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## Siding with the Angels

Business angel investing – promising outcomes and effective strategies

Returns to

# Angel Investors in Groups

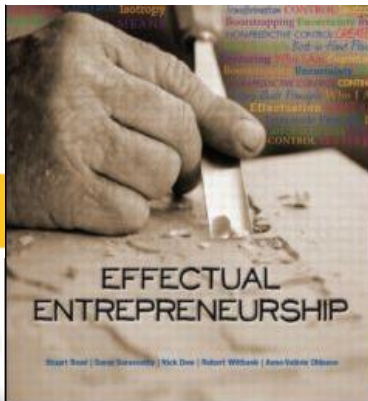


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# VERY Active Angels

- Interviewed 20+ “Super” Angels
- Average of about 30 business angel investments.
- Min \$8M invested (max of \$100M)

Amgen, Autocad, Google, Intel, Apple,  
Twitter, National Semiconductor, Sun Micro,  
Plaxo, Guidant, Silicon Valley Bank, Teledyne



# Searching For Something

- What role does their network play in their investing?
- What is their approach to angel investing?  
Criteria, Strategy, Process, “Rules” etc.
- How do they manage investments after the fact?
- What have they learned along the way?



# 3 key findings to date

- **From experience: Better at reading people**
  - No quitters, no liars, no jerks, big passion
  - real FIT between the person and the opportunity.
  - Some love “coachability” but not all.
- **Major Sector Focus**
  - Med Devices is not Bio Tech
  - Consumer Internet is not Network Technology
  - Software is not hardware.
  - Software isn’t even software
- **Strategies: Equifinality**



# Equifinality: Many paths → same end

- **Broad & Thin**, support in “key moments,” team interaction is critical, no follow-on unless “no-brainer”
- **Co-Founder**: start with 100% ownership, use it to build team and opportunity, investment = pay expenses
- **Sector Expert**: go deep on funding as needed, forget co-investors, work with experts you know

**Strategic Coherence: Yes** (with exceptions)



# Implications for Angel Investing

- **Speed?** angels in groups have formalized, super angels moving significantly more quickly.
- **Patience?** debate over the role of exit strategies and early exits vs. ability to stay patient.
- **Group Think?** groups always need to refine their decision making dynamics. Influence of just a few? 1 negative idea?



# Returns to Invested Capital

- Smaller venture deals do get to exits
- The returns to those deals are quite attractive

## Acquisitions of Private Ventures by Public Corporations

Paid In Capital Range	Deal Count	Median Price	Median Paid in Capital	Median Multiple	Sum of Price	Sum Paid In Capital	Aggregate Multiple	Aggregate Profit	Profit \$'s per deal	Hypothetical ROI
\$5M-\$100M	322	60.2	14.0	3.5	34,914	8,260	4.2	26,654	82.8	20%
under \$5M	1,359	10.3	0.2	53.6	35,741	931	38.4	34,810	25.6	48%
<b>Whole Sample</b>	<b>1,530</b>	<b>14.8</b>	<b>0.5</b>	<b>24.5</b>	<b>70,655</b>	<b>9,192</b>	<b>7.7</b>	<b>61,463</b>	<b>40.2</b>	<b>29%</b>

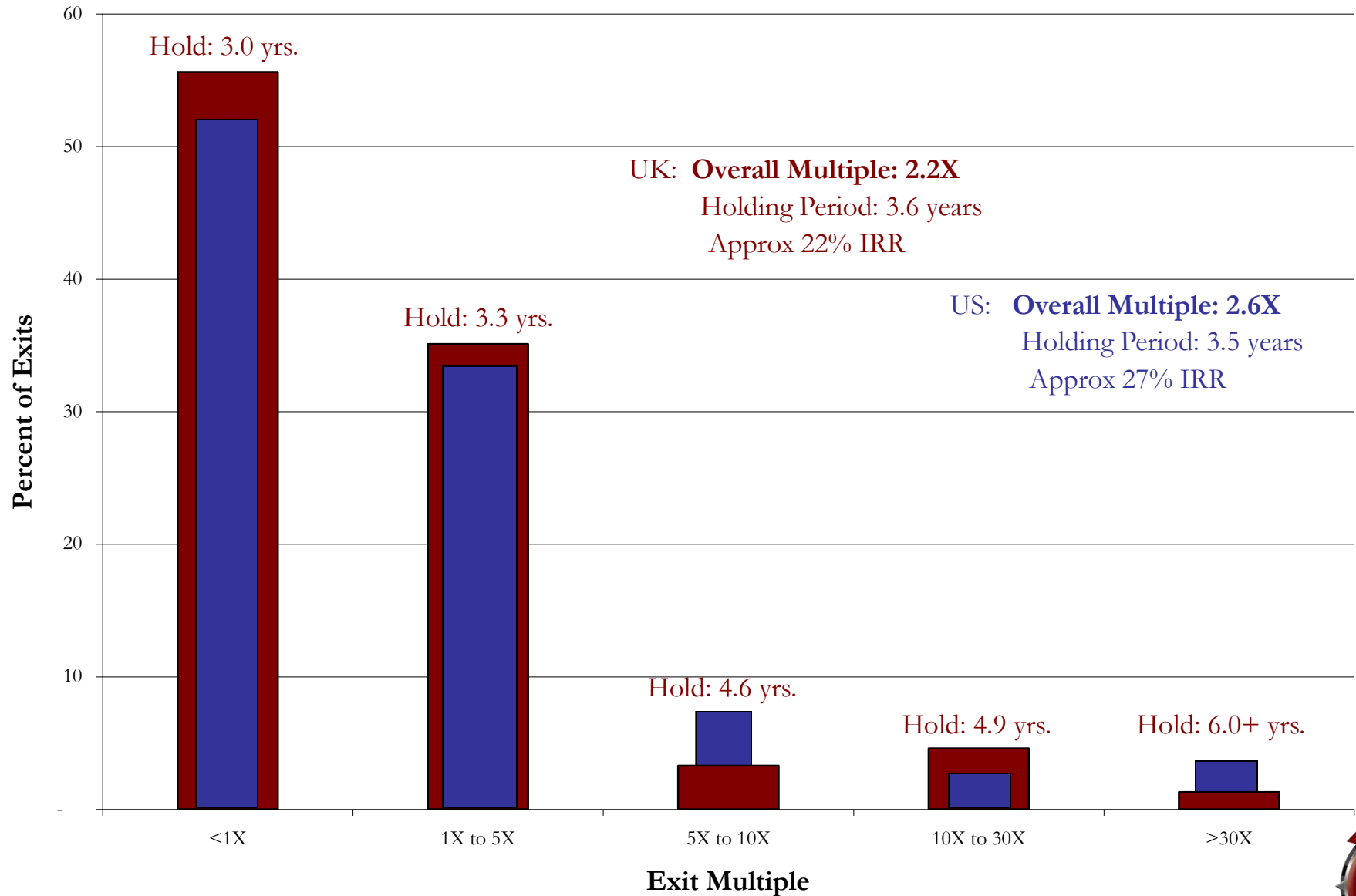
30% failure rate  
70% failure rate

Includes ONLY deals with a MULTIPLE OF AT LEAST 1  
Includes ONLY deals with complete data (70% of transactions)

ROI equates if 3 and 7 year holding periods

ROI equates if smaller deals fail 91% of the time

# Distribution of Returns by Venture Investment



Red Bars: U.K. % of exits in that Category

Blue bars: U.S. % of exits in that Category







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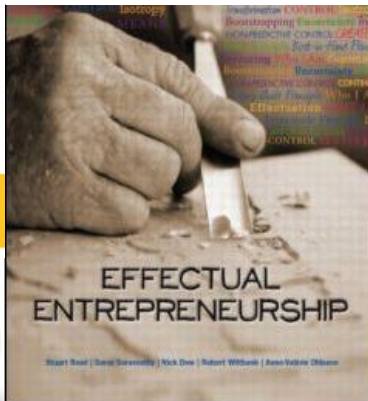
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