

GETTING **\$\$\$** FROM ANGELS

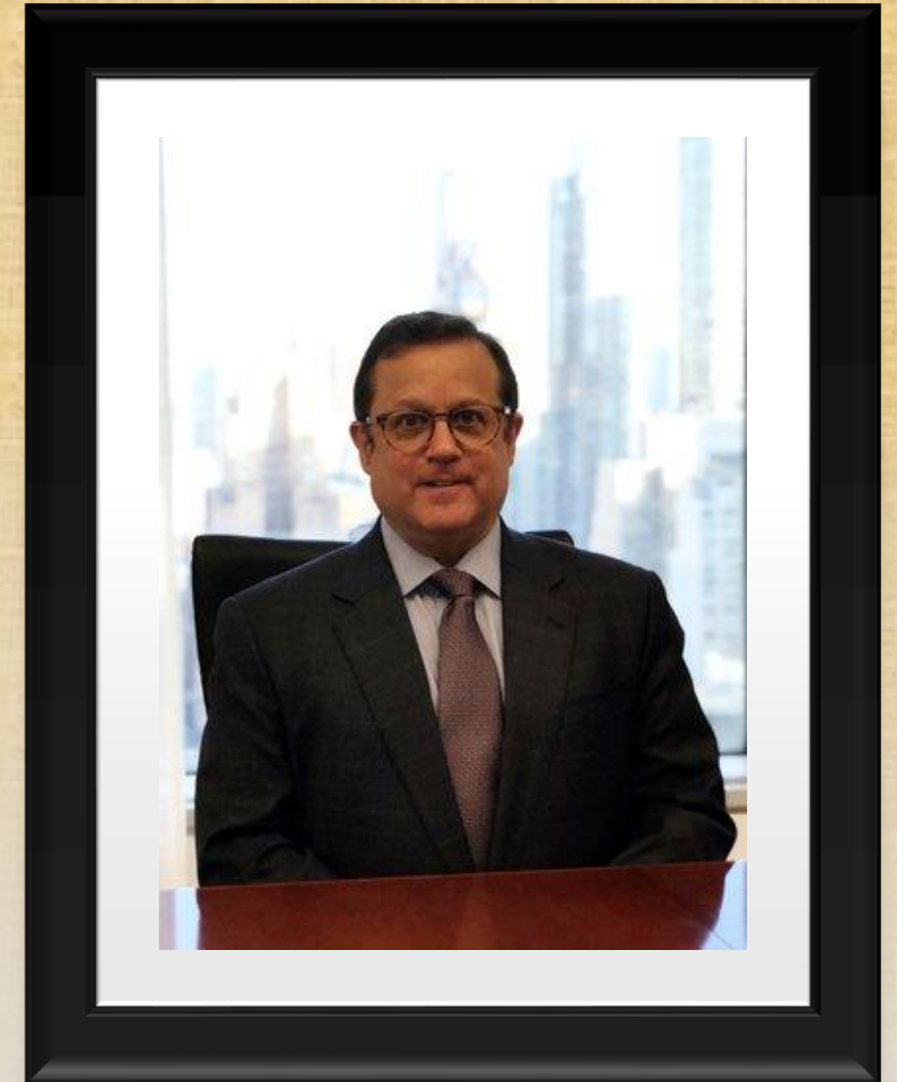
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AUGUST 2020

TOM BLUM

- Civil Engineering Degree from Princeton & MBA from Harvard Business School
- 18 years on Wall Street (Salomon Brothers/Bear Stearns)
- 16 years a banker with G.C.Andersen Partners
- EIR at Stevens Institute of Technology
- 20 years as angel investor (New York Angels, HBS Alumni Angels of NY, Clean Energy Venture Group)
- Innovation Advisor at NYSERDA, judge for a National Lab and the Canadian CTA, plus many other start-up related activities
- Funded over 50 private companies



FUNDING CHOICES FOR START-UPS

1. Founders (sweat equity & savings) plus money from their Friends & Family
2. Incubators and Accelerators (including hybrids like Plug & Play, 500 Start-ups)
3. Grants – NYSERDA, ARPA-e, NIH, DARPA, State Funds, SBIRs & many more
4. Seed Funds – many following model of First Round Capital
5. **Organized Angel Groups**
6. **Super Angels – wealthy family offices & entrepreneurs who sold their company**
7. Non-Profits Funds – LaunchNY, NYCEED, New Energy Nexus, Prime Coalition
8. Corporate Venture Capital and JDAs, research projects, etc. (Shell, Siemens, BP, DuPont, 3M)
9. **Venture Capital Funds**
10. Unconventional – Crowdfunding, Reg A+ Platforms, Propel(x), X-Prize, TSX Venture Exchange, Pitch Contests, AngelList, royalty finance, customer advances, etc.

4 ANGEL BASICS

- Angel investing is wide-spread – ACA lists 400+ groups with 14,000+ members
- Estimates vary from \$2 to \$20 billion invested annually, rivaling seed-stage VCs
- High Net Worth (accredited) individuals (20 to 350 per group) who invest their own money
- Many groups have regional, industry and other specialization/focus (women founders, impact investing, life-sciences, university-affiliation, etc.)
- Angels are entrepreneurs, retired business & financial professionals, trust funders, etc.
- Angels invest to make profits, diversify their financial portfolio, to stay active and learn about new technologies, as a social and networking activity and to “give back.”

5 ANGEL TERMS

- Usually not the first money invested in the company.
- Funding \$150k to over \$1 million (average deal is \$350k - \$650k); average check is \$25k
- Convertible Notes (with caps) and “Series Seed” Preferred Stock is 90%. SAFEs are West Coast early stage security, but occasionally appear on East Coast. Most groups use standardized documentation. Common stock and uncap notes are almost never done.
- Valuations from \$2 to \$10 million, occasionally higher for more advanced companies
- Angel groups usually seek information rights, pro-rata rights and board representation
- Expect some level of due diligence – technology, customers, backgrounds, etc.

TOP ANGEL GROUP ACTIVE IN NYS

1. Golden Seeds (women Founders – many chapters)
2. New York Angels & HBS Alumni Angels of NY
3. Social Venture Circle (National with Chapters)
4. Astia Angels (women founders)
5. Landmark Angels (pay to pitch), strong in healthcare
6. Keiretsu Forum (53 chapters, hybrid angel group and a pay-to-pitch platform)
7. Rochester Angels, Buffalo Angels, Empire Angels, Eastern NY Angels
8. Life Science Angel Network (Mid-Atlantic)
9. Launchpad Venture Group

TOM'S ANGEL GROUPS

	<u>New York Angels</u>	<u>HBS Alumni Angels of NY</u>	<u>Clean Energy Ventures</u>
Members (est.)	130	325	33
2019 Fundings	\$13.5 mm	\$3.0 mm	\$2-4 mm
Focus	Diversified	Diversified	Cleantech

8 EACH ANGEL GROUP HAS A PROCESS WHICH CAN TAKE 3 - 6 MONTHS

1. Application and Initial Screening
2. Short Pitch Session (10-20 minutes)
3. Discovery Meetings (1-2 hours)
4. Term Sheet Agreement
5. Due Diligence and Legal Documentation
6. Funding

Running an angel group is like herding cats

9 DO'S AND DON'TS OF ANGEL GROUPS

- Do realize it's a multi-step process – 3-6 months through screening, initial meetings, discovery, term sheet, due diligence, closing
- Do apply through the group's portal but try to speak with members or the leader before and just after submitting the application
- Be prepared to not really know where you stand and how much funding will be provided. Groups operate at their own pace.
- Find a champion within the group.
- Don't use a broker (who gets paid) or start with an unrealistic valuation.
- Don't assume because one group has funded, others will join quickly (syndication among angel groups is a mythical concept)

10 WHERE TO FIND ANGELS

- Start with Local Accelerators and Incubators – Upstate Capital, LaunchNY, NYSERDA, SUNY Research Foundation, etc.
- Directory of Angel Groups (<https://www.angelcapitalassociation.org/directory/>)
- Gust provides access to angel groups. AngelList operates differently.
- Gary's Guide lists weekly events mainly in NYC (www.garysguide.com)
- Join an accelerator or incubator to get better access and visibility.
- Avoid Pay-to-Pitch Events that charge high fees (there are some that are worthwhile, but most aren't)

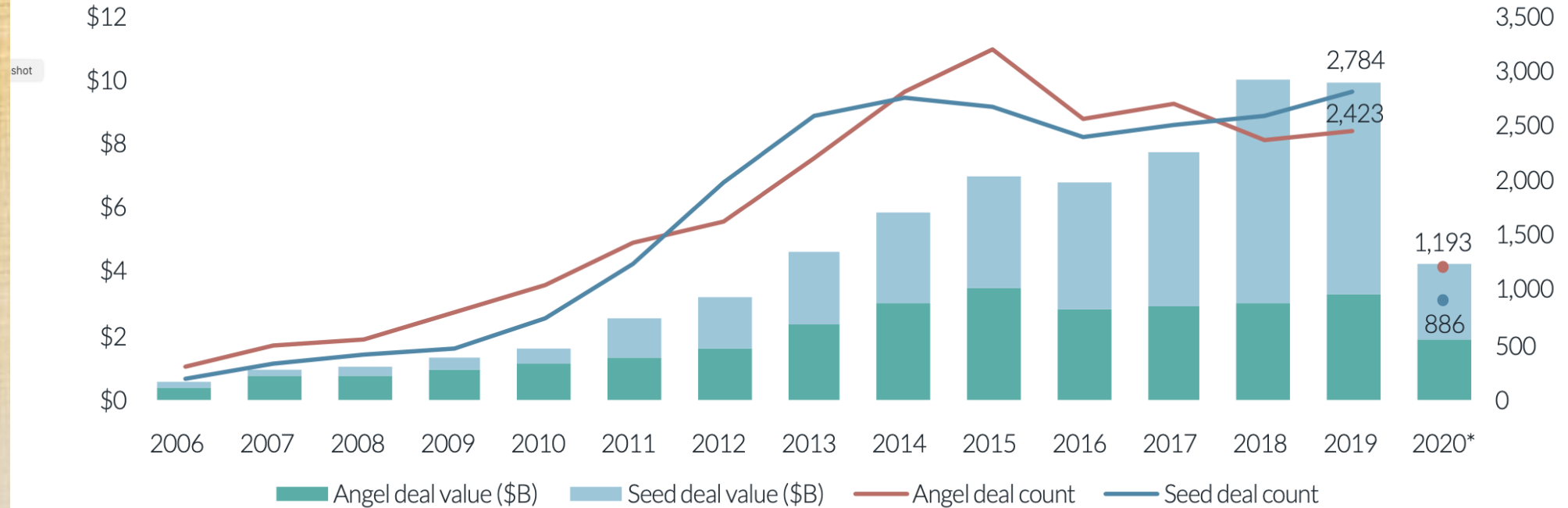
II INCUBATORS & ACCELERATORS

- Incubators/Accelerators can be a springboard providing companies more visibility, introductions, mentoring, sometimes money, but not for every company.
- Programs designed to support start-ups with mentors, shared-space, business services, legal advice, programs and some funding.
- Often a source of companies for angel groups
- General Focus – TechStars, ERA, General Assembly, University-sponsored, Plug & Play, etc.
- Industry Specific:
 - Healthcare – Blueprint Health, Start-up Health, Dream-it
 - Clean Energy – NYSERDA (six locations in NYS)
 - Food, Drones, Security, FinTech, Fashion, Digital Media, Space, etc.

Angel, seed & first financings

Seed activity has been more heavily affected by the pandemic

US VC angel & seed deal activity

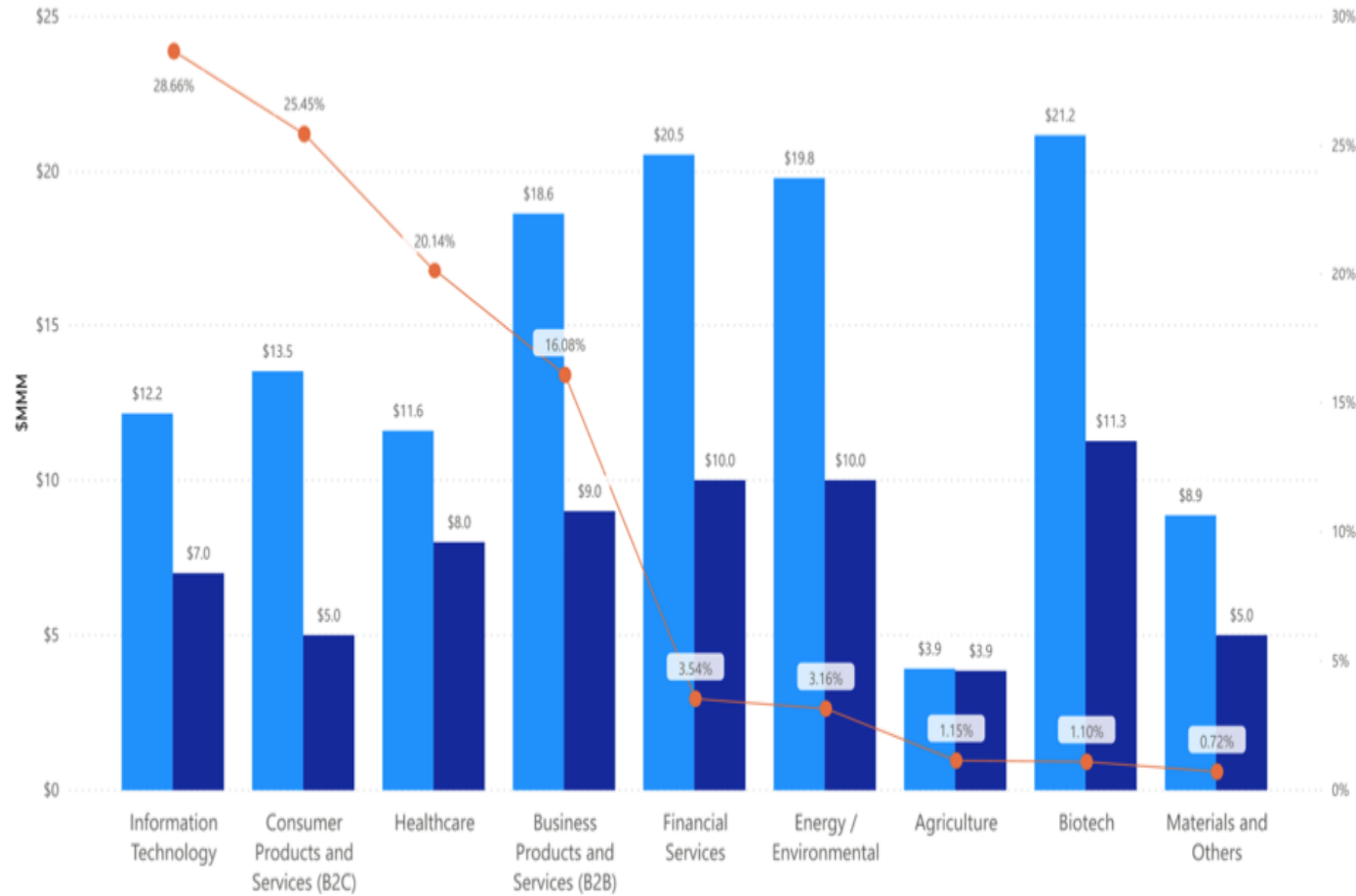


PitchBook-NVCA Venture Monitor

*As of June 30, 2020

Industries Angels Like

● Average of PreMoneyVal ● Median of PreMoneyVal ● % All Deals

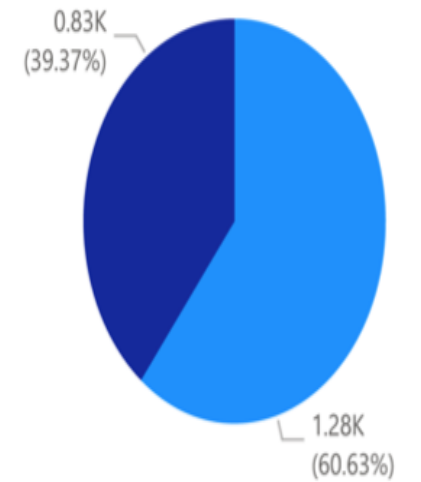


Deal Structure (% Deals)

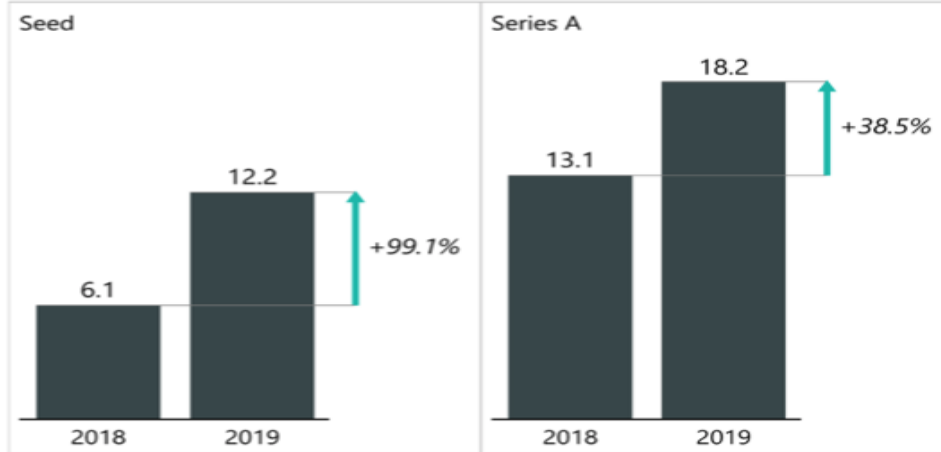
- Convertible Note
46.52%
- Preferred Stock
45.51%
- Common Stock & Other & SAFE
7.98%

Deals by Investment Stage

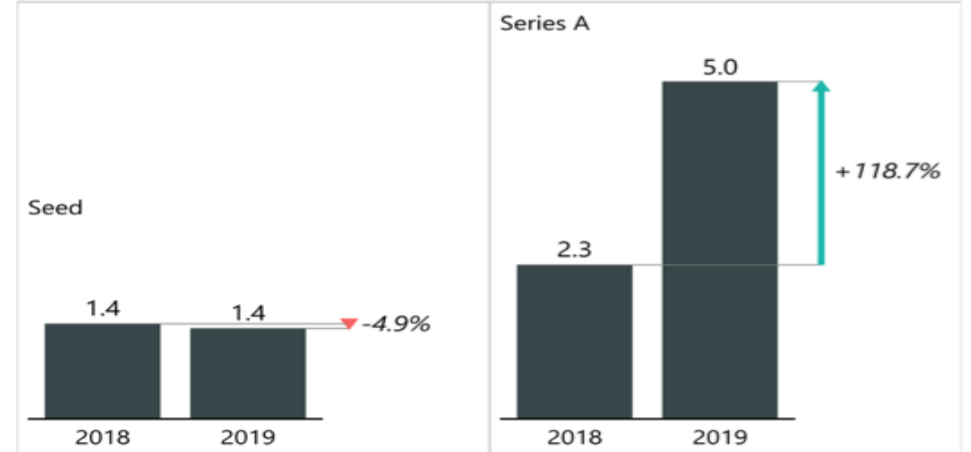
● New ● Follow-on



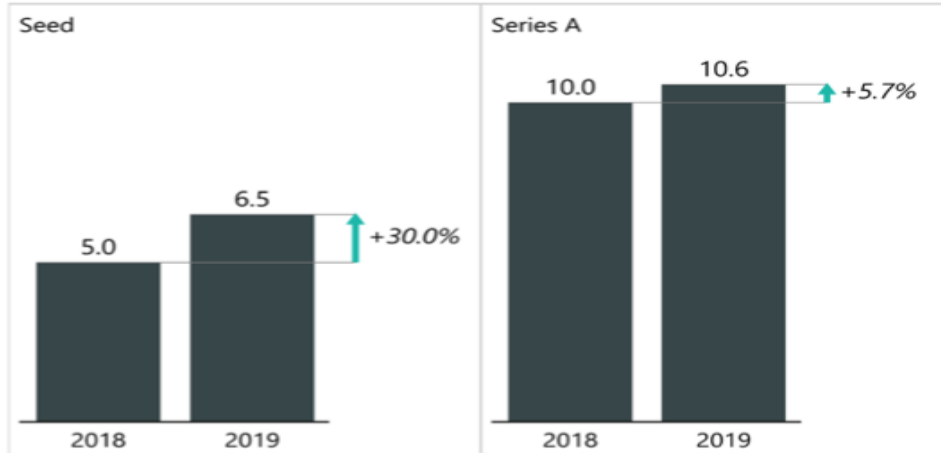
Average Pre-Money Valuation by Investment Stage, by Year



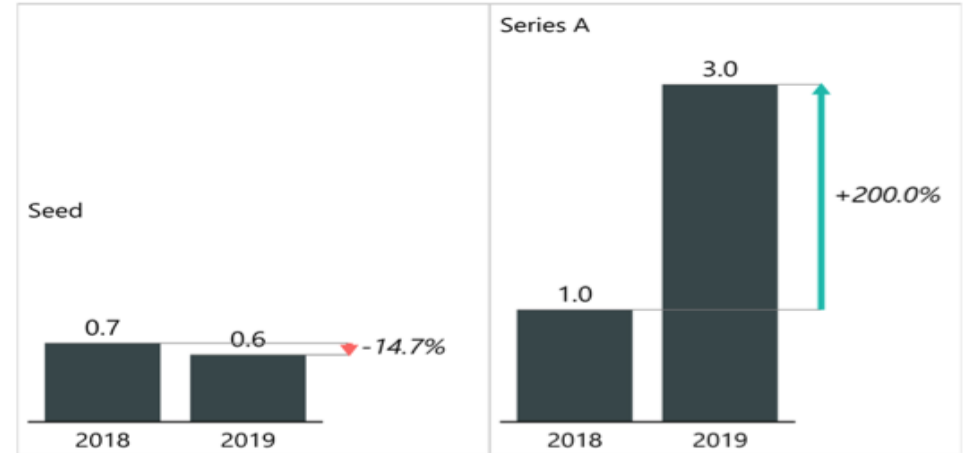
Average Round Size by Investment Stage, by Year



Median Pre-Money Valuation by Investment Stage, by Year



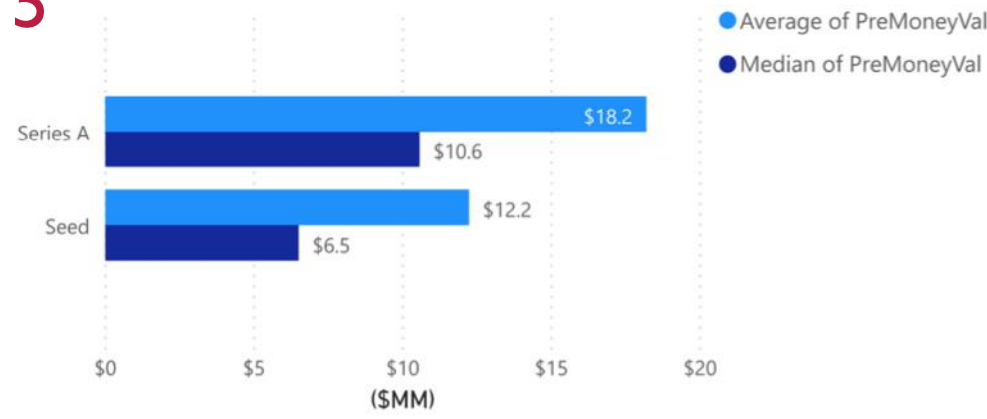
Median Round Size by Investment Stage, by Year



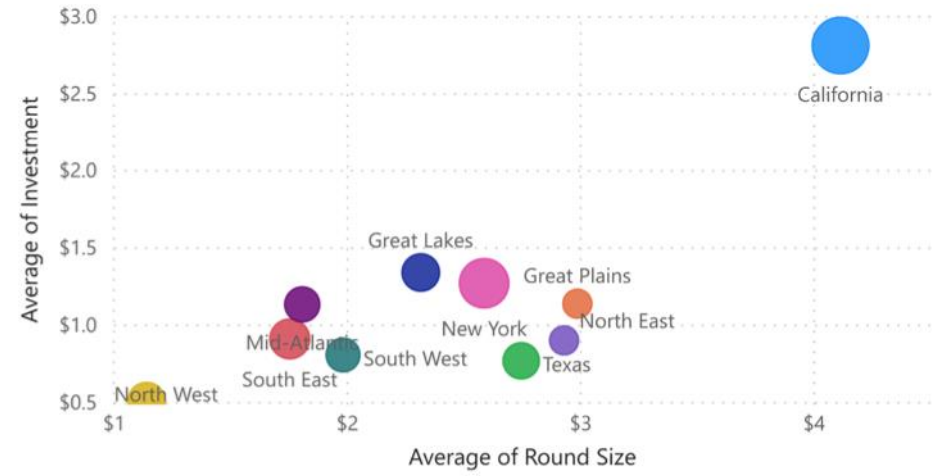
Source: Annual HALO Report

Overall Financial Statistics (2019 Seed & Series A)

15 Pre-Money Valuation by Investment Stage

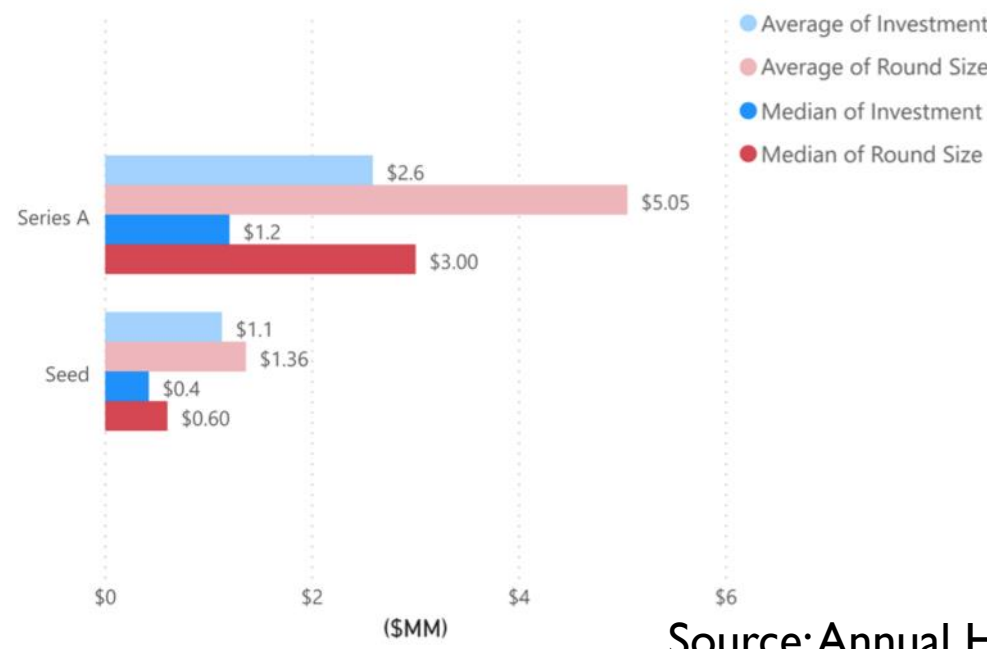


California Investors Put Larger Investments in Bigger Pots

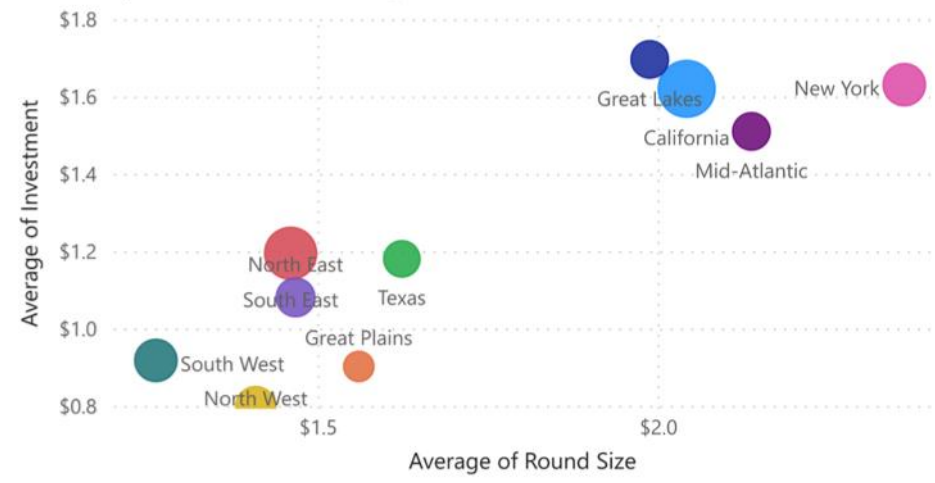


The size of the circle represents total deals by region to indicate relative activity.

Group Investment & Round Size by Investment Stage



NY companies received larger individual and overall investments



Q1 2020 league tables

Most active investors angel & seed

Most active investors early stage

Most active investors late stage

1	Elevate Ventures	21	1	Permian Bank Capital	17	1	Khosla Ventures	9
2	Plug and Play Tech Center	20	2	Dorm Room Fund	13	1	Insight Partners	9
3	500 Startups	17	3	Social Starts	12	1	Lightspeed Venture Partners	9
4	Connecticut Innovations	11	4	Y Combinator	11	4	Redpoint Ventures	8
5	SOSV	7	5	Alumni Ventures Group	9	4	ForeSite Capital Management	8
5	Ulu Ventures	7	6	StartUp Health	8	6	Bain Capital Ventures	7
7	Permian Bank Capital	6	6	NFX	8	6	Bessemer Venture Partners	7
7	Greycoff	6	6	Andressen Horowitz	8	6	New Enterprise Associates	7
7	Y Combinator	6	6	Kleiner Perkins	8	9	F-Prime Capital	6
7	Alumni Ventures Group	6	10	Castor Ventures	7	9	Permian Bank Capital	6
7	Right Side Capital Management	6	10	Alexandria Venture Investments	7	9	Oak HC/FT	6
2	Great Oaks Venture Capital	5	12	F-Prime Capital	6	9	Connecticut Innovations	6
13	Momenta Ventures	4	12	Valor Equity Partners	6	9	General Catalyst	6
13	WorkLife Ventures	4	12	Greycoff	6	9	Intel Capital	6
13	Brand Foundry Ventures	4	12	Founders Fund	6	9	Andressen Horowitz	6
13	NFX	4	12	Insight Partners	6	9	GV	6
13	Evolution VC Partners	4	12	Evolution VC Partners	6	9	Casdin Capital	6
13	Slow Ventures	4	12	Canaan Partners	6	18	Cormorant Asset Management	5
13	General Catalyst	4	12	New Enterprise Associates	6	18	T. Rowe Price	5
13	Techstars	4	20	Sequoia Capital	5	18	Salesforce Ventures	5
13	Global Founders Capital	4	20	First Round Capital	5	18	Polaris Partners	5
13	Wavemaker Partners	4	20	Khosla Ventures	5	18	Tiger Global Management	5
13	Gradient Ventures	4	20	Innova Memphis	5	18	Venrock	5
13	Village Global Management	4	20	500 Startups	5	18	Sequoia Capital	5
PitchBook-NVCA Venture Monitor								
			20	Lerer Hippeau	5	18	Greycoff	5
			20	Connecticut Innovations	5	18	Canaan Partners	5
			20	E14 Fund Management	5	18	ICONIQ Capital	5
PitchBook-NVCA Venture Monitor								
			18	Alumni Ventures Group	5	18	Accel	5
PitchBook-NVCA Venture Monitor								