

The background of the cover is a dark blue city skyline at night. Overlaid on the left side is a large, stylized graphic of a flame or wing in shades of blue and white. The text is positioned in the upper right quadrant.

MICHIGAN Angel Community

2021

ANNUAL RESEARCH REPORT



Michigan Angel Activity



Welcome

This is the fifth **Michigan Angel Community Annual Research Report**. The Michigan Angel Community serves as a resource and convener for all of Michigan's angel investors and groups and is here to help strengthen and grow entrepreneurial investment in the state. Michigan has a strong tradition of entrepreneurship, and this initiative hopes to support its continued revival.



This Report is made possible through the support and funding from the Ralph C. Wilson, Jr. Foundation. We would also like to thank the Michigan Economic Development Corporation (MEDC) for their continued support. Finally, thanks to all the angels and entrepreneurs that participated in this study.

The goal of this research is to uncover the activity and trends in Michigan's angel investment market in 2021. Data was collected through surveys to angels and entrepreneurs and utilizing databases like the US Securities and Exchange Commission's EDGAR system (Electronic Data Gathering, Analysis, and Retrieval) and Pitchbook.



AMONG THE KEY 2021 METRICS COMPILED WERE:

- Total angel investment in Michigan in 2021
- Number of companies receiving investment
- Investments by sector and geography
- Number of angels investing
- Angels by group
- Investments by type

It should be noted that this report only reflects investments in Michigan technology companies, and does not include investment in other traditional, non-tech sectors like real estate, retail, professional services, or restaurants.

COMPANIES THAT RECEIVED ANGEL FUNDING IN 2021:



Angel investing **bounced back** in 2021

HERE IS A SUMMARY VIEW OF THE STUDY FINDINGS:

\$69.1M

angel
dollars
invested

\$287.5M

total dollars invested

\$38K

median \$'s
invested
per angel

111

companies

1,578 # of angels
investing

22 WOMAN
OWNED

1,691 # of jobs at
investee companies

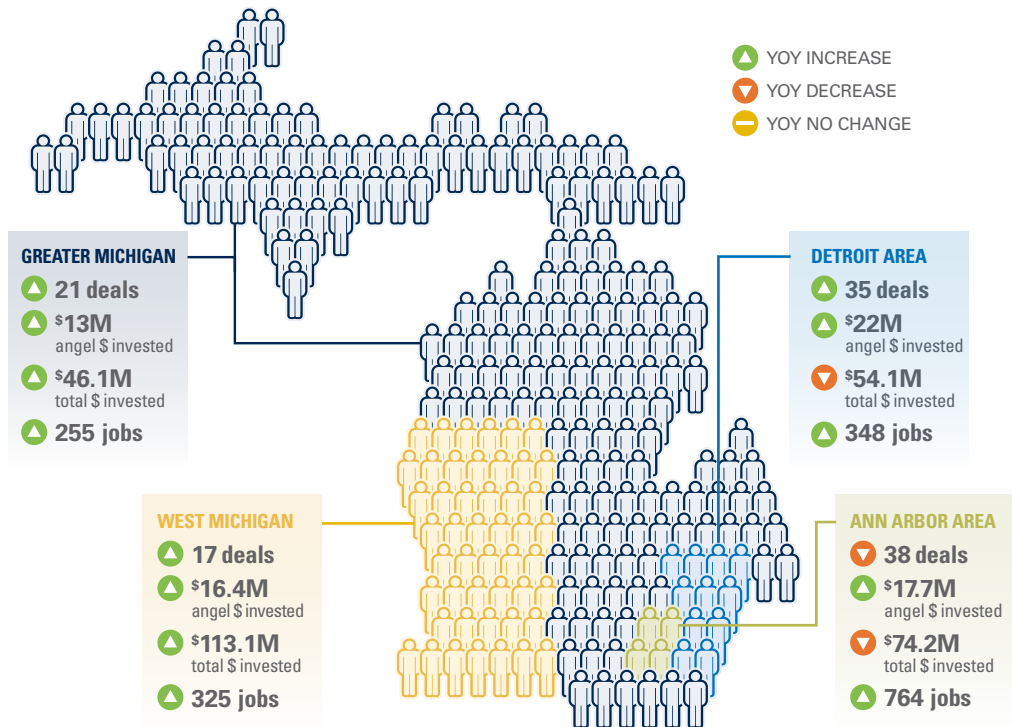
41 MINORITY
OWNED

The following pages provide a more detailed picture of
2021 angel investment in Michigan.

COMPANIES THAT RECEIVED ANGEL FUNDING IN 2021:



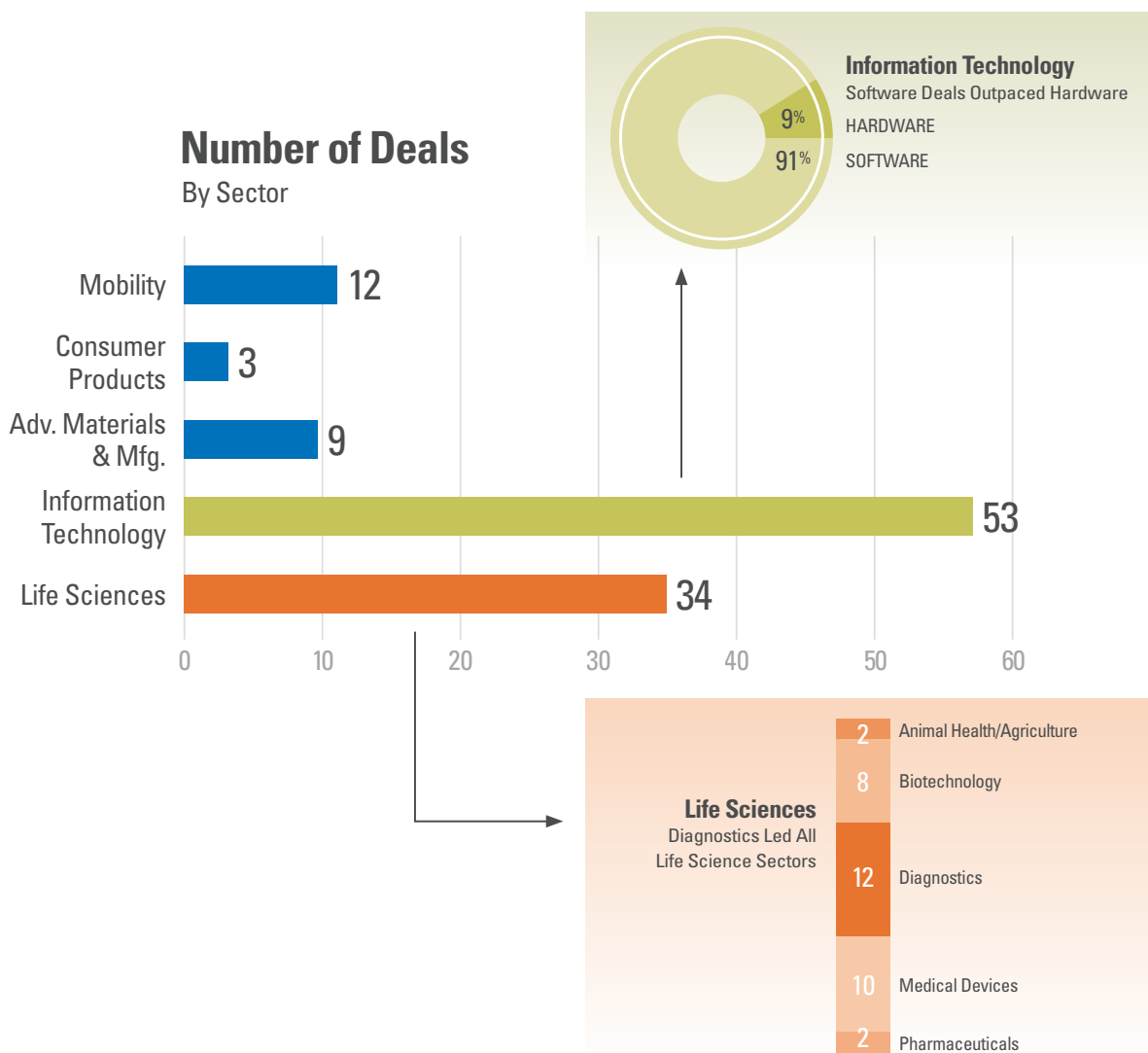
Angel activity increased throughout the state of Michigan in 2021



* OF THE 111 COMPANIES REPORTED, 18 ORIGINATED AT MICHIGAN UNIVERSITIES – 14 FROM THE UNIVERSITY OF MICHIGAN, 2 FROM MICHIGAN STATE UNIVERSITY, 1 FROM MICHIGAN TECHNOLOGICAL UNIVERSITY, AND 1 FROM WESTERN MICHIGAN UNIVERSITY.

All things considered, 2021 was a great year for angel investment across the state. After a lock-down year in 2020, which resulted in a 32% decrease in angel investment that year, 2021 nearly saw a return to the 2019 level of activity (the all-time high).

IT led all sectors in deal volume with angel investments in **53 companies**



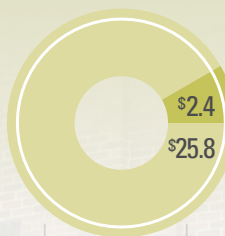
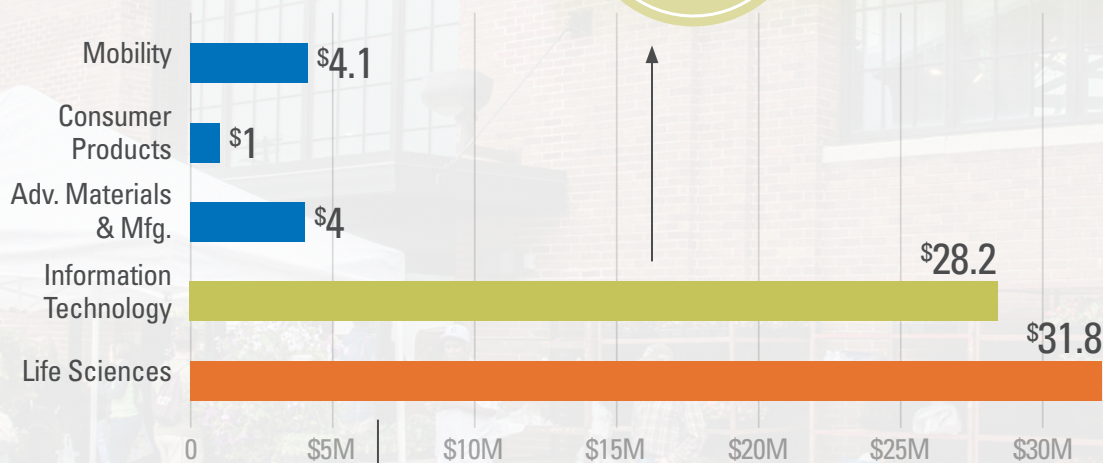
COMPANIES THAT RECEIVED ANGEL FUNDING IN 2021:



Life Sciences led in **angel dollars invested**

Angel Dollars Invested

By Sector In Millions



Information Technology

Software Again Surpassed Hardware

HARDWARE

SOFTWARE



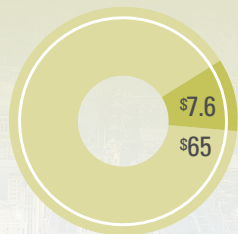
Life Sciences

Diagnostics & Biotechnology Exceeded All Other Life Science Sectors

Life sciences also led in total (angel + VC) dollars invested

Total Dollars Invested

By Sector In Millions

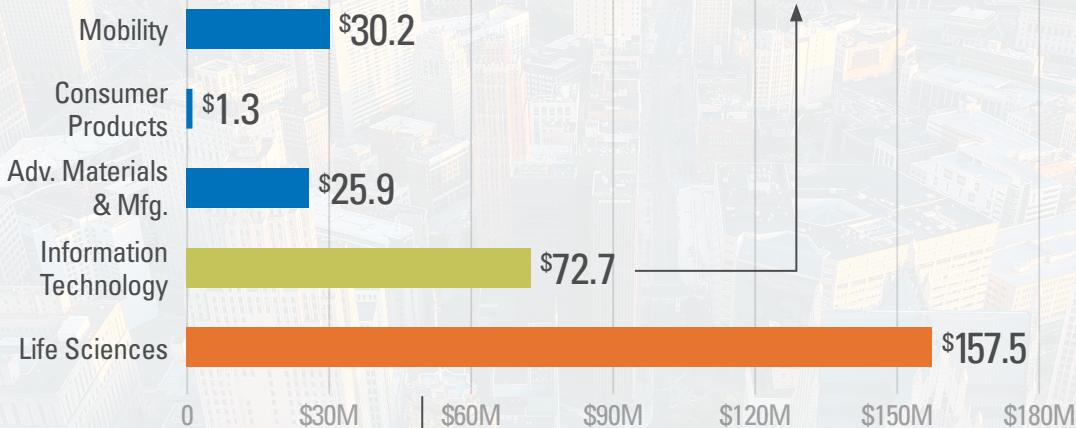


Information Technology

Software Exceeded Hardware
In Total Dollars Raised

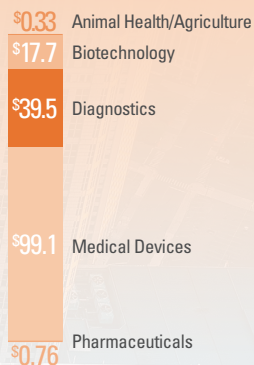
HARDWARE

SOFTWARE



Life Sciences

Devices Raised The Most In Total
Dollars Of All Life Science Sectors



COMPANIES THAT RECEIVED ANGEL FUNDING IN 2021:

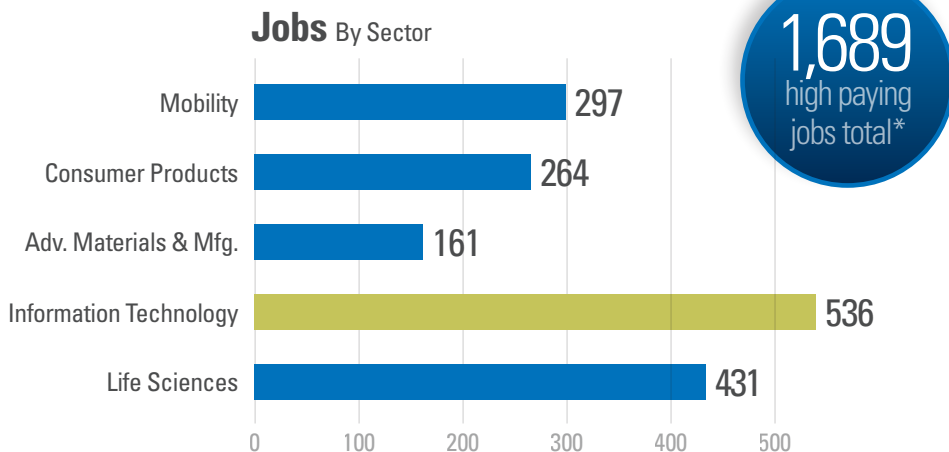
KUHMUTE

Lingco

MAXONE

MEMRYX

IT led jobs with 536

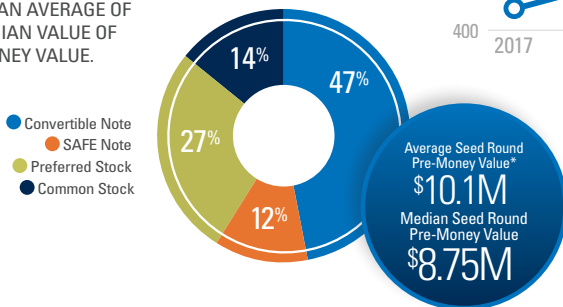


* THAT'S AN AVERAGE OF 15 JOBS PER INVESTEE COMPANY, ALL EARLY STAGE, WITH HIGH JOB-GROWTH POTENTIAL.

Note structures exceeded stock, 59% to 41%

A majority of companies raised note rounds of financing in 2021, deferring valuation, perhaps due to continued uncertainty during the pandemic. SAFE notes have continued to gain in usage, up to 12% of total deals from 10% in 2020.

* THIS IS UP FROM AN AVERAGE OF \$6.6M AND A MEDIAN VALUE OF \$8M 2020 PRE-MONEY VALUE.



investment stories



Dr. Randall Duthler
CO-FOUNDER

Zach Booker
CO-FOUNDER



Zach Booker and Dr. Randall Duthler started **ADHD Online** in 2018 in Grand Rapids with a mission to improve the diagnosis and treatment of ADHD. This was a “passion project” for them: they both have ADHD and have children with it as well, so they knew first-hand how individuals and parents struggle with a six to nine month wait time to have their children even seen by a psychologist. And they aim to change that.

The company knows that the COVID-19 pandemic has only increased the need for high-quality, accessible mental health services. In fact, the need has increased exponentially. Concerns about COVID and a shortage of qualified psychologists and counselors have made telehealth companies like theirs more vital than ever. They are excited to help families and address this important need.

ADHD Online has built a network of psychologists and clinicians across the United States. It works with the best providers to break down the barriers that stand in the way of better mental health and improve quality of life for patients. It does this through a combination of virtual diagnostic assessments and multi-tiered therapies (including both medication management and teletherapy counseling) to give clients the kind of support that they need to thrive.

The company represents a mission to lift up families and individuals who are struggling with ADHD and other mental health disorders and bring new hope to those affected.

Company Highlights:

- Closed Series A in 2021, which included MI angel groups
- \$10M in Revenue in 2021
- \$30M+ Revenue Projected in 2022
- MI-SBDC - Michigan Celebrate - 50 Companies to Watch 2022
- Opened Second Corporate Office - March 2022

Founded by Jason Miller in 2016, Saint Johns-based **BitLyft Cybersecurity** merges the best of people and software to provide unparalleled protection for organizations of all sizes.

What sets them apart is their proprietary BitLyft AIR threat detection and remediation platform which combines multiple security offerings into a single solution. AIR enables them to provide customers with unmatched data, insights, and visibility, along with a supercharged team of security analysts to deliver proactive, expert-level protection at a fraction of the price.

In November of 2021, BitLyft announced the close of their seed round of funding. The infusion will expand their mission to deliver automated and optimized cybersecurity solutions by helping to make the next generation of AIR more accessible and valuable to a market that is both resource-constrained and under increasing pressure to demonstrate a strong security posture to customers and stakeholders. By providing greater visibility and insight into their entire digital world, the platform will also allow management to be better equipped to make more informed business decisions, not just as they relate to IT and security, but across their entire organization.

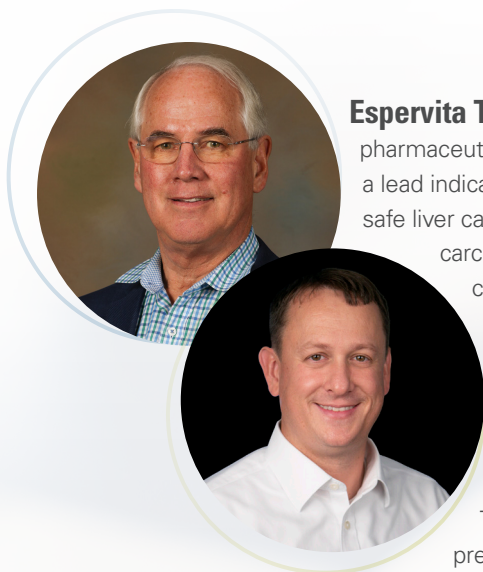
“Automating and optimizing key security tasks gives organizations access to tools they can implement without the need for large security or IT teams,” said Jason Miller. “This isn’t just software with support, it’s service-focused technology that gives companies the ability to respond quickly to today’s threats.”



JASON MILLER
FOUNDER & CEO



investment stories



Roger Newton, PhD
PRESIDENT & CEO

Spencer Heaton, MD/MBA
COO



Espervita Therapeutics based in Saline, MI, is a preclinical stage pharmaceutical company focused on metabolic reprogramming with a lead indication targeting the unmet medical need for effective and safe liver cancer systemic therapies. Liver cancer (hepatocellular carcinoma) is one of the deadliest and increasingly common cancers and is the only cancer in the Americas and Central Europe increasing in both incidence and mortality.

Espervita is addressing this unmet need by developing a series of novel compounds that trigger therapeutic metabolic reprogramming by inhibiting key metabolic enzymes known to drive liver cancer progression.

The Company is rapidly moving its lead compound through preclinical development and has generated compelling animal data demonstrating a 70% reduction in liver tumor burden following only four weeks of once daily oral dosing in mice. Additional studies have demonstrated combination therapy synergism with enhanced reduction of cancer cell proliferation in vitro and tumor burden in vivo when Espervita's lead compound is administered in combination with market leading first-line therapies.

A successful round of convertible debt fundraising was closed in 4Q21 to fund the following key milestones in 2022:

- Initiate the Investigational New Drug Program for the lead compound in preparation for first-in-human trials for the systemic treatment of hepatocellular carcinoma
- Conduct multi-arm in vivo studies exploring systemic combination therapies for the treatment of hepatocellular carcinoma
- Expand drug indications and pipeline

The company was founded by Roger Newton, Ph.D., who co-discovered and was the product champion for Lipitor®, one of the best-selling drugs of all time. Dr. Newton also previously co-founded two pharmaceutical companies with successful exits. The founding team is complemented by combined decades of drug development and scientific experience with Spencer Heaton, M.D./M.B.A., Greg Steinberg, Ph.D., Daniela Oniciu, Ph.D., and James Lally, Ph.D.

Functional Fluidics, is a technology-enabled diagnostics company commercializing the gold standard for assessment of red blood cell (RBC) health.

As an ICU Physician, Functional Fluidics' CEO & Founder, Patrick Hines, has treated patients with serious health conditions resulting from abnormal red blood cell function. He also felt the frustration of not having the right diagnostic tools to predict problems, treat illness, and monitor the response of therapies in patients. It became his life mission to develop the diagnostic tools so that people in need can receive the right care.

A new class of RBC – modifying therapies are on the horizon, yet there are no validated biomarkers to assess the health of RBCs and the change in response to medical intervention. Clinicians need improved functional biomarkers to assess disease severity, anticipate adverse events, and select the best therapies for individual patients.

Functional Fluidics initial focus is Sickle Cell Disease (SCD), an orphan genetic disorder of red blood cells (RBCs) that affects > 100,000 in the U.S., > 60,000 in the EU, and over 25 million globally. The average annual cost of care in the U.S. is \$200/patient. Individuals with Sickle Cell Disease may experience a range of complications, including debilitating pain crises. While certain treatments and lifestyle changes may help, without qualitative biomarkers, patients, providers, and pharmaceutical companies are not empowered to make the necessary advancements in Sickle Cell Disease care.

Functional Fluidics is commercializing RBC health biomarkers that help health care providers maintain health instead of reacting to crises. Their biomarkers are used in the development of SCD therapies by Emmaus, Global Blood Therapeutics, Novartis, Novo Nordisk, Takeda, Agios, Bicycle, Big Hat Bio, Graphite Bio, and Beam Therapeutics for preclinical, clinical, and post-market drug studies. The Company raised a note round from investors in 2021.



DR. PATRICK HINES, MD/PHD
FOUNDER & CEO



investment stories



Laura Khoury
CEO

Richard Millunchick
VP OF OPS



Shoptelligence

Shoptelligence, based in Ann Arbor, is home furnishing's leading omni-channel personalized merchandising platform designed to deliver convenience and style on the individual consumer's terms while simultaneously increasing customer lifetime value for our clients, furniture sellers. The company's core technology blends product data, consumer behavior, stated preferences and style reasoning to power interactive experiences on retailer sites, emails and in store helping retailers provide a seamless customer experience and aggregate data across channels to truly understand the customer and the impact of digital in the physical world. Working with top home furnishings retailers, Shoptelligence has demonstrated its ability to increase average order values by over 30% online and in store, and drive thousands of customers from retailer sites to their stores each month.

Laura Khoury founded the company as a frustrated consumer after an overwhelming shopping trip. Using her experience in strategy, technology, and analytics she founded the company in 2015. Richard Millunchick joined her in 2016 bringing over a decade in the marketing tech industry serving retailers. After two years of testing, in October 2018 the company launched its first production client. Since then, the company has doubled each year and expects to accelerate that pace in 2022.

The company established product-market fit in 2020 with its "Room Stylist" service, serving 10+ of the Top 100 retailers. In 2021 it expanded its platform to serve retailer store and email channels, as well as two adjacent customer bases: direct-to-consumer brands seeking to improve product discovery and finance companies seeking to increase customer lifetime value. With new business representing an opportunity to more than double its TAM, Shoptelligence raised a note round in 2021. Proceeds will be used to ensure successful deliveries by adding integration capacity, accelerate sales and marketing, and expand the platform.

ACQUISITION

Facility Health, Inc. was founded in 2016 and is based in Grand Rapids, Michigan. As a technology startup, the founding team includes deep and broad expertise in facility engineering, healthcare, and other industrial facility management, cloud technology, and leading companies that are customer-focused as a core value. This foundational expertise provided the vision of transforming infrastructure capital planning from an analog, reactive mode to the current best practice of objective data-driven prioritization of asset replacement.

FHI helps facility and finance teams work together to use data-driven intelligence to mitigate both facility and asset risk and solve the capital planning puzzle in both healthcare and food processing. The software as a service (SaaS) technology platform, called Origin provides predictive CAPEX and OPEX investment models using asset health data that is continuously updated for over 850 asset types.

Origin is currently being used to manage and forecast capital needs for over 100,000 assets at more than 600 individual facilities. The total replacement value of assets in Origin exceeds \$10 billion. The company has customers coast to coast in 20 states and is growing rapidly with nationally recognized health systems.

FHI was co-founded by software veteran Christian Fernando and architectural engineering veteran Hans Nelson. The company raised its first institutional round in 2020 with all Michigan-based investors and won the MVCA up and coming company of the year award in 2021. The company had a successful exit in December 2021 being acquired by **Brightly Software**, a Clearlake capital company



Christian Fernando
PRESIDENT & CEO

Hans Nelson
CO-FOUNDER, CHAIRMAN & CSO



2021 Notable Michigan Company Exits

Arx

BENZINGA

Empirical
bioscience

FACILITY
HEALTH INC.
Asset Life Cycle Care

SPORTSMAN
TRACKER™

Swift
BIOSCIENCES™

There were **1,578 angels** that invested in Michigan companies in 2021!

ANGEL GROUPS	# IN GROUP
Ann Arbor Angels	25
Ark Angels	32
Belle Michigan	67
Birmingham Angels	26
Capital Community	16
Commune Angels	23
Innovation Shore Angels	20
Michigan Angel Fund	160
Michigan Capital Network	152
Blue Water Angels	
Flint Angels	
Grand Angels	
Ka-Zoo Angels	
Woodward Angels	
Muskegon Angels	25
Northern Michigan Angels	54
Pointe Angels	93
TOTALS	693

Interest in angel investing continues to grow. Angel group membership in Michigan grew by more than 100 people in 2021 and 500 more angels invested in 2021 vs. 2020.

DETROIT-METRO BASED GROUPS

BELLE IMPACT FUND
COMMUNE ANGELS
POINTE ANGELS
WOODWARD ANGELS

MICHIGAN
ANGEL FUND
(STATEWIDE)

NORTHERN
MI ANGELS

BLUE WATER
ANGELS

MUSKEGON
ANGELS

FLINT
ANGELS

CAPITAL
COMMUNITY
ANGELS

ARK
ANGELS

GRAND
ANGELS

BIRMINGHAM
ANGELS

KA-ZOO
ANGELS

ANN ARBOR
ANGELS

COMPANIES THAT RECEIVED ANGEL FUNDING IN 2021:

Nickels

NOTA
LABORATORIES

NS

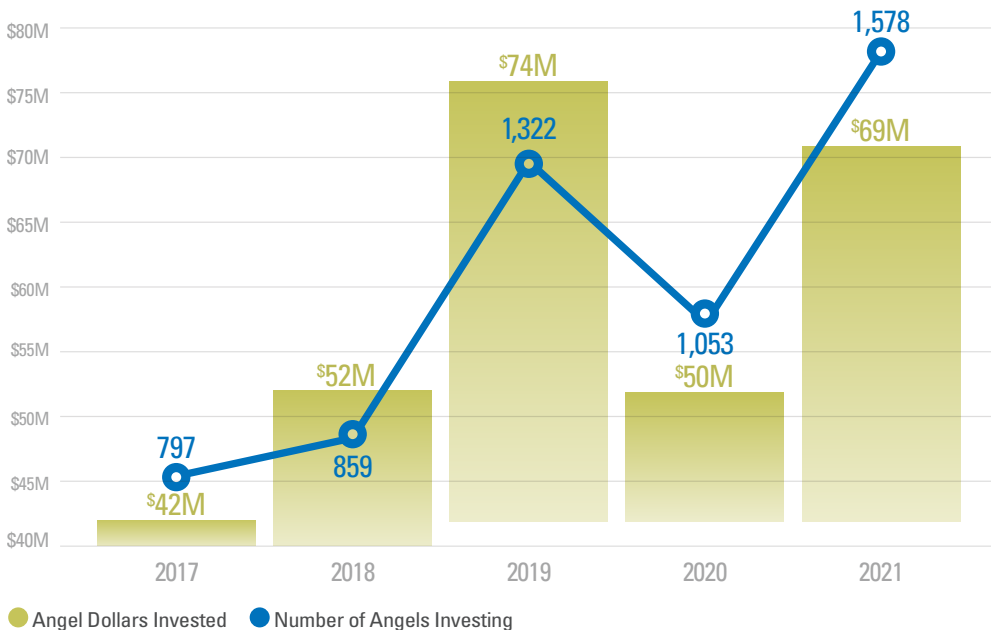
ORBION
SMAC TECHNOLOGY

Angel investment is back on an upward trajectory in Michigan

After a dip in investment activity in 2020 due to the pandemic, we saw a significant increase in angel investment, almost to 2019 levels, as well as the highest number of angels investing since we began tracking in 2017.

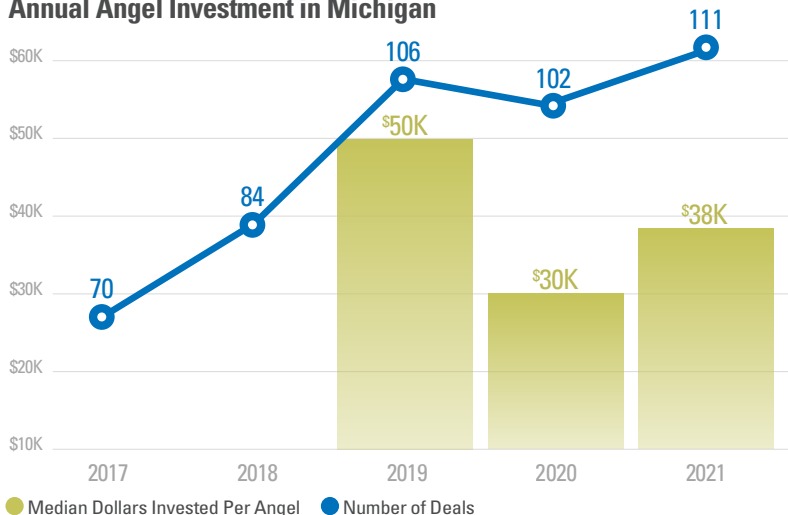


Annual Angel Investment in Michigan



We also saw the highest number of deals to date with 111, and an increase in the median dollars invested from 2020 to 2021.

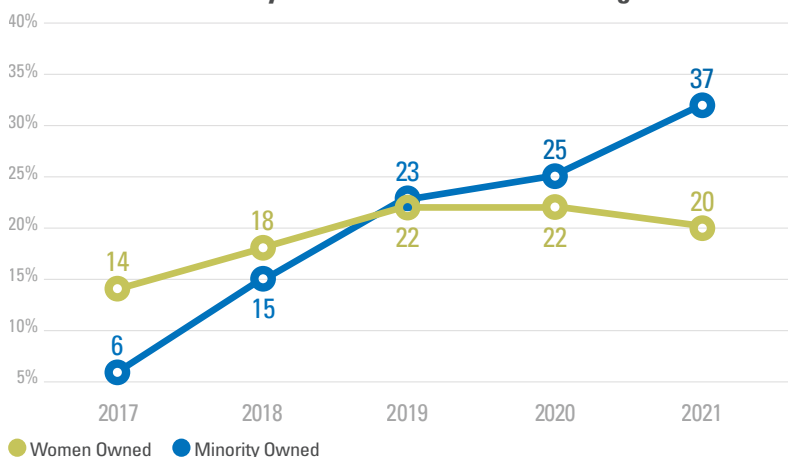
Annual Angel Investment in Michigan



The number of **women** and **minority-owned** companies getting angel funding has increased over the last 5 years

% of Women & Minority Owned Businesses Increasing

We've seen a significant rise in minority-owned businesses getting funded since 2017 going from 6% to 37% in 2021. Woman-led companies have also increased as a share of total deals since 2017 going from 14% to 20% last year, however there was a 2% decrease from 2020.



COMPANIES THAT RECEIVED ANGEL FUNDING IN 2021:



Methodology

This annual study aims to capture as much data on the relevant metrics as possible. To do that, we surveyed angel groups, individual angels investing independently, as well as companies. There were three different surveys, one for individual investors, one for angel groups, and one for companies. The surveys made requests for the following data:

INDIVIDUAL INVESTOR SURVEY

- Company name
- Month of investment
- Investment type
- Exit details (if any)
- New or follow-on investment
- Whether through an angel group or not
- Name of angel group (if any)
- # of angels investing from group (if any)
- Investment amount
- Total round size
- Investment type
- Other angel group affiliations (if any)

ANGEL GROUP SURVEY

- Contact information
- Company name
- Month of investment
- Investment type
- New or follow-on investment
- Pre-money valuation
- # from group participating
- Group investment amount
- Total round size
- Exit details (if any)

COMPANY SURVEY

- Contact information
- Company name
- Industry
- Total funding received in 2021
- Angel funding received in 2021
- # of angels per locality
- Investment type
- New or follow-on investment
- Total # of FTEs
- # of founders and executives identifying as minorities
- Post-money valuation

In addition to our surveys, we utilized the SEC's EDGAR database and Pitchbook, to ensure the highest capture rate of investment information possible.

Please reach out to us directly if you're a member of this great Community, so we can learn more about you, as well as add you to our mailing list. You can find more information on our website:

www.michiganangels.org.

You can also contact Mike Flanagan directly, who was the Principal Researcher of this Annual Report, and a Vice President at SPARK:

mike@annarborusa.org; 734-679-6370. Thank you!





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MICHIGAN ECONOMIC
DEVELOPMENT CORPORATION



RALPH C. WILSON, JR.
FOUNDATION