

# MY EXPERIENCE WITH ANGEL INVESTING

## NEWDOMINIONANGELS

- 55 Members
- ~\$12M invested
- 26 companies funded
- Seed stage investments
- Mid-Atlantic region
- B2B SaaS (largely)
- 9 exits



# ANGEL INVESTORS DEFINED



**An individual who invests their personal capital into a private company**

**1 HUMAN**

Mentoring, advising,  
industry knowledge,  
business expertise

**2 SOCIAL**

Networks, relationship  
access

**3 FINANCIAL**

Cash investment

**QUESTION: WHICH OF THESE IS MOST IMPORTANT TO THE ANGEL?**

# WHAT MAKES A GOOD ANGEL INVESTOR?

And conversely, what startup founders should look for in prospective angel investors

1

## Capacity

Social, Human, Financial

2

## Competence

Knowledge, Experience, Expertise

3

## Credibility

Honest, Accredited

4

## Patience

Long View

5

## Risk Tolerance



# COMPARING SEED STAGE INVESTORS

	Founders, Friends, Family & Familiars (& Fools)	Angel Investors	Venture Capital Funds
Motivation	Love, Kindness and/or Delusion	Social, Experiential & Financial	Financial
Source of Funds	Personal	Personal	Largely Other People's (Limited Partners)
How they Make Money	Capital Gains	Capital Gains	Management Fees & Carried Interest
Time Commitment	Almost none	Part-time	Full-time

**WHAT  
EXPERIENCED  
ANGEL  
INVESTORS ARE  
THINKING:  
  
A LOT ABOUT  
RISK!**

**50-70% FAIL  
to return capital  
invested\***

*\*Source: Returns to Angel Groups, Wiltbank, 2014*

**Management Risk:**

- Is this team right for THIS deal?

**Technology Risk:**

- Does it work? Can it work and scale in real life use?

**Intellectual Property Risk:**

- Does someone else own it?

**Regulatory Risk:**

- Will they let us sell it?

**Market Risk:**

- Will customers buy it (at a profitable price)?

**Competitive Risk:**

- Can this company dominate its markets?

**Capital Risk:**

- How much additional cash will company need?

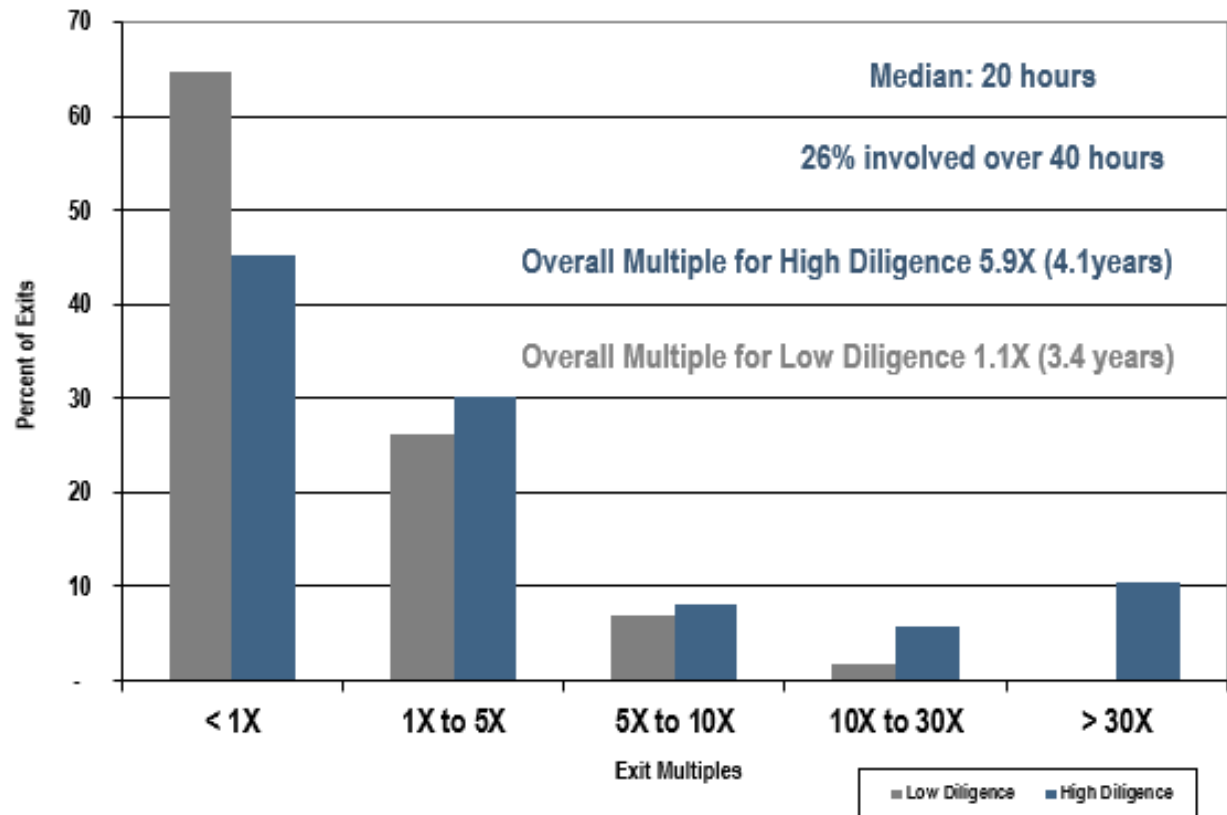
**Exit Risk:**

- How do I get my investment back?

**Implications:**

- 1) Entrepreneurs  
must reduce  
risk perception  
  
&**
- 2) The winners  
need to win big**

## DUE DILIGENCE IS SO IMPORTANT



- It is an art, not a science
- Very little data to work with at the startup stage

Source: Returns to Angel Investors in Groups, Rob Wiltbank

# CORE CATEGORIES OF DUE DILIGENCE

<b>A</b> <b>Do I love this team?</b>	<b>B</b> <b>Is this a good business?</b>				<b>C</b> <b>Is this a good investment?</b>	
<b>1</b> <b>Founders &amp; Team</b>	<b>2</b> <b>Tech/ Product</b>	<b>3</b> <b>Market &amp; Competition</b>	<b>4</b> <b>Sales &amp; Marketing</b>	<b>5</b> <b>Business Model &amp; Financials</b>	<b>6</b> <b>Legal &amp; IP</b>	<b>7</b> <b>Terms &amp; Exit</b>

# IMPROVE YOUR ODDS: ANGEL INVESTING IS BETTER AS A TEAM SPORT

**It's a great way to de-risk the asset class**



- 1 Better deal flow
- 2 Shared workload
- 3 More brain power in due diligence
- 4 Easier to build a diverse portfolio
- 5 Better negotiating leverage
- 6 Larger capital pool to sustain a company over time
- 7 Better credibility to next round investors

**And the social benefits - it is more fun with like-minded persons!**



## THINGS AN HONEST ANGEL INVESTOR WILL TELL YOU

- It usually comes down to team – not product.
- Most startup investments fail.
- No one knows which are not going to fail.
- It is a numbers game (portfolio theory)
- All startups will need more money.
- And it will take more time – and require more patience – than advertised.
- Being good is usually not good enough.
- You need to be smart & lucky. (It is probably better to be lucky.)

