



ANGEL CAPITAL ASSOCIATION

ACA Data Insights What We Learned From Our Data

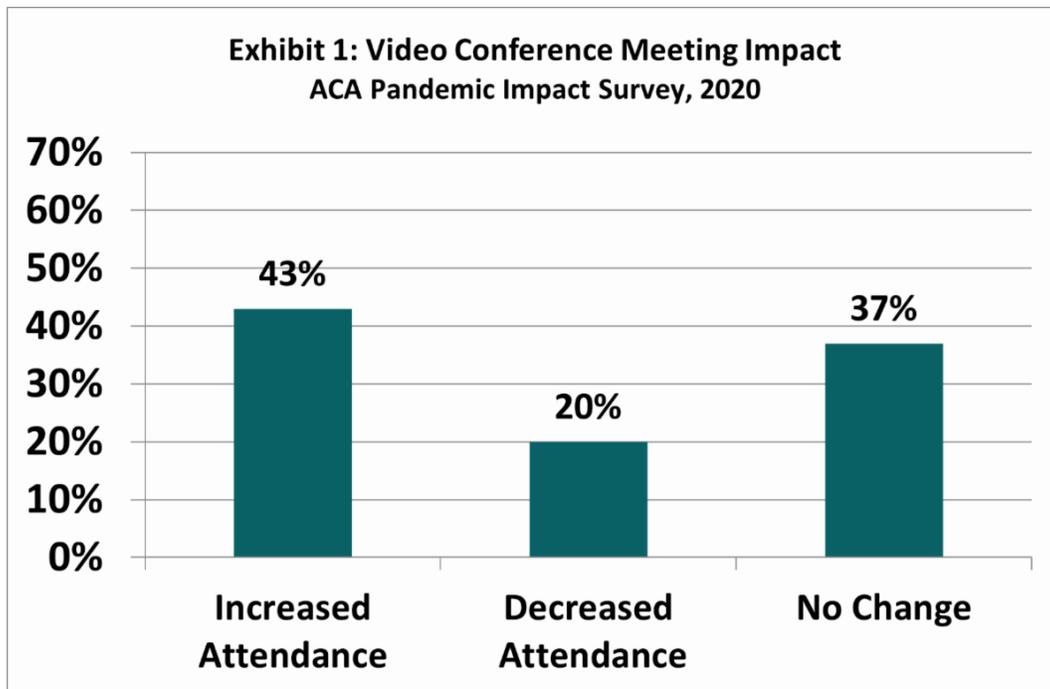
In support of [ACA's Data Insights](#) initiative, once a month we will be sharing charts illustrating useful learnings from analyzing data on angel investing and portfolio returns.

From Regional to National Investing:

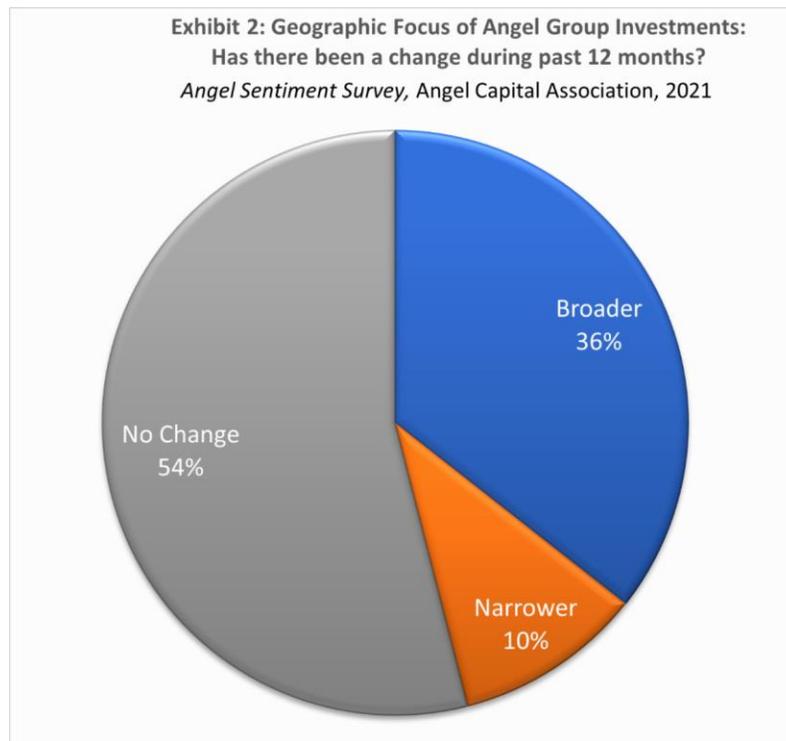
Angel Geographic Investing Trends in 2020

During the pandemic, early-stage investors shifted, of necessity, from in-person to online meetings, deal review, diligence and deal execution. One of the potential side effects of this shift was the ability to meet and evaluate startup opportunities outside of a group's traditional town, startup hub or region.

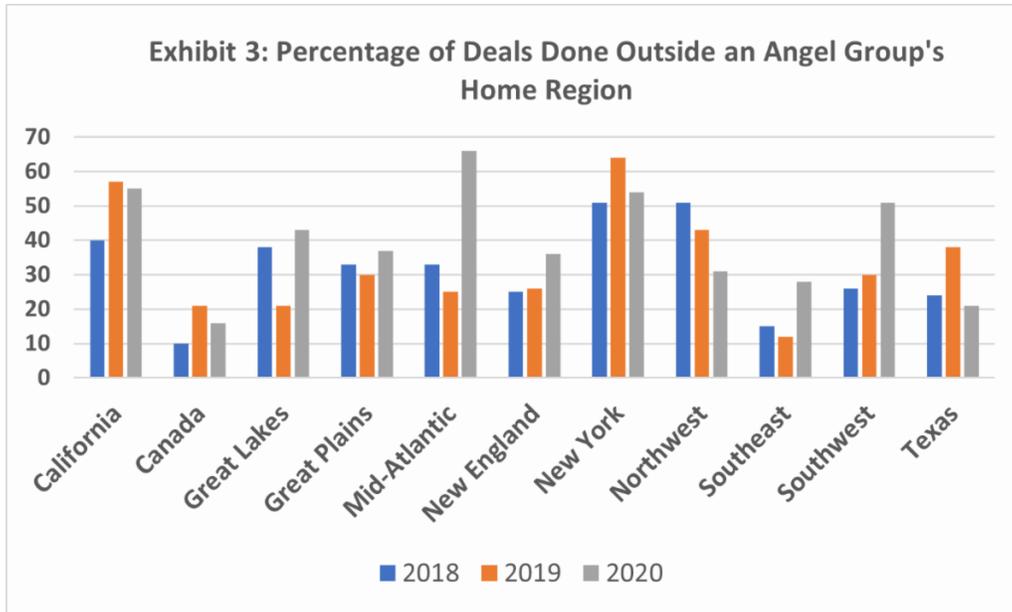
The ACA's [2020 Pandemic Impact survey](#) indicated that the move to videoconferencing did not reduce angel engagement, and in 43% of groups surveyed, actually increased member activity. (Exhibit 1).



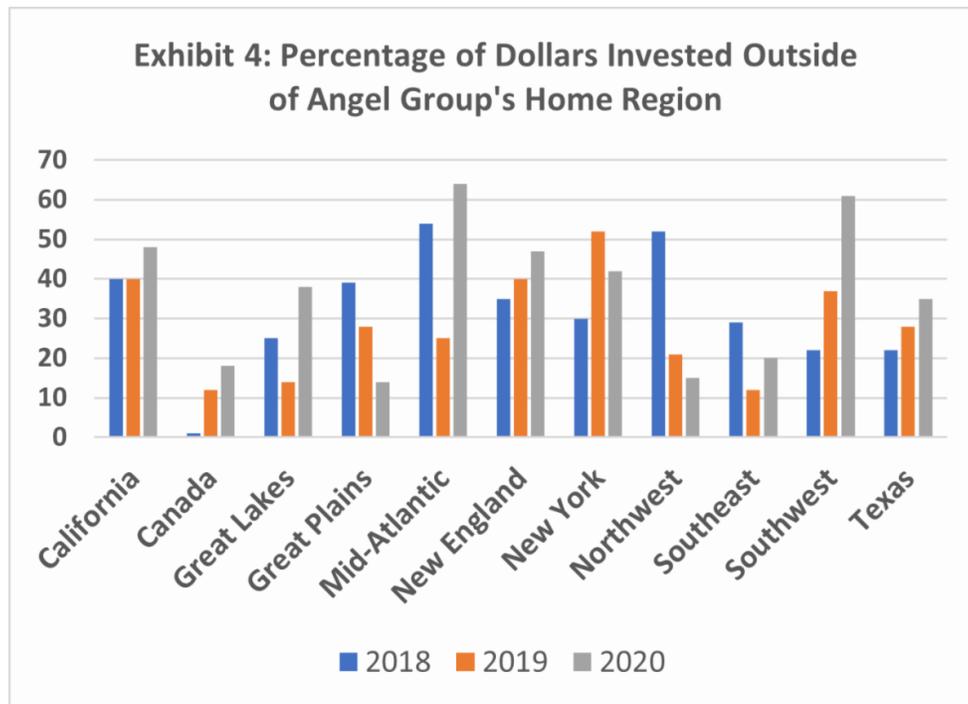
Given the greater ability to engage entrepreneurs beyond the angel group’s local territory, what happened in 2020? Did virtual dealmaking lead to more geographically diverse investing?



As the ACA’s 2021 angel sentiment survey revealed, more than a third of angel groups reported that they had broadened the range of geographies in which they invested during 2020. Deal level data collected by the [ACA Angel Funders Report 2021](#) confirms this trend. It also enables us to determine if that increased geographic span extended primarily to nearest neighbor regions and whether this trend affected a just a few ACA regions or was a broader phenomenon.



As Exhibit 3 (see Chart 30 and commentary from the [Angel Funders Report 2021](#)) indicates, in 2020 angel groups (collectively by region) in six out of the ACA's eleven regions invested in more deals outside of their home region than they did in 2019, and seven regions invested in more out of region deals in 2020 than they did in 2018. In 2020, seven out of eleven regions invested more dollars out of area than they did in 2019. (Exhibit 4).



On average, angel groups executed nearly 40% of their deals and invested more than 36% of their dollars out of their home region in 2020, a 30% growth in invested dollar flows outside the home region compared to the prior year. Two regions, Mid-Atlantic and Southwest, invested 60% or more of their dollars outside their regions (Exhibit 5).

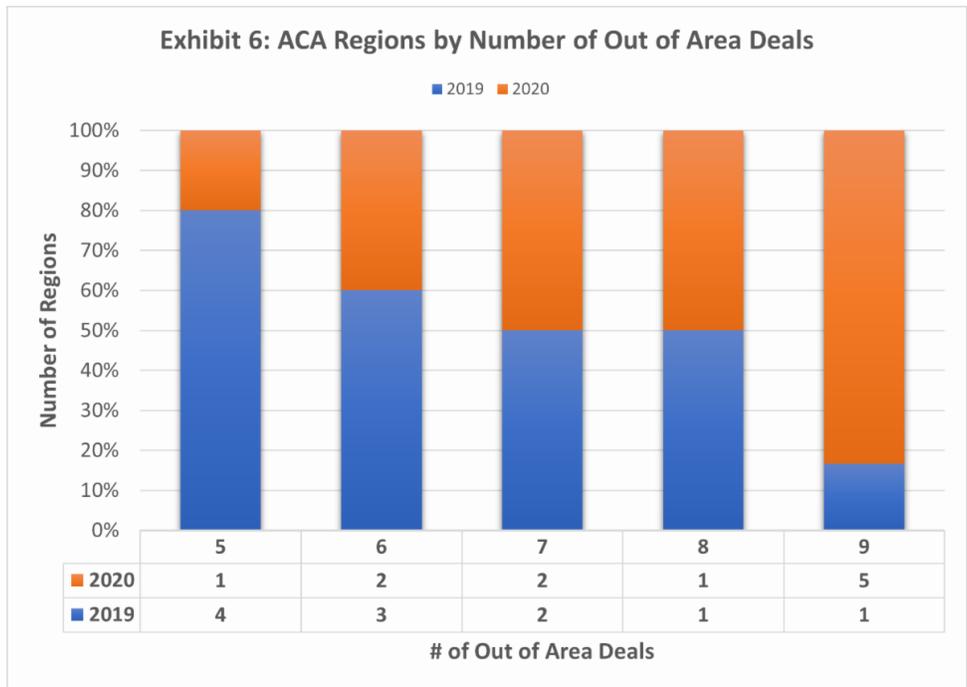
Exhibit 5

Investor Region →
Investee Region ↓

Investors in This Region Invested in These Regions: (% of \$)

| ACA Region | California | Canada | Great Lakes | Great Plains | Mid-Atlantic | New England | New York | Northwest | Southeast | Southwest | Texas |
|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| California | 52.2% | 0.5% | 0.0% | 0.2% | 2.2% | 2.4% | 4.7% | 3.1% | 1.2% | 0.7% | 6.0% |
| Canada | | 82.5% | | | 1.1% | | | | | | |
| Great Lakes | 8.5% | | 62.1% | | 0.5% | 0.7% | 6.1% | | 0.3% | 0.9% | |
| Great Plains | | | 3.4% | 86.0% | 0.1% | 1.0% | 0.2% | 1.2% | 0.8% | 0.9% | |
| Mid-Atlantic | 0.6% | | 0.2% | | 35.6% | 2.2% | 0.5% | 0.3% | 0.2% | 0.3% | 0.4% |
| New England | | | 0.3% | | | 53.2% | 13.4% | | | 2.6% | |
| New York | 20.9% | 1.8% | 2.9% | 4.0% | 9.1% | 27.5% | 58.1% | 1.5% | 3.1% | 6.9% | 1.0% |
| Northwest | 10.5% | 13.8% | 19.9% | 6.6% | 29.2% | 4.6% | 9.8% | 84.6% | 10.6% | 39.3% | 14.8% |
| Southeast | 4.8% | 0.3% | 4.2% | | 11.2% | 5.8% | 5.0% | 1.2% | 80.1% | 0.7% | 10.4% |
| Southwest | 1.7% | | 1.2% | 1.6% | 5.8% | 1.6% | 0.8% | 2.8% | 2.2% | 38.6% | 2.1% |
| Texas | 0.8% | 1.1% | 5.7% | 1.6% | 5.1% | 0.8% | 1.4% | 5.3% | 1.6% | 9.1% | 65.2% |
| Total | 100.0% |

Cross border angel investing was not simply a matter of funding companies in nearest neighbor regions. As Exhibit 6 illustrates, in 2019, most regions executed deals in only five or six other regions. In contrast, in 2020, the first year when most deals were done online, more than half of regions saw dollars flow to eight or more other regions—and in six, regional dollars flowed across North America, to nine or ten of the other regions, a reversal of pre-pandemic 2019 investing behavior.



If one excludes Canada, 80% of the ACA's ten US regions invested in nearly all other US regions (80% of regions). The average number of US regions receiving funding by angels in an ACA US region in was 9 out of 10 (including the home region). (Exhibit 7)

Exhibit 7

Investor Region →
Investee Region ↓

Investors in This Region Invested in These Regions: (Deal Count)

| ACA Region | California | Canada | Great Lakes | Great Plains | Mid-Atlantic | New England | New York | Northwest | Southeast | Southwest | Texas |
|--------------|-------------|-------------|-------------|--------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|
| California | 45% | 1% | 1% | 2% | 4% | 2% | 6% | 3% | 3% | 4% | 2% |
| Canada | | 84% | | | 1% | | | | | | |
| Great Lakes | 5% | | 57% | 2% | 4% | 1% | 4% | | 1% | 2% | |
| Great Plains | | | 1% | 63% | 1% | 1% | 1% | 1% | 1% | 1% | |
| Mid-Atlantic | 1% | | 3% | | 34% | 3% | 1% | 1% | 2% | 1% | 1% |
| New England | | | 1% | | | 64% | 3% | | | 1% | |
| New York | 18% | 1% | 5% | 10% | 11% | 14% | 46% | 5% | 7% | 9% | 2% |
| Northwest | 16% | 9% | 18% | 10% | 27% | 8% | 19% | 69% | 8% | 16% | 8% |
| Southeast | 3% | 1% | 4% | | 7% | 2% | 4% | 3% | 72% | 2% | 4% |
| Southwest | 3% | | 2% | 2% | 3% | 4% | 3% | 8% | 3% | 49% | 4% |
| Texas | 9% | 5% | 9% | 10% | 8% | 2% | 12% | 9% | 2% | 13% | 79% |
| Total | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

While 60% of deals were done in region, 2020 investing data indicates a growing willingness of angel groups to invest well beyond their regions. Angel groups were, of course, investing across regional borders before the pandemic, but the near-universal adoption of online deal engagement sharply reinforced this trend.



THE TAKEAWAY

The adage that “angels only invest in companies they can drive to in second gear,” is no longer a truism. One positive impact of the pandemic was the accelerated growth of an increasingly cross-regional and even national view of investing opportunities across the ACA’s angel community.

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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. Our goal is accelerate learning from each other.

For the first Annual Compilation of Action Learning from Leading Angels, The ACA Investor Insights Report can be accessed by clicking the button below and using password "ACA2021".