

# What Angel Investors Look For

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# So You Have An Idea

- ◆ Industry Canada reports:
  - ◆ 30% of small businesses won't survive longer than 2 years
  - ◆ Only 50% make it to 5 years
- ◆ In December 2012, Canada had **610,178 businesses** employing 1-4 people
- ◆ In a typical year
  - ◆ **80,000 are born**
  - ◆ **60,000 business die**
  - ◆ 7,000 are bankrupt

# Tips to Beat the Odds\*

- ◆ Declare how big you want to be in 24 months
- ◆ Choose who you intend to serve
- ◆ Determine how you intend to compete
- ◆ Focus on the critical few, not the possible many
- ◆ Cut the crap
- ◆ Plan on the run

\* Roy Osing, author, *“Be Different or Be Dead”*

# Tips to Beat the Odds\*

Don't get  
**MESMERIZED**  
by your long term potential

# Motivation of Angels

- ◆ Community Good
- ◆ Diversification
- ◆ High Growth
  
- ◆ Mostly . . . Angels want to make money

# What we do

- ◆ Angel One was the top Angel group in Canada by # of deals in 2012 and 2013

<b>Year</b>	<b>Total Invested</b>	<b>Avg. Ind. Investm't</b>	<b># of Investm'ts</b>	<b>Active Investors</b>
2011	\$1,220,000	\$94,000	1	13
2012	\$5,400,000	\$62,791	18	86
2013	\$5,280,000	\$76,522	20	69
2014	\$4,100,000	\$73,214	16	56
<b>Totals</b>	<b>\$16,000,000</b>	<b>\$73,413</b>	<b>55</b>	

# Where We Invest

Sector	Funds	Share
ICT	\$7,328,298	46%
SaaS	\$5,555,957	35%
Clean Tech	\$2,110,150	13%
Health Care	\$7,650,000	04%
Industrial	\$7,322,000	02%

- ◆ But we will look at deals in areas that involve significant intellectual property and/or high growth

# Our Approach

- ◆ We received on average 300 applications per year
- ◆ People (create team of 'A' players)
- ◆ Product (unique and defensible)
- ◆ Market (large, multinational, wants the product)
- ◆ Customer validation key



# Results To Date

- ◆ 55 investments into 35 companies
- ◆ One failure
- ◆ Sept 30, 2013: Granite Networks, 9 month hold, 27% ROI
- ◆ Nov 18, 2013: Vana Workforce, 11 month hold, 82% ROI
- ◆ No exits in 2014

# Tell Us Your Story

- ◆ Angels need key information, but . . . don't be boring
- ◆ Tell a story about your customer or your business or your product that is compelling
- ◆ Be honest about your stage, your competitive position, your ability to deliver

# Key Components of A Pitch

- ◆ What problem do you solve?
- ◆ Why will someone pay you to solve the problem?
- ◆ How big is the problem?
- ◆ When/how will you make money?
- ◆ Who is on your team?
- ◆ What do you need from the angels?

# Know Your Business

- ◆ You must show that you understand your business
  - ◆ Experience matters
  - ◆ Depth matters
  - ◆ Prior success matters
  
- ◆ You probably can't do it all but you should try

# Discussing Product

- ◆ Three categories of product
  - ◆ Products with IP Products with Brand
  - ◆ Everything else
- ◆ Intellectual Property when granted provides comfort to investors.
  - ◆ IP with customers has more value.
  - ◆ 'Applied' for has limited value.
- ◆ Brand identity dramatically reduces risk

# Operations

- ◆ Just a product is not enough
- ◆ How will you: sell, support, defend
- ◆ What is your cost of customer acquisition
- ◆ Does your product/service have key dependencies
- ◆ How long will a customer stay?
- ◆ Can you find employees?

# Scaling Your Venture

- ◆ Do you understand how to grow?
- ◆ Production
- ◆ Distribution
- ◆ Human Resources
- ◆ Support

# Financial Metrics

- ◆ Highlight historical ACTUAL sales and expenses
- ◆ Project revenue/expenses you can justify
- ◆ Explain how customers pay you
- ◆ Explain how investors profit
- ◆ Project time and funding required to cash flow positive



# Deal Structure

- ◆ What Instrument:
  - ◆ Equity
  - ◆ Preferred Shares
  - ◆ Convertible Debt
- ◆ How much are you raising
- ◆ Pre-money valuation
- ◆ Other investment/investors

# Be Simple

- ◆ Don't make it complicated
- ◆ Separate product/technology from business
- ◆ Customer validation reduces risk
- ◆ Leave complex items for due diligence but ...
- ◆ Be direct with answers

# Be Honest

- ◆ Most angels have significant experience
- ◆ Straight talk will win friends
- ◆ If it sounds too good to be true . . .

# Be Successful

Angel One members average investment per company  
\$457,143

Apply if you are ready at:  
[www.angelonenetwork.ca/entrepreneurs/](http://www.angelonenetwork.ca/entrepreneurs/)

# Thank you

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