



BlueTree™

ALLIED ANGELS

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Where Capital Meets Opportunity

# Angel Investors

- **TYPES - all shapes and sizes!**
  - Friends and Family
  - Unsophisticated
  - Sophisticated
  - Guardian Angels or coaches/mentors
  - Passive
  - Super Angels
  - **Angel Networks /Funds**

# Who are Angel Investors?

- **Often successful entrepreneurs or retired business persons**
  - Active investors providing money, expertise, and their network
  - Contribute to their local ecosystem (mentoring, judging, educating)
- **Accredited investors – SEC definition (*US & a few others*)**
- **Invest their own money (not money managers)**
- **Generally invest in local companies**
- **Invest in businesses not run by family**
- **In 2013, 298,000 investors invested ~\$24.8B in about 71,000 deals (2/3rds early-stage)**

# Why Angel Investor Networks

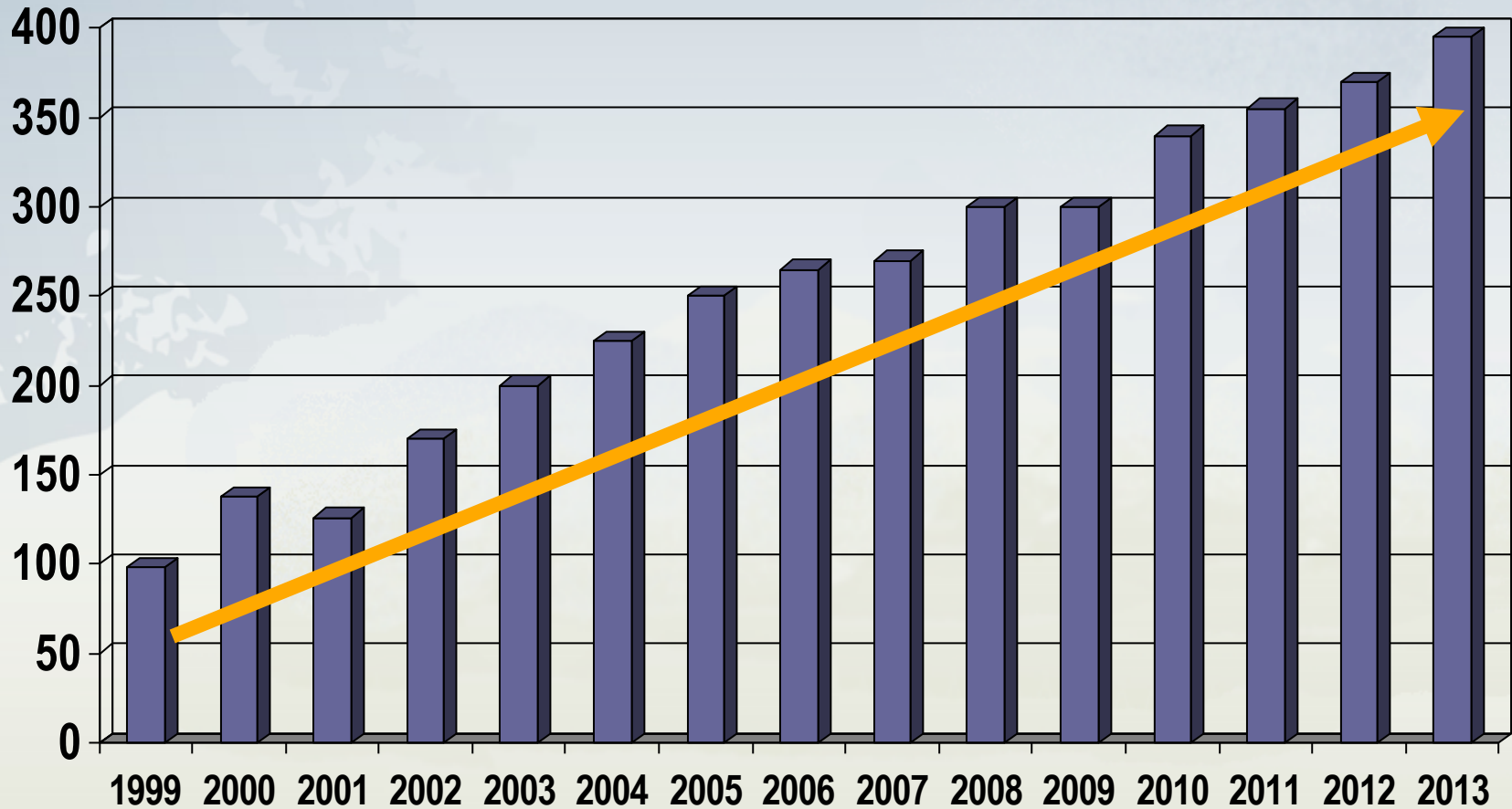
- **The Power of Aggregation**
  - Aggregating investment dollars
  - Aggregating knowledge, experience
  - Aggregating industry connections
  - Collective Due Diligence
- **Mitigate Risk** - Diversified portfolio
- **Higher Quality Deal Flow**
- **Greater Investment Clout**
- **Continuity through Portfolio Management** – monitoring and mentoring with talent and experience

# Premise on Angel Networks

## Advantages for Entrepreneurs

- **Creating new class of investor**
  - Developing sophistication/excellent processes
  - Creating opportunities for Syndication
- Market efficiencies developing
- Beginning to close capital gap

# Growth in Number of American Angel Groups



Sources: Center for Venture Research (pre 03 data) and Kauffman Foundation/ARI (04-13 data)

# BlueTree Allied Angels

- **Network of Accredited Investors (Pittsburgh & Erie)**
- **60+ Members**
- **Cashed-out Entrepreneurs, Senior and C-Level Executives, Professionals**
- **Investments:**
  - \$20K per deal (individual)
  - \$200K per deal (group) minimum
  - \$30 M invested in 46+ Companies (\$400K/deal avg.)
  - Co-Invested with other groups and VC's in 17 deals

# Investor Considerations

Management Team Experience	30%
Opportunity Size and Maturity	25%
Product or Service	20%
Technology / Product Uniqueness / Solution	15%
Investment Structure	10%

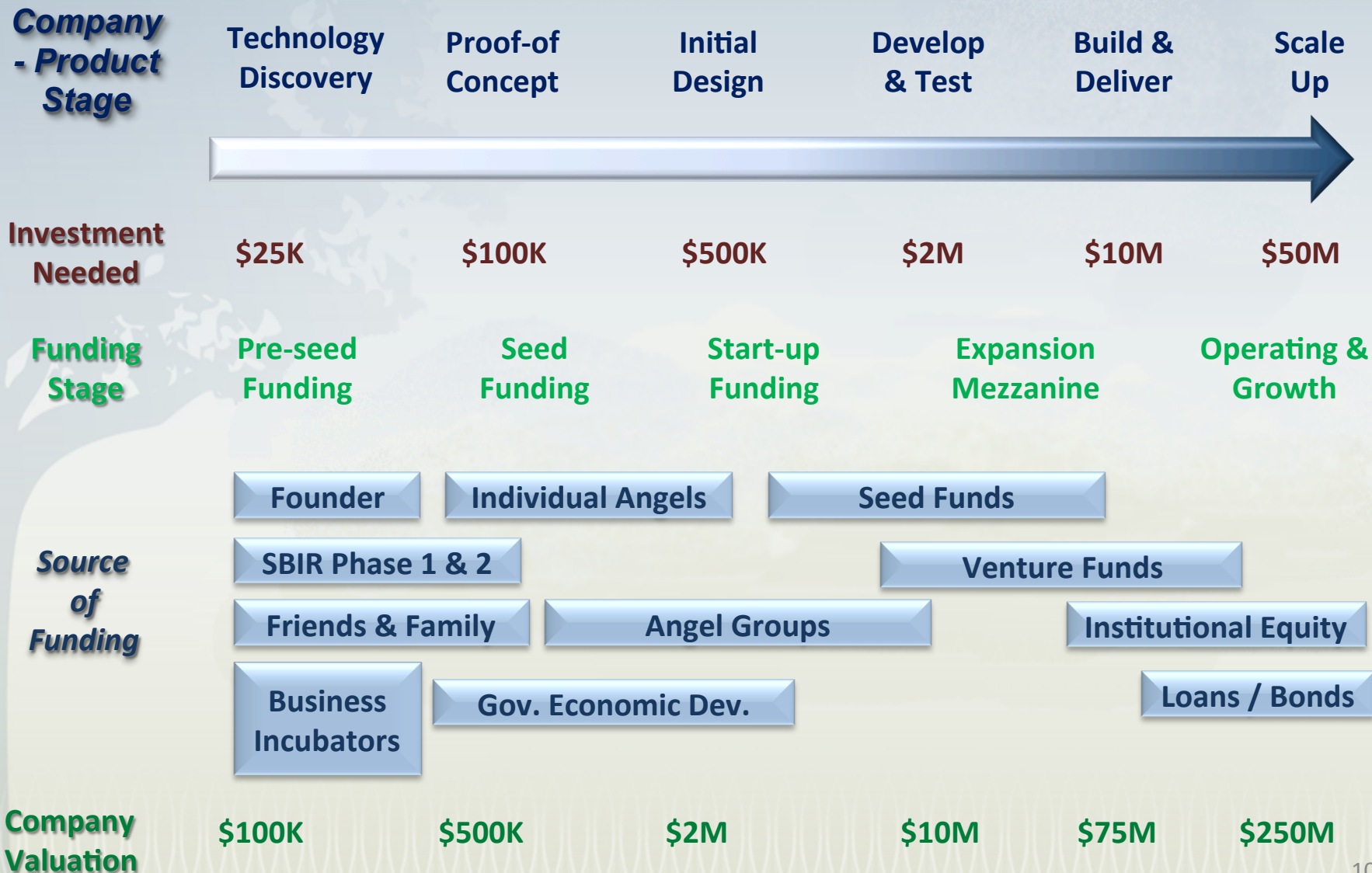
- **Management Team usually most important**
  - CEO
    - Coachable, vertical experience, leadership
  - Team
    - Balanced & complete
    - Experience working together
    - OK to have some positions still to be filled



# Investor Expectations

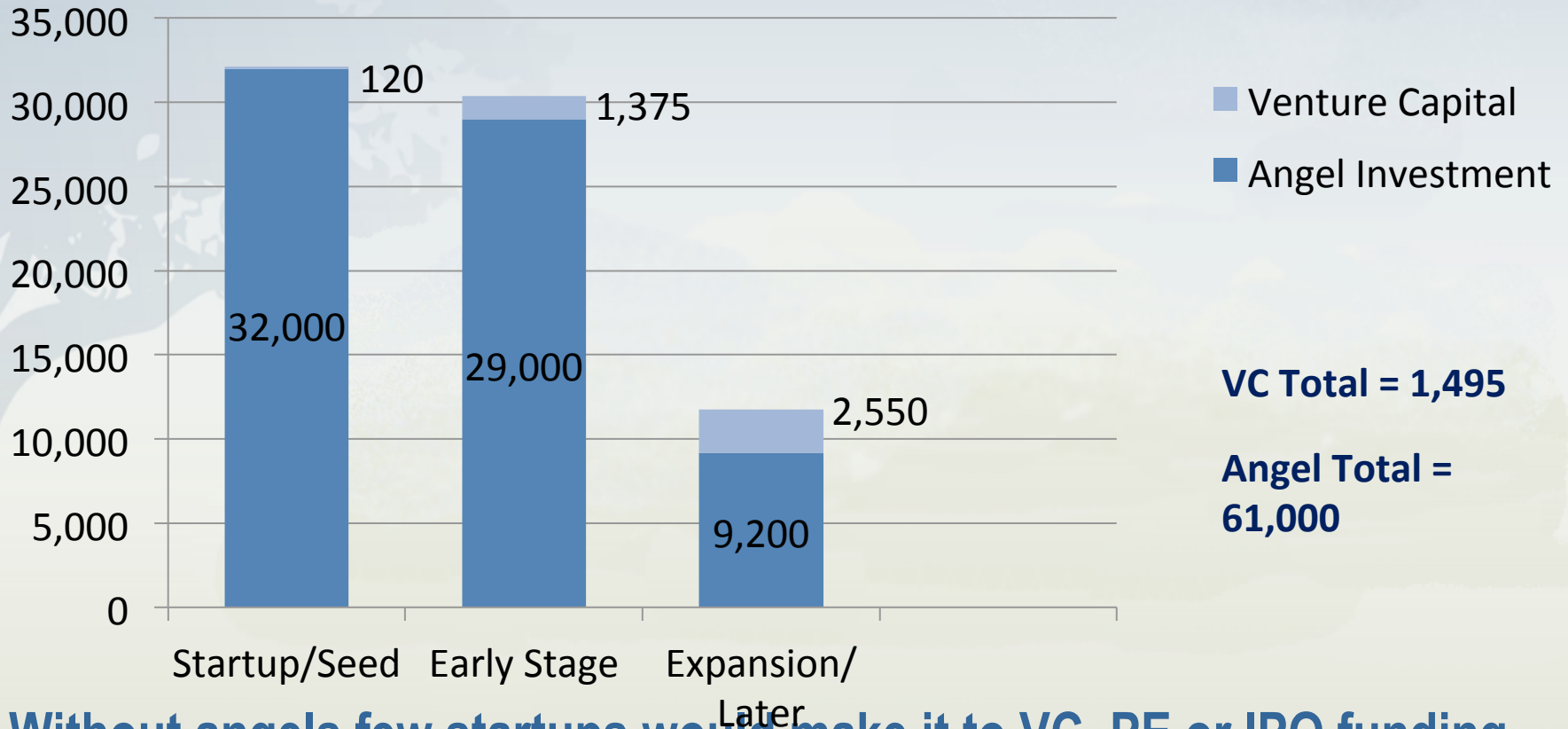
- **Potential for Company to grow and scale**
  - \$30M min. revenue in 5 years
  - High gross margins business
  - Large “niche” market
  - Unfair competitive advantage
  - Ready for customers
  - Fundable management team
- **Business capable of providing a return to Investors through an Acquisition (rarely IPO)**
  - Expect a 10X – 30X ROI
  - 1 or 2 of every 10 investments bring most of return
  - >50% of businesses will fail

# Investment Landscape – Company Valuation



# Angels Fund Nearly All Seed/ Early-Stage Deals...

## Number of Deals in 2013: Angel Investment and Venture Capital



**Without angels few startups would make it to VC, PE or IPO funding**

# Angels Fund Majority of Startups in USA

Angels Provide ~90% of Outside Equity for Startups

## Angel Investors (2013)

- \$24.8 billion
- **71,000 deals**
- 32,000 seed
- 29,000 early stage
- 9,200 expansion
- > 298,000 individuals

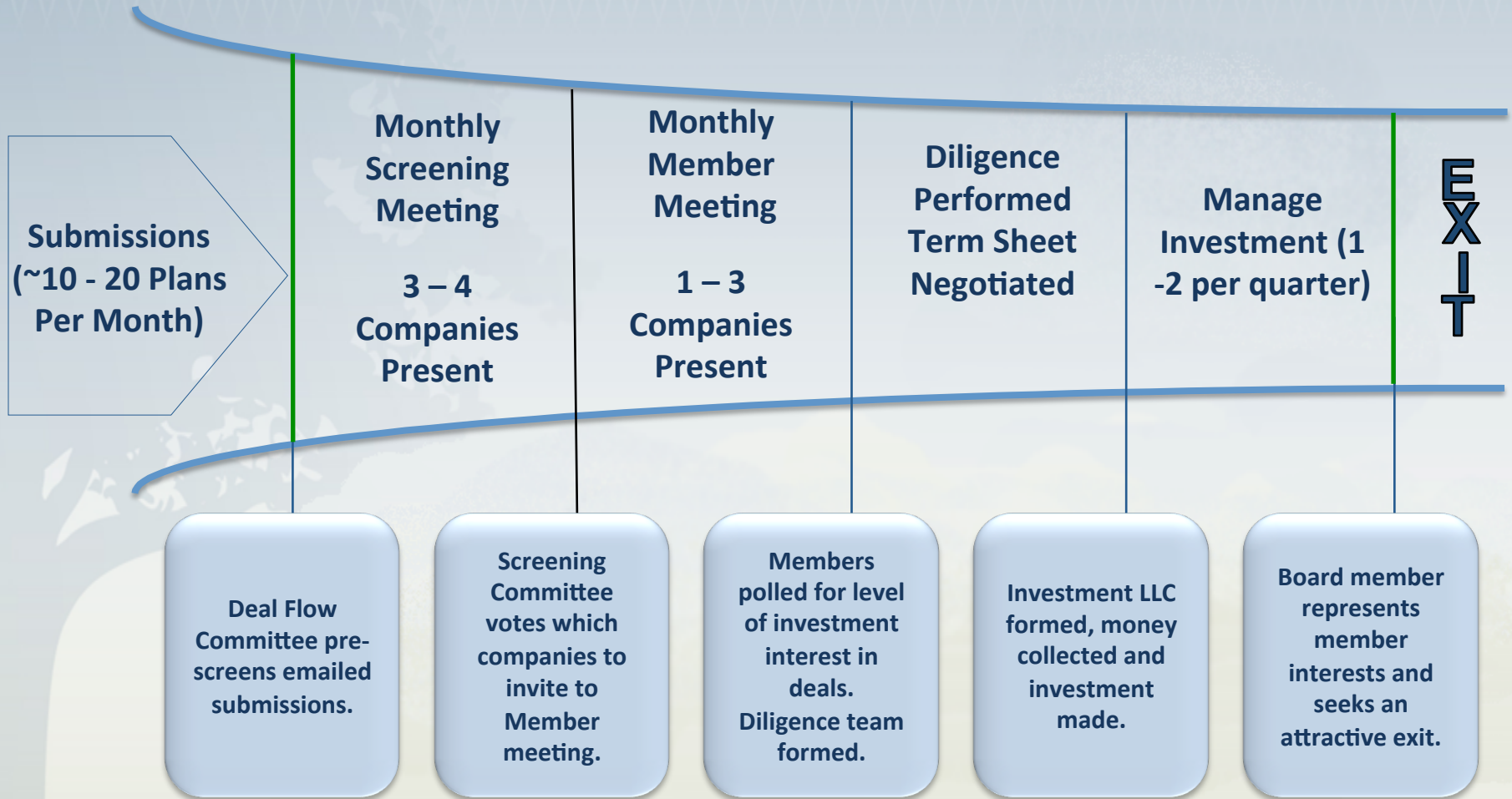
## Venture Capital (2013)

- \$29.6 billion
- **4,050 deals**
- 120 seed
- 1,375 early stage
- 2,550 later/expansion
- 548 active firms

# Deal Flow Process



# BlueTree Deal Flow Process



Committee Process – Engages membership

# Elements of the Pitch



# The Pitch

- Solid Business Plan and Financial Model
- Two page Executive Summary
- Presentation - 10 Slides, 20 Minutes, 30 Pt Font
  - Identify the Problem
  - Explain your solution
  - Business model – How will you make money?
  - Underlying magic/technology
  - Marketing and Sales
  - Competition
  - Management Team
  - Projections and Milestones
  - Status and Timeline



# Opening Slide

- **Organization name, your name and title, and contact information.**
- **Explain what your organization does.**  
*("We sell software for civil engineers." "We sell hardware for data networking companies." "We are a medical device company." "We protect the environment.")*
- **Amount of money to be raised, and the purpose of the money.**
- **Cut to the chase!**

# Problem

- Describe the pain/issues/problems you're alleviating.
- The goal is to get everyone nodding and "buying in" that the problem is real.
- Avoid looking like a solution searching for a problem.

# Solution

- Explain how you alleviate this pain and the relevance of your product to the solution.
- Ensure that the audience clearly understands what you sell and your value proposition.
- Not the place for in-depth technical explanation.
- **Provide just the list of how you fix the pain.**

*Example: "We are a discount travel site. We have written software that searches all other travel sites and collates their price quotes into one report."*

# Business Model

- Provide simple explanation of precisely how you make \$\$\$\$
  - Who pays you
  - Distribution channels
  - Gross margins, etc.
- A unique, untested business model is a scary proposition. Explain a revolutionary business model in terms of familiar ones.
- Drop the names of the organizations that are already evaluating or using your product or service.

# Underlying Magic

- Describe the technology, secret sauce, or magic behind your product or service.
  - *Discuss source*
  - *Why it can't be easily duplicated.*
  - *Discuss patents*
  - *Is the technology yours, licensed from a University, exclusive, are there royalties, etc?*
- **The less text and the more diagrams, images, flowcharts, the better.**
- White papers, research, and objective proofs of concept are helpful.

# Marketing and Sales

- Explain how you reach your customer and marketing leverage points.
- Estimate market size and realistic percentage that you can penetrate.
- Convince the audience go-to-market strategy is effective and won't break the bank.
- Explain the logic behind growth plans.
- Be sure working capital in financial models supports growth.

# Competition

- Provide a complete view of the competitive landscape. Too much is better than too little.
- Never dismiss direct or indirect competition in core or adjacent market(s).
- Everyone including customers, investors and employees want to hear why you're good, not why the competition is bad.
- There is always competition!

# Example: COMPETITION

Competitors	Item level In-transit visibility	Passive RFID	Local read capability with doors closed	No wires between devices	Transferable, Plug and Play	Comments
ABC Company	✓	✓	✓	✓	✓	
Odin	✓	✓	✗	✗	✓	Nearly 3 x expensive
Lockheed-Martin Savi Tech	✗	✗	✗	✗	✗	Read at portals only
GE Commerce Guard	✗	✗	✗	✗	✗	Discontinued
Intermec	✗	✓	✓	✗	✗	"On-the-road" operations only
UNISYS	✗	✗	✗	✗	✗	Read at portals only
Cubic	✗	✗	✗	✗	✗	Central control only



# Management Team

- **Key players are important.**
  - Management team
  - Board of directors
  - Board of advisors
  - Any major investors
- **Ok to have less-than-perfect team.**
- **As a founder, are you the “right” President & CEO?**

*All startups have holes in their team; what's truly important is having a willingness to fix them.*

# Financial Projections and Key Metrics

- **Provide 5-year forecast:**
  - Chart or graph is better than just #'s
  - Know your key metrics: Customers #'s, Conversion rate, etc.
- **Bottom-up forecast: consider long sales cycles and seasonality.**
- **Explaining forecast's underlying assumptions is as important as the numbers.**
- **Clearly identify cash flow break even point.**

# Example:

## ABC achieves \$37 MM in Y5 revenue

	2012	2013	2014	2015	2016
Parent revenue	145	692	3,736	17,673	37,134
Media/recruiters/replay	0	?	?	?	?
Percent gross margin	57%	51%	59%	60%	65%
EBITDA	(510)	(1,026)	(509)	5,562	12,687
ABC headcount	8	21	38	83	191
Number of athletes	1.2K	5K	43K	136K	238K
<b>Market penetration</b>	<b>~0.0%</b>	<b>0.1%</b>	<b>0.4%</b>	<b>1.2%</b>	<b>2.4%</b>

**\$100 MM enterprise value in Y5**  
Revenue + EBITDA in thousands

# Summary

- Various Exit Strategies and ROI
- Offering Amount, Terms and Conditions
- How money will fund milestone achievement.
- Current Status, Accomplishments & Timeline
- Positive momentum : close with a bias toward action.

# Common Mistakes/Advice

- Common Mistakes

- Discussing only the product and not the actual business
- Lack of preparation
- Presentation too long and does not build momentum

- Advice

- Have back up slides with details to help answer questions
- Prepare, Rehearse, Prepare, Rehearse.....

# Information, Resources, and Support



- **Kauffman Foundation** [www.eventuring.com](http://www.eventuring.com)
- **Angel Capital Association**  
[www.angelcapitaleducation.org](http://www.angelcapitaleducation.org)
- **Books**
  - Term Sheets & Valuation by Alex Wilmerding
  - The Art of the Start by Guy Kawasaki



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