

Investor 101

Judith Giordan
Chemical Angel Network
ACS Denver 2015

With thanks to the Angel Capital Association



ANGEL CAPITAL ASSOCIATION

Angel Investors – Critical Initiators of Startups and Job Creation

SEC Advisory Council on Small and Emerging Companies

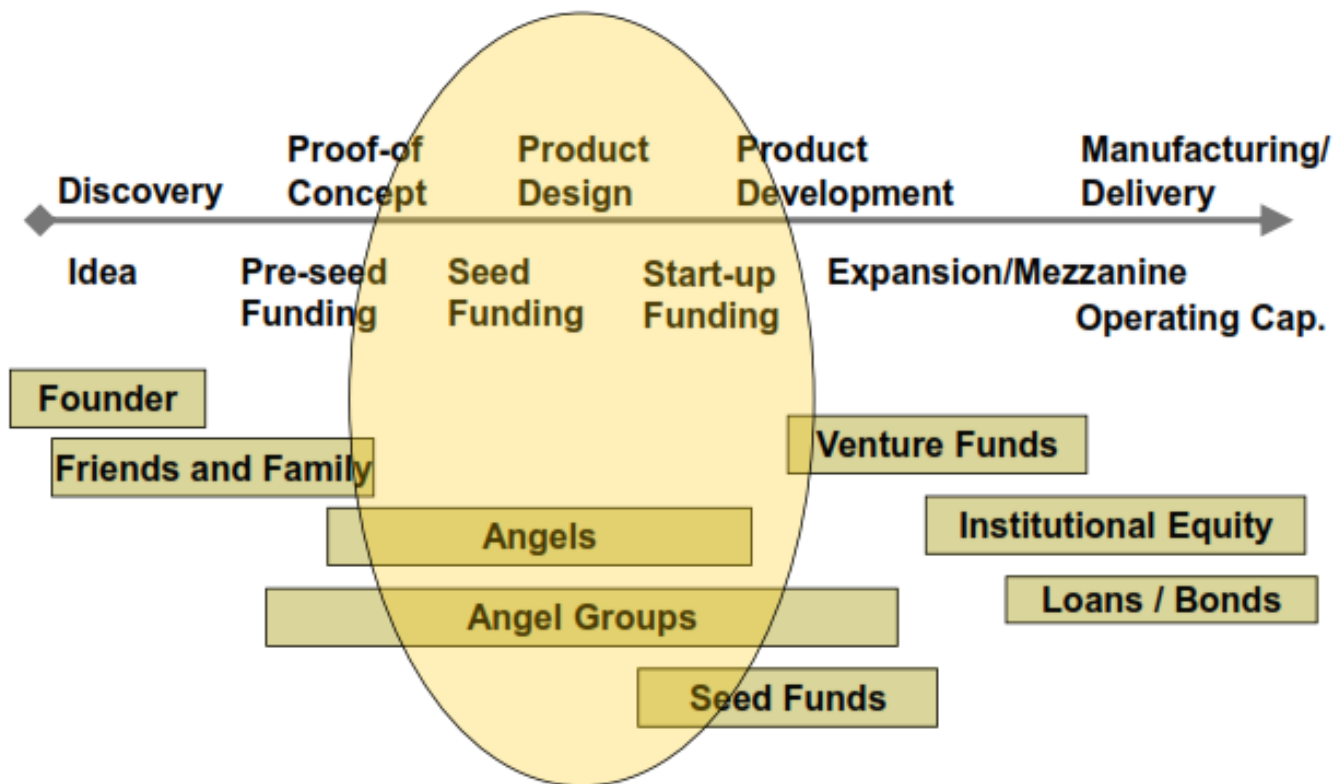
September 17, 2013

David Verrill – ACA Chairman and Founder/Managing Director, Hub Angels

Marianne Hudson – ACA Executive Director and Member, Women's Capital Connection and Mid-America Angels



Financing Life Cycle





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Angels Fund Majority of Startups in USA

Angels Provide ~90% of Outside Equity for Startups

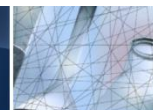
Angel Investors (2012)

- \$22.9 billion
- **67,000 deals**
- 24,000 seed
- 22,800 early stage
- 20,100 expansion
- > 268,000 individuals

Venture Capital (2012)

- \$26.7 billion
- **3,700 deals**
- 280 seed
- 1,650 early stage
- 1,800 later/expansion
- 522 active firms

Sources: Center for Venture Research/ UNH; NVCA 2013 Yearbook; PwC MoneyTree

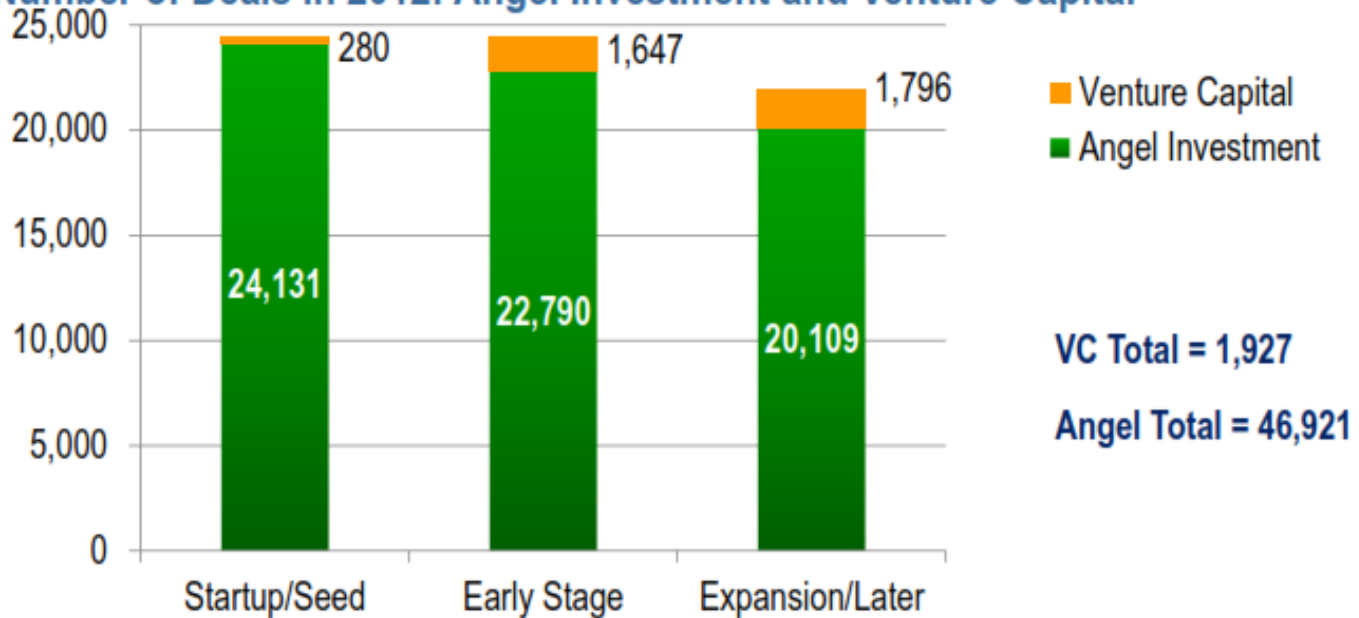




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Angels Fund Nearly All Seed/Early-Stage Deals...

Number of Deals in 2012: Angel Investment and Venture Capital



Without angels few startups would make it to VC, PE or IPO funding

Source: Jeffrey E. Sohl, Center for Venture Research and 2013 NVCA Yearbook

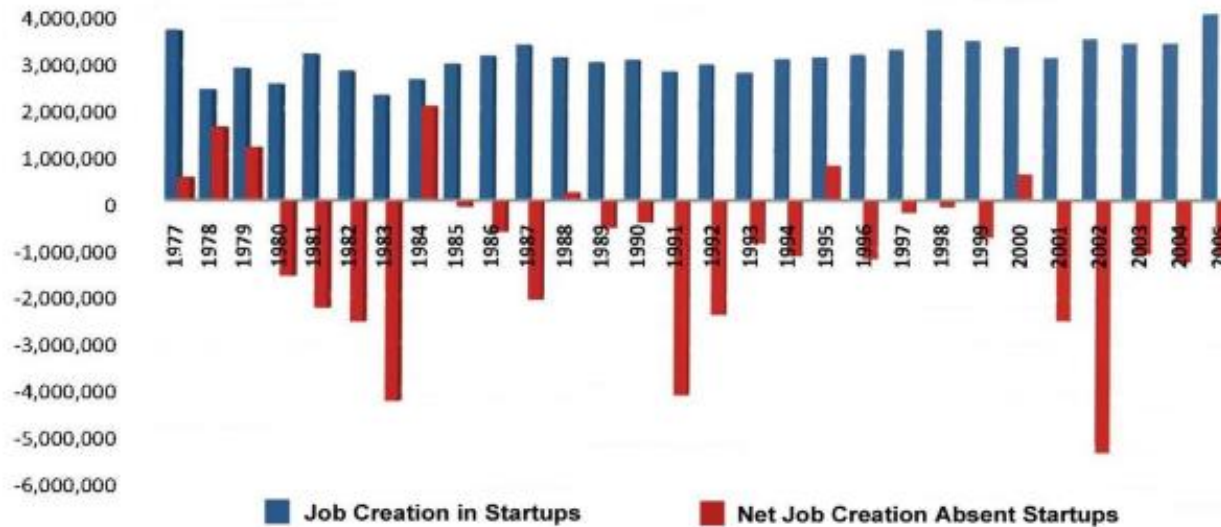


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Startups Create the Most Net Jobs

ENTREPRENEURS ARE KEY TO JOB CREATION

No Startups, No Job Creation



Source: Business Dynamics Statistics Briefing: Jobs Created from Business Startups in the United States. Kauffman Foundation, January 2009.



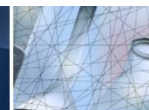


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Median Angel Round Size



*Angel rounds include angels & angel groups only



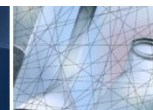


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Median Early Stage Pre-Money Valuation in 2012



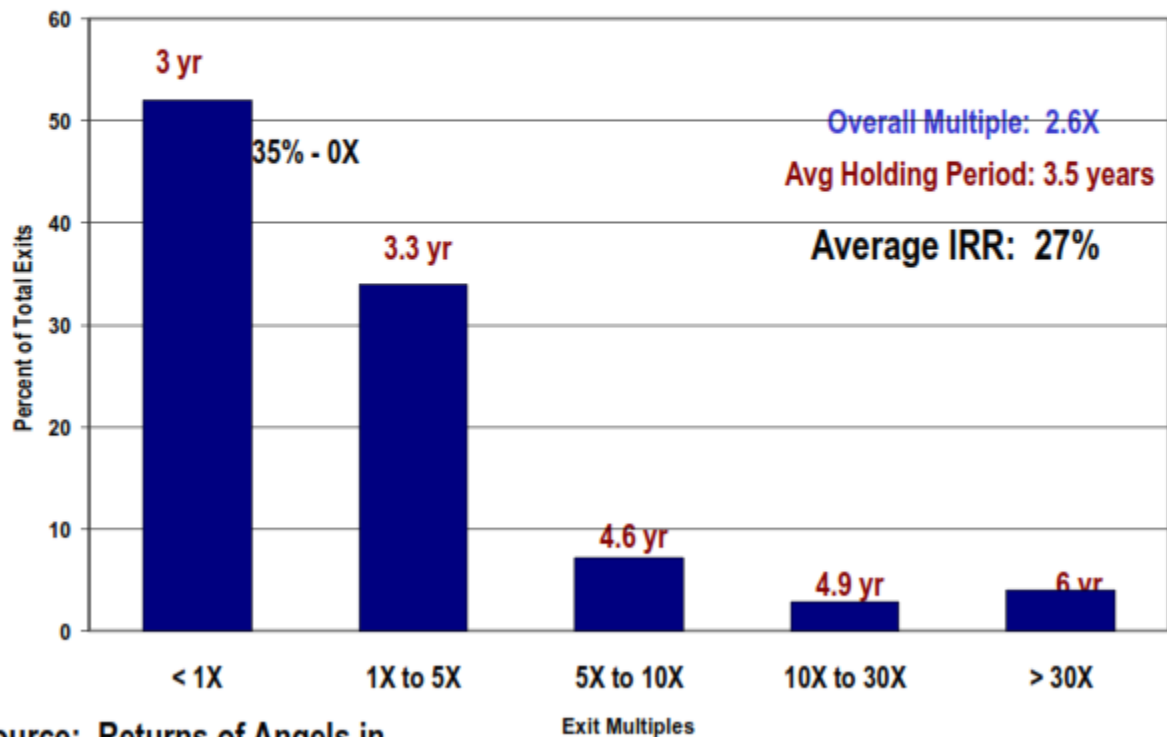
*Including all rounds with angel groups before Series A



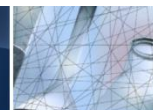


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Distribution of Returns by Venture Investment



Source: Returns of Angels in
Groups, 2007



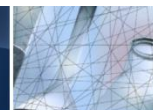


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Who are Angel Investors?

- **Often successful entrepreneurs or retired business persons**
 - Active investors providing money, expertise, and their network
 - Contribute to their local ecosystem (mentoring, judging, educating)
- **Accredited investors – SEC definition (*US & a few others*)**
- **Invest their own money (*not money managers*)**
- **Generally invest in local companies with high-growth potential**
- **Invest in businesses not run by family**

In 2012, 268,000 investors funded ~\$22.9B in about 67,000 deals
(2/3rds early-stage)





What Motivates Angels?

- Help entrepreneurs
 - Stay engaged – use skills and experiences to help build a business
 - Give back to community or university
 - Active form of investing – not just watch markets
 - Find their next opportunity
 - Network and learn
 - Return on Investment is the metric
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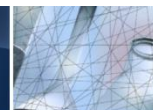




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The Angel-Entrepreneur Connection

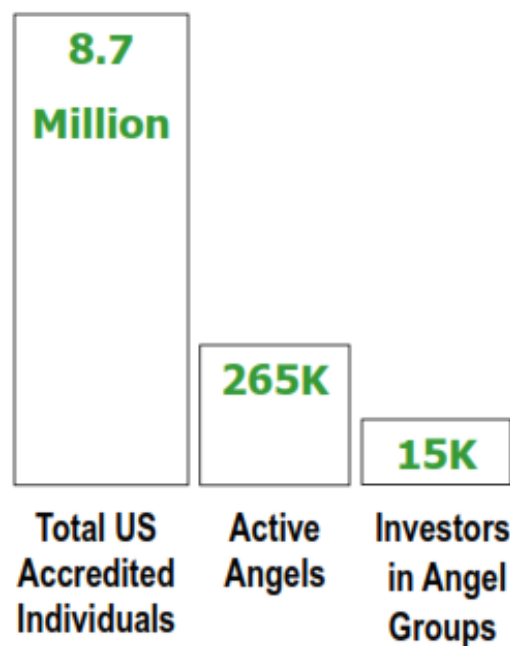
- Many angels provide mentoring before and after investment
- Many serve as board members or observers
- Some join venture as C-level executive for an interim period
- Information rights in term sheet
- Often invest in multiple rounds to ensure entrepreneurs can grow
- Develop relationships with Venture Capital firms for expansion capital
- Help lead M&A process early on
- Angel monitoring/ mentorship improves startup health
 - Harvard/MIT study shows angel support improves startup success rate





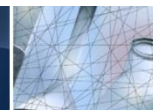
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Angel Groups Take Professional Approach



- **Experienced, Accredited Investors**
 - Successful Entrepreneurs/Business People
 - Median Years Investing – 9
 - Median Number of Investments – 10
- **Invest Where We Live & In What We Know**
 - Main Street – Not Wall Street
 - 300+ Groups – In Every State
 - Work as a Team
- **Focused on Best Practices**
 - Deal Screening
 - Due Diligence
 - Term Sheets
 - Valuation
- **Support Companies We Invest In**
 - Board Seats and Advisory Boards
 - Contacts, Advice, Recruiting, Strategy
 - Follow-on Funding and Exits

Sources: SEC proposed rule, Center for Venture Research, academic studies, 2012





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Silicon Valley Bank



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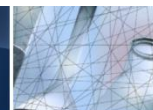


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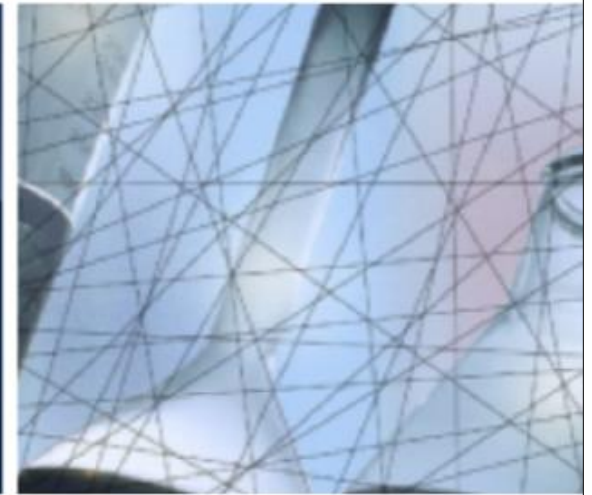
HWLO Report™

Angel Group Update

2012 Year in Review



Chemical Angel Network



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