



# ACA Data Insights: What We Learned From Our Data

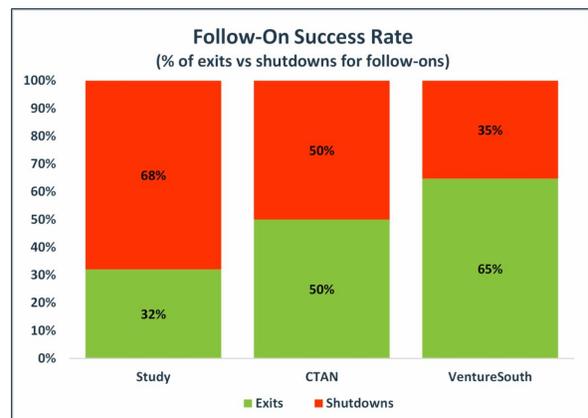
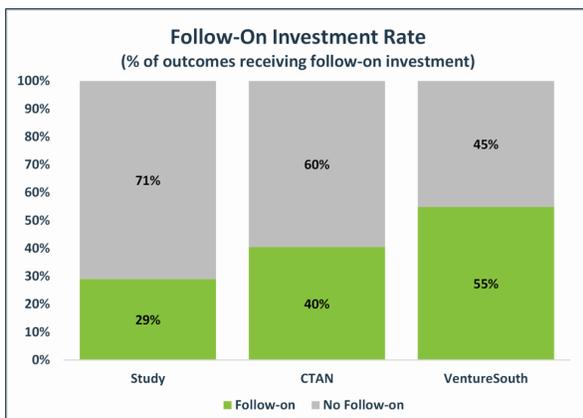
In support of ACA's Data Insights initiative, once a month we will be sharing charts illustrating useful learnings from analyzing data on angel investing and portfolio returns.

## FOLLOWING UP ON FOLLOW-ONS

### VentureSouth Data on Follow-on Rates, Timing and Success

Over the last couple of years, the ACA data initiative has yielded tremendous insights on various aspects of angel group investment portfolios. At VentureSouth we have especially appreciated some of the learnings that other groups have shared regarding follow-on rates, exit timing, and returns by investment rounds, particularly from prolific data-sharing groups CTAN, Launchpad and Tech Coast Angels. We have been comparing our own data to these standard-bearers to see how we're doing - so for this ACA Data Insights edition, we wanted to add our numbers to the data sets, while attempting to extend the analysis with an additional slice of the data.

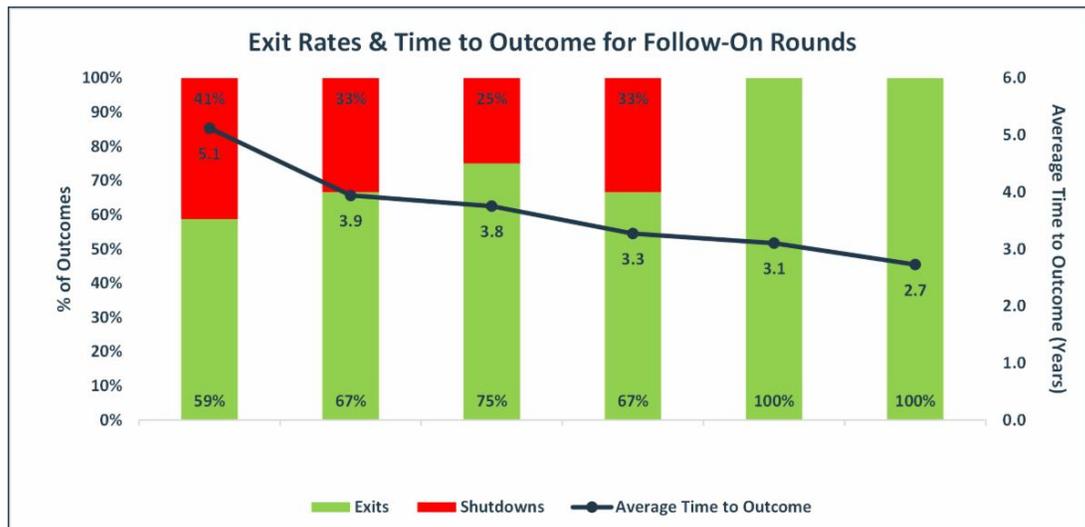
In 2020, CTAN shared compelling data on their follow-on investment and success rates. Here, we compare VentureSouth follow-ons with CTAN data and the foundational "Returns to Angel Investors in Groups" study published in 2007. It appears that angel group follow-on investing has become much more common – and more effective – since the early group data captured in the "Returns" study. VentureSouth has been an increasingly active follow-on investor, and among the 31 companies in our portfolio that have reached a final outcome, we made follow-on investments in 17 (55%). Among those 17 companies, nearly two thirds (11) generated exits\* for our investors (and 8 of those exits generated capital gains).



Note: ACA nomenclature for "exits" includes any concluding transaction(s) that return capital to investors, while shutdowns imply a total capital loss.

Source: VentureSouth (2022), CTAN (2019) and "Returns to Angel Investors in Groups", Wiltbank & Boeker, 2007

While the previous view highlights follow-on investments on a company-by-company basis, we also wanted to gain a more nuanced understanding of the numbers on a round-by-round basis. For the 17 companies (with outcomes) in which we made follow-on investments, we invested in 57 total rounds (3.4 rounds per company on average). Across the first and subsequent follow-on rounds, we've observed generally increasing exit rates – from 59% for first rounds to 100% for fifth and sixth rounds (albeit with a small count of only 5 of those rounds). Notably, the rates of return actually peaked in rounds 4 and 5 as companies moved closer to their outcomes with meaningful remaining upside.



Source: VentureSouth

## THE TAKEAWAY

Analyzing our data alongside some of the previously mentioned insights from other groups, a few key takeaways emerge from our point of view.

- Our data corroborates earlier findings from CTAN and others that follow-on investing can prove to be a compelling and effective approach for angels – especially as companies eliminate early risks and move closer to exit ramps. (And we continue to champion disciplined and proactive exit planning).
- Combining our data with prior findings from Launchpad suggests that rounds ~2-5 can offer compelling risk/reward dynamics, which creates interesting possibilities for “opportunity fund” scenarios as companies raise larger rounds and angels seek to exercise their pro-rata investment rights.
- We didn't consider the success rate of single-check deals in this analysis, but perhaps in a future issue of ACA Data Insights we'll examine some of our successful early exits (and one-check write-offs).
- Of course, this is a very small data set, full of idiosyncrasies and subject to highly unpredictable and impactful events (and this data ignores our remaining active portfolio of over 50 companies) – so these takeaways are offered as strong opinions held loosely. We look forward to continuing to learn alongside our ACA peers.

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We hope you are enjoying these Monthly Data Insights. If you have an insight (chart with narrative) that you'd like to share in a future edition, please send us your submission to [insight@angelcapitalassociation.org](mailto:insight@angelcapitalassociation.org). Our goal is accelerate learning from each other.

**Read the ACA Investor Insights Report**

**The Angel Capital Association is your authority on angel investment information! The Angel Funders Report, powered by Hockeystick, is the only official report from ACA**

for angel investment data in North America. Quality and accuracy are verified by collecting information directly from our member groups and then validated through the efforts of our data partner, Hockeystick, ensuring the most reliable information in the market today.

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