

# The **Angel** Accelerator

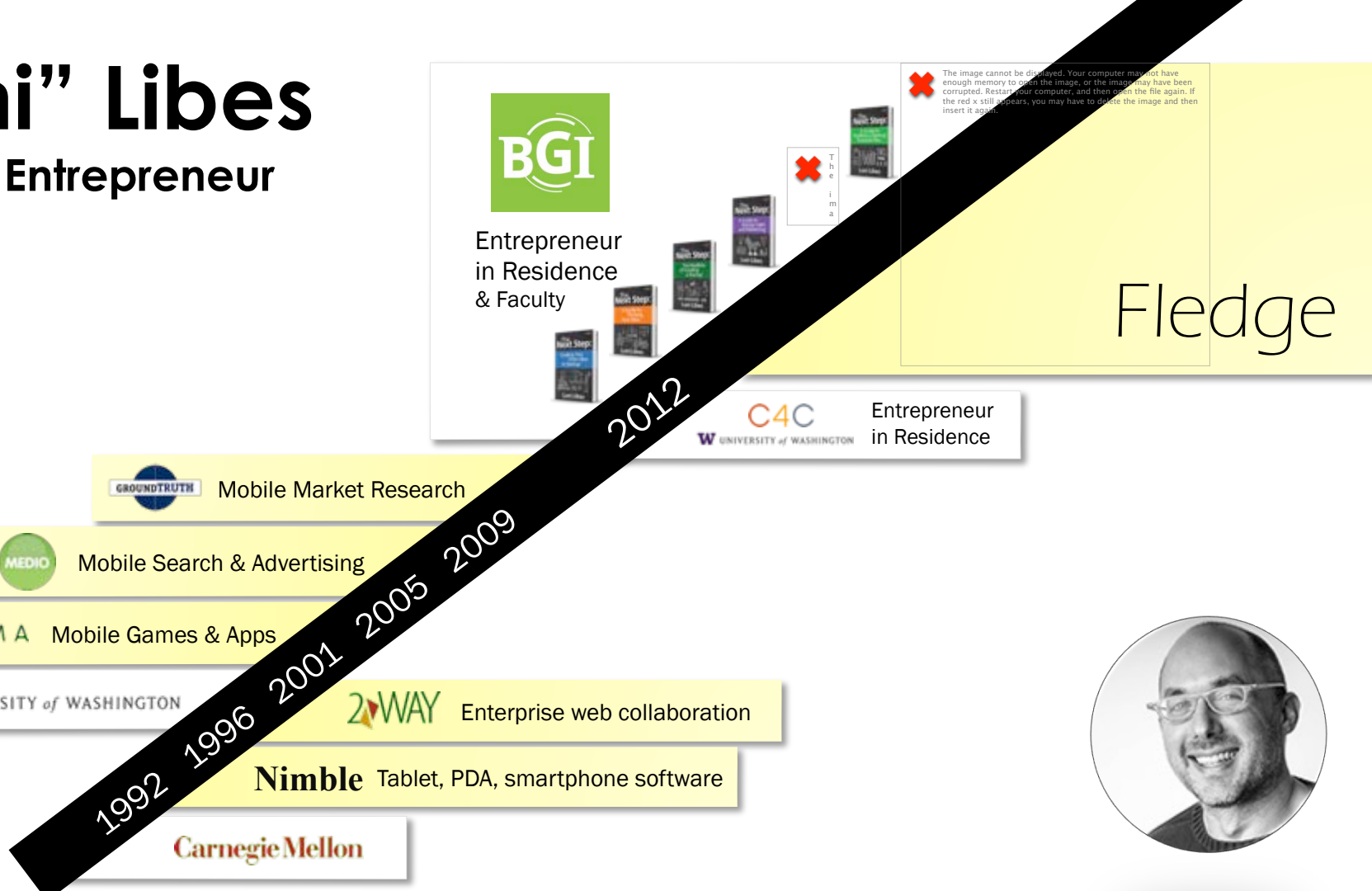
powered by  Fledge

## ***Investing without Exits***

**Workshop #7**

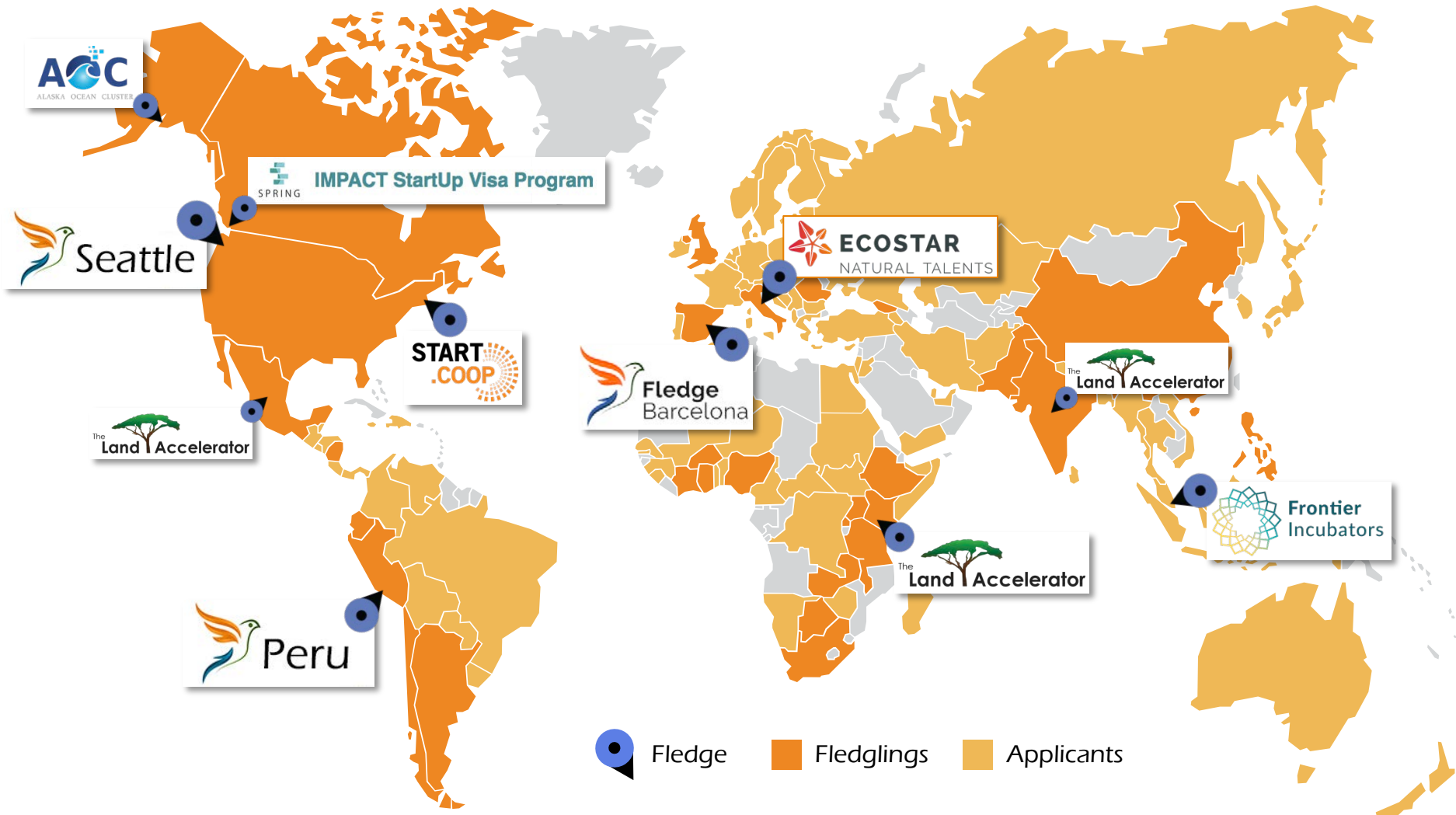
# “Luni” Libes

## Serial Entrepreneur



A collage of logos and text. On the left is the BGI logo (a green square with 'BGI' in white) and the text 'Entrepreneur in Residence & Faculty'. In the center is a stack of 'Health Steps' book covers. On the right is a large yellow rectangle with the word 'Fledge' in a thin, black, sans-serif font. Below the collage is the C4C UNIVERSITY of WASHINGTON logo and the text 'Entrepreneur in Residence'. There are also some red 'X' marks and error messages overlaid on the collage.





**AOC**  
ALASKA OCEAN CLUSTER

**IMPACT StartUp Visa Program**  
SPRING

**Seattle**

**START.COOP**

**The Land Accelerator**

**Peru**

**Fledge Barcelona**

**ECOSTAR**  
NATURAL TALENTS

**The Land Accelerator**

**The Land Accelerator**

**Frontier Incubators**



Fledge



Fledglings



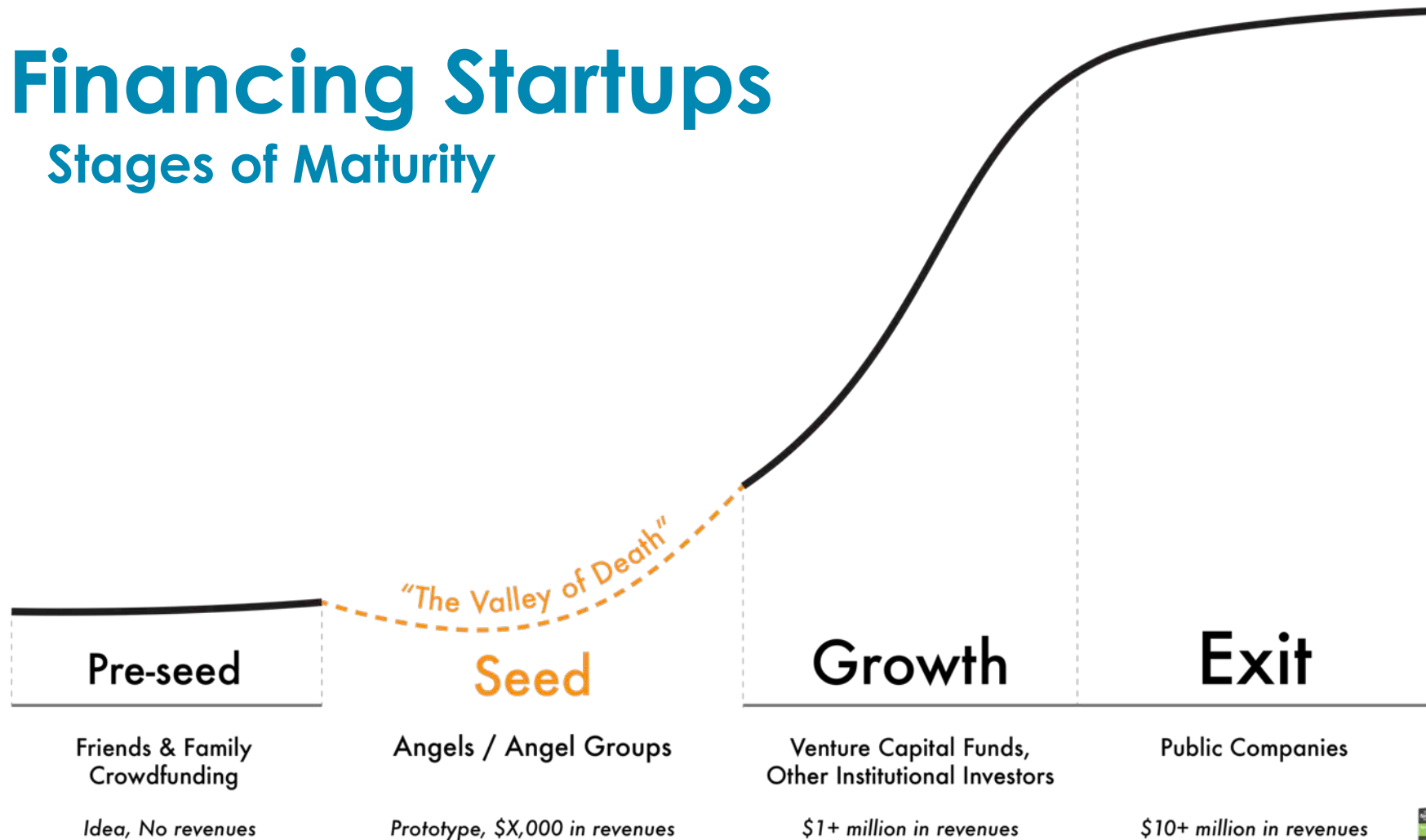
Applicants

# Timeline

- **Free workshops**
  - Today
  - Two more in January
- **Investor Commitment**
  - End of January
- **Select fledglings**
  - Mid-February
- **Accelerator**
  - April 13 – May 29

# Financing Startups

## Stages of Maturity

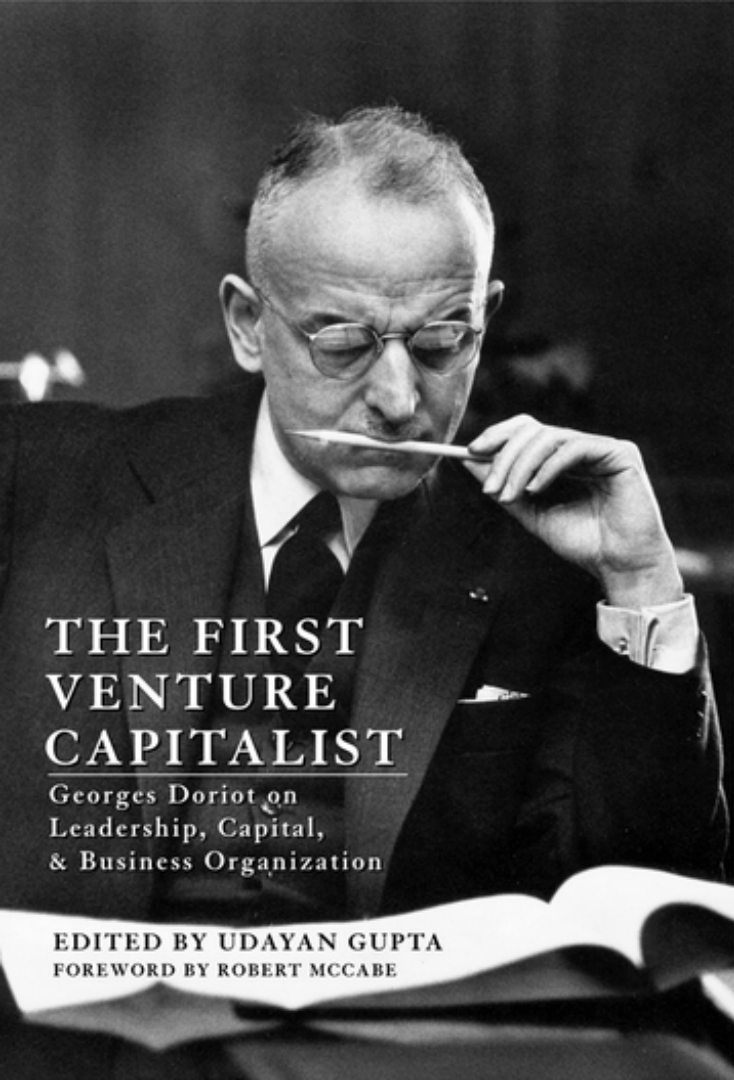


# Rowan & Martin's

# LAUGH-IN



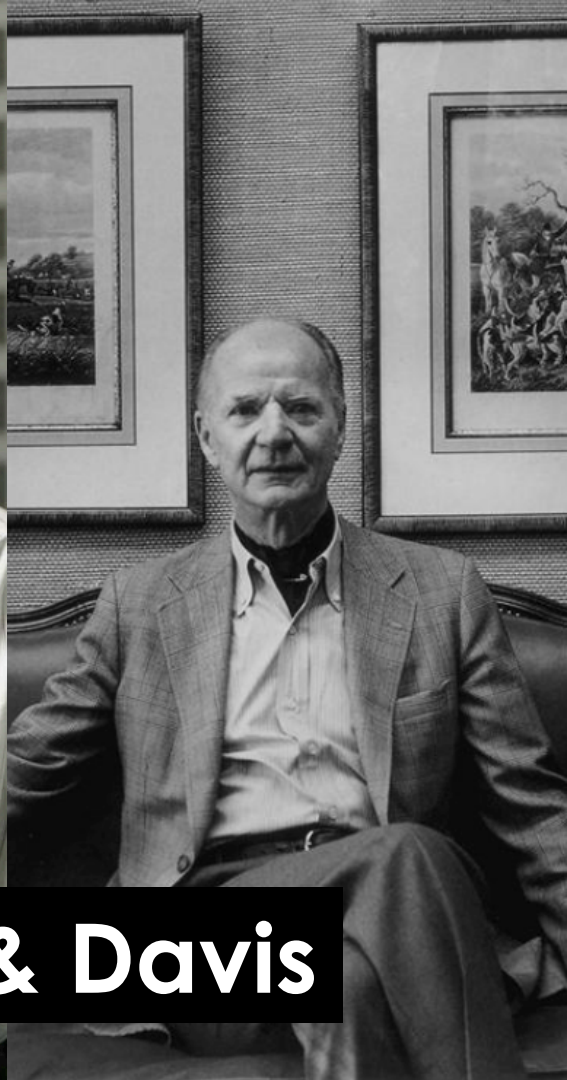
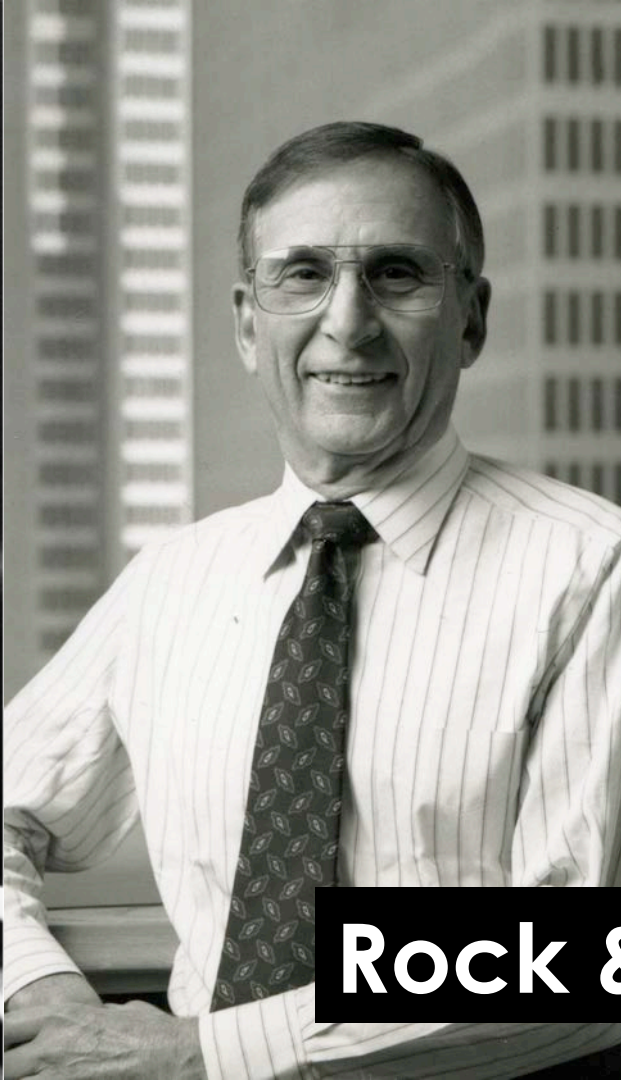




# THE FIRST VENTURE CAPITALIST

Georges Doriot on  
Leadership, Capital,  
& Business Organization

EDITED BY UDAYAN GUPTA  
FOREWORD BY ROBERT MCCABE



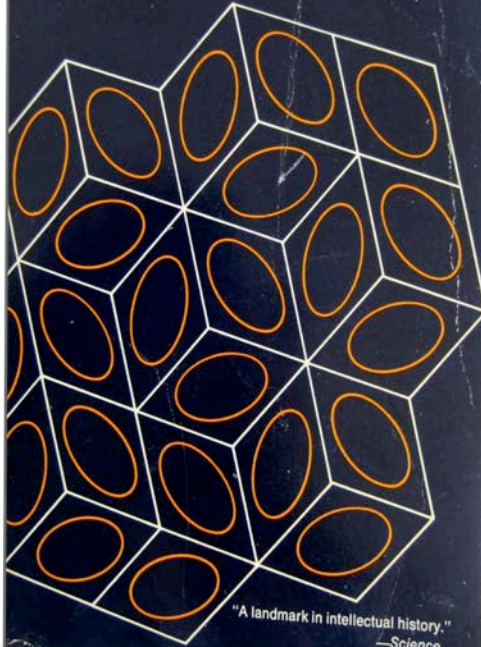
**Rock & Davis**

P411  
\$3.95

# The Structure of Scientific Revolutions

Second Edition, Enlarged

Thomas S. Kuhn

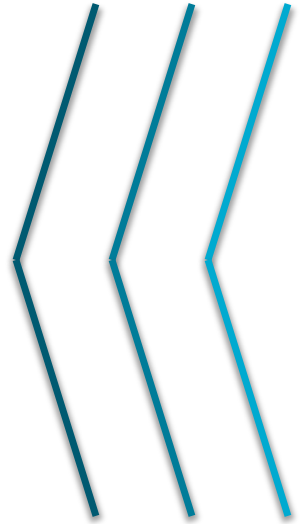


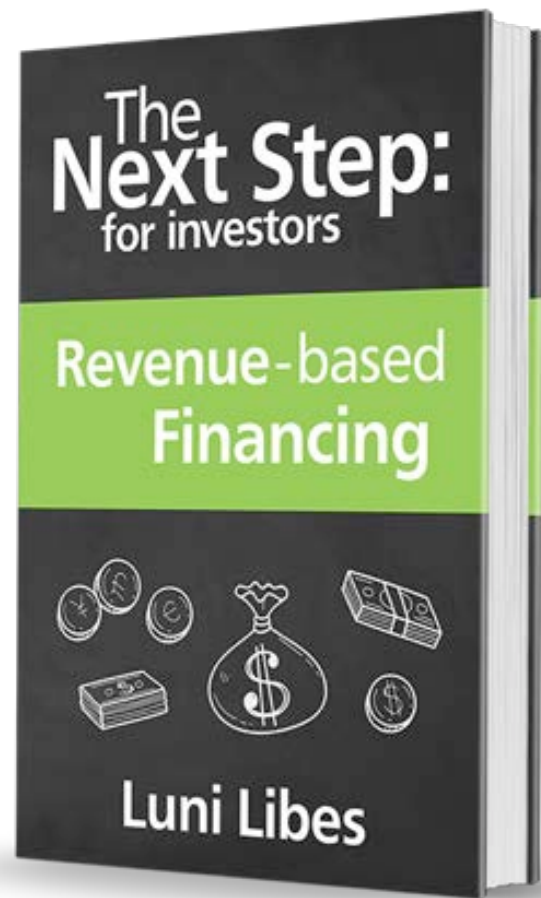
"A landmark in intellectual history."  
—*Science*



paradigm

# paradigm shift





# 500,000

New startups per year  
(U.S. SBA & Kauffman Foundation)

## 4,115

funded by  
venture capitalists  
(Pitchbook 2016)

## 726 exits

(Pitchbook 2016)

# 500,000

New startups per year

(U.S. SBA & Kauffman Foundation)

## 0.8%

funded by  
venture capitalists

(Pitchbook 2016)

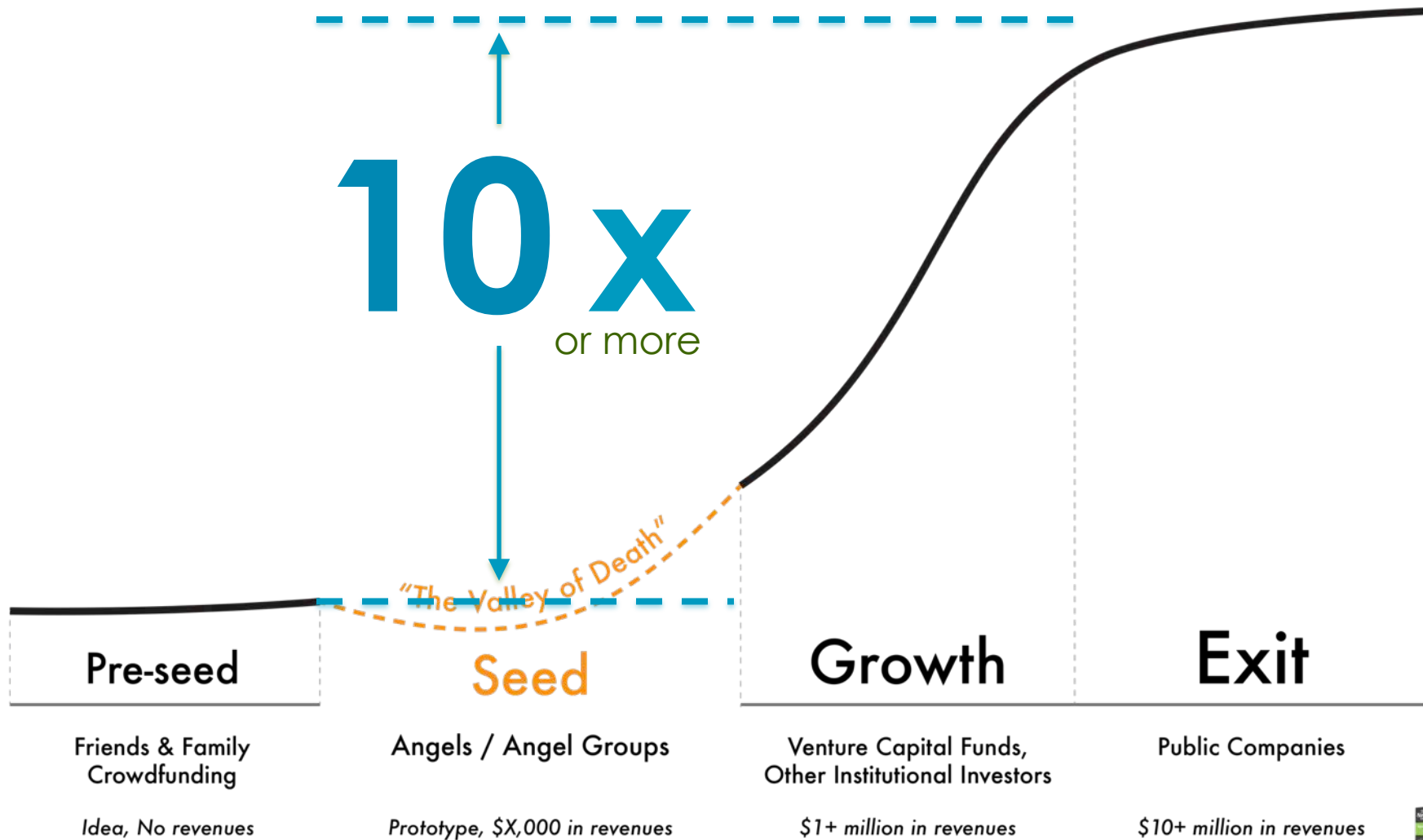
## 0.1% exits

(Pitchbook 2016)



# 492,000

**“unfundable”  
startups**



# Why?

10x  
or more

**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**

**SUCCESSFUL**  
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**Average**

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

**2.3x**



Not!



# The Actual Goal

**2.5x**  
or more

# The True Goal

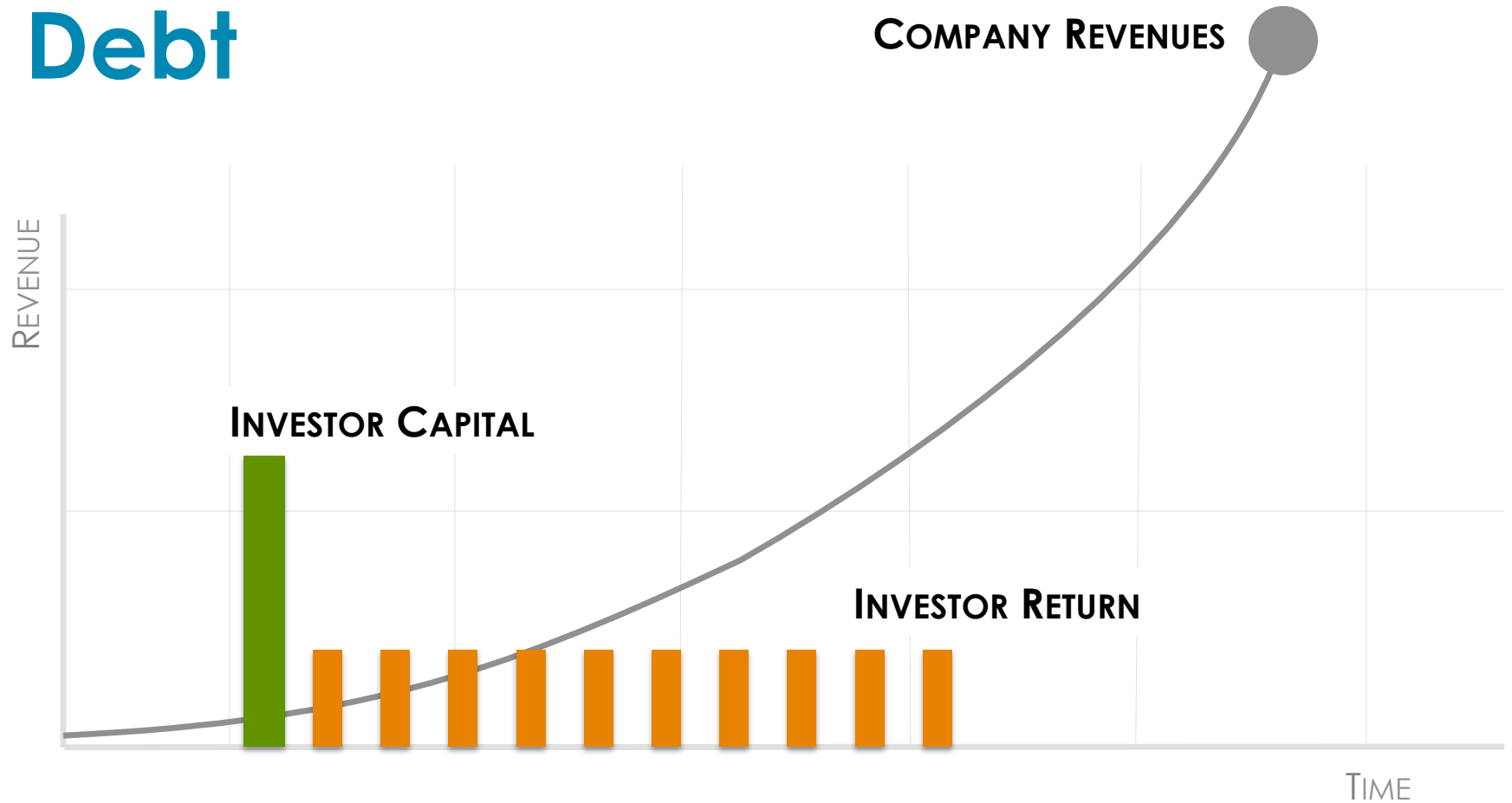
**15%**  
or more

**IRR**  
*( Internal Rate of Return )*

The Actual True Goal

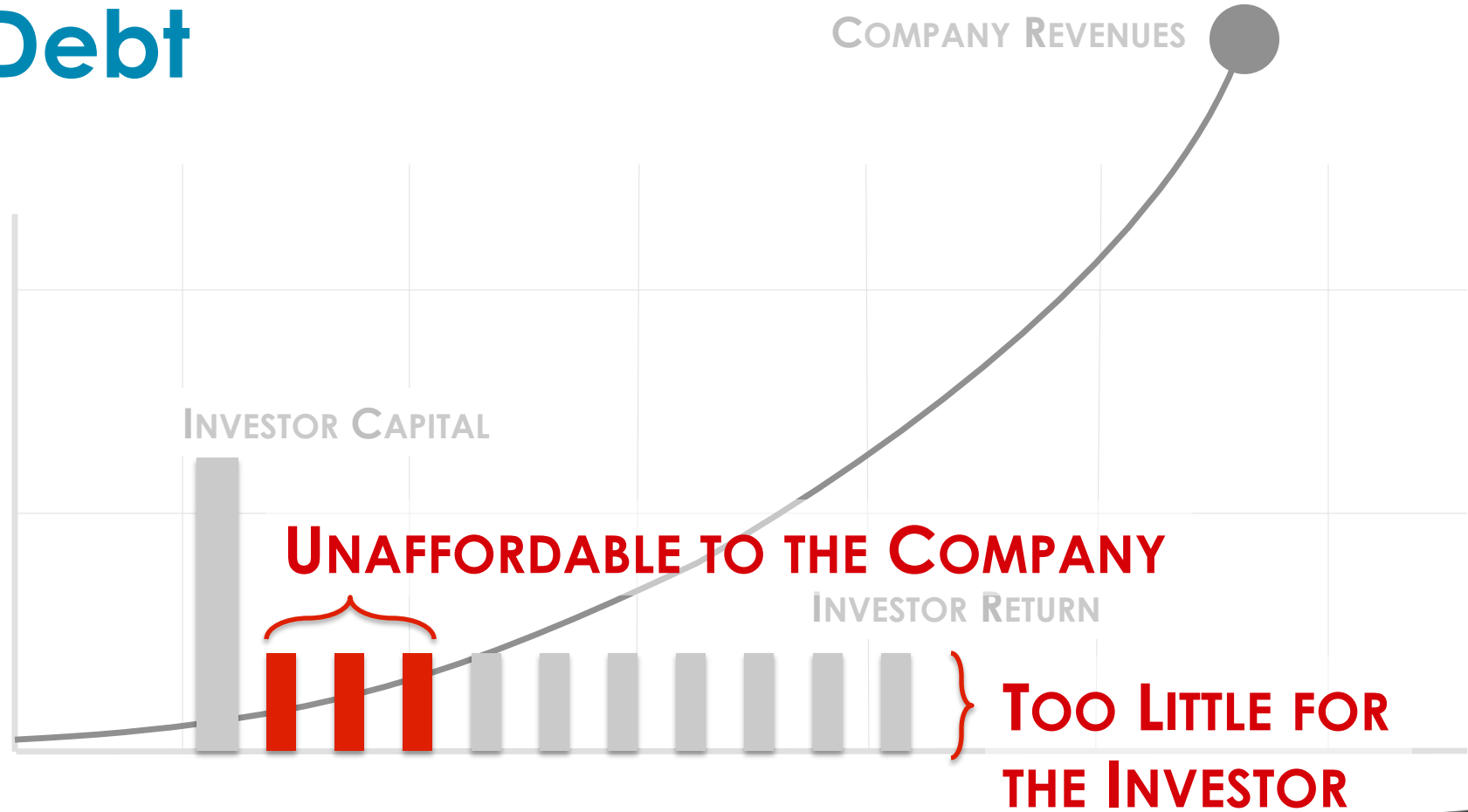
Beat the  
S&P 500

# Debt

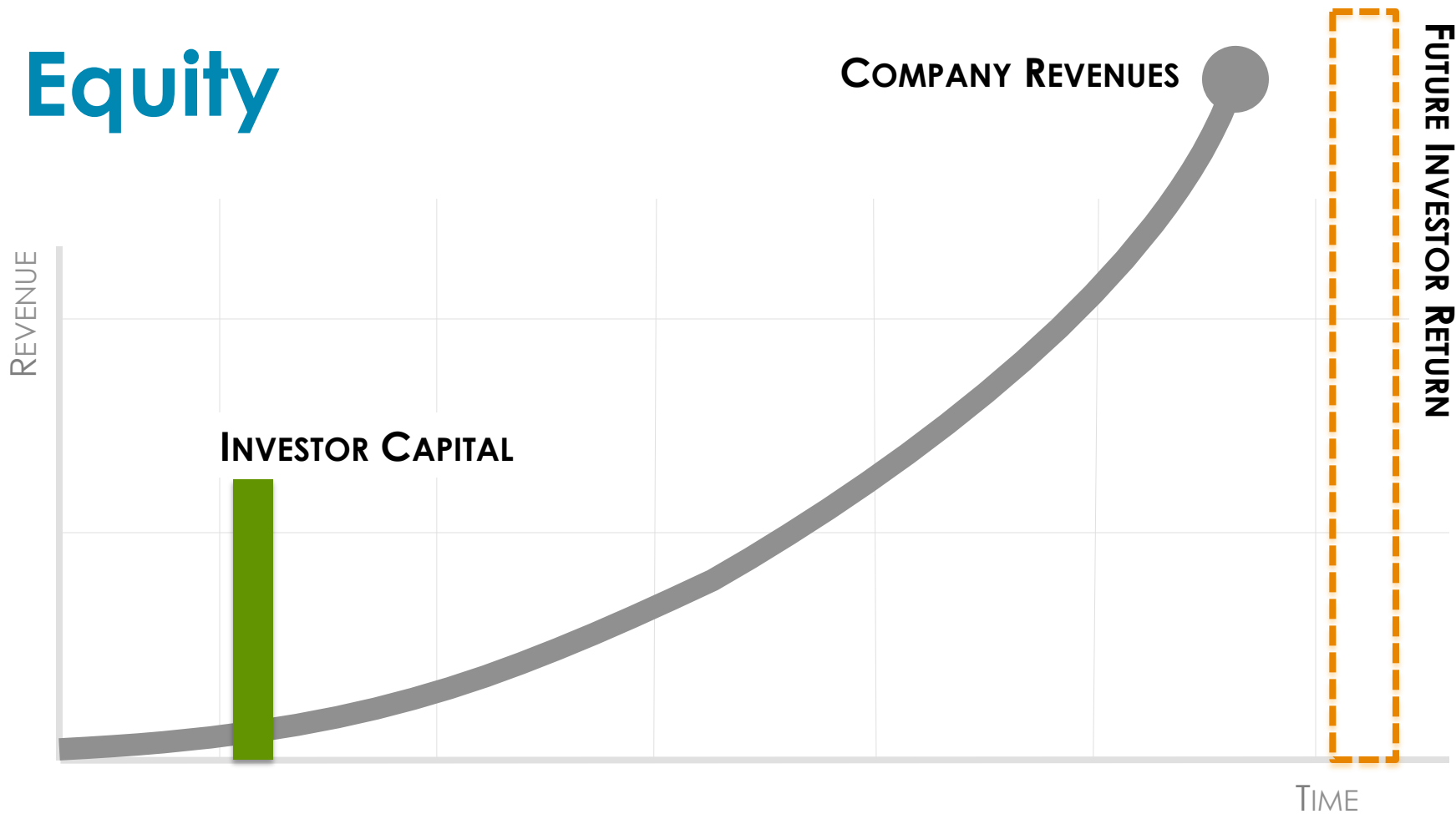




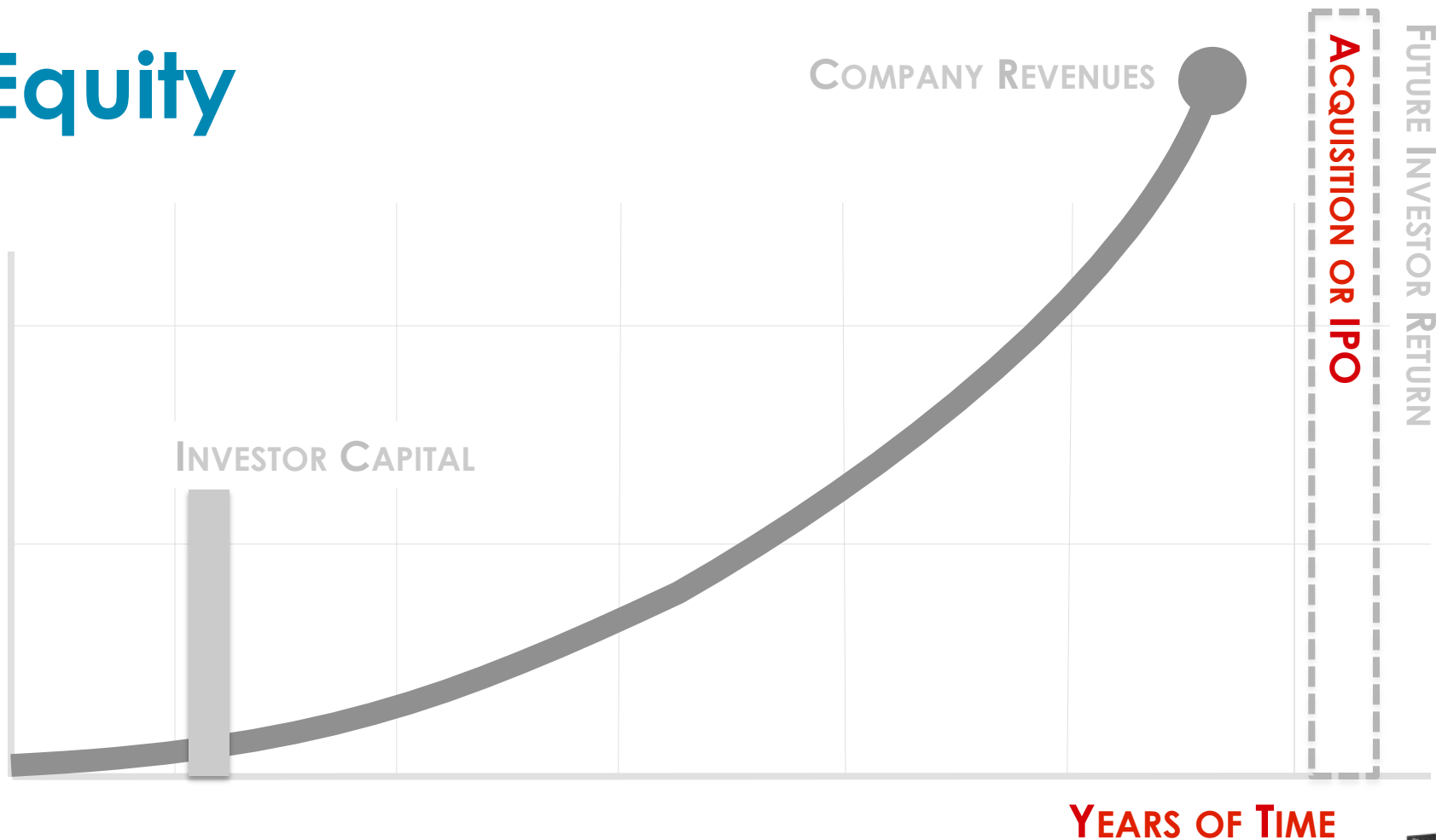
# Debt



# Equity

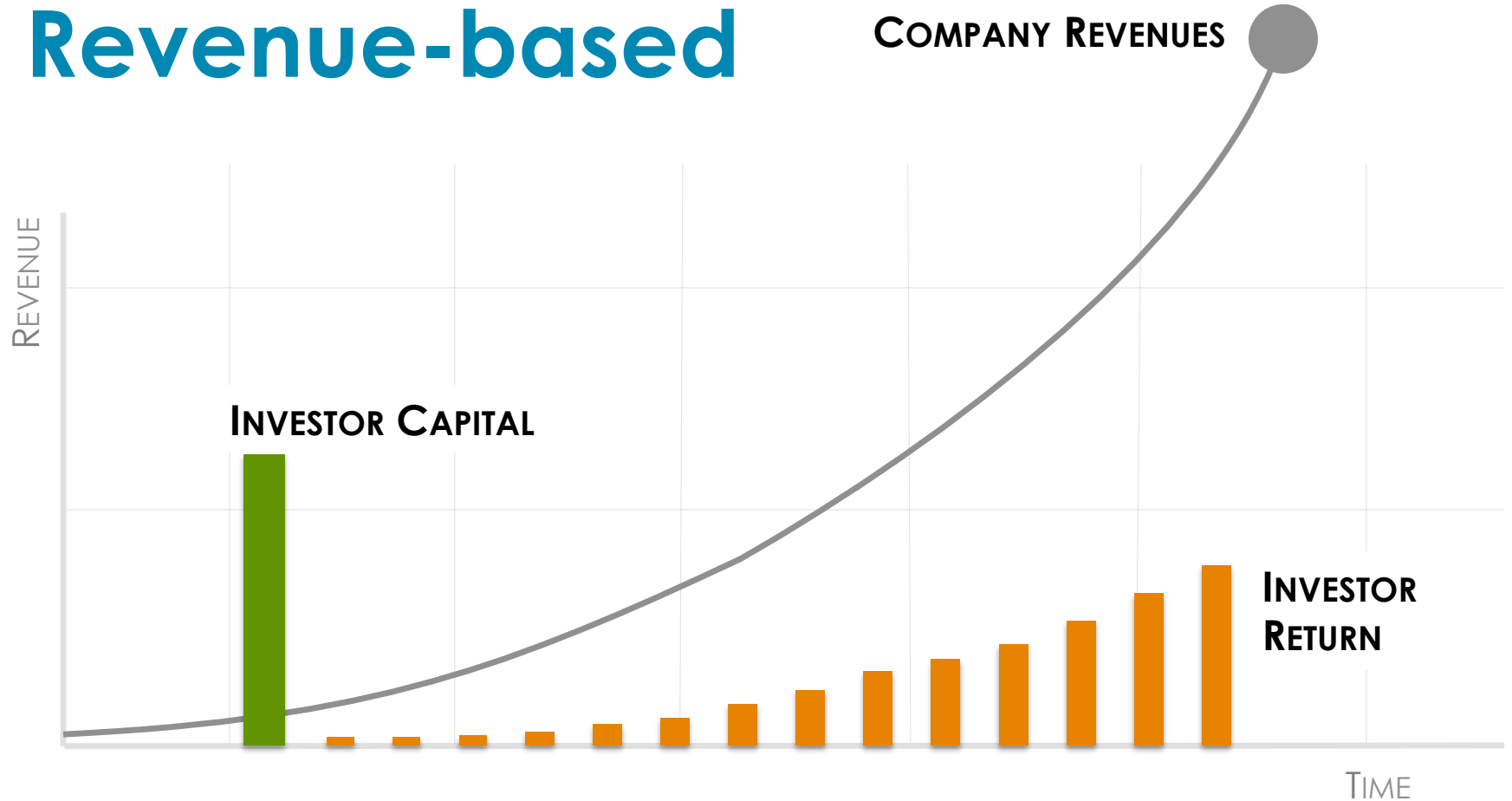


# Equity



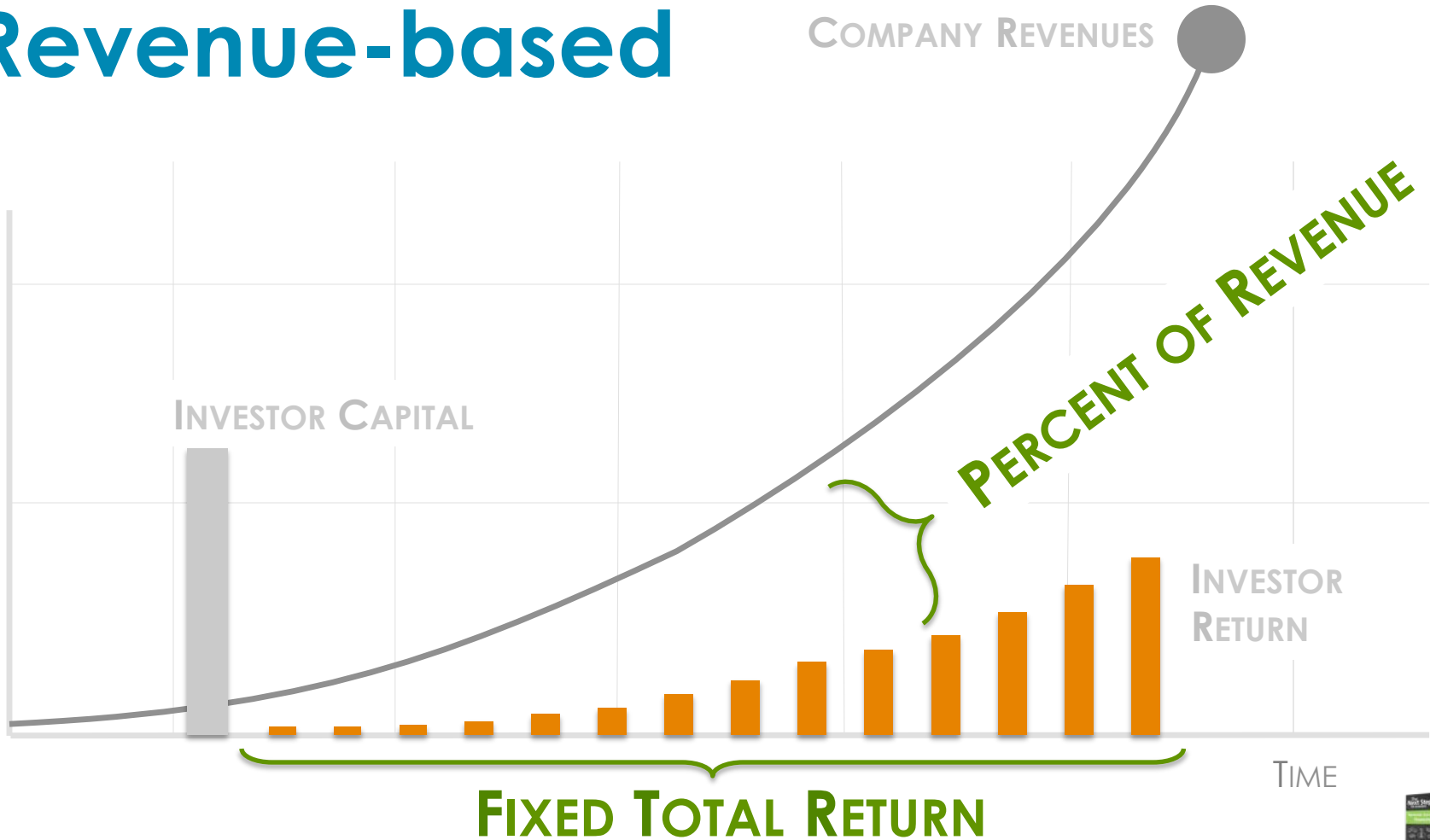
# Revenue-based

COMPANY REVENUES



# Revenue-based

COMPANY REVENUES



# E.g. Revenue-based Loan

- **\$100,000** investment
- Payments of 5% of future monthly revenues
- Totaling **\$200,000**
- Providing a 2x return

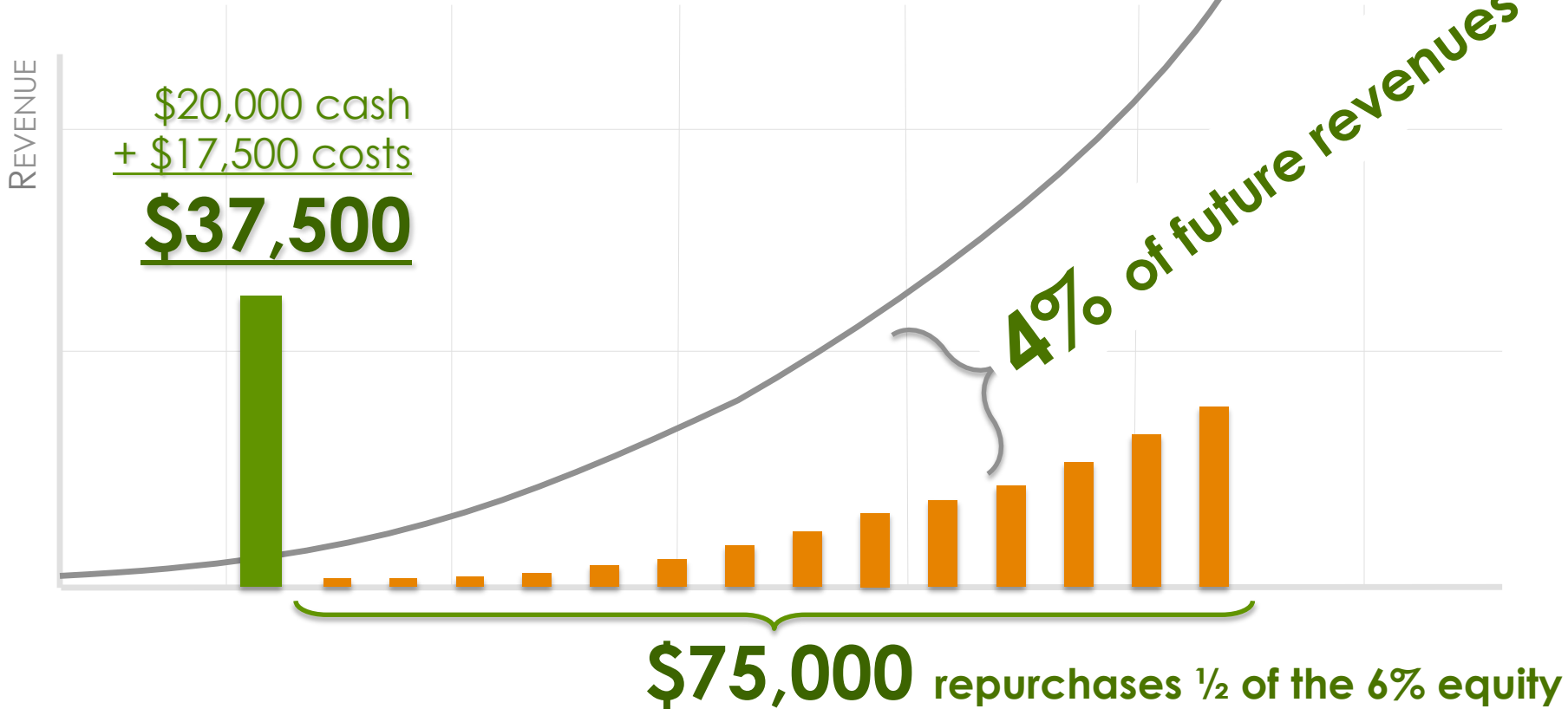
# E.g. Revenue Based Equity

- **\$100,000** buys 10% ownership
- Company repurchases half those shares for \$200,000
- Using 5% of future quarterly revenues
- Providing a 2x+ return



# Accelerator Terms

COMPANY  
REVENUES





# Key Variables

- % of revenues
  - single digit percentage
- X cash-on-cash return
  - typically 2x-4x for seed stage
  - commonly 2x for growth stage

## Other considerations:

- Debt or Equity
  - tax rates and deductions
- Residual equity
  - upside upon exits
- Optional or Mandatory
  - who chooses
- Other preferences



**500,000**  
“investable” startups

Given the right investment structure

# Let's put one together

- **\$100,000** investment
  - Escargot? Honey? Mezcal? Rocks? The end of rust?
- 1. What **ROI/IRR** is fair?
- 2. How **patient** are you?
- 3. What **else** is important to you?

# little gray farms



The original slow food.

A row of wooden beehives in a field under a bright sun with a pink decorative overlay.

**Jicote  
Natural**  
The Organic Choice





AGUA PIEDRA MEZCAL & Co.





# Zr

## Zirconia

*The end of rust*





# Let's assume the following

- You like the **team**, the **product/service**, and all your **due diligence** comes back positive.
- **Revenue** projections from the **financial plan**:
  1. \$250,000
  2. \$350,000
  3. \$500,000
  4. \$650,000
  5. \$800,000
  6. \$900,000
  7. \$1,000,000
  8. \$1,000,000
  9. \$1,000,000
  10. \$1,000,000

	A	B	C	H	I	J	K	L
1	<b>Revenue-based analyzer</b>				Investment	<b>\$100,000</b>		
2					<b>Multiple</b>	<b>2.0x</b>	\$200,000	
3								
4	<b>Year</b>	<b>Revenues</b>	<b>Growth</b>		<b>3%</b>	<b>5%</b>	<b>7%</b>	<b>9%</b>
5	1	\$250,000			(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)
6	2	\$350,000	40%		\$7,500	\$12,500	\$17,500	\$22,500
7	3	\$500,000	43%		\$10,500	\$17,500	\$24,500	\$31,500
8	4	\$650,000	30%		\$15,000	\$25,000	\$35,000	\$45,000
9	5	\$800,000	23%		\$19,500	\$32,500	\$45,500	\$58,500
10	6	\$900,000	13%		\$24,000	\$40,000	\$56,000	\$42,500
11	7	\$1,000,000	11%		\$27,000	\$45,000	\$21,500	\$0
12	8	\$1,000,000	0%		\$30,000	\$27,500	\$0	\$0
13	9	\$1,000,000	0%		\$30,000	\$0	\$0	\$0
14	10	\$1,000,000	0%		\$30,000	\$0	\$0	\$0
15					\$193,500	\$200,000	\$200,000	\$200,000
16					12.4%	17.4%	21.2%	24.6%
17					1.94x	2.00x	2.00x	2.00x

# Your terms?

- **Debt** or **Equity**?
- % of revenue?
- **X** return?
- Any **preferences**?
  - Board seat?
  - Investor approvals?
  - Right of First Refusal?
  - Pro-rata?
  - Honeymoon?
  - Change of control?
  - Warrants?
  - Upside?

# Your terms?

- **Debt** or **Equity**?
- % of revenue?
- **X** return?
- Any **preferences**?

Year	3%	5%	7%	9%
1	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)
2	\$7,500	\$12,500	\$17,500	\$22,500
3	\$10,500	\$17,500	\$24,500	\$31,500
4	\$15,000	\$25,000	\$35,000	\$45,000
5	\$19,500	\$32,500	\$45,500	\$58,500
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10	\$30,000	\$0	\$0	\$0
	\$193,500	\$200,000	\$200,000	\$200,000
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	1.94x	2.00x	2.00x	2.00x



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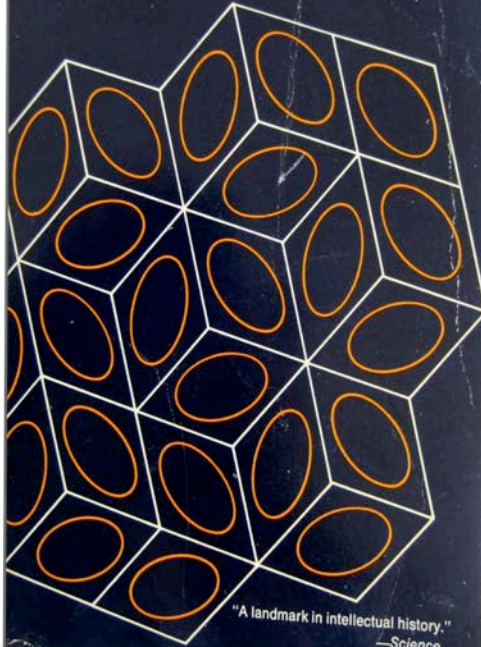


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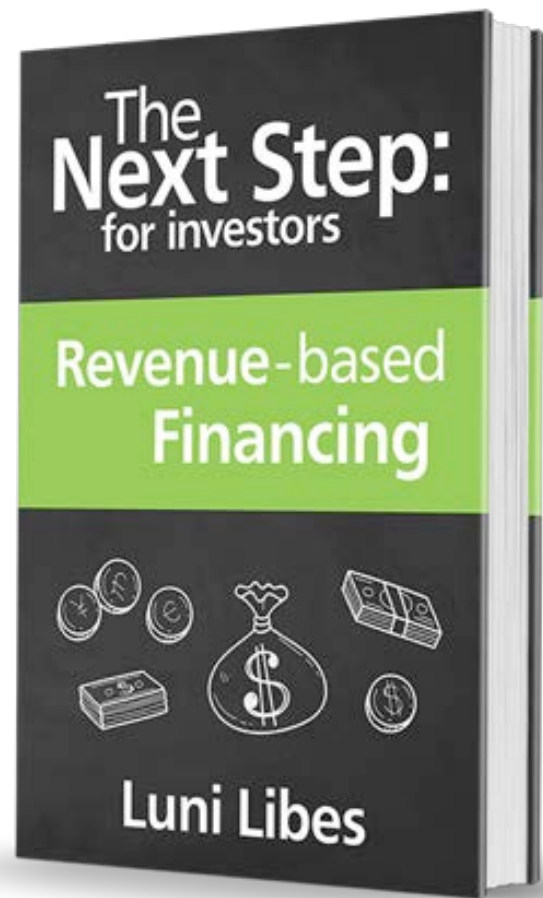
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Second Edition, Enlarged

Thomas S. Kuhn



"A landmark in intellectual history."  
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# The **Angel** Accelerator

powered by  *Fledge*

**“Luni” Libes**

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



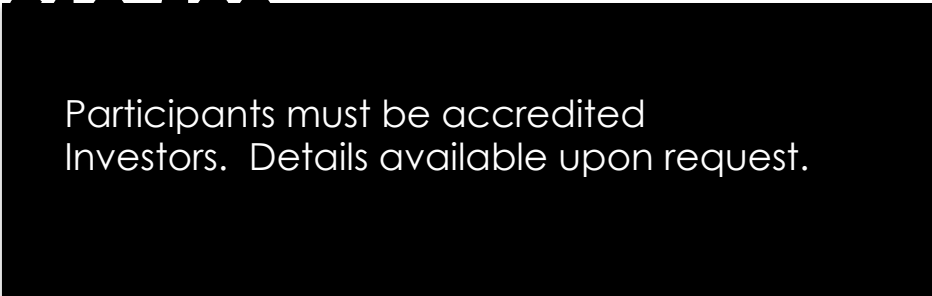
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# Cost

- **\$10,500**
  - \$10,000 is an investment
  - \$500 is the program fee
  - 7 investments with a single check
- **Fledge is a (tiny) venture capital fund**
  - \$2.8 million raised from 55 investors
  - 57 invested \$25,000 or \$50,000 or \$100,000
  - 1 investor is a foundation
  - Many investors used their donor advised fund to invest

# Cost

- 

Participants must be accredited investors. 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

# The **Angel** Accelerator

powered by  *Fledge*

**“Luni” Libes**

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