ACA
ANGEL CAPITAL ASSOCIATION

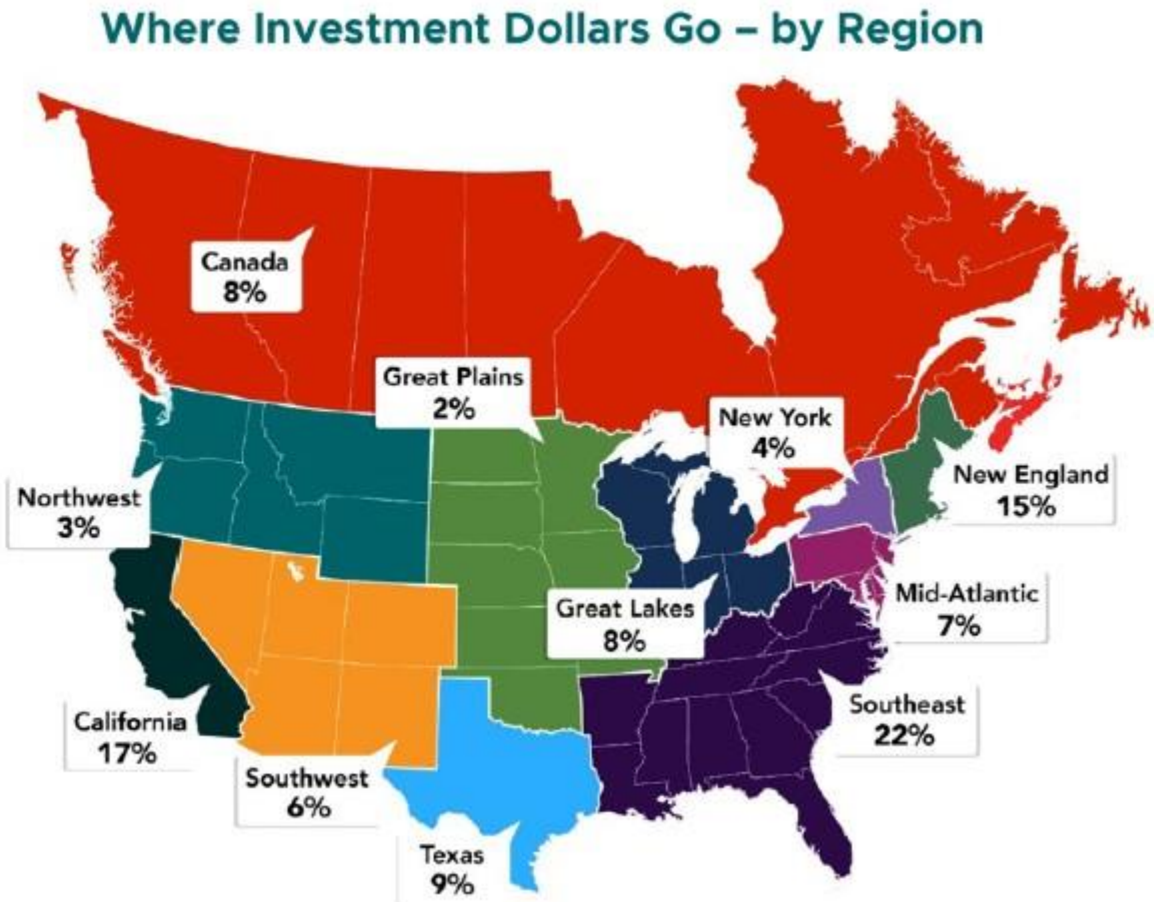
ACA Data Insights
What We Learned From Our Data

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.

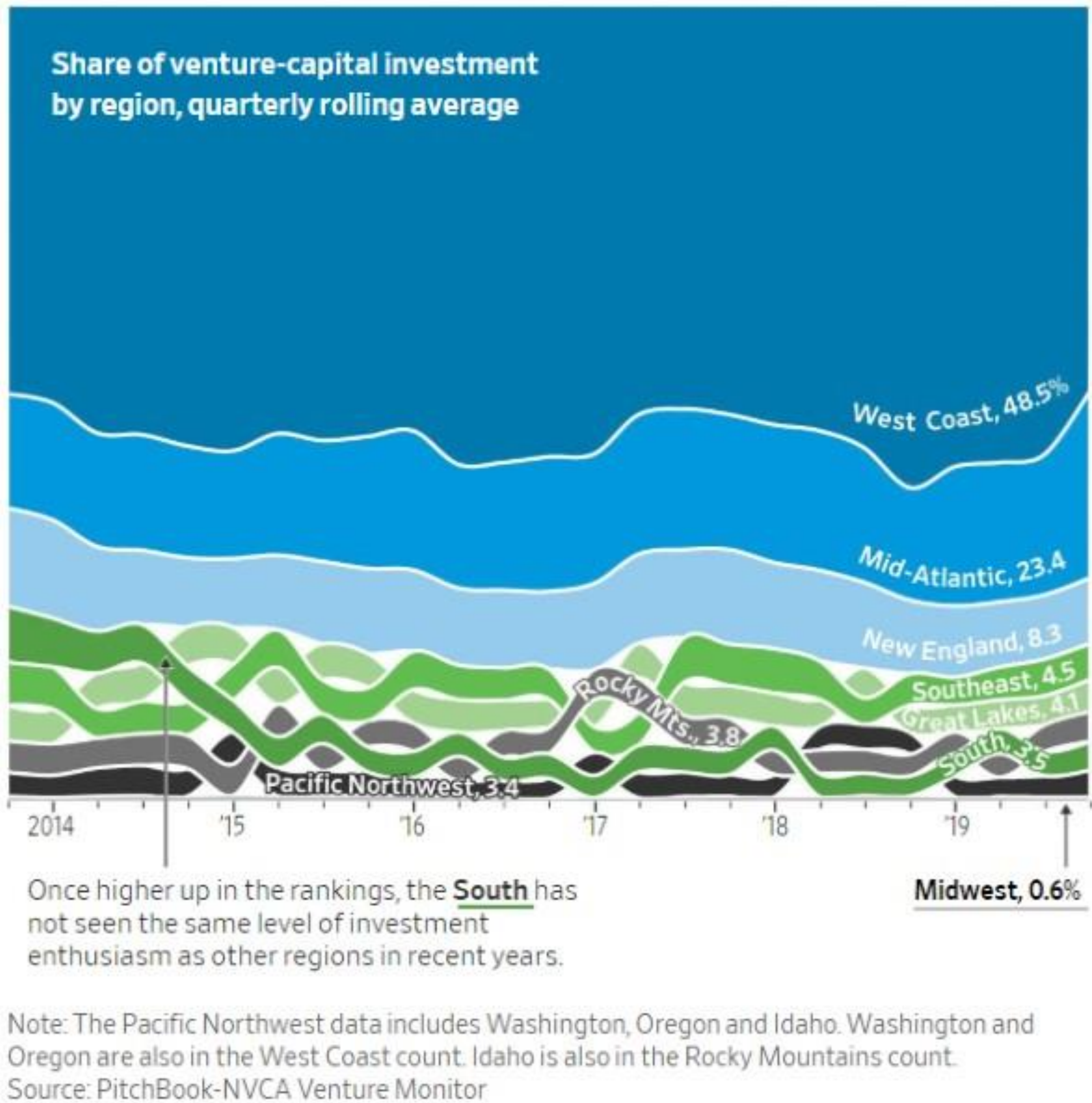
This month we are addressing the need for follow on Venture Capital rounds. As we do due diligence on a company, we often see financials projections that include future rounds requiring VC-level investment. Many of us have seen companies struggle through that tough transition. Why is that, and what can we do as angels to increase the chances of getting funding?

Raw Data:

One reason that our angel investments have trouble attracting follow-on funding is because we're investing in different geographic areas than VC's are investing in.



From ACA's 2019 Angel Funders Report, July 2019



Source: PitchBook-NVCA Venture Monitor

Comparing these two maps is tricky because the geographic region descriptions are somewhat different and less defined for the VC data. We also have to be careful to pull percentages from the VC graph from the same time period that angel data was collected (2018). Still, there are some big differences that appear:

- **Angels invest more in the SE and Texas** - 30% of angel investments are in the “Southeast”and “Texas”. Conversely, only about 8% of VC dollars are in a similar region (South and Southeast”).
- **Angels invest more in New England** - angels make 15% of their investments in New England, increase that to 19% if New York is included. Conversely, only about 8% of VC investments are made in the region.
- **VC firms invest more on the West Coast** - VC firms made well over 40% of their investments in West Coast companies. Angels only make about 20% of their investments

there. The amount for angels would be lower if ID/MT/WY were removed; and 6% higher if what angels call “Southwest” is added. Even then, the proportion VCs invest would be significantly higher than angels.

Actionable Insight:

If angels want a better chance of seeing follow-on funding for their investments, they should focus on investing where VC’s are investing: the West Coast.

-or-

If angels want a better chance of getting VC dollars to their non-West Coast company (particularly from the South and New England), they need to do take action. Ideas could include making personal connections between specific VCs and companies, or helping the overall region get recognition as an area that produces great, investable startups.

-or-

Attract some of the many existing Silicon Valley startups that are looking to move to other areas (As discussed in Shayndi Raice’s recent WSJ article). Some of those companies are on VC’s radars, and when they move in, they’ll bring the VC’s attention and dollars. (“Startups Pitch Tech Hubs Far From Silicon Valley”, WSJ Mar 8, 2020).

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.