

Angel Resource Institute’s Mid-Year Halo Report

Trending in 2019

MID-YEAR DATA REPORT

With only 1,251 data points analyzed so far in 2019, we already see trends that are distinct from 2018 – mostly all pointing to higher valuations in deals across the country. Is angel investing following the US economy at large?

PRE-MONEY VALUATION TRENDS

Series Seed deals have an average pre-money valuation of \$8.8M, vs \$6.1M for all of 2018. Seed deals have a median pre-money valuation of \$7.1M vs \$5.0M for all of 2018. And Series A pre-money valuations were also up – the average was disproportionately high with a few deals off the charts (see Odeko out of New York with a \$41M pre-money valuation); however, the median for Series A was also high – at \$15M (vs. \$10M in all of 2018). While we will continue to track Series A data in 2019 to lend further credibility to these numbers; the price points are, nevertheless, noteworthy. *

	Average Pre-Money Valuation		Median Pre-Money Valuation	
	Mid-Year 2019	FY 2018	Mid-Year 2019	FY 2018
Series Seed	\$8.8M	\$6.1M	\$7.1M	\$5.0M
Series A	Hold for year end	\$13.1M	\$15.0M*	\$10.0M

GEOGRAPHIC TRENDS

The geographic trends still skew towards California, home to over 19% of the investments analyzed. The Southeast region is in second place at 14.6%, the Northwest region appears twice as active as 2018, with 11% of all deals, and the Southwest is just behind. Two regions, Texas and the Mid-Atlantic, reported fewer deals and represented only 6.6% and 7.8% (vs 14% in 2018) of all deals nationwide, respectively.

GET INVOLVED IN THE HALO REPORT: We expect to have over 1,000 more data points to analyze before we close out 2019 and will include in the FY 2019 Halo Report. Please “Stand Up and Be Counted”, if you are an angel group with transactions that should be included in the Halo Report.

NEW COMPANY DEALS VERSUS FOLLOW-ON INVESTMENT TRENDS

The number of new first-time investments versus follow-on deals is like clockwork for angel groups – with 57% of all transactions to date first time financings and 43% follow-on portfolio company transactions. This compares to 59% new and 41% follow-on for 2018 – a negligible difference.

	% New Portfolio Companies		% Follow-on	
	Mid-Year 2019	FY 2018	Mid-Year 2019	FY 2018
Investment %	57%	59%	43%	41%

SECTOR TRENDS

Surprisingly, the Halo data is seeing a much higher percentage of investments in Consumer Products and Services – in fact, six (6%) percent more than 2018. Two sectors, B2B Products and Services and Information Technology (IT), dropped three (3%) percent and six (6%) percent, respectively. All other sectors have remained relatively constant.

REGIONAL INVESTMENT TRENDS

The Halo data found that we angels continue to look to invest outside of the region in which we live. Nationally, 48% of all deals invested in by angel groups were outside the home region of the investor; 52% within the home region.

SECURITY TRENDS

We are tracking security types for Seed and Series A deals. The Halo Report found, that while still not favored by investors, almost 6% of Seed deals are SAFE Agreements, 46% convertible notes, and 47% preferred stock. These percentages change for Series A deals with 11% of deals in 2019 converting notes to Series A, 83% preferred stock, and 6% common stock transactions. Notably unusual.

GENDER AND ETHNICITY TRENDS

Our Gender and Ethnicity tracking is also consistent with 2018, with only half the data analyzed. For example, we find that of all CEO's raising capital so far in 2019, 16% are women, 84% men. Exactly the same percentage (if not rounded) as in all of 2018. And the percentage of all CEO's who are of a minority ethnicity (non-white) is 16%, a slight decrease. We will assess closely as we complete the FY 2019 Halo Report.

It is thought-provoking that regardless of ethnicity, the ratio of women-to-men in CEO positions holds constant: 83% of women CEOs are white; ditto for male CEOs – a fraction of a percentage point less. While there appears to be no gender bias based on ethnicity, the facts do show only a very small percentage of ethnic women in CEO positions (2.8%).

SUPER ANGEL TRENDS MID-YEAR 2019

Now that you've read the report to this point, here's a new insight: **SUPER ANGELS are alive and well.** If Super Angels were registered as an angel group, they would be listed as the number one most active group. In fact, with 52 deals identified as led by one or more Super Angels with just the first half of our 2019 data set analyzed, we decided to dig deeper to see what we could learn about these investors.

What we found was remarkable: They do not follow the normal patterns with the exception of gender and ethnicity. Super Angels may be ethnically diverse themselves, hailing from India, China, and most notably from their own successful careers or as entrepreneurs. 86% of their investments were in male CEOs; 14% female CEOs; 12% were ethnic men CEOs; and, 4% ethnic women CEOs. So far, more women of color received capital from Super Angels than from angels at large. While the sample size is small, we also found distinct differences in how Super Angels invest: 77% of their investments are in follow-on rounds and only 23% in first financing deals for startups. This is somewhat counterintuitive until one

thinks about initial friends and family, and incubators constituting typical first financings for startups. Super Angels more typically invest in the second financing of a company, and continue to follow on.

What Super Angels invest in is also intriguing – 10% is in Healthcare, 46% went into Information Technology, and almost 29% in Consumer Products and Services.

They are also investing in higher valuations in Seed deals; with \$8.5M median (vs \$7.1M overall); and the average is staggeringly high for Seed at \$16.6M vs. 8.8M overall. Interestingly, while 81% of Super Angel deals are at the Seed stage, they are also leading Series A deals 14% of the time; however, at the Series A stage, their valuations are slightly lower than overall “venture” deals – an average and median pre-money valuation of \$12.2M. And when Super Angels lead a Seed stage deal, the median round size is 2.5 times the size of the median angel deal at \$1.4M and the average round size of Super Angel deals is almost 2 times that of the average angel deal at \$2.2M. When Super Angels lead Series A deals, the size of the Series A is about the same as the average of all Series A deals tracked – running \$4.6M on average with a median of \$3.9M.

These Super Angels also are not shy; most noting their names with contact details discoverable. They hail from all over the country, including outside the United States. A fun fact is that 12% of their angel deal investments are outside U.S. borders. Within the U.S., one might think they fund deals mostly in California, but we actually found an unexpected and wide distribution: 17% of their deals were in the Northwest, 13% California, 13% New York, and another 13% in the Southeast. There was a notable smaller cluster in Pennsylvania (8%) as well. We found other Super Angel funded deals in Montana, Minnesota, Maine, Utah, Wisconsin, Illinois, Texas, Colorado, and Massachusetts.

And what might be critical? **We are beginning to see deals that Angels missed.** There are a number of highly-successful deals that went directly from an incubator to a Venture Capitalist without any angel involvement. More analysis will be required to understand the types of deals that angels are missing, their source of origin, and how angels might mitigate against losing these opportunities.

Stay tuned as we track these trends further in our 2019 final report.

For now, KUDOS to the MOST ACTIVE ANGEL GROUPS REPORTING NATIONWIDE: **Golden Seeds**, with 36 deals already in our 2019 study. They are followed by the **Alliance of Angels**, and **Astia Angels**. We commend these groups for their active engagement in shaping the face of angel investing, and in their commitment to participating in the Halo Report. It’s not too late for your groups to get involved and to be recognized as an industry leader.