ACA Angel Funders Report - Pilot

The initial ACA report on angel group investment and the startups they support.

August 2018
Introducing the Angel Funders Report

What are the factors that influence successful angel investing and the startups that angels support? This is a question that ACA begins to answer in the pilot Angel Funders Report.

*What is the Angel Funders Report?*

- The first phase of our data analytics initiative (the pilot phase) included collecting data from 26 leading angel groups across the United States.
- The report covers investments for 2017. All individual investment and group data has been kept confidential.
- Data includes overall metrics of the pilot groups’ angel investments and the companies in which they invested.
- In the future, when ACA has more data, including exits and out of business analysis of the data which will help us understand the factors that impact the outcomes of the investments.
More About the Angel Funders Report

• Goals and Methodology
  The goal of the Angel Funders Report is to provide unparalleled depth in metrics which leads to understanding of factors that influence angel investing outcomes. Data collected by survey, then reviewed and combined when multiple groups invested in same round, removing duplicate data.

• About the Dataset
  The initial report is based upon 25 data fields collected from 26 angel groups selected for participation.

• Key Findings
  The findings of the initial report tell us that many variables influence angel groups and their investments.
### About the Data Provided

<table>
<thead>
<tr>
<th># of Rounds</th>
<th># of Companies</th>
<th>Total Invested by Groups</th>
<th>Total Raised by Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>432</td>
<td>393</td>
<td>$102M</td>
<td>$534M</td>
</tr>
</tbody>
</table>
Investments by the Numbers – Round Size and Median Overall Valuation

Total Amount Raised Per Round

->$1M 41%
-$1M or less 59%

Median Round Size = $1M

Pre-Money Valuation or Cap on Note

- Up to $2.5M 10%
- $2.5M-$4.5M 24%
- $4.5M-$8M 31%
- $8M or greater 35%

Median Valuation = $5M
Valuations Change by Round Stage

**Pre-Money Valuation - Angel Round**

- $8M or greater: 7%
- $4.5M-$8M: 26%
- $2.5M-$4.5M: 46%
- Up to $2.5M: 20%

Median Valuation = $4M

**Pre-Money Valuation – Series A Round**

- >$20M: 13%
- $10M-$20M: 28%
- $5M-$10M: 26%
- Up to $5M: 33%

Median Valuation = $8.5M
Investments Generally Early, But Follow-Ons Rule

Round Classification

- Convertible Note: 16%
- Seed/Angel: 44%
- Series A: 23%
- Series B: 9%
- Series C or Later: 4%
- Other: 4%

More Than Half of Rounds Are Follow-Ons

- Seed: 42%
- Follow-On: 58%
Deals by Investment Structure and Industry

**Deal Structure**
- Preferred Stock: 60%
- Convertible Note: 35%
- SAFE: 1%
- Restricted Stock: <1%
- Common Stock: 3%
- Other: <1%

**Deals by Industry Sector**
- Tech (IT, Software, Mobile, IoT, Web): 36%
- Healthcare/Life Sciences: 30%
- Industrial, Energy, Cleantech: 7%
- Retail & Distribution: 6%
- Consumer Goods & Services: 4%
- Media & Entertainment: 3%
- Ed Tech: 3%
- Financial Services: 3%
- Other: 9%
Syndication – Working Together Is Important

73% of deals were syndicated

Deal Syndication

- Syndicated with only other angel groups: 44%
- Not syndicated at all: 27%
- Syndicated with angel groups and VCs: 21%
- Syndicated with only VCs: 8%
About the Portfolio Companies

Revenue at Time of Funding:
- No Revenue: 50%
- $1 to $499K: 20%
- $500K to $999K: 10%
- $1M to $3M: 10%
- $3M Plus: 0%

Number of Employees at Time of Funding:
- 1 to 5: 45%
- 6 to 10: 30%
- 11 to 20: 15%
- >20: 10%

Tax Structure:
- 83% Other
- 15% LLC/Partnership
- 1% C Corp
- 1% S Corp
- 1% Other
21% of CEOs were female

By Gender

Previous Experience in Leading Startups

By Race

Caucasian 87%
African-American 4%
Asian 6%
Other 2%
Hispanic/Latino 1%
Angel Group Activity Varies

Total Dollars Invested Per Group in 2017:

- <$1M: 20%
- $1M-$2.5M: 24%
- $2.5M-$5M: 24%
- $5M-10M: 20%
- >$10M: 12%

Total Number of Deals Per Group in 2017:

- 1-5 deals: 19%
- 6-10 deals: 23%
- 11-19 deals: 19%
- 20-30 deals: 23%
- >30 deals: 15%

Investment Amount Per Group Per Round:

- >$500k: 4%
- $250k-$500k: 32%
- $100k-$250k: 48%
- $0-$99k: 16%

Median Amount = $2.85M
Median Deals = 16
Median Amount = $202K
More About Angel Group Activity

Number of Network Members in Each Deal

- 10% >20
- 19% 11 to 20
- 27% 6 to 10
- 43% 1 to 5

Median Number of Angels = 10

Angel Groups Based in 17 States, While Portfolio Companies in 36+

Map Key
ACA reporting group location = Location that ACA group invested in =
Angel Groups on Industry Sectors and Board Service

Percentage of Angel Groups Investing in Sectors

<table>
<thead>
<tr>
<th>Sector</th>
<th>Percentage Investing</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT - Enterprise Software/HW/Svc</td>
<td>64%</td>
</tr>
<tr>
<td>Consumer Products/Services/Other</td>
<td>52%</td>
</tr>
<tr>
<td>Life Sciences - Medical Devices</td>
<td>41%</td>
</tr>
<tr>
<td>Internet, IoT &amp; Web Services</td>
<td>38%</td>
</tr>
<tr>
<td>IT - Mobile Software/Other</td>
<td>28%</td>
</tr>
<tr>
<td>Industrial &amp; Energy</td>
<td>25%</td>
</tr>
<tr>
<td>Life Sciences - Healthcare IT/Other</td>
<td>25%</td>
</tr>
<tr>
<td>Healthcare Services</td>
<td>18%</td>
</tr>
<tr>
<td>eCommerce</td>
<td>15%</td>
</tr>
<tr>
<td>Life Sciences - Therapeutics</td>
<td>15%</td>
</tr>
<tr>
<td>Ed Tech</td>
<td>15%</td>
</tr>
<tr>
<td>Life Sciences - Medical Diagnostics</td>
<td>15%</td>
</tr>
<tr>
<td>Hardware/Software Technologies</td>
<td>14%</td>
</tr>
<tr>
<td>Clean Tech</td>
<td>11%</td>
</tr>
<tr>
<td>Financial Services</td>
<td>11%</td>
</tr>
<tr>
<td>Other</td>
<td>18%</td>
</tr>
</tbody>
</table>

Is Group Member Serving on Company Board?

- Yes: 23%
- No: 77%
Participating Angel Groups – Thanks!
The Future of the Angel Funders Report - What’s to Come

The Angel Funders Report is an evolving part of ACA’s Data Analytics Initiative. This pilot report provides important knowledge about angel groups, investment decisions, and future reports will also focus on the outcomes of these investments.

Here are some examples of insights currently being gained by large individual groups that we plan to learn more about in future Angel Funders Reports:

- **CEO Experience Counts** – Those who led startup before more than 2X likely to have positive exit

- **Successful Exit Secrets** – 2% of exits created 74% of return, waiting past early exits increased returns 2X

- **Follow-ons Can Bring Higher Returns** – IRR for later rounds often higher, with reduced risks