

2020

ANNUAL RESEARCH REPORT

MICHIGAN
Angel
Community



M I C H I G A N A N G E L A C T I V I T Y



Welcome

This is the fourth **Michigan Angel Community Annual Research Report**. The Michigan Angel Community serves all of Michigan's angel investors and groups and is here to help strengthen and grow entrepreneurial investment in the state. Michigan has a great tradition of entrepreneurship, and the Michigan Angel Community intends to support its continued revival and growth.

This Report would not be possible without 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 of this initiative. 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 and community in 2020. Data was collected in the first months of 2021 through surveys sent out 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 2020 METRICS COMPILED WERE:

- Total angel investment in Michigan in 2020
 - 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.

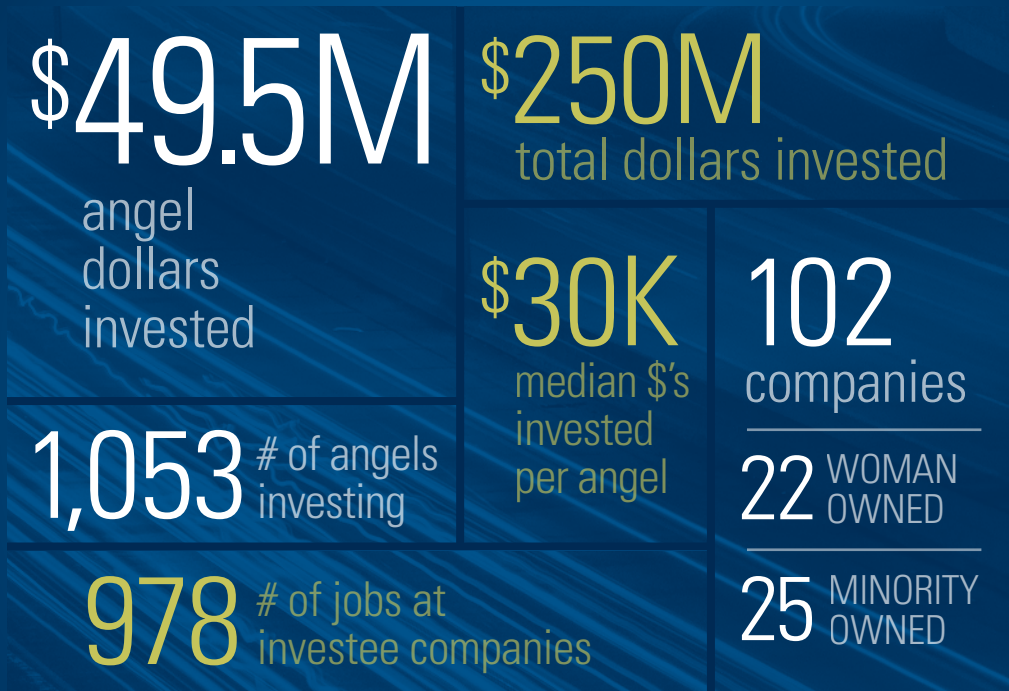


COMPANIES THAT RECEIVED ANGEL FUNDING IN 2020:



Summary of findings

HERE IS A SUMMARY VIEW OF THE STUDY FINDINGS:



The following pages provide a more detailed picture of 2020 angel investment in Michigan.

COMPANIES THAT RECEIVED ANGEL FUNDING IN 2020:

Archimedes

BrandXR

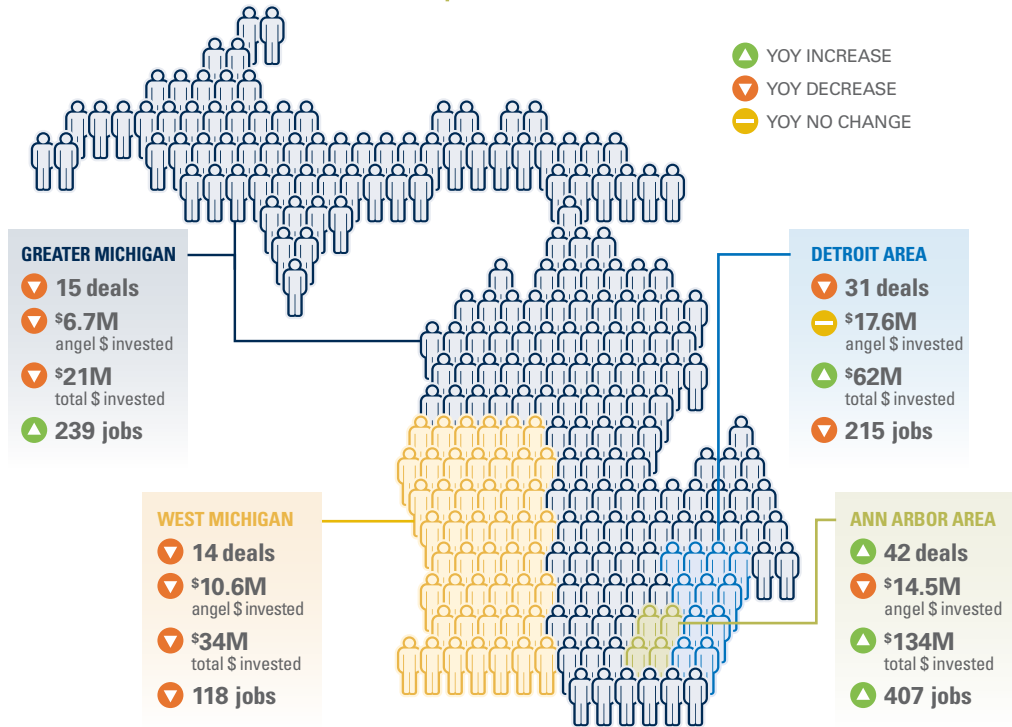
catalyst

CIRCADIAN RISK

Clicktivated

CLUB CADDIE

Angel investing continued throughout the state in 2020 despite COVID-19



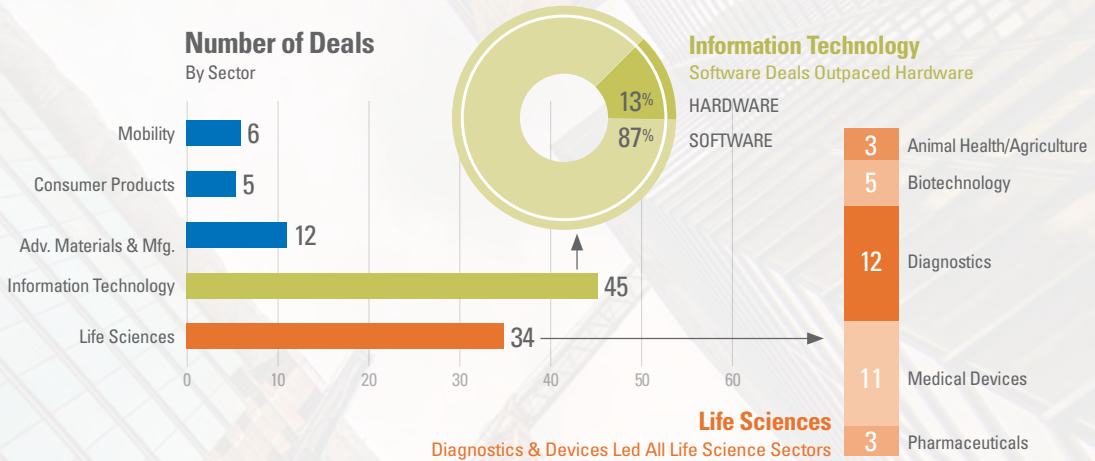
* OF THE 102 COMPANIES REPORTED, 20 WERE ORIGINATED AT MICHIGAN UNIVERSITIES – 13 FROM THE UNIVERSITY OF MICHIGAN, 4 FROM MICHIGAN STATE UNIVERSITY, 2 FROM MICHIGAN TECHNOLOGICAL UNIVERSITY, AND 1 FROM WAYNE STATE UNIVERSITY.

When the pandemic hit the US in March, it seemed that the investment world froze. Angels, as well as VCs, private equity, and even M&A activity stopped for a few weeks while everyone tried to figure out what was going to happen next. Entrepreneurs wanting to raise capital were stymied as investors quit returning calls and pulled back interest. Most investors turned their attention to their current portfolios to assess how their companies were going to react, whether they had enough capital, and if they had a plan to weather the storm. By May, the shock was beginning to wear off, and many began moving forward cautiously. As it turned out,

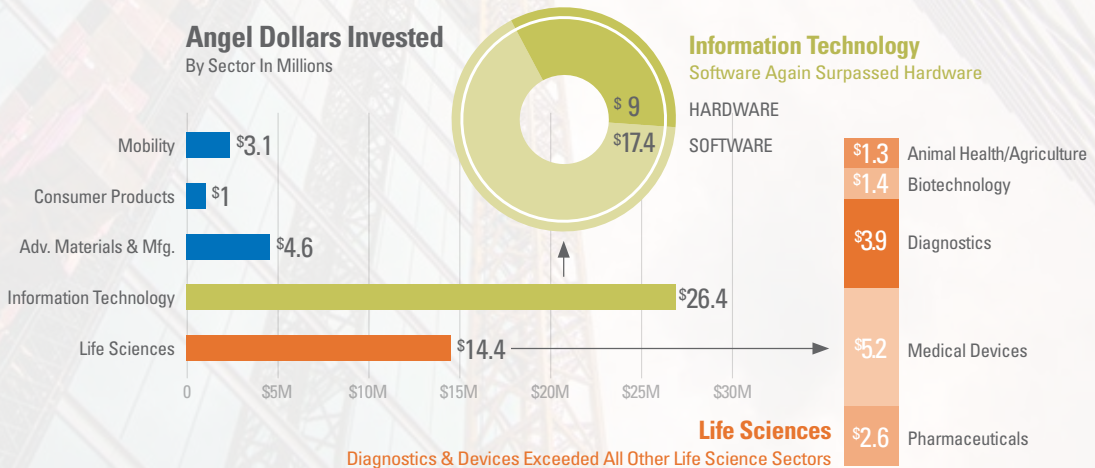
it seemed that most investors were still willing to consider new investments, though many waited until there was even more clarity. New investments were indeed made in the second quarter, but they appear to have been smaller. Many companies delayed their fundraising efforts to the third or fourth quarter and trimmed expenses where they could, to extend their runway. Into the second half of the year, more money from angels and VCs was put to work again, and activity was almost back to 2019 levels. M&A also picked up, and December was a busy month, with many companies wanting to complete their transactions by year end.



IT led all sectors in deal volume with angel investments in **45 companies**



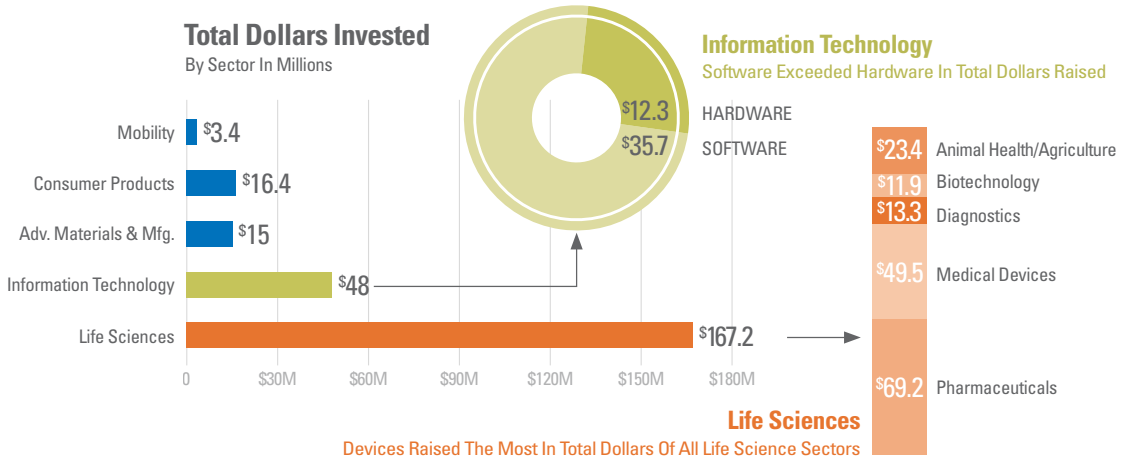
IT also led in **angel dollars invested**



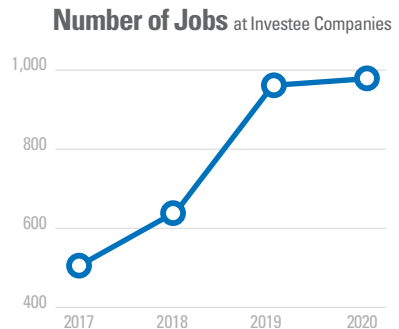
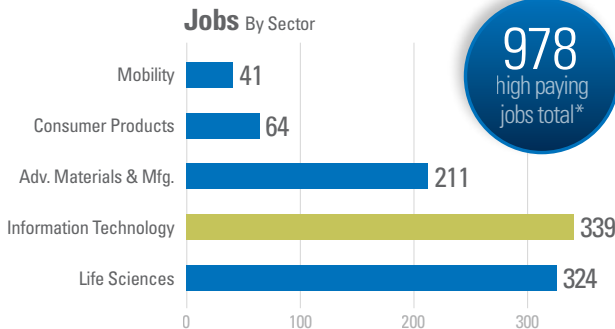
COMPANIES THAT RECEIVED ANGEL FUNDING IN 2020:



Life sciences eclipsed IT in total (angel + VC) dollars invested



IT led jobs with 339

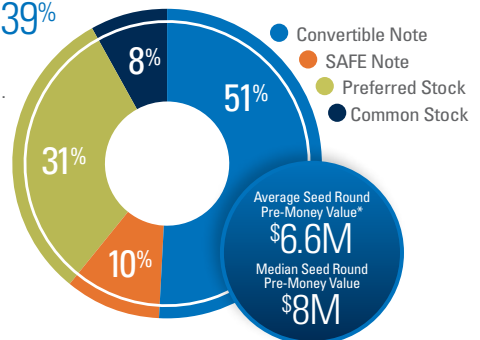


* THAT'S AN AVERAGE OF 10 JOBS PER INVESTEE COMPANY, ALL EARLY STAGE, WITH HIGH JOB-GROWTH POTENTIAL. THIS MIRRORS NATIONAL DATA.

Note structures exceeded stock, 61% to 39%

As companies raised bridge rounds of financing to get through 2020, many resorted to convertible debt for funding. SAFE notes had surfaced as a type of investment vehicle in prior years, but the percent of SAFE note deals increased slightly in 2020, to 10% of all deal types. While only 31% of deals were invested through preferred stock in 2020, 51% of angel deals were in the form of convertible notes, and 61% through debt structures total, when counting SAFEs.

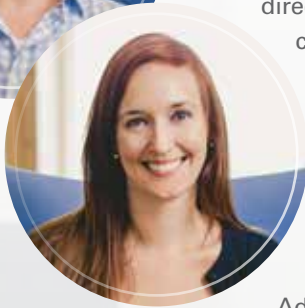
* BASED ON PREFERRED AND COMMON STOCK DEALS FROM SURVEYS THAT REPORTED ON ROUND TYPE AND PRE-MONEY VALUE.



investment



Mike Pedersen
CO-FOUNDER & CEO



Molly McFarland
CO-FOUNDER & CRO

AdAdapted is the leading add-to-list mobile advertising and insights platform built for Consumer Packaged Goods (CPG) brands, their agencies, and grocery retailers. Its core solution, Add-It™, allows grocery shoppers to add promoted products directly to their mobile lists with a single click. The company's expertise in adding products to and analyzing lists provides advertisers with a unique opportunity to engage their target audiences before and during trips to the grocery store.

The company's cofounders, Mike Pedersen and Molly McFarland, were colleagues at a different company prior to starting AdAdapted in 2012.

AdAdapted's broad focus of serving ads to consumers in mobile apps quickly turned to grocery and list building apps once they realized the CPG market size and the tremendous need for CPG advertisers to get their branded products on digital shopping lists.

AdAdapted received a patent for Add-It™ at the end of 2020, which it intends to use to help brands and retailers get on grocery lists with fewer steps. In 2021, AdAdapted's plans include expanding their customer base to include grocery retailers, growing contract size with current CPG clients, and enhancing their data analysis capabilities.

AdAdapted raised a Series A, which closed in April of 2020. Proceeds are being used to accelerate sales and marketing efforts, as well as to expand product offerings. The company anticipates doubling in size again in 2021.



stories

Esperovax, a biotech company based in Plymouth, MI, has developed a novel mRNA oral vaccine platform that will enable large-scale production and distribution of shelf stable vaccines at a fraction of the cost of current injection-based treatments. It looks to become the global distribution leader of oral tablet/capsule vaccinations for some of the world's deadliest diseases. Its system holds the potential to provide billions of doses annually that could be delivered by mail and consumed directly by the consumer. This low production cost oral platform holds a potential for significant expansion of vaccinations to the world's most vulnerable.

In September 2020, the company was awarded \$607,000 in funding from the Biomedical Advanced Research and Development Authority (BARDA), part of the U.S. Department of Health and Human Services, to develop the new oral vaccine.

In early 2021, Esperovax hit its first program milestone, exhibiting oral mRNA efficacy while testing on mice.

The company was co-founded by Roger Newton, of Esperion Therapeutics fame, David O'Hagan (CEO), a Molecular Medicine and Genetics Ph.D and pharmaceutical veteran, and biotech veteran Savita Nikam Ph.D (CSO), who's experience includes molecular biology, protein biochemistry and expression of products from mammalian, yeast and bacterial expression systems.

The company began raising a \$3 million convertible note round in 2020 which is receiving notable interest. Esperovax plans to raise series A financing in the fourth quarter of 2021 to fund its lead mRNA vaccine program through Phase 1 human studies.



David O'Hagan, Ph.D
CEO



Savita Nikam, Ph.D
CSO



Esperovax

investment



Christian Fernando
CEO

Hans Nelson
CSO



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 industry facility management, industrial engineering deployment, cloud-based technology, and in 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 FHI best practice of objective, data-driven prioritization.

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 93,000 assets at more than 500 individual facilities, with a total footprint exceeding 68 million square feet. The total replacement value of this MEP portfolio exceeds \$8.7 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 was self-funded for four years and as a profitable entity moved to be an angel and venture-backed company at the beginning of 2020. Its investors are all Michigan-based. It has remained financially sound and continued to grow year over year during the Covid-19 pandemic.



stories

Genomenon leverages artificial intelligence to organize the world's genomic knowledge and put it at the fingertips of doctors and clinicians, to diagnose patients suffering from rare and genetic disease and cancer - and researchers, to help create precision medicine targeted at molecular drivers of disease.

Genomenon's Mastermind Genomic Search Engine is used by over 1,000 genetic testing labs and hospitals worldwide to provide clinical insight into the scientific literature on genomic data. Genomenon's AI-driven Genomic Landscapes are used by top pharma companies to gain a profound understanding of the genetic drivers and clinical attributes of any genetic disease, from rare diseases to cancer. These datasets enable pharma to accelerate target discovery, identify genetic biomarkers for better clinical trial stratification, and develop CDx for regulatory approval.

Coming on the heels of a successful 2020 where the company began raising a convertible note round and doubled its revenue and customer base, it recently announced closing out its \$5.3M financing to continue its ongoing growth by expanding its commercial team to reach new customers around the world. Last year, 50% of Genomenon's new customers were outside of the United States – a trend the company expects will continue.



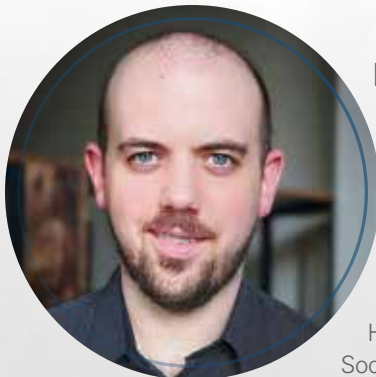
Mike Klein
CEO



Mark J. Kiel MD, PhD
CSO & CO-FOUNDER



investment stories



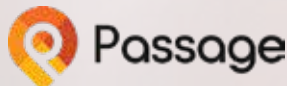
Alex Linebrink
CEO

Passage is an event technology platform that powers customized ticketing and payments, virtual event production, and socially-distanced features for thousands of specialty events around the world. Passage started in 2014 to focus on servicing niche event verticals which were commonly forgotten by the generic one-size-fits-all ticketing solutions. By servicing these specialty events with category-specific branding and features, Passage creates the top-of-mind brand in each category they work with. Examples include HauntPay (Passage’s solution for the haunted attraction industry), SoccerStub (semi-pro and professional soccer), and Passage Virtual (a full protected live-stream platform for virtual and hybrid events).

In 2020, Passage handled over \$20M in ticket sales and generated \$1.4M in revenue, up 80% over the previous year. Recent milestones include:

- Launching Passage’s Virtual Events platform (and subsequent servicing of over 600 virtual and hybrid events)
- Partnering with NBC Sports as the preferred ticketing provider for 1.2M teams they work with
- Partnering with multiple professional sports leagues including the United Soccer League (the minor leagues of soccer) as the preferred ticketing provider for the 80+ teams in USL League Two
- Launching multiple new features around socially-distanced events
- Beginning their “Passage Capital” financing program (and receiving over 100 applications) to help events with up-front cash infusions to get through a tough time or take their event to the next level.

Despite a rough start to the pandemic (Passage went from over 1,000 events selling tickets in early March of 2020 to none at the end of the month), Passage bet big on virtual events, digital advertising, and innovative revenue models to make the best of a tough year. Their traction allowed them to raise a second seed round to accelerate sales and marketing, grow the team, and push new offerings to market. While Passage is not currently raising an additional equity round, they are currently seeking additional investors to fund their Passage Capital program with a loan, paid back monthly with a 25% APR.



2020 Notable Michigan Company Exits



There were **1,053 angels** that invested in Michigan companies in 2020!

There were also two new angel groups that formed in Michigan in 2020 – the Ark Angels and the Commune Angels. And total membership among Michigan angel groups expanded to 589, up from 515 in 2019.

ANGEL GROUPS	# IN GROUP
Ann Arbor Angels	20
Ark Angels	32
Belle Michigan	66
Birmingham Angels	19
Blue Water Angels	20
Capital Community	16
Commune Angels	19
Grand Angels	54
Innovation Shore Angels	20
Ka-Zoo Angels	16
Michigan Angel Fund	140
Muskegon Angels	25
Northern Michigan Angels	50
Pointe Angels	75
Woodward Angels	17
TOTALS	589

Interest in angel groups continues to grow. Two more angel groups were formed in 2020, Commune Angels in Detroit and Ark Angels in Sterling Heights. Both groups have already made investments.

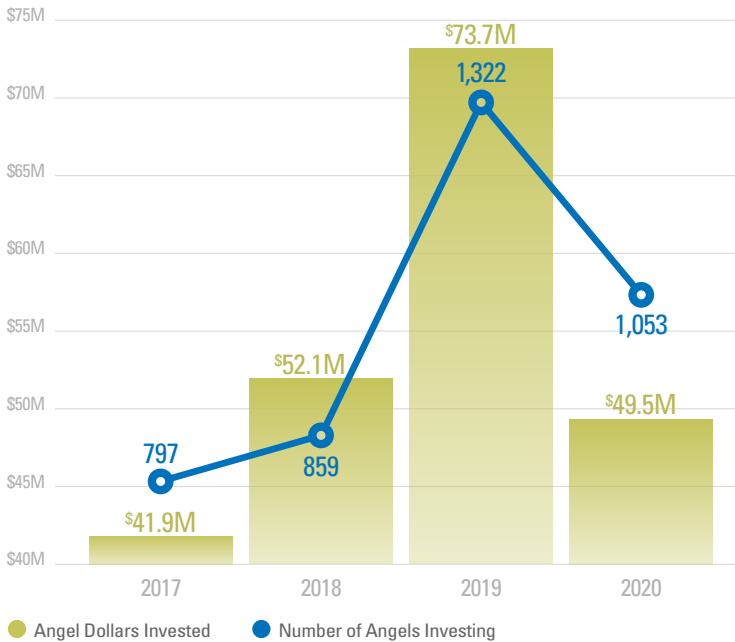
COMPANIES THAT RECEIVED ANGEL FUNDING IN 2020:



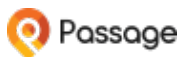
Overall, **angel activity declined** in 2020 after a 3-year-rise, likely resulting from COVID-19

After seeing consistent increases in angel activity in Michigan from 2017 to 2019, we saw a 33% decrease in investment activity and a 20% decrease in the number of angels investing in 2020.

Annual Angel Investment in Michigan

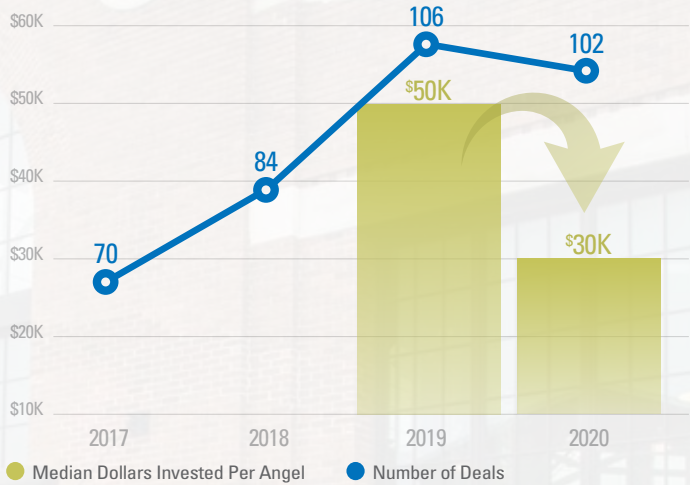


COMPANIES THAT RECEIVED ANGEL FUNDING IN 2020:



Although we saw a drop in the number of angels and amount of angel investment in Michigan in 2020 from 2019, those numbers were still above prior years. The number of deals was almost as strong in 2020 as 2019, but the median check size was significantly lower, at \$30K vs. \$50K in 2019.

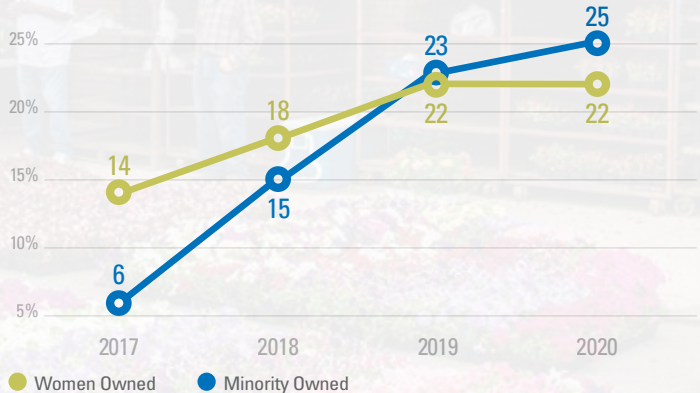
Annual Angel Investment in Michigan



The number of **women** and **minority-owned**, angel-backed companies is gradually increasing

Women owned companies made up 22% of angel-backed companies in 2020, versus 13% in 2017, when this report began. Minority owned companies made up 25% of the angel-funded companies in 2020, versus only 6% in 2017. So, progress has been made, but there is more to do.

% of Women & Minority Owned Businesses Increasing



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
- 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 2020
- Angel funding received in 2020
- # 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!



COMPANIES THAT RECEIVED ANGEL FUNDING IN 2020:



HERE TO HELP MICHIGAN BUSINESS

To navigate through 2020 and beyond, Michigan businesses had to adapt. And the Michigan Economic Development Corporation was right there alongside them, helping to connect businesses to new resources, meet new partners and access the additional capital they needed from the start. If your business needs support to reach its new potential, the MEDC is available to help in any way we can.

Learn more at michiganbusiness.org/entrepreneurship

**MICHIGAN ECONOMIC
DEVELOPMENT CORPORATION**

PURE PARTNERSHIP



ANGEL
SUMMIT



ANGEL

- Most angels
- Also, 86% of angels
- There was a slight decrease from 2018 to 2019
- 89% of transactions were seed rounds (86% in 2018)
- Angels continue to invest in seed rounds
- Valuations have risen
- Seed rounds stay



MICHIGAN Angel Community

MICHIGANANGELS.ORG

