



ANGEL CAPITAL ASSOCIATION

Important Things to Know About Angel Investors - 2014

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Angel Capital Association

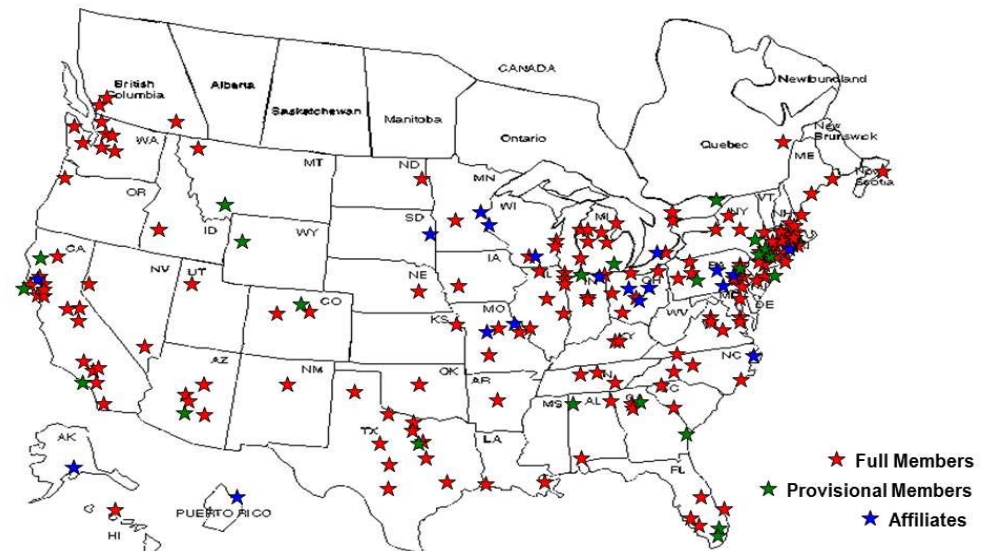


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ACA Mission:

Fuel the success of angel groups and accredited individuals active in in the early-stage landscape

- World's largest trade group for angel investors
 - 220+ angel groups
 - 12,000 accredited investors
 - Voice of accredited individuals, portals, and family offices
- 50 states + Canada
- Research/ education partner





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Who are Angel Investors?

- Often successful, exited entrepreneurs or retired business persons
 - Active investors
 - Invest both time and money in companies
- Accredited investors - SEC definition
- Invest their own money (**not money managers**)
- Generally invest in local companies
- Marianne: Invest at least \$20K in businesses not run by family
- 2013: 298,000 investors invested ~\$24.8B in about 71,000 deals (mostly early-stage)



Profile of Angels in Groups - Median

- Years investing 9
- Number of investments 10
- Total exits/ closures 2
- Years as entrepreneur 14.5
- Number ventures founded 2.7
- Age 57
- Percent of wealth in angel investing 10%
- Education Masters degree

Source: *Returns of Angels In Groups*, Robert Wiltbank, Willamette University, published by Kauffman Foundation - 2007





Motivations of Angels

- Help entrepreneurs
 - Stay engaged – using skills and experiences to help build a business
 - Give back to community or university
 - Active form of investing – not just watch markets
 - Many women – join Board of Directors
 - Return on Investment is the metric
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Companies Backed by American Angels

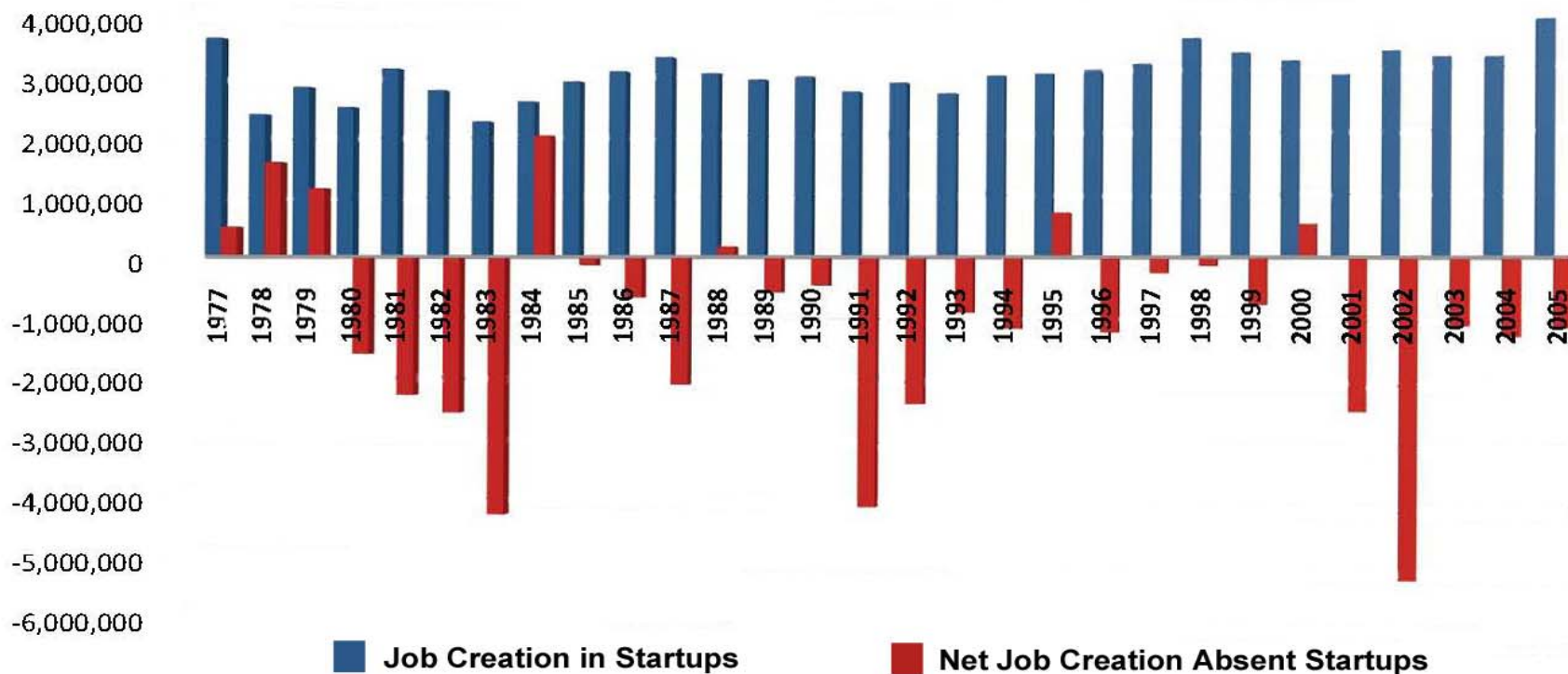




HAIL TO THE JOB CREATORS

ENTREPRENEURS ARE KEY TO JOB CREATION

No Startups, No Job Creation



Source: Business Dynamics Statistics Briefing: Jobs Created from Business Startups in the United States. Kauffman Foundation, January 2009.



Angels Fund Majority of Startups in USA

Angels Provide ~90% of Outside Equity for Startups

Angel Investors (2013)

- \$24.8 billion
- **71,000 deals**
- 32,000 seed
- 29,000 early stage
- 9,200 expansion
- > 298,000 individuals

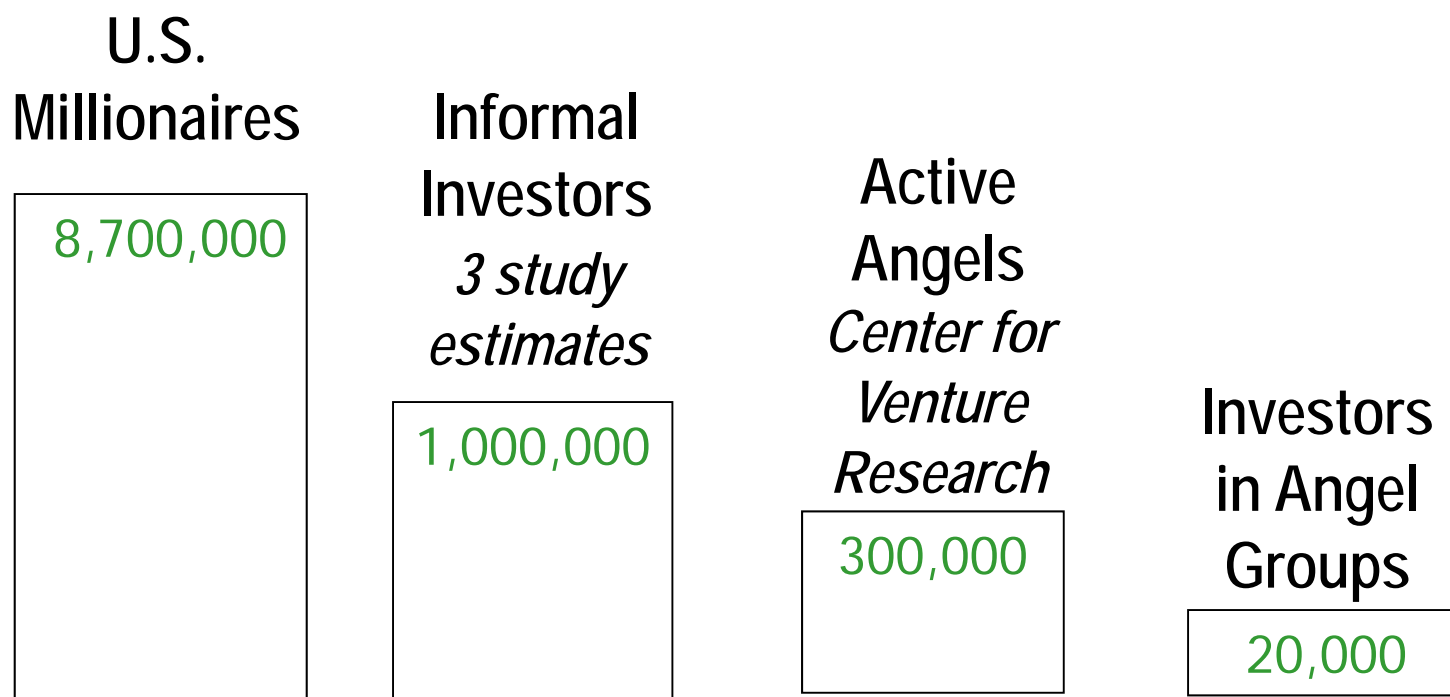
Venture Capital (2013)

- \$29.6 billion
- **4,050 deals**
- 120 seed
- 1,375 early stage
- 2,550 later/expansion
- 548 active firms

Sources: Center for Venture Research/ UNH; NVCA 2014 Yearbook; PwC MoneyTree



Angel Groups are Small - *but Important* - Subset of All American Angels



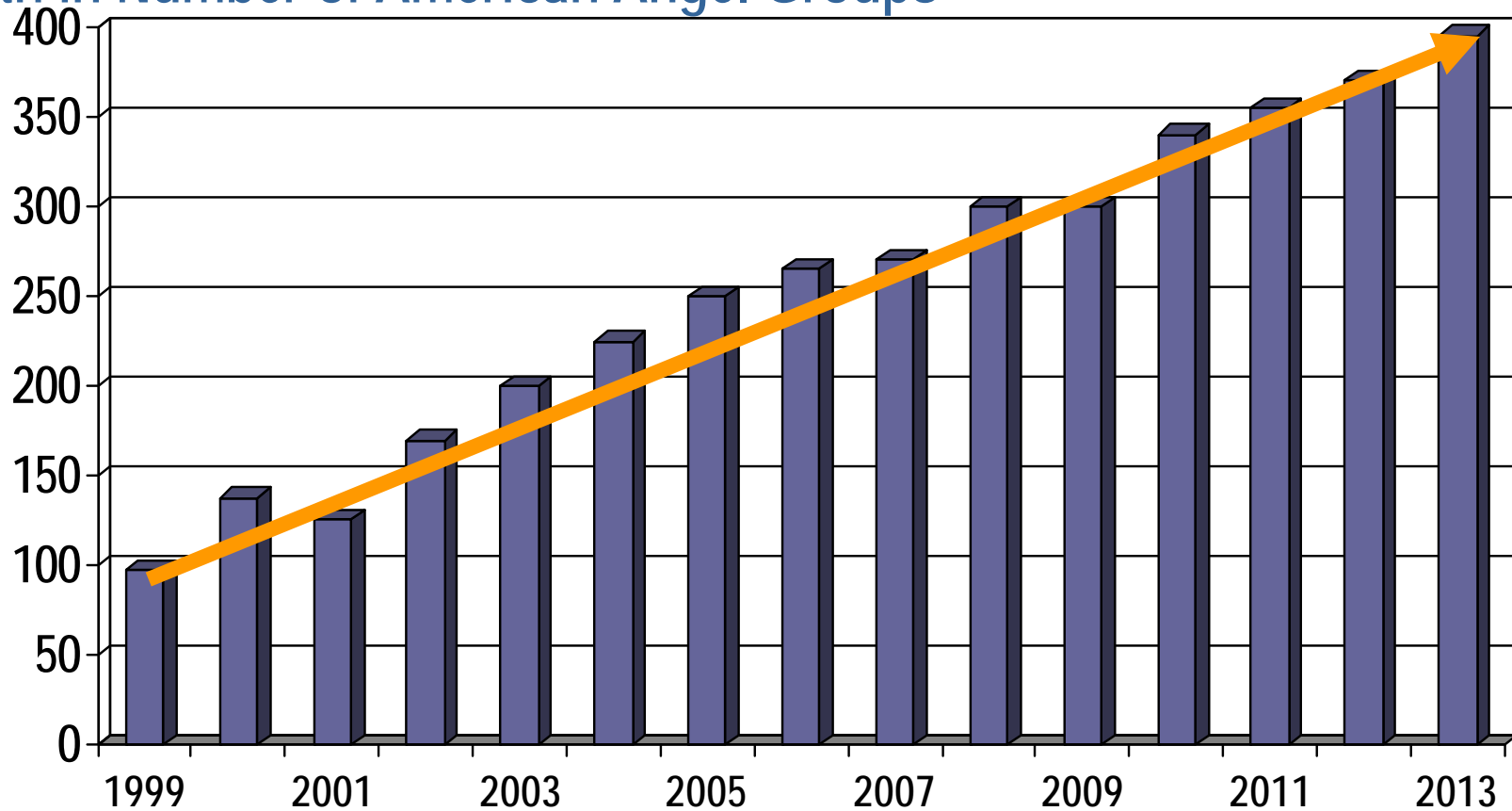
Sources: Spectrem, academic studies, 2013



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Angel Groups are Key Trend in Sophisticated Investing

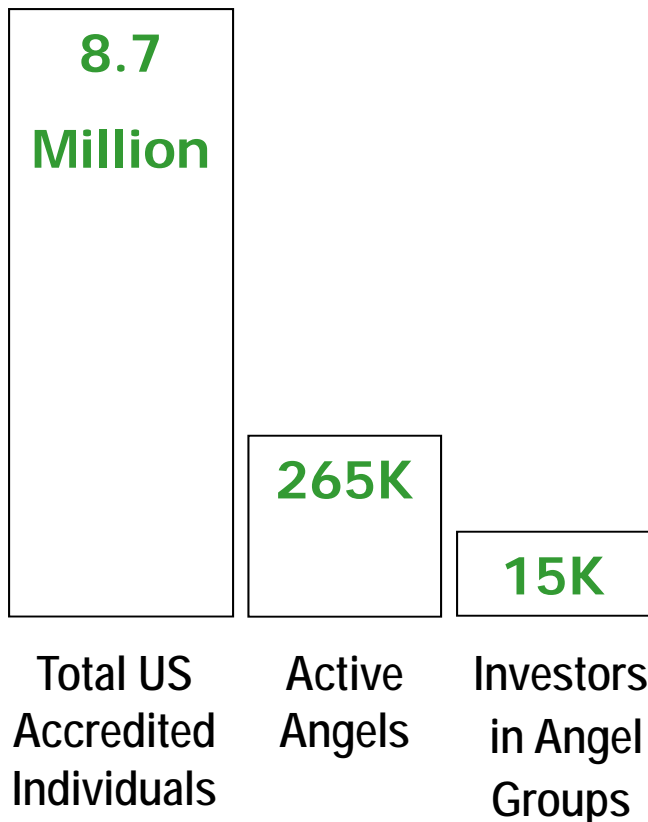
Growth in Number of American Angel Groups



Sources: Center for Venture Research (pre 03 data) and Kauffman Foundation/ARI (04-13 data)



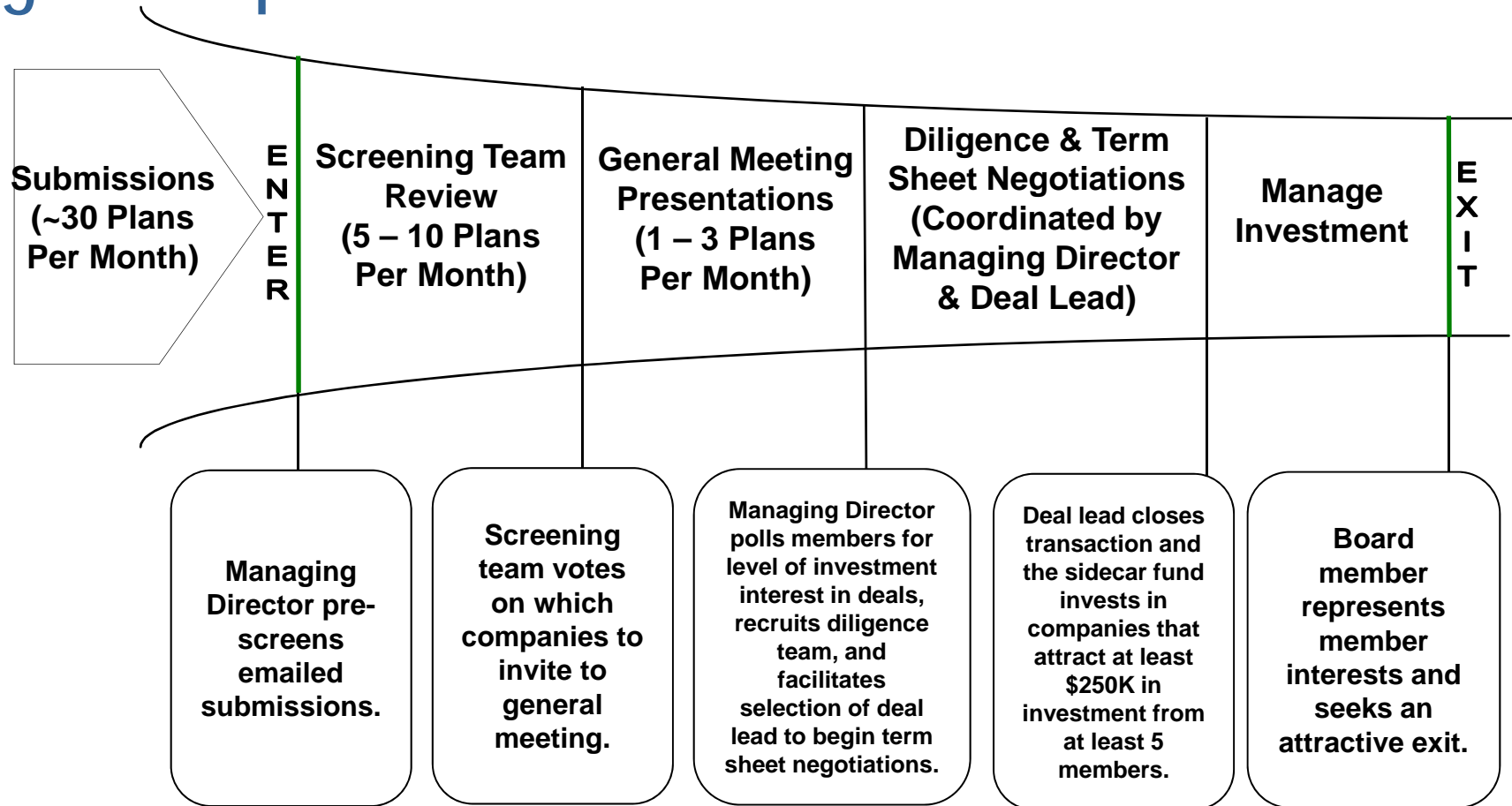
Angel Groups Take Professional Approach



- **Experienced, Accredited Investors**
 - Successful Entrepreneurs/Business People
 - Median Years Investing – 9
 - Median Number of Investments – 10
- **Invest Where We Live & In What We Know**
 - Main Street – Not Wall Street
 - 300+ Groups – In Every State
 - Work as a Team
- **Focused on Best Practices**
 - Deal Screening
 - Due Diligence
 - Term Sheets
 - Valuation
- **Support Companies We Invest In**
 - Board Seats and Advisory Boards
 - Contacts, Advice, Recruiting, Strategy
 - Follow-on Funding and Exits



Angel Group Evaluation & Investment Process



Source: James Geshwiler, CommonAngels, Boston



The Angel-Entrepreneur Connection

- Many angels provide mentoring before and after investment
 - Many serve as board members or observers
 - Some join venture as C-level executive for an interim period
 - Information rights in term sheet
 - Often invest in multiple rounds to ensure entrepreneurs can grow
 - Develop relationships with Venture Capital firms for expansion capital
 - Help lead M&A process early on
 - Angel monitoring/ mentorship improves startup health
 - Harvard/MIT study shows angel support improves startup success rate
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Angel Organizations Can Help Address Capital Gap

Pre-seed Stage	Seed/Startup Stage	FUNDING GAP	Early Stage	Later Stages
Founders Friends & Family	Angel Investors	Very few angel deals done above \$1 million Very few VC deals done below \$4 million	Venture Capitalists	

\$0

\$250K

\$1.5 million

\$4 million

\$10 million up



Silicon Valley Bank



ANGEL RESOURCE INSTITUTE

present the

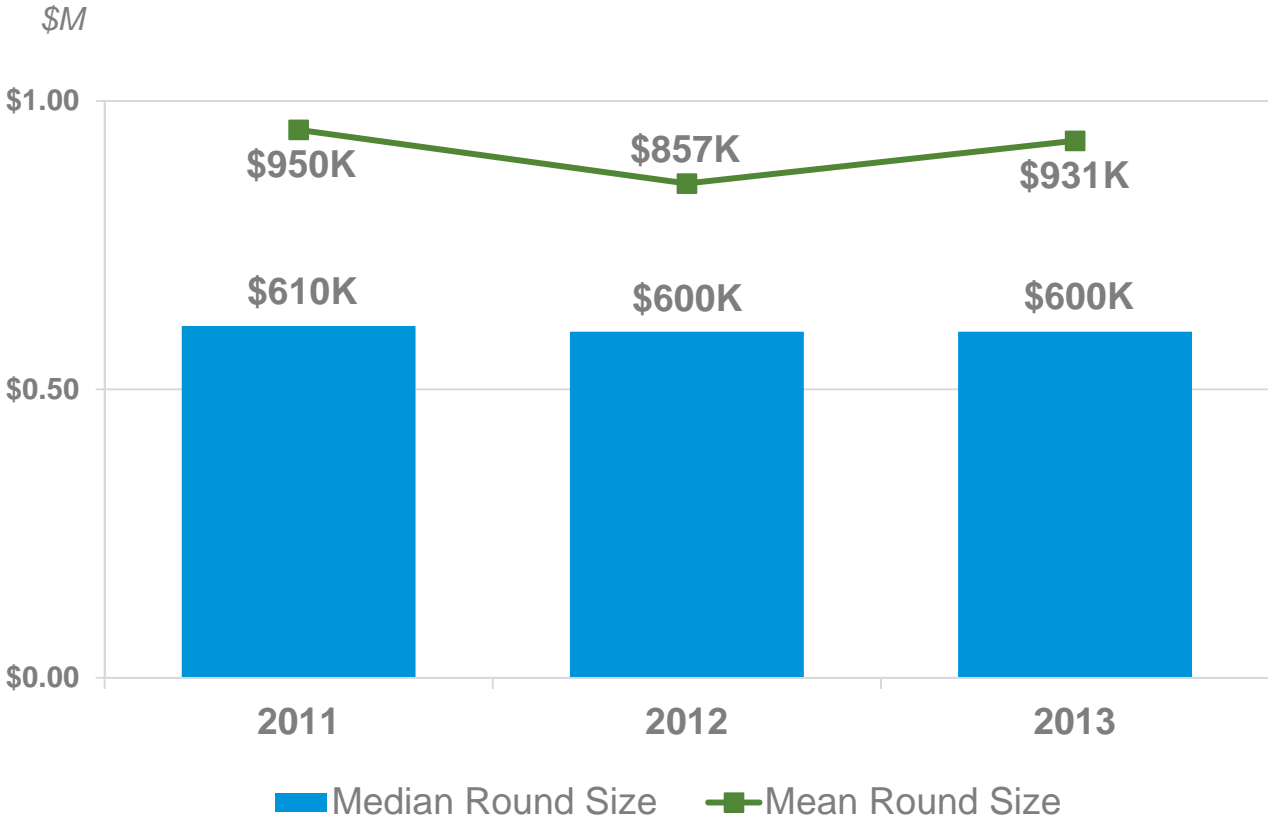
HALO Report™



US Angel Group Update: 2013 Year in Review

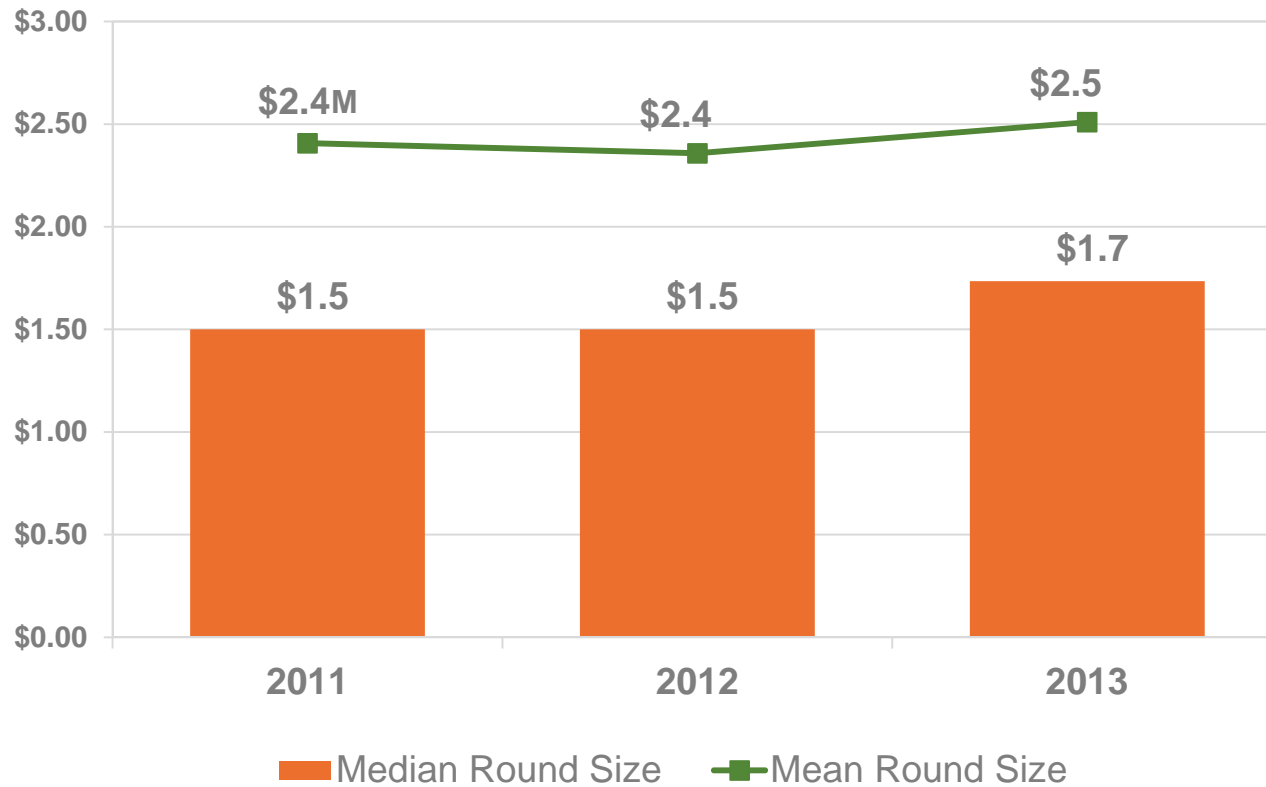
Data Powered by 

Angel Round Sizes Remain Steady Over Three-Year Period



*Angel rounds include angels & angel groups only

Round Sizes Hit Three-Year High When Angels Co-Invest with Non-Angels



Rounds include angels, angel groups, and non-angel investors

Round Sizes Increase Across Top Sectors

Healthcare Round Sizes Jump \$500K in 2013

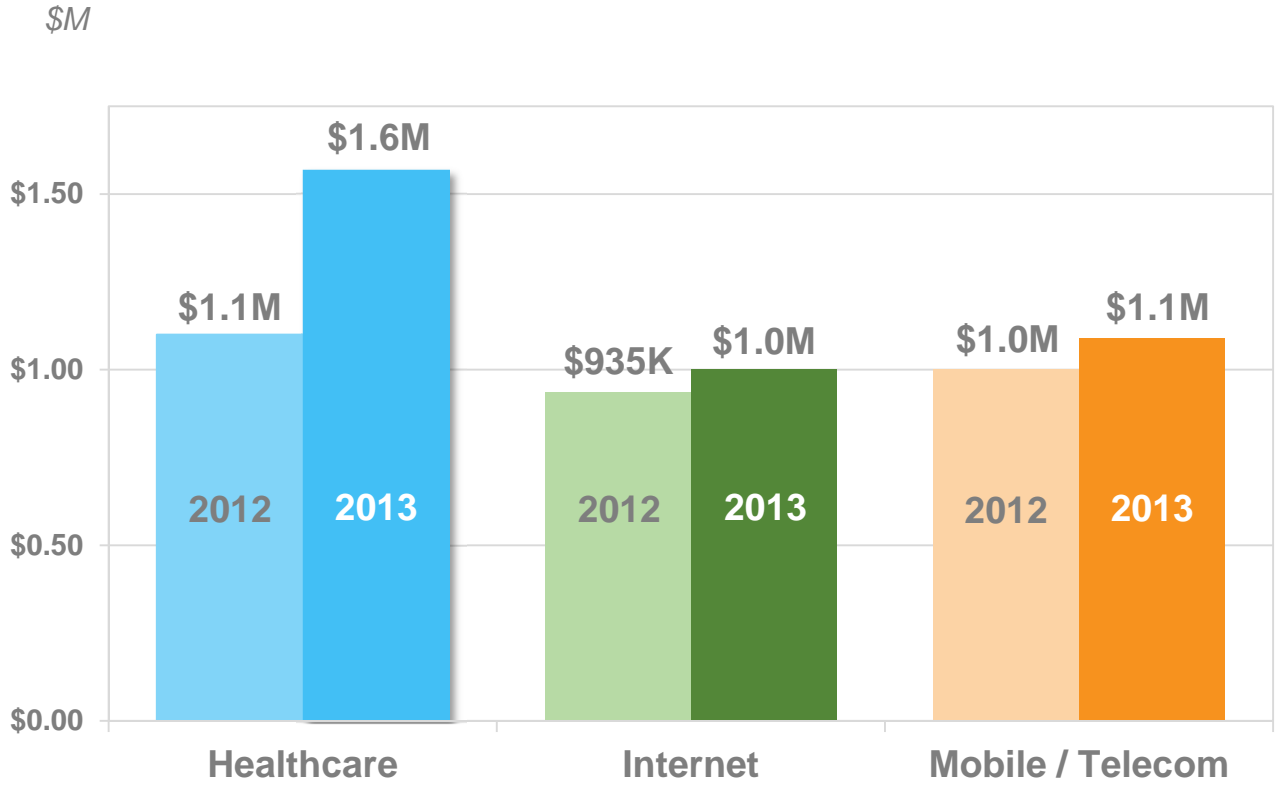
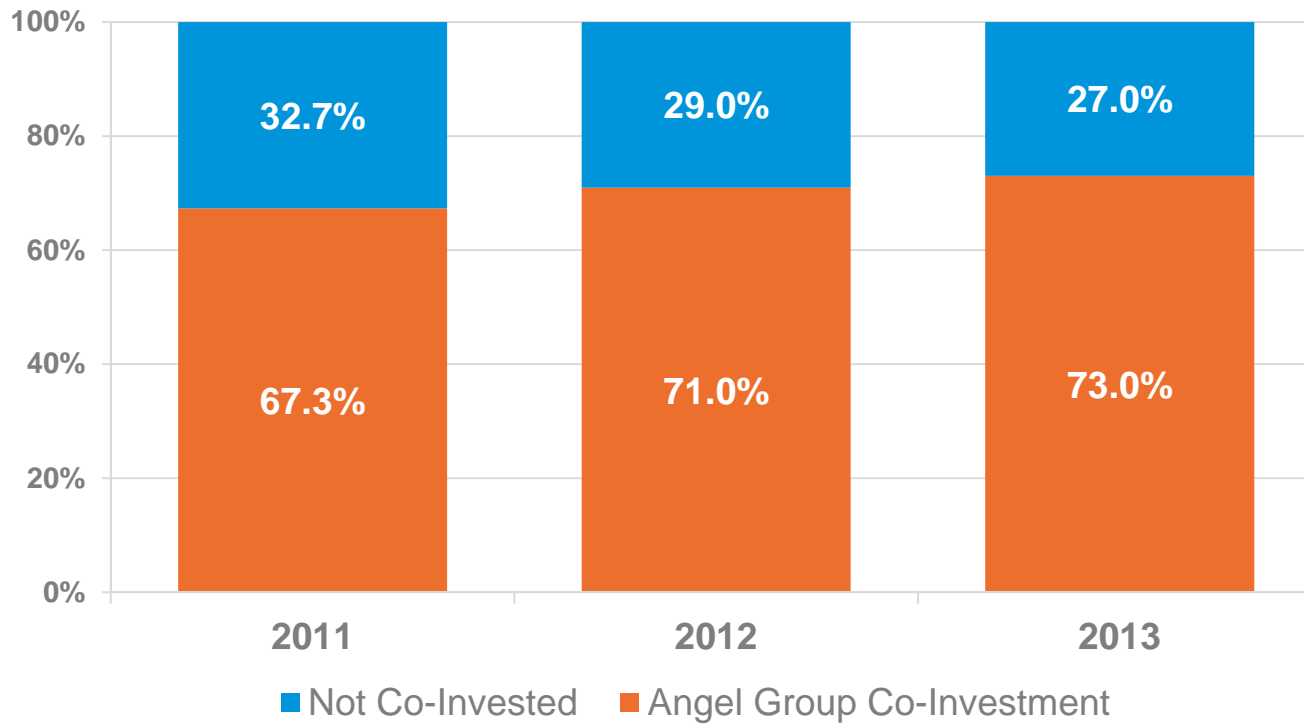


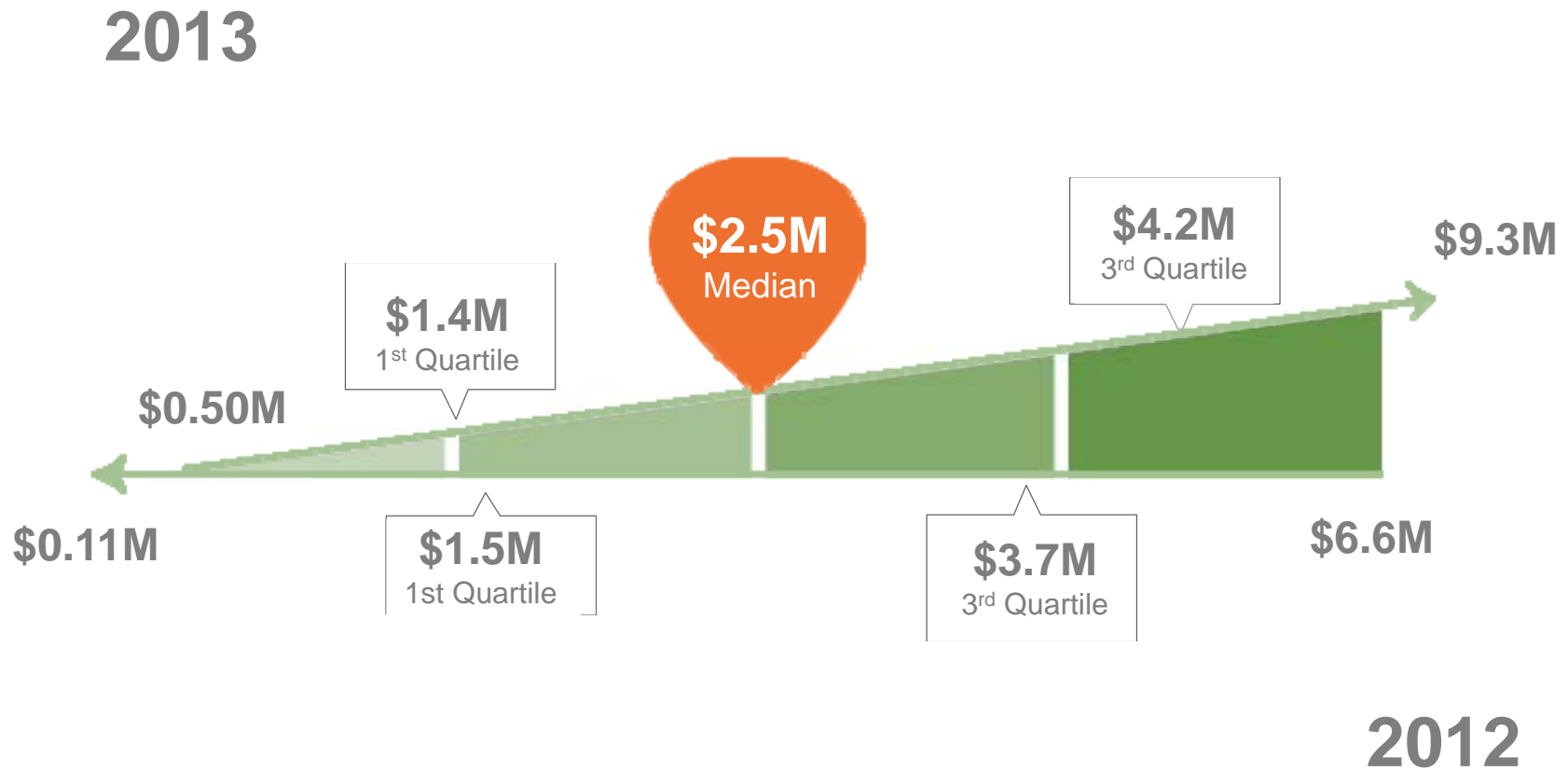
Chart references median round sizes for all deals involving angel groups, co-investors

Angel Group Co-Investment Trending Up for Three Consecutive Years



More High-Valuation Deals Closed in 2013

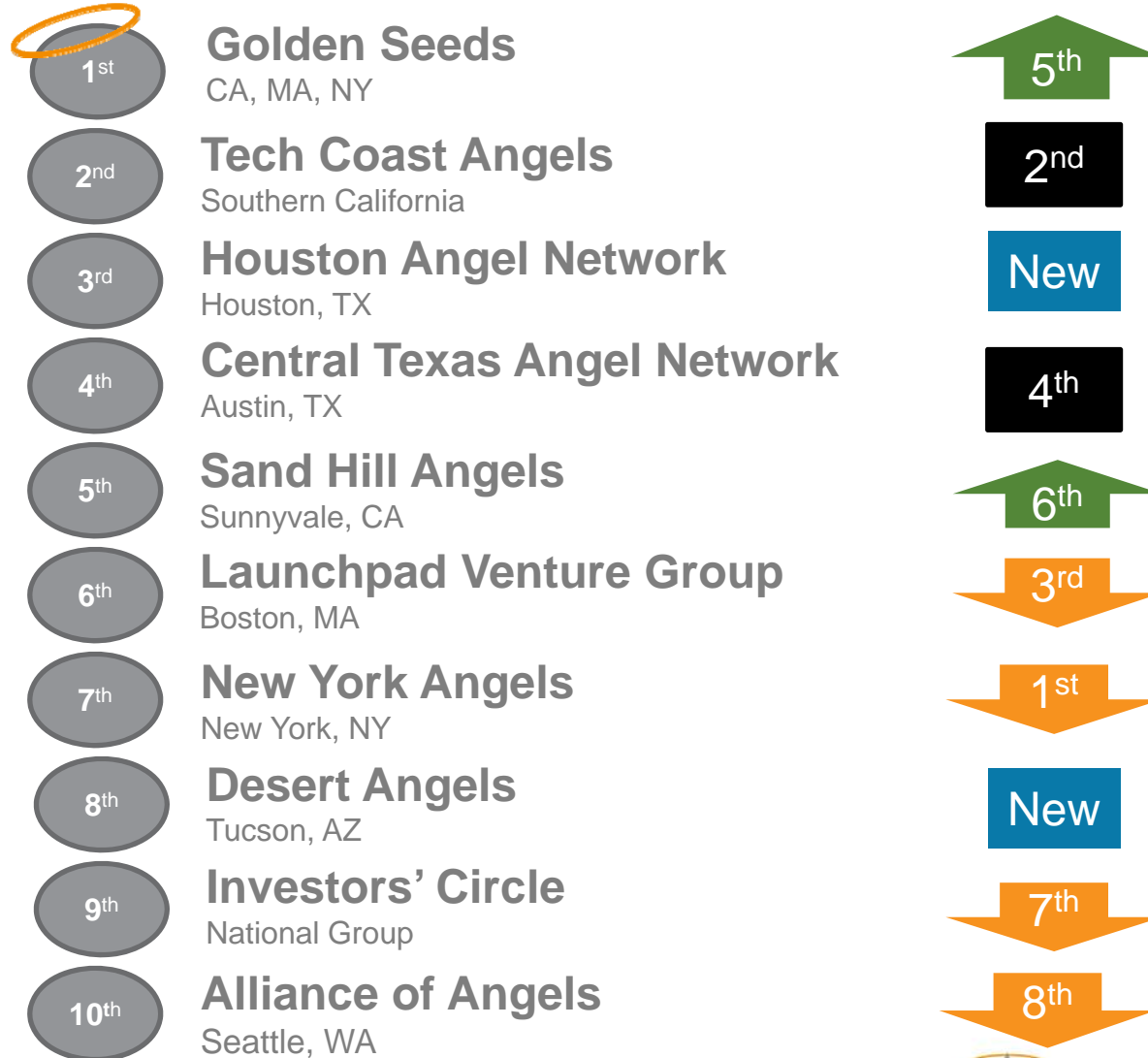
Median Round Size Holds Steady at \$2.5M



*Including all rounds with angel groups pre-series A

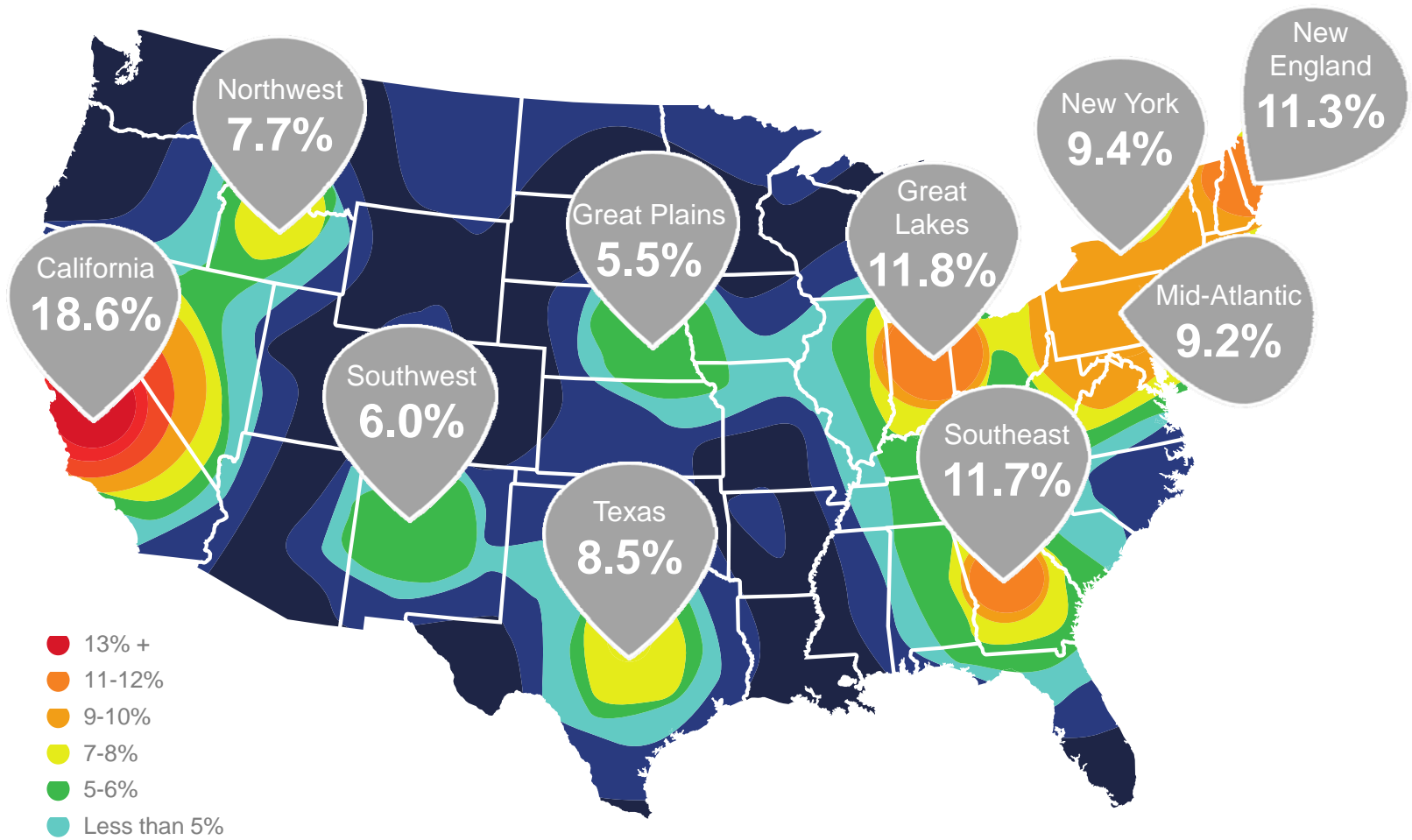
Golden Seeds is Most Active Angel Group

Ranked by Total Number of 2013 Deals and Compared to 2012



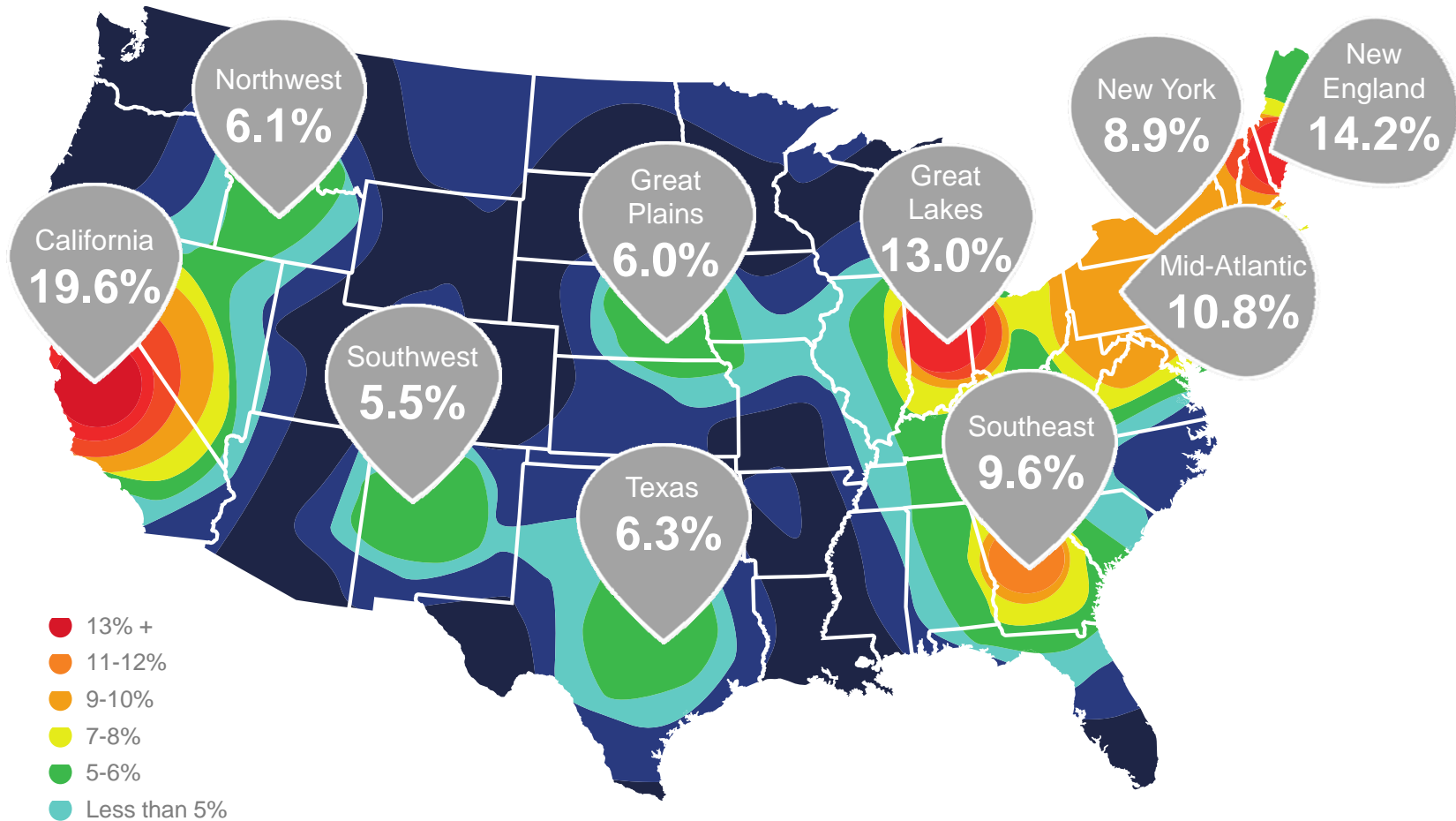
Angel Group Deals Are Widely Distributed Nationally

2013 Share of Angel Group Deals by Region



Dollars Slightly More Concentrated in Fewer Regions than Deals

2013 Share of Angel Group Dollars by Region



Mobile Consistently Trending Up Year Over Year

Internet Deals Spike 5.5% to a Three-Year High

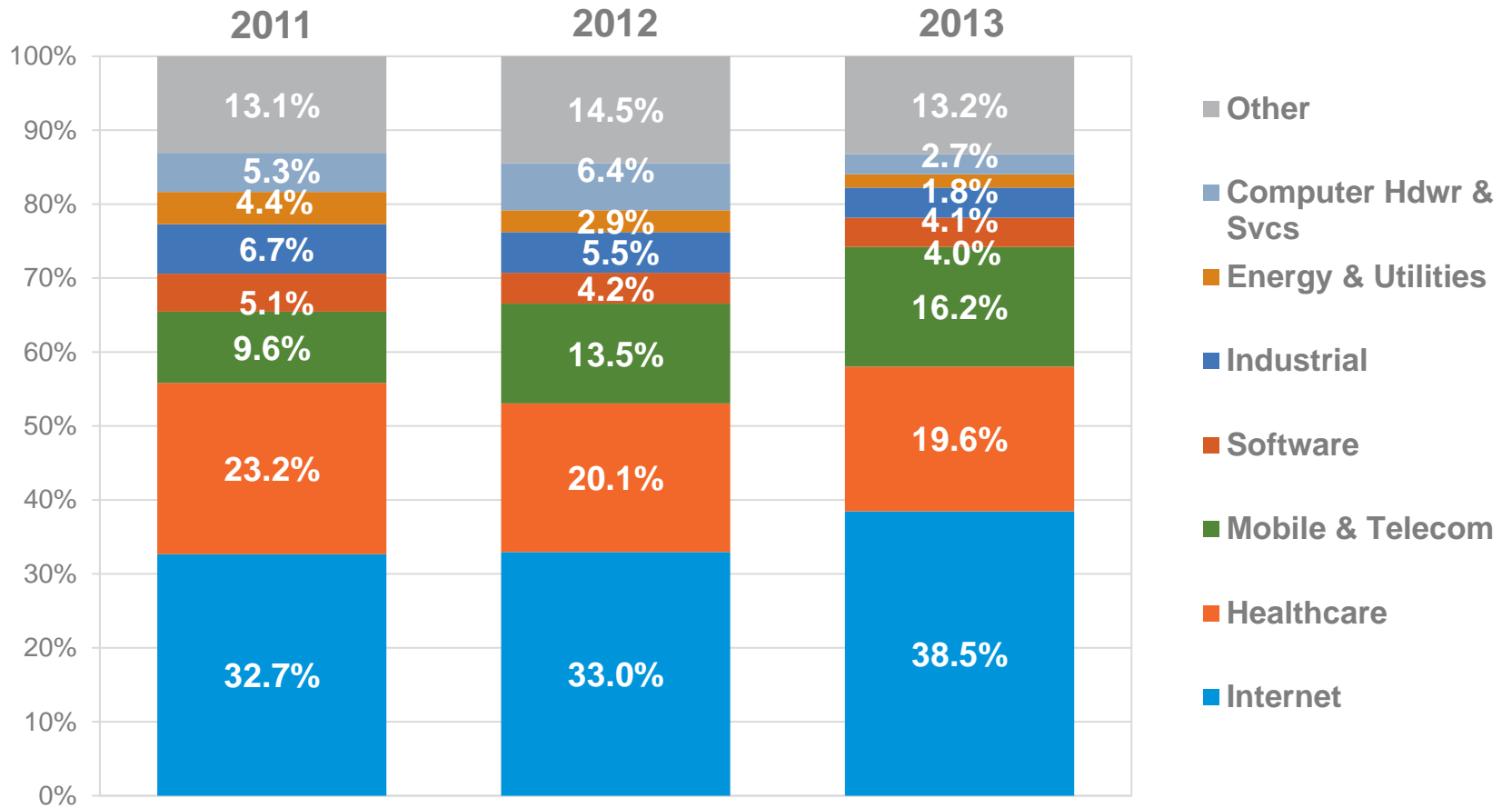


Chart references annual share of angel group deals across U.S.

Top Sectors Claim Nearly 80% of Angel Group Dollars

Mobile, Healthcare, and Internet Up 10% from 2012

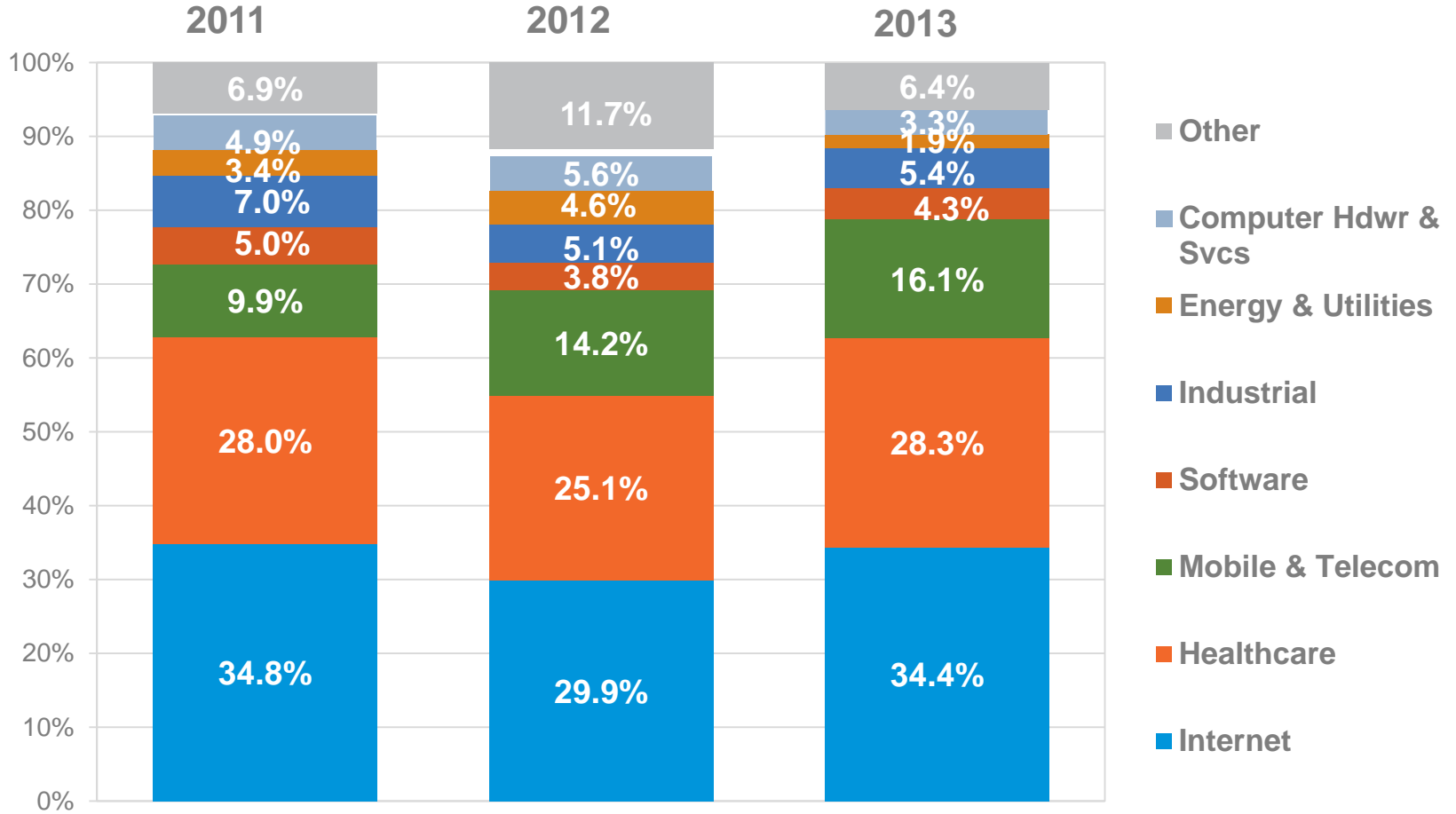


Chart references annual share of angel group dollars across U.S.



Investment Activity Per Group

	Medians		Range
Deals	6 to 7		0 to 55
Total \$ Invested	\$1.75 to \$2M		\$0 to \$15M
\$ Per Deal	\$240K - \$291K		\$0 - \$780K

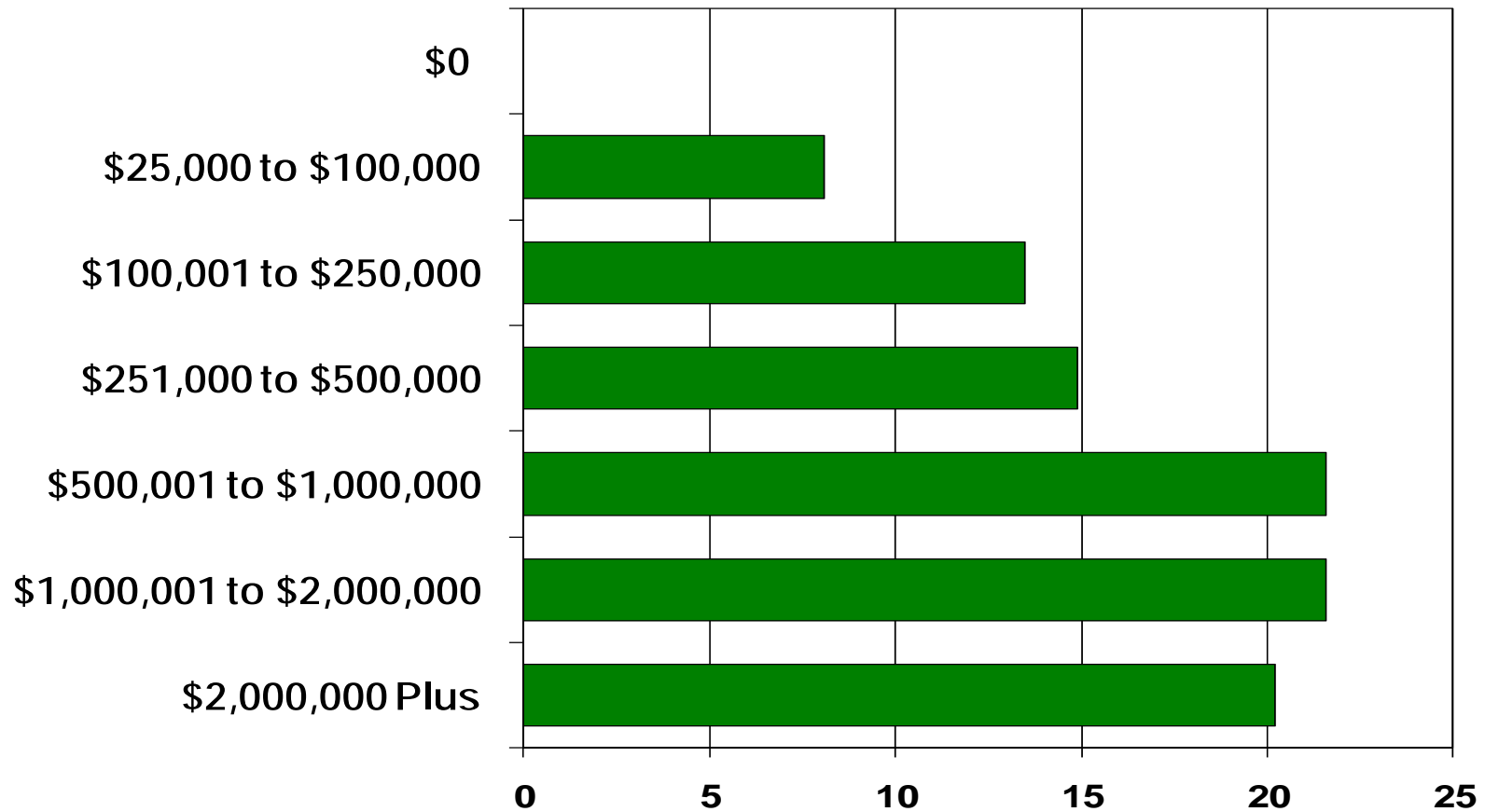
- Figures are for 2009-2011 on an annual basis
- Most active groups are on coasts
- Central US leaders: Austin, Columbus, Pittsburgh

Source: Combination of Halo Report data and self reported through ACA Surveys



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Average Total Investments Per Group – 2011



Source: ACA-SVB Confidence Survey – March, 2011

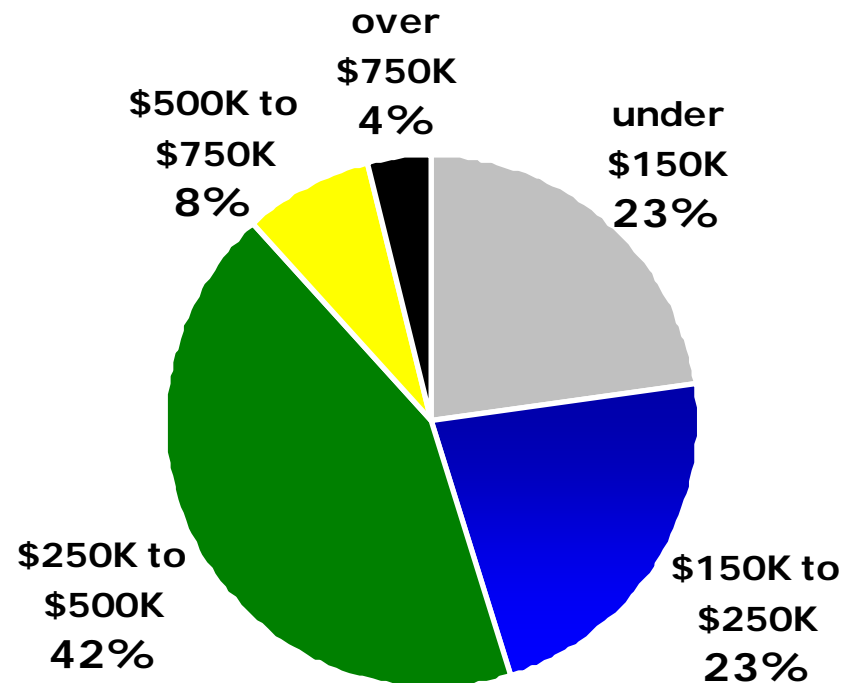
Percent of Groups



67% of Angel Groups Invest \$150K to \$500K per Deal

- Investment surprisingly broad
- Average deal size increasing
- Syndication needed among groups to fill rounds entrepreneurs need

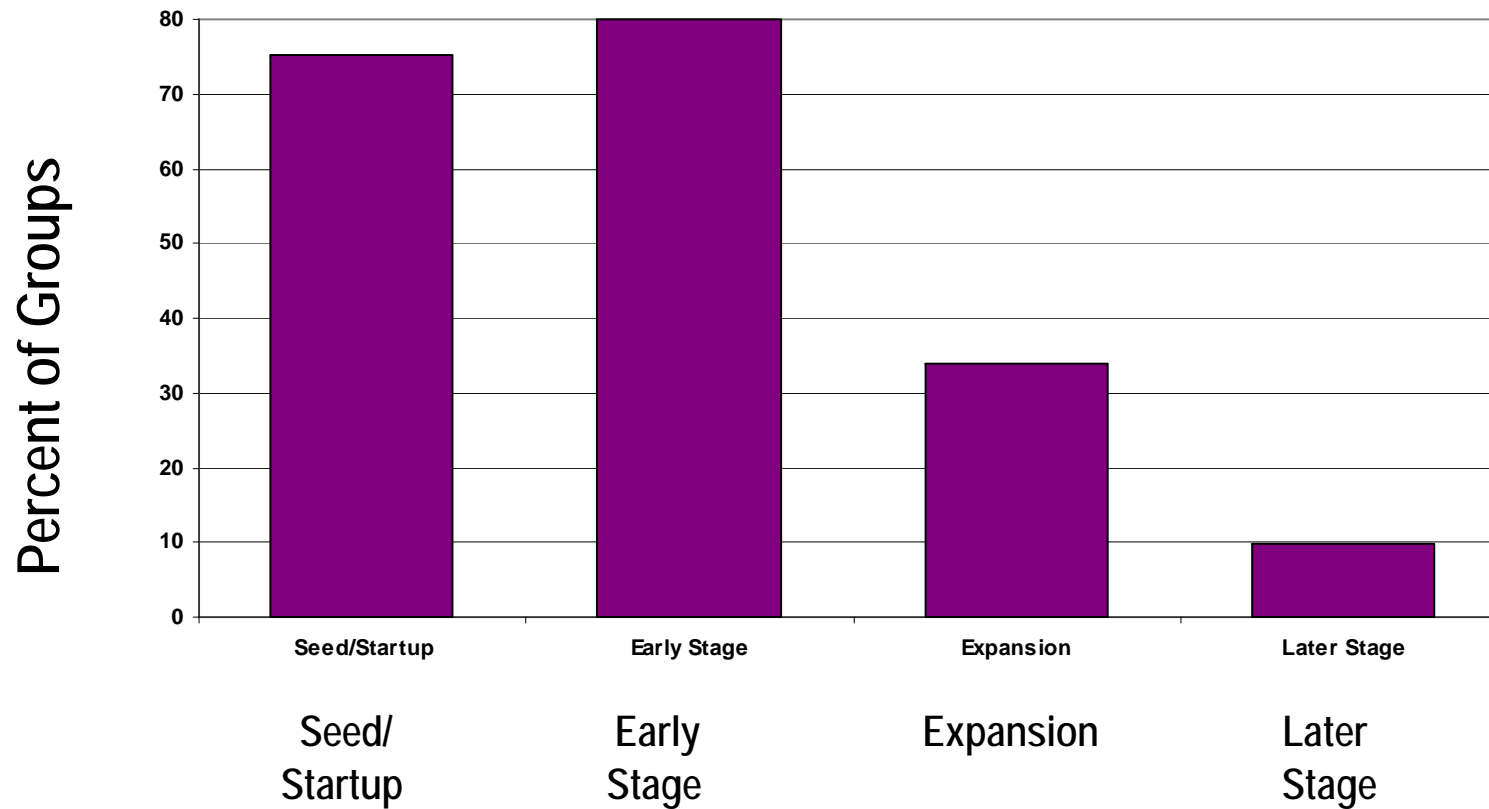
Angel Group Investment Size



Source: ACA Confidence Survey, 2012



Preferred Investment/Company Stage

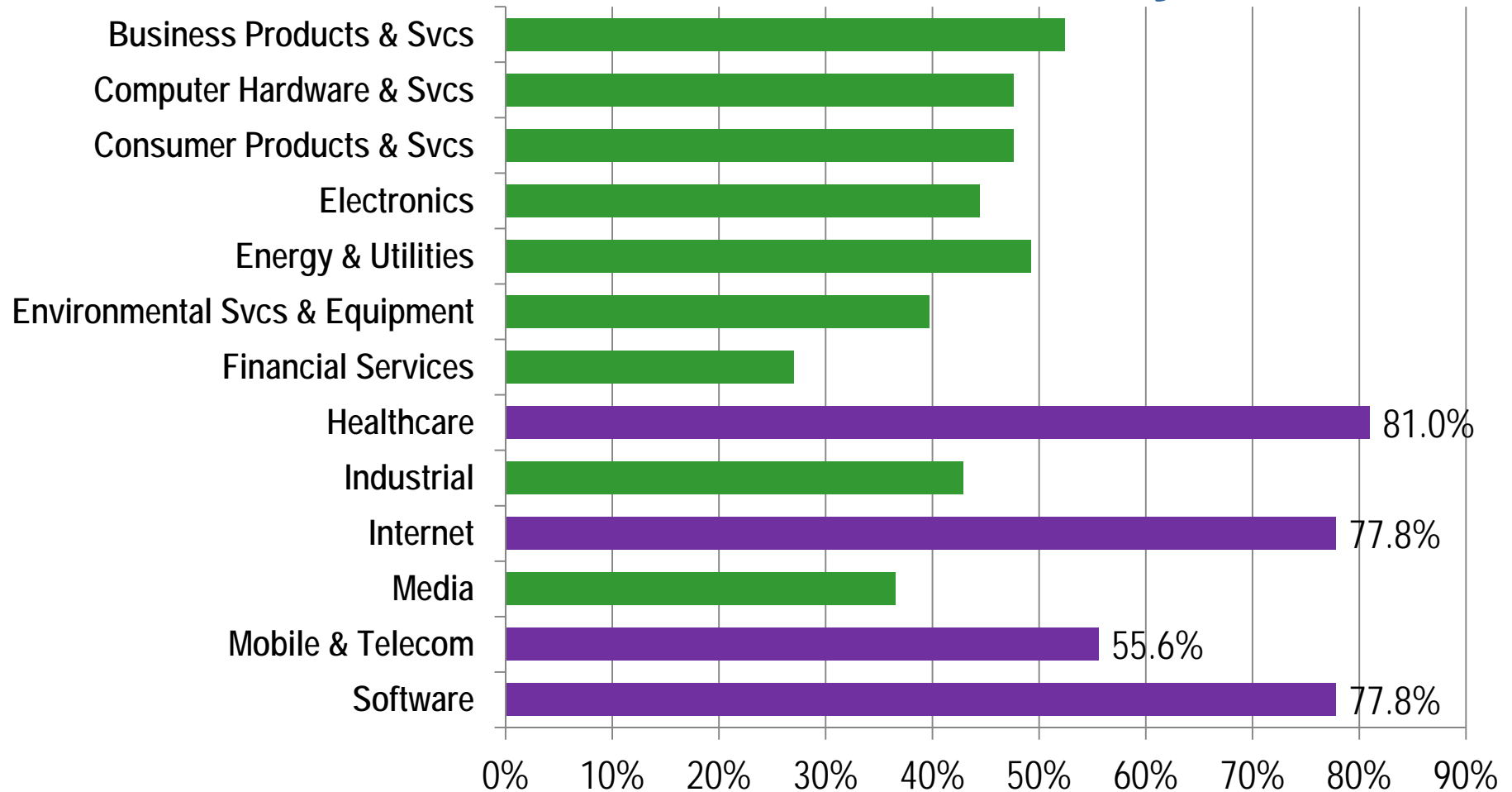


Source: 2011 ACA Angel Group Confidence Survey and 2011 Member Directory



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2012 Investment Preferences by Sector



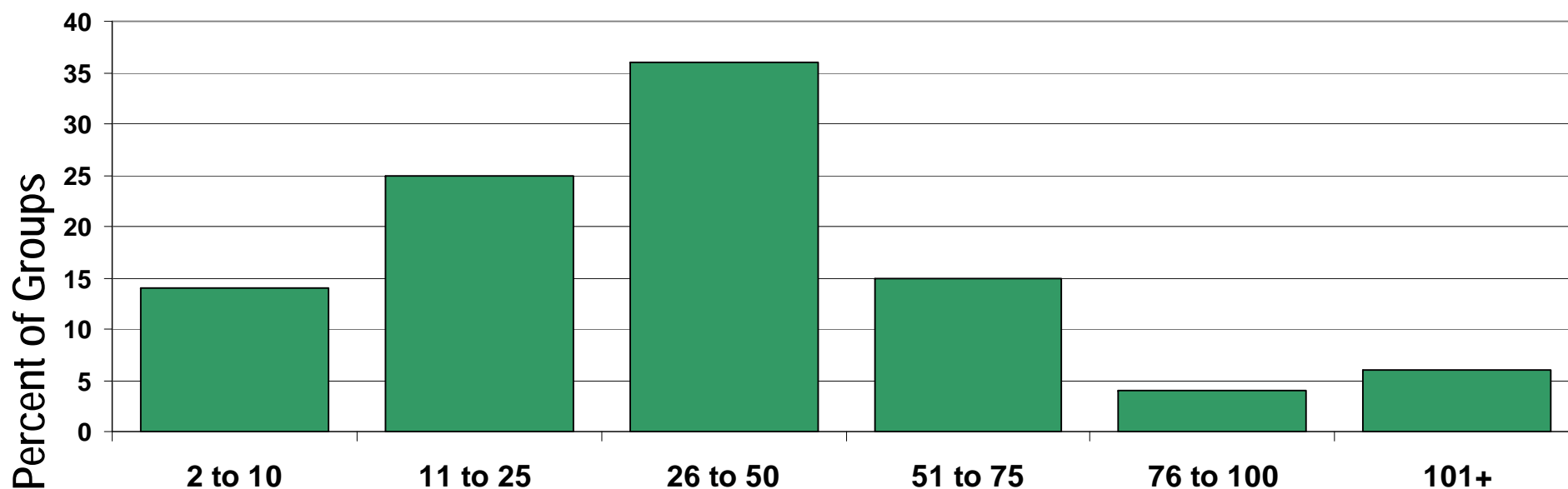
Source: ACA Summit Confidence Survey – 2012

Percent of
Groups



Investors Per Group

Average = 43.1
Median = 34.5

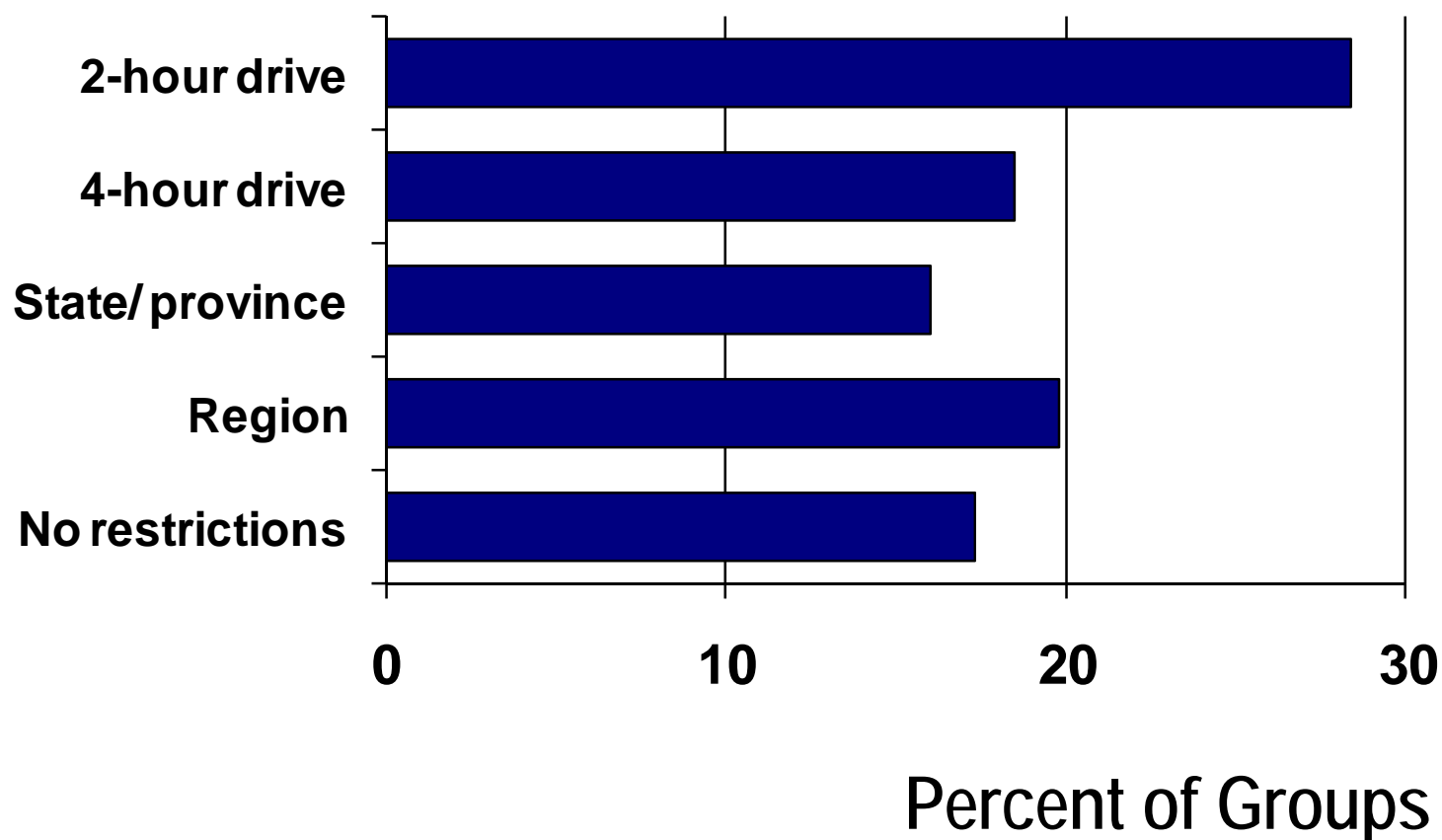


Source: 2011 ACA Confidence Survey and 2011 Member Directory





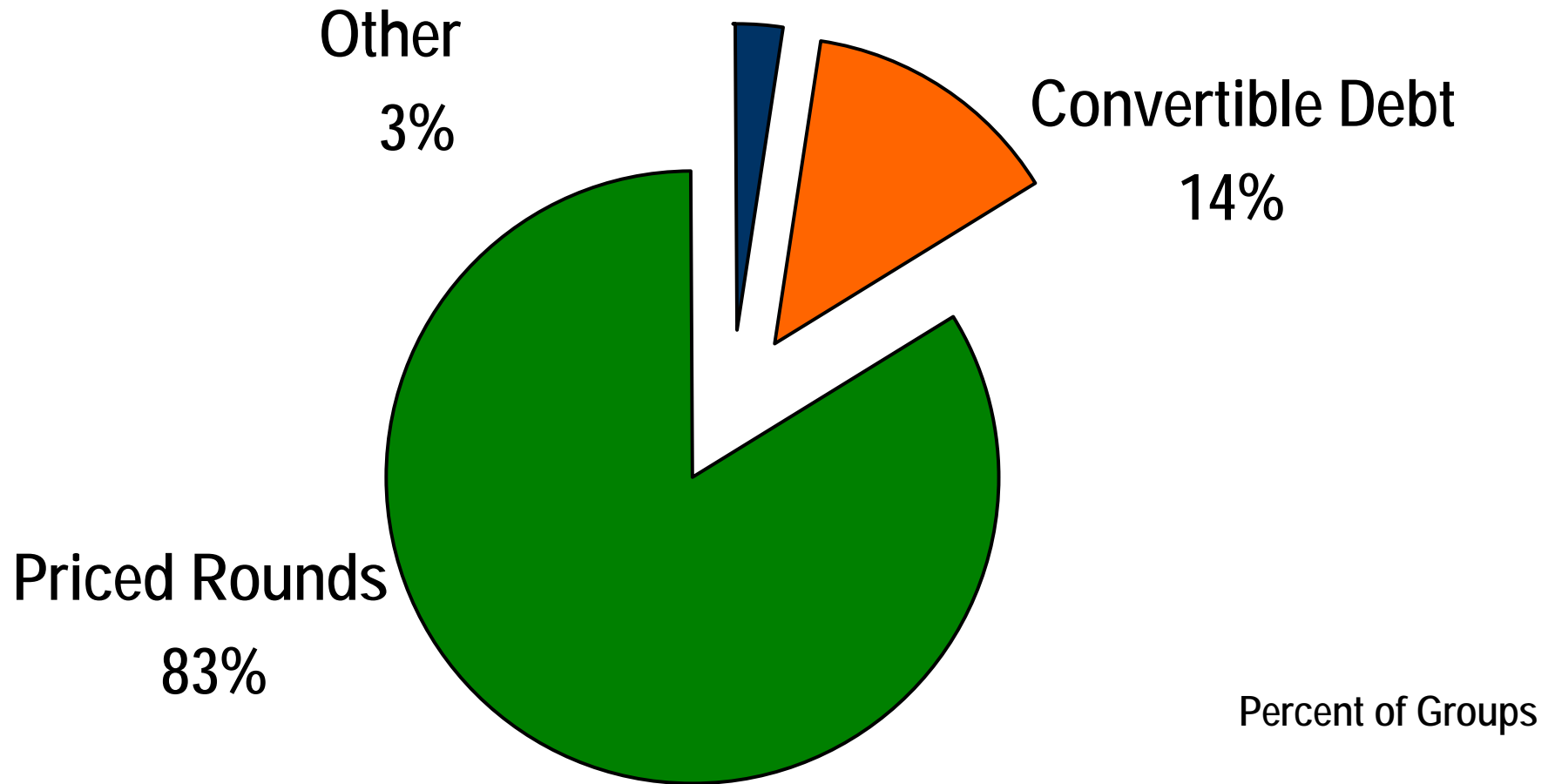
Geography – Where do Groups Invest?



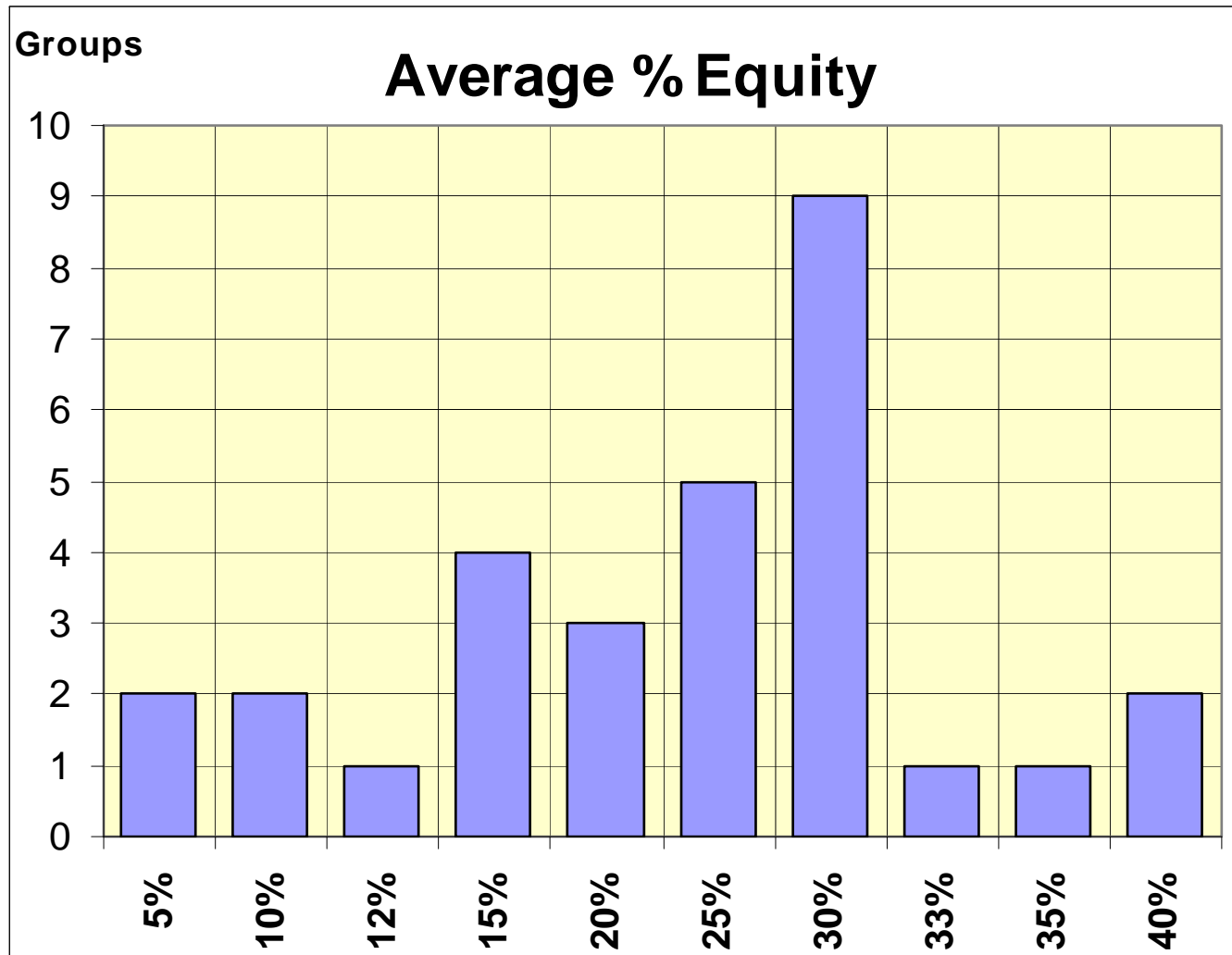
Source: 2008 ACA Angel Group Confidence Survey



Preferred Deal Terms



Source: ACA-SVB Confidence Survey – March, 2010



39 groups reporting (Caution: source data is incomplete & unverified)



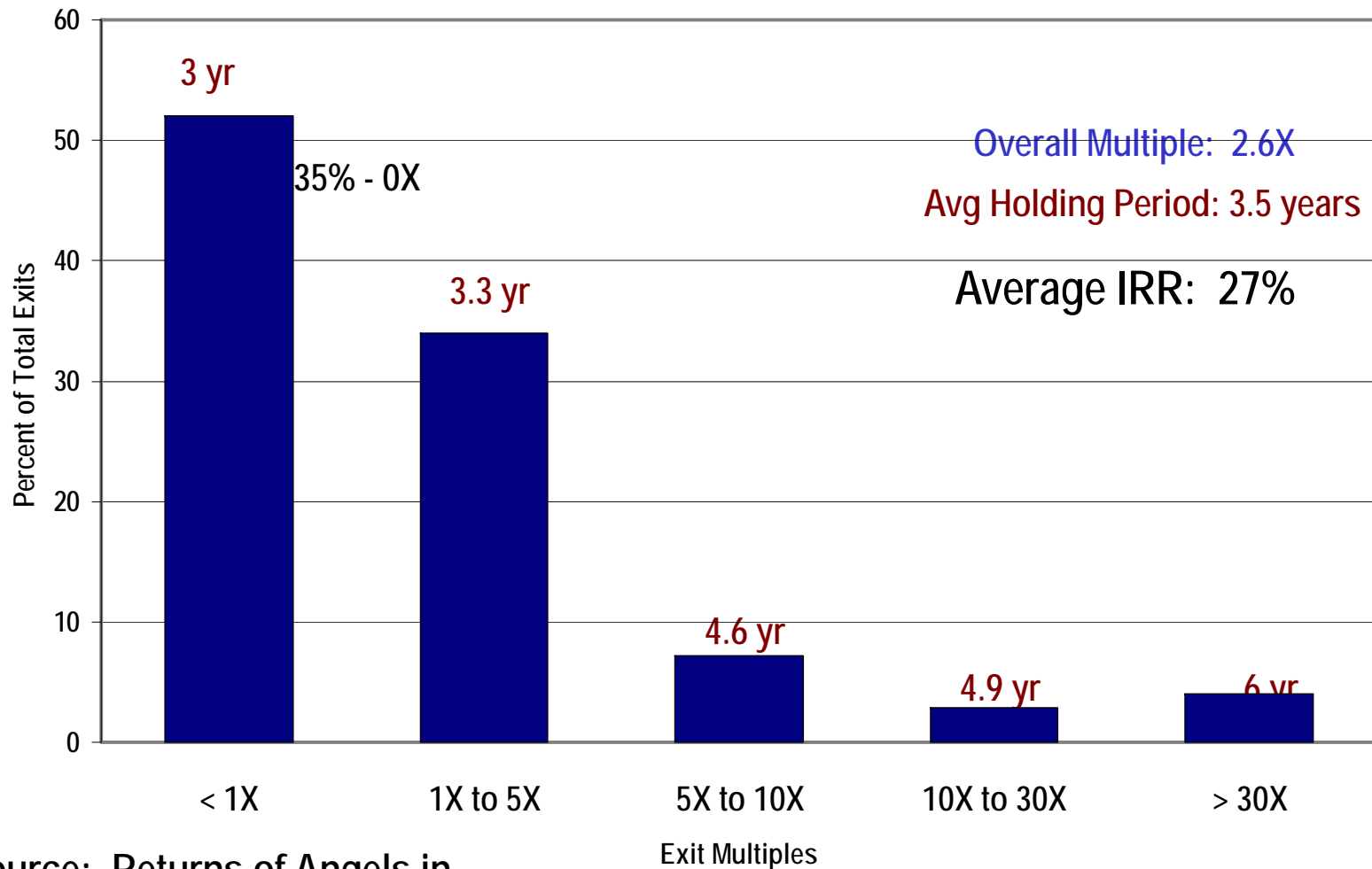
A Word About Expectations Related to Returns

- Angel investing is **VERY** risky
 - 1 or 2 of every 10 investments brings most of return
 - Hard to tell which companies will return
- **Current return estimates for portfolios:**
 - Annual IRR of 27% - 2.6X in 3.5 years*
- **If business gets VC funding later, angel investment is often diluted**
- **Some really great angels therefore looking for 10 to 30X potential**
 - Wide variety of expectations, depending on mix of motivations to be an angel
- **Correct valuation is critical**

*Source: Rob Wiltbank, Willamette University, November, 2007 paper for Kauffman Foundation



Distribution of Returns by Venture Investment



Source: Returns of Angels in
Groups, 2007





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Trends and Key Issues - Investment

- 4+ angel groups syndicate (with family offices)
 - Regions develop common terms and processes
 - Some interest in cross-border syndication
 - Angel groups invest in multiple rounds
 - Early exits – build relationships between angels & strategics
 - Vanilla term sheets – plain preferred stock
 - More interest in cleantech
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Trends and Key Issues – Group Structure

- Funds and sidecar funds (sustaining groups & expanding capital)
 - More groups connected to universities and economic development
 - Slow growth in number of angels per group
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Trends and Key Issues - Landscape

- VCs – some doing startups, most later stage
 - Social Networking – AngelList, Gust, LinkedIn...
 - Accelerators
 - Super Angels
 - Government interest in job creation
 - JOBS Act and SEC rulemaking
 - Crowdfunding
 - General Solicitation
-
-



JOB S Act* Overview

- Increase Capital Pool
 - Crowdfunding
- More Paths to Investors
 - **General Solicitation**
- More Options for Exits
 - Regulation A
 - Shareholder Thresholds
 - IPO On-Ramp



Issue ACA most concerned about

* Jumpstart Our Business Startups Act



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More Information

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*NOTE: ACA & ARI are NOT sources of
equity capital and can't evaluate biz plans*
