



ANGEL CAPITAL ASSOCIATION

## 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.**

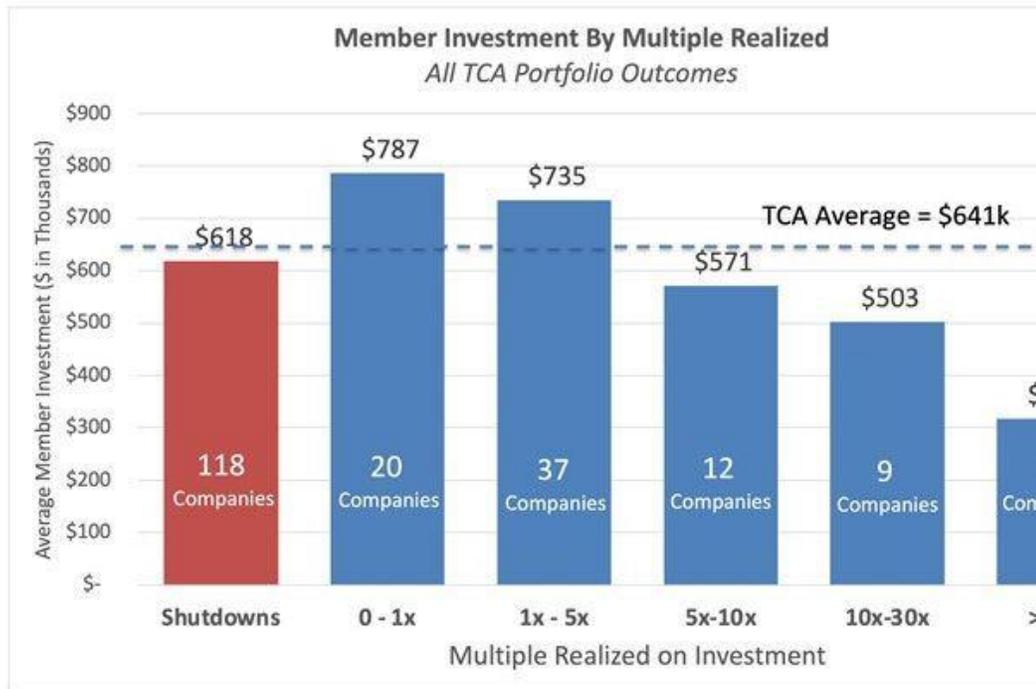
Is There “Wisdom in Crowds” 2 – The Sequel

In our June 2021 Data Insight, we explored what appeared to be no correlation between the amount of investment (primarily a function of the number of Tech Coast Angels members investing) and the outcomes in terms of the multiple realized. It was a scatter-shot that seemed to resemble a shotgun blast rather than some determinate pattern.

However, **successful data analysis looks for hidden patterns**, so this month we cut the same data differently and group the investments in buckets of different sized investments, as well as factoring in the mix of exits/shutdowns and actives in each grouping -- and look for patterns. The results are interesting.

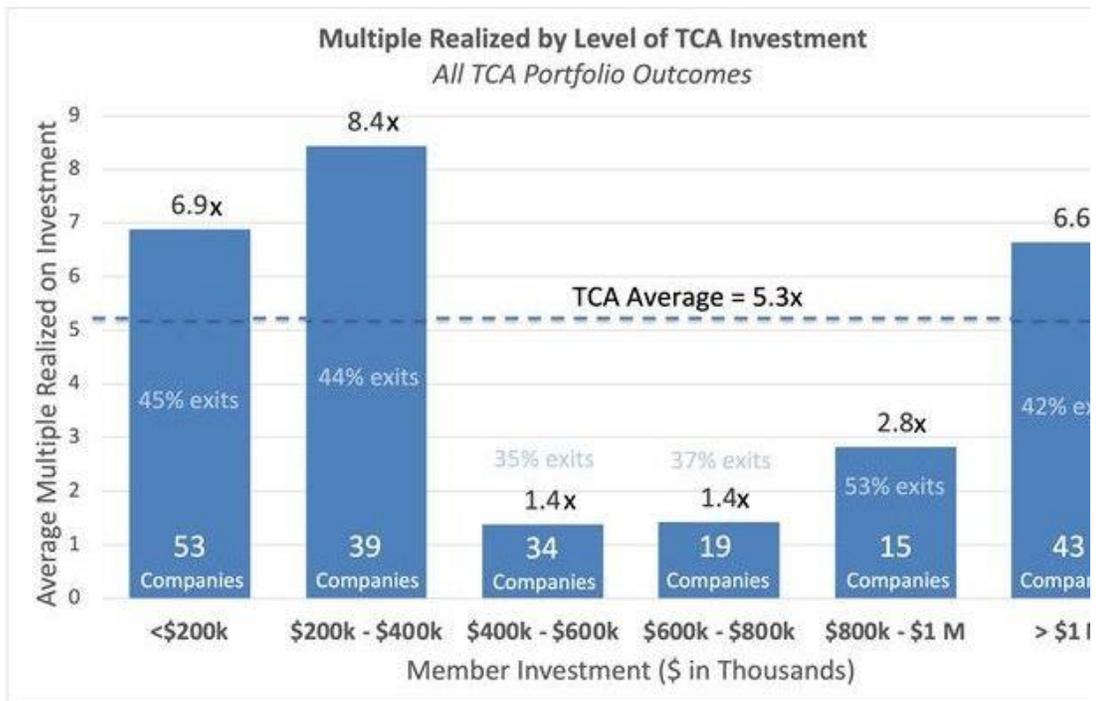
For starters, with the benefit of hindsight, the companies delivering the largest returns tend to attract less total TCA investment. This seems to be a very consistent pattern since the amount invested steadily decreases with the multiple realized and reinforces the earlier conclusion that investors should not be timid about investments that inspire them even if their angel peers are

more skeptical:



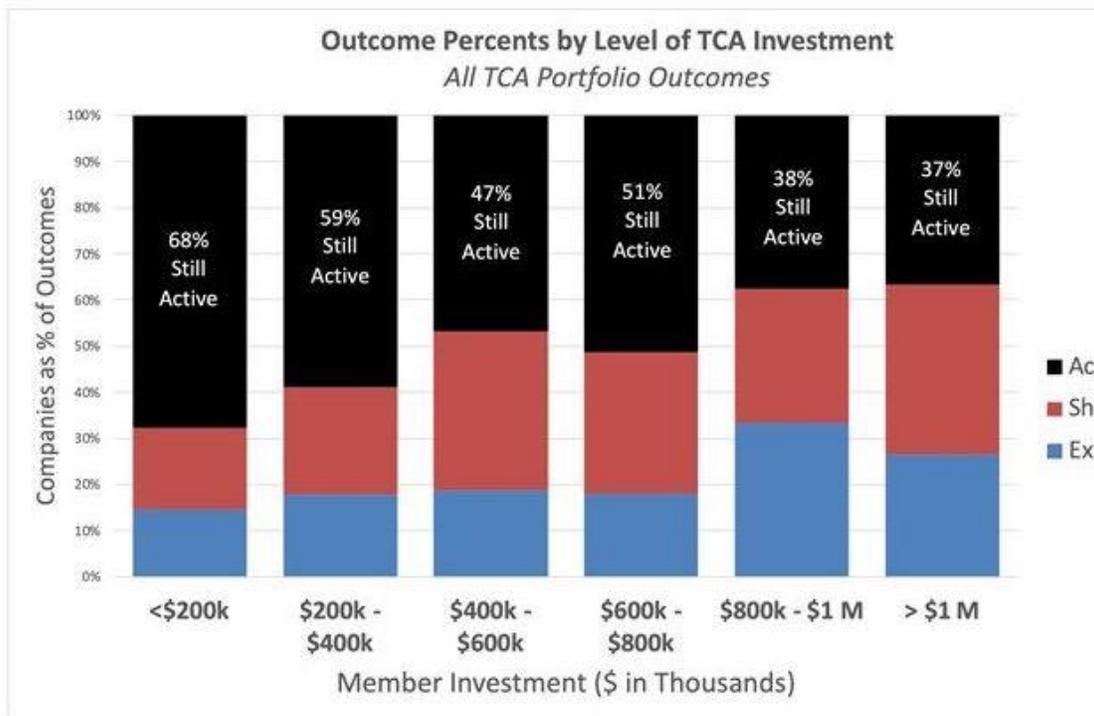
Source: Analysis of 203 Tech Coast Angels Outcomes (Exits and Shutdowns) 1997 - 2020

But what does it look like the other way around – using the amount invested as the **independent** variable and the multiple realized as the **dependent** variable? The highest returns tend to come in the smallest and largest sized rounds, with a “Valley of Death” in the moderately sized investment range. Companies in the \$400k - \$800k range only realized 1.4x multiple while the deals over \$1M yielded 6.6x and companies less than \$400k range yielded 7x-8x:



Source: Analysis of 203 Tech Coast Angels Outcomes (Exits and Shutdowns) 1997 - 2020

Layering in the active companies in the TCA portfolio reveals that the larger the deal, the more likely an Exit or Shutdown outcome is realized. The smaller deals seem to take longer to resolve.



Source: Analysis of first 454 Tech Coast Angels Companies 1997 - 2020

## THE TAKEAWAY

Just as with many other investment classes, following the stampede in Angel Investing is not necessarily the most winning strategy. Do your thorough Due Diligence, ask all the important questions (of the company and of the experts in your Angel Group), but then invest based on your own judgement not that of others. You may be blessed with better outcomes when you ***invest in the companies that most inspire you.***

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