



ANGEL CAPITAL ASSOCIATION

## 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.

No one would dispute that valuations have been on the rise in recent years. But it takes data and analysis to understand the forces at play, and anticipate the future directions.

Tech Coast Angels is fortunate in funding each year about 50 companies (including follow-ons)—and hence there is a reasonably robust set of data points. Since 2016, TCA has found that the median valuations on those deals have been trending up along with the data that has been released across all angel groups (by Pitchbook and now ACA with its Angel Funders Report, although TCA deals are at about a 50% premium that seems due to its geography (California)):

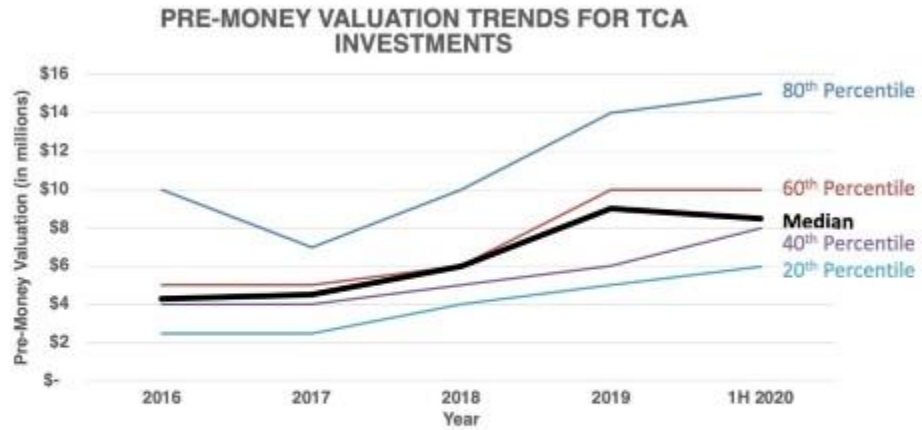


Source: Tech Coast Angels, Pitchbook, ACA Angel Funders Report



The first level of insight comes from looking at the distribution of valuations over time, showing that the increases have been largely across that whole distribution. However, the biggest percentage increase in median valuation from 2016 – 2020 has been in the lower (20 percentile) deals which have seen almost 240% increase in valuation from compared to 190% the median valuation and 150% for higher (the 80th percentile) deals. This does not bode well for future “home runs” because those outsized outcomes typically start with a low valuation – for example,

TCA just had a 47x-79x exit last week (Companion Medical) that started at a \$1.8 million valuation:



Source: Tech Coast Angels



Mix is important in understanding these trends. Much of the increase in 2019 valuations was due to follow-on round valuations surging in that year:



Source: Tech Coast Angels



It's no secret that valuations tend to drop at the current downcycle stage of investment— last seen in 2002-2003 and 2008-2010. Surprisingly, TCA's median valuation in the first half of 2020

was down only 6%. To try and understand the future direction, TCA did a survey of its members in May 2020 which revealed that the expectation of declines in the near future is much higher:

**Q. How do you expect valuations to change in 2020 relative to 2019?**



Source: Survey in May 2020 of Tech Coast Angels Members



So, it's good advice to entrepreneurs to be realistic about valuation and not to dwell on past averages. It's a new world. Any investment will be hard, and overpricing can be fatal.

**Stay tuned for additional insights next month and sign up to participate in [ACA's Data Initiative](#) by submitting your data for future editions of the [Angel Funders Report](#) to provide angels with insights on the factors that affect the outcomes of startup investments.**



Angel Capital Association | 10977 Granada Ln, Ste 103 | Overland Park, KS 66211  
[Remove my email](#) from future emails.