



ANGEL CAPITAL ASSOCIATION

ACA Data Insights What We Learned From Our Data

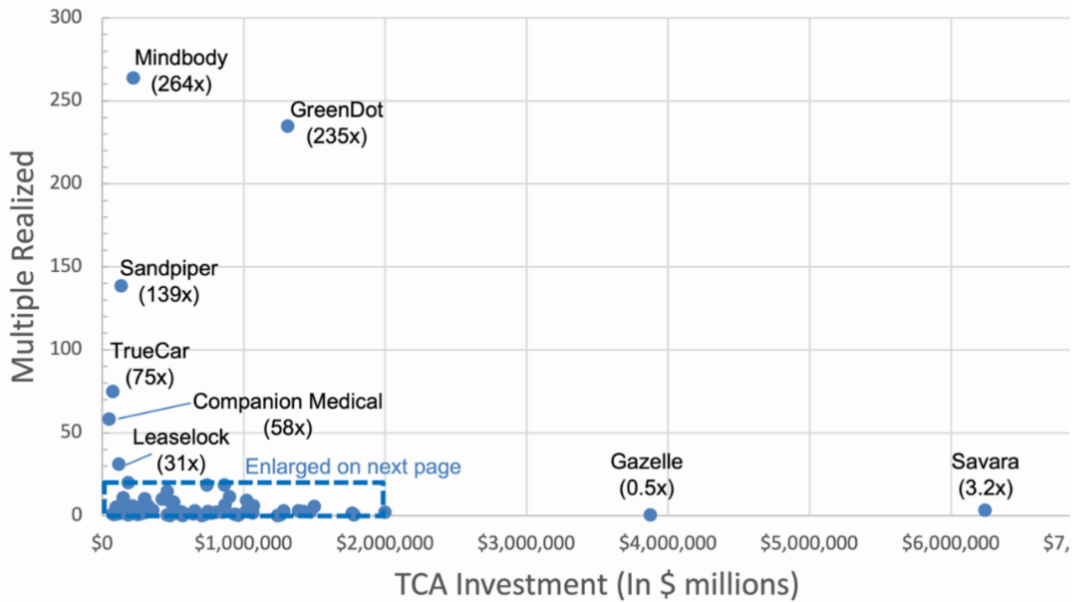
In support of ACA's Data Insights initiative, once a month we will be sharing charts illustrating useful learnings form analyzing data on angel investing and portfolio returns.

Is There Wisdom in Crowds of Angel Investors?

Successful angels and angel groups put significant effort into due diligence, and studies have shown that returns are higher with more extensive due diligence. But what happens when angels in a group evaluate that due diligence and come to their own conclusion on whether or not to invest – are the heavily subscribed deals more likely to produce higher returns?

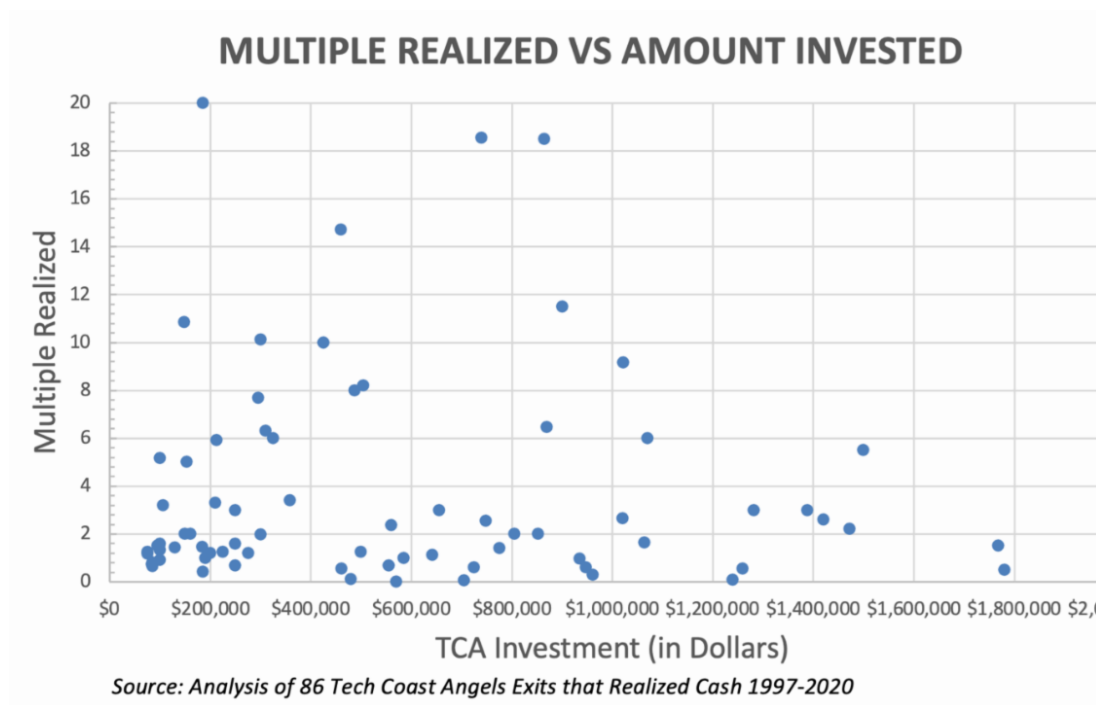
Based on analysis of all 86 exits among the 206 outcomes in Tech Coast Angel's portfolio, the answer (at least for TCA) seems to be that there is no clear correlation:

MULTIPLE REALIZED VS AMOUNT INVESTED



Source: Analysis of 86 Tech Coast Angels Exits that Realized Cash 1997 - 2020

Expanding the lower corner of that chart also shows no correlation:



But what about the averages? The average investment in TCA's 86 exits so far was \$667k, compared to an average of \$618k for the 120 shutdowns so far. This means that TCA invests on average 8% more in the deals that have exits than those that fail.

While that may sound encouraging, it misses the reality that 5 of TCA's 6 largest "home runs" had relatively smaller amounts invested by TCA, and that the average invested in those deals was only \$318k vs \$528k for all of TCA's 462 investments (including active companies):

THE TAKEAWAY

But all crowds are not the same. A similar analysis for Central Texas Angel Network shows a more encouraging "Wisdom of Crowds" effect: the average investment amount for CTAN exits was \$903k, compared to an average of \$408k for the shutdowns – which is 121% larger. Further, the average amount invested in CTAN's top 5 exits (in turns of multiple realized) was \$2,262k. So, maybe there is wisdom of crowds effect after all – at least in Texas!

The different experiences in CTAN and TCA highlight the importance of the [ACA Data Initiative](#). While these two groups are among the most active angel groups, there is much we can learn from each other by pooling our data. In 2020, TCA invested in 64 companies and CTAN invested in 29, but the total number of companies reported to ACA from 74 groups participating was 1372.

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