Returns to Angel Investors in Groups

Siding with the Angels
Business angel investing – promising outcomes and effective strategies

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Robert E Wiltbank, Ph.D.
wiltbank@willamette.edu

Prediction & Control Under Uncertainty
Outcomes in Angel Investing

World Business™
Angels Association

Montlake Capital
Angel Investing in 5 Years?

• Attract All Appropriate Capital Sources
  ➢ Available Wealth, Econ Dev, Incentives, FoF’s

• Syndicates Beyond Geography
  ➢ Regional & Intl Networks, Capital to Opportunity

• Clean Matching of Strategies & Opportunities
  ➢ Stage, Industry, Style, Instrument, etc.

An Asset Class?
CLARITY

QTR
Activity & Performance

Legal Regimes
Investment Practices & Requirements
Strategies & Oversight
A Running Start

Richard Harrison
Colin Mason
Sophie Manigart
Jeff Sohl
Richard Sudek
William Wetzel

And Many more…….

- Distribution of private wealth
- Potential policy initiatives
- Market activity
- Angel group practices
- Investing strategy
- Distribution of returns
Distribution of Returns by Venture Investment

700 investors from 117 groups
4100 investments with 1543 exits
Approx $250M invested capital

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

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

Red Bars: U.K. % of exits in that Category
Blue bars: U.S. % of exits in that Category
Cash Generated by Category

Blue bars: % of exits in that Category
Green Bars: $’s returned in that Category

Exit Multiples

- < 1X
- 1X to 5X
- 5X to 10X
- 10X to 30X
- > 30X

Percent of Total Exits

- $20M
- $40M
- $60M
- $80M
What next then?

• Other Types of Angel Investors: Motivation, Practice, Performance
  Different Approaches Internationally
  Super Angel Data
  Non Group Member Investor Data

• Quarterly reporting, ala Venture Source
  Activity levels, deal characteristics, investor foci
  Self Reported, Fund Raising Motivated
  Baseline of returns for Allocations
What next then?

• Global Entrepreneurship Monitor
  National Sampling, very clean data
  Resource intensive, relatively surface level

• Anonymous Tax Related Data
  Tax incentive filing data
  Capital Gain filings to flag angel investments
  Econ Devel ‘side-car funds’ as return proxy

• Continued systematic sampling of angel investors
  Great depth of data
  Sampling selection challenges
So What?

• Intelligently reach new geographies more quickly

• Wealth Advisors may find legitimate role for angel investing

• Gov’t & Institutional $ effectively support co-investment models

• Entrepreneurs more effectively find/avoid the right investors

• Plethora of angel investor creativity connected to Effectiveness

Better Opportunities funded more quickly to grow faster with fewer mistakes.