TOPICS IN MY PRESENTATION

• Update on Angel Capital Association
• The American startup & expansion funding scene
• Stats and trends in American angel investing
• Best (or maybe good?) practices in angel investing
• Resources ACA offers to global early-stage community
Mission: fuel success of angel groups and accredited investors, as well as the early-stage companies they support
MEMBERS ARE TOP GROUPS & PLATFORMS

Golden Seeds

New Dominion Angels

AngelList

OurCrowd

alliance of angels

LAUNCHPAD VENTURE GROUP

New York Angels

TieAngels

Central Texas Angel Network

Ohio Tech Angels

Sierra Angels

Houston Angel Network

Sand Hill Angels
ACA MEMBERS FUND GREAT COMPANIES, EXITS

- Pinterest
- green dot
- Facebook
- zipcar
- clarisonic
- CARBONITE
- CRUISE
- SmartCells, Inc.
ANGELS FUND HIGH-GROWTH COMPANIES

Number of Employees One Year After ACA Member Investment

Average = 41.4
Median = 17.5

Source: ACA research on member investments, March 2015
KEY AMERICAN ANGEL STATISTICS (ESTIMATES)

2015 National Market

- ~300,000 angels
- $24B invested
- 71K+ deals in every state
- 90% of outside equity for startups

Averages

- Individual check size: $10 - $50K
- Market deal size: $345K
- Group deal size: $850K
- Market Valuation: $2.7M
- Group Valuation: $4+M
ANGELS FUND MAJORITY OF STARTUPS

**Angel Investors**
- $24.6 billion
- 71,000 deals
- 17,750 seed
- 31,950 early stage
- 19,170 expansion
- 305,000 individuals

**Venture Capital**
- $59.1 billion*
- 4,380 deals
- 186 seed
- 2,219 early stage
- 1,975 later/expansion
- 718 active firms

Sources: “Angel Investing Market for 2015, Center for Venture Research/ UNH; NVCA 2016 Yearbook; PwC MoneyTree

*(12 expansion-stage companies accounted for more than $10 B of this total)*
## ANGEL VS VC INVESTMENT SIZE AND VALUATION

<table>
<thead>
<tr>
<th></th>
<th>Angel Investors</th>
<th>Venture Capital</th>
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</thead>
<tbody>
<tr>
<td>Total Invested</td>
<td>$24.6 billion</td>
<td>$59.1 billion*</td>
</tr>
<tr>
<td>Total Deals</td>
<td>71,000 deals</td>
<td>4,361 deals</td>
</tr>
<tr>
<td>Average Seed/Early Stage</td>
<td>$2.6M</td>
<td>$5.1M</td>
</tr>
<tr>
<td>Stage Pre-Money Valuation</td>
<td>$347K</td>
<td>$13.6M</td>
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<tr>
<td>Average Investment per deal</td>
<td></td>
<td></td>
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<tr>
<td>(all deal sizes)</td>
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</tbody>
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Sources: “Angel Investing Market for 2015, Center for Venture Research/ UNH; AngelList; NVCA 2015 Yearbook; PwC MoneyTree
Yearly Share of Angel Group Deals by Sector
Software and Healthcare comprise 48% of investments in 2015
Median and Mean Round Sizes – Angels Only

2015 Shows Round Sizes Increasing,
Mean Ownership of Angel round is Relatively Stable 20-25%

- 2012: Median Round Size $500k, Mean Round Size $833k
- 2013: Median Round Size $500k, Mean Round Size $829k
- 2014: Median Round Size $510k, Mean Round Size $835k
- 2015: Median Round Size $850k, Mean Round Size $1,164k

Median Round Size | Mean Round Size | Mean Ownership Percentage
MULTIPLE GROUPS NEEDED TO FILL ROUNDS

67% of Angel Groups Invest $150K to $500K per Deal

- Investment surprisingly broad
- Average deal size increasing
- Syndication needed among groups to fill rounds entrepreneurs need

Source: ACA Confidence Survey, 2012
2015 Share of Angel Group Deals by Region

- California: 20.9%
- Northwest: 8.7%
- Southwest: 7.9%
- Great Plains: 4.3%
- Texas: 10.3%
- Great Lakes: 10.3%
- New York: 9.5%
- New England: 11.9%
- Mid-Atlantic: 4.1%
- Southeast: 12.2%
Median Seed Stage Pre-Money Valuation
Median Valuation Up 53% From 2014, Highest Valuation in HALO History

2014
- Median: $3.0M
- 1st Quartile: $2.0M
- 3rd Quartile: $4.4M
- $13.5M

2015
- Median: $4.6M
- 1st Quartile: $3.1M
- 3rd Quartile: $7.5M
- $23.5M

ANGEL RESOURCE INSTITUTE
WILLAMETTE UNIVERSITY

HALO Report
PitchBook
MANY WAYS TO INVEST

Large majority invest informally. Other options offer advantages in deal flow, sophistication, sharing of work, building portfolios, and connecting to more funding and exits. Also seed funds like 500 Startups.

- Informal or Individual (on own or with friends)
- Online (via accredited platforms)
- Accelerator (funds and/or connect through mentoring)
- Angel Groups (networks, funds or combination)
ANGEL GROUPS VARY BY NUMBER OF INVESTORS

- Size of group membership has increased over time – average in 2012 was 52
- Largest 20% of groups account for 49% of ACA member angel investors

Source: ACA Member Group Survey, March 2015 - 106 groups reporting
AND ALSO IN DEAL ACTIVITY

Number of Investments Per Group in 2014

Average = 10.3
Median = 7.0
Highest = 61

Source: ACA Member Group Survey, March 2015 - 103 groups reporting
GROUPS ALSO VARY IN AMOUNT INVESTED

Total Investment Dollars Per Group in 2014

- Less than $500,000: 0%
- $500K to $1M: 5%
- $1M to $2M: 10%
- $2M to $5M: 15%
- $5M to $10M: 20%
- More than $10M: 25%

Average = $2.46M
Median = $1.24M
Highest = $16.34M

Source: ACA Member Group Survey, March 2015 - 103 groups reporting
DIVERSITY IS INCREASING...WE MUST DO MORE!

- Supporting women entrepreneurs
- Focused on Veteran-owned businesses
- Minority-focused investing
- Under 30 angel investors
- Number of angels that are women is increasing

Source: ACA Member Group Survey, March 2015 - 106 groups reporting
ACA GROUPS BY INVESTMENT STRUCTURE

Fund 16%
Network 63%
Network with Sidecar 12%
Other 9%

Source: ACA Member Group Survey, March 2015 - 106 groups reporting
ANGEL FUNDS BY DOLLAR SIZE

Source: ACA Member Group Survey, March 2015 - 31 groups reporting

Alphabetical by Size

- Greater than $8,000,000
- $6,000,001 to $8,000,000
- $4,000,001 to $6,000,000
- $2,000,001 to $4,000,000
- Less than $2,000,000

Average: $7.1M
Median: $5.3M
BIG EVOLUTION: WHERE GROUPS INVEST

In what geography does your group prefer to invest?

- In 2008, 63% preferred closer to home
- In 2015, 54% invest in region or have no geography restrictions

Source: ACA Member Group Survey, March 2015 - 106 groups reporting
DEAL STRUCTURE PREFERENCES

• Strong preference for priced rounds and preferred stock
• Some will do convertible debt
• Most sectors: products developed and have customer traction
• Valuation not only for sector but for location (not unlike real estate)
• Board seat for significant investments
• Most groups stay away from generally solicited offerings
SOME INVESTMENT PRACTICES THAT WORK

• Portfolio strategy
• Syndication
• Focus not just on front end of investing, but on outcomes after the check
• Investment structures – improvements to convertible debt
• Online platforms for accredited investors
• New models for angel groups, bringing in new angels – women, younger investors, etc.
PORTFOLIO STRATEGY
RISKS & REWARDS OF ANGEL INVESTING

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

Source: Returns of Angels in Groups, 2007
SYNDICATION

- 75% plus of ACA member deals are syndicated
- Common agreements lead to sharing DD, fast track on group decisions
- Come out of regular communication and trust building
- Regularly include multiple angel groups, family offices, private equity
- Only way to support companies where VCs are rare

- $12M series B
- Led by Golden Seeds
- 6 ACA member groups, across US
- Plus many others
FOCUS BEFORE AND AFTER CHECK

Picking good entrepreneurs is important, as is:
- Negotiating good deals
- Conducting due diligence

But, can you really tell which will be best in show?

- Angels make, or lose most money, after investing:
  - Dry powder, criteria next decisions
  - Board of Directors (holding their feet to fire, CEO compensation)
  - Minimizing losses (taxes, ensuring $ for closing businesses)
  - Help with follow-on round investors and exits
  - Keep track of cap tables and dilution
INVESTMENT STRUCTURES – CONVERTIBLE DEBT

• In survey a year ago, ACA members said:
  o 82% prefer priced equity round
  o But 78% had done at least one convertible note round
  o And 25% used convertible notes in < half of investments

• Improvements to notes:
  o Valuation cap for next (equity) round
  o Setting discount for note holders – 20-30%
  o SAFEs – not even including the debt part of the deal
ONLINE INVESTING – FILL ROUNDS, DIVERSIFY

• This means crowdfunding for angels, but not everyone
NEW MODELS BRING DIVERSITY, BETTER DECISIONS
ACA RESOURCES AVAILABLE TO YOU

Via www.angelcapitalassociation.org:

Webinars and Videos  Research, Best Practices  Timely Articles and Blogs

Sign up for Angel Insights Monthly Newsletter for news, new resources
INVESTORS: COME TO 2017 ACA SUMMIT

Join 700+ investors in **San Francisco** on **April 26-28** to:

- Share best practices in angel investing - deal sourcing, terms, supporting portfolio companies, syndication, and top exits
- Discuss the latest data and trends in startup investing and different industry sectors
- Hear keynote presentations from thought leading investors and entrepreneurs
- Network with top angels from throughout North America and the world
- Meet with corporate leaders to build relationships for investor portfolio companies and meet a limited number of interesting entrepreneurs
MORE INFORMATION

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TRENDS IN US EARLY-STAGE INVESTING

• “Unicorn thinking” led to problems, so downsizing in deals and valuations
• Social networking – LinkedIn especially
• Blending of angel groups and online investing (AngelList…)
• Crowdfunding – product (Kickstarter), now equity
• Accelerators
• Cross-border investment (small amount)
• Getting more women involved as investors & entrepreneurs
• Government interest in job creation/ SMEs
AMERICAN STARTUP ECOSYSTEM

Connect & collaborate

Support innovation & research

Get to markets for growth & exits

It starts with the entrepreneur

Experienced entrepreneurs & investors are critical

Support startups & scaleups

Seed the market if/when necessary

Visibility is important

Rules balance capital formation & protection

Favorable taxes for startups, investors
<table>
<thead>
<tr>
<th><strong>PROFILE OF ANGEL INVESTORS</strong></th>
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<tbody>
<tr>
<td>• Years investing</td>
</tr>
<tr>
<td>• Number of investments</td>
</tr>
<tr>
<td>• Total exits/ closures</td>
</tr>
<tr>
<td>• Years as entrepreneur</td>
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<tr>
<td>• Number ventures founded</td>
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<tr>
<td>• Percent of wealth in angel investing</td>
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<tr>
<td>• Education</td>
</tr>
<tr>
<td>• Other backgrounds: corporate leaders, professional services</td>
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