

Venture Investing

.... the Angel Perspective

Ronald Thompson



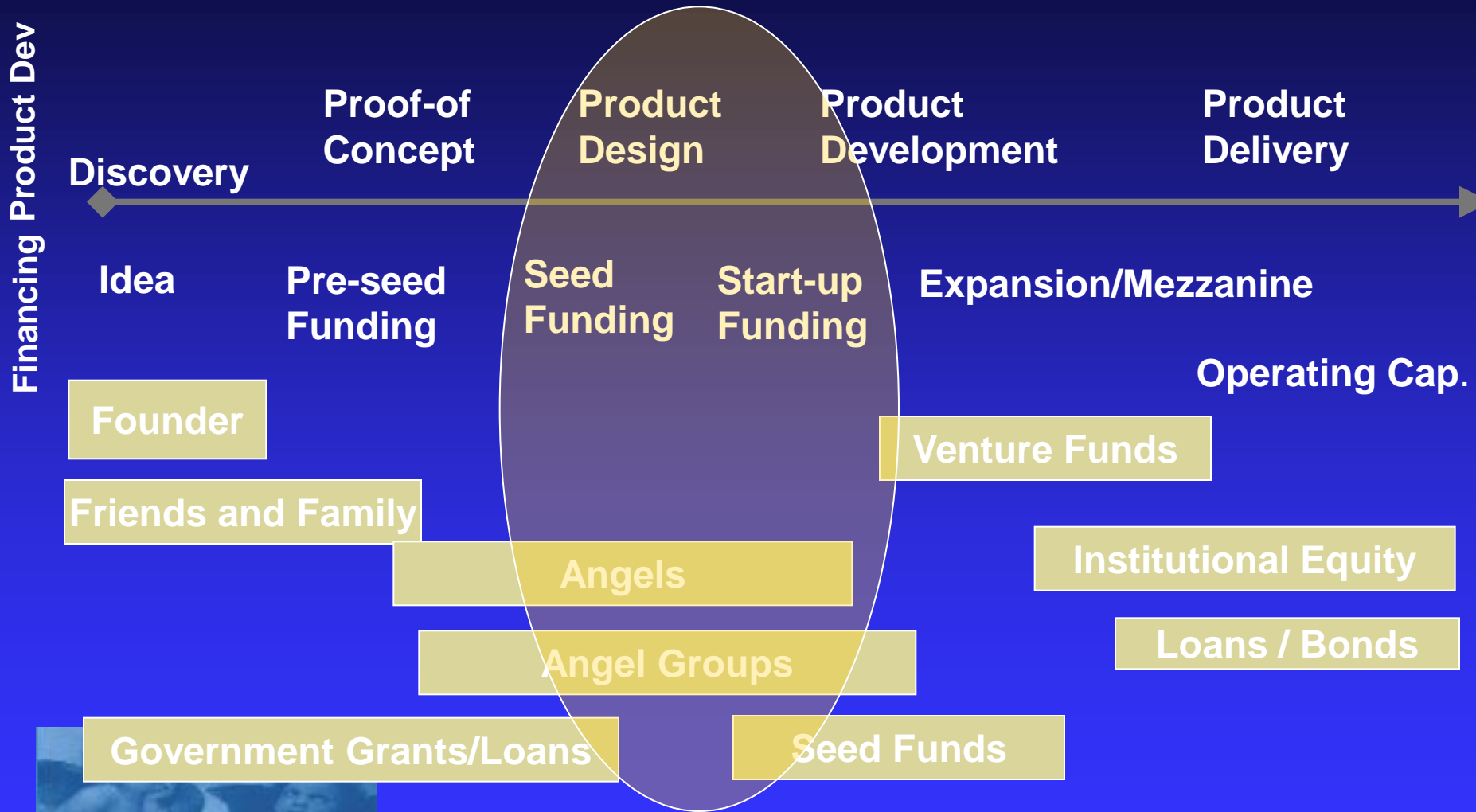
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- A. Venture Investing Industry**
- B. Angel Insights**
- C. Assessing Ventures**
- D. Angel Investments**



A. Financing Life Cycle



Venture Funding

- < 1 in 100 Start-ups obtain Angel financing**
- < 1 in 1000 start-ups are VC financed**
- < 1 in 10,000 new companies go public**
- < 1 in 10 Angel deals see VC money**
- < 1 in 100 Angel-funded companies “go public”
(ie: IPO, CPC, etc.)**



Investment / Company



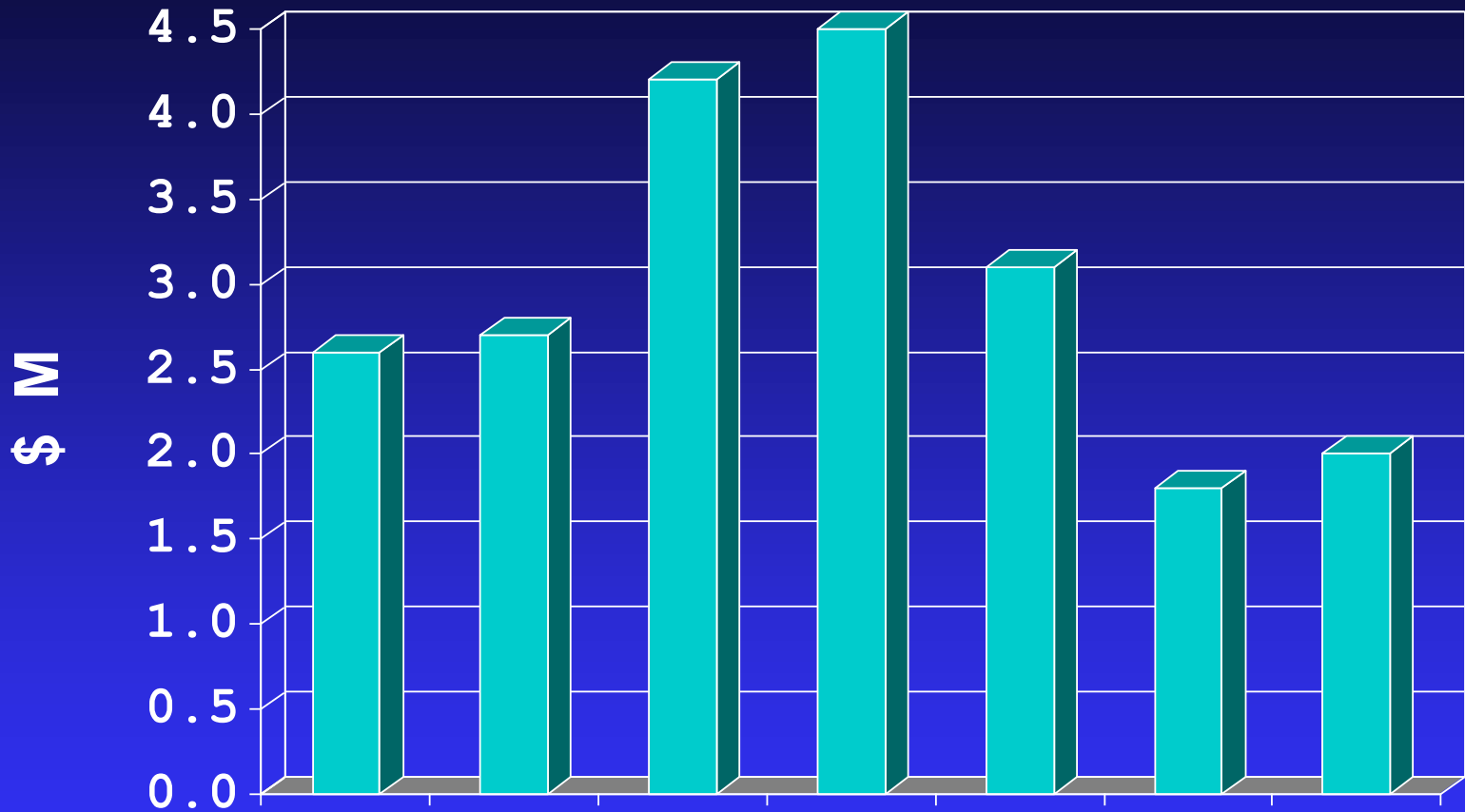
Range Over Time



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Source: Macdonald & Associates Limited

Valuations (US VC Seed Round)



Range Over Time

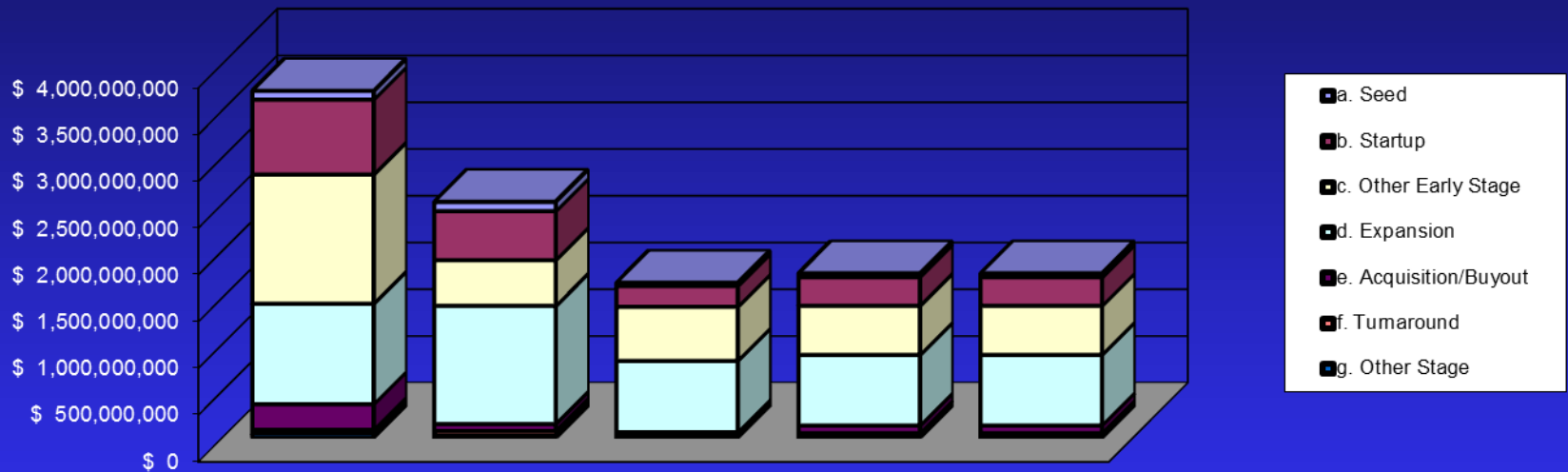
Source: PWC MoneyTree



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Investment Capital Allocation

VC Activity in Canada: \$\$ Invested by Stage



Range Over Time



Source: Macdonald & Associates Limited/Thomson Financial

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B. Who's an Angel ?

- Typically a high net worth individual
- Invest primarily at the 'early stage'
- Operational skills and focus
- Personal investment = \$25k to \$250k+
- Deal Size = \$100k to \$2M
- Make excellent Advisors / Mentors
- Patient \$ (5 – 10 years)



Angel Investor Types

1. Friends & Family

- basic due diligence
- supportive / casual style
- ~98%
- ROI = ?
- few investments

2. Sophisticated

- extensive due diligence
- business / VC investment style
- ~2%
- Goal : 30% + ROI
- portfolio strategy

...regardless, all Angels get an expensive education !



Why Angels Invest ?

- **Leverage experience, knowledge and contacts**
- **\$**
- **Entrepreneurial people with means interested in -**
 - 1. Helping to build a business**
 - 2. Creating wealth**
 - 3. New opportunities, challenges, etc.**



Angel Value Add

- **Smart \$ to support Entrepreneurship**
- **Fast tracks business progress –**
 - **improve the “decision making process”**
 - **ability to provide additional operating capabilities and bandwidth**
 - **elevating Entrepreneur / Founder skills**
 - **create opportunities for service providers**
 - **reduce venture risk for follow-on investors**



C. Assessing Ventures



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“The Field of Dreams”



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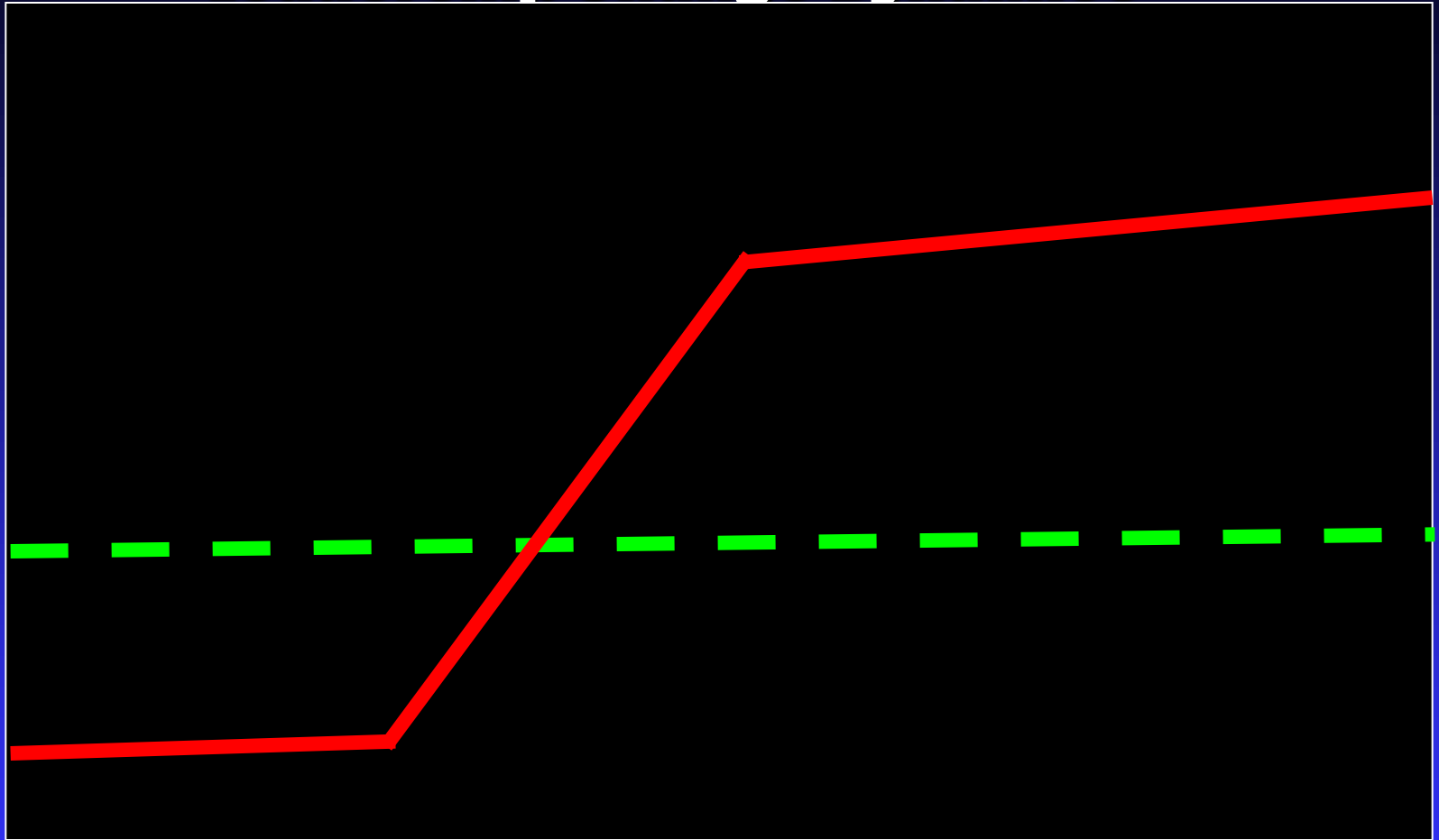
.... becoming Corporate



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Leadership Change Dynamics

Leadership Skills



Time

Technical 

Business 



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Business Funding Options

- 1. Shares**
 - Preferred
 - Common
- 2. Debt**
 - Convertible Note
 - Loan



Assessing Ventures

General :

- **Size of market opportunity**
- **Product**
 - **Value Proposition / Need**
 - **IP**
 - **Platform / Niche**
- **Company Growth Potential**
- **Challenges – Competition, Barriers to Entry, “Make the Market”, valuation, etc.**
- **Board of Directors/Advisors**
- **Exit Strategy and ROI**



Assessing Ventures

Operations Team :

- **Capabilities and relevant experience**
- **Achievements and credibility**
- **Strengths / weaknesses, integrity, maturity, learn fast, business acumen, behavior, motivating factors, team player, people skills**
- **Strategic thinking**
- **Passion & resourcefulness**
- **Risk Awareness – business, technological, etc.**
- **Quality of “look ahead” / “accept blame”**
- **Results oriented / Bias for action**
- **Understands the wealth creation process**



Assessing Ventures

The Process :

- **Due diligence**
- **Professional Insights**
- **Collaboration among potential investors**
- **Comprehensive legal agreements**
- **Good corporate governance**
- **Accountable decision making process**
- **Establishing a winning corporate culture**



Valuing the Deal

Company Asset	Value
Well protected technology & prototype	\$250k - \$1M
Great market potential & compelling business plan	\$250k - \$1M
Strong operations team	\$250k - \$1M
Customers & product sales	\$250k - \$1M
Total	\$1 - 4M

Source: J.J. Albers, Trillium Group

“Before the Negotiations: What Entrepreneurs Need to Know About Seed and Early Stage Venture Capital”

Levels of Excellence



Conscious Excellence

Unconscious Excellence

Conscious Competence

Incompetence

-Conscious

-Unconscious

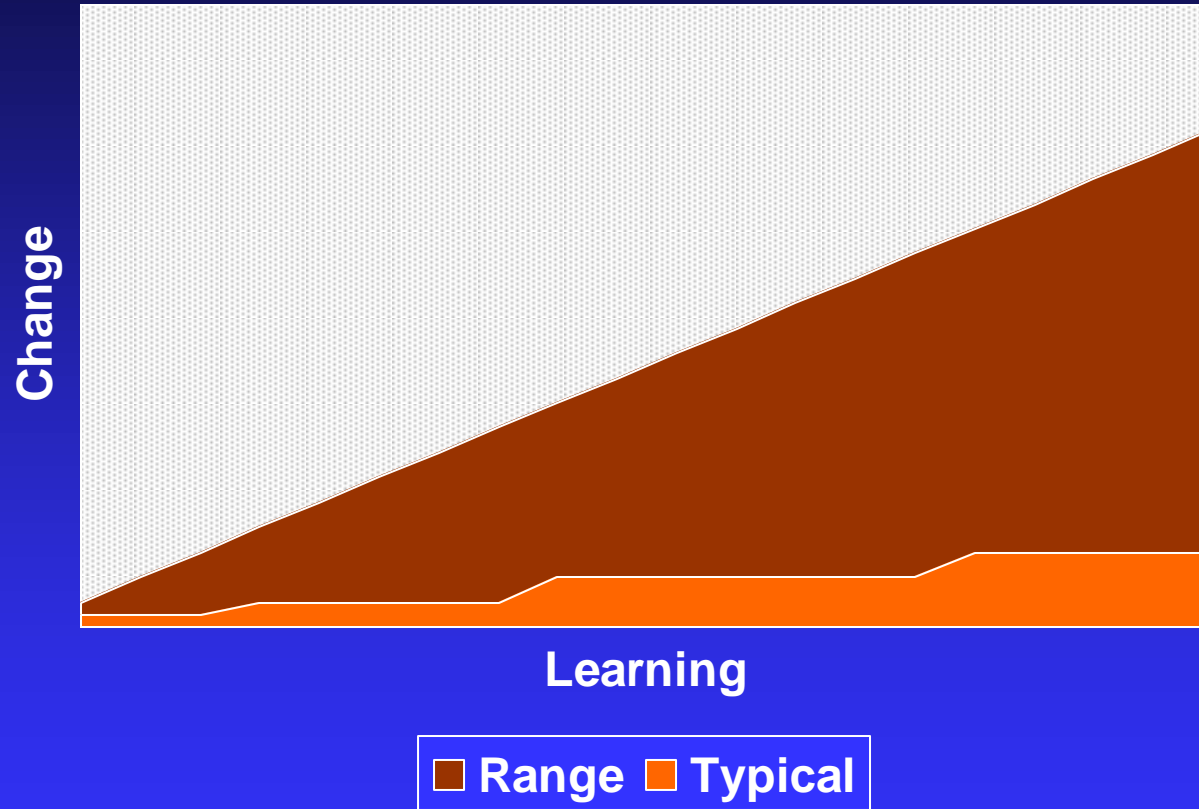
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Innovation Success Pipeline



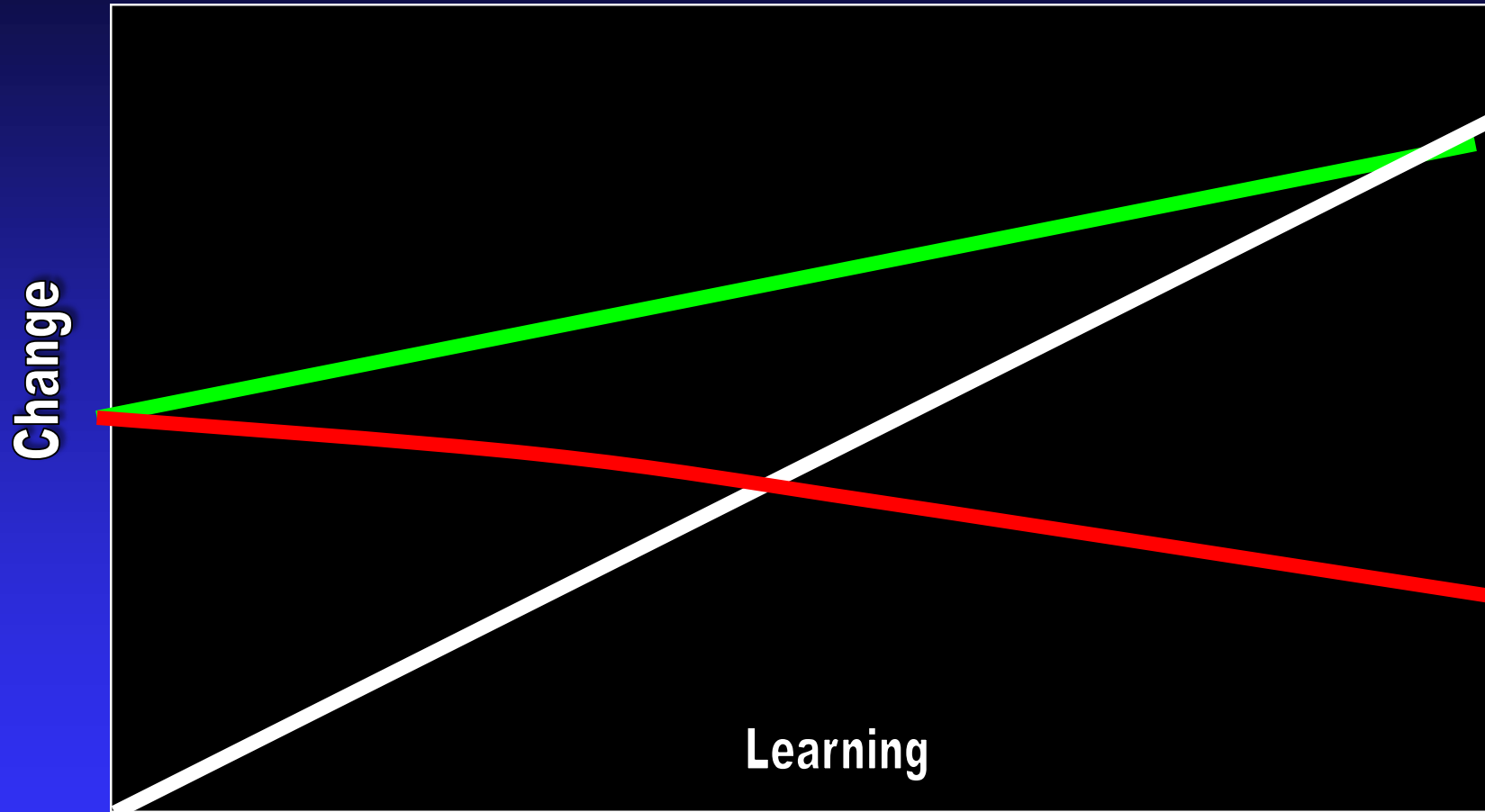
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Adaptability



Innovation Risk Analysis

Adapting quickly - Increases ROI and Reduces Risk



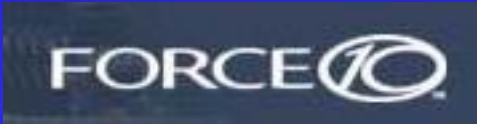
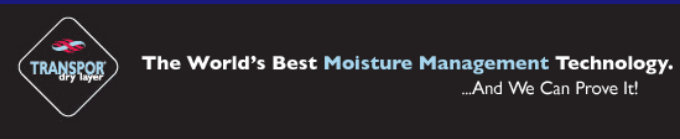
— Adapting Quickly

— ROI

— Risk

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D. Selected CAIL Venture Investments



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Sophisticated Angel Insights

- 1. Have**
 - extensive business experience
 - gifted “look ahead” abilities
 - a strong need to produce results
- 2. Help Founders**
 - enhance investment appeal of the company
 - build the business
- 3. Help New / Casual Investors**
 - “Learn to do by doing”
 - ..to become sophisticated at venture investing



Sophisticated Angel Insights

4. Invests time, skills and money with Founders
5. Collaboration strategy
6. Are well connected in the venture funding and business communities
7. Usually an Angel joins the Company Board and/or Executive position in the business
8. Expect a high ROI



Angel Investment Process

1. **Apply for Funding (www.cail.com/angel)**
2. **Selection Committee Review**
3. **Presentation & Discussion**
4. **Venture Due Diligence**
5. **Investment Term Sheet / Proposal**
6. **Implement Agreements, etc.**
7. **Funding**
8. **Proceed with Operation Plan, Reviews, etc.**



Angels are looking for -

1. **Quality Deal Flow**
2. **More Associates**
- especially serious investors
3. **Partnering / Collaboration Opportunities**



Summary

Please contact CAIL if you –

- 1. Have an investment ready venture**
- 2. Are interested in exploring investment opportunities as an Angel / Seed Investor**
- 3. Would like Angel participation in an event**



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Contact Information

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