

# The **Angel** Accelerator

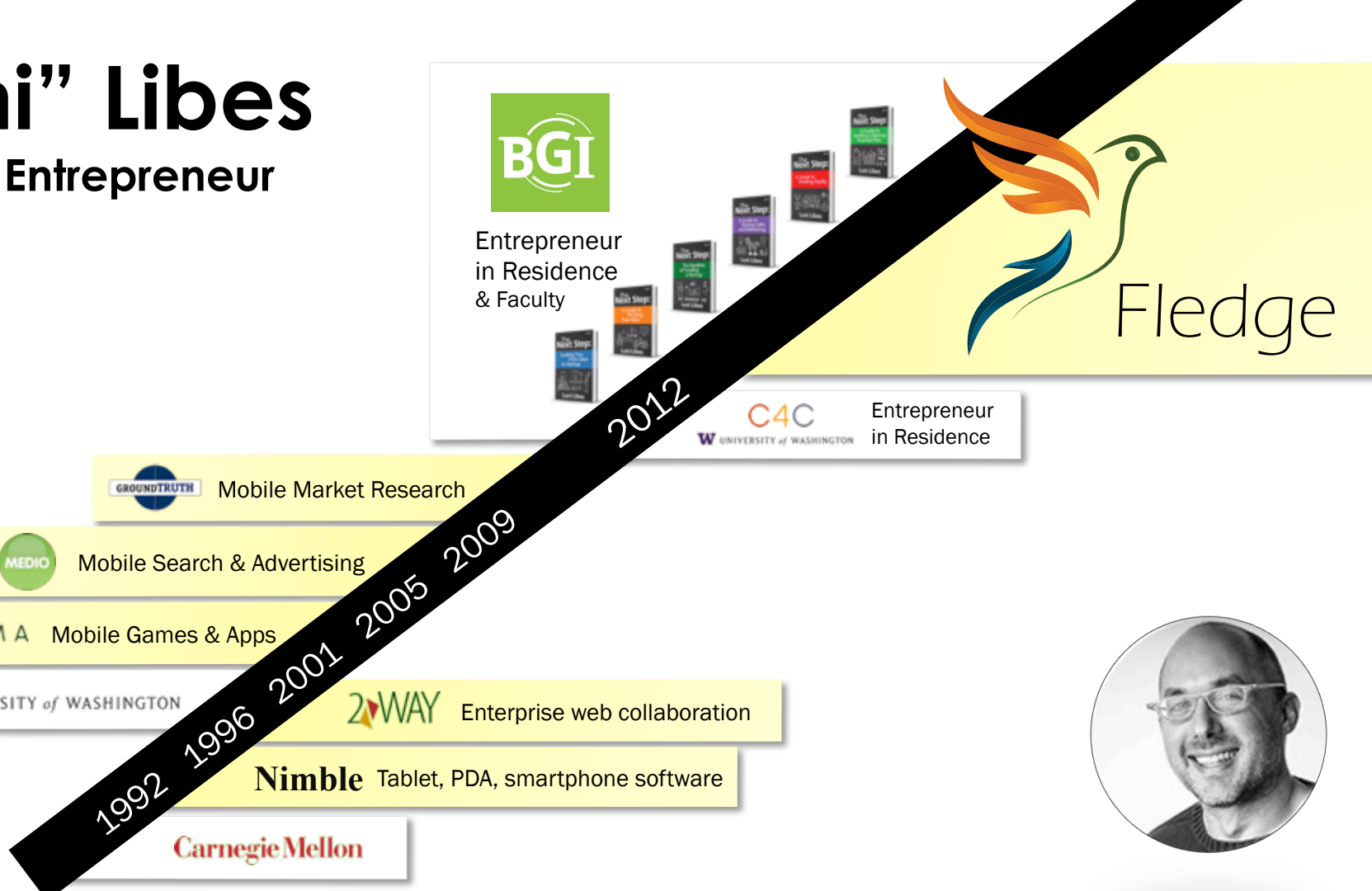
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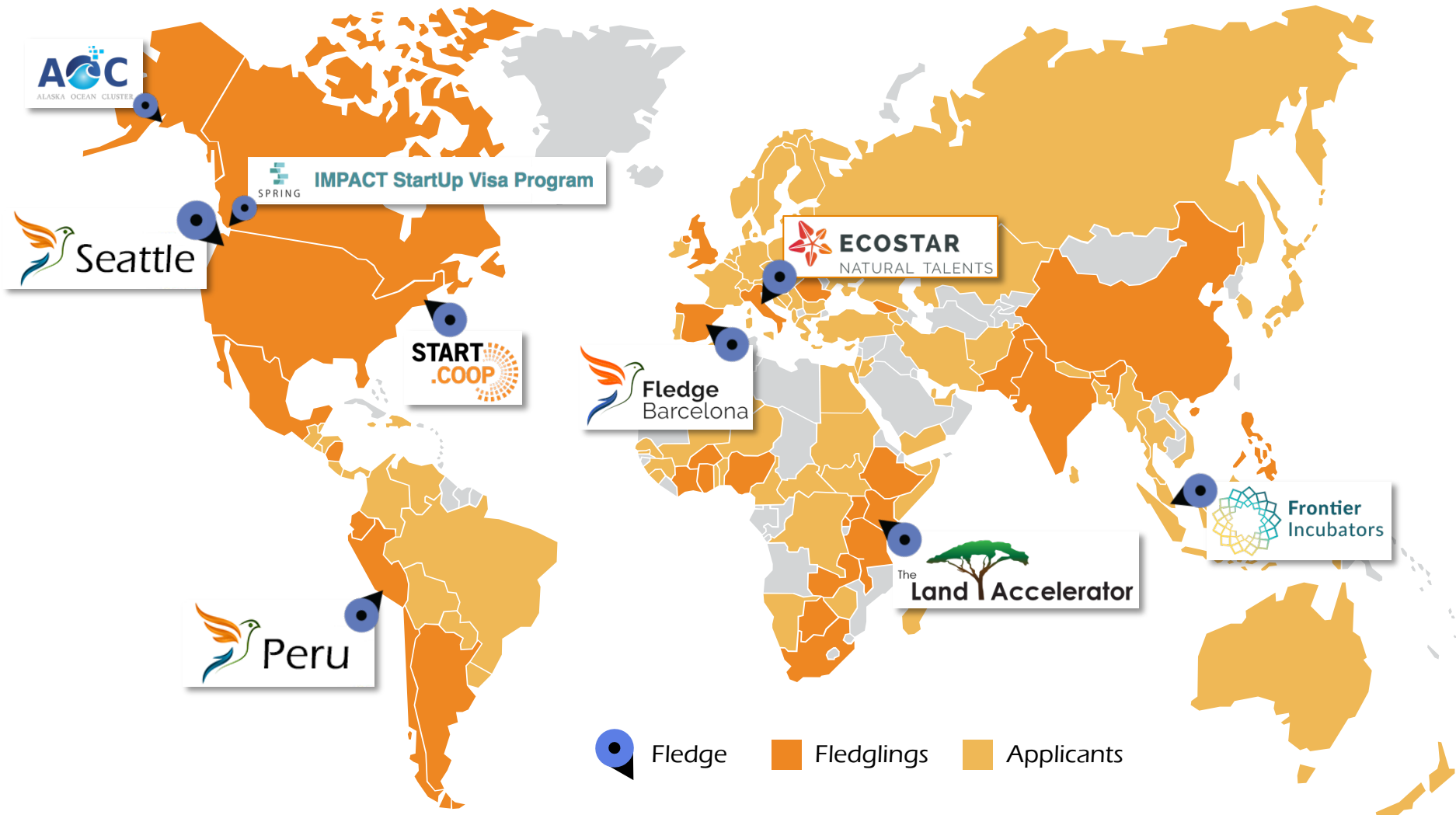
## ***Startup Investing 101***

**Workshop #4**

# “Luni” Libes

Serial Entrepreneur





**AOC**  
ALASKA OCEAN CLUSTER

**IMPACT StartUp Visa Program**  
SPRING

**Seattle**

**START .COOP**

**Peru**

**Fledge Barcelona**

**ECOSTAR**  
NATURAL TALENTS

**The Land Accelerator**

**Frontier Incubators**

**Fledge**   **Fledglings**   **Applicants**

# Timeline

- **Free workshops**
  - Today through January
  - Every other(ish) Tuesday
- **Investor Commitment**
  - Late January
- **Select fledglings**
  - Late February
- **Accelerator**
  - April 13 – May 29

# Apprentice... Novice... Expert

- **Startup investing was an apprenticeship**
  - Angels learn by watching more experienced Angels
  - Listening to the questions Angels ask
  - Seeing the deal terms
  - Hearing stories of startup
- **The Angel Accelerator is a class**
  - With a curriculum
  - Learning by facilitated doing

# WHY?

**Why do startups raise money?  
What is in it for them?**

# **TIME**

**Money buys time to market.  
(plus equipment)**

# WHY?

**Why do investors invest in startups?**

**What is in it for us?**



# **MONEY**

**Capitalism = Using capital to make more**

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# **USEFUL**

**Using your expertise and experience to help**

# **MONEY**

**Capitalism = Using capital to make more**

# **USEFUL**

**Using your expertise and experience to help**

# **FUN**

**Plus some social prestige sharing stories**

# **FUN**

**Social prestige sharing stories with friends**

# **USEFUL**

**Using your expertise and experience to help**

# **MONEY**

**Only risk your *play money* on startups**

# Sources of capital

|                 | Seed | Startup | Early-Growth | Rapid-Growth | Exit |
|-----------------|------|---------|--------------|--------------|------|
| Self            | █    |         | █            |              |      |
| Friends/Family  | █    |         | █            |              |      |
| Crowdfunding    | █    |         | █            |              |      |
| Grants          | █    | █       | █            |              |      |
| Angel           | █    | █       | █            |              |      |
| Angel Groups    | █    |         | █            | █            |      |
| Venture Capital | █    |         | █            | █            | █    |
| SBA Loan        | █    |         | █            | █            | █    |
| Bank Loan       | █    |         | █            | █            | █    |
| Mezzanine       | █    |         | █            |              | █    |
| Public Debt     | █    |         |              |              | █    |
| Acquisition     | █    |         |              |              | █    |
| IPO             | █    |         |              |              | █    |

# Angel

**What is an Angel investor?**

**What distinguishes an Angel from a VC?**

# **ANGEL**

**Invests his/her own money**

# **VC**

**Invests other people's money**

**(VC = Venture capitalist = Venture capital fund manager)**

# Good Angel

**What makes someone a  
Good Angel investor?**



# **GOOD ANGEL**

**Knows why he/she is investing.**

**Knows what reasonable terms look like.**

**Understands the investor role in startups.**

**Eager to learn how to be a better investor.**

# Who?

**Who is allowed to be an Angel?**

# ACCREDITED

In the U.S., only accredited investors can invest any amount they wish in any private equity or debt investment.

Startups can use specific exemptions to allow any investors, but with limitation.

# **ACCREDITED INVESTOR**

**\$1 million of net worth,  
not including primary home, or  
\$200,000 in annual income, or  
\$300,000 in annual income with spouse.**

# Sources of capital

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| Public Debt     |      |         |              |              |      |
| Acquisition     |      |         |              |              |      |
| IPO             |      |         |              |              |      |

# Stages of capital

|                 | Seed | Startup | Early-Growth | Rapid-Growth | Exit |
|-----------------|------|---------|--------------|--------------|------|
| Angel           |      |         |              |              |      |
| Angel Groups    |      |         |              |              |      |
| Venture Capital |      |         |              |              |      |

\$0-\$200K

\$200k-\$2m

\$2m-\$20m

\$20m+

# Amount of capital

|                 |
|-----------------|
|                 |
| Angel           |
| Angel Groups    |
| Venture Capital |

} **\$21 billion in 64,000 companies (2016)**

} **\$84 billion in 8,000 companies (2016)**

**\$25 billion in Startup and Early-Growth stages**

*Similar amounts of capital, very different amounts per investment:*

***\$328,125 avg. Angel investment***

***\$3,125,000 avg. VC initial investment***

**\$25,000 / ANGEL**

**\$328,125 avg. Angel investment  
= about a dozen Angels**



# Groups

**Why do Angels flock into groups?**

# **ANGEL GROUPS**

**Easier to raise a significant amount of capital**

**Share the due diligence effort**

**Shared dealflow**

**+ Scheduled monthly meetings**

# OTHER SHOES

*From the other side of the table...*

**The startup needs capital and needs it NOW.**

**The founder wants to build a business, not  
spend time raising capital.**

**Efficiency of groups help tremendously.**

# EXCEPT...

Angel groups are not time efficient.

Angel groups usually end in “no”.

Groupthink and socializing spreads the “no”.

# Dealflow

**How do Angels find startups?**

# **DEALFLOW**

**Pitch event, accelerators, competitions, etc.**

**Crowdfunding sites and other online lists**

**Startup lawyers & accountants**

**Submissions to Angel groups**

**Word of mouth**

# **INVESTORFLOW**

**Word of mouth**

**Dinner, drinks, cocktail parties, golf...**

# **1 in 30**

**Angels tend to look at 30 deals  
before investing in 1**

**Venture capitalists tend to look at 1,000  
deals before investing in 1**



# Funds?

**Indirect startup investing**

# **SEED FUNDS**

**Under \$20 million**

**Often under \$1 million**

**Often “side car” to an Angel group**

**Often investment committee are  
a subset of the investors**

**Invests like an Angel but a pool of Angel capital**

# **VENTURE FUNDS**

**Over \$200 million**

**General Partners vs. Limited Partners**

**Rarely open to Angel-size investors**

# **Profitable?**

**Do Angels make money investing?**

# SUCCESSFUL Angel/VC returns

per 10 investments

|      |                  |      |
|------|------------------|------|
| 1/10 | “Home Run”       | >10x |
| 2/10 | “Double/Triples” | 5x   |
| 3/10 | “Singles”        | 1x   |
| 4/10 | Zeros            | 0x   |

**Average**

$(10\% * 10x) + (20\% * 5x) + (30\% * 1x)$

**2.3x**

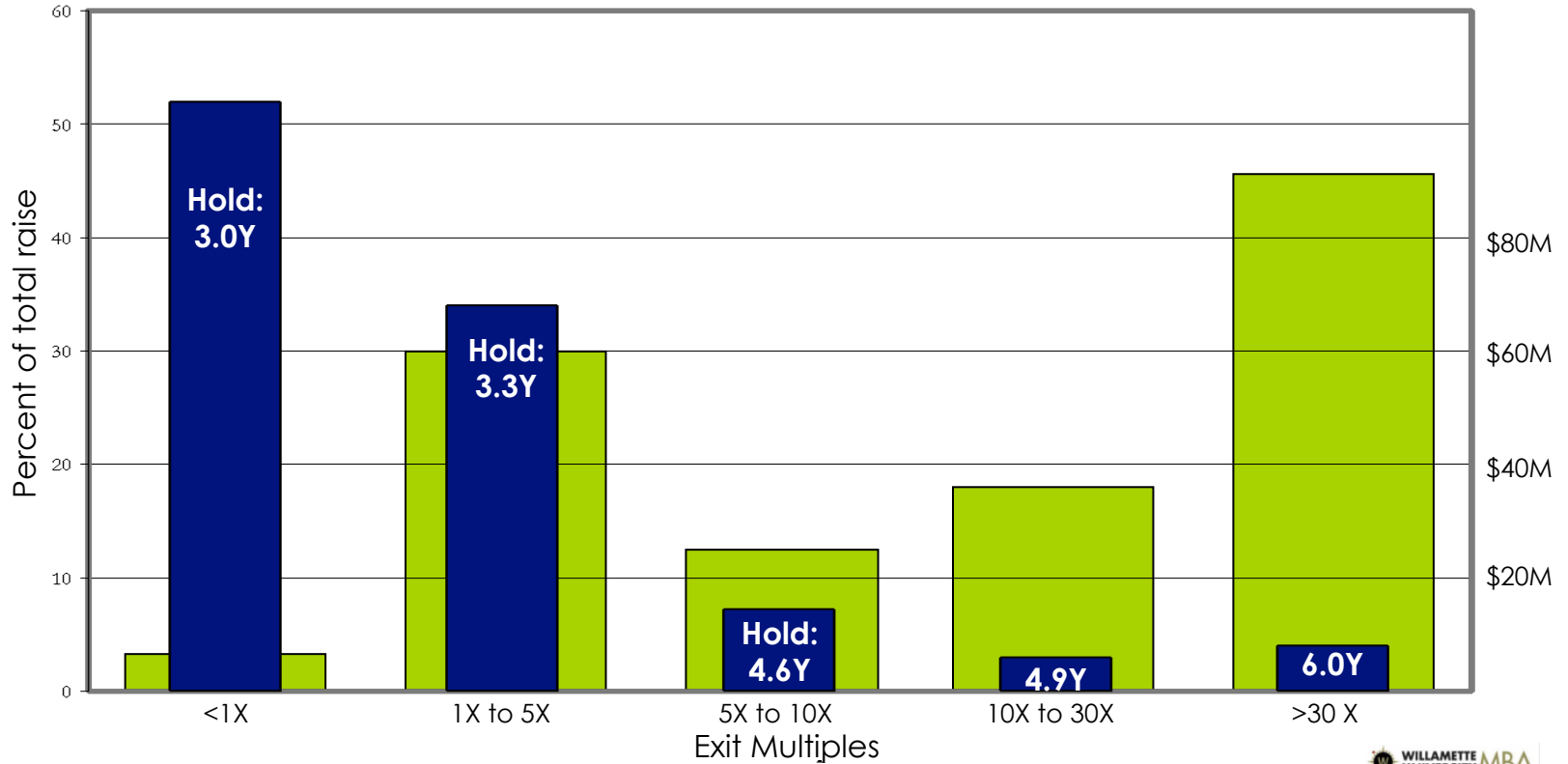
Returns to  
**Angel Investors**  
in Groups

November 2007

Robert Willbank, Ph.D.  
Willamette University  
Willbank@willamette.edu

Warren Becker, Ph.D.  
University of Washington  
WBecker@u.washington.edu

**2007 research paper**  
**6,000+ Angel investments**  
**Summarized analysis**



**Blue:** % of exits in that category  
**Green:** \$'s returned in that category

Avg. Holding Period: **3.5 years**  
 Total portfolio return: **2.6x**

# **FAILURES > SUCCESSES**

**Most startup fail**

**52% <1x**

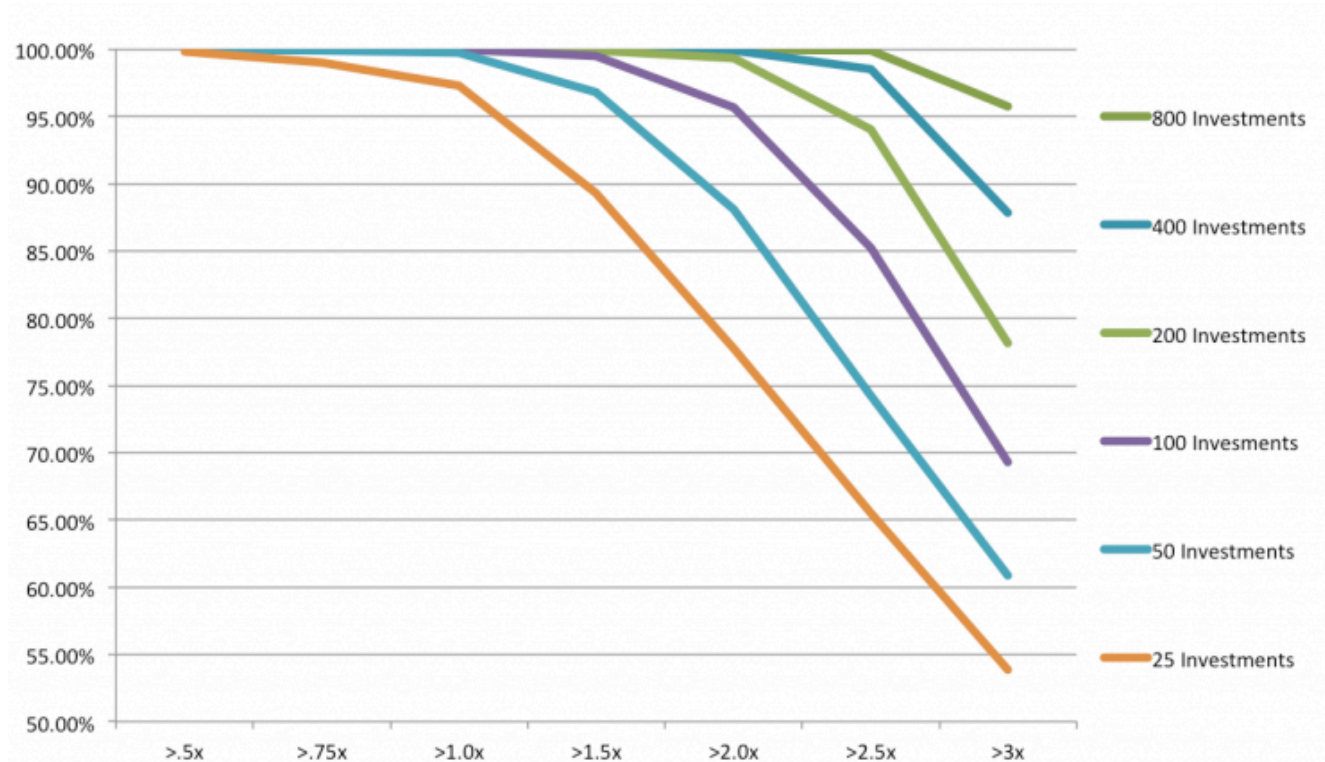
**~83% lose money**



# **Diversity!**

**Best to investment in 20+ startups**

# ROI Odds vs. Number of Investments



# DIVERSIFY

**25 → 97% odds of 1x, 65% 2.5x**

**50 → 99% odds of 1x, 75% 2.5x**

**100 → 85% 2.5x, 75% 3x**

**Etc.**

# 1 AT A TIME?

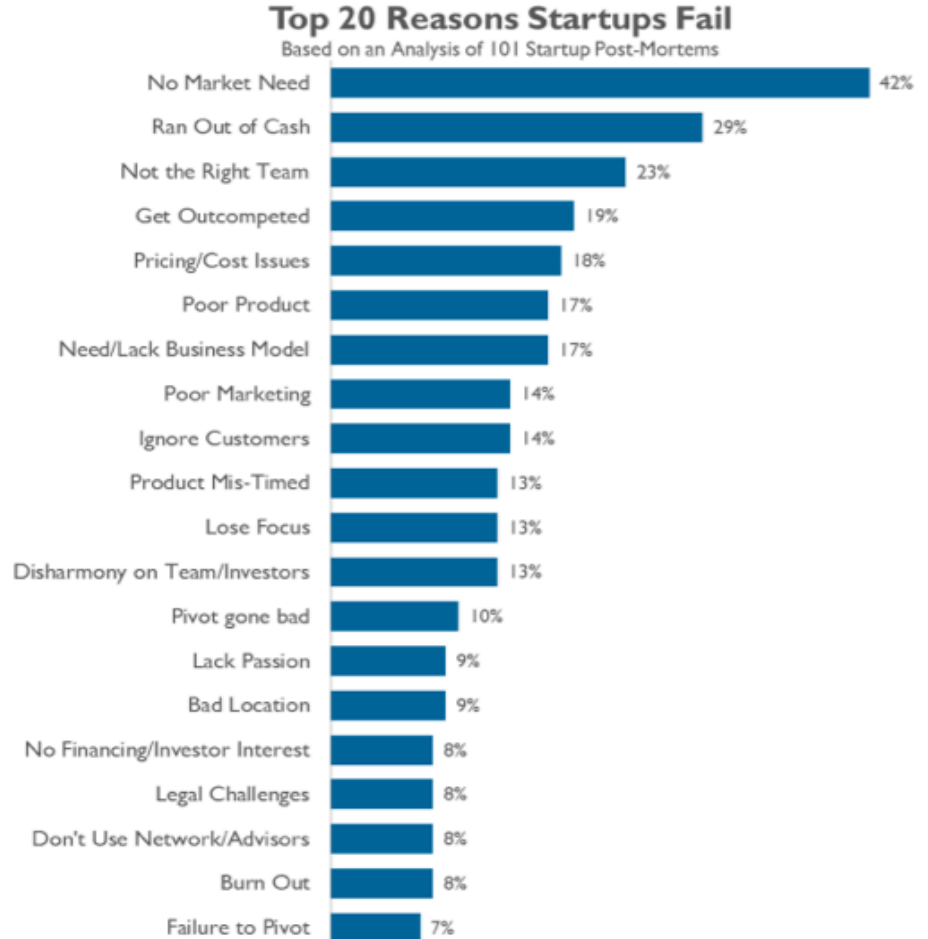
## Angel pattern

- Review 30 startups
    - 30 hours
  - Due diligence 3
    - 90 hours
  - Invest in 1
    - 5 hours
- +1 investment
- 125 hours per investment
  - 1 check per investment





## Accelerator Pattern

- Review 300 applicants
    - 30 hours
  - Due diligence 30
    - 30 hours
  - Invest in 7
    - 10 hours
- + 7 investments
- 10 hours per investment
  - 1 check per 7 investments

# Why Startups Fail?



# Why Startups Succeed?

1. Timing 
2. Luck 
3. Team 
4. Funding 

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powered by  *Fledge*

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# Cost



Details available upon request.

- **Fledge is a (tiny) venture capital fund**



- Fledge is a private fund.



- Historic details are available upon request.



# More Details

- **Fledge.co/angels**
- luni@fledge.co

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[luni@fledge.co](mailto:luni@fledge.co)