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# ACA, Angel Groups, and Angel-Backed Companies

Angel Capital Association  
September, 2012

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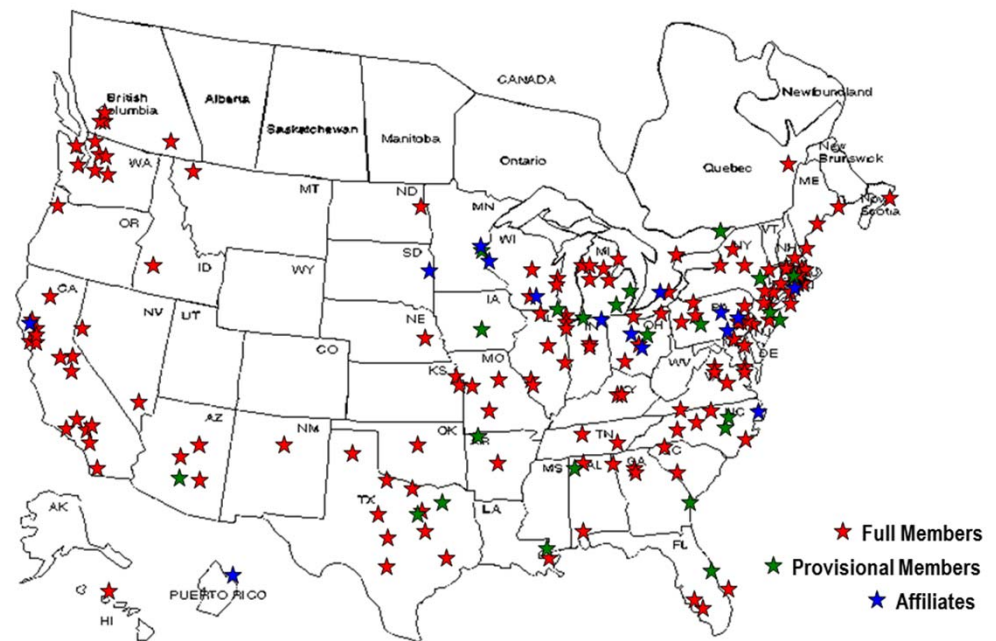
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# Angel Capital Association Today

- Mission: Fuel the success of angel groups and private investors who actively invest in early-stage companies
- 170 member angel groups
- 8,000+ accredited investors
- 20 affiliated organizations
- 48 states/ provinces
- Charitable partner:





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# ACA Members Include Most Top Angel Groups



LIFE SCIENCE ANGELS



SAND HILL ANGELS



CommonAngels

Uncommon Expertise



alliance of angels

LAUNCHPAD  
venture group



New York  
ANGELS



OHIO TechAngels



Houston Angel Network





## 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





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## ACA Members and Innovative Startups

- Fund about **800** new companies every year (mostly USA, Canada)
  - More than **5,000** companies in portfolio
  - Typically on Board of Directors (or observers)
  - See **75,000+** companies every year – lead deal flow in their communities
  - Exits by acquisition and IPO – more members are partnering with strategic corporations for early exits
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# Cool Portfolio Companies

## Examples of Exits in 2010 and 2011

Carbonite (*IPO*)

Coffee Equipment Co (Starbucks)

Green Dot (*IPO*)

Healthcare Waste Solutions (Stericycle)

Insitu (Boeing)

Language Weaver (SDL)

MedSage (Philips/ Respirationics)

Merscom (Playdom)

NutshellMail (Constant Contact)

Protez Pharmaceuticals (Novartis)

Pump Engineering (Energy Recovery, Inc)

Raysat Antenna Systems (Gilat Satellite Networks)

Sabal Medical (Swisslog)

Shelfari (Amazon)

SmartCells – (Merck)

Trius Therapeutics (*IPO*)

Zave Networks (Google)

Zipcar (*IPO*)



# Member Benefits

## Voice

### Public Policy

- Lobbying

### Promotion

- External Marketing

### Member Communications

- Confidence Survey
- Investor Referrals
- LinkedIn
- Industry Awards

## Portfolio Success

### Portfolio Creation

- Background Checks
- Syndication Meetings
- Sector Group Support
  - Life Science
  - Clean Tech

### Portfolio Support

- Insurance (starts w/ D&O)
- [HP Store for ACA](#)
- [Dell Innovators Credit Fund](#)

### Portfolio Management

- VC Experts
- Angel Tools

## Professional Development

### Events

- Summit
- Regional Meetings
- Leaders Workshop

### Resources

- Webinars
- Data
- Angel Group Documents (Member Only Site)
- Syndication

### Services

- eHealth, Gust



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## Key Values for Members in 2012

- Federal Tax Policies:
  - Advocating for angels to SEC in JOBS Act rulemaking
  - Working with Senate and House on 25% tax credit
  - Working with Congress & White House on restoring 100% exemption on QSBS/ 1202 (and fixes to increase use)
- Innovation Coalition Capitol Hill Day – Members meet Congress.
- Services and Discounts:
  - Angel Assure – Insurance products for angels, angel groups, and portfolio companies
  - Venture Experts – annual subscription for \$1,000 per group
- Halo Report – Building robust dataset and analysis of our field
- Communication – ACA Flash, LinkedIn, Twitter, Webinars, Site Documents





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## Tools that Benefit Angels & Portfolio Companies





## ACA's Policy Platform – 2011-2012

- Consistent and Friendly Regulations
    - Continue working with SEC on accredited investor rules &
    - JOBS Act – General Solicitation, Crowdfunding, IPO on-ramp
  - Federal Tax Policies
    - 100% capital gains exemption on QSBS (Sec 1202)
    - 25% Angel Tax Credit
  - Renew and Fix Qualified Small Business Stock
    - Regain 100% exemption on gains to investors
    - Reduce holding period, Increase exit rollover period
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- Focus: the intersection of entrepreneurs and angels
    - Angels provide more than money to entrepreneurs – they know how to turn ideas into valuable companies and innovations
  - Premier source of knowledge and skills for investors and entrepreneurs to grow
  - Three main focus areas:
    - Education
    - Research and Data
    - Mentoring
  - World-wide footprint
  - Founded by Ewing Marion Kauffman Foundation
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ANGEL RESOURCE INSTITUTE

## ARI Education Programs

- **Full Day Seminars**
    - Angel Investing Overview
    - Starting an Angel Organization
  - **Half Day Workshops**
    - Term Sheets
    - Due Diligence
    - Trends in Raising Capital
    - Valuation of Early-Stage Companies
    - Pitching Investors
- Present in person – 60 events in FY 2012 and growing
- State Department Grant – international presence

*the POWER of*  
**angel**  
*Investing*



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# The Angel Group Landscape

Statistics, Trends, and Impact of Angel Investors  
*(Probably More than You Want to Know)*





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# Companies Backed by American Angels

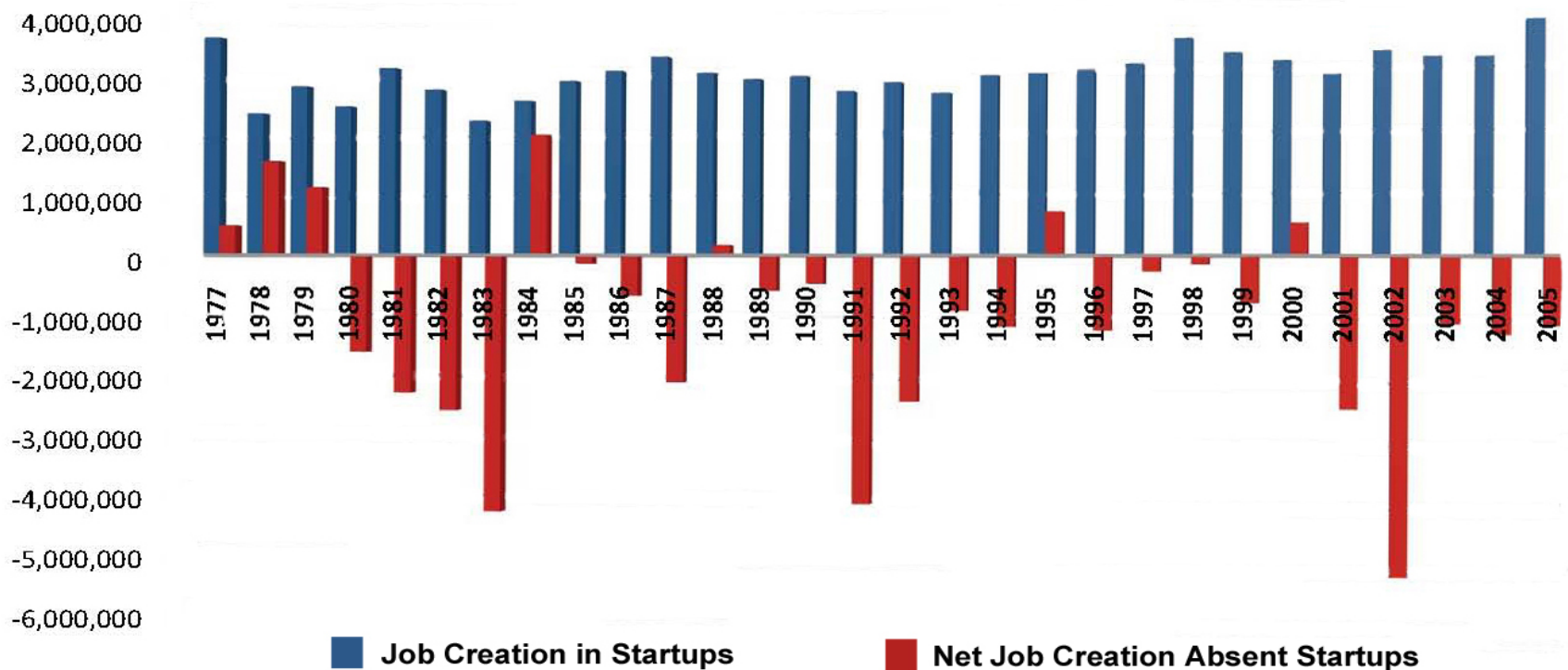




# HAIL TO THE JOB CREATORS

## ENTREPRENEURS ARE KEY TO JOB CREATION

### No Startups, No Job Creation

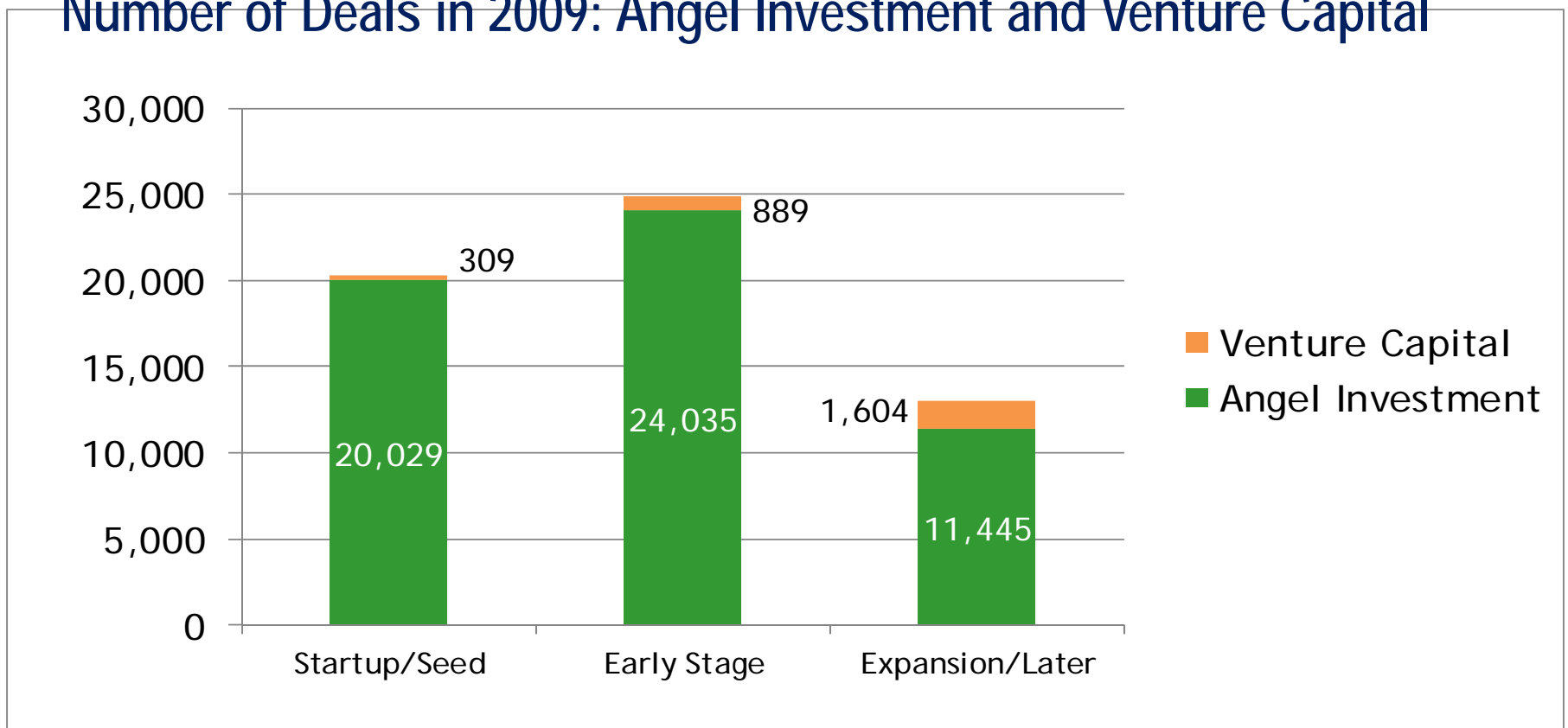


Source: Business Dynamics Statistics Briefing: Jobs Created from Business Startups in the United States. Kauffman Foundation, January 2009.



## Angels Invest in the Majority of Startup & Early Stage Deals

### Number of Deals in 2009: Angel Investment and Venture Capital



Source: Jeffrey E. Sohl, Center for Venture Research and 2010 NVCA Yearbook

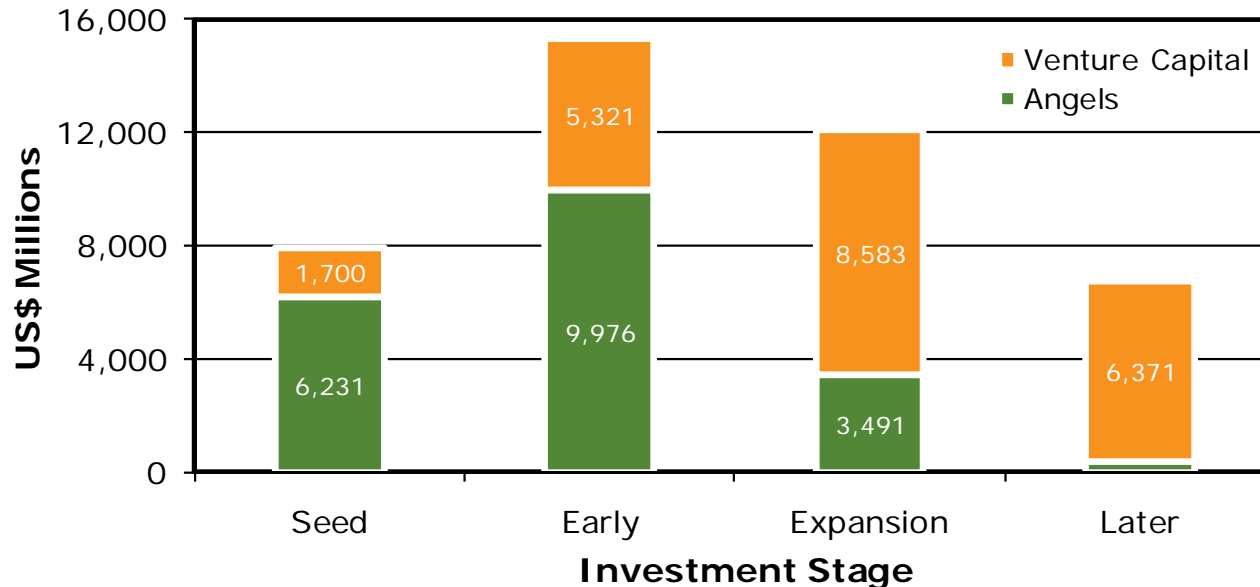




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# Angels: Majority of US Startup Funding

Funding by Source and Stage- 2010



Sources:  
Center for  
Venture  
Research and  
PwC  
MoneyTree

## Angel Investors 2010

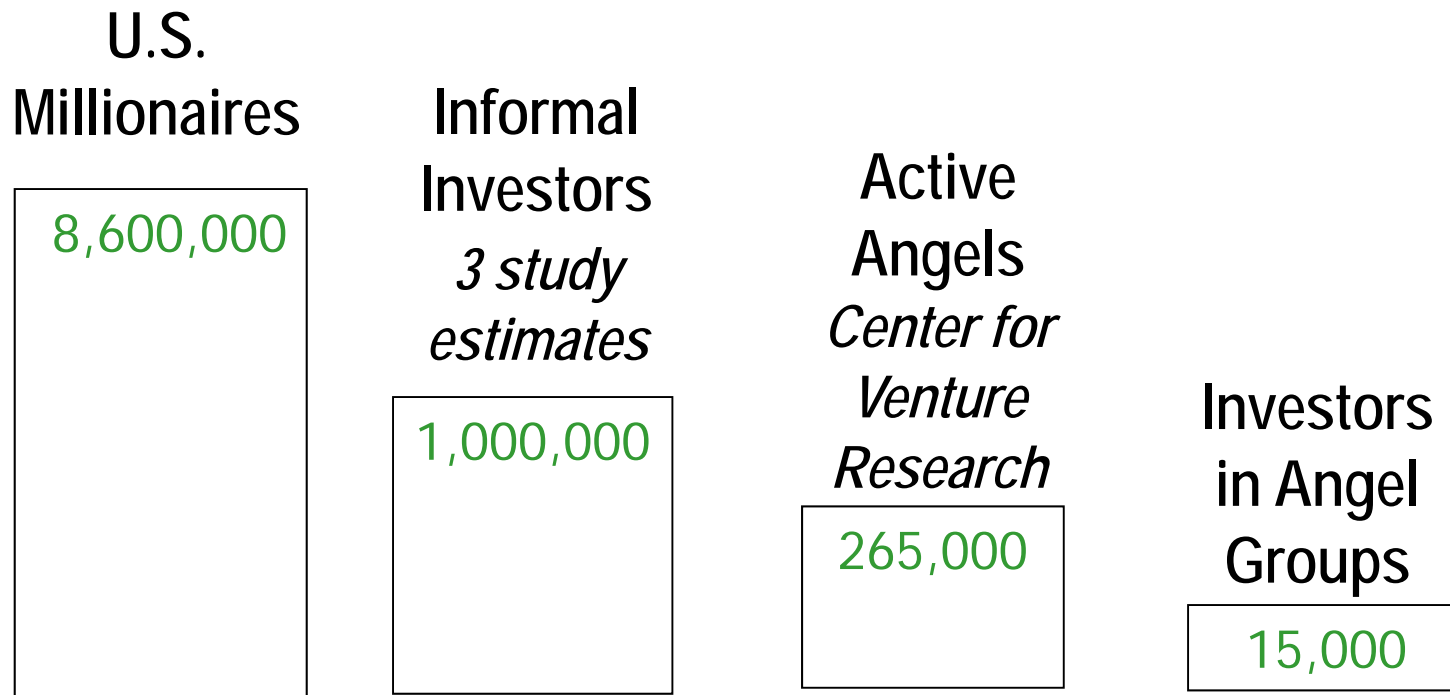
- US \$20.10 billion
- ~61,900 deals
- 31% seed/startup
- 67% early/expansion stage
- 265,400 individuals

## Venture Capital 2010

- US \$21.97 billion
- ~2,750 deals
- 8% seed/startup/ 24% early stage
- 68% later/expansion capital
- 462 firms active



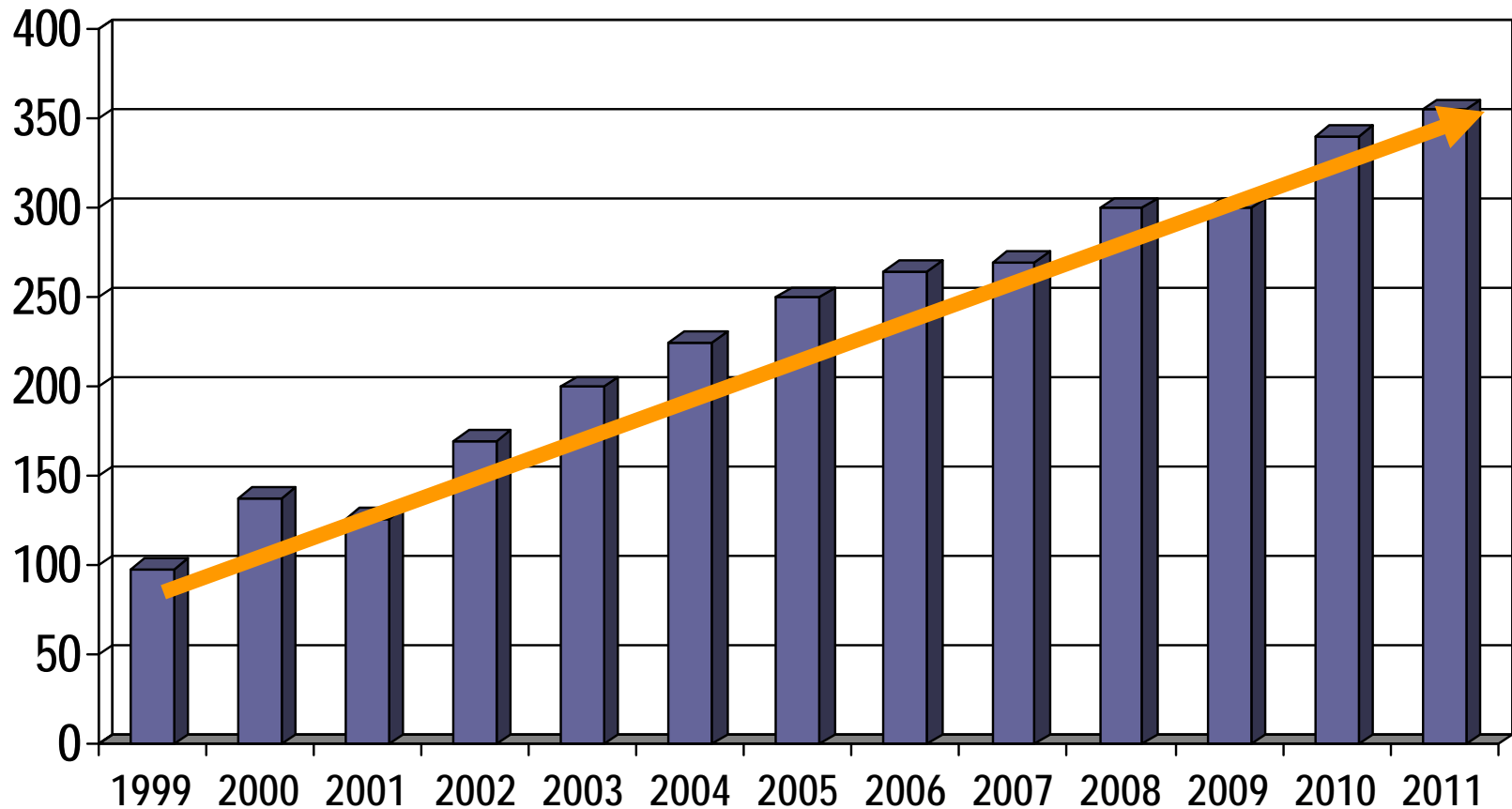
# Angel Groups are Small - *but Important* - Subset of All American Angels



Sources: Spectrem, academic studies, 2012



# Growth in Number of American Angel Groups



Sources: Center for Venture Research (pre 03 data) and Kauffman Foundation/ARI (04-11 data)



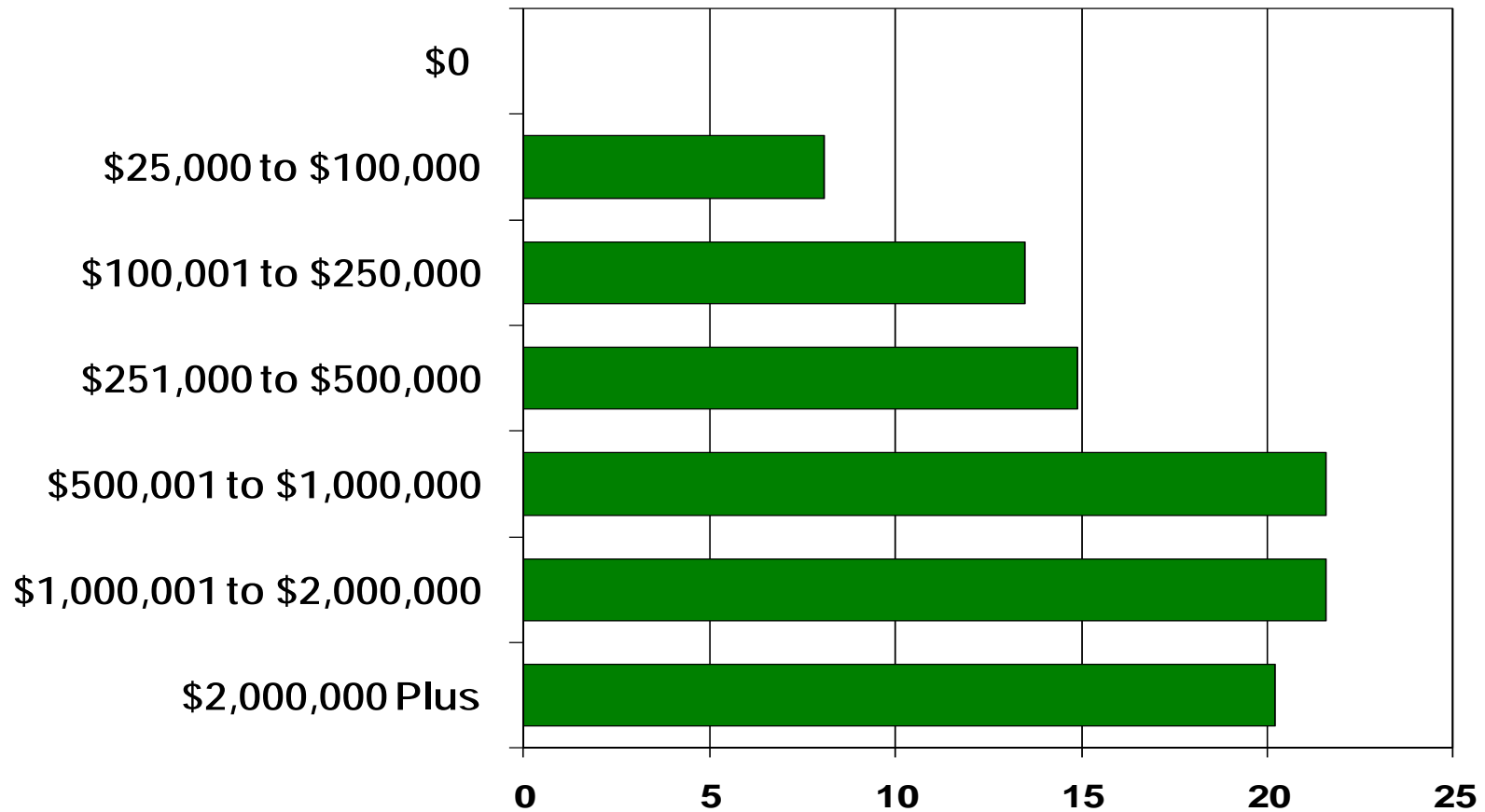
## Why Angels Join Groups

- Dividing the work eases the pain
  - Variety of vertical experience available
  - Standardized processes and term sheets
  - Pick and choose the deals you like
  - Deal flow encouraged, entrepreneur-friendly
  - Ability to find right skills to support portfolio companies
  - Great camaraderie among the like-minded
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# Average Total Investments Per Group – 2011



Source: ACA-SVB Confidence Survey – March, 2011

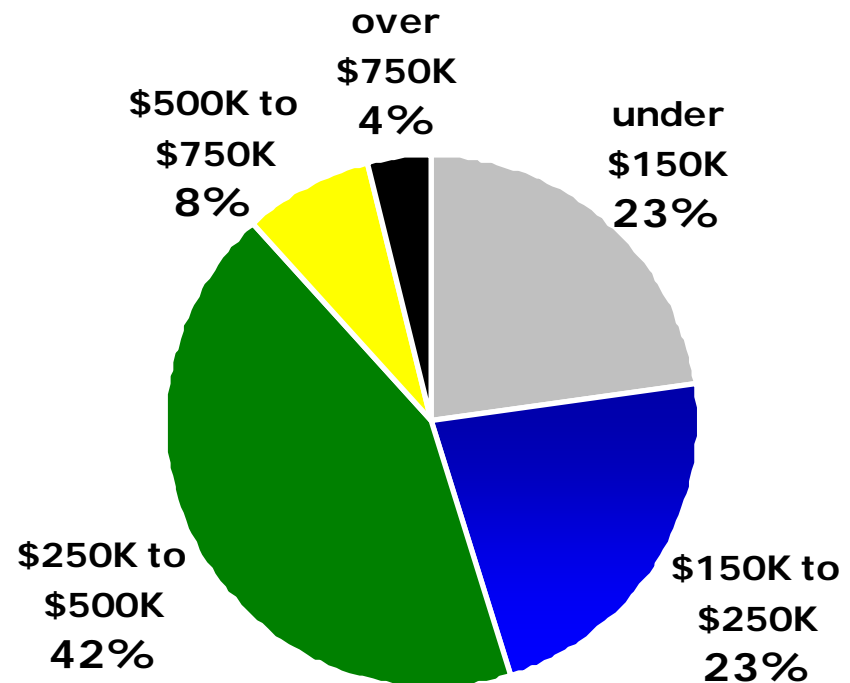
Percent of Groups



## 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



## Investment Activity Per Group

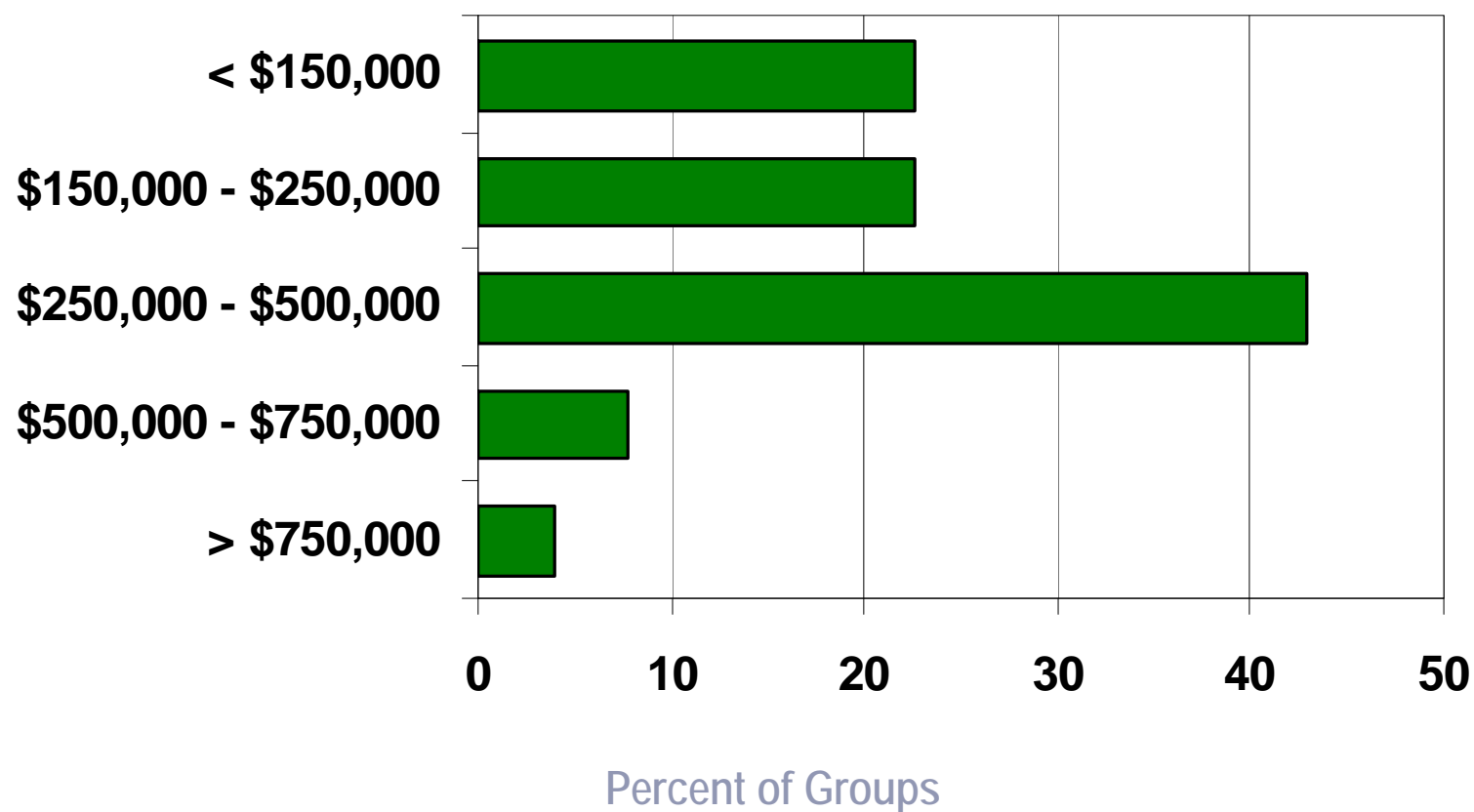
	Medians		Range
<b>Deals</b>	<b>6 to 7</b>		<b>0 to 55</b>
<b>Total \$ Invested</b>	<b>\$1.75 to \$2M</b>		<b>\$0 to \$15M</b>
<b>\$ Per Deal</b>	<b>\$240K - \$291K</b>		<b>\$0 - \$780K</b>

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

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



## Group Preferred Investment Per Round

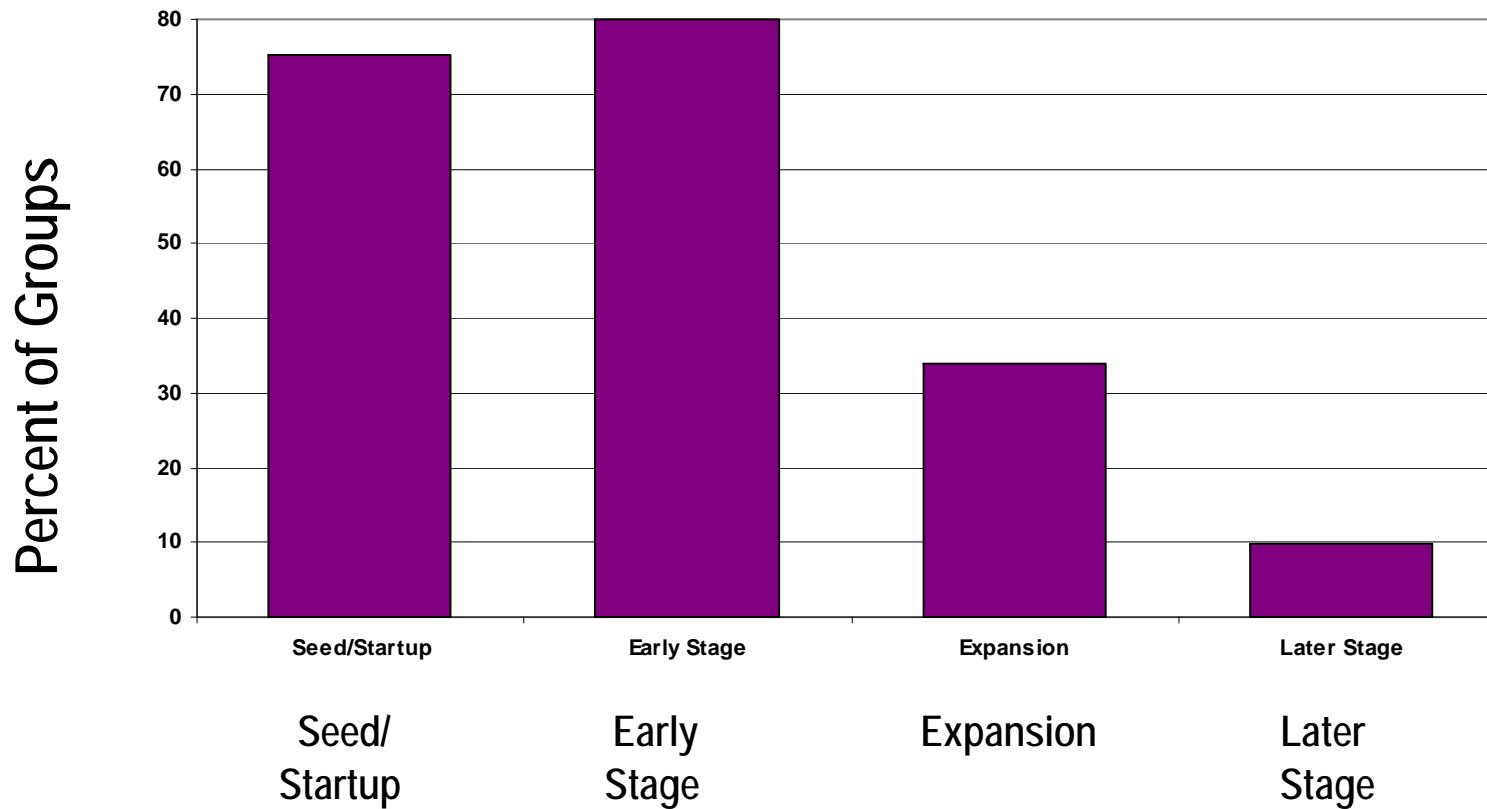


Source: 2010 ACA Confidence Survey and 2010 Member Directory





# Preferred Investment/Company Stage

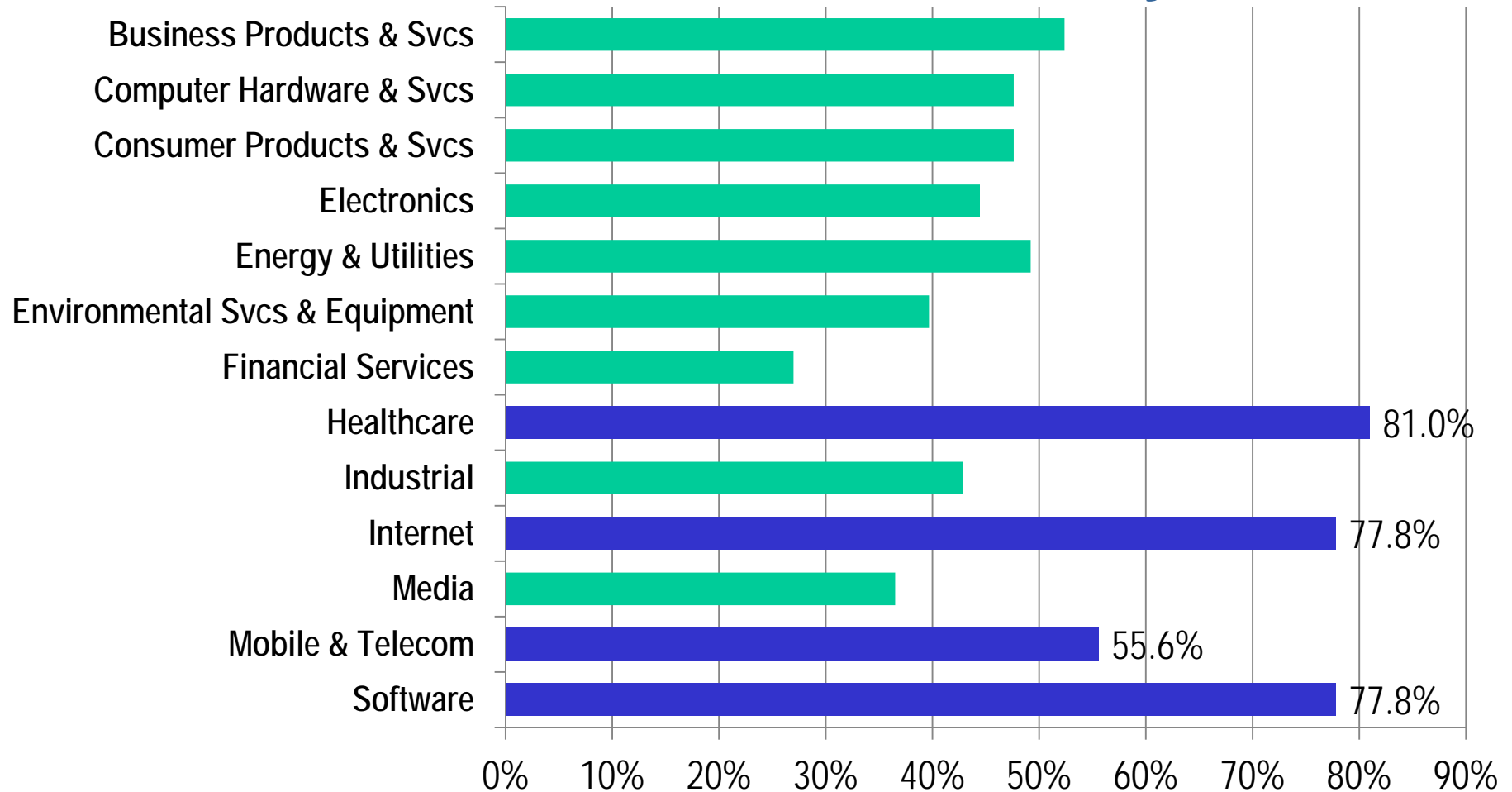


Source: 2011 ACA Angel Group Confidence Survey and 2011 Member Directory



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## 2012 Investment Preferences by Sector



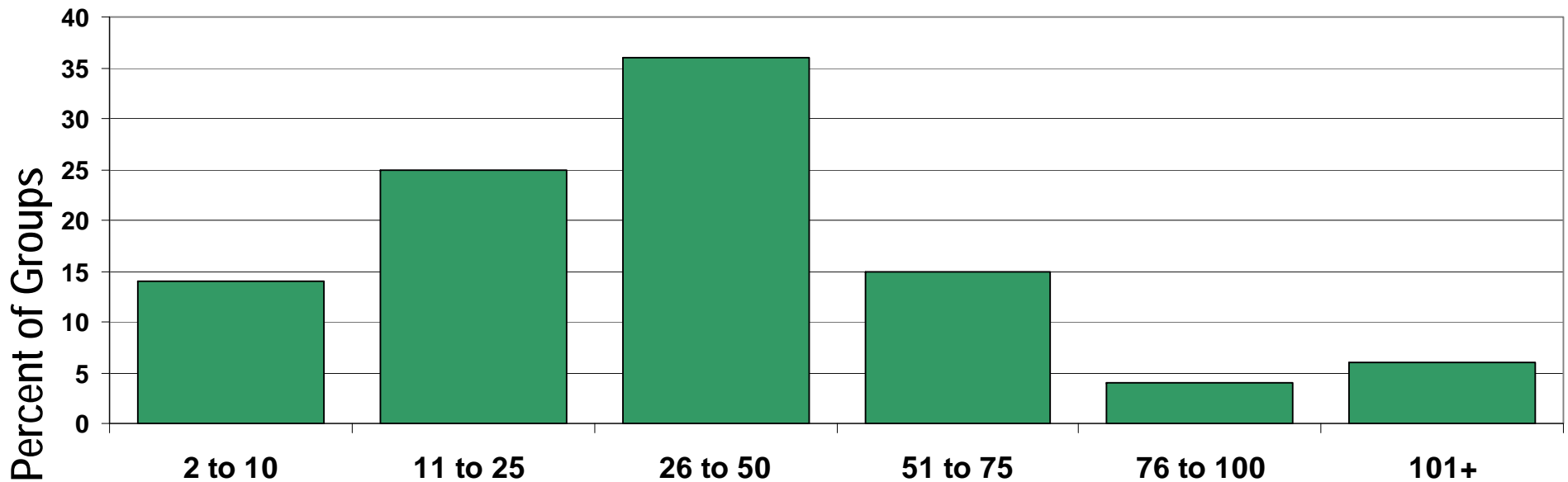
Source: ACA Summit Confidence Survey – 2012

Percent of  
Groups



# Investors Per Group – 2011

Average = 43.1  
Median = 34.5

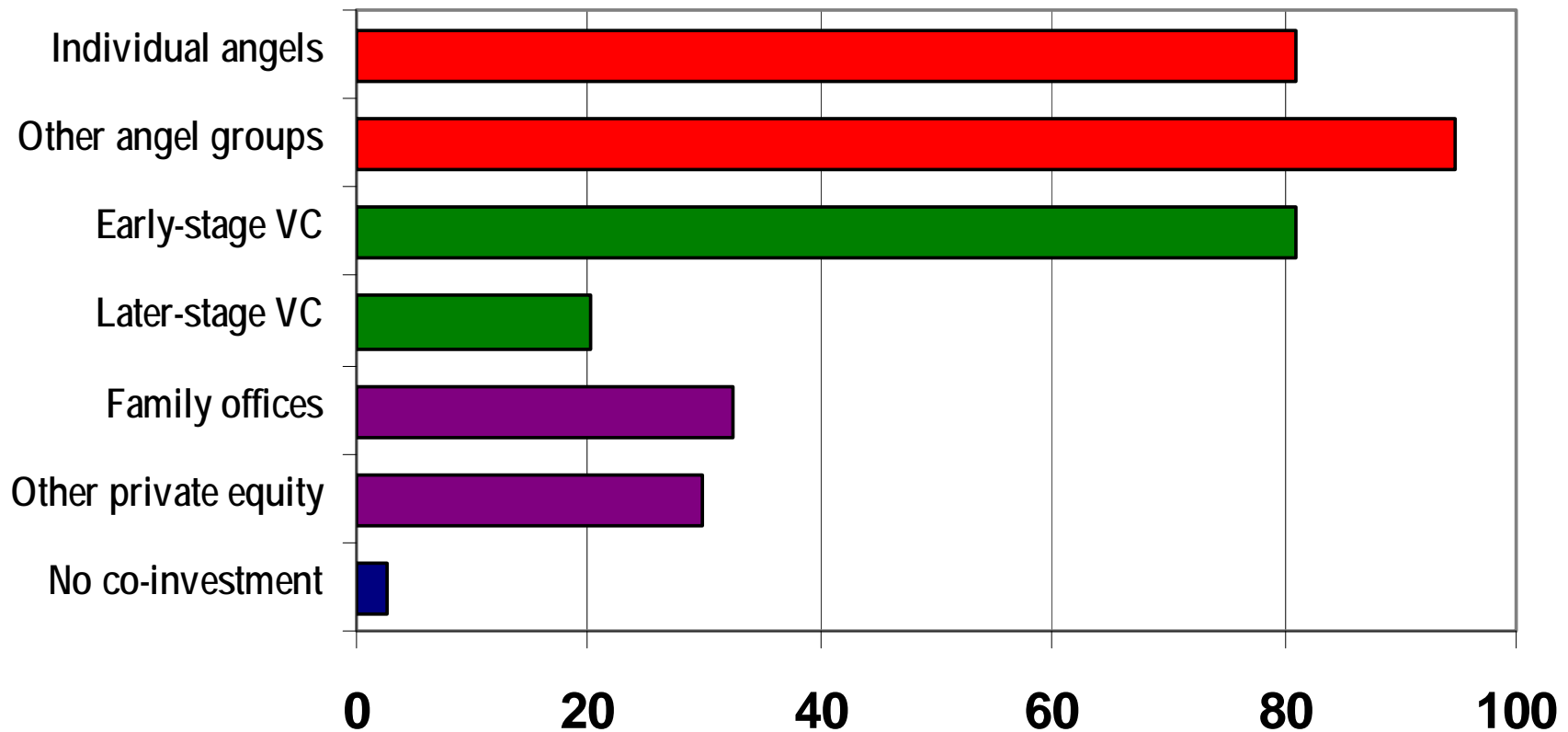


Source: 2011 ACA Confidence Survey and 2011 Member Directory





# Co-Investment/ Follow-On Preferences

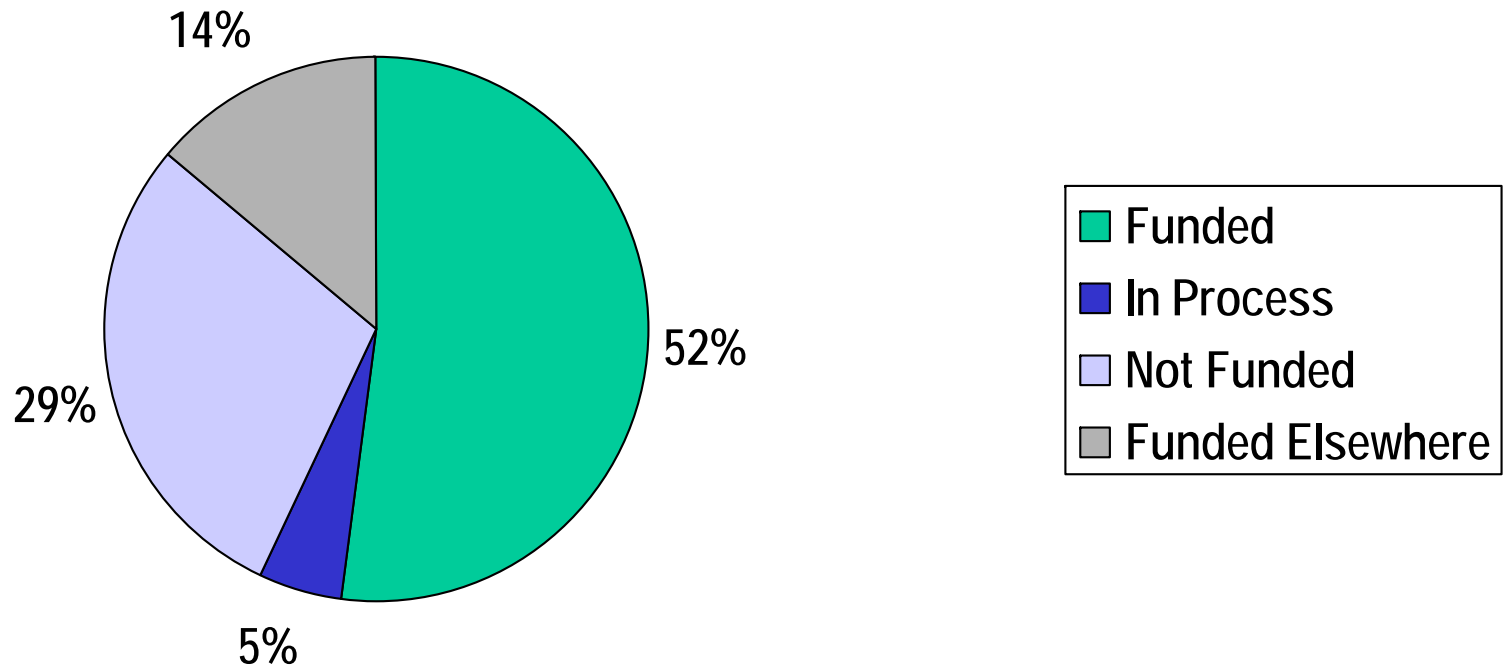


Source: 2009 ACA Angel Group Confidence Survey

Percent of  
Groups



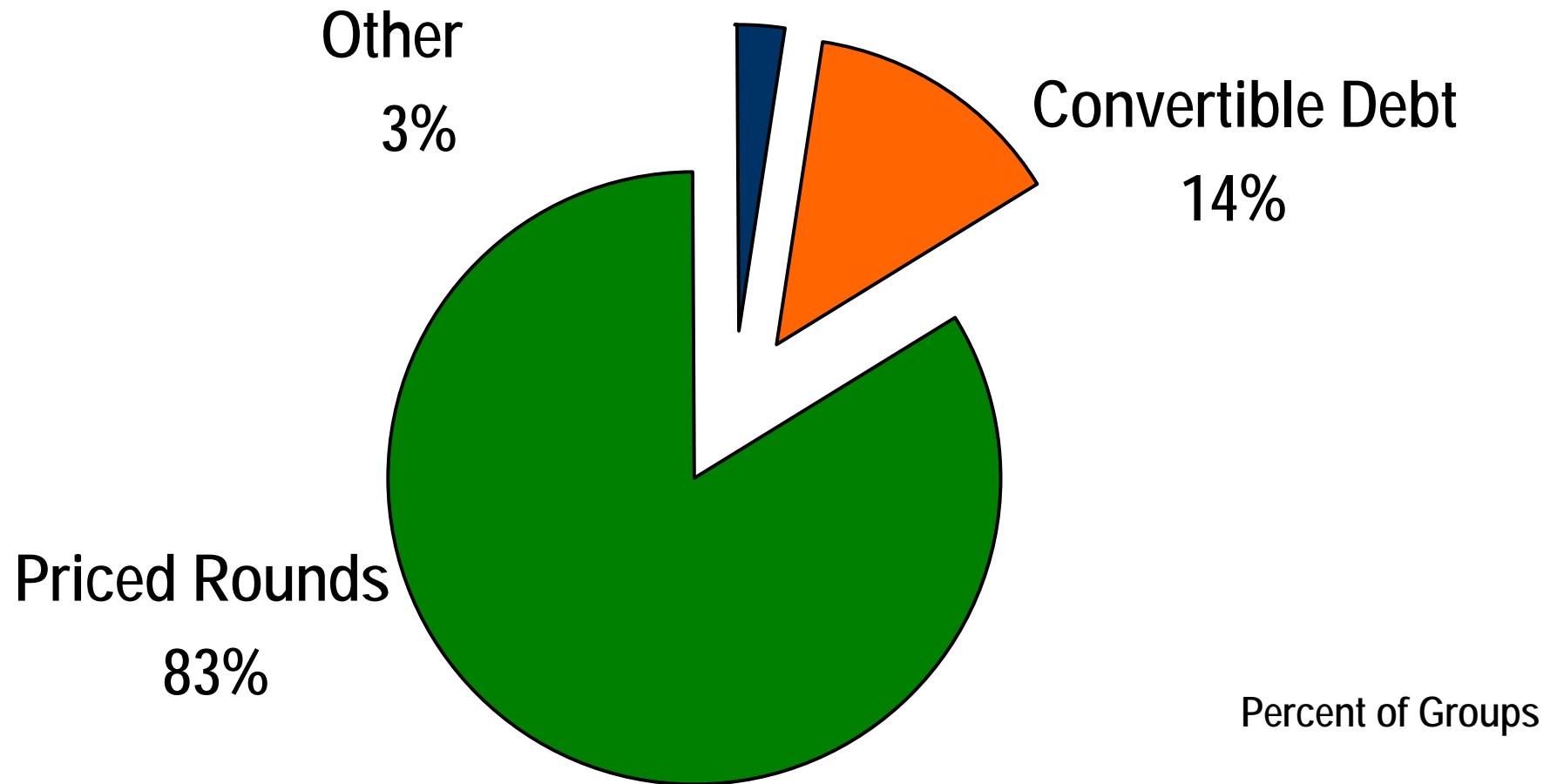
# Syndication Process Increases Investment



- Median Length of Time to Close: 90 Days
- Median Amount New Funding: \$200,000
- Percent Closed as Syndicated Deals: 65%



# Preferred Deal Terms



Source: ACA-SVB Confidence Survey – March, 2010



## Deal Flow Statistics – Angel Groups

- Prescreening 1 in 4 to screening
  - Screening 1 in 3 to DD/ present
  - Due Diligence 1 in 3 to investment meeting
  - Investment 1 in 2 raise money
  - OVERALL 1 to 4 in 100 who apply receive investment
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## More Information

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