Distribution of Returns by Venture Investment

**UK:**
- Overall Multiple: 2.2X
- Holding Period: 3.6 years
- Approx 22% IRR

**US:**
- Overall Multiple: 2.6X
- Holding Period: 3.5 years
- Approx 27% IRR

Red Bars: U.K. % of exits in that Category
Blue bars: U.S. % of exits in that Category
Distribution of Returns by Venture Investment

Overall Multiple: 2.6X
Avg. Holding Period: 3.5 years

Blue bars: % of exits in that Category
Green Bars: $’s returned in that Category
Outcomes Split by Industry Expertise

60% better multiple for deals related to industry expertise
Follow-On Investment from Same Angel Investor

30% of deals had follow on investments.

No 3.6X (3.3 years)
Yes 1.4X (3.9 years)

30% of deals had follow-on investments.
Venture Capital Involvement

35% of deals took on VC investment at some point
Outcomes Split by Due Diligence

2X better multiple for 20+ due diligence

Multiple Category
- Less Than 20 Hours
- 20+ Hours

Percent of Exits

- <1X
- 1X to 5X
- 5X to 10X
- 10X to 30X
- >30X
Diligence in the Willamette Angel Fund

- Key Uncertainties
- Who can we talk with?

- So far:
  - Early yes Position
  - Expertise
  - Affordable Loss
  - Competitive

- Going Forward:
  - Milestones 1 / 3 / 5
  - Investment Thesis

- Build our own model:
  - identify the relative drivers of the business and next best choices.

- Identify the risks we own
Details in Due Diligence

- **Transaction Economics vs. Macro Economics**
  - Price
  - Cost
  - Contribution Margin
  - T.A.M.
  - Predicted Market shares
  - Historical Data
  - Comparables
  - Cost of Customer Acq
  - Customer ROI
  - Key Target List

- **Cash to Cash cycles & Capital Intensity**
  - Longest lead time supply
  - Production cycle
  - Sales Cycle
  - Order/Shipmenent gap
  - Days in AP
Angel Groups are Active Throughout the U.S.
California leads in deals and dollars, and activity is nationwide

79% of deals completed outside of California in 2011
Angel Rounds Sizes are up in 2011

![Graph showing mean and median round sizes from Q1.10 to Q4.11.]
## Halo Report

### Round Size

#### Angels

<table>
<thead>
<tr>
<th>Year</th>
<th>Median Round Size</th>
<th>Mean Round Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$0.56</td>
<td>$0.93</td>
</tr>
<tr>
<td>2010</td>
<td>$0.50</td>
<td>$0.84</td>
</tr>
<tr>
<td>2011</td>
<td>$0.70</td>
<td>$1.11</td>
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</table>

#### Angels with Other Investors

<table>
<thead>
<tr>
<th>Year</th>
<th>Median Round Size</th>
<th>Mean Round Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$1.50</td>
<td>$4.67</td>
</tr>
<tr>
<td>2010</td>
<td>$2.00</td>
<td>$3.99</td>
</tr>
<tr>
<td>2011</td>
<td>$1.50</td>
<td>$3.33</td>
</tr>
</tbody>
</table>

### Co-investment

- Not Co-Invested: 33%
- Co-Investment: 67%
Most Active
Economic Impact of Angel Oregon Alumni

Revenue $121M+ up 25% in ongoing companies
Employ 741 up 38% in ongoing companies
Rev/FTE $160K relatively stable, growth by addition
Raised $7.4M $81M cumulative, vs. $7.1M in 2010

Robert E Wiltbank, Ph.D
Estimated Multiple of AO Presenters as a Portfolio

Multiple by year, if portfolio were cut off after that year
Assumes even investment in every presenting company
Underspecified Terms/Dilution as an imaginary portfolio

Robert E Wiltbank, Ph.D
Estimated Multiple of AO Presenters as a Portfolio

You likely would have done well to invest in this “fund”

Winners not better/worse than AO Finalists overall

Wins take longer to exit than losses

Failure is inherent to the process
   Expect a dozen more failures, dozen more ‘Good/Better’ and 2 or 3 more ‘Bests’

Diligently avoid Non-Starters

Persistently Own Risk attached to real potential
## Returns to Invested Capital

- Smaller venture deals do get to exits
- The returns to those deals are quite attractive

### Acquisitions of Private Ventures by Public Corporations

<table>
<thead>
<tr>
<th>Paid In Capital Range</th>
<th>Deal Count</th>
<th>Median Price</th>
<th>Median Paid in Capital</th>
<th>Median Multiple</th>
<th>Sum of Price</th>
<th>Sum Paid in Capital</th>
<th>Aggregate Multiple</th>
<th>Aggregate Profit</th>
<th>Profit $s per deal</th>
<th>Hypothetical ROI</th>
<th>Failure Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>$5M-$100M</td>
<td>322</td>
<td>60.2</td>
<td>14.0</td>
<td>3.5</td>
<td>34,914</td>
<td>8,260</td>
<td>4.2</td>
<td>26,654</td>
<td>82.8</td>
<td>20%</td>
<td>30% failure rate</td>
</tr>
<tr>
<td>under $5M</td>
<td>1,359</td>
<td>10.3</td>
<td>0.2</td>
<td>53.6</td>
<td>35,741</td>
<td>931</td>
<td>38.4</td>
<td>34,810</td>
<td>25.6</td>
<td>48%</td>
<td>70% failure rate</td>
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<tr>
<td>Whole Sample</td>
<td>1,530</td>
<td>14.8</td>
<td>0.5</td>
<td>24.5</td>
<td>70,655</td>
<td>9,192</td>
<td>7.7</td>
<td>61,463</td>
<td>40.2</td>
<td>29%</td>
<td></td>
</tr>
</tbody>
</table>

Includes ONLY deals with a MULTIPLE OF AT LEAST 1
Includes ONLY deals with complete data (70% of transactions)

ROI equates if 3 and 7 year holding periods
ROI equates if smaller deals fail 91% of the time

Robert E Wiltbank, Ph.D
Siding with the Angels
Business angel investing – promising outcomes and effective strategies

AngelsResourceInstitute.org

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