

# Raising Money from Angel Groups

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**TCN – December 2006**

# Ham Lord's Bio

- **Software Entrepreneur**
  - Co-founded 3 technical software companies (MicroChem, MSI, AVS)
  - All three acquired by public companies
  
- **Angel Investor**
  - Personally invested in 10 companies over past five years
  - Managing Director of Launchpad Venture Group
    - 60 Members, 13 Investments, \$5M+ Invested in past 3 years
    - Group focuses on investing in technology companies
  
- **Advisor**
  - Assist companies looking to raise Series A & B funding

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# Profile of an Angel

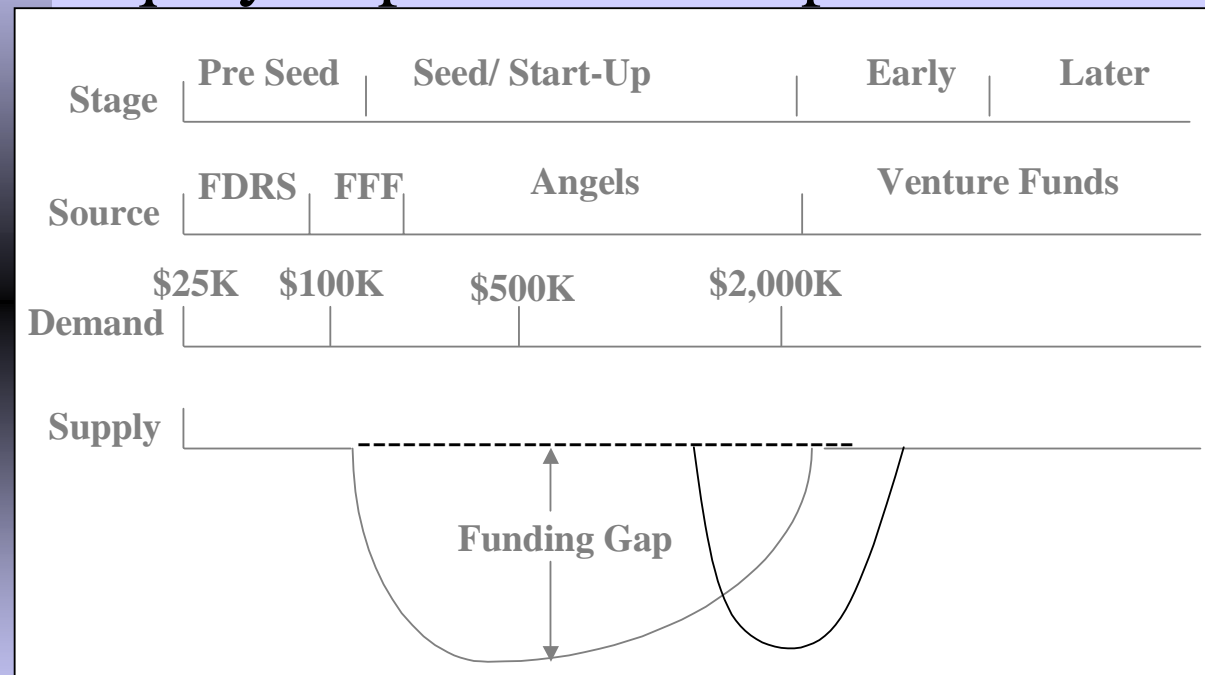
- What does an angel look like?
  - Cashed out entrepreneur
  - Invests close to home
  - Patient capital with a value add
  - Likes to invest in groups (2 to 50 people)
- 350,000 business angels in the US
- 250+ organized groups of 20+ people

# How Much Do Angels Invest?

- Angels invest approximately \$20B per year in over 40,000 businesses
- Angels focus on the seed and startup round
  - \$100K to \$2M
  - Raised from 6 to 10 investors

# Stages of Funding

## Equity Capital for Entrepreneurs



Center for Venture Research - University of New Hampshire

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# Boston Angel Groups

- ❑ Launchpad Venture Group - [launchpadventuregroup.com](http://launchpadventuregroup.com)
- ❑ Angel Healthcare Investors - [hcangels.com](http://hcangels.com)
- ❑ CommonAngels - [commonangels.com](http://commonangels.com)
- ❑ Hub Angels – [hubangels.com](http://hubangels.com)
- ❑ Investors Circle – [investorscircle.net](http://investorscircle.net)
- ❑ Walnut Venture Associates – [walnutventures.com](http://walnutventures.com)

# Other Groups

- ❑ Bay Angels
  - Cape Cod / Southeastern Mass
- ❑ River Valley Investors
  - Springfield, MA
- ❑ eCoast Angels and Breakfast Club
  - New Hampshire
- ❑ Cherrystone Angels
  - Rhode Island
- ❑ Other groups in New Hampshire, Maine and Vermont

# Raising Funds from an Angel Group

- Looking for technology companies that meet the following criteria:
  - Strong management with a deep understanding of their market
  - Potential for a large market opportunity
  - Technology that has strong barriers to entry
  - Product is in Beta with one or more customers
  - A combination of customer revenue and the funds raised from investors will lead to cash flow positive situation
  - Reasonable expectation on valuation of the company

# How to Approach a Group

- Work your network to get an introduction
  - Network at organizations such as TCN, MIT Enterprise Forum
  - Ask your attorney for an introduction
  - Find a champion in the angel group to guide you to an investment

# The Launchpad Process

- From Intro to Deal
  - Executive summary sent to group leader
  - Screening committee reviews and recommends
  - Company presentation at angel group meeting
  - Due diligence performed by team of 2 to 5 people
  - Investment deal negotiated between angel group and company
  - Timeline – anywhere from 2 months to a year
  
- Deal Funnel
  - Launchpad receives 400+ plans a year
  - 20 companies present to the membership per year
  - We invest in an average of 5 new companies per year

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- ❑ Problem to be Solved
  - Prove there is a definite customer need
- ❑ Your Solution
  - Don't get too detailed, tell us about it in one slide
- ❑ Your Team
  - Key employees and advisors and their applicable industry background
- ❑ Market Opportunity
  - Size, growth, characteristics of your market
- ❑ Current Competitive Market
  - Who are the competitors, what is your advantage and how will you protect your competitive advantage

# The Pitch (continued)

- ❑ **Market Strategy**
  - What sales channels and partnerships will you have
- ❑ **Current Status**
  - State of product, current customers, partners, etc
- ❑ **Critical Risks**
  - What can go wrong and how will you manage
- ❑ **Financials**
  - 5 year financials, what will it take to get to positive cash flow
- ❑ **Funding Requirements**
  - Funds needed, pre-money valuation, use of funds

- ❑ Make sure you need outside investors to get your company up and running
- ❑ Network with savvy, connected individuals
- ❑ Angel groups invest more like VCs than individual angels, so don't expect a check in a few weeks
- ❑ Find a Champion within the Angel Group to help shepherd you through the investment process

**For More Info**

**Ham Lord**

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## **Data Sources**

Kauffman Foundation – [www.angelcapitalassociation.org](http://www.angelcapitalassociation.org)

Center for Venture Research – [www.unh.edu/cvr/](http://www.unh.edu/cvr/)

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