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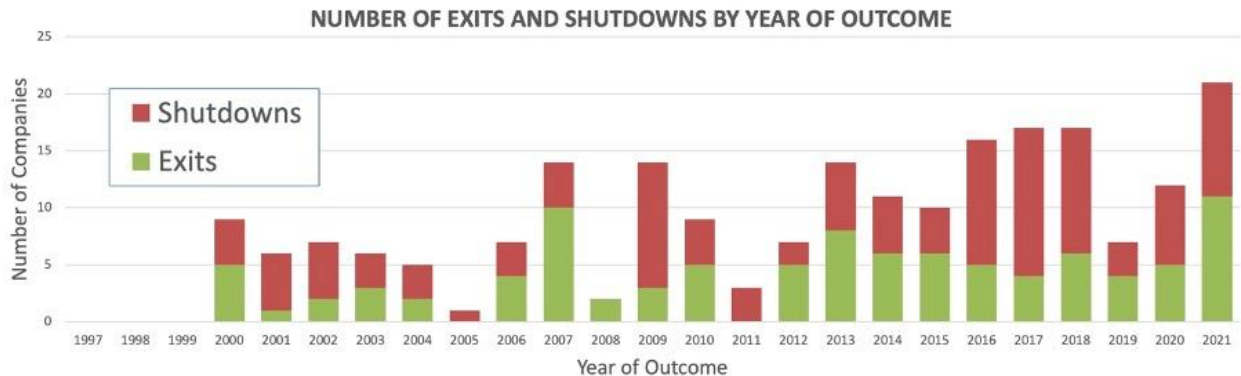
DATA ANALYTICS & INSIGHTS

# ACA Data Insights: What We Learned From Our Data

In support of ACA's Data Insights initiative, once a month we will be sharing charts illustrating useful learnings from analyzing data on angel investing and portfolio returns.

## Impact of Stock Market Drops on Exits, Shutdowns and Investment Levels

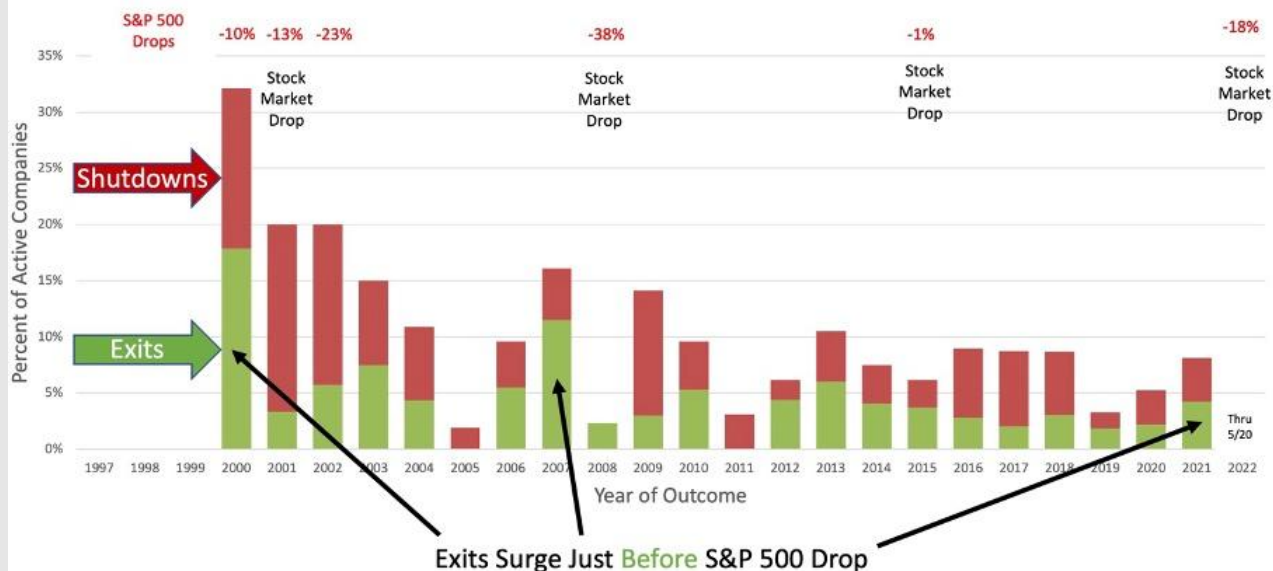
2021 was a very good year for most angel groups in terms of successful exits. For Tech Coast Angels, we had 11 exits which was about twice the number realized in each of the previous seven years. Many angel groups also had their biggest "Home Run" in 2021 – for example, TCA had one (Procore Technologies) at 368x, Portland Seed Fund had one (Auth0) at 84x, and Central Texas Angel Network had two (Recursion Pharmaceuticals at 70x and ESO at 30x). Here is the pattern of exits and shutdowns by year for TCA (note this is obviously a subset of all angel funded outcomes and TCA may not be representative of other groups, but it is a fairly large portfolio of over 500 companies, so hopefully the conclusions are relevant more generally):



Source: Tech Coast Angels Portfolio Outcomes

The number of exits often peaks just before a significant stock market drop, which is not surprising since most acquirers tend to defer acquisitions and focus on shoring up their existing business. Taking those numbers of exits and shutdowns as a percentage of the number of active companies at the end of the previous year brings additional clarity.

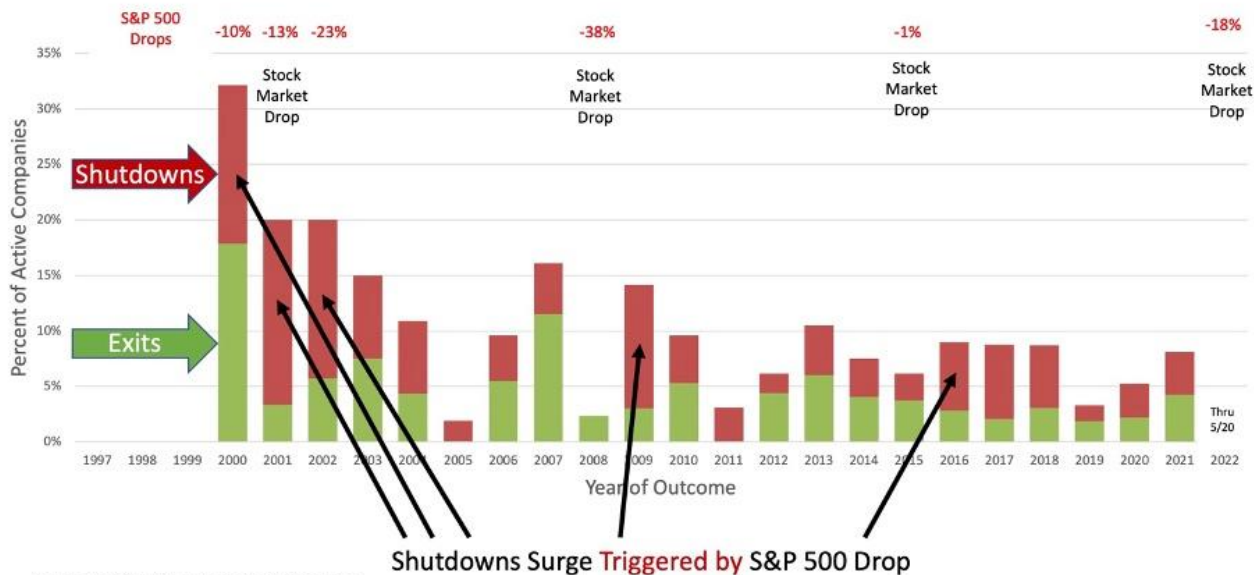
## NUMBER OF TCA EXITS AND SHUTDOWNS % OF ACTIVE



Source: Tech Coast Angels Portfolio Outcomes

It is also compelling that the number of shutdowns tends to surge immediately after a stock market drop:

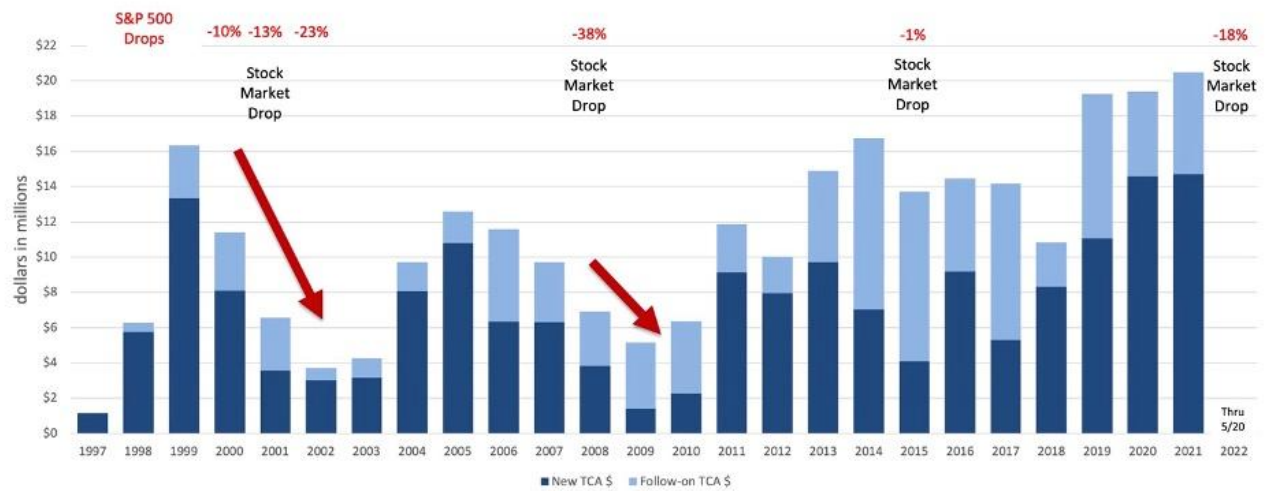
## NUMBER OF TCA EXITS AND SHUTDOWNS % OF ACTIVE



Source: Tech Coast Angels Portfolio Outcomes

This surge in shutdowns coincident with a stock market drop is also not surprising because funding usually dries up at this stage of the cycle. Angels adjust to the diminished value of their public securities (that they would need to sell in order to fund their angel investment). Angels also tend to pullback on new investments when shutdowns are more common and exits are fewer. Further exacerbating the trend are potential declines in membership as turnover increases and fewer new investors decide to join angel networks.

## TCA NEW & FOLLOW-ON INVESTMENTS BY YEAR



Source: Tech Coast Angels Portfolio Investments

## THE TAKEAWAY

The bear market we seem to be entering now is likely to lead in the near term to fewer exits, more shutdowns, and less capital available to early-stage companies from Angels. But it is “always darkest before the dawn,” so this market correction will inevitably lead to lower valuations encouraging a new cycle of investment at some point in the next few years. Some of the best successes are born in the midst of these downcycles -- so there is opportunity especially at the lower valuations that are expected.

*Author: John Harbison, Tech Coast Angels*

We hope you are enjoying these Monthly Data Insights. If you have an insight (chart with narrative) that you'd like to share in a future edition, please send us your submission to [insight@angelcapitalassociation.org](mailto:insight@angelcapitalassociation.org). Our goal is accelerate learning from each other.

[Read the 2021 ACA Investor Insights Report](#)

*The Angel Capital Association is your authority on angel investment information! The **Angel Funders Report**, is the only official report from ACA for angel investment data in North America. Quality and accuracy are verified by collecting information directly from our member groups and then validated through the efforts of our data partner, Hockeystick, ensuring the most reliable information in the market today.*

[Read the Angel Funders Report 2021](#)



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