Angel Investing Outcomes

• Angel Investor Financial Returns
• Choosing to not stink at angel investing
• Tracking a Portland Oregon portfolio

Robert E Wiltbank, Ph.D.
Professor of Strategy, Willamette University
Partner, Buerk Dale Victor LLC
503 715 7894
Wiltbank@Willamette.edu
Group Affiliated Angel Investors

- Make just more than 1 investment per year

- Entrepreneurial experts generally, greater variation in UK
  - Median of 2.5 companies founded (27% founded 0 in UK)
  - 85% of angels in the U.S. are cashed out entrepreneurs.

- Median 10% of personal wealth in both US & UK

- About a 2/3 vs. 1/3 split, active vs. passive investors

- Investment ‘Yield’ is typically around 15%
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

**Exit Multiples**
- < 1X: Hold: 3.0 yrs.
- 1X to 5X: Hold: 3.3 yrs.
- 5X to 10X: Hold: 4.6 yrs.
- 10X to 30X: Hold: 4.9 yrs.

**Legend:**
- Green Bars: U.K. % of exits in that Category (prelim)
- Blue bars: U.S. % of exits in that Category
Success Factors

• Expertise (Industry and Entrepreneurial) is significantly related to better outcomes.

• Participation post investment related to less failure
  – Low vs. Hi Interaction: 61% failure vs. 44% failure
  – Passive (vs. active) related to smaller investments & worse returns

• A little Due Diligence goes a long way

• Be very careful with Follow On Investments
The Impact of Time in Due Diligence

Overall Multiple for High Diligence 5.9X (4.1 years)
Overall Multiple for Low Diligence 1.1X (3.4 years)

Median: 20 hours
26% involved over 40 hours

Exit Multiples

<table>
<thead>
<tr>
<th>Exit Multiples</th>
<th>Percent of Exits</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 1X</td>
<td>50%</td>
</tr>
<tr>
<td>1X to 5X</td>
<td>30%</td>
</tr>
<tr>
<td>5X to 10X</td>
<td>10%</td>
</tr>
<tr>
<td>10X to 30X</td>
<td>5%</td>
</tr>
<tr>
<td>&gt; 30X</td>
<td>5%</td>
</tr>
</tbody>
</table>

Low Diligence
High Diligence
50% of deals were not related. When related, they typically had 14 years of experience.
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)

Follow-On Investment from Same Angel Investor

Percent of Exits

Exit Multiples

Follow On Yes Follow On No
Venture Capital Involvement

35% of deals took on VC investment at some point

- 35% of deals took on VC investment at some point
Angel Oregon Alumni

2003
Portland monthly
Phoseon Technology
Passport Online
ethics-point

2004
ColumbiaSoft
ShiftWise
HOME Comfort Zones

2005
CASTOR & POLLUX
MONSOON
INFINITY SOFTWORKS
CLINICIENT

2006
DAVERCI SOLUTIONS
MitoSciences
SplashCast
Document Command
Angel Oregon Alumni

- 26 presenting alumni from 2003 through 2008.
  - 4 of those have ended
  - 4 more in the ‘yellow light’ category
  - **2 Positive Exits & 2 more in the ‘fantastic’ category**

**Par:**
- 13 will likely exit at a loss
- 9 at a 1X to 5X multiple
- 2 at a 5X to 10X multiple
- 2 at more than 10X
Angel Oregon Alumni

All 26 companies combined:

- >$66M revenues (up from 43% from ‘07)
  - This was up 80% from ‘06 to ‘07

- Employ >478 (up 25% from 2007)
  - this has already come down some in 2009

- Raised more than $65M in equity
  - $8M raised last year by the group.
Things to Consider

– Managing failure or homeruns?
  • Risk, returns, randomness, & prediction

– Expertise vs. ‘best’ deal
  • Deal Flow, Groups, & Geography

– More deals vs. dry powder
  • Follow-Ons: More Info, More commitment, More failure?