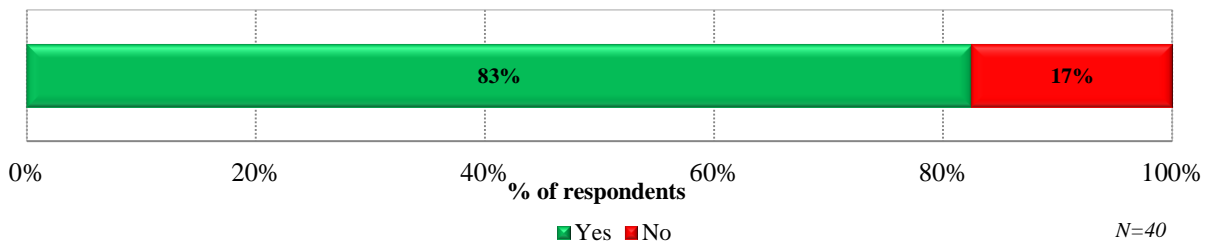
Over four fifths (82% - N=44) of business angels were in agreement that the number of investment meetings delivered through Halo, on an annual basis were ‘just right’. Although a relatively smaller proportion of business angels felt that there were either too many (11%) or too few (7%) investment meeting delivered through Halo, all business angels (100% - N=44) were in agreement that the investment meetings are an appropriate mechanism for business angels to identify potential investment opportunities.

Figure 4.8: Appropriate number of investment meetings



More than four-fifths (83% - N=40) of business angels felt that the businesses and/or the ideas/propositions that were being pitched were at an appropriate stage of development.

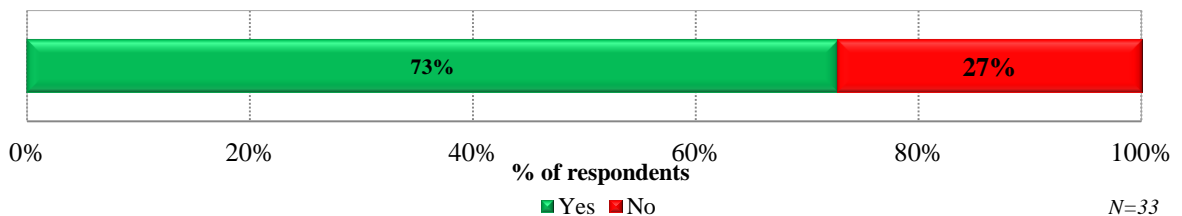
Figure 4.9: Ideas/proposition being pitched at an appropriate stage of development



4.3.3 *Provision of non-investment support provided by Halo business angels*

Almost three-quarters (73% - N=33) of business angels reported that in addition to the investment they have provided, they have also provided other expertise and support to the individuals/ business they invested in.

Figure 4.10: Non- Investment support provided to individuals/businesses



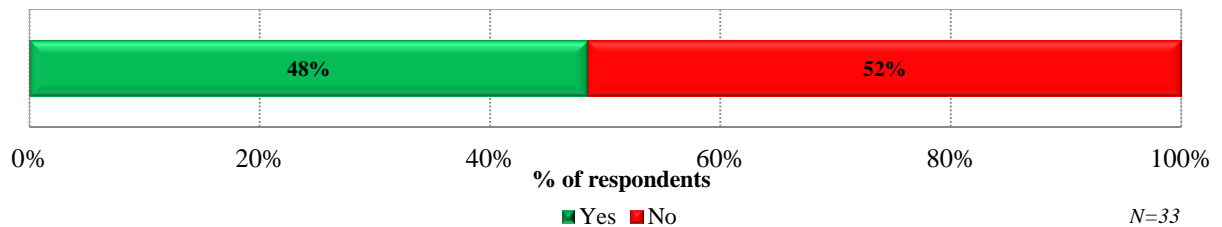
Additional support that business angels indicated they have provided to individuals/businesses includes the following:

- Providing operational and strategic advice;
- Identifying potential funding sources; and
- Introduction to other contacts including other investors, business partners, suppliers, potential customers.

4.3.4 Investments made through the NI Halo Network

Just under half (48% - N=33) of business angels indicated that they had made an investment through Halo with other Business Angels (either as part of a syndicate or through the network’s centralised funds e.g. the Halo Grow Fund).

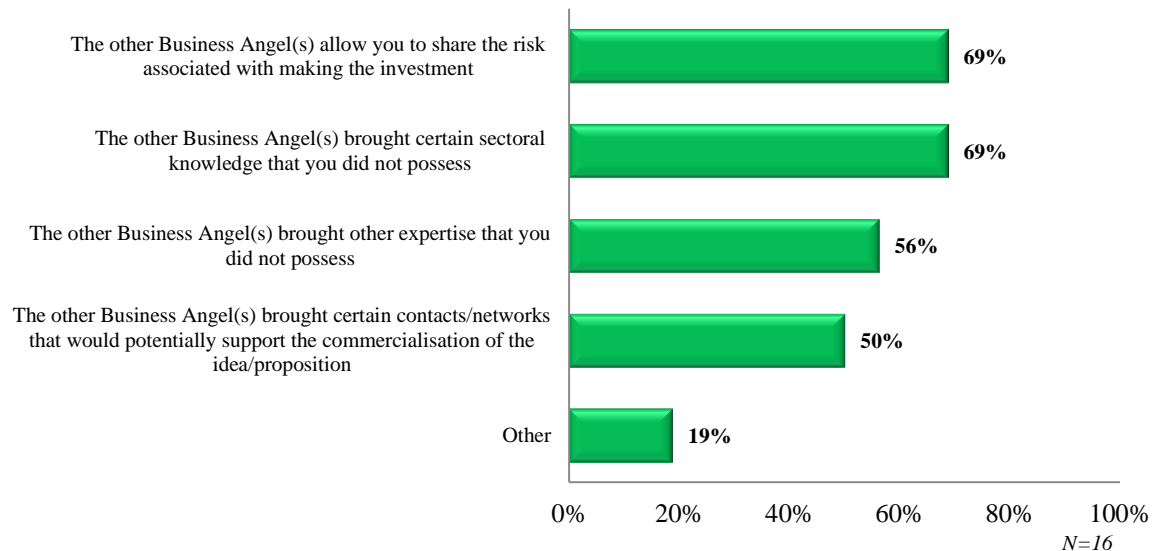
Figure 4.11: Investments made through Halo with other Business Angels



Over two thirds (69% - N=16) of business angels noted that their main motivation for undertaking investments with other business angels was to:

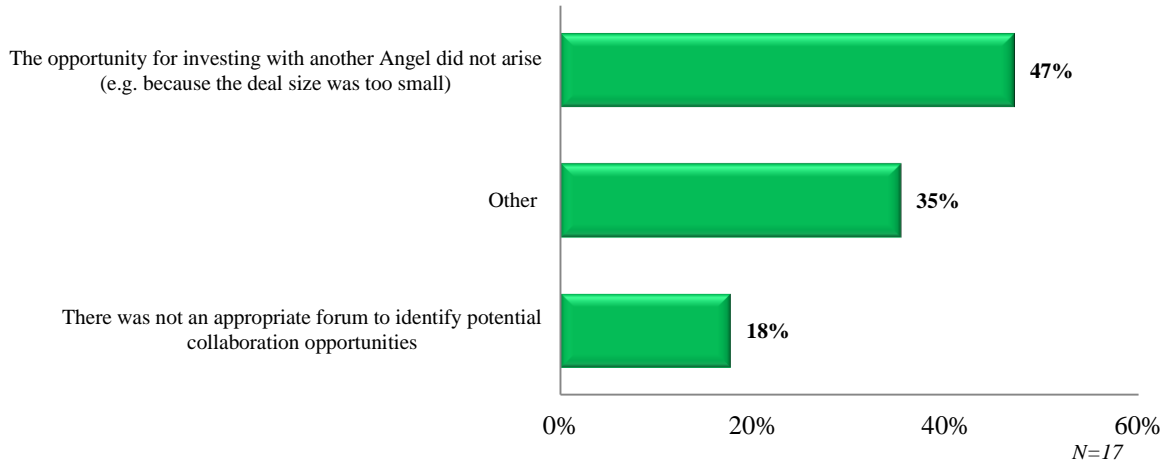
- Share the risk associated with making the investment and, related to this, maximise the potential of deriving a return by spreading investment monies across a number of propositions (as opposed to investing all of within one investment); and/or
- Avail of certain sectoral knowledge brought by the other business angel to the investment that they did not possess.

Figure 4.12: Motivations for undertaking investment with other Business Angels



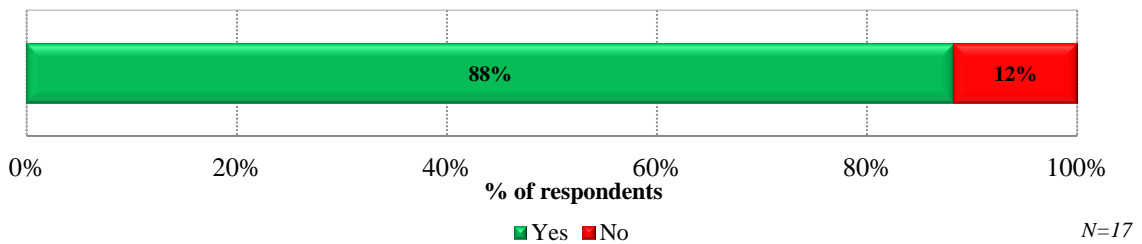
For those business angels who indicated they did not undertake investment with other business angels (52% - N=33), nearly half (47% - N=17) of those business angels noted that the reason for this was due to the opportunity of investing with another Angel did not arise (principally in terms of proportions that would have been of joint interest). One third of business angels (35% - N=17) reported that they have not made any investments to date through the NI Halo network due to other reasons, with less than one fifth (18% - N=17) of business angels indicating that there was not an appropriate forum to identify potential collaboration opportunities.

Figure 4.13: Reasons for not undertaking investment with other Business Angels



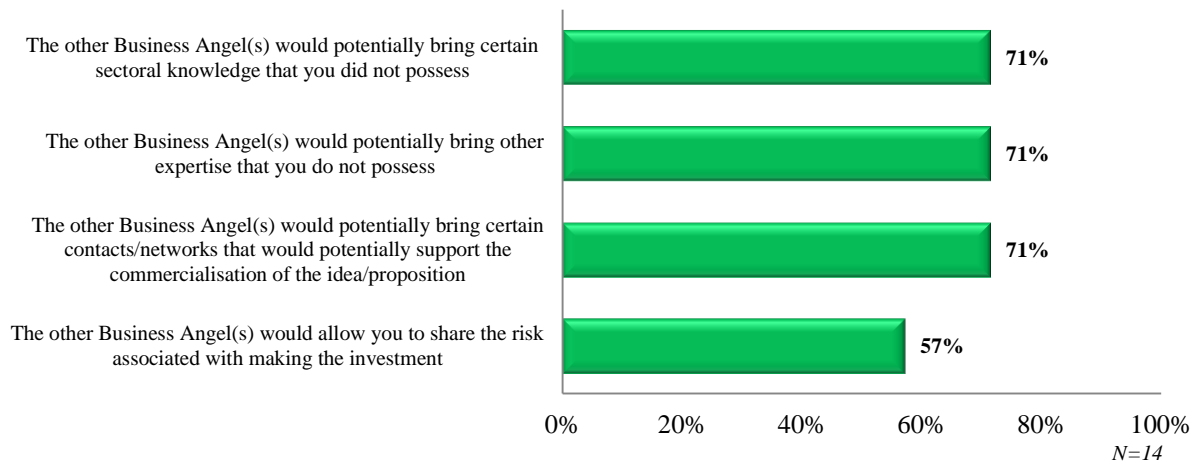
Of those business angels who have not yet invested alongside other business angels, more than four-fifths (88% - N=17) of angels reported that they would be interested in doing so in the future.

Figure 4.14: Interest in investing with other Business Angels in the future



Similarly to the motivations noted above, almost three-quarters (71% - N=14) of business angels reported that they would invest alongside other business angels in the future due to other business angels potentially bringing certain sectoral knowledge and expertise to the investment which they do not possess. The same proportion (71% - N=14) of business angels noted that a motivate for undertaking investment with business angels in the future was due to other business angels bringing in certain contacts to the investment and also sharing the risk that is associated with the investment. Business angels also stated that syndication would facilitate them to share the risk associated with making the investment and maximise the potential of deriving a return by spreading investment monies across a number of propositions (as opposed to investing all of within one investment).

Figure 4.15: Motivation for investing with other Business Angels in the future

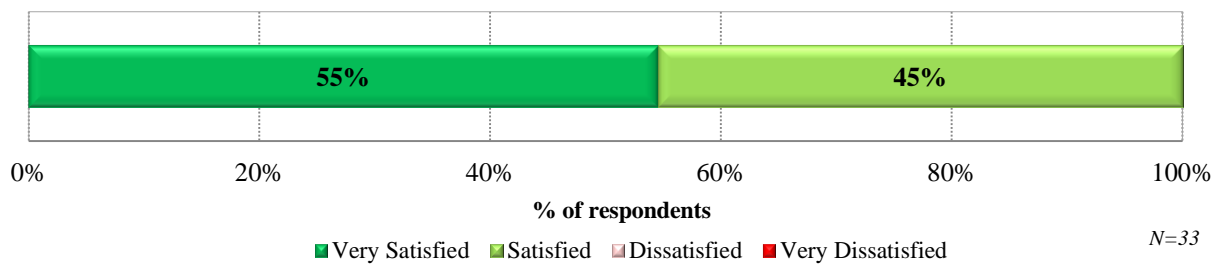


4.3.5 Overall satisfaction

All business angels (100% - N=33) indicate that they were either ‘very satisfied’ (55%) or ‘satisfied’ (45%) with Halo and were in agreement that:

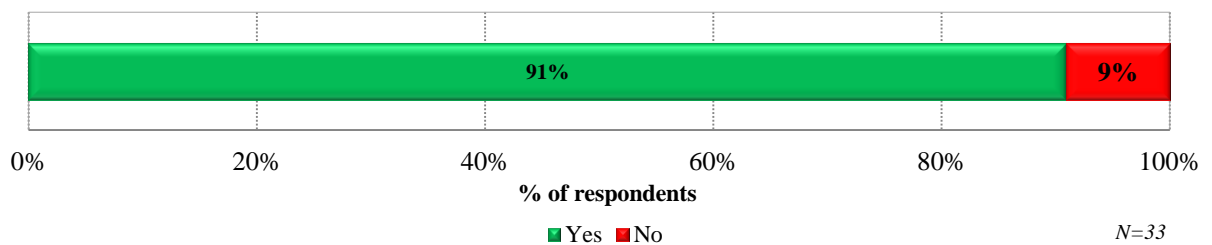
- Halo is an effective conduit for channelling equity/venture capital investment to SMEs at different stages of development;
- There is a continued need for Halo; and
- They would recommend Halo to other business angels who are seeking to invest in SMEs.

Figure 4.17: Overall satisfaction with Halo Programme



The majority of business angels (91% - N=33) noted that they are likely to continue to play an active role in the Halo Network in the coming years.

Figure 4.18: Active role in Halo in the next few years



4.4 Summary Conclusions

The preceding analysis suggests that investors and investees are, on the whole, highly satisfied with the support provided through the Halo network. Specifically, the feedback from business angels and entrepreneurs/businesses, that received support from Halo during the period under review, suggests that (amongst other things):

- Halo is playing an effective role in both selecting suitable entrepreneurs/businesses to ‘pitch’ to business angels for equity investment and ensuring that those selected to pitch are appropriately prepared and up-skilled to do so;
- The current format of the investment meetings (i.e. dinner, pitch presentation and post-pitch meetings/networking) is appropriate to facilitate the ‘matching process’ between investors and investees; and
- Halo is providing an effective forum to facilitate business angel networking and the delivery of business angel ‘masterclasses’ (by an experienced angel investor) to enhance the investment knowledge and expertise of business angel investors.

5. IMPACT OF THE HALO PROGRAMME

5.1 Introduction

This Section considers the impact that the receipt of Halo support had on recipient entrepreneurs/businesses and business angels.

5.2 Activity Deadweight/Additionality

The net impact of the Halo support (i.e. its additionality) relating to:

- Entrepreneurs/businesses ability to receive investment and expertise;
- Business angels likelihood of making the investments; or
- Where relevant, to have done so to a similar scale and/or within a similar timescale;

can only be measured after making allowances for what would have happened in the absence of the support from Halo. That is, the support must allow for deadweight. ‘Deadweight’ refers to activity that would have occurred without the intervention i.e. the Halo programme.

Appendix III provides a detailed overview of the Evaluation Team’s deadweight/additionality calculations. However, in summary, we have calculated levels of activity deadweight using a ‘participant self-assessment’ methodology. The methodology utilises a series of questions³⁴ within the participant survey and assigns weightings (agreed in conjunction with DETI’s Economist Team) to the individual responses. The outcomes of the analysis are provided below:

Table 5.1: Assessment of Activity Additionality/deadweight		
	Entrepreneurs/Businesses (N=26)	Business Angels (N=32)
Fully Additional	40%	47%
Partially additional	40%	38%
Not additional	20%	15%
Overall level of additionality	62.31%	65.96%

The calculated levels of additionality indicate that Halo is playing a strong role in encouraging business angels to make investment and entrepreneurs/businesses to derive investment (to the scale and within the timescale that was ultimately delivered/received).

5.3 Nature and Extent of Market Failure

Subsection 5.3 examines the factors that would have prevented businesses from achieving the investment and expertise that was provided by their business angel or achieving it in the same manner (i.e. at the same scale or in the same timescale) independent of the support provided through Halo. In doing so the analysis utilises a methodology agreed in conjunction with DETI to quantify the nature and extent of market failure³⁵.

Based on the feedback, the factors that would have prevented businesses from undertaking the business development activities or undertaking them in the same manner included:

³⁴ In-line with DETI guidance, these questions focused on identifying the likelihood that the individual would have undertaken the activities, what scale of activities would have been undertaken in the absence of support (if relevant) and how much later would the activities would be undertaken (if relevant).

³⁵ Given the fact that the analysis seeks to examine the factors that would have prevented businesses from achieving the investment and/or expertise or achieving it in the same manner (i.e. at the same scale or in the same timescale) independent of the support provided through Halo, the analysis is intrinsically linked to the activity additionality / deadweight analysis detailed in subsection 5.2.

Table 5.2: Factors preventing businesses from receiving investment and expertise provided by their Business Angel ³⁶	
Need for support	No. of businesses
You were not aware of appropriate investors (e.g. Business Angels) that could offer the investment and expertise required to address your business needs	63%
The business or idea/proposition was too risky to be of interest to other potential financial sources (e.g. the bank)	58%
You did not seek investment from other sources because you did not understand your likely chance of success in gaining finance	32%
The cost of gaining finance for the business or idea/proposition was prohibitive	26%
Larger venture capital companies were not interested in the size of the potential deal	26%
The business would have lacked the knowledge and skills to present itself as an investible opportunity resulting in it not appearing 'investment ready' to investors	21%
You did not understand how equity finance worked and hence were reluctant to seek investment from investor	-
Other	-
N=	19

Based on these findings, the Evaluation Team was able to undertake an analysis of the degree to which market failure played a role in preventing them from receiving investment and expertise. This analysis involved categorising businesses' motives for participation based on:

- **No Market failure** – The business felt that the activity 'definitely would have happened anyway' or stated that they would not have received investment and expertise in the absence of the Halo Programme due to the fact that the cost of gaining finance for the business or idea/proposition was prohibitive or larger venture capital companies were not interested in the size of the potential deal;
- **Partial Market failure** - The participant's decision to participate was due to **both** non-market failure and market failure factors. That is to say, they would not have started their business or developed it in the same manner, because:

- The cost of gaining finance for the business or idea/proposition was prohibitive (not a market failure); and/or
- Larger venture capital companies were not interested in the size of the potential deal (not a market failure); and
- The business or idea/proposition was too risky to be of interest to other potential financial sources (e.g. the bank) (market failure – asymmetric information and risk aversion) and/or
- The business would have lacked the knowledge and skills to present itself as an investible opportunity resulting in it not appearing 'investment ready' to investors (market failure – asymmetric information) and/or
- The business was not aware of appropriate investors (e.g. Business Angels) that could offer the investment and expertise required to address your business needs (market failure – asymmetric information); and/or
- The business did not seek investment from other sources because you did not understand the potential benefits to the business of raising finance or your likely chance of success in gaining finance (market failure – asymmetric information); and/or
- The business did not understand how equity finance worked and hence were reluctant to seek investment from investor (market failure – asymmetric information).

³⁶ Feedback provided by those businesses that engaged in telephone consultations and received investment. It should be noted that 6 businesses highlighted that they would have achieved all the investment and received similar expertise anyway in the absence of Halo and 1 entrepreneur/business did not avail of the investment.

- **Full Market Failure** - The company’s decision to participate was solely due to market failure factors (asymmetric information) i.e.:

- The business or idea/proposition was too risky to be of interest to other potential financial sources (e.g. the bank) (market failure – asymmetric information and risk aversion) and/or
- The business would have lacked the knowledge and skills to present itself as an investible opportunity resulting in it not appearing ‘investment ready’ to investors (market failure – asymmetric information) and/or
- The business was not aware of appropriate investors (e.g. Business Angels) that could offer the investment and expertise required to address your business needs (market failure – asymmetric information); and/or
- The business did not seek investment from other sources because you did not understand the potential benefits to the business of raising finance or your likely chance of success in gaining finance (market failure – asymmetric information); and/or
- The business did not understand how equity finance worked and hence were reluctant to seek investment from investor (market failure – asymmetric information).

The results of this analysis are presented in the table below:

Table 5.3: Impact of market failure on the Halo Programme Recipients (N=26)	
	% of Businesses/entrepreneurs
No Market Failure	31%
Partial Market Failure	27%
Full Market Failure	42%
Total	100%

In summary, more than two-thirds (69% - N=26) of businesses/entrepreneurs suggested that the investment and/or expertise would not have been taken place or achieved to the same scale or within the same timescale due to either ‘full’ or ‘partial’ market failure factors. Thus, the Evaluation Team concludes that Halo has been successful in supporting businesses to overcome those market failure barriers that are preventing them from receiving investment and expertise.

5.4 Achievement of Outputs – Net Additional Investment

On the basis that both business angels and entrepreneurs/businesses identified the likelihood that they would have made (in the case of business angels) or received (in the case of the entrepreneur/business) the investment, the potential impact of Halo in fostering this investment can be examined from both perspectives, as detailed in the table below:

Table 5.4: Net additional business angel investment			
Stakeholder	Total business angel investment	Level of activity additionality	Net additional business angel investment achieved
Entrepreneur/business (N=26)	£7,630,000	62.31%	£4,754,253
Business Angels (N=32)		65.96%	£5,032,748

The application of the levels of activity additionality to the total level of business angel investment that was made during the period under review (i.e. £7,630,000) suggests that Halo directly:

- Facilitated entrepreneurs/businesses to derive c. £4.8m in investment; and
- Encouraged business angels to invest c. £5m in NI-based businesses/propositions³⁷.

³⁷ Please note that these figures should not be added together as the analysis considers the contribution of Halo from two different perspectives (i.e. from the perspective of the entrepreneur/business and the perspective of the business angel).

5.5 Achievement of Outcomes

Subsection 5.5 provides a summary of the tangible business impacts derived by entrepreneurs/businesses that received investment during Phase IV.

It is the Evaluation Team's view that caution should be taken in relation to any assessment of the impact that Halo has had on generating outcomes and impacts at this stage on the basis that it is widely recognised that there is a time-lag (which can amount to years) between businesses receiving business angel investment and any subsequent realisation of outcomes and impacts. This time-lag typically relates to the fact that businesses will often require further developmental work (which may be supported through further follow-on investment) to be undertaken before a product or process can be brought to market. This assertion is reflected by research undertaken by Nesta³⁸ which suggests that, on average, it may take six years to generate a positive outcome as a result of business angel investment. Notwithstanding this issue, the Evaluation Team has sought to establish the impacts that have been derived to date. It should be noted that for brevity, the Evaluation report provides a summary of outcomes of the grossing up analysis. Further details on our approach to grossing up are provided in Appendix IV.

5.5.1 Overview of impacts/outcomes achieved

As detailed in Table 5.5 the 26 businesses that had received investment during Phase IV suggested that they had derived subsequent impacts/outcomes. These are noted as follows:

Table 5.5: Impact/Outcomes Achieved to date				
Impact/outcome	No. of businesses deriving the impact/outcome	% deriving the impact	No. of businesses able to quantify impact/outcome	Quantification
Follow-on investment	8	31%	7	£3,321,400
Increased sales in NI market	8	31%	7	£744,000
Increased sales in GB market	10	38%	7	£1,554,000
Increased sales in export markets (outside UK)	11	42%	6	£1,588,000
Reduction in costs	4	15%	3	£115,000
Increased expenditure on R&D	14	54%	10	£1,489,000
Increased employment (FTEs) within the business	16	62%	14	54
Employment Safeguarded / Retained	10	38%	7	23
Impact on the business' survival	18	69%		
Entry into new geographic markets	7	27%		
Improved the skills of your workforce	5	19%		
Increased access to business networks/contacts	15	58%		
Increased competitiveness	8	31%		
Other	1	4%		
N=	26			

³⁸ See Nesta, *Siding with the Angels*. It is also noted by the research that 56% of exits failed to return capital.

5.5.3 Calculation of gross impacts

Follow-on investment

Nearly one third (31% - N=26) of businesses indicated that they had received follow-on investment as a result of the investment and/or expertise fostered through Halo. Businesses that were willing and able to quantify the follow-on investment received, suggested that they had received c. £3.3m. The average amount of follow-on investment received by businesses/entrepreneurs' was c £220k, and the median was £75k (Table 5.6).

N	No. of business achieving the benefit	No. able to quantify the impacts	Total	Mean (excl. outliers)	Median (excl. outliers)	Range (excl. Outliers)
26	8 (31%)	7	£3,321,400 ³⁹	£220,233	£75,000	£30k-£661k

The Evaluation Team's grossing up analysis⁴⁰ indicates that entrepreneurs/businesses may have derived c. £5m in follow-on investment.

Please note, given the significant difference between the levels of leveraged/follow-on investment calculated by the Evaluation Team (£5m) vis-à-vis that reported by NISP (£9.72m)⁴¹, coupled with the uncertainty of the impact of the Halo investment in levering this follow-on investment (i.e. the causal relationship), the Evaluation Team has not calculated the net additional level of follow-on investment potentially derived.

Revenue/Sales

The sample (N=26) of businesses, who were willing and able to quantify the impact of the investment and/or expertise on their sales, indicated that they had achieved c £3.8m of increased sales/revenue (Table 5.7).

	N	Achieving impact	No. able to quantify impact	£	Mean (excl. outliers)	Median (excl. outliers)	Range (excl. outliers)
NI Sales	26	8 (31%)	7	£744,000	£106,286	£50,000	£6k - £288k
GB Sales	26	10 (38%)	7	£1,554,000	£222,000	£230,000	£36k - £500k
Export Sales	26	11 (42%)	6	£1,588,000	£177,600	£100,000	£100k-£300k
Total	26	14 (54%)	-	£3,886,000	£167,684	£100,000	£6k - £500k

The Evaluation Team's grossing up analysis indicates that the total number of businesses/entrepreneurs' receiving investment during the period under review, may have potentially derived £8 m in increased sales. Positively, over four-fifths (84% or £6,782,800) of the total increase was potentially derived from external (41% or c. £3.3m) and/or export markets (43% or c. £3.5m).

³⁹ It should be noted that this total of follow-on investment received includes one significant businesses outlier that received c. £2m in follow-on investment.

⁴⁰ For prudence, the Evaluation Team excluded identified outliers during the grossing up analysis and subsequently re-included these to calculate the potential total impact of Halo on each quantifiable metric.

⁴¹ Based on its analysis and consultation with Halo, it is unclear as to the specific reasons why the Evaluation Team's calculated leveraged investment figures are significantly below those identified by Halo, it may be (in part) due to the fact that the Evaluation has applied a grossing-up analysis (and hence there may have been a number of significant outliers that were not identified through the consultation phase). We do however note that the difference would have had to be generated by the 37% of businesses that received investment through Halo but did not engage in the primary research.

Table 5.8: Summary of the gross sales achieved across all businesses				
N	NI Sales	GB Sales	Export Sales	Total
39	£1,275,429(16%)	£3,330,000 (41%)	£3,452,800 (43%)	£8,058,229

Costs

Nearly one fifth (15% - N=26) of businesses indicated that they had reduced their costs as a result of the initial investment and/or expertise provided by the Halo Business Angel. Those businesses that were willing and able to quantify the impact that the support has provided suggested that they had achieved £115k in cost savings. The average cost savings made by businesses/entrepreneurs' was c. £38k, and the median was £45k (Table 5.9).

Table 5.9: Number of businesses achieving cost savings in sample						
N	No. of business achieving the benefit	No. able to quantify the impacts	Total	Mean (excl. outliers)	Median (excl. outliers)	Range (excl. Outliers)
26	4 (15%)	3	£115,000	£38,333	£45,000	£20k-£50k

The Evaluation Team's grossing up analysis indicates that the total number of businesses/entrepreneurs' that received investment during the period under review, may have derived cost savings equating to c. £230k.

Gross GVA impacts

By way of calculating the gross GVA impacts associated with the Halo Business Angel Network, the Evaluation Team applied the current average NI sectoral GVA (of 30.0%⁴²) to the calculated increase in revenue and the calculated decrease in cost savings that were potentially derived by businesses receiving investment during the period under review.

Table 5.10: Calculation of Gross GVA			
	Monetary Impact	Conversion ratio	Gross GVA
Increase in revenue	£8,058,229	30.0%	£2,417,469
Decrease in costs	£230,000	N/A	£230,000
Total	£8,288,229		£2,647,469

The Evaluation Team's analysis suggests that the Halo Business Angel Network may have contributed £2.7m in gross GVA to the NI economy.

Employment created

Nearly two-thirds (62% - N=26) of businesses indicated that they had increased their employment as a result of the investment and/or expertise fostered through Halo. Businesses that were willing and able to quantify the increase in employment, suggested that they had increased their staff complement by 54 full-time equivalent employees (FTEs), of which 48 (90% - N=54) had a salary in excess of the Northern Ireland private sector median (Table 5.11).

Table 5.11: Number of businesses achieving an increase in employment							
N	No of businesses achieving the benefit	No. able to quantify the impacts	FTE (of those able to quantify)	FTEs > PSM	Mean (excl. outliers)	Median (excl. outliers)	Range (excl. outliers)
26	16 (62%)	14	54	48 (90%)	3	3	1.5-6

The Evaluation Team's grossing up analysis indicates that the total number of businesses, that received investment during the period under review, may have potentially increased their employment

⁴² Source: Northern Ireland Annual Business Inquiry 2014 (December 2015).

by 82 FTE. The analysis indicates that of those 82 FTEs, potentially 74 (90%) had salaries in excess of the Northern Ireland private sector median.

Table 5.12: Summary of increased employment across all businesses		
N	FTEs	No. of jobs > PSM
39	82	74 (90%)

Employment safeguarded

In addition to the jobs created, almost two-fifths (38% - N=26) of businesses indicated that they had safeguarded employment within their business as a result of the investment and/or expertise provided through Halo. Of those businesses that were able to quantify the number of jobs safeguarded, these businesses indicated that they had safeguarded 23 FTE jobs.

Table 5.13 Number of businesses safeguarding employment in sample						
N	No. of business achieving the benefit	No. able to quantify the impacts	FTEs (of those able to quantify)	Mean (excl. outliers ⁴³)	Median (excl. outliers)	Range (excl. outliers)
26	10 (38%)	7	23	2	2	1-4

The Evaluation Team's grossing up analysis suggested that of the total number of businesses receiving investment during the period under review may have potentially safeguarded 40 jobs.

Other benefits derived

Businesses indicated that in addition to the monetary impacts noted above, they had derived a number of other benefits as a result of the initial investment and/or expertise provided by the HALO Business Angel. The most frequently cited including:

- Positive impact on business' survival (69%);
- Increased access to business networks/ contact (58%);
- Increased competitiveness (31%); and
- Entry into new geographic markets (27%).

5.5.4 Calculation of net additional impacts

Impact additionality

The net impact of the Halo Programme (i.e. its additionality) on recipients businesses' sales, employment or other outturns can only be measured after making allowances for what would have happened in the absence of the intervention. That is, the impact must allow for deadweight. 'Deadweight' refers to outcomes that would have occurred without their support.

Please note that given that most evaluations are undertaken some time after an activity is implemented, the Evaluation Team does not consider it appropriate to apply 'activity additionality' to impact measures. The reason being that, in the intervening period any variety of factors (and support interventions) may have had an impact on the business deriving these impacts and outcomes⁴⁴. Therefore, this measure ascertains the level of deadweight/additionality relating to business outturns.

⁴³ 1 business stated that it had safeguarded/retained 10 FTE jobs as a result of receiving the investment derived through Halo.

⁴⁴ This issue is particularly pertinent in the context of Halo, which acts as a facilitator between business angels (the investors) and the businesses/entrepreneurs (the investees). However, there is likely to be a number of other factors (and support interventions) that ultimately contribute to the business achieving the impacts. Thus the impact additionality methodology seeks to establish the levels of impacts/outcome that can be attributed to the support from Halo and the investment and expertise from the Business Angel which is facilitated through the Halo process.

The analysis of individual survey responses and application of the same ‘participant self-assessment’ methodology used to assess ‘activity additionality’, results in the following levels of ‘impact deadweight and additionality’:

Table 5.14: Impact Additionality/deadweight (N=21)⁴⁵	
Deadweight	Additionality
36.24%	63.76%

The Evaluation Team notes the level of ‘impact additionality’ (64%) is similar to the level of ‘activity additionality’ (61%) suggesting that the investment and expertise provided by business angels has played a pivotal role in businesses realising the outcomes and impacts.

Positively, as detailed in the Table 5.15, the Evaluation Team’s benchmarking of Halo’s level of ‘impact additionality’ with other similar interventions shows that Halo is performing significantly better than these. For example, the level of Halo impact additionality for Phase IV is 11 percentage points higher than that of ‘Individual enterprise support’ interventions across the UK regions (where it is 52.7%). Furthermore, the level of impact additionality is higher than that associated for all types of interventions and programme interventions.

Table 5.15: Benchmarking of impact additionality/deadweight⁴⁶			
Location	Nature of interventions	Mean Additionality	Mean Deadweight
UK Regional	All interventions	57.0%	43.0%
	Programme interventions only	56.2%	43.8%
	Individual enterprise support ⁴⁷	52.7%	47.3%
NI	Halo - Phase IV	63.76%	36.24%

5.5.5 Displacement

The Evaluation Team has also considered the potential displacement that might be created by the impact of the Halo Programme. To assess this, we have again utilised a series of questions; the answers to which are assigned a ‘displacement factor’ in both the NI market and the broader UK market.

We have calculated displacement based on two factors:

1. The proportions of the businesses that participants compete with that are based in NI/UK, keeping in mind the markets which their company sells into.
2. Whether, in the participants’ area of business, market conditions have improved over the period since receiving support.

On an overall level, the Evaluation Team’s analysis suggests that that the displacement factor at the NI level is 16%; whilst at the GB level it is 43.45%.

⁴⁵ It should be noted that 5 businesses/entrepreneurs did not receive impacts as a result of the Halo Business Angel Network; therefore they did not answer this question.

⁴⁶ Source: Research to Improve the Assessment of Additionality (BIS, 2009)

⁴⁷ Please note BIS defines ‘individual enterprise support’ as programmes or projects that aim to provide access to finance for SMEs and/or promote enterprise and assist company start-ups. It is the Evaluation Teams view that Halo’s activity is aligned to these definitions.

The removal of the calculated levels of impact deadweight and displacement suggests that Halo may have:

- Contributed £1.4m in net additional GVA to the NI economy, of which £768,571 (54%) was potentially derived in wages and the remainder £654,708(46%) potentially being derived by profits⁴⁸;
- Created 44 FTE jobs, 40 of which had salaries in excess of the private sector median; and
- Safeguarded 26 FTE jobs.

Table 5.16: Summary of the Gross and net additional impacts⁴⁹			
Metric	GVA	Employment created	Employment safeguarded
Gross impact	£2,647,469	82	40
Less deadweight (36%)	£953,089	30	14
Less displacement (16%)	£271,101	8	N/A
Net additional impact	£1,423,279	44 FTEs	26 FTEs

Anticipated impacts

In addition to the actual outturns achieved to date, businesses that received investment, also provided an indication of their anticipated turnover, cost savings and employment over the next three years as a result of the Halo Business Angel Network. (Table 5.17)

Table 5.17: Anticipated business' outturn over the next three years – (N=26)	
Turnover	
No of businesses anticipating increase in turnover	17 (65%)
No of businesses able to quantify increase in turnover	11
Total increase in turnover of those that could quantify	£32,607,000
Cost Savings	
No of businesses anticipating decrease in costs	3 (12%)
No of businesses able to quantify decrease in costs	0
Total decrease in costs of those businesses that could quantify	-
Increase in employment (FTE)	
No of businesses anticipating an increase in employment	16 (62%)
No of businesses able to quantify increase in employment	13
Total increase in employment of those businesses that could quantify	74

Whilst caution should be taken in terms of placing reliance on the above figures (given their speculative nature⁵⁰), any positive change in the above metrics will have a positive impact on the return-on-investment and associated VFM provided by Halo during the period under review.

⁴⁸ Source: ONS Regional Accounts data 2014 (December 2015)

⁴⁹ Figures only relate to actual outcomes derived to date i.e. excludes outturns anticipated to be derived by businesses in the future. On the basis that net additional GVA is a subset of turnover and cost savings these figures have been excluded from the table to avoid the double counting of benefits.

⁵⁰ Given the speculative nature of the forecasts, the anticipated impacts have not been grossed up to the total population.

5.6 Development stage of business pre and post Halo support

Table 5.18 provides a summary of the stage of development of each business that engaged in the primary research.

Table 5.18: Development stage of business idea						
Stage of development	Pitch only		Received investment		All entrepreneurs / businesses	
	Before	Current	Before	Current	Before	Current
Proof of Principle or Proof of Concept	13%	2%	12%	0%	12%	1%
Prototype/working demonstrators	13%	5%	27%	0%	17%	4%
Product development	14%	9%	12%	4%	13%	7%
Sub-total for pre-market ready stages	40%	16%	51%	4%	42%	12%
Market ready stage (but not yet trading)	13%	9%	12%	12%	12%	10%
Trading in NI market only	14%	5%	4%	8%	11%	6%
Trading in external and/or exporting markets	31%	64%	33%	72%	34%	68%
Sub-total for trading	45%	69%	37%	80%	45%	74%
The proposed business did not/will not start	0%	2%	0%	4%	0%	2%
Other	2%	4%	0%	0%	1%	2%
Total	56		26		82	

The feedback indicates that, since receiving investment, the majority of businesses have successfully progressed along the development pipeline. This is best evidenced by the

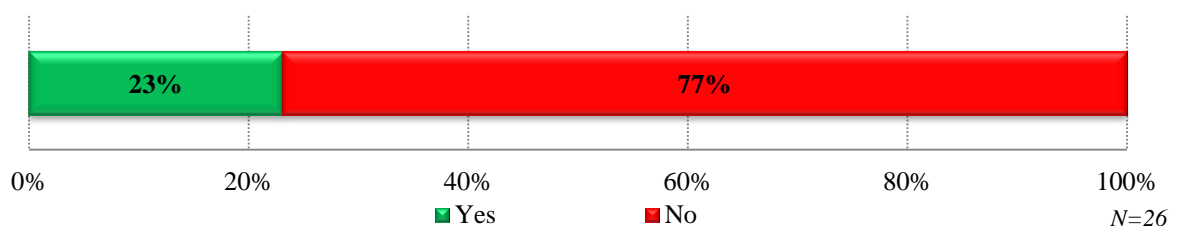
- Decreasing proportion of businesses at the pre-market ready stages; and
- Increasing proportion of business that are now trading (including those that are now trading in external and/or export markets).

The Evaluation Team notes that whilst these businesses are likely to have availed of other monetary and non-monetary support that has support their development, based upon the calculated levels of impact additionality, as well as the significant proportion (46%) of businesses that indicated that the support had directly contributed to their business' survival, it is reasonable to assume that the facilitatory support provided by Halo and the investment and expertise provided by the business angels has made a positive contribution to supporting the development of participating businesses.

5.7 Unexpected Impacts

Almost one quarter (23% - N=26) of businesses that received investment, indicated that they received other unexpected benefits as a result of their engagement with Halo. These businesses reported that Halo has enabled them to gain contacts within the network and be introduced to potential investors.

Figure 5.1: Unexpected impacts⁵¹



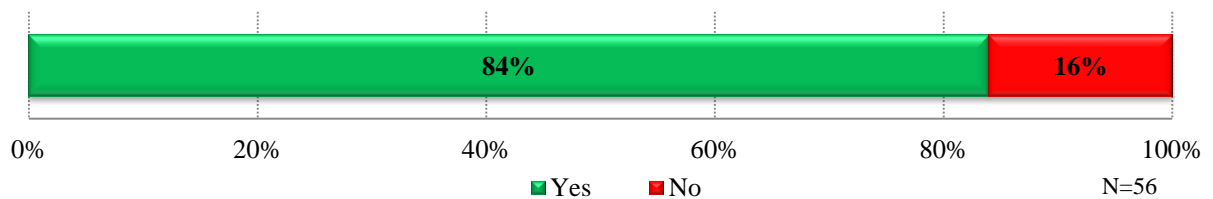
⁵¹ Feedback provided by those businesses that pitched and received investment

5.8 Achievement of benefits by businesses who did not receive investment

More than four-fifths (84% - N=56) of businesses, that did not receive investment from a business angels, indicated that they received benefits from engaging in the Halo process. Specifically, these businesses cited the support had:

- Increased their confidence to engage with potential investors
- Increased their ability to effectively ‘pitch’ their ideas/propositions to potential investors;
- Increased their understanding of equity finance;
- Broadened their network of contacts; and
- Increased their exposure amongst potential investors.

Figure 5.2: Benefits received from engaging in the Halo process⁵²



Over half (54% - N=56) of businesses indicated that they were able to gain investment from other sources to support their business development. Key sources of finance included private VCs, crowdfunding sources and other public sector sources (including the Invest NI Propel and the techstartNI programmes). However, in the majority of cases, businesses indicated that a smaller scale of investment was achieved and/or the investment was achieved in a longer timescale. It is noted that these findings are broadly reflective of the calculated levels of activity additionality.

5.9 Business Angels Achievement of motives for engaging in Halo

Key factors cited by business angels for their involvement in Halo included:

- Commercial factors (including to make investments that would provide them with a positive return-on-investment (85%) and to diversify their investment portfolio (72%));
- To network with like-minded entrepreneurs/investors (82%); and
- To undertake a new challenge (72%) and/or gain satisfaction from being involved in an entrepreneurial firm (72%).

Table 5.19: Motives for engaging with Halo Business Angel Network (N=39)				
Motive for engaging with Halo	% of Angels stating motive	Degree of achievement		
		% Wholly or partially achieved	% Haven't achieved but expect to	% Won't achieve
To make investments that would ultimately provide you with a positive return-on-your investment	85%	18%	73%	9%
To network with like-minded entrepreneurs/investors	82%	97%	3%	-
Personal satisfaction of being involved in entrepreneurial firms	72%	74%	23%	3%
To undertake a new challenge	72%	79%	18%	4%
To diversify your investment portfolio	72%	54%	46%	-
For philanthropy reasons (i.e. to give something back)	64%	64%	24%	12%
To enhance entrepreneurial status amongst other investors (i.e. for kudos)	41%	38%	31%	31%
Other	10%	75%	-	25%

⁵² Feedback provided by those businesses that engaged in telephone consultations and Pitched Only

Business angels reported that they had wholly or partially achieved the motives for which they had engaged with Halo. For those business angels that had not achieved their respective motives (particularly relating to making a return on their investment), the majority of these business angels were of the view that they still anticipate achieving these at some stage in the future.

Notwithstanding business angels' optimism in relation to the potential of deriving a positive return-on-investment from their respective investments, we note that the historic number of exits from business that derived investment through Halo is low, with only 1 exit achieved to date⁵³. In relation to the current Phase of Halo, discussion with NISP indicates that:

- 1 business is likely to exit in the coming months but uncertainty presently exists as to the terms of the acquisition and the returns that will be derived by the business angels (or otherwise);
- 2 businesses have received offers for acquisition but were turned down;
- A considerable number (up to 20) of the other companies that received investment are potential exits. However, based on historic trends it was acknowledged that the likelihood would be that a large number of these will not exit and none of them are considering an exit at present. For the majority of these businesses, the focus is on scaling their business to make it an attractive proposition of acquisition in the future;
- 2 businesses that derived investment during Phase IV are no longer operating⁵⁴. A longitudinal analysis undertaken by Halo indicates that 54% of businesses invested in (between 2009 and 2014) are no longer operating (34%) or are classified as 'zombie' companies (20%). This figure (of 54%) is broadly aligned with research undertaken by Nesta⁵⁵ which indicates that 56% of business angel investments will ultimately fail.

Whilst noting the importance of business angel funding as a source of growth finance for start-up and early stage businesses, it is well documented that angel investment is high risk and the number of exits achieved will be dependent on a variety of interrelated factors within the broader ecosystem including the strength of the propositions coming forward, market conditions, levels of competition and the availability of additional support to facilitate growth. Notwithstanding this, depending on the relative weighting of their motives for making investments, it is clear that a risk continues to exist that NI business angels become disillusioned with making investments in the event that they do not make a positive return on investment (or, at a minimum, get their money back out of the propositions that they are investing in). Whilst ongoing educational activities with investors and investees are likely to help in this regard, additional time is likely to be required to develop the maturity of the business angel ecosystem in terms of the number of exits and promote a cultural/attitudinal change amongst stakeholders that is, in Halo's view, demonstrated by some of the following characteristics:

- NI has a considerably larger number of exited entrepreneurs who start new ventures (either independently or collaboratively) and invest some of their gains in other early stage ventures;
- There have been a number of notable exits and investors (who currently do not regard themselves as being business angels) take note and are encouraged to engage in business angel investing; and
- A culture is developed such that it is standard practice for investors to consider investing in knowledge economy early stage high growth potential companies that are of a high risk.

⁵³ Consultation with Halo indicates that this business derived investment during Phase II of Halo.

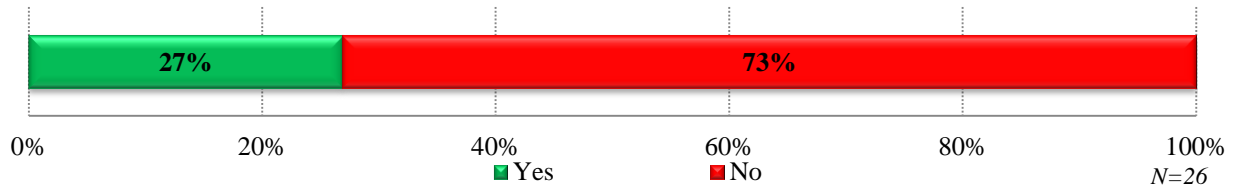
⁵⁴ For prudence these, 2 businesses have been excluded within the grossing up analysis.

⁵⁵ See 'Siding with the Angels', Nesta (2009).

5.11 Duplication and Complementarity

Almost three-quarters (73% - N=26) of businesses, that had derived investment, indicated that in the absence of the support provided through Halo, they would not have been able to get the same or similar support elsewhere.

Figure 5.3: Ability of businesses to get the same or similar support elsewhere



Of those businesses who reported they would have been able to get the same or similar support elsewhere (N=7), these businesses suggested they could have got the investment through their own personal networks/contacts.

It was the view of consultees, and shared by the Evaluation Team, that Halo plays an important role in promoting a continuum of funds and creating a deal flow chain for deals up to £2m for start-up and early growth businesses. In doing so, it was suggested that Halo complements the other key financial initiatives currently being delivered through the Invest NI Access to Finance Strategy and, in particular, techstartNI and Co-Fund NI (which requires businesses/entrepreneurs to have at least 50% respectively of matched private sector funding from business angels or other private investors). Figures provided by Clarendon Fund Managers (CFM) (who has been appointed to manage the Co-Fund), suggest that c. £2.2m has been invested, or leveraged, by between 15 and 25 Halo Business Angels.

Figure 5.4: Support provided through Invest NI's Access to Finance Strategy

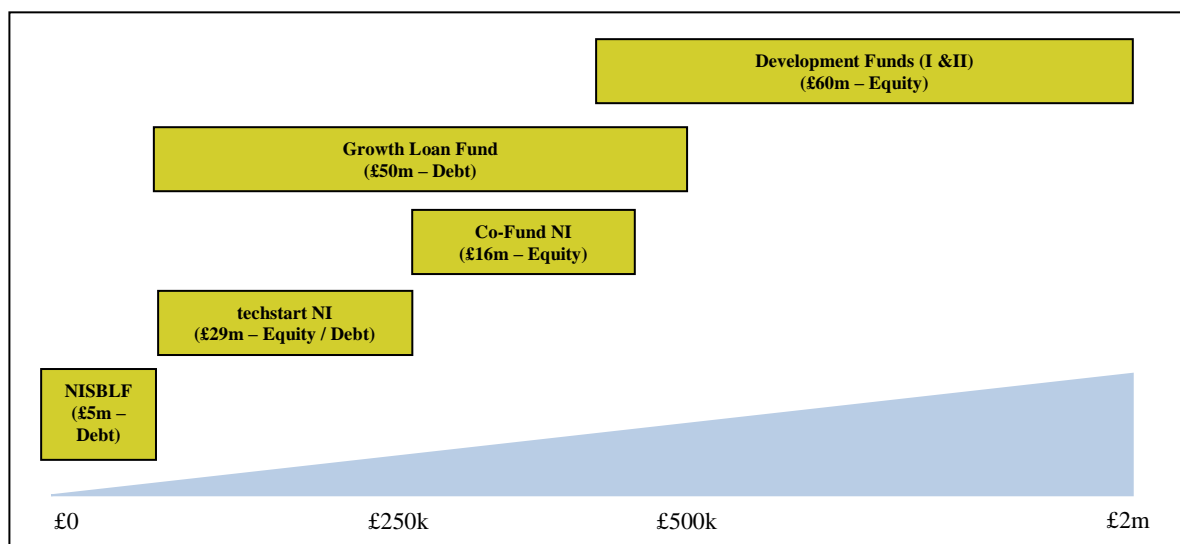


Table 5.20: Overview of the Access to Finance initiatives					
Name of fund	Fund total	Fund Type	Extent of loans/investments	Areas of Focus	Years of operation
Small Business Loan Fund	£5m	Debt	Up to £50k	Micro-businesses, SMEs in the start-up and growth phases and social enterprises.	2013 - ongoing
techstartNI	£29m	Equity & Debt	£50k to £250k	Early-stage, high growth SMEs.	2014 – ongoing
Co-fund NI	£16m	Equity	£250k and £450k ⁵⁶	Early-stage, high growth SMEs.	2011 - ongoing
Development Fund (I&I)	£60m	Equity	£450k and £2m ⁵⁷	Expansion of established businesses that have passed the start-up stage.	2013 - ongoing
Growth Loan Fund	£50m	Debt/Mezz	£50k to £500k	SMEs with high growth potential.	2012 - ongoing

In addition to the support provided through Invest NI’s Access to Finance initiative, Halo also complements a number of other initiatives that existed during the period under review which sought to support the continuum of funds for start-up and early growth businesses including StartPlanetNI (NI’s first Seed Accelerator, Invest NI) the £25k awards (NISP CONNECT) and VC Forum⁵⁸ (NISP CONNECT), as well as the Seedcorn Competition provided by InterTradeIreland.

The Evaluation Team notes that a number of other initiatives existed during the course of Halo Phase IV (and continue to exist) which provided investor readiness/preparatory support to businesses including, in a number of cases, support to businesses and entrepreneurs to ‘pitch’ to prospective investors. These initiatives included: the Propel Programme, StartPlanetNI, the Co-Fund, the Investment Readiness support delivered through the techstartNI, as well as other support provided by NISP Connect (including Springboard, the Enterprise Forum and the Frameworks Workshops. Whilst we acknowledge that there is a risk of duplication, the Evaluation Team does not have a full oversight of the businesses that availed of each of these supports and hence is not able to conclude as to the degree of duplication that has actually occurred. Notwithstanding this, by way of avoiding any risk of duplication, Invest NI should consider the merits and demerits of removing investor readiness from these initiatives (including Halo) and delivering a standalone investor readiness programme which businesses could avail of, as and when required. In doing so, consideration should be given to the logistical arrangements that would need to be embedded within the wider ecosystem and the potential impact of the change on the ongoing operational effectiveness of these programmes and their associated ability to address businesses’ needs.

5.12 Wider and regional benefits

In addition to the aforementioned benefits, the support provided through Halo has contributed to delivering a number of wider and regional benefits to the NI economy, as detailed in the Table below:

Table 5.21: Halo’s contribution to wider and regional benefits	
<i>Wider benefits</i>	
Knowledge transfer	<p>The activities of Halo have encouraged the transfer of knowledge on a number of levels including between:</p> <ul style="list-style-type: none"> • Halo and businesses/entrepreneurs - Halo provided preparatory support and training to businesses/entrepreneurs to (amongst other things) prepare them to pitch to the business angels and develop their pitch presentation. • Business angels - With the support of experienced angel investors, Halo

⁵⁶ Led by business angels.

⁵⁷ Comprising both public and private funding.

⁵⁸ Please note that the VC Forum is (at the time of drafting) in abeyance.

Table 5.21: Halo's contribution to wider and regional benefits	
Skills development	<p>runs angel 'masterclasses' to enhance the investment knowledge, skills and expertise of less experienced investors; and</p> <ul style="list-style-type: none"> • Business angels and businesses/entrepreneurs - In addition, to providing investment the feedback suggests that business angels can also provide other expertise and support to the business/entrepreneur e.g. general business management advice; advice on how an idea could be developed; and support in identifying potential follow-on sources of investment. <p>In all cases, businesses/entrepreneurs and business angels expressed a high level of satisfaction in relation the skills development activities provided and knowledge transferred through their engagement in Halo.</p>
Entrepreneurship	<p>By the very nature of its focus, Halo seeks to stimulate entrepreneurial activity and growth amongst new start-ups and early stage businesses. A total of £7.63m of gross business angel investment was made in 41 unique NI-based businesses through 56 deals.</p> <p>The calculated levels of additionality indicate that Halo is playing a strong role in encouraging business angels to make investment and entrepreneurs/businesses to derive investment (to the scale and within the timescale that was ultimately delivered/received).</p>
Regional benefits	
Degree of R&D being injected	<p>Whilst not a direct benefit generated from the facilitation activities delivered by Halo, the investment made by business angels has supported businesses/entrepreneurs to engage in additional development activities and encourage product and process innovation.</p>
Innovative nature of the project	

5.13 Progress towards the NISP Business Plan Strategic Objectives

Subsection 5.13 provides a summary of the progress made towards the strategic objectives that were identified in the 2014-2017 Halo Business Plan.

5.13.1 Transition from a network structure towards an umbrella organisation

The Business Plan highlighted the importance of Halo moving away from the classic business angel network structure to become an umbrella organisation where the investing 'engine' is a series of angel group/syndicates. It is envisaged that this would include (amongst other things),

- Halo providing a major source of deal flow for the groups, but not exclusively so. Each group would be independent and work in partnership with Halo;
- Members spreading their investment over a larger number of companies in order to spread the risk and maximise their potential returns;
- Members sharing the investment workloads (e.g. due diligence) and building upon the wider expertise and sectoral knowledge of the group's members;
- Members of each group will pay membership fees not to Halo, but to the group. The group will however pay a group membership to Halo;
- All members of each group will automatically become members of Halo. As well as boosting the number of angels, this also provides a route for those angels who prefer not to be visible at a larger meeting to participate anonymously. The private video site is a crucial part of this structure; and
- Halo would also provide significant assistance in the formation, structure and training of new groups
- Halo would pass through some seed funding from Invest NI specifically to assist with the start-up of Halo angel groups.

It is the view of NISP, and shared by the Evaluation Team, that progress made towards creating an umbrella organisation dominated by syndicates has been mixed and slow. As noted, of the 5 syndicates that have been created with the support of Halo since 2010, two of these have disbanded, one is in abeyance and only 2 syndicates are actively viewing deal flow. Only 2 investments have been made by NI based syndicates (equating to £1.1m of investment). It is the view of Halo, and shared by LINC Scotland, that the evolution of the syndicate model is a largely natural process characterised by more mature ecosystems with sophisticated investors acting that have been investment-active for longer periods of time, a higher number of exited entrepreneurs and a higher quality deal flow emanating from other areas of the market.

Notwithstanding this, LINC Scotland has indicated that there have been three key factors that have contributed to increasing the maturity of the Scottish business angel ecosystem. These are:

- Favourable tax regimes;
- Access to co-investment; and
- Support towards the costs of operating the syndicate given the significant amount of time that can be required to complete a deal.

Whilst NI business angels are able to avail of the first two of these (i.e. tax efficient schemes provided through Halo (e.g. Halo Grow Fund) and access to co-investment through the Invest NI Co-Fund), it was suggested by a number of consultees that further work is required to more fully embed the business angel ecosystem within NI's Co-Fund. It is also the view of NISP that support, in excess of the seeding support currently available, should be provided to facilitate the establishment and ongoing operation of the syndicates.

5.13.2 Embedding the capital efficiency model to improve the probability of successful exits

Empirical evidence suggests that many business angel investments fail because angels do not recognise the need for follow-on funding rounds to support the development of the business or account for the fact that their investment is diluted by venture capital investment in subsequent funding rounds.

Practically, both business and investors need to accept that it is better to plan for an early exit (whether to strategic acquirers or by venture capitalist) than to attempt funding growth beyond what is affordable. Hence the capital efficiency model seeks to embed the principle that business angels should make investments where their level of capital is effective and that they invest on the basis that they are capable of funding to a point of potential exit. Implicit in this is, on investing in a business / proposition, every angel should have in prospect what the exit will be and its timing.

Consultation with Halo suggests that whilst progress has been made in embedding the capital efficiency model, through the business angel education activities that were delivered, the lack of development of angel syndicates has impeded the practical implementation of the model. In addition to the creation of syndicates, Halo has indicated that further work educational activities are required to upskill business angels.

5.13.3 Raising the standard of NI Angel investing

Whilst the feedback from business angels indicates that they have derived benefit from the educational and skills development support provided through the Network, Halo is of the view that this work needs to continue with existing and new members and NI business angels need to be exposed to best practice. Furthermore, Halo is of the view that the training will need to be further broadened, especially to assist in embedding the capital efficiency model. Halo has indicated that specific training required by angels moving forward includes:

- Introduction to angel investing;
- Working in angel groups;
- Educating the very HNW via meeting world class speakers;
- Follow on rounds and working with other syndicated funding sources;
- Capital efficiency and Non-Executive Director (NED) training to execute it;
- Training of lead investors on how to run an angel group/syndicate;
- Training angels and companies on how to exit; and
- Training the trainers so that Halo can provide some of the above.

5.13.4 *Development of closer partnerships with other angel groups and increasing the pool of angel investors outside NI*

The Evaluation Team notes that a significant amount of work has been undertaken by Halo to establish and develop relationships with other angel groups outside NI (particularly within the London region) and NISP should be encouraged to continue this work as it offers the potential to:

- Provide a wider pool of potential investors viewing NI deal flow;
- Extend options for further funding rounds for NI companies
- Support the implementation of the angel capital efficiency model (discussed below)
- Increase the sophistication of NI angels by working alongside more experienced angels

However, whilst recognising the tax and currency differences are likely to have inhibited levels of cross-border investment between NI and ROI, a number of consultees suggested that, moving forward, there needs to be more substantive engagement between Halo and HBAN (and vice versa). It was suggested that this should include: better co-branding and marketing, better sharing of resources and, importantly, support in marketing investment propositions within the opposing jurisdiction. The Evaluation Team notes that the evolving Halo delivery model, which will include the distribution of weekly briefs and a broadened membership structure, may help in this regard.

5.13.5 *Utilisation of crowdfunding to support investment activity*

During the period under review Halo developed working relationships with a number of major crowdfunding platforms operating in this evolving area.

Whilst Halo could potentially create a NI-only equity crowdfunding platform, this is likely to be subscale, fraught with regulatory issues and pose reputational risks. As such, Halo had indicated the need to build upon its non-exclusive partnership approach which could support the following funding routes:

- The crowdfunding platform initially investing followed by Halo angel investment when the company is further developed;
- Halo investing but with crowd funding completing the round; and
- Both routes operating in parallel.

Halo has confirmed the need to continue to seek opportunities and develop relationships with crowdfunding organisations to promote investment activity moving forward.

5.13.7 Educating the accountants

Halo has already attempted engagement with intermediaries and been met with resistance. This element of the Halo must be seen as an ongoing exercise of attrition. It is acknowledged that the intermediaries are cautious of recommending what they see as “risky angel investment” activity. Halo has indicated that progress is likely to only occur when Halo has one or more successful exits.

In summary, the research suggests that whilst Halo has made positive progress towards each of the strategic objectives identified, further work will be required to support the growth and sustainability of the NI business angel ecosystem.

5.14 Summary Conclusions

Based on the feedback from both businesses angels and businesses/entrepreneurs, the following key conclusions can be drawn with regards to the monetary and non-monetary economic impact of Halo during Phase IV:

- The calculated levels of activity additionality (66% reported by business angels and 62% reported by businesses) indicate that Halo is playing a strong role in encouraging business angels to make investment and entrepreneurs/businesses to derive investment (to the scale and within the timescale that was ultimately delivered/received);
- More than two-thirds (69% - N=26) of businesses/entrepreneurs suggested that the investment and/or expertise would not have been taken place or achieved to the same scale or within the same timescale due to either ‘full’ or ‘partial’ market failure factors (typically in the form of asymmetric information). Thus, Halo has been successful in supporting businesses to overcome those market failure barriers that are preventing them from receiving investment and expertise;
- The application of the levels of activity additionality to the total level of business angel investment that was made during the period under review (i.e. £7,630,000) suggests that Halo directly:
 - Facilitated entrepreneurs/businesses to derive c. £4.8m in investment; and
 - Encouraged businesses to invest c. £5m in NI-based businesses/propositions⁵⁹.
- The analysis suggests that that the displacement factor at the NI level is 16%; whilst at the GB level it is 43.45%;
- Whilst caution should be taken in relation to any assessment of the impact that Halo has had on generating outcomes and impacts at this stage, the research indicates that Halo may have directly:
 - Contributed £1.4m in net additional GVA to the NI economy
 - Created 44 FTE jobs, 40 of which had salaries in excess of the private sector median; and
 - Safeguarded 26 FTE jobs.

Businesses indicated that in addition to these monetary impacts noted above, they had derived a number of other benefits as a result of the initial investment and/or expertise provided by the Halo Business Angel with most frequently cited including increased access to business networks/contact and an increased chance of business survival.

- The feedback indicates that, since receiving investment, the majority of businesses have successfully progressed along the development pipeline. This is best evidenced by the decreasing proportion of businesses at the pre-market ready stages and the increasing proportion of business that are now trading (including those that are now trading in external and/or export markets). Given the profile of business in receipt of investment and the levels of investment made, it is concluded that Halo has acted as an effective conduit for channelling equity investment to SMEs at different stages of their development.

⁵⁹ Please note that these figures should not be added together as the analysis considers the contribution of Halo from two different perspectives (i.e. from the perspective of the entrepreneur/business and the perspective of the business angel).

- Business angels reported that they had wholly or partially achieved the motives for which they had engaged with Halo. For those business angels that had not achieved their respective motives (particularly relating to making a return on their investment), the majority of these business angels were of the view that they still anticipate achieving these at some stage in the future. Notwithstanding business angels' optimism in relation to the potential of deriving a positive return-on- investment from their respective investments, we note that the historic number of exits from business that derived investment through Halo is low, with only 1 exit achieved to date;
- The calculated levels of net additional investment, and feedback from the majority of business which indicates that they would not have been able to get support elsewhere, indicates that Halo has played an important role in promoting a continuum of funds and creating a deal flow chain for deals up to £2m for start-up and early growth businesses. In doing so, it was suggested that Halo complements the other key financial initiatives currently being delivered through the Invest NI Access to Finance Strategy and other initiatives that seek to support the continuum of funds for start-up and early growth businesses. It is also noted that the preparatory support provided by Halo businesses/entrepreneurs complements a range of other skills development/mentoring programmes/initiatives that presently exist in the marketplace to up-skill the entrepreneurs of high-potential businesses;
- The calculated levels of additionality and ongoing evidence of market failure suggests the continued presence of a gap in the continuum of finance at these investment levels.
- In addition to the aforementioned benefits, the analysis suggests that the support provided through Halo has contributed to delivering a number of wider (e.g. knowledge transfer, skills development, entrepreneurship etc.) and regional benefits (degree of R&D being injected and innovative nature of the project) to the NI economy; and
- The research suggests that whilst Halo has made positive progress towards each of the strategic objectives identified within its Business Plan, further work will be required to support the growth and sustainability of the NI business angel ecosystem.

6. BENCHMARKING

6.1 Introduction

By way of assessing the relative level of maturity of the Halo business angel network and identifying opportunities for development, the Evaluation Team benchmarked Halo with a number of other business angel networks including: the Halo Business Angel Network (HBAN, which operates across the island of Ireland), Xénos, Wales and LINC Scotland. The section also considers the role played by business angel investment within a number of other access to finance initiatives including the Scottish Co-investment Fund and the Angel Co-Fund.

6.2 Benchmarking of activity levels

Table 6.1 provides a comparison of the key metrics examined during the period under review, with further detail provided in Appendix VI and the succeeding paragraphs.

	Halo NI	HBAN	Xénos	LINC Scotland
Year established	2004	2009	1997	1993
Angel Investment	£7.63m	£13.609m	£9.49m	£55.76m
Number of Investments	56	72	85	316
Average levels of angel investment	£136k	£189k	£112k	£176k
Total No. of Businesses Supported	41	67	81	240
Business Angel Members	145	N/K	150	1,347 ⁶¹
No. of Syndicates	2	9	1	21 ⁶²

Key points to note include:

- Each of the comparator benchmarks deliver facilitatory support akin to that provided by Halo i.e. pitch preparatory support to businesses/entrepreneurs, business angel education activities to increase the sophistication of business angels and associated standard of business angel investing; a forum whereby businesses/entrepreneurs can ‘pitch’ their propositions to business angels, access to a range of tax efficient investment regimes and, of increasing importance, access to other private sector investment platforms e.g. crowdfunding;
- All of the benchmarked regions have placed a strategic focus on encouraging syndication as being a key vehicle, and in many cases the primary vehicle, for delivering business angel investment. LINC Scotland (created in 1993) operated as a standard network focusing upon individual business angels. Whilst the dotcom bust around 2000 saw many of the few indigenous venture capital firms withdrawing from the early stage market or leaving altogether, the business angel community responded with increasing levels of collaboration, initially with one-off syndicates to handle bigger deals. However, fairly swiftly these began developing into permanent structured groups capable of assisting companies over longer periods and several rounds of funding.

LINC recognised that this was a natural evolution and reached the conclusion it might be constrained by any attempt to manage the market through the existing central clearing-house model. A new approach was developed, based on active encouragement for the formation and growth of independent free-standing angel groups, delivering risk capital to the marketplace down multiple channels. LINC Scotland facilitated the exchange of good practice, channelled

⁶⁰ Please note, given the uncertainty as to the range of funding sources that have been included within leveraged investment figures within the benchmarking regions and the contribution made by the business angel investment in stimulating/levering this investment, the Evaluation Team has excluded these indicators from the comparative benchmarking analysis.

⁶¹ During consultation LINC Scotland confirmed that there are currently 147 individual Business Angels and 1,200 Business Angels operating within the 21 business angel syndicates/groups.

⁶² Figures reflect the net number of syndicates i.e. after additions, mergers and losses. The total number assisted during the period was 25 business angel syndicates/groups.

sponsorship and other resources, and began to take on the role of umbrella body and trade association. Whilst there were 5 business angel groups/syndicates by 2003, discussions with LINC Scotland indicate that the launch of the Scottish Co-investment Fund in 2003/04 had a strong catalytic effect in developing the financial community and, in particular, creating business angel syndicates. This was achieved through a number of means including:

- Scottish Enterprise expressed its intention to expand its number of investment partners so welcomed the formation of new groups, especially in areas of the country where they were lacking. LINC Scotland was specifically contracted to support the creation of three new groups per annum to be co-investment partners. LINC Scotland subsequently indicated its preference amongst the business angel community for investment to be made by angels on an syndicated basis (rather than an individual basis);
- Accredited partners including Business Angel syndicates receive a fee (based on a percentage of Scottish Enterprise (SE) funds invested) on completion of every co-investment deal that they participated in. This provided additional income to fund the syndicate’s running costs. At present, on SE investments up to £100k, 5% will be paid whilst 3% will be payable on SE investments of £100k - £1.5m. Total maximum fees payable for investments up to £1.5m in any individual company will be capped at £47k.

During consultation, LINC Scotland confirmed that circa three-quarters (76% - N=21) of its syndicates have been supported through the Scottish Co-Investment Fund. From the point of view of the angel community, LINC Scotland indicated that the availability of a predictable co-investment resource when required has allowed new groups to aim for a critical mass of portfolio size much quicker than would otherwise have been possible, and given more mature groups the capacity to continue making new investments while meeting their commitments to follow on with their existing investees.

- Whilst the LINC Scotland Co-investment Fund also welcomes private sector investment from other accredited non-angel partners (including venture capital funds, private equity houses and corporate venture firms), in contrast the Angel Co-Fund exclusively focuses on providing funding alongside angel syndicates.

The Angel Co-Fund invests across the UK and aims to support businesses at all stages of development and across most sectors. It is able to make initial equity investments of between £100k and £1m to SMEs alongside experienced syndicates of business angels. Investment is subject to an upper limit of 49% of an investment round and 30% of the equity in a business, although investments are usually less than this. The fund will only make investments alongside syndicates of business angels (not individual business angels), who must be investing in a given business for the first time. Any final decision to invest will be made by the independent Investment Committee of the fund based on the detailed proposals put forward by business angel syndicates.

Discussions with Invest NI indicate that its Co-Fund currently requires co-investment from a minimum of one private sector source (e.g. VCs, business angels etc.) and it is not a requirement for the business angel investment to come from an angel syndicate.

- Whilst a number of benchmark regions provide levels of syndicate ‘seeding’ investment (typically less than £10k), LINC Scotland provides support to facilitate the ongoing operation of syndicates. Specifically, companies are able to avail of up to £25k per annum towards the annual costs (£60k) of a syndicate administrator over a three year period. The remainder of the annual costs (i.e. £35k or c. 60% of total costs) are required to be provided (in cash) by the syndicate members. The role of the administrator is to facilitate the completion of deals (including the co-ordination of due diligence activities). During consultation, LINC Scotland indicated that 80% of its business angel syndicates (i.e. 17 of 21 syndicates) have availed of grant support towards facilitation costs;

- Across each of the benchmarked regions, there is a tendency amongst both individual angels and syndicates to invest within certain:
 - **Regions and sub-regions** - Consultation with InterTradeIreland and Halo indicates that very few (if any) investments have been undertaken on a cross-border basis. Consultees indicated that this is likely to reflect, in the main part, the differences in the tax regimes and currency differences between NI and ROI and these differences are likely to have been a key contributing factor for the disbandment of the M1 cross-border syndicate. Similarly, in the context of Scotland, LINC Scotland had indicates that only 1 of its 21 syndicates have invested outside the region. Allied to this, it is noted that each benchmarked regions has syndicates that have a preference to invest within a particular sub-region. As noted, in the NI context, the Acorn Angels Syndicate is almost exclusively reviewing deal flow within the North West region of NI. Similarly, in ROI and Scotland there are presently two syndicates in each region (the West by North West (WXNW) syndicate and the South East Business Angel Network in ROI and the Highland Venture Capital syndicate and the Tri Capital Syndicate⁶³ in Scotland) that are more overtly interested in investing in their respective sub-regional locations; and/or
 - **Industry sectors** – The research indicates that there is a preference amongst some syndicates to invest within particular industry sectors, more often than not aligned to the expertise retained by the syndicate members. For example, in ROI there are the HBAN Food, Fintech (focusing on financial technologies) and Medtech (focusing on medical technologies) syndicates. In a Scottish context, the Alida Capital International Ltd focus on the life science and pharmaceutical sectors and the EOS Technology Investment Syndicate (“EOS”) largely focuses on the renewables sector.

As noted, NI does not presently have any sector specific syndicates and it was the view of a number of consultees that the region is likely to be both too small in size and at too early in its stage of development (in terms of the maturity of the business angel market) to support a NI based sector-specific syndicate at present.
 - **Deal sizes / levels of investment** - A number of syndicates in the benchmarked regions focus on making investments within certain investment levels. The research indicates that the size of the investments made will typically vary depending on the sectors being invested in (with some sectors being more capital intensive and requiring higher levels of investment (e.g. life sciences), the number and sophistication/experience of the business angels involved and the requirements of other public sector funders investing as part of the same deal.
- It is the Evaluation Team’s view that caution should be taken when drawing conclusions on the relative performance of each region given the differences in the levels of maturity in the business angel⁶⁴ ecosystems and differing access to finance offerings in each region and the cultural and attitudinal differences towards equity investment therein.

Notwithstanding this, in our view, any assessment of the relative performance of Halo, in terms of facilitating investment, should take account of metrics relating to the potential demand for, and supply of, business angel investment within each respective region.

⁶³ The Tri Capital syndicate are overtly focused on investing in propositions from the Scottish Border and Lothian regions of Scotland and the North of England.

⁶⁴ For example, LINC Scotland has been operating for 11 years longer than Halo.

From a demand perspective, an assessment of the relative performance of Halo/NI could be considered in the context of assessing the levels of investment that have been made in respect of the potential investable opportunities that may have existed within the given regions. However, a record of the number of potential investable opportunities does not exist in any of the benchmark regions. Therefore, as a proxy indicator of the potential investable opportunities that may come forward within a given region, the Evaluation Team has calculated the level of investment per head of the working age population (i.e. potential investees) within each region (Table 6.2).

This analysis indicates that Halo/NI (£6.52 per head of working age population) has performed relatively better than ROI (£4.26) and Wales (£4.94) but lags considerably behind Scotland (£16.08).

	NI	ROI	Wales	Scotland
Business angel investment	£7,630,000	£13,609,000	£9,490,000	£55,760,000
Working age population (16-64)	1,170,799	3,194,457	1,922,448	3,467,929
Angel investment per head of working age population	£6.52	£4.26	£4.94	£16.08

From a supply perspective, an assessment of the relative performance of Halo/NI might be considered in the context of assessing the levels of investment that have been made in respect of the potential sources of business angel investment within the given regions. In this regard, the Evaluation Team calculated the level of investment per High Net Worth individual (i.e. potential investors) within each region (Table 6.3).

	NI	ROI	Wales	Scotland
Business angel investment	£7,630,000	£13,609,000	£9,490,000	£55,760,000
No. of HNW individuals ⁶⁵	710	Not known	490	3,500
Angel investment per HNW individual	£10,746	Not known	£19,367	£15,931

This analysis indicates that Halo/NI (£10,746 per HNW individual) performs relatively worse than Scotland (£15,931) and Wales (£19,367).

- Whilst it is the Evaluation Team’s view that it is difficult to state with any certainty what could realistically be achieved by the Halo network in terms of the key output metrics and the associated timeframes in which the network would realise these, discussions with Invest NI and Halo suggests that the network should be aspiring to achieve levels of outputs akin to that currently being realised by LINC Scotland. Whilst achieving outputs akin to LINC Scotland is likely to take a considerable duration given the relative maturity of the NI business angel ecosystem, it was the view of consultees (and shared by the Evaluation Team) that Halo is currently undertaking appropriate activities to grow the network and realise its potential in the longer term.
- Notwithstanding this, it was the view of a number of consultees that opportunities to further embed Halo within the NI Co-Fund should be explored. Allied to this, as noted, Halo should work in conjunction with HBAN to identify opportunities for further engagement for the mutual benefit of both jurisdictions.

⁶⁵ Source: Scoping the Private Wealth Management of the High Net Worth and Mass Affluent Markets in the United Kingdom’s Financial Services Industry, University of Nottingham, May 2010. HNW individuals, defined within this research relate to those individuals with investable assets of more than £1m. Please note that the definition of a HNW utilised within this research is different from that used by the FCA in defining a HNW individual and/or a self-certified Sophisticated Investor. Consultation with the FCA indicates that regional figures relating to the FCA defined categories was not available at the time of analysis.

7. PROGRAMME FINANCE

7.1 Introduction

Section 7 examines the costs associated with administering the Halo Programme over the period under review. In doing so, the Section also examines the value-for-money (VFM) that has been delivered by the Programme to date.

7.2 Assessment of actual versus proposed Costs

As detailed in Section 1, the total cost of delivering Phase IV of Halo was envisaged to be c. £1.33m over the 5 year period (or £1.23m to November 2015⁶⁶) disaggregated as follows:

Cost categories	Proposed costs		Actual (to Nov 2015)	Variance (to Nov 2015)
	Total (Phase IV)	Phase IV (to Nov 2015)		
Salaries	£791,903	£741,903	£663,509	-11%
Management charge overhead	£149,060	£138,727	£167,386	21%
Management charge salaries				
Rent	£17,339	£17,339	-	-100%
Capital refurbishment	£6,305	£6,305	£1,500	-76%
Meeting and events	£44,135	£44,135	£43,572	-1%
PR	£18,915	£18,915	£11,650	-38%
Marketing/publicity material	£15,763	£15,763	£23,978	52%
Running Costs/legal/Consultancy	£31,525	£31,525	£30,431	-3%
Travel/ subsistence	£15,763	£15,763	£23,837	51%
Subscription	£6,305	£6,305	-	-100%
Sundry	£11,349	£11,349	£13,665	20%
Fees - Legal, audit, website, PR	£87,000	£72,500	£50,138	-31%
Halo fund fees	£23,473	£19,481	£14,053	-28%
Events delivery	£61,400	£50,733	£60,502	19%
Outreach	£9,440	£7,867	£19,627	149%
Education/awareness	£16,700	£14,033	-	-100%
Angel syndication seeding	£25,800	£21,500	£3,200	-85%
Total	£1,332,175	£1,234,143	£1,127,048	-8.7%

It was anticipated that the costs would be met from a number of sources including Invest NI (towards key salary and overhead costs), NISP and income from other sources⁶⁸, as detailed in Table 7.2 below.

Cost categories	Proposed costs		Actual (to Nov 2015)	Variance (to Nov 2015)
	Total (Phase IV)	Phase IV (to Nov 2015)		
NISP Contribution	£243,701	£220,943	£209,308	-5%
Invest NI	£834,494	£772,697	£737,451	-5%
Other	£253,980	£240,503	£180,289	-25%
Total	£1,332,175	£1,234,143	£1,127,048	-8.7%

⁶⁶ For the purposes of analysis the Evaluation Team has applied a prorated calculation to the anticipated costs.

⁶⁷ Appendix VII provides a disaggregation of the costs and operational income by year. All costs have been provided by Invest NI and NISP.

⁶⁸ Primarily in the form of Halo membership fees paid by business angels and corporate sponsorship of Halo investor evenings.

Based on its research, the Evaluation Team notes that:

- The anticipated full economic cost of supporting Halo activities was not identified at the outset. In particular, the anticipated Invest NI staff costs and other administration costs (e.g. external Evaluation costs) were not included as part of the anticipated costs;
- The disaggregation of the total Invest NI contribution (c. £835k) between salary and overhead costs was not identified and documented⁶⁹;
- The Phase IV extension LoO profiled anticipated costs under different cost categories to those identified within the original Phase IV LoO. Whilst the Evaluation Team has merged cost categories, this has not been possible in all cases given the uncertainty that exists relating to the nature of individual costs. As a result, in a number of cases, the Evaluation Team has been unable to make comparisons between the costs incurred, at an individual cost category level, across the period;
- Furthermore, whilst the total value of claims to Invest NI were monitored, actual costs incurred against key individual costs categories were not monitored;
- Monitoring was not undertaken of the total actual costs and associated income on an ongoing basis;
- Discussion with Invest NI indicates that (as detailed within the LoOs) NISP was responsible for funding any shortfall in income (and associated in costs) and hence the risk of the organisation not being able to undertake its core activities was minimal. However, the Evaluation Team notes that in not monitoring the overall costs and income associated with the operation of Halo, Invest NI was exposed to a risk of contributing towards a higher proportion of Halo’s operating expenditures than originally anticipated (i.e. more than the c. 62%);
- Associated risks of not monitoring against individual cost and income categories include the risk of not being able to identify the need for corrective action to be taken should income fall below the level anticipated or costs rise above those anticipated; and
- Caution should be taken in interpreting the variation between actual and anticipated costs, at an individual cost category level, given the relatively low levels of anticipated costs.

Given the aforementioned issues, the Evaluation Team recommends that Invest NI undertakes a review of the procedures that have been put in place to monitor the total actual costs incurred (by key cost categories) and income/in-kind contributions derived (i.e. from NISP, membership fees and sponsorship income) against those anticipated at the outset.

Notwithstanding these caveats, the Evaluation Team’s analysis indicates that the total direct cost of facilitating Halo’s operational activities during Phase IV (to November 2015) was £1,127,048, circa 9% less than anticipated. The inclusion of programme administration costs (in terms of Invest NI staff costs and external evaluation costs) indicates that the **full economic cost of delivering Halo (to November 2015) was £1.19m.**

Table 7.3: Summary of full-economic costs	
Cost category	Cost
Core Halo operational costs	£1,127,048
Programme administration costs	
– Invest NI staff time	£41,123
– External evaluation costs	£24,827 ⁷⁰
Total	£1,192,998

⁶⁹ The Evaluation Team notes that the Phase IV Letter of Offer (Annex 2 – Part 2) only documents the costs that would potentially be eligible for support. Based on consultation, the Evaluation Team does note that Invest NI wished to provide Halo with a level of flexibility on how it wished to allocate its overhead contribution between key overhead categories.

⁷⁰ Costs relate to an external interim and final evaluation. Costs are inclusive of VAT.

7.3 GVA Return-on-investment

The level of net additional GVA (i.e. £1,423,279) indicates that return on investment⁷¹ was:

- £1:£1.77 based on the costs to Invest NI⁷²; or
- £1:£1.19 when examined on a full economic cost basis.

However, for reasons identified in Section 7.5, caution should be taken in placing emphasis on the net additional GVA return-on-investment at this early stage.

7.4 Cost Effectiveness

Anticipated cost effectiveness indicators were not identified at the outset (either within the Phase IV and Phase IV extension LoOs).

Other indicators of cost effectiveness calculated by the Evaluation Team include:

Table 7.4: Cost effectiveness indicators		
	Based on costs to Invest NI (£803k)	Based on full-economic costs (£1.19m)
Cost per business supported (N=142)	£5,658	£8,401
Cost per pound of <u>direct</u> net additional investment derived:		
– From an entrepreneur/business perspective (£4,754,253)	£0.17	£0.25
– From a business angel perspective (£5,032,748)	£0.16	£0.24

7.5 Value-for-Money

As detailed in Section 5, it is the Evaluation Team’s view that a fully informed assessment of the monetary impact delivered by Halo can only be undertaken in the medium to longer term. This assertion is based on the fact that it is widely recognised that there is a time-lag (which can amount to years) between businesses receiving business angel investment and the subsequent realisation of outcomes and impacts. This time-lag typically relates to the fact that businesses will often require further developmental work (which is typically supported through further follow-on investment) to be undertaken before a product or process can be brought to market. This assertion is reflected by research undertaken by Nesta⁷³ which suggests that, on average, it may take six years to generate a positive outcome as a result of the business angel investment.

Notwithstanding these issues, the Evaluation Team notes the following in relation to they key VF indicators:

Table 7.5: Summary of Value for Money	
VFM Indicator	Conclusion
Strategic Fit	There was (at the time of approval), and continues to be, clear alignment between the aims and objectives of Halo and the strategic imperatives of the NI Government (including with DETI and Invest NI’s Corporate Plans and the Invest NI Access to Finance Strategy). Specifically, in line with Government’s strategic focus, the research indicates that the activities supported by Halo have helped to “eliminate the real and perceived barriers to growth” and encouraged the growth of the private sector.

⁷¹ Return-on-investment is based on actual outcomes derived to date i.e. excludes outturns anticipated to be derived by businesses in the future.

⁷² Includes Invest NI contribution to direct Halo operating costs (£737,451) and programme administration costs (£65,950).

⁷³ See Nesta, *Siding with the Angels*. It is also noted by the research that 56% of exits failed to return capital.

Table 7.5: Summary of Value for Money

VFM Indicator		Conclusion
Need & Market Failure	<p>At the time of approval a significant body of research suggested that there was a recognised gap in the continuum of the supply of finance for deals up to £2m for start-up and early growth businesses resulting from (amongst other things) structural market failures caused by asymmetric information on the supply and demand side, existence of positive market failures and market power. This is support by this research, with more than two-thirds (69% - N=26) of businesses/entrepreneurs suggested that the investment and/or expertise would not have been taken place or achieved to the same scale or within the same timescale due to either ‘full’ or ‘partial’ market failure factors (typically in the form of asymmetric information).</p> <p>Thus, the Evaluation Team concludes that there is a continued need for Halo within the NI marketplace and the organisation has been successful is supporting businesses to overcome those market failure barriers that are preventing them from receiving investment and expertise.</p>	
Additionality / deadweight	<p>The calculated levels of activity additionality (66% reported by business angels and 62% reported by businesses) indicate that Halo is playing a strong role in encouraging business angels to make investment and entrepreneurs/businesses to derive investment (to the scale and within the timescale that was ultimately delivered/received). The Evaluation Team notes the level of ‘impact additionality’ (64%) is similar to the level of ‘activity additionality’ (61%) suggesting that the investment and expertise provided by business angels has played a pivotal role in businesses realising the outcomes and impacts.</p>	
Displacement	<p>On an overall level, the Evaluation Team’s analysis suggests that that the displacement factor at the NI level is 16%; whilst at the GB level it is 43.45%.</p>	
Duplication and complementarity	<p>Almost three-quarters (73% - N=26) of businesses, that had derived investment, indicated that in the absence of the support provided through Halo, they would not have been able to get the same or similar support elsewhere.</p> <p>It was the view of consultees, and shared by the Evaluation Team, that Halo plays an important role in promoting a continuum of funds and creating a deal flow chain for deals up to £2m for start-up and early growth businesses. In doing so, it was suggested that Halo complements the other key financial initiatives currently being delivered through the Invest NI Access to Finance Strategy (e.g. techstartNI and Co-Fund NI). In addition to the support provided through Invest NI’s Access to Finance initiative, Halo also complements a number of other initiatives that seek to support the continuum of funds for start-up and early growth businesses and that the preparatory support provided to businesses/entrepreneurs complements a range of other skills development/mentoring programmes/initiatives that presently exist in the marketplace</p>	
Economy, Efficiency and Effectiveness	Indicator	Evaluation Team’s Commentary
	Economy measures are concerned with showing that the appropriate inputs (i.e. the resources used in carrying out the project) have been obtained at least cost	<p>As detailed in Section 1, Invest NI undertook an internal economic appraisal of a business plan submitted by NISP to support Phase IV Halo activity. This outcomes of the appraisal process suggested that the level of support had been obtained at level required to support the delivery of the forecasted activity levels.</p> <p>However, it is unclear whether Invest NI could have secured the same activity levels at a lower cost had Invest NI engaged in an open procurement exercise for a suitably qualified external delivery organisation (EDO). We do however note that the current EDO (NISP) has established strong linkages with the business angel community and considerable experience and expertise in fostering business angel investment.</p>
	Efficiency relates to measures that are concerned with achieving the maximum output from a given set of inputs	<p>It is noted that, during the period under review, Halo exceeded (by 48%) its target relating to business angel investment derived at a marginally lower cost (9% lower) than was anticipated at the outset. Therefore, the Evaluation Team is content that Halo delivered upon the</p>

Table 7.5: Summary of Value for Money

VFM Indicator		Conclusion																
			efficiency measure of VFM.															
		<p>Effectiveness measures are concerned with showing the extent to which aims, objectives and targets of the project are being achieved</p>	<p>Two-thirds of the individual targets (N=58) that were established for the Phase IV (to September 2015) have been achieved. If the progress towards the targets are examined on a cumulative basis for the periods during which they existed, then 60% (N=15) of the targets were achieved. It should be noted that the targets that Invest NI consider as priority targets (relating to levels of angel investment, number of deals, leveraged support, meetings with companies) were achieved when examined on a cumulative basis</p>															
Cost effectiveness		<p>Anticipated cost effectiveness indicators were not identified at the outset (either within the Phase IV and Phase IV extension LoOs).</p> <p>The level of net additional GVA (i.e. £1,423,279) indicates that return on investment⁷⁴ was:</p> <ul style="list-style-type: none"> • £1:£1.77 based on the costs to Invest NI⁷⁵; or • £1:£1.19 when examined on a full economic cost basis. <p>Other indicators of cost effectiveness calculated by the Evaluation Team include:</p> <table border="1"> <thead> <tr> <th></th> <th>Based on costs to Invest NI (£803k)</th> <th>Based on full-economic costs (£1.19m)</th> </tr> </thead> <tbody> <tr> <td>Cost per business supported (N=142)</td> <td>£5,658</td> <td>£8,401</td> </tr> <tr> <td>Cost per pound of <u>direct</u> net additional investment derived:</td> <td></td> <td></td> </tr> <tr> <td>– From an entrepreneur/business perspective (£4,754,253)</td> <td>£0.17</td> <td>£0.25</td> </tr> <tr> <td>– From a business angel perspective (£5,032,748)</td> <td>£0.16</td> <td>£0.24</td> </tr> </tbody> </table> <p>Notwithstanding the fact that caution should be taken in placing emphasis on the net additional GVA return-on-investment at this early stage, the cost effective indicators relating to direct net additional investment leveraged should be viewed positively.</p>			Based on costs to Invest NI (£803k)	Based on full-economic costs (£1.19m)	Cost per business supported (N=142)	£5,658	£8,401	Cost per pound of <u>direct</u> net additional investment derived:			– From an entrepreneur/business perspective (£4,754,253)	£0.17	£0.25	– From a business angel perspective (£5,032,748)	£0.16	£0.24
	Based on costs to Invest NI (£803k)	Based on full-economic costs (£1.19m)																
Cost per business supported (N=142)	£5,658	£8,401																
Cost per pound of <u>direct</u> net additional investment derived:																		
– From an entrepreneur/business perspective (£4,754,253)	£0.17	£0.25																
– From a business angel perspective (£5,032,748)	£0.16	£0.24																
Quantitative Economic Efficiency test results		<p>The application of the levels of activity additionality to the total level of business angel investment that was made during the period under review (i.e. £7,630,000) suggests that Halo <u>directly</u>:</p> <ul style="list-style-type: none"> • Facilitated entrepreneurs/businesses to derive c. £4.8m in investment; and • Encouraged businesses to invest c. £5m in NI-based businesses/propositions⁷⁶. <p>Whilst caution should be taken in relation to any assessment of the impact that Halo has had on generating outcomes and impacts at this stage (given the lengthy gestation period between business deriving investment and realising monetary outcomes) , the research indicates that Halo may have directly:</p> <ul style="list-style-type: none"> • Contributed £1.4m in net additional GVA to the NI economy 																

⁷⁴ Return-on-investment is based on actual outcomes derived to date i.e. excludes outturns anticipated to be derived by businesses in the future.

⁷⁵ Includes Invest NI contribution to direct Halo operating costs (£737,451) and programme administration costs (£65,950).

⁷⁶ Please note that these figures should not be added together as the analysis considers the contribution of Halo from two different perspectives (i.e. from the perspective of the entrepreneur/business and the perspective of the business angel).

Table 7.5: Summary of Value for Money

VFM Indicator	Conclusion
	<ul style="list-style-type: none"> • Created 44 FTE jobs, 40 of which had salaries in excess of the private sector median; and • Safeguarded 26 FTE jobs.
Qualitative wider and regional benefits	As detailed in Section 5, the support provided through Halo has contributed to delivering a number of wider (e.g. knowledge transfer, skills development, entrepreneurship etc.) and regional benefits (degree of R&D being injected and innovative nature of the project) to the NI economy.

Based on all available evidence, the Evaluation Team concludes that Halo has delivered VFM during the period under review.

8. CONCLUSIONS & RECOMMENDATIONS

8.1 Introduction

The section presents the Evaluation Team's key conclusions and recommendations arising from the evaluation process.

8.2 Conclusions

8.2.1 *Strategic Context and Rationale*

At the time of Halo's approval there was a need for Government to provide support to facilitate the development and growth of the NI business angel network which was recognised to be underdeveloped relative to the rest of the UK in terms of Business Angel activity;

Specifically, there was a gap in the continuum of the supply of finance for deals up to £2m for start-up and early growth businesses. This gap had arisen due to (amongst other things) key structural market failures (including asymmetric information, risk aversion and market power), the downturn in the economy which affected the availability of finance and structural issues associated with the NI Economy; and

There was (at the time of approval), and continues to be, clear alignment between the aims and objectives of Halo and the strategic imperatives of the NI Government (including with DETI and Invest NI's Corporate Plans and the Invest NI Access to Finance Strategy). Specifically, in line with Government's strategic focus, the research indicates that the activities supported by Halo have helped to "*eliminate the real and perceived barriers to growth*" and encouraged the growth of the private sector.

8.2.2 *Operation and Delivery*

It was the view of consultees, and shared by the Evaluation Team, that the model of support being employed by Halo to foster the supply of finance to start-up and early stage businesses/entrepreneurs is, on the whole, appropriate and has been well managed and delivered by the NISP Halo management team.

This view is supported by feedback from business angels and entrepreneurs/businesses that received support from Halo during the period under review, who suggested that (amongst other things):

- Halo is playing an effective role in both selecting suitable entrepreneurs/businesses to 'pitch' to business angels for equity investment and ensuring that those selected to pitch are appropriately prepared and up-skilled to do so;
- The current format of the investment meetings (i.e. dinner, pitch presentation and post-pitch meetings/networking) is appropriate to facilitate the 'matching process' between investors and investees;
- Halo is providing an effective forum to facilitate business angel networking and the delivery of business angel 'masterclasses' (by an experienced angel investor) to enhance the investment knowledge and expertise of business angel investors; and
- Halo is an effective conduit for channelling equity investment to SMEs at different stages of their development.

It is the Evaluation Team's view that Halo undertook appropriate steps to mitigate those risks that were envisaged at the outset and emerged during the period under review. However, in not monitoring the overall costs and income associated with the operation of Halo, Invest NI was exposed to a risk of contributing towards a higher proportion of Halo's operating expenditures than originally anticipated.

Associated risks of not monitoring against individual cost and income categories include the risk of not being able to identify the need for corrective action to be taken should income fall below the level anticipated or costs rise above those anticipated. Whilst the aforementioned risk does not appear to have materialised during the period under review, corrective action should be taken to minimise the potential for this to arise in the future.

The total direct cost of facilitating Halo's operational activities during Phase IV (to November 2015) was £1,127,048, circa 9% less than anticipated. The inclusion of programme administration costs (in terms of Invest NI staff costs and external evaluation costs) indicates that the full economic cost of delivering Halo (to November 2015) was £1.19m.

8.2.3 *Duplication and complementarity*

The analysis suggests that Halo plays an important role in promoting a continuum of funds and creating a deal flow chain for deals up to £2m for start-up and early growth businesses. In doing so, it was suggested that Halo complements the other key financial initiatives currently being delivered through the Invest NI Access to Finance Strategy and other initiatives that seek to support the continuum of funds for start-up and early growth businesses. It is also noted that the preparatory support provided by Halo businesses/entrepreneurs complements a range of other skills development/mentoring programmes/initiatives that presently exist in the marketplace to up-skill the entrepreneurs of high-potential businesses

8.2.4 *Performance and Impact*

Reflecting stakeholders' high levels of satisfaction with the Halo delivery model that has been implemented, Halo has largely delivered against its remit during the period under review. That is to say; it has provided a forum whereby businesses can pitch their propositions to business angels to receive equity finance and, in many cases, expertise. The model of delivery has been underpinned by high quality educational and skills development support which, as evidenced by the calculated levels of additionality (66% reported by business angels and 62% reported by businesses), contributed to both stakeholders achieving their motives for participation. Our benchmarking research, coupled with feedback from key consultees, suggests that NISP has been undertaking appropriate activities to develop the NI business angel market and any future appointed EDO should be encouraged to maintain the positive work that has been undertaken in each of these areas.

A longitudinal analysis indicates that the levels of annual investment channelled through Halo have significantly increased from previous phases. During the period under review, £7.63m of business angel investment was made in 41 unique NI-based businesses through 56 deals. Based on the feedback from businesses and business angels circa £4.8m of this investment is directly attributable to the support that was provided by Halo. The overall level of investment and number of deals were substantially higher (46% and 24% more respectively) than anticipated at the outset. Whilst the levels of investment should be viewed positively, given the extent to which the established targets were achieved, future targets will need to reflect an enhanced level of ambition for any further phase of the programme. The calculated levels of net additional investment, and feedback from the majority of business which indicates that they would not have been able to get support elsewhere, indicates that Halo has played an important role in promoting a continuum of funds and creating a deal flow chain for deals up to £2m for start-up and early growth businesses.

Notwithstanding the levels of investment achieved, the Network continues to be dominated by business angels making investment on an individual basis with limited progress being made towards the creation of an umbrella organisation where the investing 'engine' is a series of angel group/syndicates. This in turn, has limited the practical implementation of the capital efficiency model. Whilst our benchmarking analysis indicates that the creation of such an umbrella organisation can take considerable period of time, cannot be forced and is highly dependent on the maturity of the wider ecosystem, the research suggests that actions can be taken to foster an environment which encourages the development of these groups or syndicates including providing favourable tax regimes, access to co-investment and support toward the costs of facilitating a syndicate. Whilst progress has

been made in a number of these areas, continued focus needs to be placed on creating an environment whereby angel syndicates can develop.

Whilst caution should be taken in relation to any assessment of the impact that Halo has had on generating outcomes and impacts at this stage, the research indicates that Halo may have directly:

- Contributed £1.4m in net additional GVA to the NI economy
- Created 44 FTE jobs, 40 of which had salaries in excess of the private sector median; and
- Safeguarded 26 FTE jobs.

Businesses indicated that in addition to these monetary impacts noted above, they had derived a number of other benefits as a result of the initial investment and/or expertise provided by the Halo Business Angel with most frequently cited including increased access to business networks/ contact and, importantly, an increased chance of business survival.

Encouragingly, the feedback indicates that, since receiving investment, the majority of businesses have successfully progressed along the development pipeline. This is best evidenced by the decreasing proportion of businesses at the pre-market ready stages and the increasing proportion of business that are now trading (including those that are now trading in external and/or export markets).

In addition to the aforementioned benefits, the analysis suggests that the support provided through Halo has contributed to delivering a number of wider (e.g. knowledge transfer, skills development, entrepreneurship etc.) and regional benefits (degree of R&D being injected and innovative nature of the project) to the NI economy.

The research suggests that whilst Halo has made positive progress in developing the business angel ecosystem in NI, the region continues to lag behind other regions in terms of its level of maturity. Given the ongoing evidence of market failure, in our view, further public sector support will be required to continue the work undertaken to develop the ‘visible’ business angel market and encourage more formal engagement from the ‘invisible’ business angel market.

8.2.5 *Return-on-investment and Value-for-money*

It is the Evaluation Team’s view that a fully informed assessment of the monetary impact delivered by Halo can only be undertaken in the medium to longer term. This assertion is based on the fact that it is widely recognised that there is a time-lag (which can amount to years) between businesses receiving business angel investment and the subsequent realisation of outcomes and impacts.

This should not, however, detract from the significant benefits that have been delivered by Halo during the period under review, in terms of fostering private sector investment in start-up and early growth high-potential businesses/entrepreneurs, as well as the significant wider and regional benefits that have been generated. In short, the Evaluation Team is content that Halo successfully delivered upon its remit during the period under review.

Based on all available evidence, the Evaluation Team concludes that Halo has delivered VFM during the period under review.

8.2.6 *Equality Considerations*

During June 2012, Invest NI completed a Section 75 Policy Screening for its Access to Finance Strategy (which Halo forms a component part). The Screening concluded (amongst other things) that an Equality Impact Assessment (EQIA) was not required; however Invest NI would continue to monitor the outcome of the Strategy.

The Evaluation Team’s review of Halo activity, monitoring information provided during the evaluation process and our discussions with entrepreneurs/businesses and business angels indicates that whilst Halo was not specifically targeted at any of the specific Section 75 categories, it does not appear to have had an adverse impact on any Section 75 group.

8.3 Recommendations

1. Invest NI should continue to support the development of business angel activity within NI. In doing so, Invest NI should ensure that all relevant approvals are obtained in a timely manner.
2. Whilst noting that the current EDO has established strong linkages with the business angel community and considerable experience and expertise in fostering business angel investment, by way of maximising the economy measure of VFM, consideration should be given to engaging in an open procurement exercise for the appointment of a suitably qualified EDO to deliver any future phase of Halo. Given the potential time period involved in undertaking an open procurement exercise, by way of avoiding any regression in the development of the ‘visible’ business angel market, Invest NI should ensure that there is no break in current provision.
3. Any future EDO should be encouraged to build upon the positive strategic work delivered during Phase IV of Halo. In particular, any future open procurement exercise should require potential EDOs to illustrate their proposed approach to (amongst other things and at a minimum):
 - Supporting the transition from a classic network structure towards an umbrella organisation. In doing so, this should include articulating the processes that would be implemented to creating sustainable angel groups/syndicates;
 - Embedding the capital efficiency model;
 - Increasing the levels and standards of angel investing through (at a minimum):
 - The provision of educational and skills development support to investors (e.g. on the role of syndication) and investees (e.g. to aid their understanding of how equity finance works and the common reasons as to why business propositions fail to gain investment);
 - Engagement with complementary initiatives (e.g. NI Co-Fund, crowdfunding platforms) and organisations with the wider ecosystem (including with other angel groups such as HBAN); and
 - Expanding the business angel cohort both within and outside NI.
 - Increasing engagement with the ‘invisible’ side of the angel market. This should include demonstrating the proposed approach to working with intermediaries and very high net worth individuals.
4. Linked to Recommendation 3, Invest NI should seek opportunities to further embed Halo/the NI business angel market within its Access to Finance initiatives that require private sector match funding (e.g. the NI Co-Fund) and seek to stimulate investment in early stage high growth potential businesses (e.g. those businesses supported through the NI Seed Accelerator and Propel).
5. All future SMART targets should be developed taking cognisance of the achievements of the Network during Phase IV. Of particular note, more challenging targets should be set in relation to the levels of business angel investment to be delivered.
6. A longitudinal approach should be taken to evaluating the longer term impact of the activities delivered by Halo. This will require future evaluations to revisit previous phases of the Programme to ascertain the impact that has been derived.
7. Whilst recognising the tax and currency differences are likely to act as a barrier to cross-border business angel investment between NI and ROI, opportunities to increase engagement between Halo and HBAN (and vice versa) should be explored. This may include: better co-branding and marketing, better sharing of resources and, importantly, support in marketing investment propositions within the opposing jurisdiction.

8. Invest NI should review the procedures that have been put in place to monitor the total actual costs incurred (by key cost categories) and income/in-kind contributions derived against those anticipated at the outset.
9. In the event that the amendments to the Halo delivery model are fully embedded by the EDO responsible for any future phase of Halo, the impact of the new model should be robustly monitored by the EDO and Invest NI on an ongoing basis and assessed (in terms of its operational effectiveness) as part of all future external evaluations of the Programme.
10. By way of measuring the impact of Halo investment in leveraging any follow-on investment (i.e. the causal relationship), consideration should be given to monitoring the:
 - The timing of the investment made by the public and private sector sources relative to the timing made by the Halo investment; and
 - The size of the Halo investment as a proportion of the total investment made in a given businesses as part of any given funding round.
11. Invest NI should consider the merits and demerits of removing investor readiness from these initiatives (including Halo) and delivering a standalone investor readiness programme which businesses could avail of, as and when required. In doing so, consideration should be given to the logistical arrangements that would need to be embedded within the wider ecosystem and the potential impact of the change on the ongoing operational effectiveness of these programmes and their associated ability to address businesses' needs.
12. In the event that NISP is appointed to deliver any future phase of Halo (or any extension to the current phase), the effectiveness of new model of delivery (involving the dissemination of weekly pitching briefs) currently being embedded should be closely monitored and evaluated in a timely manner.