

FAQ: THE VALUE OF ANGEL INVESTORS AND ANGEL GROUPS

ANGEL INVESTORS IN GENERAL

- **What is an angel investor?** – An “angel” is a high net worth individual who invests directly into promising entrepreneurial businesses in return for stock in the companies. Many are entrepreneurs themselves, as well as corporate leaders and business professionals.
- **How much do they invest and in how many businesses?** – The Center for Venture Research estimates that U.S. angel investors invested \$19 billion in 55,000 deals (about 35,000 small businesses) in 2008. Many of the investments were in start-up or very early-stage companies.
- **What kind of companies do angels invest in?** – Angels look for new innovative companies that can grow quickly in sales and value (creating jobs along the way). Examples of angel-backed businesses include Google, Yahoo, Amazon, Starbucks, Facebook, Costco, and PayPal.
- **How do angels help small businesses?** – In addition to financial capital, top angels mentor and coach their portfolio companies, often leading to more healthy growth. They introduce entrepreneurs to potential customers and investors, see around potential problem areas, and help the start-up firms gain credibility in their fields. It should be noted that the best angel capital goes to the innovative companies that have the potential to grow to hundreds of employees and \$50 million in sales within 3 to 7 years of start-up.
- **Are angels different from venture capitalists?** – Angels generally invest their own money in start-ups and very early stage companies, while VCs mostly provide capital they have raised from others to later-stage businesses for growth.
- **How many angel investors are there in the U.S.?** – The best available estimates are that about 225,000 people have made an angel investment in the last two years (including accredited and non-accredited investors). Many more people could become angels – based on a net worth of \$1 million or more, the potential number of angel investors is 4 million.
- **Is angel investing risky?** – Yes. A November, 2007 academic study of angel investments found that angels lose some or all of their money in 52 percent of their investment deals because the companies go out of business. The most sophisticated angels make at least ten investments in order to make a return on their investment, counting on one or two to provide nearly all of their return.

ANGEL GROUPS

- **What is an angel group?** – Individual angels are joining together with other angels to evaluate and invest in entrepreneurial ventures. The angels can pool their capital to make larger investments. The Angel Capital Education Foundation has 300 American groups in its database and lists many of them on its Web site, www.angelcapitaleducation.org.
- **What are the important statistics for angel groups?** – The average ACA member angel group had 42 member angels and invested a total of \$1.94 million in 7.3 deals per year in 2007. Between 10,000 and 15,000 angels are believed to belong to angel groups in the U.S.
- **Is there a group near me?** – Probably. There is now a group in operation or development in almost every U.S. state. The number of groups has tripled since 1999.
- **Why are angel groups important?** – Angel groups are generally easier for entrepreneurs to find and often become the central connector of deals in their communities, include some of the most sophisticated and active angel investors in the country, have been recognized for job creation and generation of additional venture capital for companies, and are a leading indicator of angel investor activity.

Where can I get more information? – More information is available via www.angelcapitalassociation.org. ACA is the professional alliance of angel groups in North America and has 165 member angel groups, which represent 7,000 accredited angel investors located in 48 states and provinces.