



ANGEL CAPITAL ASSOCIATION

2020 ACA Angel Funders Report

September, 2020

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ACA Board Member

Data Analytics Committee Chairman

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NOTE – The AFR will be released shortly. You are receiving an early view of the information.



OUTLINE OF MATERIALS IN THIS PRESENTATION

- Information about the AFR data set
- Investing trends in terms of type of rounds, amounts in rounds, deal sizes and much more
- Investing trends in initial rounds versus follow-on rounds
- Valuation trends
- Sector and Vertical trends
- Info at time of investing – revenues, # of employees, CEO gender and ethnicity
- Investing trends by angel groups
- Very early exit data

BACKGROUND OF THE ANGEL FUNDERS REPORT -- 1

- The Angel Funders Report (AFR) was started by the ACA to be the definitive source of data and information related to angel investing
- Three years ago, a Data Analytics Committee was created by the ACA to study how to collect data on investments and returns relating to angel investments
- The first AFR was published in 2018. This is now our third year of the AFR
- We now have over 75 angel groups contributing their annual investments and up to 25 data points on each investment. Exits and out of business companies are also being provided for the first time
- We believe this work will eventually lead to better outcomes in angel investing as we continue to study and analyze the data

BACKGROUND OF THE ANGEL FUNDERS REPORT -- 2

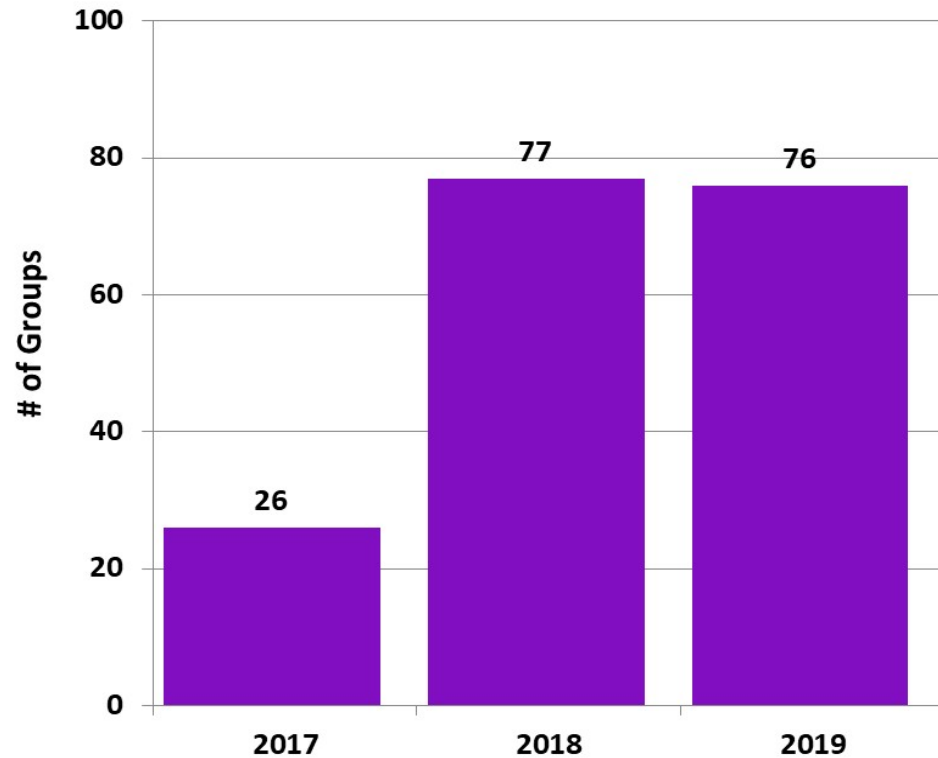
- The committee continues to meet to look for the information that helps to improve early-stage investing
- We also are working to train angel groups how to collect their own investment data and report this information to the ACA
- We estimate over 50% of the angel groups in the country do not even track their group's own investments, let alone the outcomes and performance metrics
- Our data partner is a company called Hockeystick. It is a company that manages databases for many organizations
- Dashboards to compare performance metrics of angel groups to regional and national data is available to all groups providing their data to the ACA

ANGEL FUNDERS REPORT – 2020 HIGHLIGHTS

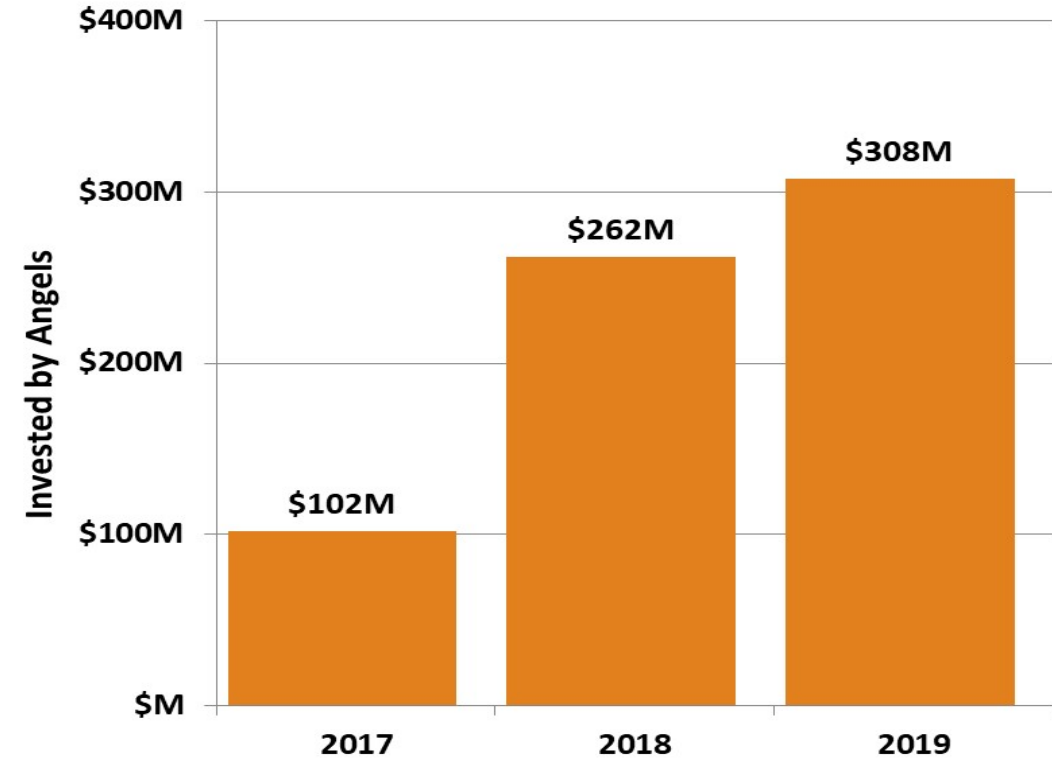
- Most angel groups (67%) invest <\$2.5M per year
- Also, 86% of angel deals have a median deal size of \$250k or less
- There was a slight increase (41% to 42%) by angel groups in Seed rounds from 2018 to 2019
- 89% of transactions by angels are either preferred shares or convertible notes (86% in 2018)
- Angels continue to do initial investments AND follow-on investing in all round sizes
- Valuations have not changed significantly from 2018 to 2019. Median valuation of Seed rounds stayed at \$6M from 2018 to 2019

ABOUT THE AFR DATASET -- 1

of Groups That Reported

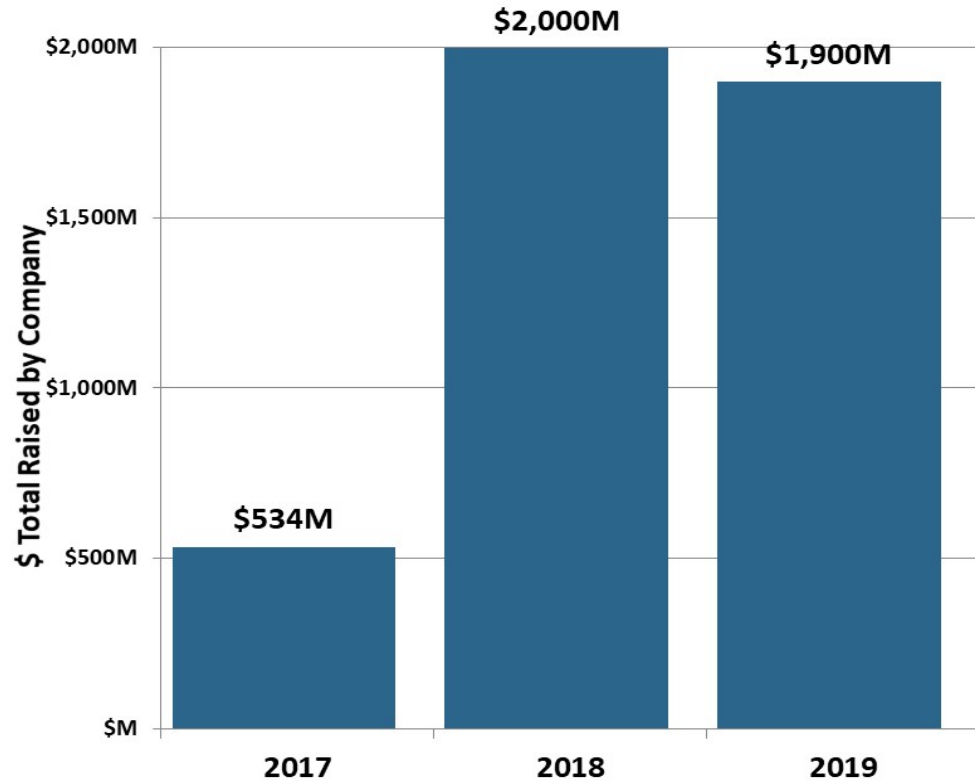


Total Amount Invested by Angel Groups

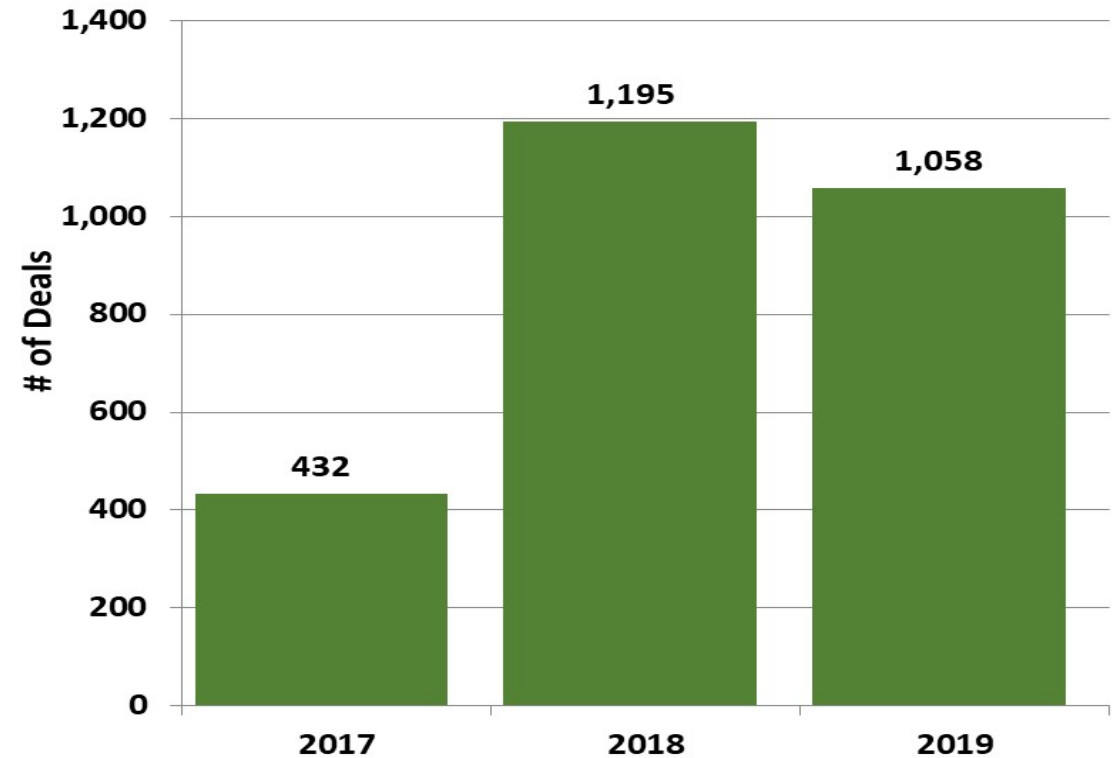


ABOUT THE AFR DATASET -- 2

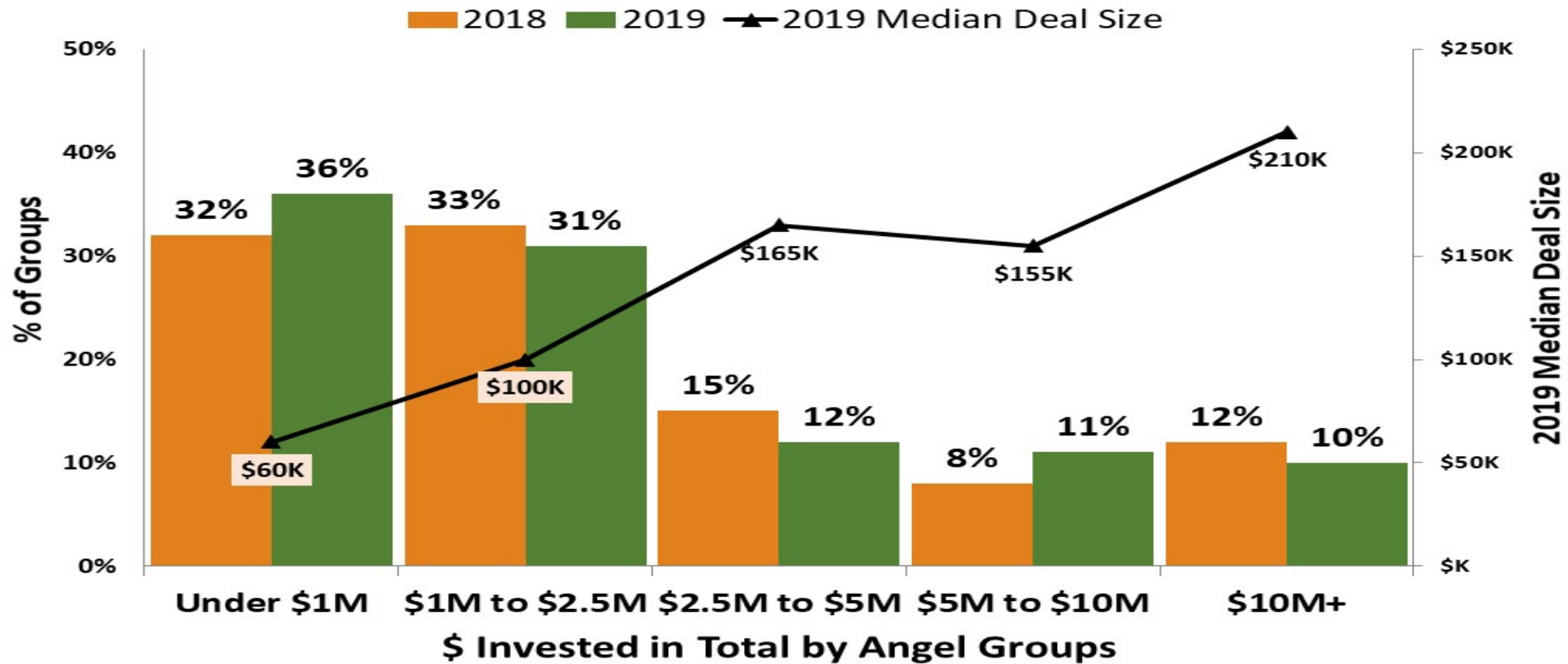
Total Funding Raised by Companies



Total Number of Deals Submitted

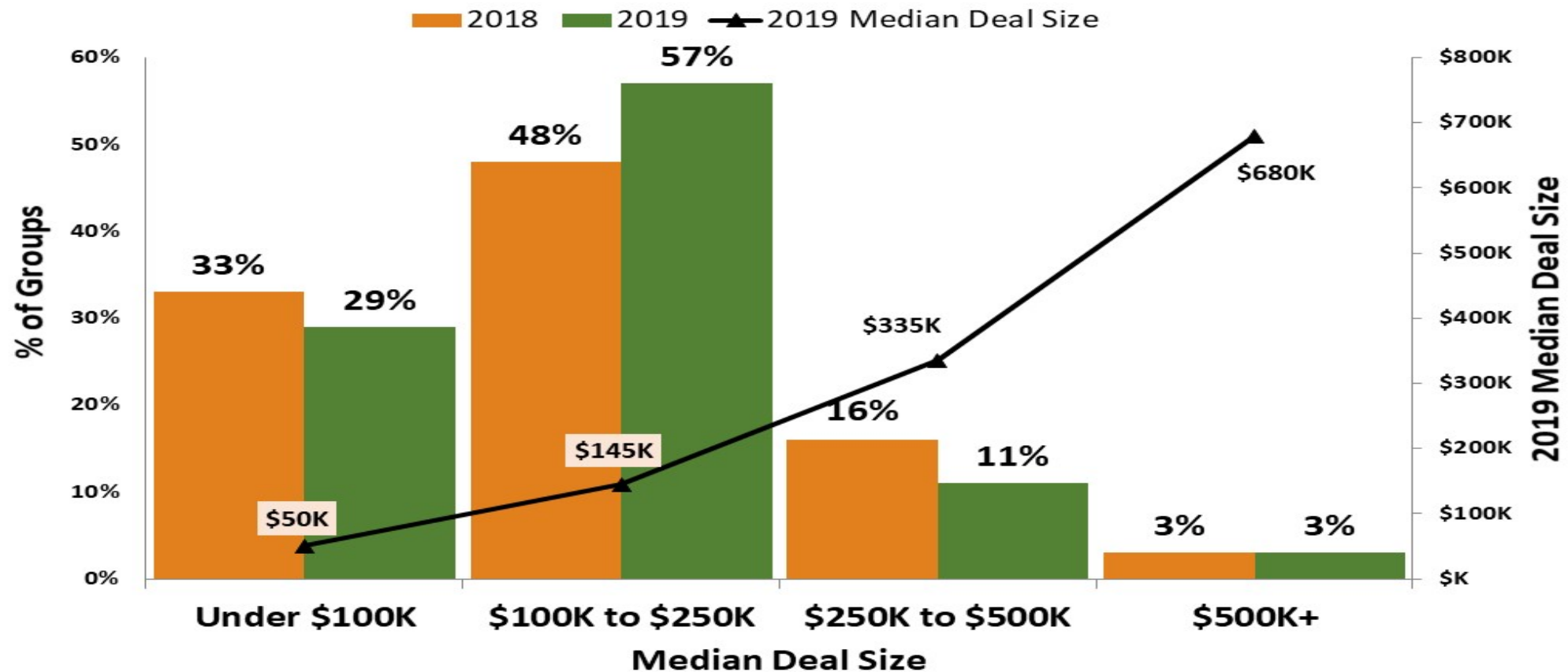


Total Invested by Angel Groups, 2018 - 2019



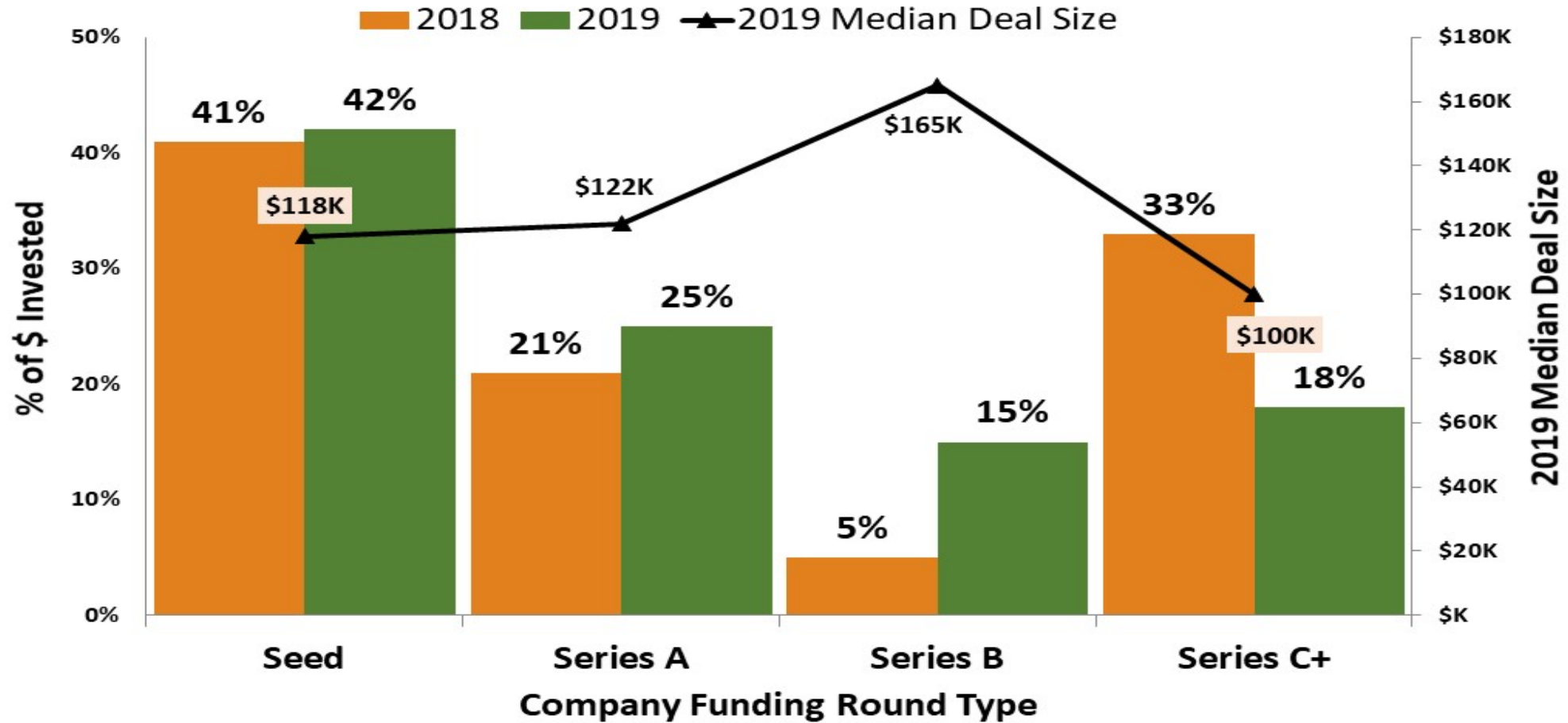
- 36% of angel groups Invested <\$1M in 2019 while 67% invested <\$2.5M. Only 21% of angel groups invested \$5M or more during the year.

Median Deal Size by Angel Groups, 2018 - 2019



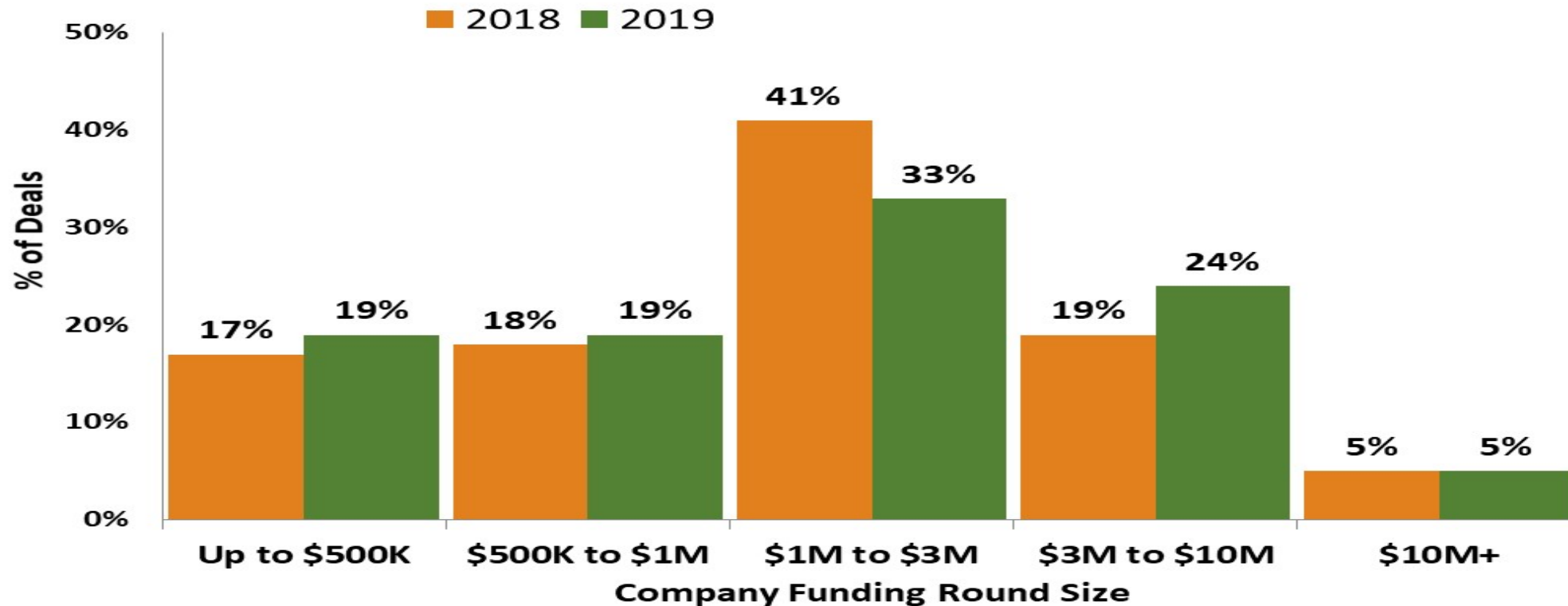
- The median deal size is \$250k or less in 86% of deals

Total Invested by Angel Groups by Company Round Type, 2018 - 2019



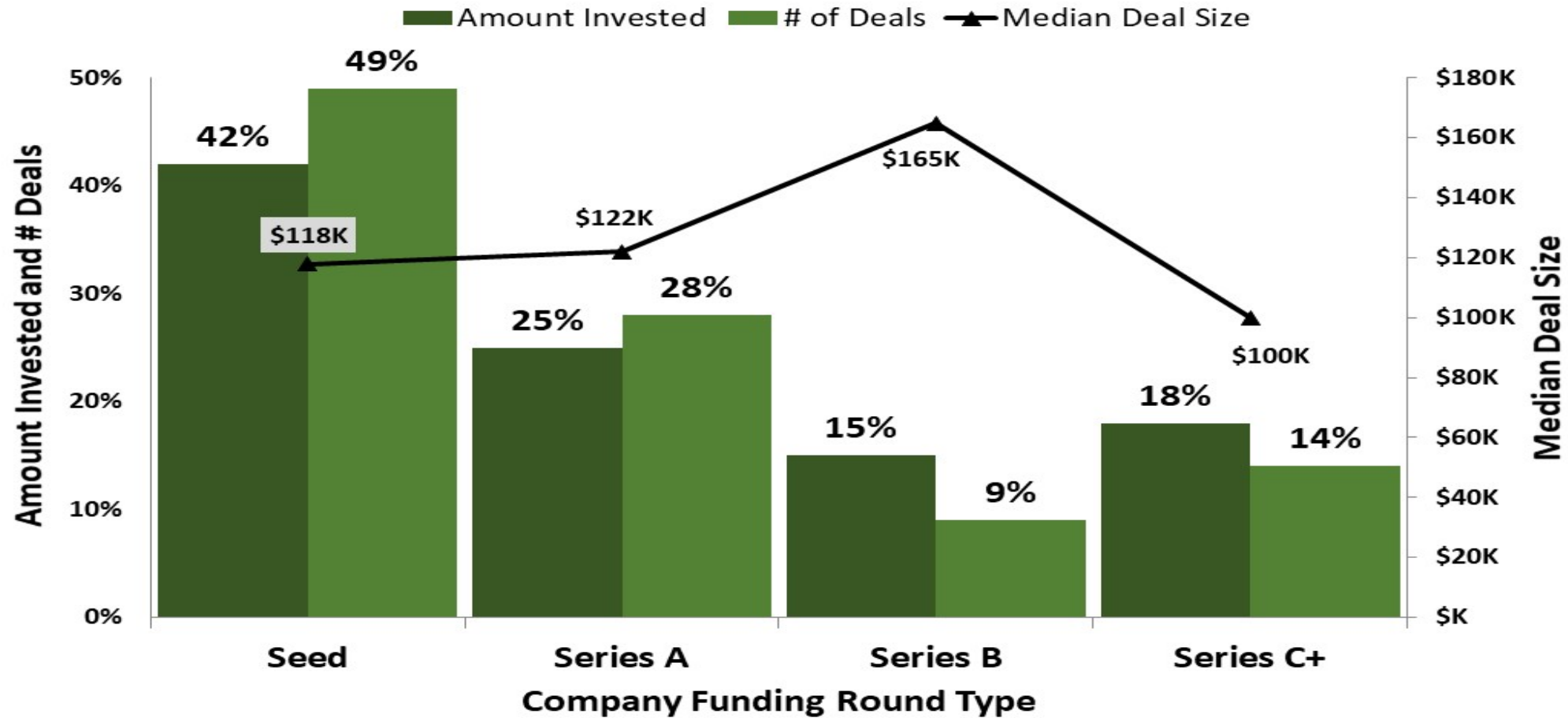
- 42% of dollars went into Seed rounds with a median deal size of \$118k

Total Deals by Angel Groups (Breakdown by Company Funding Round Size), 2018 - 2019



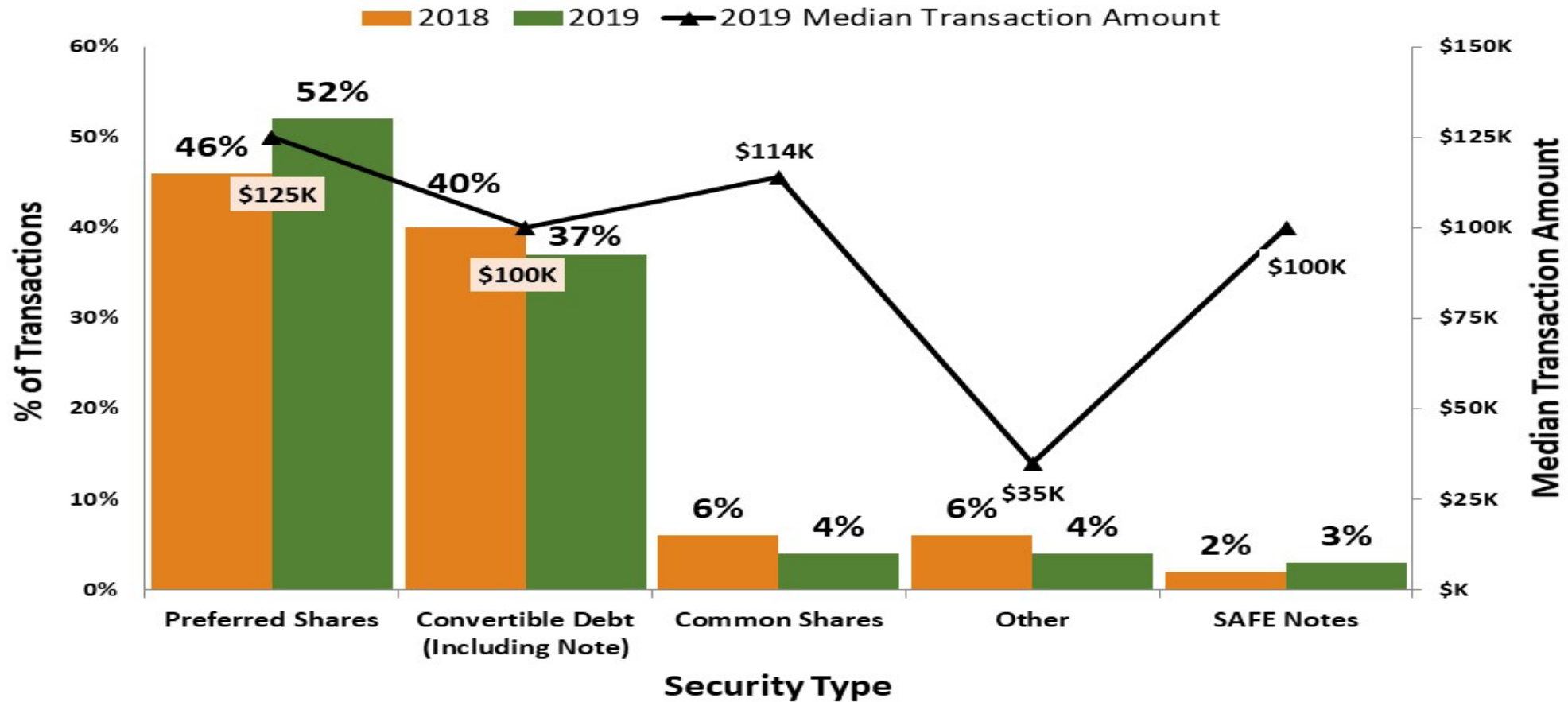
- In 2019, 33% of deals were in the \$1M to \$3M category, while it should also be noted that a total of 38% of deals were \leq \$1M

% of Total Deals and Dollars by Round Type, 2019



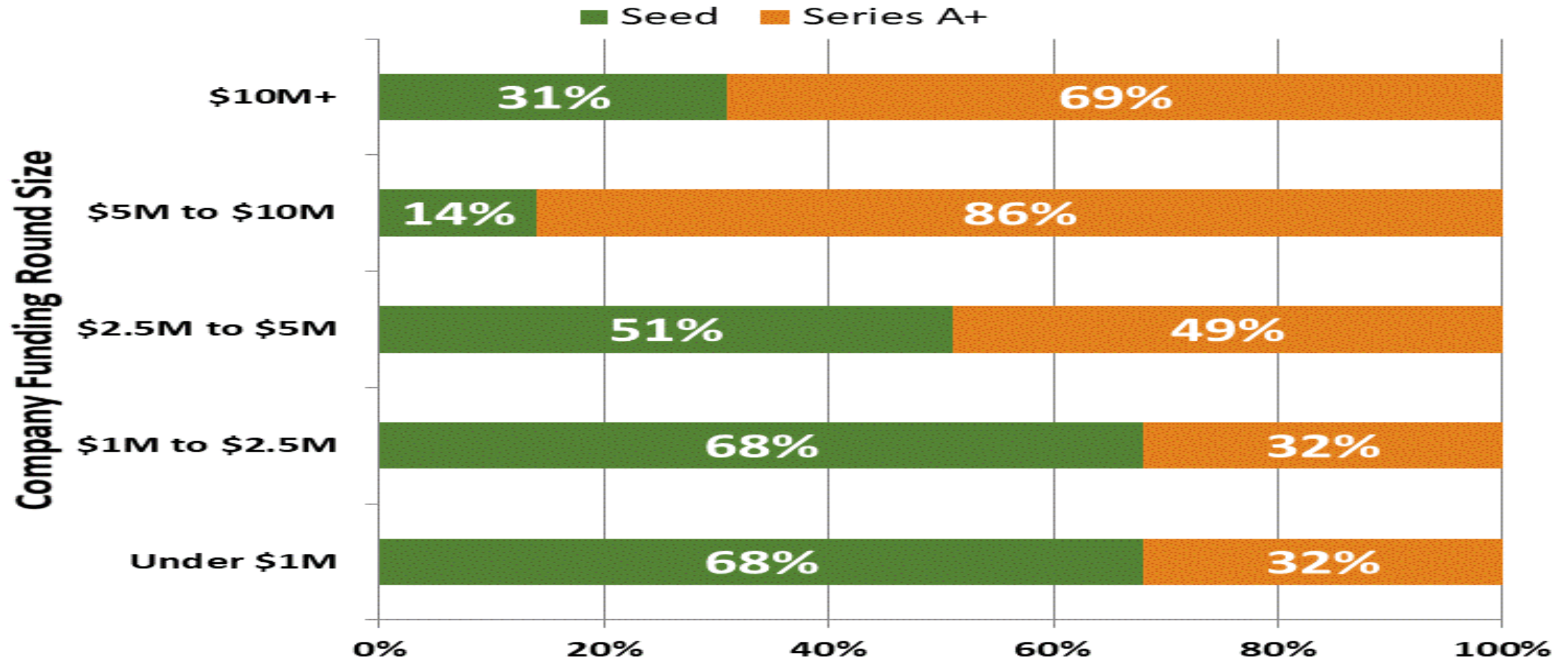
- No surprise that the largest round type is Seed for angel investing

Transactions by Security Type, 2018 - 2019



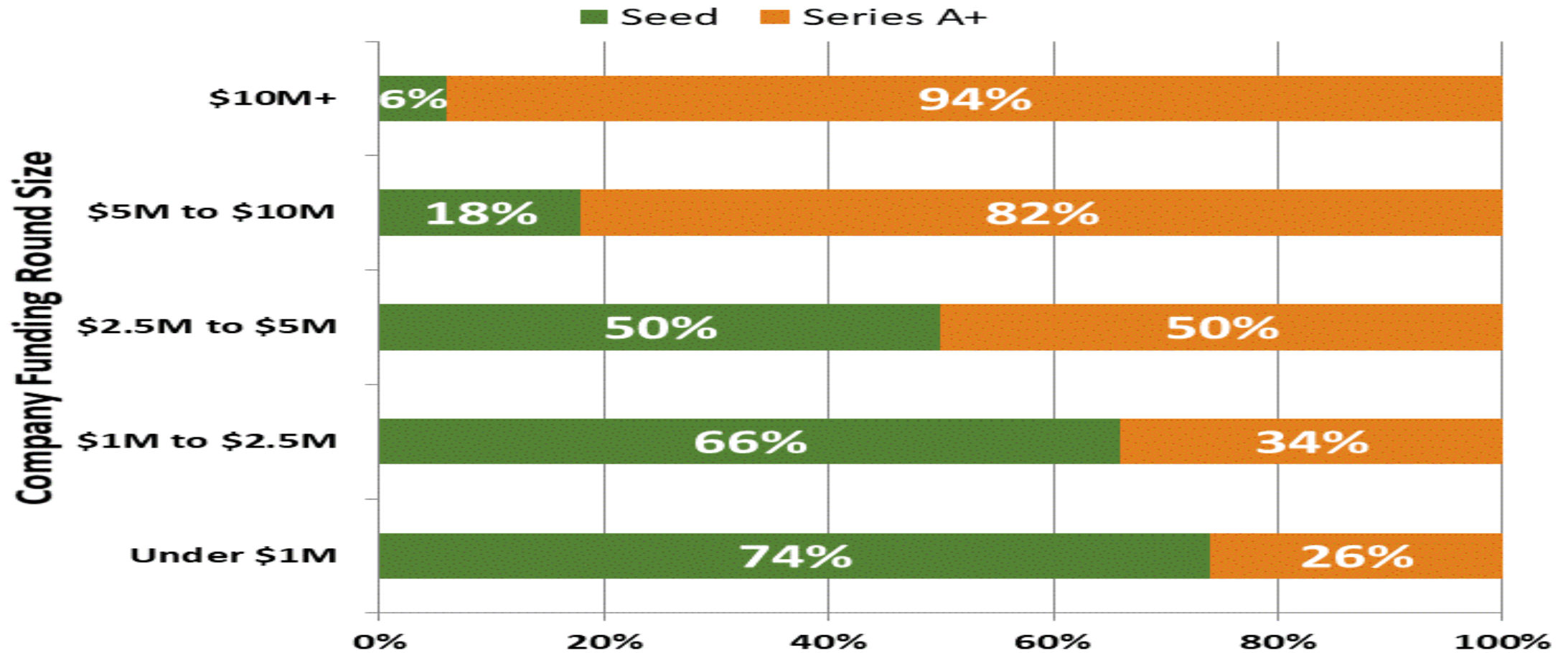
- Angels are clearly more willing to invest in Preferred Shares. SAFE notes are very seldom used.

Total Invested by Angel Groups in Seed Vs. Series A+, 2019



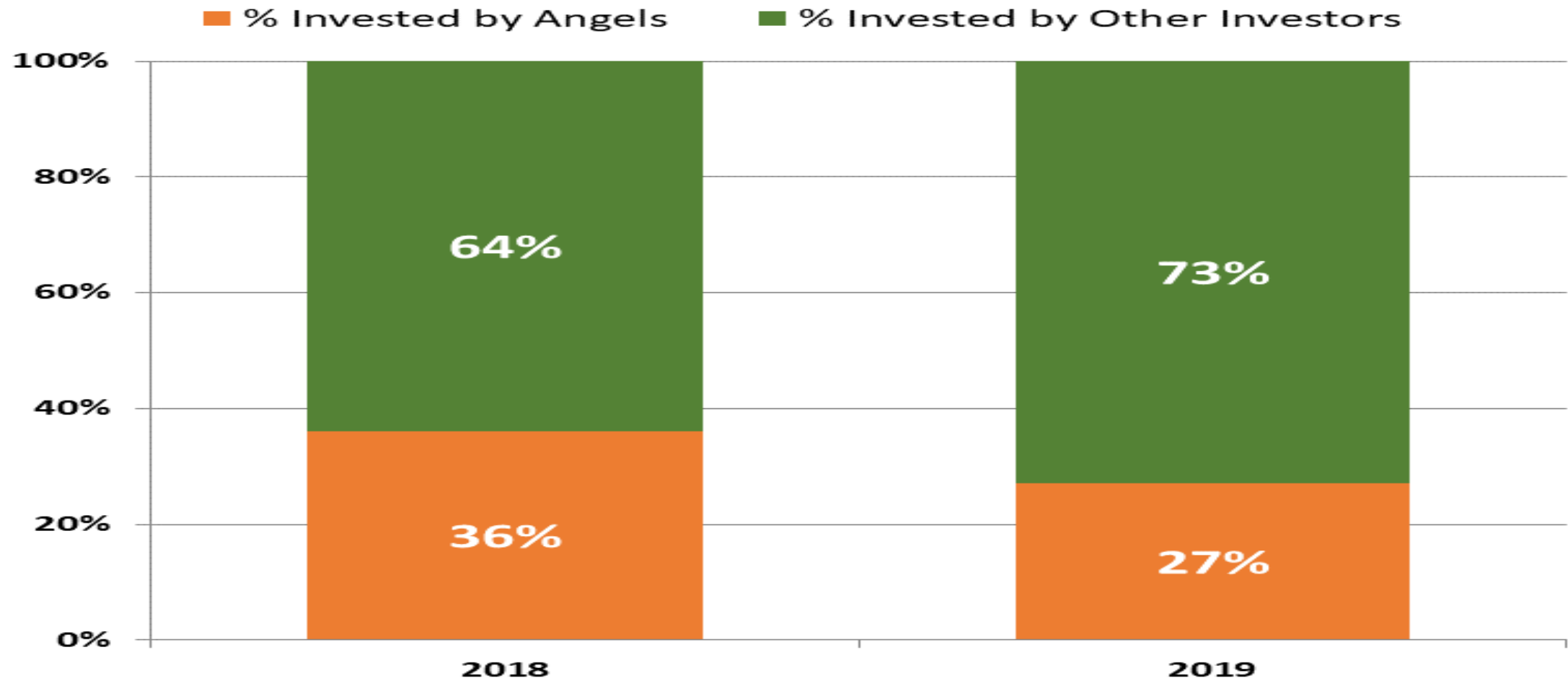
- Seed rounds dominate at less than \$2.5M while Series A+ dominate on round sizes over \$5M

Deal Count in Seed Vs. Series A+ by Company Funding Round Size, 2019



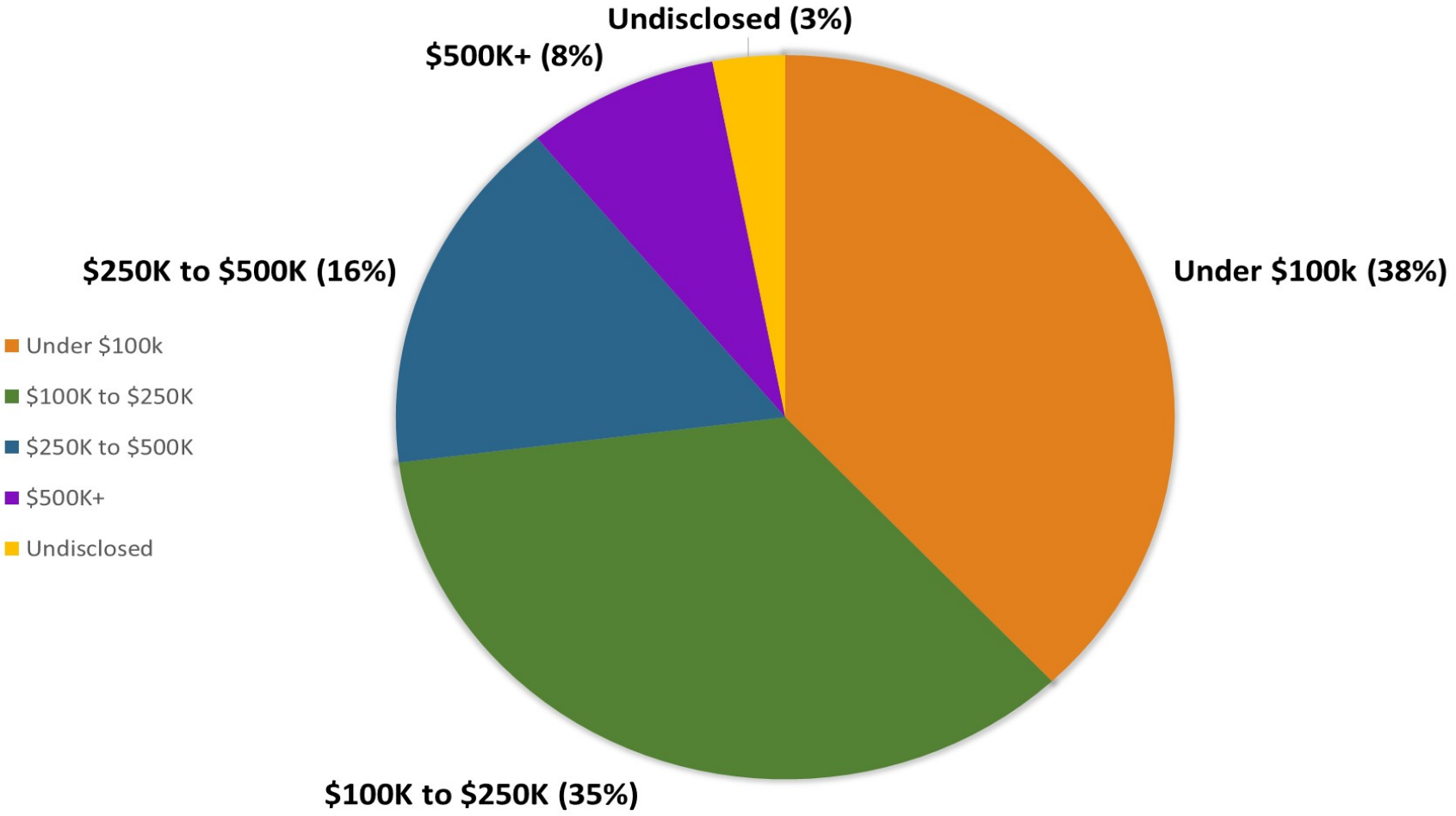
- Deal counts also reflect seed rounds below \$2.5M, while Series A+ are most deals over \$5M

Angels' Contribution to Seed Rounds, 2018 - 2019



- Angel groups do not fill rounds in which they invest

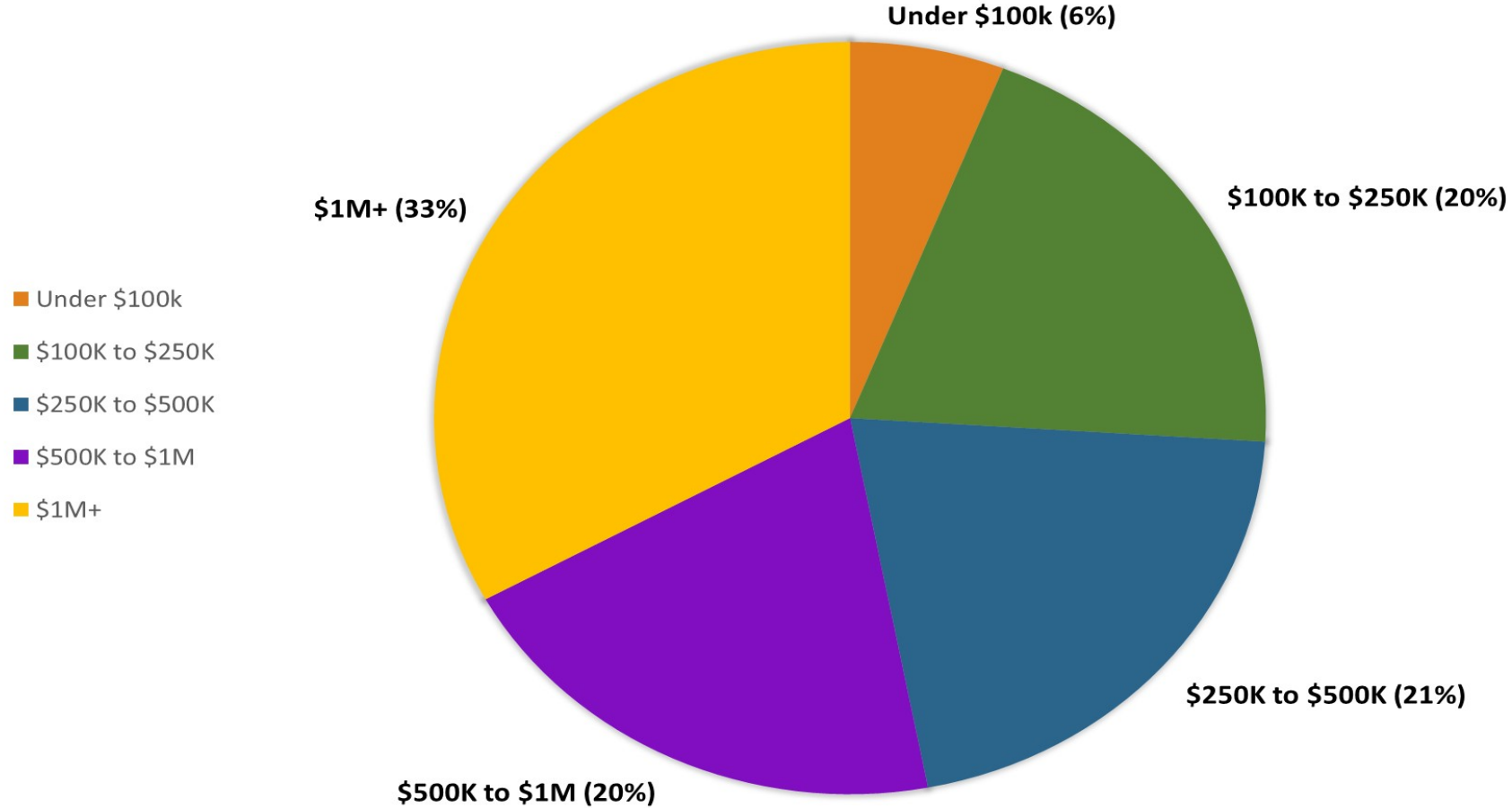
of Deals by Angel Groups in Seed Rounds by Deal Size, 2019



- Deal sizes in Seed rounds are generally under \$250k for most angels (73%)

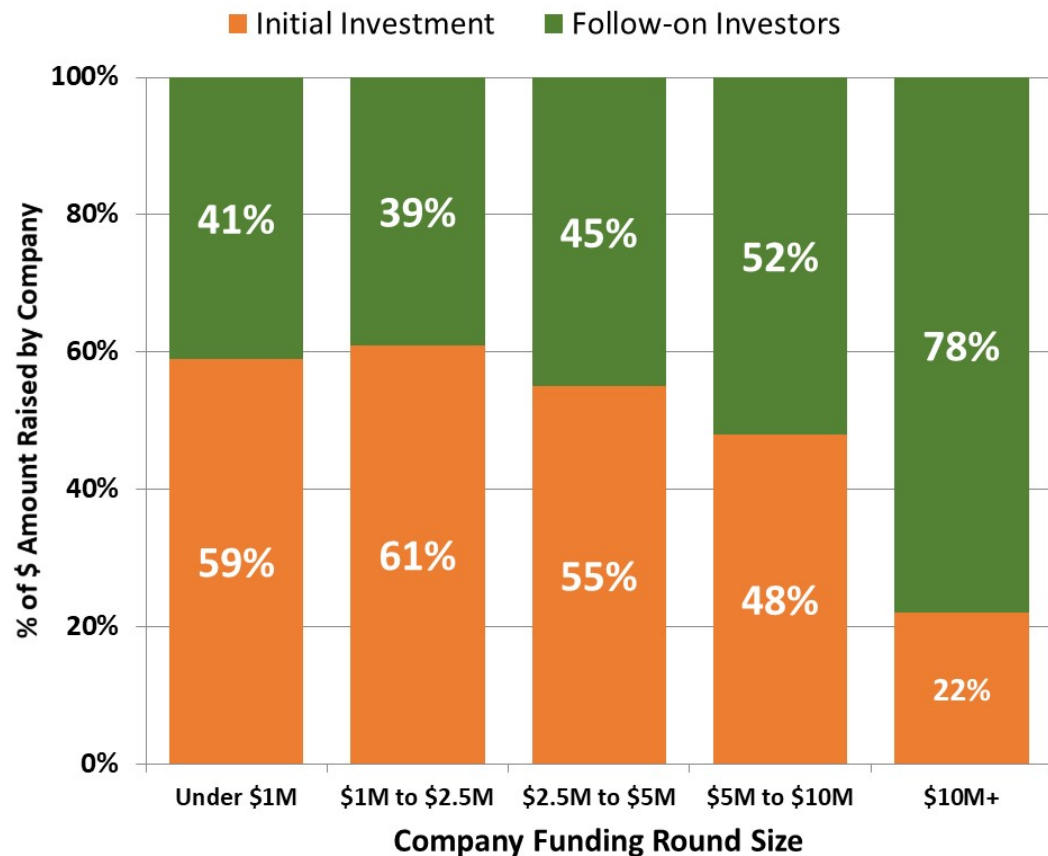


Total Amounts Invested by Angel Groups in Seed Rounds by Deal Size, 2019

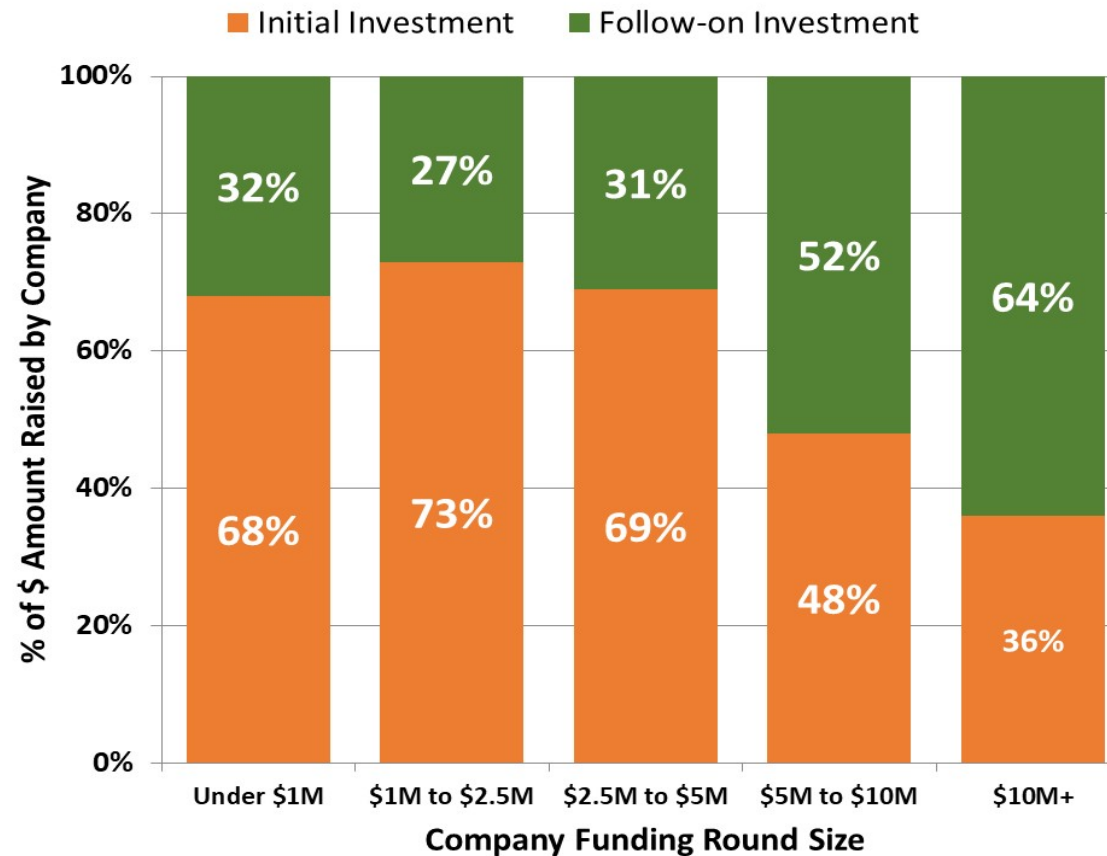


- The impact of large groups investing can be seen on this chart

Total Deals by Angels in Initial Investments vs Follow-on by Company Funding Round Size, 2019

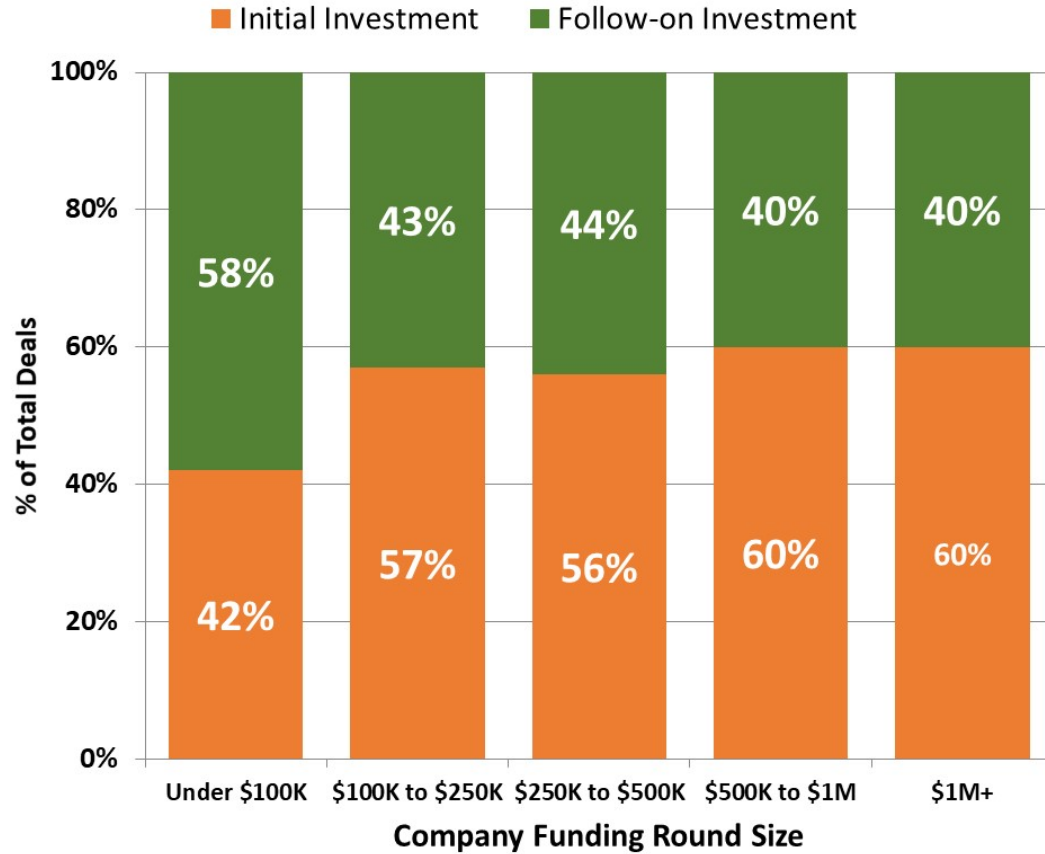


Total Investment Amount in Initial Investment vs Follow-on by Company Funding Round Size, 2019

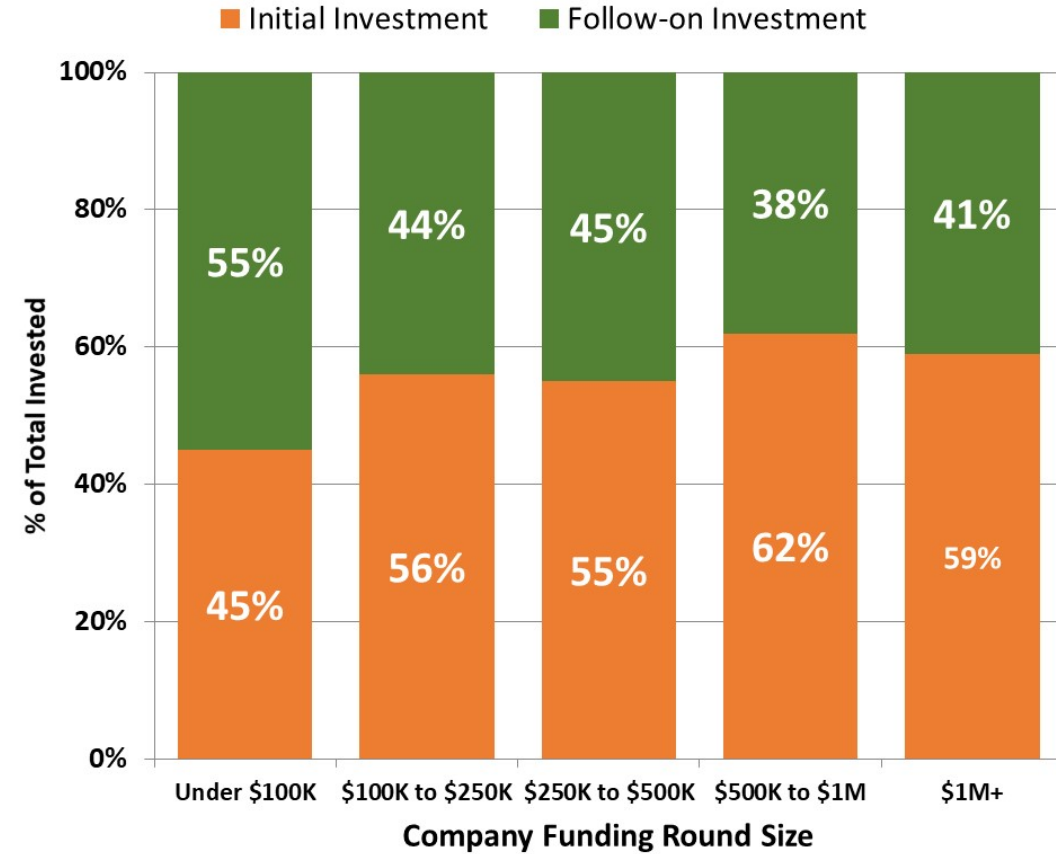


- As round size increases in both initial and follow-on investments, there is a natural move to follow-on investing

Total Deals in Initial Investment vs Follow-on by Deal Size, 2019

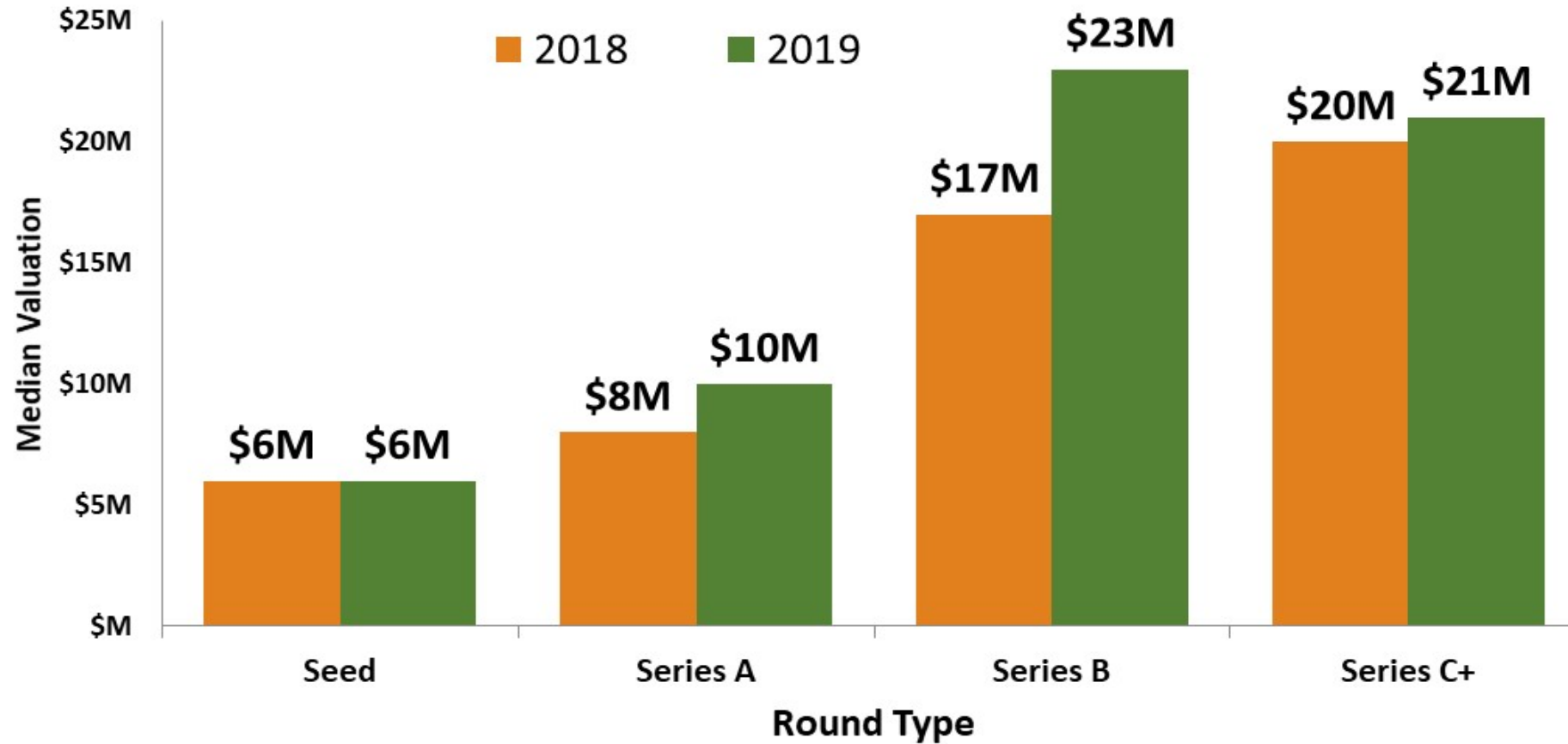


Total Invested in Initial Investment vs Follow-on by Deal Size, 2019



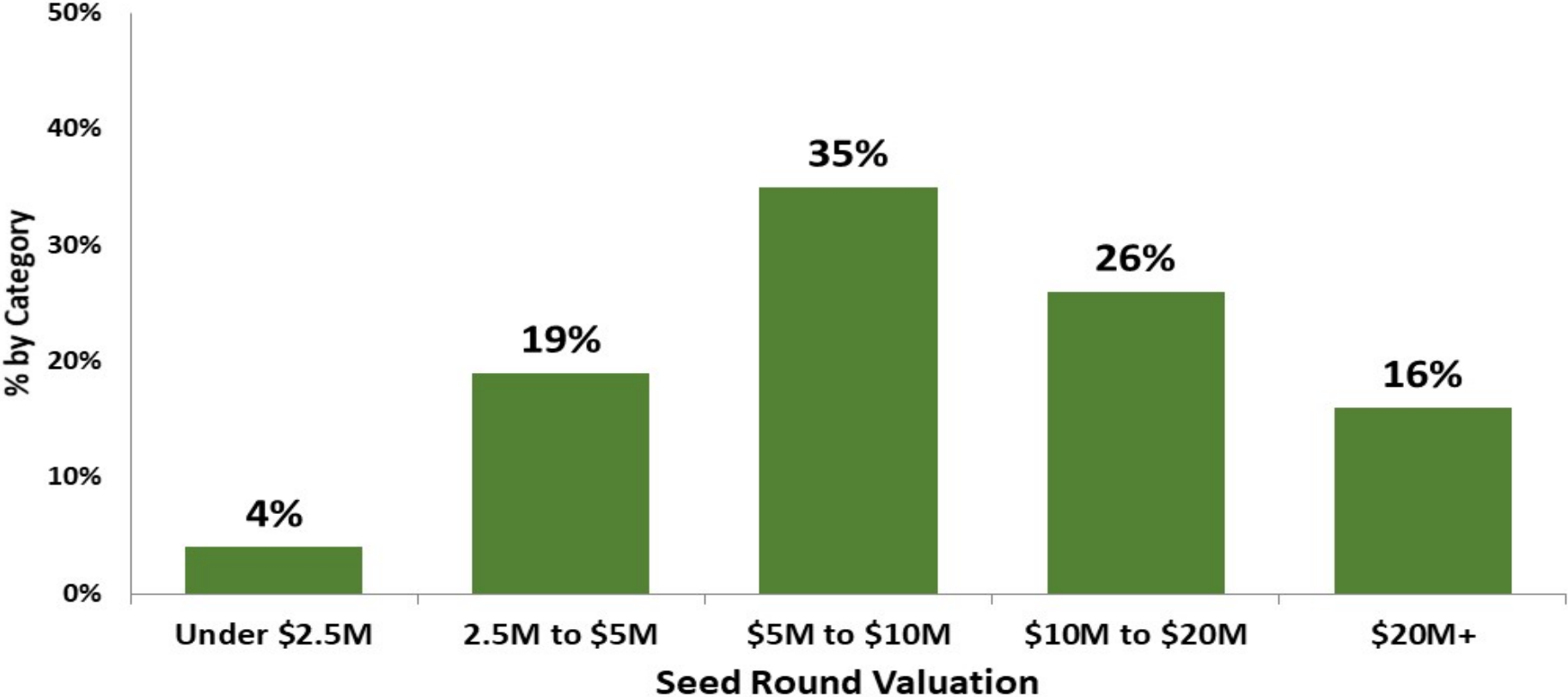
- As round size increases in both initial and follow-on investments, there is a natural move to follow-on investing

Median Valuation by Funding Round Type, 2018 - 2019



- Little change in median valuation by round type from 2018 to 2019

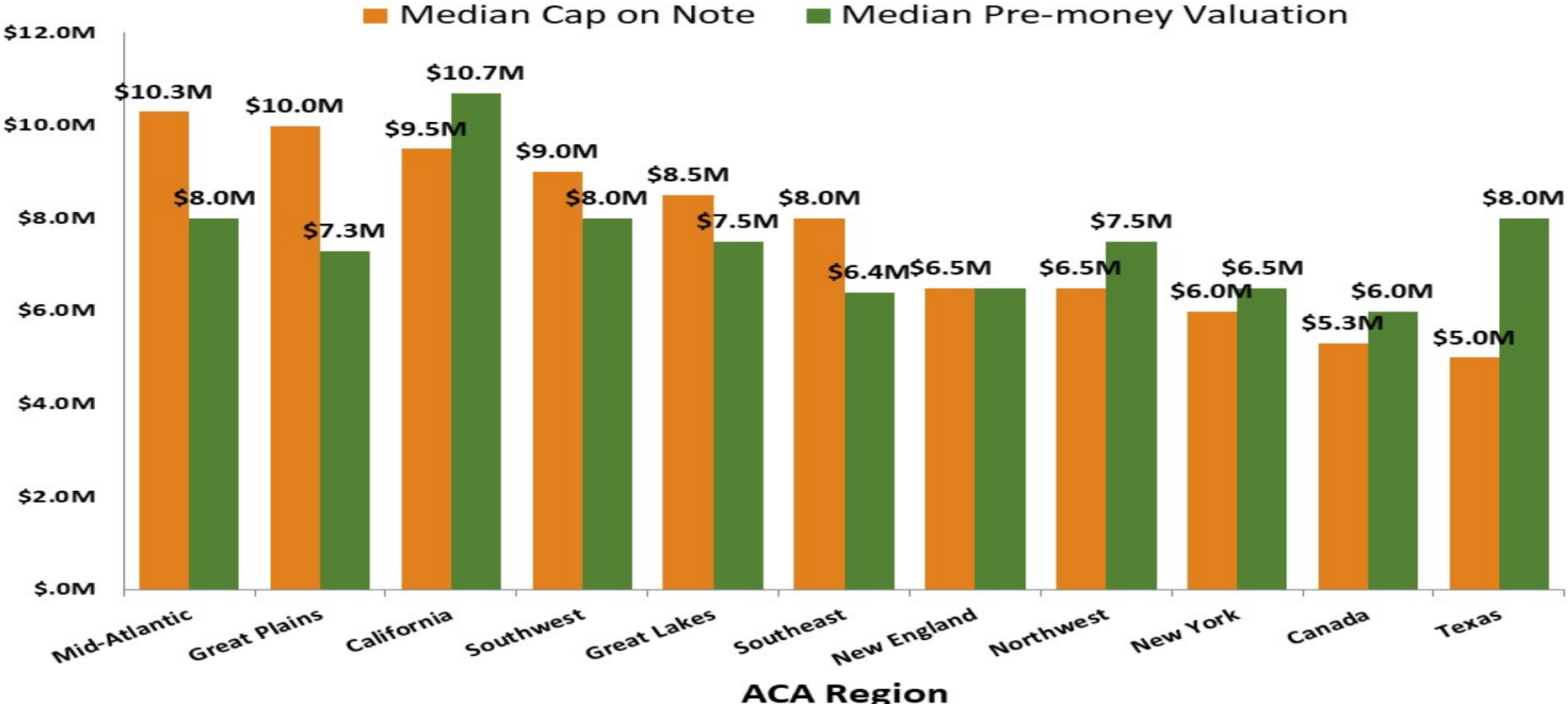
Total Invested by Angel Group by Seed Round Valuation, 2019



- While 58% was invested in Seed rounds with valuations <\$10M, a full 42% were invested in Seed rounds with valuations >\$10M



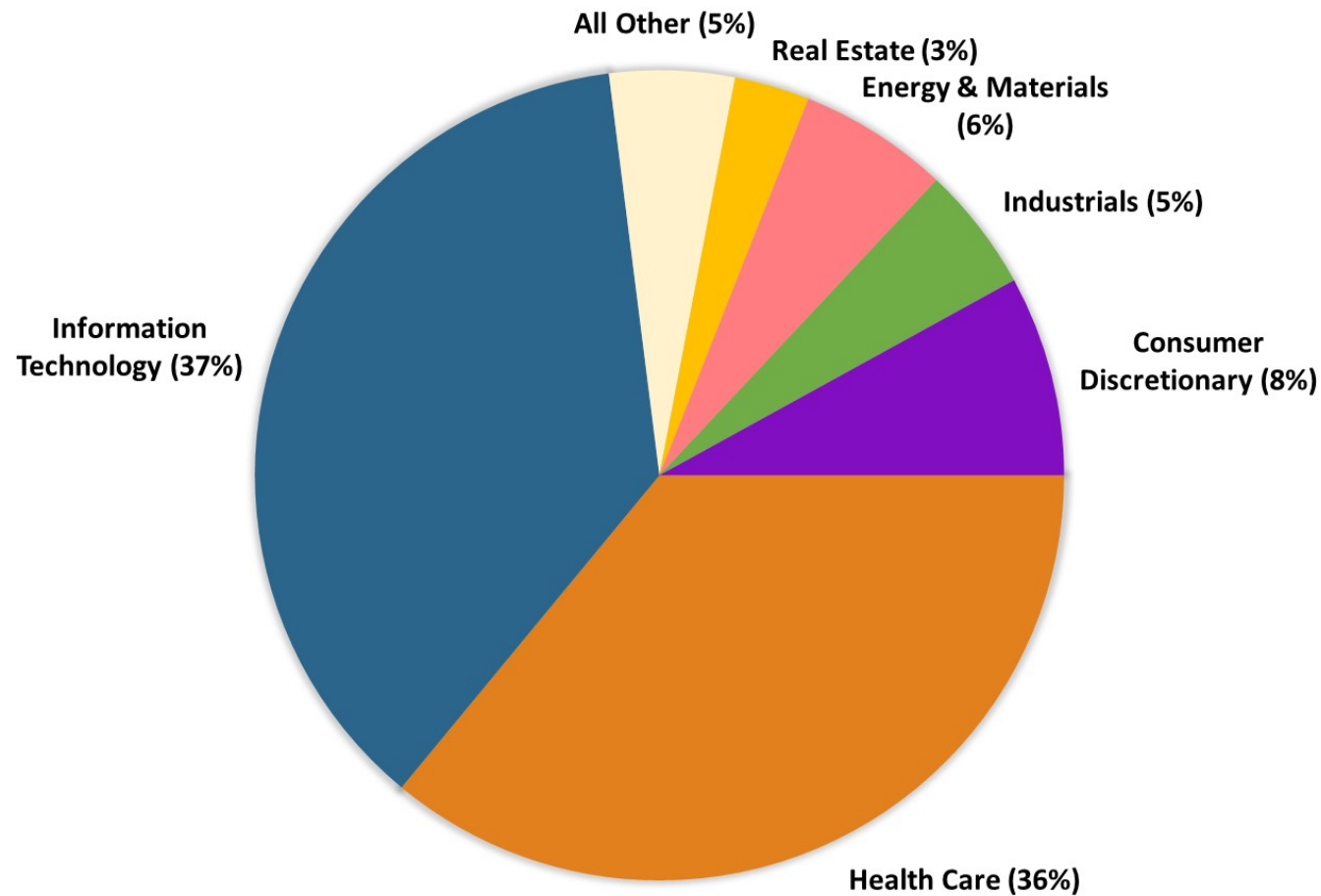
Median Cap on Note and Pre-money Valuation by Region, 2019



- While not surprising that California valuations were the highest, we were surprised to see high median valuations in the Mid-Atlantic & Great Plains and surprised by lower valuations in New York and New England

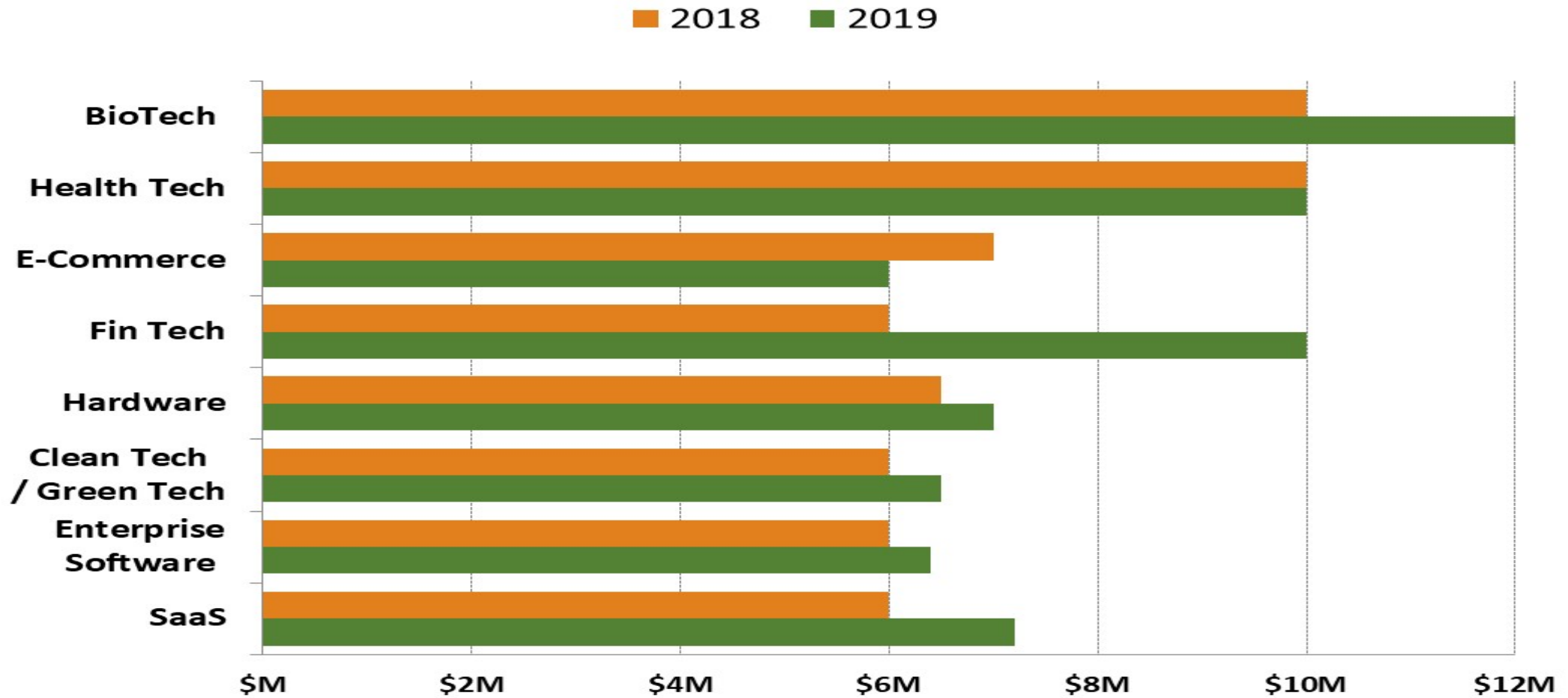


Number of Deals by Sector



- IT and Health Care (#1 and #2 sectors) account for 73% of all deals

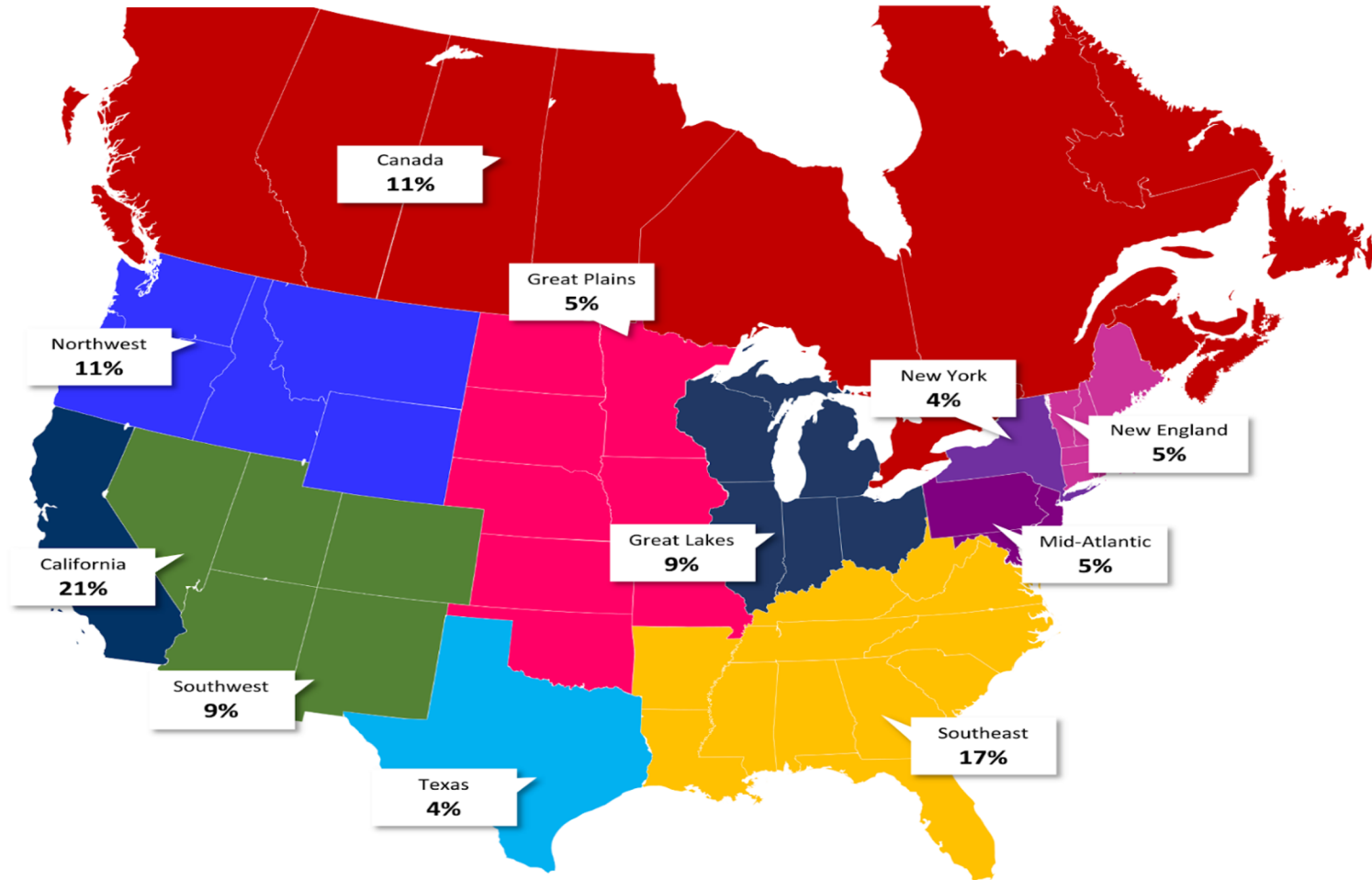
Top Verticals by Median Company Valuation (in Millions)



- The majority of verticals saw an increase in median valuations from 2018 to 2019

Median Seed Round Valuation for Top Verticals in 2019

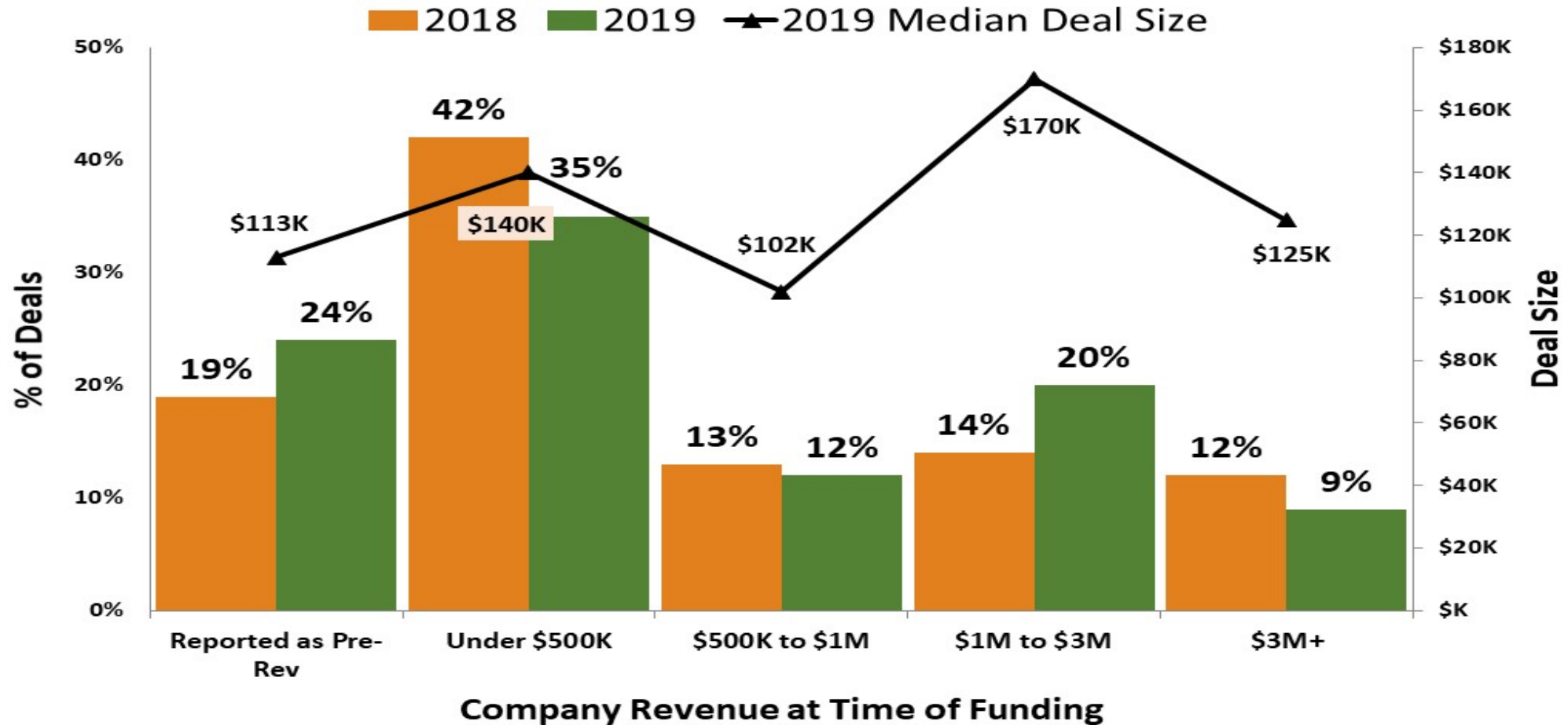
Where Investment Dollars Go From Our Angel Groups



Powered by Bing
© GeoNames

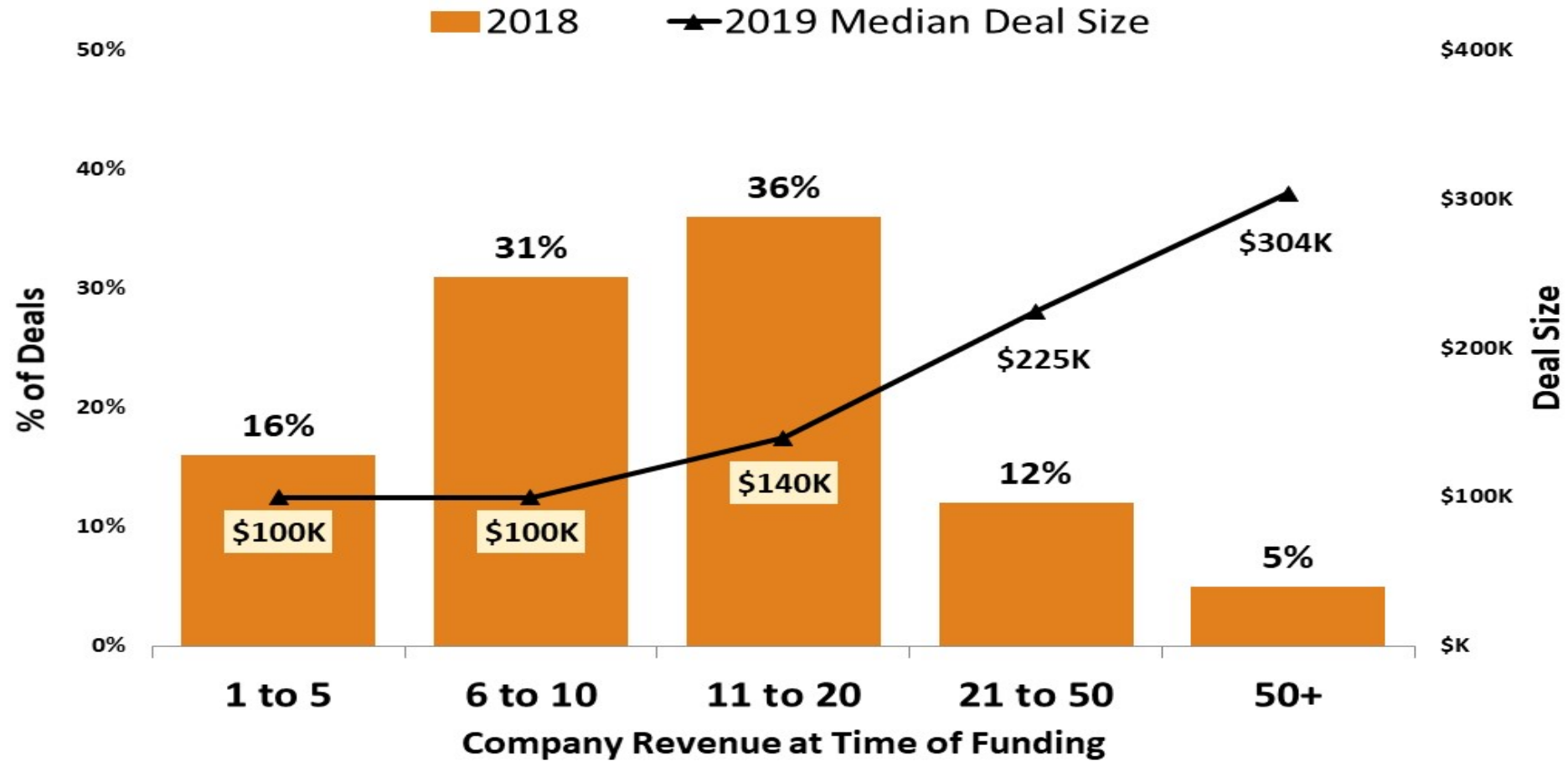


Revenue at Time of Funding, 2018 - 2019



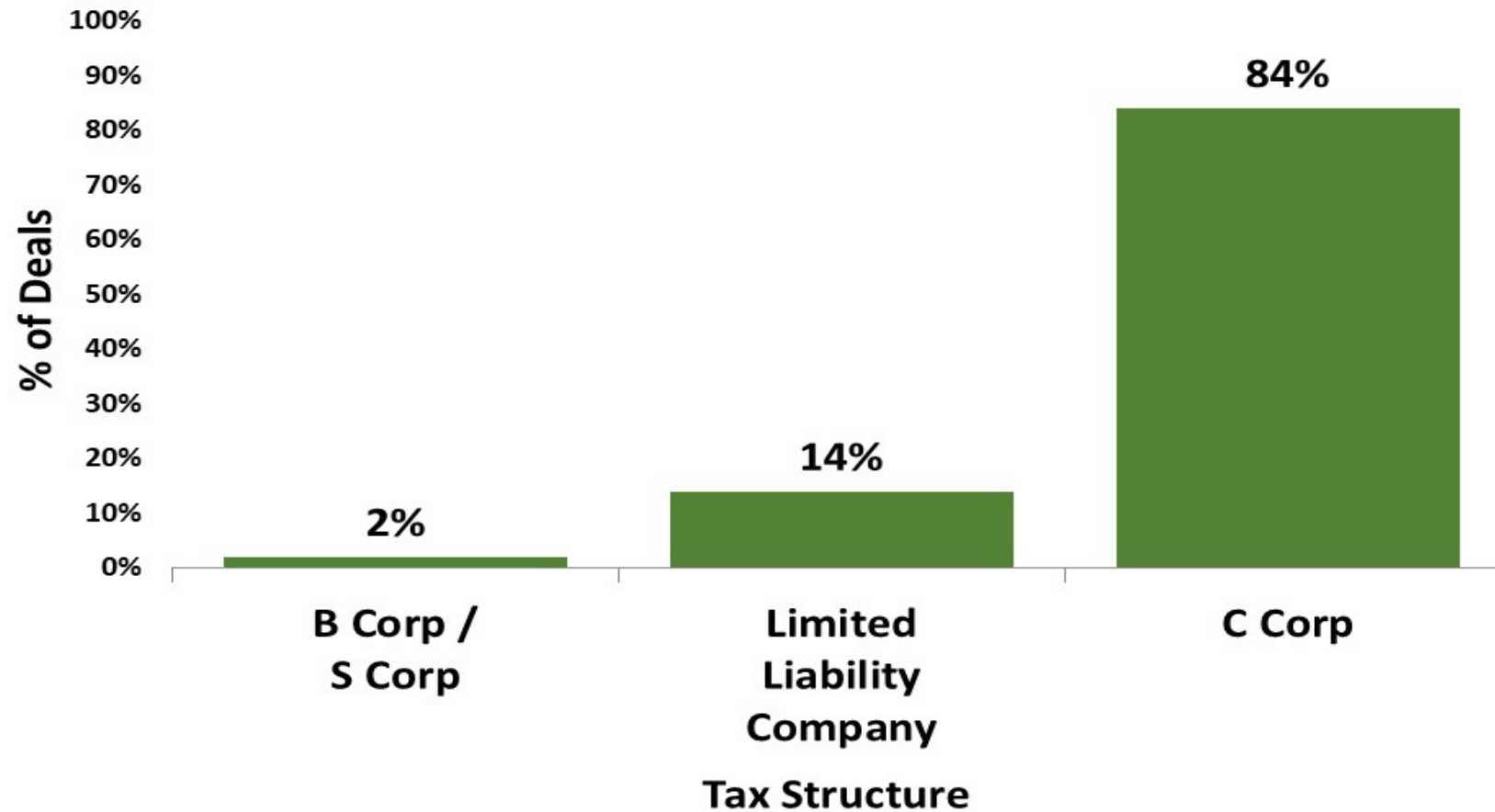
- 71% of companies reported revenues <\$1M in 2019 compared to 74% in 2018, proving that angels invest at the earliest point of a company's life cycle

Number of Employees at Time of Investment, 2019



- 53% of deals invested in by angels have at least 11 employees. This includes all rounds of capital and both Seed and Follow-on rounds

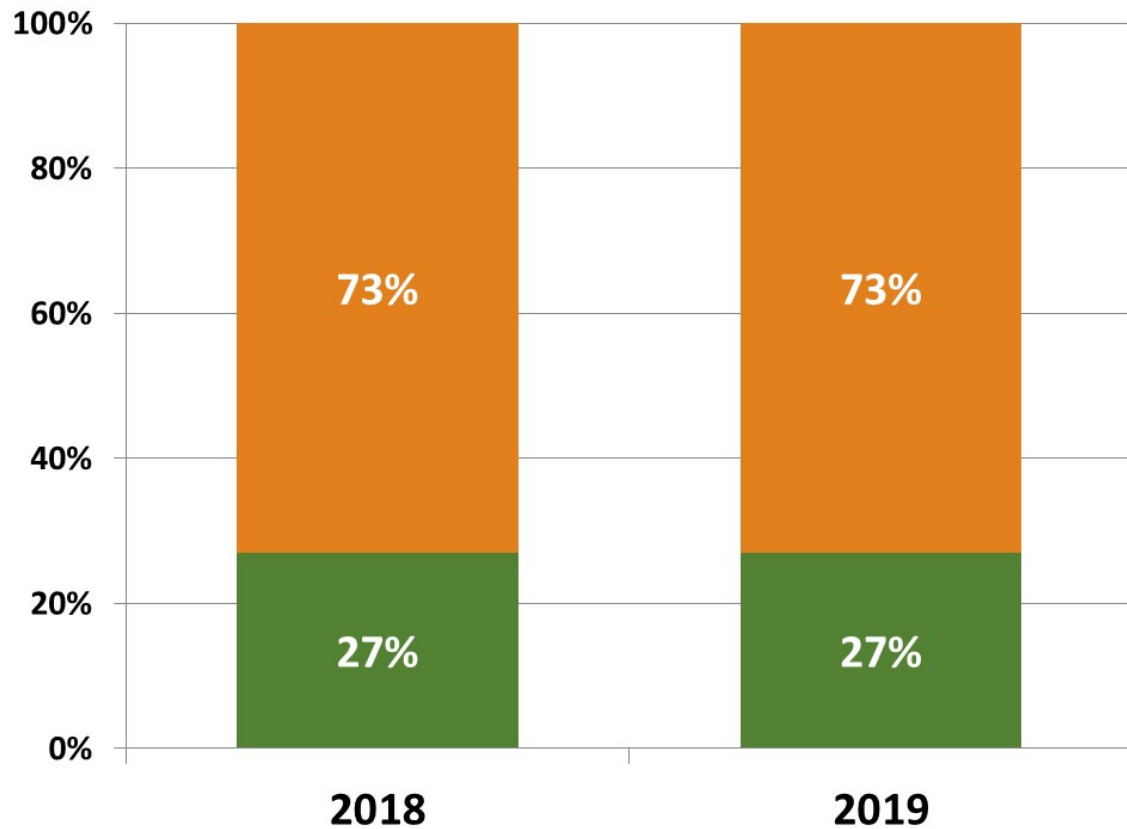
Tax Structure of Funded Companies, 2019



- C Corp, by far, is still the preferred entity structure for angel investors

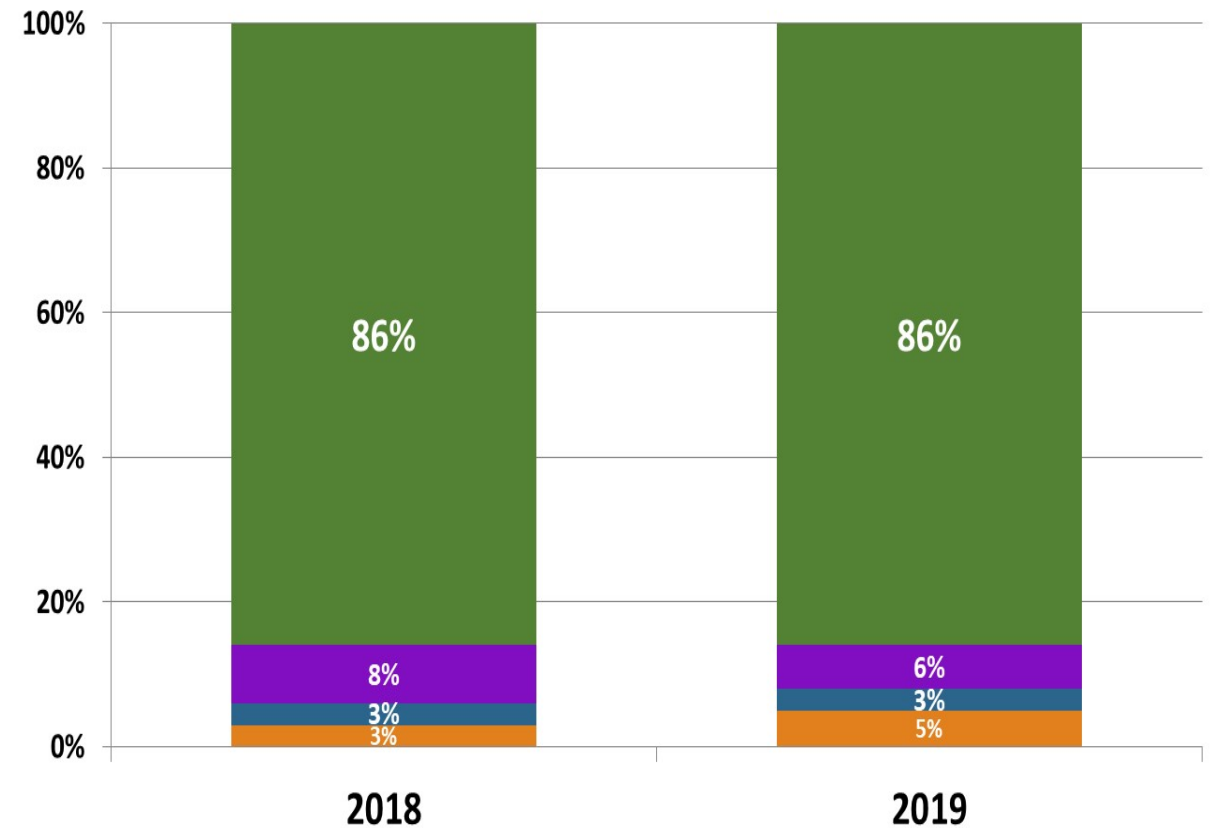
CEO Profile 2018 – 2019: Gender

Female Male



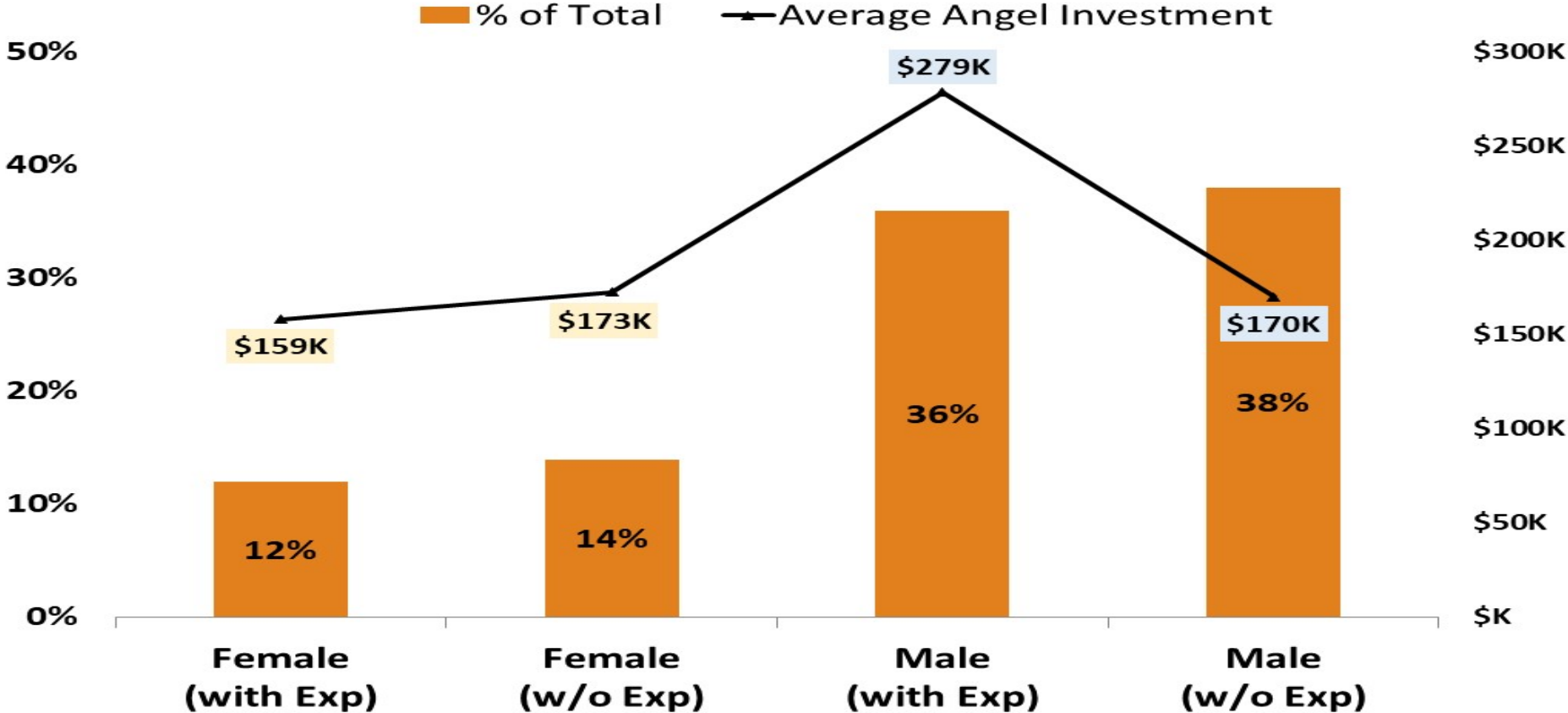
CEO Profile 2018 – 2019: Race

Other Black or African American Asian White



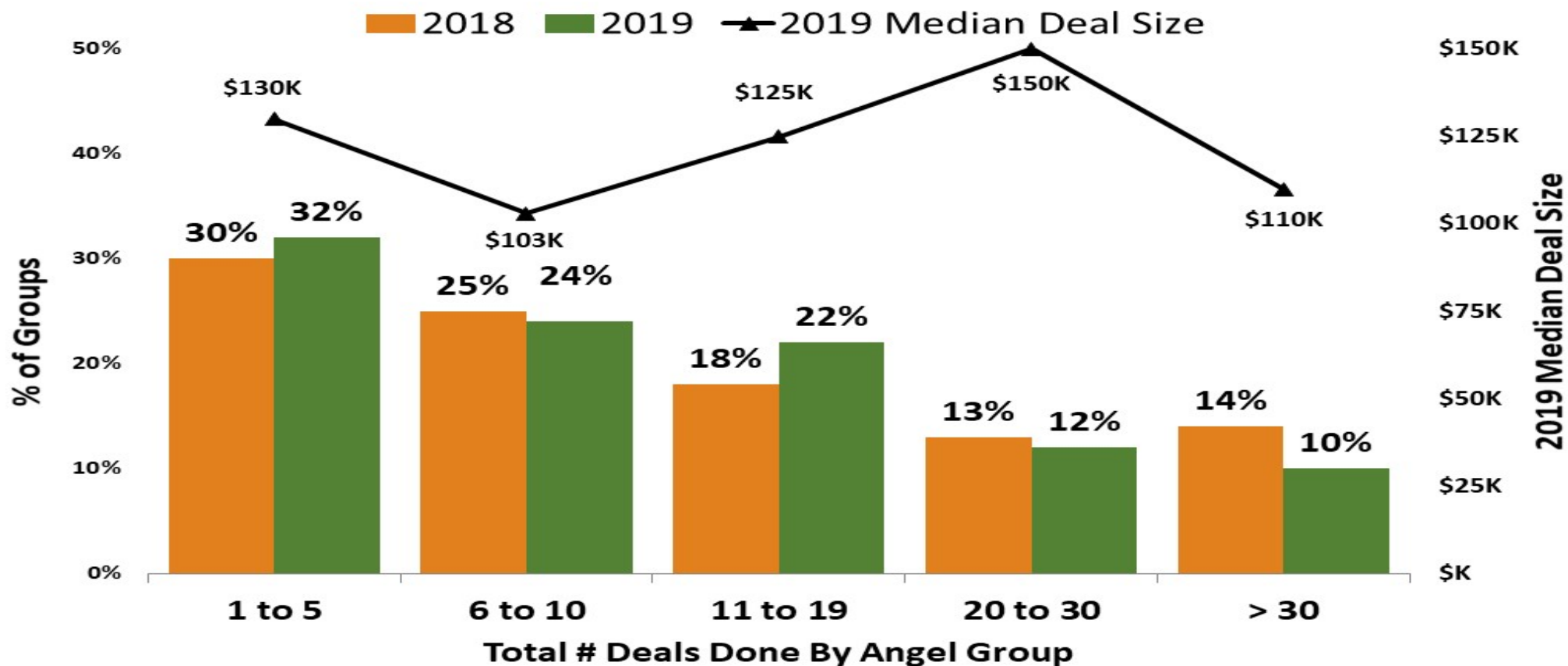
- Little change from 2018 to 2019 in gender or ethnicity profile of CEOs

CEO Experience



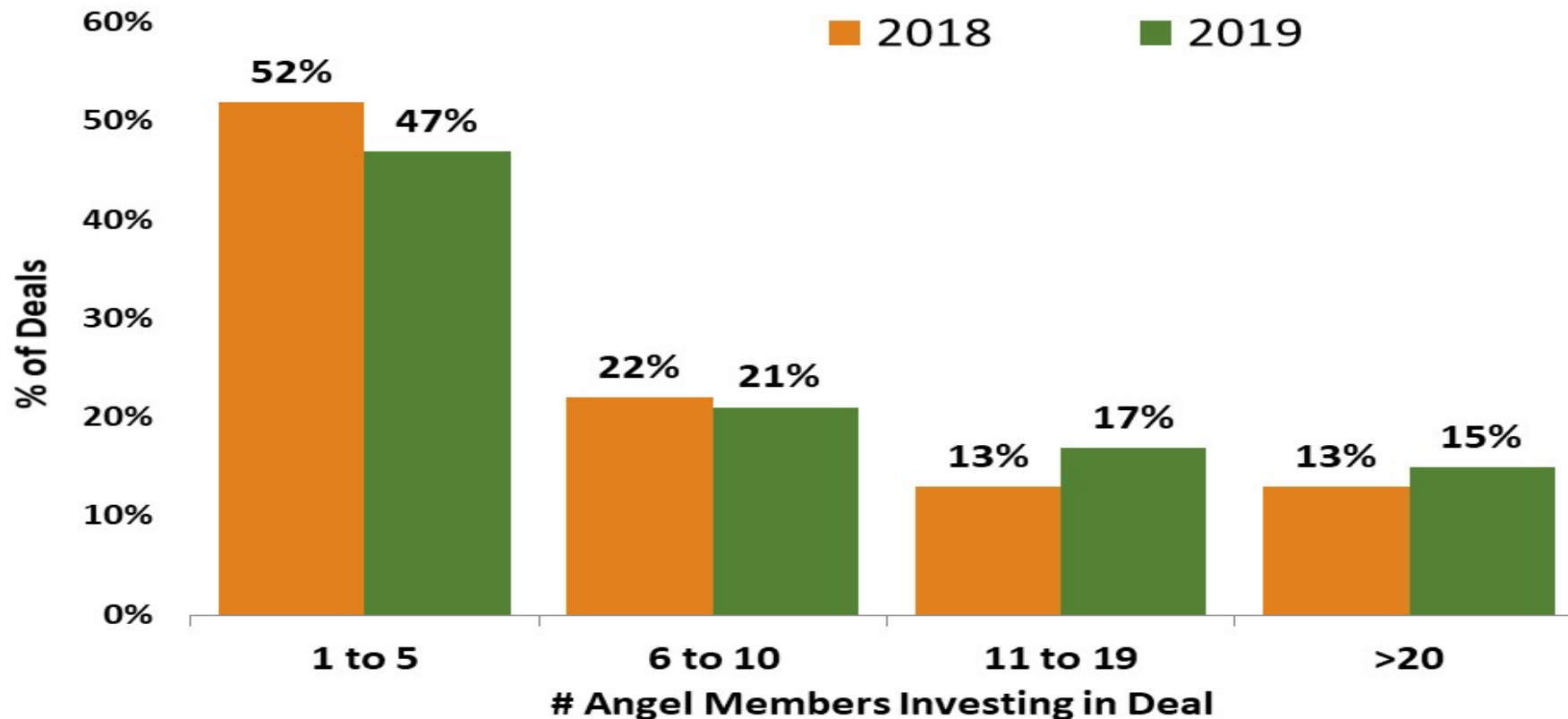
- Male CEOs with experience received 64% more funding than male CEOs without experience; however, there was little difference in funding of female CEOs

Total Number of Deals Per Group, 2018 - 2019



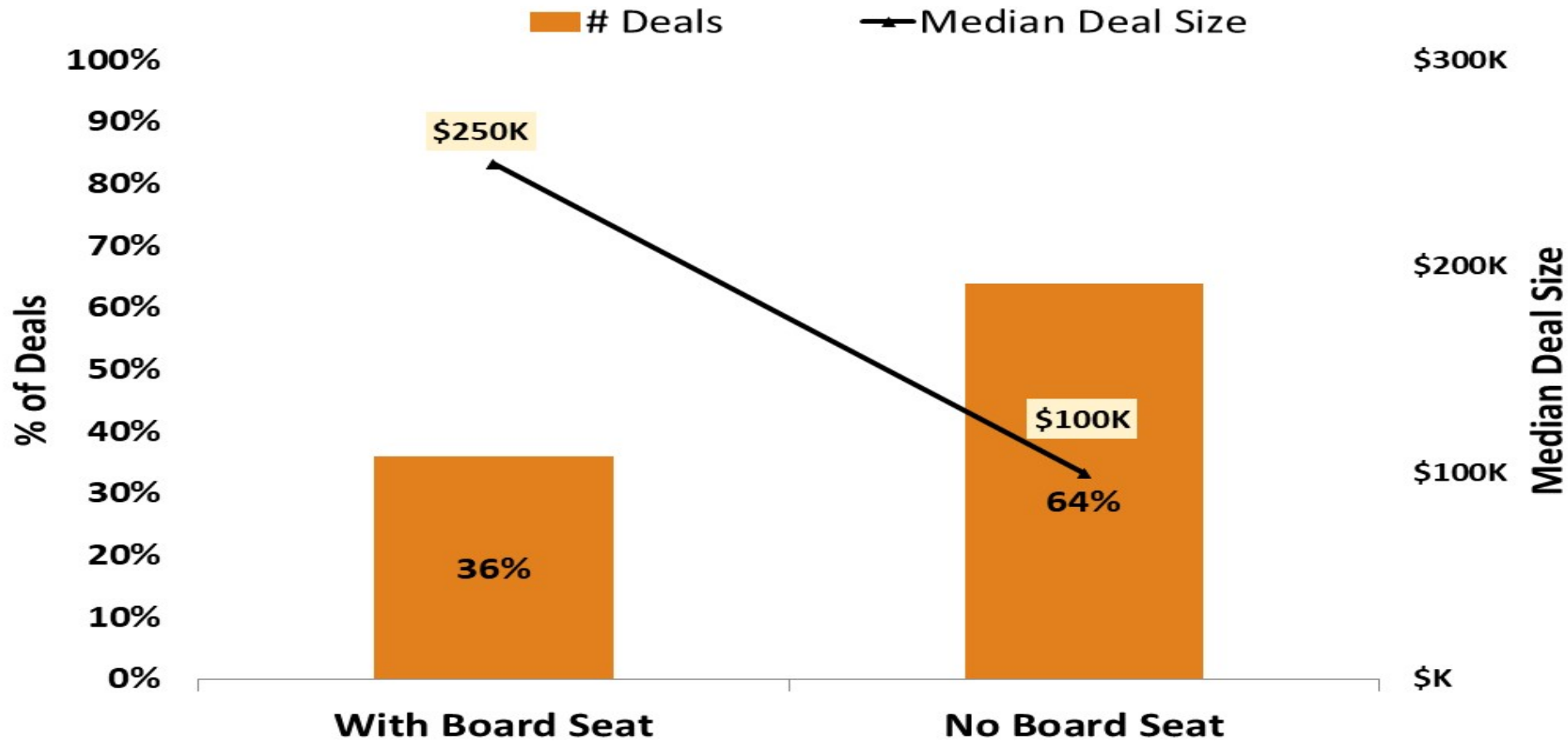
- In 2019, 56% of angel groups did 10 deals or less compared to 55% in 2018. Only 22% of angel groups in 2019 did 20 or more deals

Trend of Number of Angel Members Investing in Each Deal 2018 - 2019



- Surprisingly, approximately 50% of all deals in 2018 and 2019 involved 5 or less members from each angel group

Average Investment with Angel Member Joining Board, 2019



- While angel groups had a member joining the Board only in 36% of investments, members invest more than 2x per deal in which a member joins the Board

TOP ANGEL GROUPS

By Number of Deals

- 1) Keiretsu Capital
- 2) Anges Québec
- 3) Tech Coast Angels
- 4) Keiretsu Forum – MidAtlantic
- 5) Golden Seeds
- 6) Houston Angel Network
- 7) Central Texas Angel Network
- 8) New York Angels
- 9) RTP Capital Associates
- 10) Launchpad Venture Group

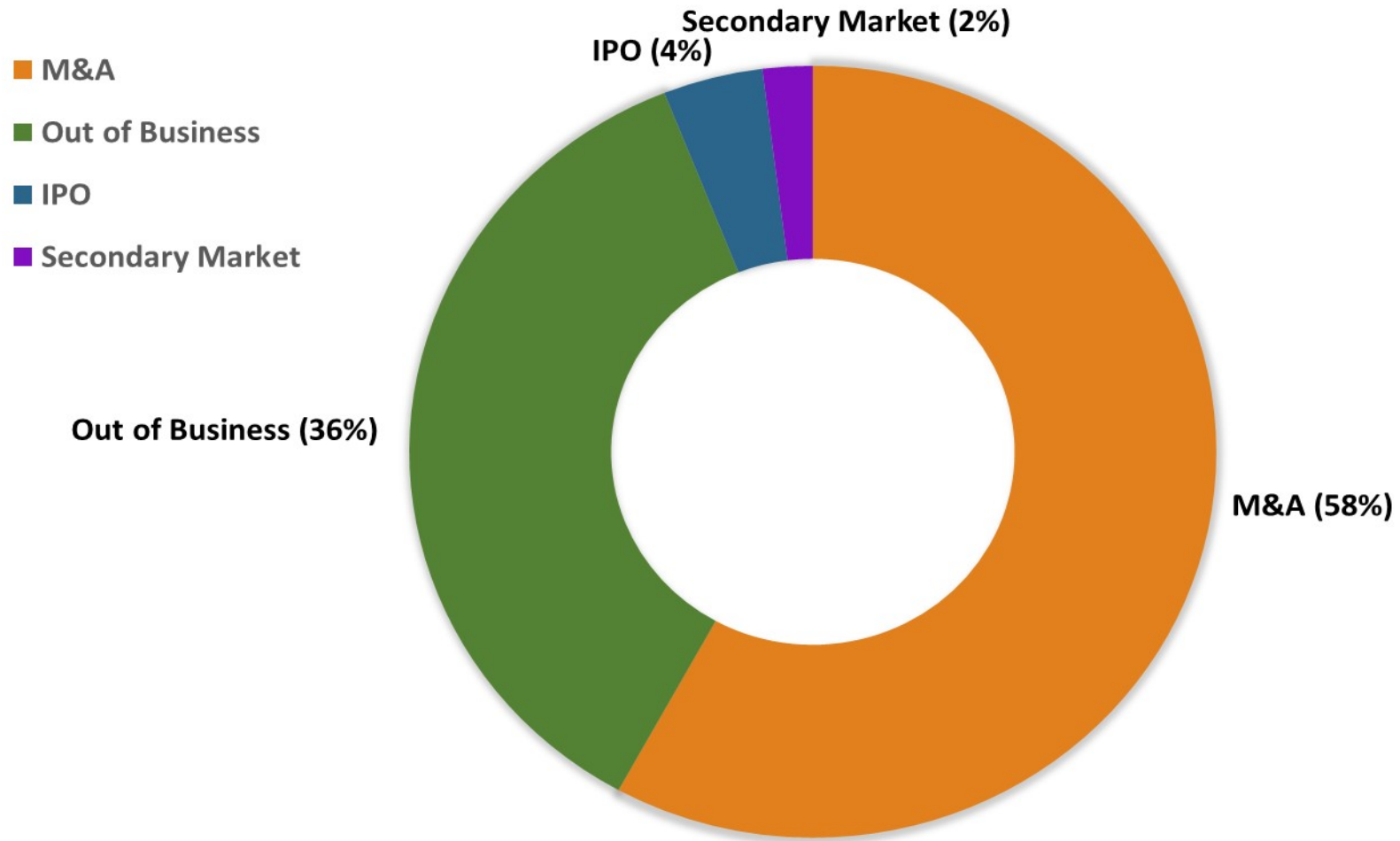
By Dollars Invested

- 1) Tech Coast Angels
- 2) Keiretsu Capital
- 3) Anges Québec
- 4) 757 Angels
- 5) VentureSouth
- 6) New York Angels
- 7) Northern Ontario Angels
- 8) Golden Seeds
- 9) Hyde Park Angels
- 10) Keiretsu Forum – MidAtlantic

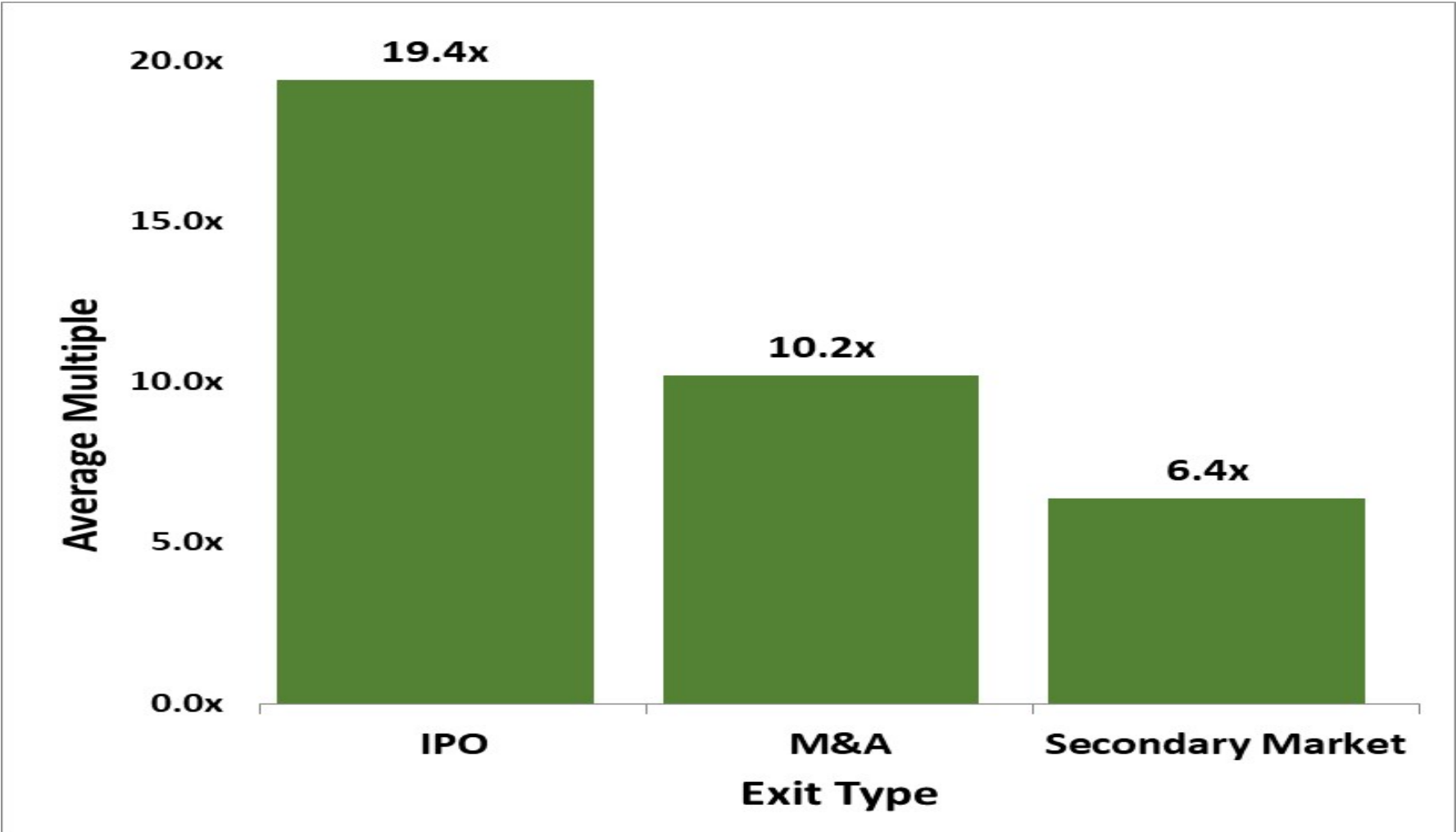
AFR EXIT AND OUT OF BUSINESS DATA

- We know from other angel investing data that 60% - 70% of all companies that angels invest in will go out of business
- Angels in our database have reported only 36% of the companies going out of business (149 of 417 reported exits)
- We still have a long way to go to get angel groups to report all companies' results, including those that go out of business

ACA Reported Exits or Out of Business Rounds (417)



Average Return Multiples by Company Exit Type



THANK
YOU

