Introducing Angel Investing as an asset class for all investors

May 2015
Of investors >1 year since 1st investment have received some cash back

Of investors >80% have a positive portfolio value

Of Go Beyond members invested >80%
Executive Summary

The Go Beyond Investor Report is the first of its kind. It is published by Go Beyond Investing (GBI) on the performance of angel portfolios each of its members has built using the Go Beyond Investing platform. Go Beyond Investing is a FinTech company which enables individuals to access angel investing as an asset class through its unique platform, tools, training, and expert angels. This report covers the period from 2008-2014.

Unlike other reports on the angel investing market, which use self-reported data from volunteers, the data underpinning this report is from all investments made and from all investors on the Go Beyond Investing platform providing a fully auditable set of conclusions.

Whether you are an angel investor, a wealth manager, or someone taking an interest in the angel market, you will find that this report reveals:

1. Evidence that taking a managed portfolio approach to angel investing enhances the likelihood of positive returns.
2. With good deal flow and access to professional syndication tools, you can invest as little as 4,000 CHF per ticket and be a successful angel investor.
3. A passive approach only works if you are part of a community that includes expert support and active investors, especially once the investment is made.
4. It is very important to look at each individual investment round on its own merit and to keep sufficient funds for future rounds until exit.

The report covers the following areas:

- Facts and figures about the Go Beyond Investing platform, helping you understand the nature of the investors and investments upon which the research is based:
  - Go Beyond is a community that has grown from 20 investors in 2008 to 192 in 2014. These individuals are mainly based in continental Europe and the US but also elsewhere globally with 25 nationalities represented.
  - The investors have an average age of 45 and 32% are female.
  - Investments are made in 4 key sectors: Consumer, Industrial/Medical, Technology, and ICT (Mobile/Internet). Approximately 20 of the 1,000 deals screened by members each year will receive investment.
  - Go Beyond investors’ angel investment budgets range from as little as 20,000 CHF to as much as millions; 80% spread this across at least 3 rounds of investment and some participate in over 12.
  - Go Beyond supports both passive and active investors who are novices or experts at angel investing.

- Facts and figures about the performance of the investment portfolios:
  - Overall 10.6m CHF has been invested in 36 companies; 7 of these companies have exited (either positively or negatively) returning 12.9m CHF cash to investors as of March 2015. The remaining 29 companies are still active at the time of writing.
  - Each GBI investor makes his or her own investment decisions. Of the 164 investors who have made at least one investment, 87% have a positive annualized return.
  - Of those who have made 5 or more investments, 97% have a positive annualized return and >40% have all of their original investment monies or more returned by the two positive exits achieved to date. The majority of these investors are seeing annualized portfolio returns of >15% per annum.
– In each of the two exits the founder entrepreneurs have also been successful in making good returns, thus demonstrating a win-win relationship between GBI investors and entrepreneurs.

• How Go Beyond is leading the charge in Angel Investing becoming a new asset class:
  – GBI has taken the best elements of professional angel investing, added the latest on-line service technologies, and created a unique FinTech business model with 5 components:
    • Syndication vehicles for small investment tickets
    • Professional deal leadership certification and compensation program
    • Cumulative knowledge-sharing tools actively educating investors both in a learning environment and “on the job.”
    • One year novice angel ‘get going’ program
    • Portfolio strategy tips and tools
  – GBI is run by business angels and for business angels
  – GBI successfully uses this model across countries and continents
  – GBI encourages novice investors to start by making small investments of 4,000 CHF regardless of their investment budget and then to have a diversified investment portfolio strategy.

We hope that this report will encourage many individuals to become business angels. If you would like to learn more, please email Bethann Kassman, Co-Founder of Go Beyond Investing at Bethann.Kassman@go-beyond.biz
Introduction

In 2008 the founders of Go Beyond Investing shared a mission of professionalizing and democratizing angel investing so that it would become an asset class for all types of investors. The goal was to prove that:

1. Angel investors who take a portfolio approach could earn returns.
2. Individuals with as little as 20,000 CHF as an overall investment budget could be business angels.
3. Angel investing could be cross border and scalable.
4. Service providers like Go Beyond could have a profitable economic model.

GBI believes that achieving this goal would dramatically expand the number of individuals who become business angels and estimates the growth potential to be 10X to 20X current levels. The financing and support provided by business angels is critically needed to respond to the rise in entrepreneurship. Strong entrepreneurship is a strategic priority for fuelling the growth of our economies.

GBI is also committed to providing the industry with evidence-based data, which would encourage governments and other players in early stage investing to support this sector and recognize it as an asset class.

After seven years, GBI has strong evidence supported by facts that this goal has been met, thus opening the way for angel investing to be an asset class. On that basis, GBI decided to write this first of its kind report on individual business angel portfolio strategies and performance. The data used here is based on GBI’s community of investors that has grown to 192 across the world with a focus on Europe and the US; these individuals have made 36 investments via 77 financing rounds in start-ups from 11 countries. This data is from all investments made and from all investors on the Go Beyond Investing platform providing a fully auditable set of conclusions.

The report covers the following areas:

- Facts and figures about the Go Beyond Investing platform so you can understand the nature of the investors and investments upon which the research is based.
- Facts and figures about the performance of the investment portfolios.
- How Go Beyond Investing is leading the charge in Angel Investing becoming a new asset class.
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Angel investors can Go Beyond borders

Go Beyond takes a “Think Global, Act Local” approach to angel investing and so do its members. Its community has grown from 20 members in 2008 to nearly 200 members in 2014. The community is uniquely diverse. Members interact virtually and also in various locations in Europe and the US.

The composition of Go Beyond membership

- 40% were FIRST TIME business angels
- 60% took GBI TRAINING
- ~25 NATIONALITIES
- 68% 32%
- AGE RANGE 12 45
- AVERAGE

Observation 1: Go Beyond members form groups of 10 to 20 either by location or by industry sector. Members can act individually and purely virtually but most join a group.

Observation 2: Go Beyond is one of the very few internationally diverse communities of angel investors in the world as well as having the most geographically diversified portfolio of investments.

Group meetings:
- Switzerland: Zürich, Lausanne
- Belgium: Brussels
- France: Paris
- Malta
- Spain: Madrid
- UK: London
- USA: Florida

Observation 3: The international spread of the Go Beyond investor community assists with deal sourcing, due diligence, benchmarking for valuation and terms, post investment company support and exits.

Observation 4: Unlike many investor groups over half of Go Beyond angels undertake training before and during their investing period.

Observation 5: Go Beyond is unique in its gender diversity. It has more than double the number of women than those surveyed in the UK Nation of Angels report and over 50% more than those in the US.

Commentary

Go Beyond Investing is mainly present in Europe and the US but its investors represent 25 nationalities and the 36 investments are spread across 11 countries. Live group meetings are held in 8 cities across 7 countries. To complement live events, connectivity between the investor base and investee companies is achieved by the extensive use of Go Beyond’s proprietary deal and transaction platform, webinars, and other online technologies.
Go Beyond angels are building portfolios

The amount invested by the Go Beyond community has grown steadily over the past 6 years across 4 key sectors globally.

![Amount invested yearly, million swiss francs](chart)

**Observation 1:** The investors make their own investment decisions on each investment with some investors investing occasionally and many investing repeatedly either in new investments and/or later funding rounds.

**Observation 2:** Go Beyond angels screen over 1,000 investment opportunities per annum (including follow on rounds), 100 deals go through due diligence and around 20 will receive investment.
Observation 3: The due diligence teams are focused on sectors they understand and in geographic regions where they are based. This enables them to add value based on their business experience and local knowledge.

Observation 4: The shared strategy towards building a portfolio of angel investments is clear. Across Go Beyond 2/3 of individuals have made three or more investments within a relatively short space of time. Some investors invest across many companies, others invest to follow their money in a more limited range of companies.

Commentary
The number of investments and the amount invested per year by Go Beyond members has grown steadily from 2008 to 2014. The investments are focused on four sectors: consumer, technology, industrial/medical, and ICT (mobile/internet). The majority of investments (30 out of 36) have been made in continental Europe with the remaining ones elsewhere in the world. The invested amount by GBI members varies in size from CHF 30k to CHF 1.5m per round. Five to 90 members of the community participate per round directly or via a syndication vehicle.
Go Beyond portfolio companies are performing for their investors

Analysis of the investments made by Go Beyond angels reveals strong performance that is likely to be sustainable.

**Observation 1:** 1.2x of the total amount invested has already been returned in cash to Go Beyond members. Positive returns on the strongest performing investments far outweigh the losses on the failures.

**Observation 2:** Given the stage in the portfolio’s life cycle, the small number of failures and the fact that 80% of the invested companies are still active will likely result in even stronger future portfolio performance.

**Observation 3:** The cash-on-cash multiple on 1st round share price for the two exits has been 4x and 6x respectively – a performance that is reasonable in angel investing and should be replicable.

**Observation 4:** The annualized return based on net asset value of the investments taken as a single portfolio has been measured for the past 3 years and has reached >20% as companies invested matured.

**Commentary**
Quarterly, Go Beyond deal leaders evaluate each of the 36 investments made to date and determine a net asset valuation using International Private Equity and Venture Capital Guidelines (IPEV). For companies that exit, actual statistics are documented. From this collective data, a portfolio of annualized returns is calculated for each investor; these figures can be seen on-line and compared to others’ portfolio performance. Overall, 10.6m CHF has been invested in the 36 companies; 7 of these have exited (either positively or negatively) returning 12.9m CHF cash to investors, as of March 2015. This is 2.6 X the invested amount in these 7 companies. The remaining 29 companies are still active at the time of writing this report. Their net asset value, as of March 2015, is estimated to be 5.6m CHF, resulting in the overall portfolio rising in net asset value from 10.6m CHF to 18.5m CHF.
Go Beyond Investors, small and large, are benefiting from this success

Go Beyond has found that the more engaged its angels become, the more likely they are to keep investing and to build a portfolio over time. Many of its small and large investors experience strong returns and have already had at least one liquidity event.

An engaged community builds investment portfolios

Distribution of investor annualized returns

**Observation 1:** By encouraging its investors to undergo training before and during the period in which they are investing, they are more engaged. This in turn makes it more likely they will take a portfolio approach.

**Observation 2:** Investing larger or smaller sums as a Go Beyond investor is not a predictive factor of performance. This is particularly encouraging for smaller investors who may have a limited amount of money to invest in angel deals.
Observation 3: Most investors have received cash from their investments and are now beginning to reinvest the proceeds in new companies.

Commentary
To date, 39% of GBI members have made 5 or more investments including multiple investments into the same company via different rounds. This subset of 75 investors (the “portfolio builders”) is showing early signs that an annualized return of c. 15-20% can be achieved; 97% of these investors have a positive annualized return. The portfolio return profiles are similar among investors who have invested small or large amounts. Of the 164 investors who have made at least one investment, 87% have a positive annualized return.
Go Beyond’s unique approach is key to learning and decreasing risk

Taking a portfolio rather than a lottery approach, accessing deals that have benchmarked valuations and terms, leveraging the community intelligence (especially on follow-on rounds), and using small tickets to learn and spread risk deliver results for angels and the entrepreneurs they back.

**Observation 1:** The chances of achieving a predictable and positive return are more likely if an investor builds a portfolio of between 5 and 10 investments (either companies or rounds) rather than taking a ‘one-off’ lottery approach.

**Observation 2:** Go Beyond investor syndicates invest early to “buy a seat at the table,” so that in later rounds of strong deals they can follow their money and allow other members of the community to join in. GB also has mechanisms in place enabling investors to understand which investments are failing to perform and thus are able to reduce their exposure to losses.

**Observation 3:** The importance of the 4k CHF ticket per investment alongside the training curriculum cannot be overstated. By allowing investors to learn, test the water and, most importantly, build a diversified portfolio with less than an overall investment budget of 50k CHF, GBI democratizes angel investing, making it accessible to many more investors.
Case study – Sensima Technology SA
Between 2012 and 2014, 65 GBI investors, of which 58 used GBI’s syndication vehicle, backed Sensima Technology SA, in two rounds of investment totalling 1.6m CHF. Sensima is a Swiss based company specializing in the design and distribution of fully integrated magnetic sensors. The GBI investor syndicate was represented by a deal leader, a member of the GBI community. He worked with Sensima as a board member, calling on support from the investor syndicate. The Sensima CEO, Jens Muttersbach, expressed his praise for Go Beyond Investing:

“Because of their access to a wide pool of knowledge, their agility and simultaneous financial strength, working with the Go Beyond network was perfect for us: they recognized the benefits and value of our technology early, despite the still unfinished business model. In the second round of funding, we continued to work and focus on expanding our business with the same partners.”

Go Beyond Investing’s win-win philosophy was carried through to the exit. GBI investors achieved a 4X share price increase in 2 years when Sensima was sold to Silicon Valley based Monolithic Power Systems in August 2014. Jens and other members of the Sensima founding and management team also realized high success.

Commentary
The variance in overall performance decreases as an Investor makes more investments substantiating a portfolio rather than a lottery approach to angel investing. Deals that continue to do well attract more investors and investments and the reverse occurs for poorer performing deals, leveraging the “intelligence of the community”. Investing 3,000-6,000 CHF per investment is the most popular ticket size for small and large investors.
Why Go Beyond Investing is succeeding

GBI has taken the best elements of professional angel investing, added the latest on-line service technologies, and created a unique FinTech business model with five components:

- Syndication vehicles for small investment tickets.
- Professional deal leader certification and compensation program.
- Cumulative knowledge sharing tools actively educating investors both in a learning environment and “on the job.”
- One-year novice angel ‘get going’ program.
- Portfolio strategy tips and tools.

Observation 1: The comprehensive combination of components within Go Beyond’s investor model is delivering strong results for all types of investors.

Observation 2: This combination, supported by transparent communications and an efficient administration process, makes it easy for investors to learn and to make their own investment decisions with confidence.

Observation 3: By embracing both small and large investors in the same way, there is a sense of cohesion in the investor community, which encourages members to support each other and the portfolio companies.

Observation 4: The GBI 4-level angel certification program enables novice investors to ‘get-going’ both in a learning environment and “on the job.” As they become more experienced, many choose to obtain the deal leader and/or coach certification. These roles provide them the opportunity to earn compensation in addition to their investment returns. And these individuals play a critical role in the GBI model.
The Go Beyond online platform

Observation 1: The Go Beyond online platform empowers investors to access deals and due diligence information, make their investment decisions, track their portfolio performance and compare their returns against those of other investors.

Commentary
GBI has taken a comprehensive approach to angel investing. It has built a proprietary deal and transaction platform for its investor and entrepreneur community. It is focused on investors’ success and run by business angels.
Conclusion

For years, angel investing has been seen as best suited for very high net worth or sophisticated individuals only. Recently, crowd funding has emerged, opening up the market to a wide audience of investors. However, this has also led to concerns about the professionalism and ‘hands-on’ approach so needed for this high-risk, complex activity. Go Beyond Investing’s goal is to demonstrate that professionalism and democratization could co-exist, thus enabling angel investing to be an asset class for all types of investors.

The report shows that taking a portfolio rather than a lottery approach and investing with small tickets is critical but not sufficient for delivering success to angels and the entrepreneurs they back. In addition, there must be cumulative knowledge-sharing tools actively educating investors both in a learning environment and “on the job”: access to deals that have benchmarked valuations and terms; mechanisms to leverage the community intelligence, especially on follow-on rounds, and professional deal leadership certification and compensation program.

In addition to the academic interest that is always generated by research, this report provides evidence to business angels that with the right approach individuals with as little as 20,000 CHF to invest over several years can enjoy and have the potential to earn returns on their angel investing activities.

What is still needed to unleash the estimated 10X to 20X angel investing potential, especially in Europe, is a tax- transparent, easy-to-use across borders, and low cost syndication vehicle, as well as a common legislative environment.

We hope that this report has provided evidence that angel investing can be an asset class and we look forward to continue to share evolving findings with you in a future report.
Methodology, disclaimer and glossary

Methodology

The company valuations used to support this research and calculate returns have been prepared in line with International Private Equity and Venture Capital Valuation Guidelines- Edition December 2012. A summary of which has been set out below:

Decision tree upon each “Measurement date” (Section 1 §1.1) using the following methods according to the “The Valuer should exercise their judgement to select the valuation technique or techniques most appropriate for a particular investment.” (Section 1 §3.2).

1. Has the Startup been sold?
   • Yes ⇒ Fair Value = gross proceeds (excluding membership, placement, monitoring, exit & carry fees)

2. Has the Startup received a “motivated indicative offer recently from a third party for the Underlying Business” (Section III, §5.7) ?
   • Yes ⇒ Fair Value = Average of Last Round and Indicative Offer, at max the Indicative Offer

3. Has the Startup raised “a significant amount of new Investment” and the Measurement date is within “a limited period following the date of the relevant transaction” (Section I §3.3) ?
   • Yes ⇒ Fair Value = Price of Recent Investment Round.

4. Is the Startup in a distressed situation and unable to re-raise funds from current or new investors (Section II, § 1)
   • Yes ⇒ Fair Value = Net Assets = “Apportioned” ( “Enterprise Value”- “Financial Instruments ranking ahead of the highest ranking instrument of the fund in a liquidation scenario” ) (Section I, §3.5 (i), (ii) & (iii))

5. Apply most appropriate of “Discounted Cash Flows or Earnings of Underlying Business” (Section I, §3.6), “Multiple that is an appropriate and reasonable indicator of value” (Section I, §3.4) or “Discounted Cash Flows from the Investment” (Section I, §3.7).

Notes:
1. Annualised returns in the report are indicated before fees
2. This report states returns not as IRRs but as annualised returns as these are more commonly used when communicating with consumer-oriented investors.
Disclaimer

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Glossary

- **Asset Class**: A group of securities that have similar financial characteristics, behave similarly in the marketplace, and are subject to the same laws and regulations. The three main asset classes are equities (stocks), fixed-income (bonds) and cash equivalents (money market instruments). Angel investing is within the equities category.
- **Business Angel/Angel Investor**: An individual who provides capital and support to an innovative business start-up in exchange for convertible debt or ownership equity.
- **Go Beyond Member**: An individual who joins the Go Beyond Community to be a Business Angel.
- **Go Beyond Group**: 10 to 20 Go beyond Members who meet regularly in person or virtually to see entrepreneurs pitch, do due diligence, discuss deals, network and in some cases invest together. Some groups look at all types of deals and others are sector specific.
- **Go Beyond Community**: All individuals who are or have been a Go Beyond Member since 2008
- **Go Beyond Syndicate**: The Go Beyond Members who invest in a specific investment/round usually using a syndication vehicle where they can decide to invest/reinvest individually but appear as one on the entrepreneur’s capitalisation table (list of shareholders).
- **Go Beyond Deal Leader**: A Go Beyond Member who invests in a deal directly or using a syndication vehicle and is elected by fellow Go Beyond Syndicate Members in that deal to represent them, keep them informed on how the deal is doing and seek their contacts/know-how to support the entrepreneur.
- **Investment Ticket**: The amount a Go beyond Member invests in a specific round of financing.

Acknowledgement

We wish to thank Modwenna Rees-Mogg and the team of AngelNews for their support.
Go Beyond Investing has proven all four key requirements for an asset class:

- **Business Angels** can make money.
- **Small investors** can be angels.
- **Angel platforms** & networks can be economically viable.
- **Deal leader model** can scale.