Study: Returns to Angel Investors in Groups

Average Returns Significant
Large Variation in Performance
Due Diligence, Interaction, and Expertise Key Factors
Angel Group Financial Performance Research

• Angel Capital Education Foundation, paid by Kauffman Foundation
• Rob Wiltbank (Willamette University) and Warren Boeker (University of Washington)
• First opportunity to understand the ROI of angels connected to angel groups and drivers behind returns
• Released in November, 2007
• Responses:
  – 538 angels (accredited investors)
  – 3,097 investments
  – 1,137 exits and closures
Profile of Angels - 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
Group-Affiliated Angel Investments

Heavily Concentrated in EARLY investments

– 34% seed stage, 39% startup, 18% early growth
– 45% had no revenues when the initial investment was made

Dollars per deal:

<table>
<thead>
<tr>
<th>Invested</th>
<th>Returned</th>
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<tbody>
<tr>
<td>$50K</td>
<td>$40K</td>
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<tr>
<td>$191K</td>
<td>$486K</td>
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Distribution of Returns by Venture Investment

Overall Multiple: 2.6X
Avg Holding Period: 3.5 years
Average IRR: 27%

Exit Multiples:
- < 1X
- 1X to 5X
- 5X to 10X
- 10X to 30X
- > 30X

Percent of Total Exits:
- 3 yr
- 3.3 yr
- 4.6 yr
- 4.9 yr
- 6 yr
Overall Multiple by Angel Investor

- Greater than 1X: 61%
- Less than 1X: 39%
The Impact of Time in Due Diligence

**Median: 20 hours**

- Overall Multiple for High Diligence: 5.9X (4.1 years)
- Overall Multiple for Low Diligence: 1.1X (3.4 years)

- 26% involved over 40 hours
50% of deals were not related. When related, they typically had 14 years of experience.

High 3.7X (4.0 years)
Low 1.3X (3.6 years)
Impact of Participation
Mentoring, Board, Financial Monitoring

High = 1 or 2 times per month
Low = 1 or 2 times per year

High 3.7X (4.0 years)
Low 1.3X (3.6 years)
Relationship with Follow On Investment (Same Angel)

- 30% of deals had follow on investments
  - No: 3.6X (3.3 years)
  - Yes: 1.4X (3.9 years)

Exit Multiples:

- Percent of Exits
- Follow-On Yes

- < 1X: [Bar chart data]
- 1X to 5X: [Bar chart data]
- 5X to 10X: [Bar chart data]
- 10X to 30X: [Bar chart data]
- > 30X: [Bar chart data]
35% of deals took on VC investment at some point.
More Information

• Full study available on ACEF and ACA Web sites:
  – www.angelcapitaleducation.org
  – www.angelcapitalassociation.org

• Survey and masked dataset on Kauffman Web site:
  – www.kauffman.org/aipp

• BBAA and NESTA recently completed study for UK
• Rob Wiltbank and ACEF to work with EBAN for Europe