

2018

ANNUAL RESEARCH REPORT

Michigan Angel Activity





Welcome

This is the second **Michigan Angel Community Annual Research Report**. The Michigan Angel Community represents and serves all of Michigan's angel investors and groups, and is an initiative designed to help strengthen and accelerate entrepreneurial investment in the state. Michigan has a proud tradition of entrepreneurship, and the Michigan Angel Community ("MAC" or "Community") intends to support its continued revival.

This initiative would not be possible without support and funding from the Ralph C. Wilson, Jr. Foundation. We would also like to thank all the angels and entrepreneurs that participated in this study and helped in producing this report.

The goal of this research is to uncover important metrics and trends in Michigan's angel investment market and community. It is intended to provide a foundation off which the Community can further collaborate, grow, and together achieve greater success as investors and contributors to Michigan's economic prosperity. Data was collected in the first months of 2019 through surveys sent out to angels and entrepreneurs.

AMONG THE KEY 2018 METRICS COMPILED WERE:

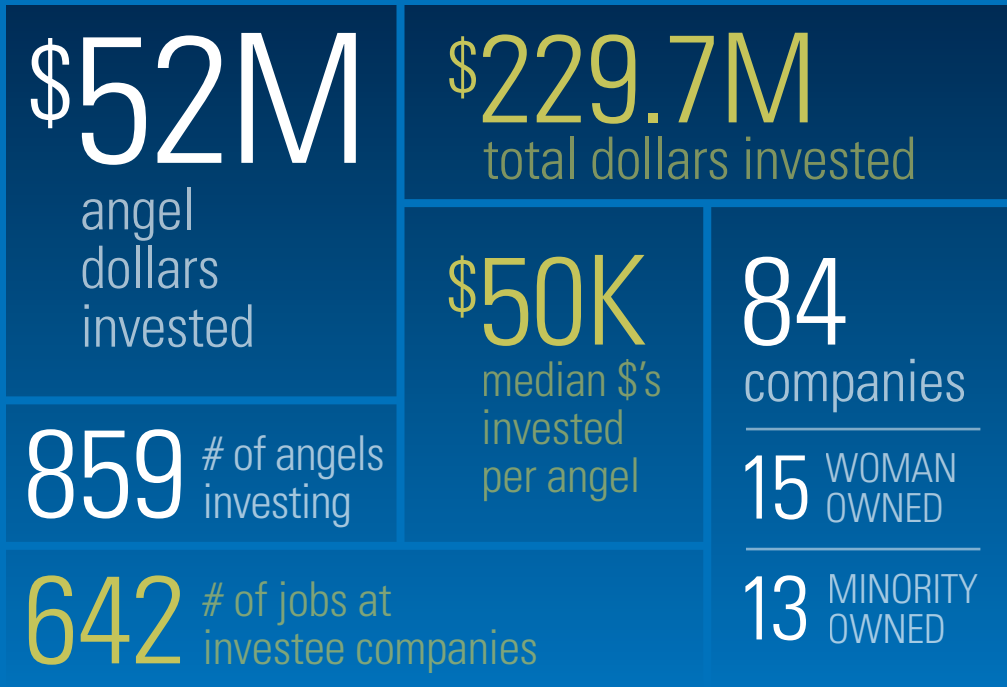
- Total angel investment in Michigan in 2018
- Number of companies receiving investment
- Investments by sector and geography
- Number of angels investing
- Angels by group
- Investments by type

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.



Summary of findings

HERE IS A SUMMARY VIEW OF THE STUDY FINDINGS:

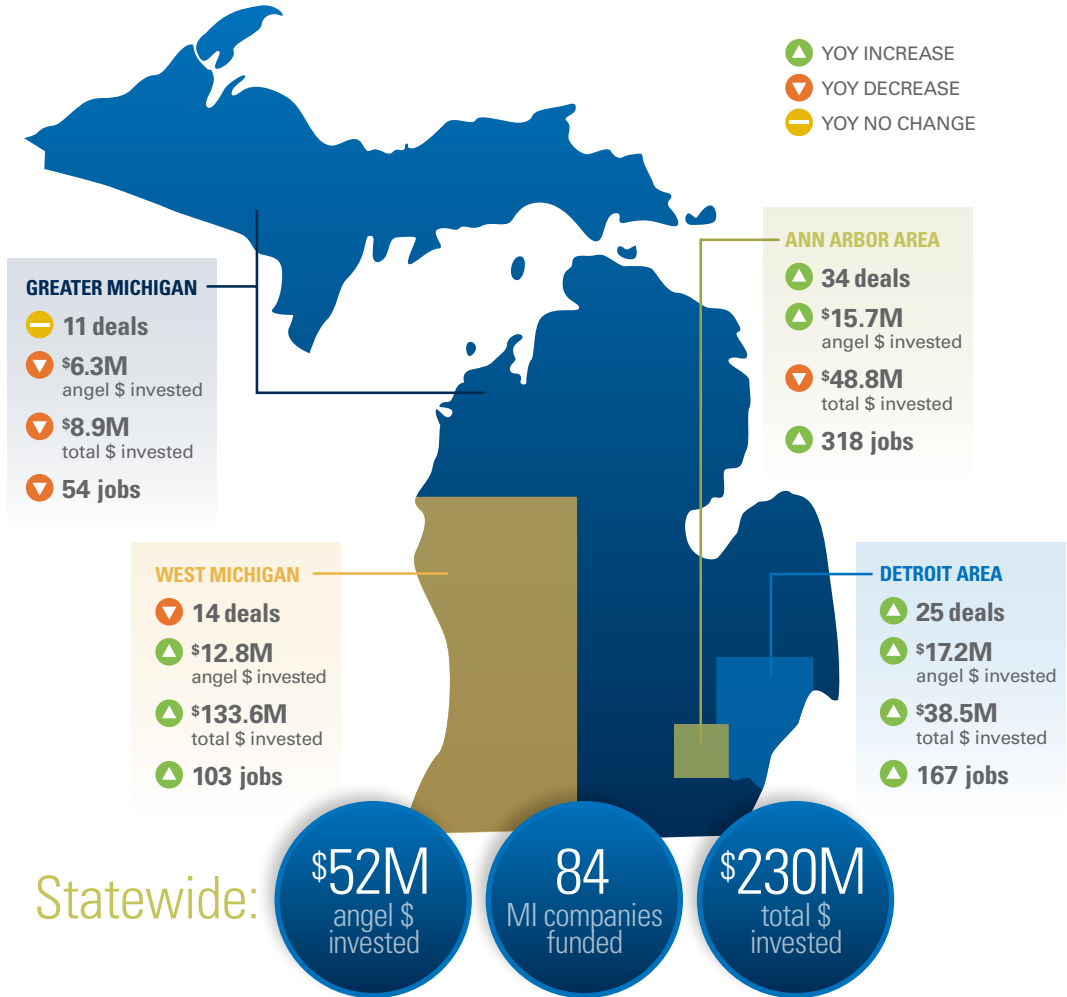


The following pages provide a more detailed picture of 2018 angel investment in Michigan.

Companies that received Angel Funding in 2018:



There was a good distribution of angel deals and dollars throughout the state



Midhrt

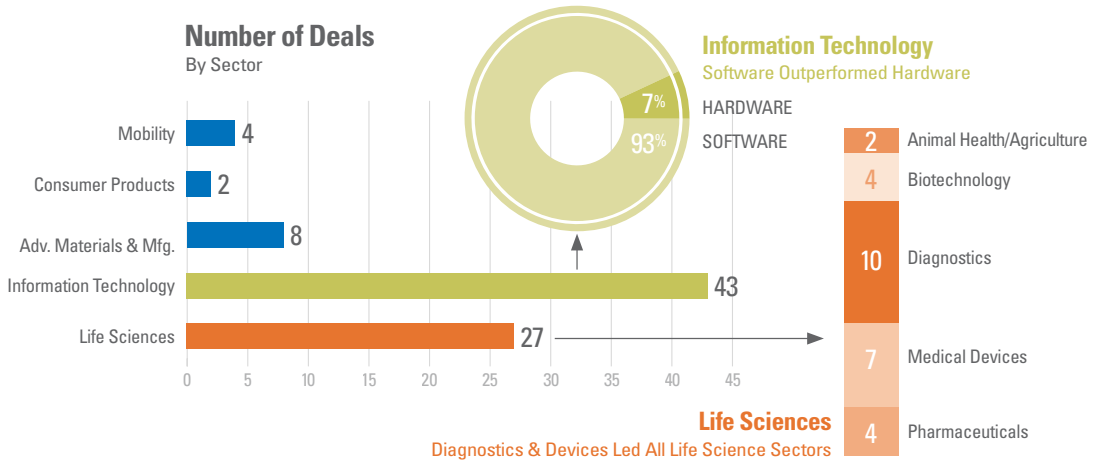
Bankjoy

BrandXR

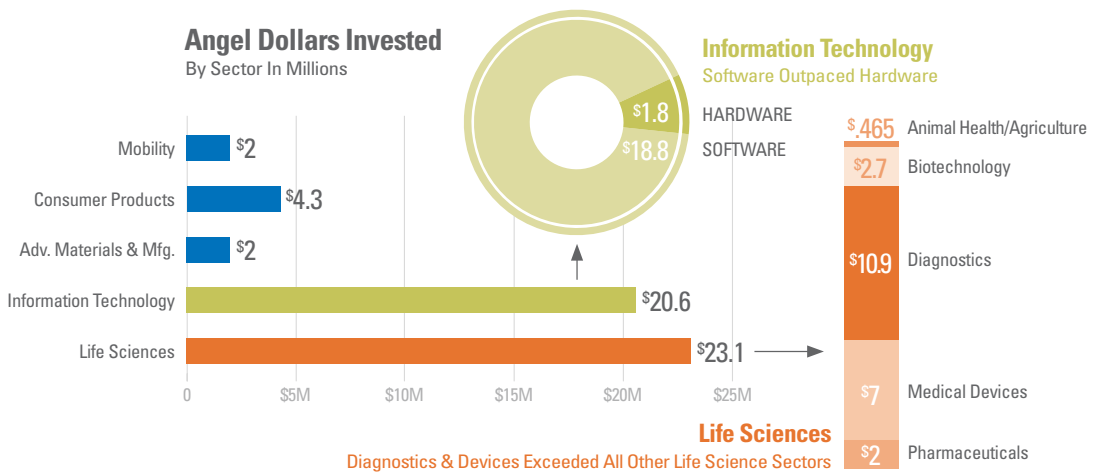
Brio
Device

Celsee

IT led all **sectors** with angel investments in 43 companies



However, life science surpassed IT in **angel dollars** invested



Companies that received Angel Funding in 2018:



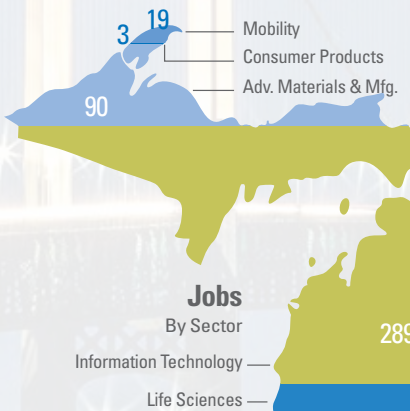
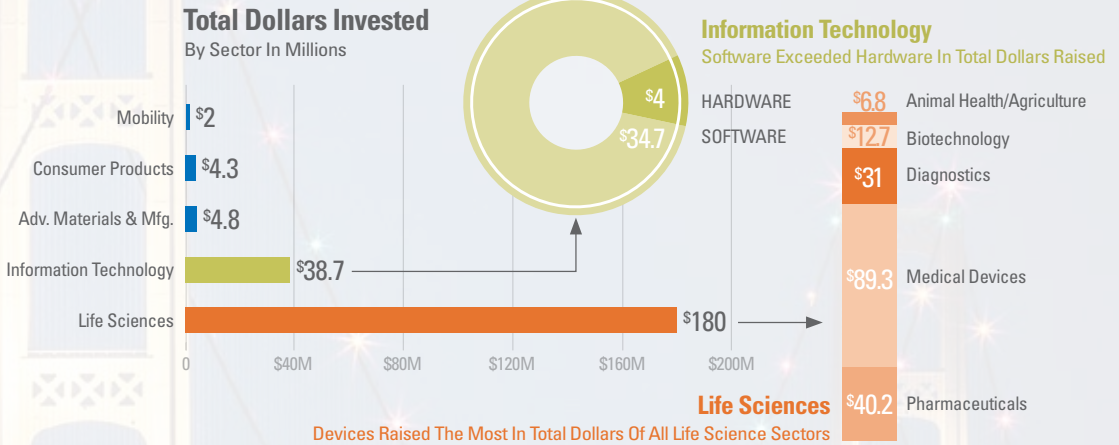
CERTIFID

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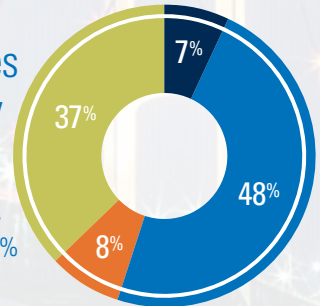
Life science also exceeded IT in **total dollars** invested



IT led in statewide **jobs** with 289

Angels help seed local economies for growth, diversification, and talent retention & attraction.

Note structures slightly exceeded stock, 56% to 44%



● Convertible Note ● Preferred Stock
● SAFE Note ● Common Stock

This ratio shows that Michigan deviates slightly from the Midwest as a whole. The Angel Resource Institute's 2017 Halo Report showed that Midwest angels invested 60% in preferred stock and 40% in convertible notes (and other debt structures like SAFE notes). Michigan was nearly 50/50 stock to notes in 2017, so we saw a slight uptick in the use of note structures in 2018.

642
high paying jobs total
an average of 8 jobs per investee company, all early stage, with high job-growth potential.



success

INVESTMENT: Mi Padrino®, an innovative Hispanic event website, celebrated its 300,000th user in March 2019. The online platform is a true one-stop shop planning experience for quinceañeras, bodas, and other traditional Hispanic events, allowing Latinx families from all over the country easily plan their events online while embracing their centuries-old traditions.

In the summer of 2018 Mi Padrino closed its Series Seed round which included Michigan Angel Fund, as well as industry leader, XO Group (TheKnot). As an all-in-one marketplace, Mi Padrino allows event hosts to register for gifts, find local vendors, shop for products, and more. Mi Padrino is using the funds to continue its rapid growth trajectory by enhancing its platform, expanding its marketing efforts, and investing in user engagement/retention. Mi Padrino is based in Ann Arbor and Jackson.



Kim Gamez



Jeff Mason



EXIT: Groundspeed is a data science and artificial intelligence (AI) company, based in Ann Arbor, serving the commercial property and casualty insurance industry. Groundspeed's solutions unlock the value in unstructured insurance documents to automate core processes and provide powerful predictive risk analytics that improve margins, identify profit pools, and improve customer experience.

In the spring of 2017 Groundspeed received a \$2 million Series A round of funding led by ManchesterStroy Group with additional participation from Michigan Angel Fund and Tappan Hill Ventures. Groundspeed used these funds to expand sales and marketing efforts as well as to accelerate product development. The growth fostered by the Series A investment led to a \$30 million Series B round of funding through Oak HC/FT in the summer of 2018.

“Groundspeed looks forward to continued growth and owes much of its success to the first individuals and organizations who had faith it would achieve what it has in the insurtech industry”, said Founder & Co-CEO Jeff Mason.

Groundspeed provides an example of an alternate route to exit for angel investors in some cases. In this case, many of the early investors were able to achieve a significant return by opting to sell their shares to Series B investors. It was a win-win for both investor groups, and the company continues to grow rapidly in Michigan.

Companies that received Angel Funding in 2018:



stories



Lyon (Brad) King



INVESTMENT: ORBION has developed the *Aurora* Hall-effect thruster for small satellites, the process for manufacturing the thrusters in 100s of units per year, and patented special test equipment necessary for mass production. There were 300 small satellite launches in 2017, which was 2x more than 2016, and launches are predicted to hit 1,000+ per year over the next 7 years. ORBION offers the Aurora propulsion system to this rapidly expanding market at a 3x lower price and at a production capacity that is 100x greater than existing competitors.

Using Seed Round funding, which included its 1st place award from the Accelerate Michigan Innovation Competition, ORBION has designed the Aurora system and demonstrated in the lab that it's the highest-performing thruster of its type in the world. ORBION has secured initial customers and the first Aurora system will be launched into space in June 2020. Proceeds from its current round will be used to build and deliver the first flight articles and to mature the robotic manufacturing process to enable full-production scale-up. ORBION is based in Houghton.

EXIT: Armune BioScience, a medical diagnostics company based in Kalamazoo, was started in 2009 with a license agreement from the University of Michigan involving autoantibody technology to aid in the risk assessment for prostate, lung, and breast cancer. The Company opened a commercial lab in the 1st quarter of 2015 with the launch of Apifyn[®], the only cancer specific, non-PSA blood test available in the world to assess the risk of prostate cancer. The company expanded quickly with support from a \$5 million Series A round of financing, largely consisting of angel investment. By the end of 2017, Armune processed over 14,000 Apifyn[®] tests, secured an average reimbursement of \$400 from commercial payers, and expanded the product line. As a result of the team's success, Armune gained the interest of numerous strategic buyers and closed a deal with Exact Sciences to acquire core assets of the business.



David A. Esposito



“The proprietary technology of Armune BioScience has significant potential to meet an area of large unmet need in prostate cancer diagnostic testing,” said David A. Esposito, former President and CEO of Armune.

According to the Centers for Disease Control and Prevention (CDC), prostate cancer is the most common type of non-skin cancer for men in America and is a leading cause of cancer death among men of all races.

Armune demonstrates the potential of angel-backed companies to have both a positive societal impact while providing significant returns to angel investors. It's also a Michigan success story helping continue to drive our entrepreneurial ecosystem forward.



There were **859 angels** that invested in Michigan companies in 2018!

As we continue to research the Michigan angel market over the next several years, we intend to learn more about the members of the Michigan Angel Community, including our geographic and demographic distribution and our investment profiles. In the meantime, we are at least familiar with the most publicly well-known angel groups in the state and their respective membership numbers, as seen below.

ANGEL GROUPS	# IN GROUP
Ann Arbor Angels	12
Belle Michigan	29
Blue Water Angels	44
Capital Community	19
Grand Angels	62
Innovation Shore Angels	20
Ka-Zoo Angels	15
Michigan Angel Fund	120
Muskegon Angels	25
Northern Michigan Angels	42
TOTALS	388

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 and include your information in the future (at your discretion). You can find more information on our website: 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 or call **734.679.6370**. Thank you!



Companies that received Angel Funding in 2018:



Methodology

This study aimed 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
- Whether through an angel group
- Name of angel group (if any)
- # of angels investing from group (if any)
- Investment amount
- Other angel group affiliations (if any)

ANGEL GROUP SURVEY

- Contact information
- Company name
- Month of investment
- Investment type
- New or follow-on investment
- Was group the lead
- Co-investors
- # from group participating
- Group investment amount
- Total round size

COMPANY SURVEY

- Contact information
- Company name
- Industry
- Total funding received in 2018
- Angel funding received in 2018
- % of angel funding from outside MI
- Investment type
- New or follow-on investment
- # of FTEs of company
- # of female FTEs
- # of minority FTEs

In addition to our surveys, we accessed Pitchbook, one of the leading private and public capital markets databases, to learn about other investments that didn't surface through the surveys. While this was certainly helpful, Pitchbook's data also relies on companies self-reporting, and so it was likely not inclusive of all actual 2018 investment activity.

Indeed, one of the main challenges in conducting this research is in identifying all companies receiving angel investment. This is difficult given the private nature of angel investing. As a result, there is likely more activity than we were able to capture, but we expect to gradually improve each year as research continues, and awareness of and participation in the study grows.





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Angel
Community

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ANN ARBOR
SPARK

in
partnership
with



RALPH C. WILSON, JR.
FOUNDATION