

# Being an Angel Investor



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# Introduction

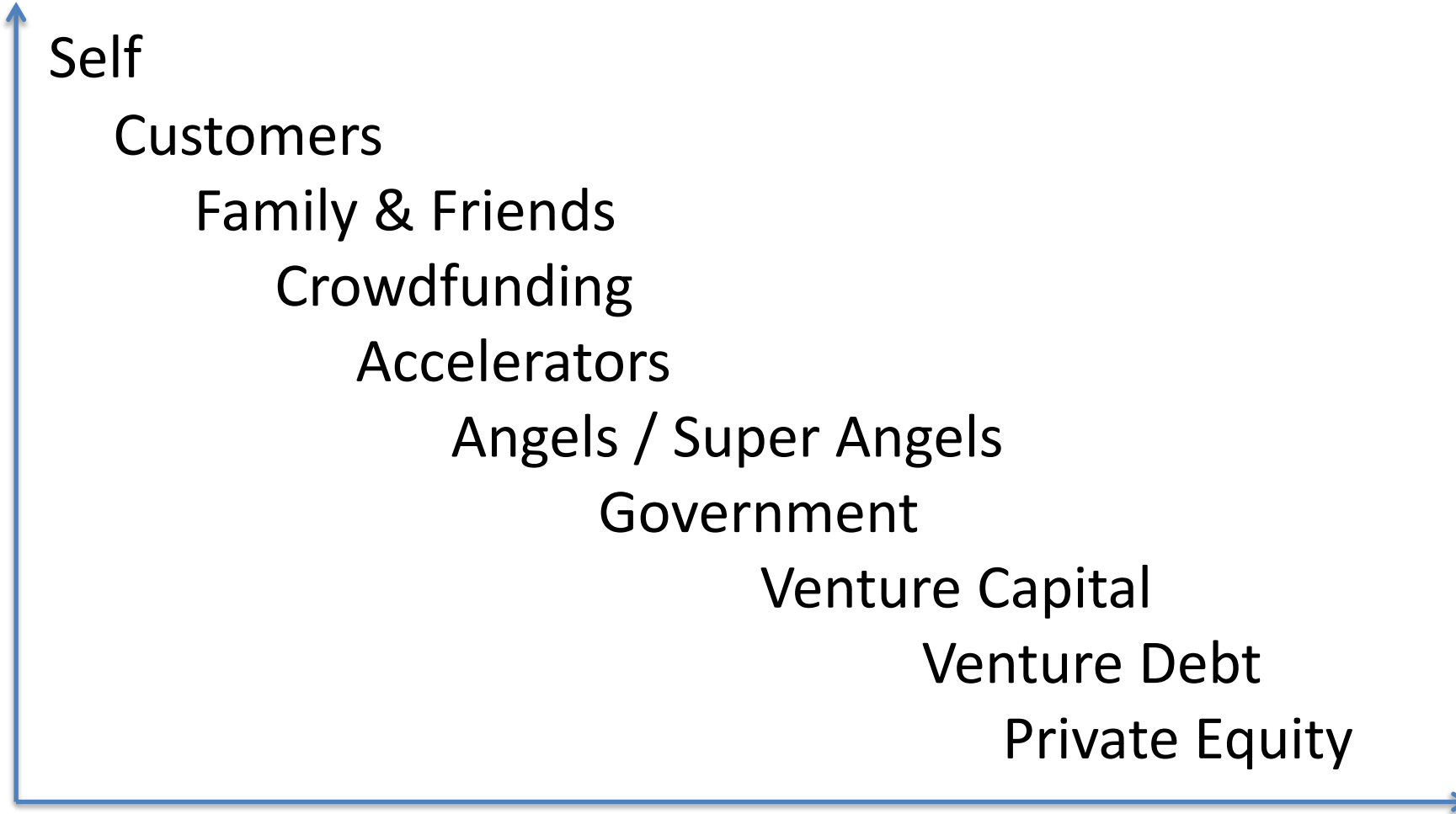
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- The days when a bright, enthusiastic entrepreneur could raise money from VCs for an idea are probably gone forever.
- Early-stage financing is critical to the success of high-growth startups.
- Due to poor VC returns, most VC's are investing further downstream to avoid the greater risk inherent in seed stage companies.

Who's filling the seed stage void?

# The Funding Continuum

**Control  
Flexibility**



**Time to Market  
Risk Mitigation**

# The Funding Continuum

**Control  
Flexibility**

**How much does each level provide?**

Self

Customers

Family & Friends

Crowdfunding

Accelerators

Angels / Super Angels

Government

Venture Capital

Venture Debt

Private Equity

**Time to Market  
Risk Mitigation**

# The Funding Continuum

**Control  
Flexibility**

**How much does each level provide?**

Self (\$25K)

Customers

Family & Friends (\$25K -- \$150K)

Crowdfunding

Accelerators

Angels / Super Angels (<\$250/1.5M)

Government

Venture Capital (\$1.5 --\$10M: early stage)

Venture Debt

Private Equity

**Time to Market  
Risk Mitigation**

# Understanding Different Models of Angel Investing

## **SOLO ANGEL INVESTING**

Individual investors making independent investment decisions.

## **SYNDICATES**

Lead angel investor organizes a group of investors to fund a startup.

## **ANGEL NETWORKS \ CLUBS**

Groups of

angel investors who collaborate to invest in startups.

## **ANGEL FUNDS**

Pooled

investment funds managed by a professional manager.

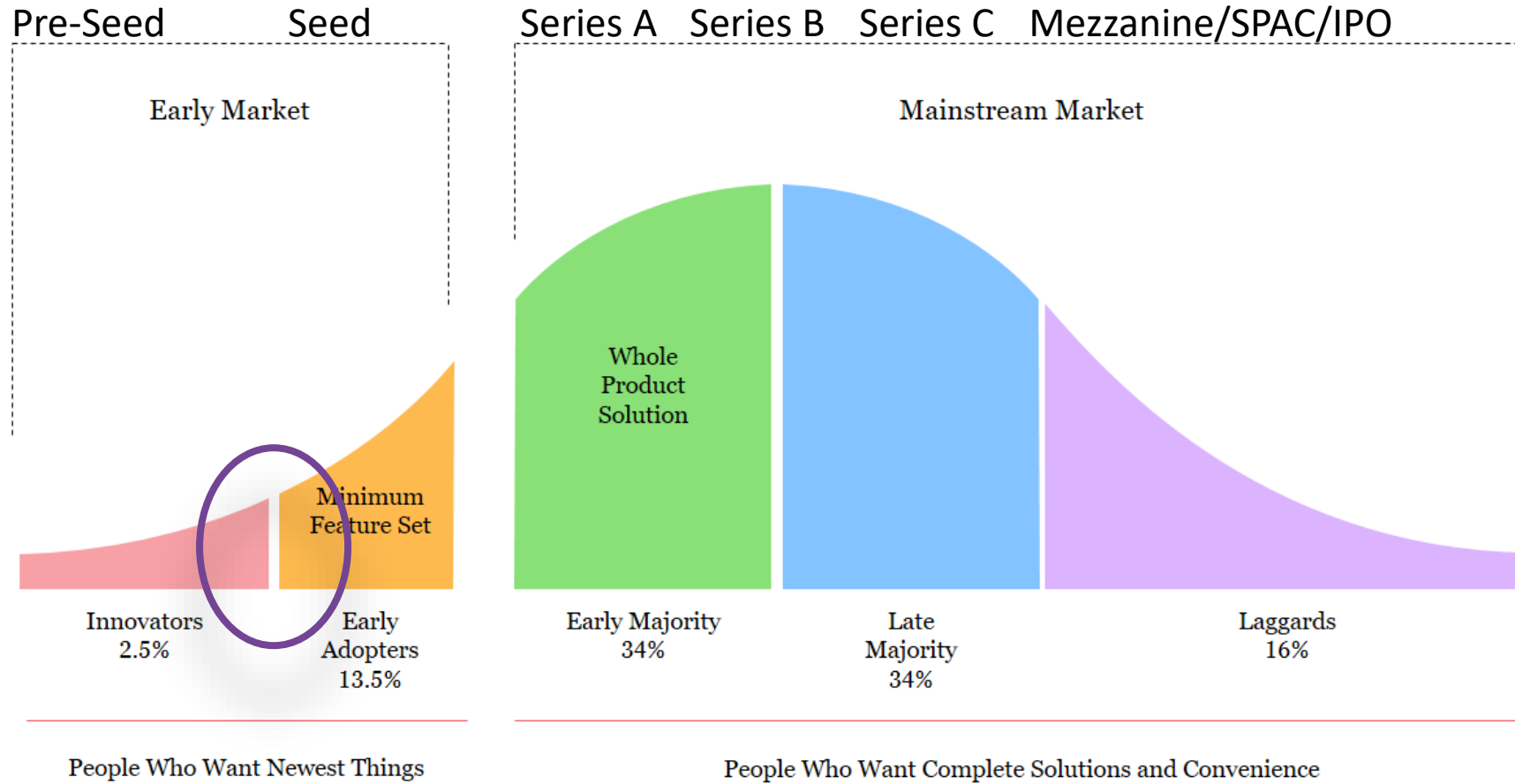
## **CROWDFUNDING PLATFORMS**

Online platforms allowing small investments from many investors.

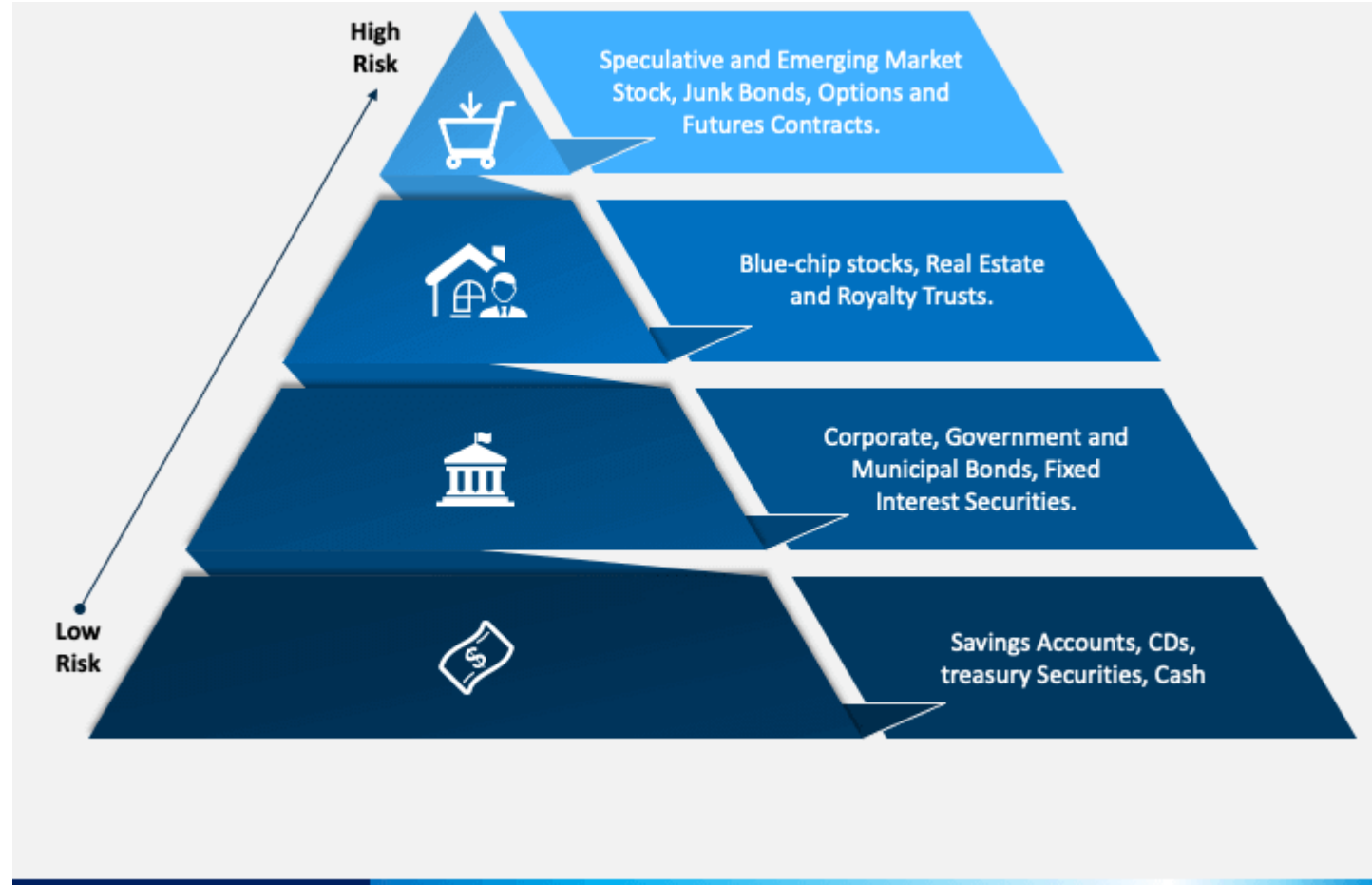
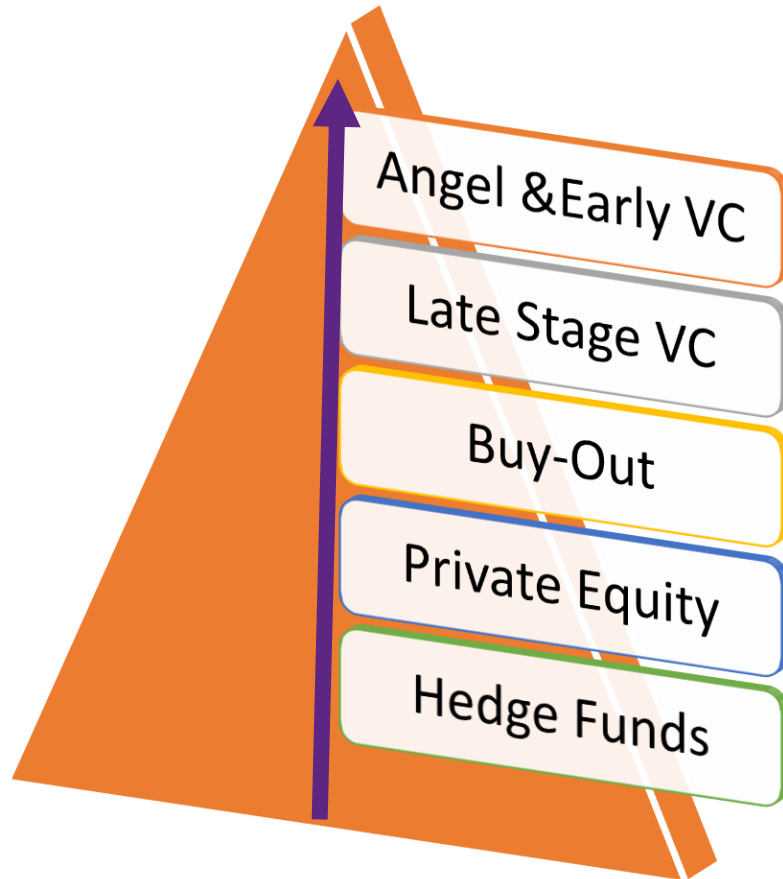
## **HYBRID MODELS**

Combination of different investment approaches.

# Crossing The Chasm

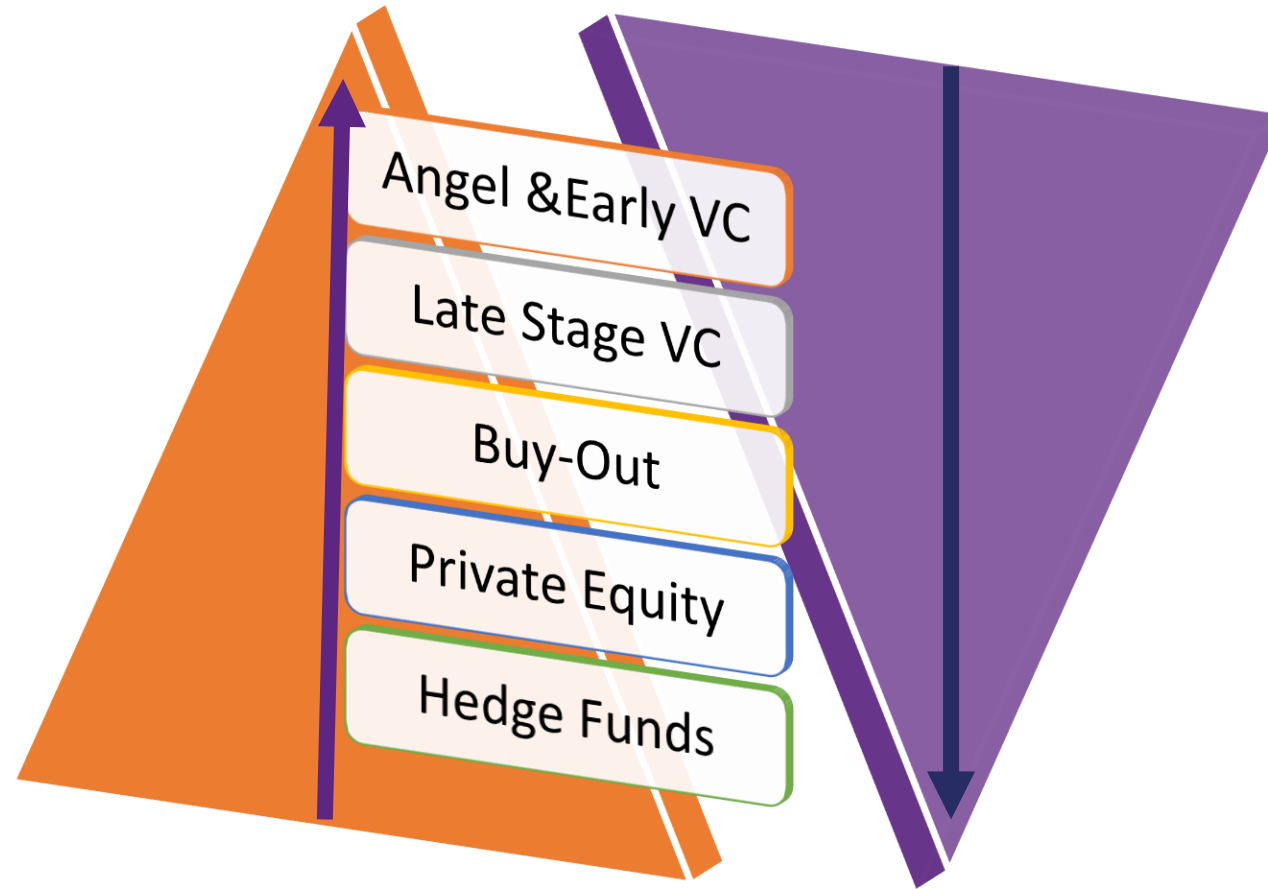


# Investment Risk



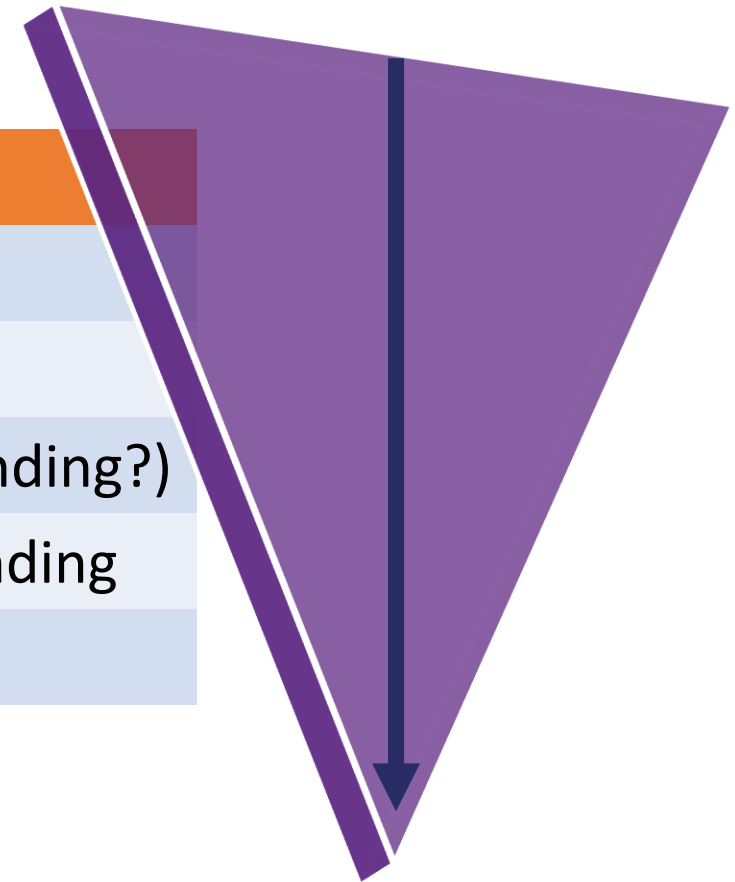


# Support



# Support vs Funding Model

Funding Model	Support
Self Funding (Bootstrap)	
Friends & Family	Funding + ?
Incubators/Accelerators	Network + Mentorship (+Funding?)
Angels	Network + Mentorship + Funding
Venture Capital	Funding +? +?



## Angel Investors: Who?

- High net worth individuals with discretionary savings for creative investing
- Ordinary people who have achieved success in their own profession
- Generally, not professional investors
- Often: Band together in groups to invest
- Sweet spot
  - Individuals: \$25,000 - \$50,000
  - Groups: \$150,000 -- \$1.5 million
- Recent estimates\* suggest
  - annual U.S. angel investments may total as much as \$24B /year
  - contributing to growth & success of more than 64,000 startups (~350K/co)
- \* Source: Angel Capital Association

A background of a complex network graph with numerous nodes and connecting lines, rendered in shades of green and grey. The nodes are of varying sizes and colors, and the lines are thin and light grey. The overall effect is a dense, interconnected web of points and lines.

# Exercise 1: Why Do You Want to be an Angel?

5 mins





# Are You Cut Out for This?

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- Have a long tail view
- Willing to watch a lot of failures before success
- Work with many strong personalities
- Can take the leap of faith



# What You Bring to the Table

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- **Can be and often is just money, but also:**
  - Previous/current founder experience
  - Industry experience
  - Technology expertise
  - Network for introductions



# Be a Good Human Being

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- **“Be a guide on the side”**
  - Sometimes a founder needs guidance - great, help them out!
  - Have a plan or strategy
  - Be careful not to misdirect
  - Do not be hysterical
  - 8-9 out of 10 companies will go to 0 - be classy when it does

# You're Always Building Your Brand

- **"Founders remember everything you do for them"**
  - This one 30 minute meeting may be the most important meeting in a founders life
  - When the founder becomes worth billions:
    - They'll remember everything you did for them on the way up
    - Even things you've forgotten!
    - Every conversation, every call you make, every letter you write, every drink you buy
  - What is your brand going to be?



# Surprising info about Angels

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- Brian Cohen, Chairman of NY Angels:
  - Most angels typically don't make money. They feel lucky if they're net-zero after a few years.
  - Reality is that most startups fail, and angels are no better at picking the winners
- Fred Wilson, Union Square Ventures:
  - One-third of early stage ventures are hits (5x return).
  - Two-thirds make a little or shut down

Sooo....



# Why do Angels Angel?

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- To make money!
- But.... sometimes its about more than making money:
  - Give back, shape the future, or just see the future close up.
  - Staying current
  - Entrepreneurship (sans the responsibility)
  - Be part of a community
  - Satisfaction that comes with being a Mentor / Therapist / Coach

**Keep in mind: its always personal for Angels -- Its THEIR money!**

# Investment methodologies

## **Financial**

- Emphasis on path to profitability
- Financial model critical
- Clearly evident market
- Medium-term horizon
- Less risk

## **Aspirational**

- Emphasis on size of impact
- Venture scale critical
- Solves big problem
- Long-term horizon
- Most risk

# What Does it Take to be a Good Angel Investor?

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Simple: Pick Winners!

- To Pick Winners: have to be a good judge of potential
- VCs can be fast followers - most don't try to predict what will win.
  - They try to notice quickly when something already is winning.

Angels have to be able to predict.



# How to Pick Winners?

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- Learn to evaluate a company
- The founders
- The market
- The opportunity

That's what this course will help you to do!

Most importantly, Learn to be Decisive!



# Decisiveness: Another Key Attribute for Angel Success

## Be Decisive!

- When Founders talk about good and bad investors, one of the ways they describe the good ones is "he writes checks."
- That doesn't mean the investor says yes to everyone.
- It means he makes up his mind quickly and follows through.
- What's really uncool is to be strategically indecisive: to string founders along while trying to gather more information about the startup's trajectory or for other reasons.



# How to Learn to be Decisive When You're Inexperienced

Don't invest more than you care about losing.

- It's always annoying to lose money, but as long as you won't lose sleep over it, it's the right amount. Initially.
- When you feel comfortable investing, you can raise the amount.



On the Flip  
Side..

The other component of being a good angel investor is simply:

**being a good person**

- Angel investing is not a business where you make money by screwing people over.
- Startups create wealth, and creating wealth is not a zero-sum game. No one has to lose for you to win.



# What's Your Commitment Level?

## **Career**

- 50+ hours per week
- Build a dedicated, proprietary team & process
- Lots of travel

## **Part Time**

- ~20 hours per week over nights & weekends
- Building a process
- Drafting off of other investors

## **Hobby**

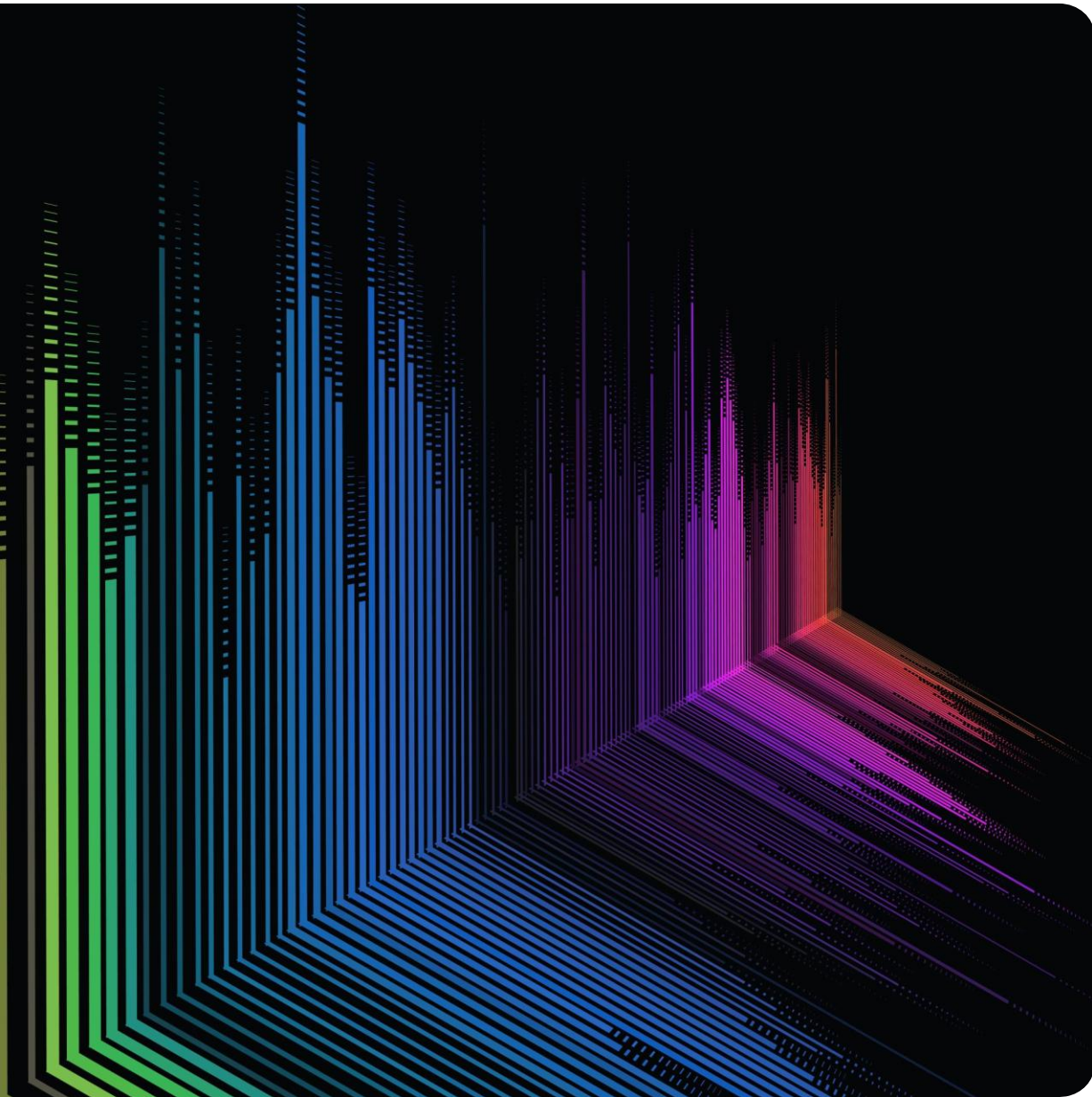
- ~10 hours per month
- Drafting off other investors
- Participating in syndicates
- Not developing proprietary deal flow

## **Passive**

- ~2 hours per month
- LP or Syndicate members
- Never talking directly with Founders



There's a LOT To  
Think About!



Now the real  
work begins!



Best of Luck





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