Abstract: In 2011 the National Angel Capital Organization released the first study that examined the activity levels of the visible Angel community across Canada in 2010. This year’s release examines the 2011 activity levels and highlights trends emerging from the growing data, such as a significant increase in levels of Angel activity. For the first time we have also had data on Angel group exits. With this we have been able to begin to analyze such things as the mode of exit and the returns generated.
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The Global Advantage Consulting Group Inc. (Ottawa) is a strategic management consulting firm. Since 2002 the firm has completed over 350 assignments providing advice to corporate, association, university and government clients in Canada and abroad. The firm has expertise in the areas of economic development, organizational strategy, innovative business models, the design and management of commercial networks, and enhanced governance and decision-making. The firm’s differentiating feature is the analysis and design of strategic “system maps” in the areas of new technology, and innovation/commercialization systems to support client investments in projects, programs and policy.

The company was founded in 2002 by David B. Watters who worked for 30 years in the federal government as a senior executive and Assistant Deputy Minister in a variety of Economic Ministries including Industry Canada, Treasury Board and Finance Canada.

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Message from the Executive Director

In 2011, we released the first study compiled by the National Angel Capital Organization (NACO) that examined the activity levels of the visible Angel community across Canada in 2010. This study helped gauge the level of activity but was limited, having data for only a single period, a shortcoming now mitigated by having data for two time periods.

Amongst all of our findings, one conclusion stood out: The Angel community is taking on a more important role in the investment ecosystem by funding more Canada’s next generation of high-growth companies with more investment than in the past.

The impact, importance and growth of Angel investment is clearly demonstrated by the fact that in 2011 Angel groups invested $82.4 million in 134 investments, resulting in an average investment of approximately $614K per investment, an increase of over $170K from 2010 to 2011.

Based on OECD estimates of the size of the visible Canadian Angel community, we believe that the total Angel investor activity in Canada is at least $916 million annually invested in approximately 1500 growth-oriented companies. This investment volume continues to grow, helping fill the funding gap, and it is complemented by increased co-investment from other partners in the investment ecosystem including other Angels, VCs, and other public and private co-investment programs.

With the growth in importance of Angel capital and the growing foundation for policy based on primary research, we look forward to working with the government to help establish programs that leverage the private capital of investors as well as their mentorship and experience.

Finally, I would like to acknowledge the efforts all of those that contributed to this report, including the Global Advantage team, Colin Mason, Professor of Entrepreneurship in the Hunter Centre for Entrepreneurship at the University of Strathclyde in Glasgow, Scotland, the members of the Steering Committee, and the Angel groups that participated in the study. In addition, I would be remiss if I did not thank both Industry Canada and the Business Development Bank of Canada (BDC) for their support in this project.

Bryan Watson, Executive Director
National Angel Capital Organization

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1 [http://www.oecd.org/document/30/0,3746,en_2649_33703_49309726_1_1_1_1,00.html](http://www.oecd.org/document/30/0,3746,en_2649_33703_49309726_1_1_1_1,00.html)
Message from the Chair

The National Angel Capital Organization (NACO) is Canada’s industry association representing Angel capital in Canada. Our vision is to bring the Canadian Angel community together. Our mission is to support Canadian Angels as they foster the growth of the next generation of innovative Canadian companies. NACO achieves these goals through educational programs, communications activities, events and advocacy.

NACO, this year, conducted the second successful Investment Activity by Canadian Angel Groups survey as part of our expanding research program. Designed to support and augment Angel investor performance, this program also provides a foundation on which policy that supports access to early-stage private capital can be formed.

This study allowed us to gauge the level of activity in the Angel community in 2011 and see trends in the activity of the Angel community over time. One such trend, isolated by this study, was that more Angel groups made significantly more investments than in the previous year. The Angel community also demonstrated its connectivity by demonstrating that 70% of investments included co-investors, of which 74% of co-investors were independent angels or other Angel groups.

Our study also highlights the increase in general activity in the Angel community. In 2011 there were more investments made, new investment groups formed, and a marked increase in the level of sophistication of the visible Angel investor community. This can be seen in the level of group-group co-investment in investment opportunities which requires a high level of organization and standardization. We, at NACO, believe that this increased sophistication, coupled with the natural propensity of Angels to mentor their companies, will result in increased positive returns to Angels.

Part of NACO’s mission is to help Angel investors and their investees achieve successful exits. As such, information on exits is vitally important. This year we are able to comment on Angel investment exits. The returns Angel groups experienced in 2011 serve to remind us of the fact that Angel investment is an extremely high-risk investment class. It is interesting to note that the predominant method of exits was a ‘sale to/merger with another company’ (72%).

As NACO’s research program continues to grow and expand, we look forward to increasing the visibility of Angel investors across the country and providing our community and all of its stakeholders with an increased level of understanding of Angel activity in Canada. Through these and other NACO initiatives, we strive to continue to foster best practices and investment standards and help Angels realize investment returns through education, networks and connections.

If you are interested in learning more about NACO’s research program or becoming involved in some of our ongoing activities, I encourage you to contact myself or any of the NACO management team.

Michelle Scarborough, Chair
National Angel Capital Organization
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Executive Summary

The purpose of this study, based on survey and interview data, is to identify activity by Canadian Angel Groups in 2011, and to compare findings with a similar study conducted in 2010. Progressively these annual surveys will help to determine how effectively Canadian Angel Groups are contributing to meet the need in Canada for seed and early stage risk capital. It is important to emphasise that the study only focuses on the activities of the ‘visible’ part of the angel market - namely Angel Groups. It does not examine investments by individual angels, who generally prefer to remain anonymous and are thus largely “invisible” and who are estimated to represent the majority of the Angel community. As well, the investment activity levels of some Angel groups appear to be thin. That said, this study provides a window into the activity levels of an asset class that, by its very nature defies study which lets us draw certain conclusions about the activity of Angels in Canada.

Business angels are particularly important in providing equity capital to support the growth of younger and smaller companies, as they mature and move through the “commercialization funding gap” at the seed and early stages of company growth. Although venture capital (VC) has increased recently by 34% to total $1.5 billion in 2011, this capital primarily targets later stage investments. In response to the demand for larger investments individual angel investors are organizing themselves into associations and groups in order to invest with other angels. In this regard, the 2011 Survey notes that 63% of Canada’s Angel Groups were established within the last four years, with three formed in 2011. Thus, Canadian Angel Groups are quite recent, and their investment activities are growing as noted in the Survey.

The key points that emerge from the 2011 Survey are summarized below:

1. Angel Groups in Canada
   - 63% of the Angel Groups were established within the last four years (since 2008), with three formed in 2011.
   - The majority of groups operate on the basis of the individual members making their own investment decisions, as was the case in 2010.
   - The number of Angel Groups in Canada fluctuates, with 3 new groups established and 3 disbanded in 2011.
   - 70% of Angel Groups have less than 50 members.
   - 60% of Angel Groups had only 1-10 member making investments in 2011.
   - 45% of Angel Groups receive up to 100 business plans yet select between 1-5 for formal due diligence.
   - There was a slight increase in the number of business plans selected for detailed review as a proportion of those received from 13.9% in 2010 to 14.9% in 2011.
   - There was a significant increase in the number of business plans funded as a proportion of those selected for detailed review (from 32.2% in 2010 to 43.9% in 2011). In addition, there was a significant increase in the number of business plans funded as a proportion of those received (from 4.5% in 2010 to 6.5% in 2011).

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85% of Angel Groups in Western Canada (B.C., Alberta, Saskatchewan, Manitoba) invest in companies that have headquarters (HQs) in the same city. In Central Canada (Ontario and Quebec) 64% of Angel Groups invested in companies that have HQs in the same city (32%) or within the province (64%). In Eastern Canada Angel Groups tend to invest in companies within the Atlantic region (Nova Scotia, New Brunswick, PEI, Newfoundland and Labrador).

2. Angel Group Investments in 2011
- There were 134 investments in 2011 (103 new and 31 follow-on) totalling $82.4 million ($60.50 million new and $21.89 million follow-on), averaging $614K per investment.
- In comparison, 90 investments (80 new and 10 follow-on) were made in 2010 totalling $35.3 million ($34.19 million new and $1.14 million follow-on), averaging to $442K per investment.
- The majority (57%) of Groups made between 1-5 investments in 2011.
- There was a preponderance of investments in Central Canada accounting for 87% of all deals (see Figure 2), and 97% of the investment value. In addition, the average value of investments is highest in Central Canada at $681K yet there is a jump to $724K when co-investor investments are included.
- The largest proportion of investments was made in ICT (51%), clean technology (21%), and life sciences (17%).
- The sectors that received the most investment were ICT ($33.3M), life sciences ($26.6M), and clean technology ($17.5M).
- 70% of recorded investments involved a co-investor, with 74% of co-investors in the form of angel investors either independent or associated with another Angel Group.
- A majority of the recorded investments indicated government support in the form of a regional economic development agency program (49%). It is evident then that both Western Canada (82%) and Eastern Canada (100%) rely on Provincial Investment tax credits, whereas Central Canada (66%) utilizes a regional economic development agency program.

3. Angel Group Investment Exits in 2011
- There were 8 investment exits in 2011.³ Noting that 3 investments generated a negative return while 3 were successful.
- A majority of investments took 4 or more years to mature before an exit took place.
- The total value of exits in 2011 clustered between $250K - $500K and $1M – $2M per investment.

³ This data set is limited with 6 of the 8 reported exits having complete data. The incomplete data set is a result of confidentiality issues. Additionally, the data set is small. During the phone interviews with 71% of respondents, those interviewed were asked whether they had an exit to report in 2011, be it successful or unsuccessful. 65% of the group confirmed that they did not have an exit in 2011 and the other 35% reported raw exit data. Moreover, it must be noted that that the angel community in Canada is young.
The total amount invested in 6 companies was $1.25M. These companies returned a total of $2.101M. Note that there was a skewed return whereby one company returned over 50% of this amount. The total gain for the six exits was $851K with a multiple of 0.68 on the original investment. The average gain on the tracked exits was $142K.

The method of exits was predominantly from a ‘sale to/merger with another company’ (72%).

In summary, in this second year of the Survey, the 2011 data indicates a large growth in both the number of investments (a 50% increase) and value of investments (134% increase) from the previous year. This is partly a result of the growing experience of a relatively new market in Canada, a possible response to better economic conditions as the markets tentatively recover from the 2008-2009 recession, and stronger support for Angel Groups and angel networks from governments and the National Angel Capital Organization.
1. Introduction

A simple definition of a business angel is an individual, acting alone or in a formal or informal syndicate, who invests their own money directly in an unquoted business in which there is no family connection and who, after making the investment, takes an active involvement in the business, for example, as an advisor or member of the board of directors. Such individuals are required to have significant high net worth\(^4\) in order to have sufficient disposable wealth to make such high risk investments.

Business angels are the biggest source of early stage risk capital, outstripping the venture capital industry in terms of both number of investments and dollars invested.

Indeed, business angels are often the only potential source of external seed, start-up or growth finance available once businesses have exhausted personal and family sources and sources of ‘soft’ money. As such they play a vital role in the entrepreneurial ecosystem of regions and states.

In recent years the angel market has begun to evolve from a largely invisible market comprising individual and ad hoc groups of investors who strive to keep a low profile and rely on word of mouth for their investment opportunities to a more organised market place in which investments are channelled through various ‘portals’. There are two main types of portal. The first is Angel Groups (alternatively, angel syndicates, angel alliances) which have some form of organisational structure and a manager (or gatekeeper) to be the public face of the group, filter investment opportunities and feed this information to group members. Members of the group share due diligence and invest collectively in the same deals. Some angel groups, particularly in the USA, have also developed side-car funds. These are pools of capital that invest alongside the group’s regular investments. The capital can be supplied by angels who wish to participate but without formal membership of the group or by the group’s members who use the sidecar fund as a source of portfolio diversification to complement their discretionary investments. The other main type of portal is matching services (or business angel networks) which seek to increase the efficiency of the market by providing mechanisms for investors and entrepreneurs to connect with one another, and for angels to evaluate opportunities. However, angels do their own due diligence and make their own investment decisions. Both types of portal have a visible presence. Angel Groups are the dominant form of portal in the USA whereas angel networks dominate in Europe. In Canada both types of portal can be found.

However, accurate measurement of business angel investment activity is problematic. This is in marked contrast to the private equity and venture capital sector, whose investments are recorded and reported by national venture capital associations and various commercial firms (e.g. Dow Jones, Thomson Reuters). The primary difficulty is that angels are invisible, most have a strong desire to protect their anonymity and their investing is not documented (or, perhaps more accurately, is not documented in a way that can easily be analysed). From a practical standpoint this means that, unlike the institutional venture capital market, there are no lists or directories of business angels and no datasets recording their investments.

\(^4\) Angel investors must be accredited investors based on the net worth requirements of their specific jurisdiction’s security commission.
This has had a significant impact in holding back research on business angels. The consequence of these data limitations is that research on business angels has had to identify business angels through a variety of imperfect sources with no way in which to test for the ‘representativeness’ of the samples that have been generated. Research has typically been based on samples – either ‘samples of convenience’ or constructed through snowball sampling methods⁵. Both approaches are likely to generate biased samples.

There are two major potential sources of bias. First, the business angel population is positively skewed: there are lots of angels making small investments and a relatively small number of angels making large investments. However, the relatively small number of large investments and major angels make a disproportionate contribution to total investment activity.⁶ Indeed, a new category of business angel has recently been recognised. The super angel is an investor with the financial capacity and appetite to invest hundreds of thousands, or even more than a million dollars in a single deal, on a regular basis.⁷ The frequency of investing is also positively skewed. Most angels have made relatively few investments (less than five) but there is a minority of much more active investors who have a disproportionate effect on overall market activity. Data sources are likely to be biased towards those angels who make the largest and most frequent investments.

The second major source of basis arises from the heterogeneity of the business angel population which has been identified by various studies. For example, Sørheim and Landström (2001) propose a four-fold categorisation based on the level of investment activity and investment competence. Avdeitchikova (2006) has also proposed a four-fold classification based around two dimensions – investment level and involvement. Infometrics Ltd (2004), which undertook a government-commissioned study of business angels in New Zealand, suggested that angels are differentiated on two dimensions – motivation (guardian, professional, operational expertise, financial return) and activity (dabblers vs. active). Developing this theme, Lahti (2011) has classified Finnish business angels into four groups on the basis of their approach to risk. Meanwhile, the difficulty of finding business angels has meant that most samples are small, which adds to the representativeness problem and makes it problematic to extrapolate from sample results to derive population estimates of activity with any degree of robustness.

A further difficulty confronting researchers is that as the angel market has matured the variety of individuals involved and the different ways in which they can invest has meant that the definition of business angels that was offered at the outset throws up a variety of grey areas when it is applied in practice. Specifically, as a result of the emergence of networks, groups and syndicates it is now much easier to make angel-style investments but on a passive basis.

Given the importance of a thriving informal venture capital market for the creation and maintenance of an entrepreneurial economy it is important that Government is able to measure the number of business angels and the level of their investment activity. Measurement is important to monitor the level of activity, changes over time and in comparison with other countries. Governments typically require evidence of market failure to justify intervention. Measurement is also required in order to assess the impact of government interventions and other changes in the

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⁵ In this approach, a small number of angels are identified and they are asked to identify other angels that they know in order to expand the sample.

⁶ This is illustrated in the inaugural business angel report for the UK, covering 2008/09. Its survey of individual angels found that three-quarters had invested less than £100,000 in the year compared with 9% who had each invested over £250,000 in the year (including 1% who had invested over £500,000 in the year) (Mason and Harrison, 2010).

⁷ Sudek, May and Wiltbank (2011)
external environment on informal venture capital investment activity. Information on investment activity also provides entrepreneurs with information on the prospects of raising finance.

The approach that has emerged as a best practice to measure angel investment activity is to focus on those investments that are channelled through portals. This is the approach that is adopted in this report.

It has several advantages. These investments are visible and details are known to the portal. The cost of collecting the data is low. And data can be collected on a regular basis to build a time series. Moreover, the angel market is becoming increasingly organised, with more and more investments being channelled through portals – although Canada lags behind the US and Europe. Portals are also likely to attract more active angels and bigger investments. On the other hand, investments made through portals account for a minority of all angel investing. As the actual share of total investment that is accounted for by portals is not known it is very difficult to accurately extrapolate from portal investments to derive an estimate of total angel investment activity.⁸

Figure 1. Funding Gaps.

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⁸ See Annex I for a more detailed discussion of data collection issues.
Figure 1 indicates where business angels fit into the idealised funding escalator of a high growth venture. Angels typically invest after family and friends money and public sector grants have been exhausted. Individual angels will invest at the seed and start-up stages, typically investing amounts ranging from $10,000 to $250,000. Angel groups will invest larger amounts, from $250,000 upwards. Even larger amounts can be raised from angel groups investing together. Venture capital funds will typically only invest in companies seeking amounts in excess of $1m – indeed the average venture capital investment in Canada has exceeded $3m in recent years.\(^9\)

2. 2011 Canadian Angel Group Activity

2.1. Survey Methodology

For the reasons discussed earlier the survey is restricted to angel groups. There was no attempt to survey individual angel investors\(^{10}\). The questionnaire was distributed in January 2012 to 29 Angel Groups across Canada who are members of NACO. Twenty-four groups responded for a response rate of 89%. Two of the non-respondents were groups that had disbanded. The survey was followed up in February and March 2012 with telephone interviews with 71% of the respondents to clarify some of the information that they had provided. Four groups were unable or reluctant to provide complete information on some activities or investments. Further information on the Angel Group Survey methodology, is provided in Annex I. The survey questions and definition of industry sectors can be found in Annex II.

This is the second annual survey of Canadian angel groups. A similar survey was undertaken in 2010. Hence it is possible throughout the report to compare the angel market in 2011 with the previous year. However, a number of new questions were added to the survey in 2011:

- What was the value of investments (new and/or follow-on) made in 2011?
- What was the total value to your group ($CDN received by members) from exits made in 2011?
- What was the total value of your group’s investments in active firms at the end of 2011?
- Was the investment supported by any co-investors (syndicated investment between your group and other angels, Angel Groups, venture groups, etc)?
- What types of co-investors are involved in the investment?
- Were there any government programs (e.g. Angel tax credits, etc.) used to support the investment?
- What types of government programs were involved in the investment?

The remainder of this section provides a description of the 2011 survey results, with the discussion grouped into the following three themes:

- Angel Group Characteristics
- Angel Group Investments in 2011, and
- Angel Group Exits in 2011.

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\(^{10}\) NACO is assessing options for gathering additional data from Super Angels and self-identified individual Angels visible to NACO to integrate into the 2012 activity level study.
2.2. Angel Group Characteristics

2.2.1. Age of Angel Group

Although there are a number of long-established groups in Canada the majority are quite young. Of the 24 Angel Groups that responded to this question 15 (63%) were established within the last four years, with three having been formed in 2011. (The regional location of these groups is discussed below section 2.2.4. below). The growth in the number of new Angel Groups may reflect the efforts of both NACO and governments to encourage and support new angel organizations.\(^\text{11}\)

However, the overall number of groups is an outcome of both the formation of new groups and the closure of others. The three new groups that were established in 2011 (2 in Western Canada and 1 in Central Canada) were offset by three groups which were disbanded in 2011, all in Western Canada. The groups indicated that this was primarily due to a lack of adequate administrative support, (coordination of group activities and research for due diligence etc.). Thus, the overall number of groups has not changed between 2010 and 2011.

A comparison with US angel groups serves to underline the relative youthfulness of Canadian angel groups. The average years in operation of Canadian angel groups is 3.7 and the median is 3 years. This is a younger age profile than US angel groups. According to the Angel Research Institute (ARI), the average number of years in operation for an Angel Group in the US is 4.5 years with a median of 3.5 years.

**Figure 2. The Age Distribution of Canadian Angel Groups**

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\(^{11}\) For instance, ACOA has supported the First Angel Network Association and the Newfoundland and Labrador Angel Network (NLAN). Most recently, ACOA announced additional support for NLAN in the form of $160,000 from the Government of Canada, through ACOA (Atlantic Canada Opportunities Agency, “Minister Valcourt Announces Support for Board of Trade’s Angel Network,” February 2, 2012 [http://www.acoa-apeca.gc.ca/eng/Agency/mediaroom/NewsReleases/Pages/3460.aspx](http://www.acoa-apeca.gc.ca/eng/Agency/mediaroom/NewsReleases/Pages/3460.aspx)). It should also be noted that FedDev Ontario has supported the Ontario Angel community through its Investing In Business Innovation Program ([http://www.feddevontario.gc.ca/eic/site/723.nsf/eng/b_00324.html](http://www.feddevontario.gc.ca/eic/site/723.nsf/eng/b_00324.html)).
2.2.2. Entrepreneurial Background of Angel Members

In the majority of Angel Groups (60%) between 50% and 100% of their members are identified as being current or former entrepreneurs – that is, individuals that have launched a new business or have run a start-up (Figure 3). This is consistent with the experience found in other countries where Angel investors are generally experienced entrepreneurs or business people.

![Figure 3. Percentage of group with entrepreneurial backgrounds](image)

2.2.3. Method of Operation

In 2011 the majority of groups (52%) operate on the basis of the individual members making their own investment decisions (as was the case in 2010) with just 13% investing mostly as a group, with members’ capital pooled in a single fund. Just under one-third (31%) invest through both methods (Figure 4).

![Figure 4. How angel groups make investments, 2011](image)
2.2.4. **Total Number and Size of Angel Groups**

The vast majority of groups (about 70%) are small with fewer than 50 members (Figure 5). According to the Angel Resource Institute in the USA, the optimal group size is between 26 and 50, as this size of group will be able to raise a sufficient amount of capital, but not experience heavy administrative overhead. About 40% of Canadian groups have between 26 and 50 members. This is similar to the US where almost 40% of groups are in the 26 to 50 members range. There has been little change in the sizes of angel groups between 2011 and 2011 (Figure 6).

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**Figure 5. Membership Distribution, 2011**

<table>
<thead>
<tr>
<th>Range of Members in Angel Group, 2011</th>
<th>Percent of Groups</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-10</td>
<td>15</td>
</tr>
<tr>
<td>11-25</td>
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<td>26-50</td>
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<tr>
<td>151-250</td>
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</tr>
<tr>
<td>251+</td>
<td>1</td>
</tr>
</tbody>
</table>

**Figure 6. Comparison of Group Sizes**

<table>
<thead>
<tr>
<th>Range of Members in the Angel Group at the end of year</th>
<th>Number of Angel Groups</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-10</td>
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</tr>
<tr>
<td>150-250</td>
<td>1</td>
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<tr>
<td>250+</td>
<td>1</td>
</tr>
</tbody>
</table>

- 2010
- 2011
2.2.5. Activity Level in 2011

By no means has every Angel Group member made investments in any year. In 2011, for 57% of the Angel Groups, only 1-10 members of the group made investments (Figure 7). It therefore follows that groups with large numbers of members does not necessarily equate to a larger number of active members.

It should also be recalled that there are different models of Angel Groups investing in Canada. This also influences the proportion of members of a group that invest in any year. For example, three groups operate on the basis that all members invest in a pool, thereby decreasing the risk for any one member.

Table 1: Size of Angel Group (Y) versus Number of Active Members in 2011 (X)

<table>
<thead>
<tr>
<th>Size of Angel Group</th>
<th>Number of Active Members</th>
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<tbody>
<tr>
<td></td>
<td>Ranges</td>
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<tr>
<td>1-10</td>
<td>3</td>
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<tr>
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<tr>
<td>151-250</td>
<td></td>
</tr>
<tr>
<td>251+</td>
<td>1</td>
</tr>
</tbody>
</table>

2.2.6. Demand for Funding and Investment Activity

Angel groups vary quite considerably in terms of both the number of business plans that they receive and the number that are selected for detailed consideration (Table 2). Some 20% of Angel Groups are highly active – receiving more than 100 business plans in 2011 and selecting a range of 10-50 for formal due diligence. By contrast, 45% of groups receive between 5 and 100 business plans, but select between 1-5 only for formal due diligence.\(^{12}\) Overall, in 2011,

\(^{12}\) Note that 20 of 24 Angel Groups responded to this question and that some have different business model processes for which this question is not relevant.
14.9% of the submitted business plans passed the initial screening process and were considered in detail by investors. This is slightly higher than the 2010 figure of 13.9%, suggesting an increase in the proportion of potentially investable deals. It is also consistent with anecdotal evidence that the contraction in the supply of bank funding and venture capital has pushed more businesses to seek funding from business angels.

Table 2: Business plans received (Y) versus those selected for due diligence (X)

<table>
<thead>
<tr>
<th>Business plans received</th>
<th>1-5</th>
<th>5-10</th>
<th>10-25</th>
<th>25-50</th>
<th>50-100</th>
<th>100+</th>
<th>None</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6-10</td>
<td></td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11-25</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>26-50</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>51-100</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>101+</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>None</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

An increase in the quality of investment opportunities is also supported by a comparison of the yield rates for business plans received, selected for review and funded in 2010 and 2011. The 2011 data suggests, not only an increase in the proportion of business plans selected for a detailed consideration (the presentation rate) but also a significant rise in the proportion of these businesses that attracted funding (success rate). These trends, in turn, meant that overall funding rate was also higher in 2011 compared with 2010. In short, in 2011 angel groups invested in a higher proportion of the investment opportunities that they received compared with the previous year.

Yield Rates

<table>
<thead>
<tr>
<th>Yield Rates</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>‘Presentation Rate’: business plans selected for review as a proportion of those received</td>
<td>13.9%</td>
<td>14.9%</td>
</tr>
<tr>
<td>‘Success Rate’: business plans funded as a proportion of those selected</td>
<td>32.2%</td>
<td>43.9%</td>
</tr>
<tr>
<td>‘Funding Rate’: business plans funded as a proportion of those received</td>
<td>4.5%</td>
<td>6.5%</td>
</tr>
</tbody>
</table>

1. ‘Presentation rate’: There was a slight increase in the number of business plans selected for detailed review as a proportion of those received from 13.9% in 2010 to 14.9% in 2011.
2. ‘Success rate’: There was a significant increase in the number of business plans funded as a proportion of those selected for detailed review from 32.2% in 2010 to 43.9% in 2011.
3. ‘Funding rate’: As a result there was a significant increase in the number of business plans funded as a proportion of those received from 4.5% in 2010 to 6.5% in 2011.
2.2.7. Location of Angel Groups versus location of company HQ

We have data on the location of the company HQ in about 70 of the 134 company investments in 2011. This reveals an interesting regional contrast in angel investing across Canada (Figure 8). In Western Canada the companies are generally in the same city as the Angel Group (85%). In Central Canada the companies are predominantly within the province (64%) but less likely to be in same city as the Angel Group (32%). In Eastern Canada the companies tend to be outside the locale of the Angel Group – but within the Atlantic Canada Region.

Thus, each Angel Group region has a unique manner in where they make their investments:
- Western Canada = In City (e.g. Vancouver)
- Central Canada = In Province (e.g. throughout Ontario or Quebec)
- Eastern Canada = In Region (e.g. Eastern Canada)

Figure 8. Location of Angel Group versus Location of Company HQ, 2011
2.3. Investments in 2011

2.3.1. Number and Value of new and follow-on investments

A total of 20 groups provided full or partial information on some or all of their investments. A further four groups had no deals to report. Nonetheless, in total, 134 investments were made by Canadian Angel Groups in 2011, an increase of almost 50% from the number of investments made in 2010 (90 investments).

![Figure 9. Number of Investments in Canada, 2010](image)

![Figure 10. Number of Investments in Canada, 2011](image)

![Figure 11. Total Value of Investments in Canada, 2010](image)

![Figure 12. Total Value of Investments in Canada, 2011](image)
The total amount invested by angel groups in 2011 was $82.4 million. This represents a 133% increase on the amount invested in 2010 ($35.3 million). The average size of investment in 2011 was $614,847 which is almost 40% higher than the equivalent amount in 2010 ($441,619).

Breaking down the investments according to whether they were new (i.e. the first time that the group had invested in the business) or follow-on (i.e. a second or subsequent investment in the same business) reveals that angel groups are predominantly making first-time investments (Tables 9 and 10). However, the increase in investments between 2010 and 2011 was almost equally split between new (+23) and follow-on (+21) investments. Thus, 77% of 2011 investments were new, a drop from 89% in 2010. Meanwhile the proportion of follow-on investments had risen from 11% in 2010 to 23% in 2011.

This shift is even more marked when the amount invested is considered (Tables 11 and 12). Follow-on investments accounted for 27% of the total amount invested in 2011 compared with just 3% in 2010. The share of new investments by value has fallen from 97% to 73%

This shift from new to follow-on investments appears to be a ‘natural’ trend amongst angel groups as they mature. Indeed, the contraction in venture capital investing is likely to require angels to make more follow-on rounds of funding before they can achieve an exit. The implication is that there is a continuous need for new angel groups to maintain the level in new investment activity.

A further point to emphasise, as shown in Figures 13 and 14, is that investment activity is skewed in favour of a small proportion of particularly active groups. The majority of groups (57%) made between 1 and 5 investments in 2011 but a small minority of groups (8%) each made more than 10 investments.13 In 2010 the proportion of groups making 1-5 investments was lower (36%) but that seems likely to be linked to the greater number that had made no investments

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13 Note: one respondent indicated a range of 25-50 investments in 2011 yet submitted raw data of over 50 investments.
(24% cf. 13%). Moreover, no groups in 2010 made more than 25 investments. These trends appear to suggest that the visible angel market in Canada is evolving into a dual population comprising on the one hand a large number of groups each making just a handful of investments each year, and on the other hand a small group of very active groups.

**Figure 14. Number of Investments made by groups in 2011**

- 3 Groups (13%) made no investments
- 1 Group (4%) made 26-50 investments
- 1 Group (4%) made 11-25 investments
- 5 Groups (22%) made 6-10 investments
- 13 Groups (57%) made 1-5 investments

**2.3.2 Co-Investment Activity**

Angels often co-invest alongside other investors. Here again, the angel groups often do not know the details of the individual investments, hence information on co-investments is only available for 46% of the deals (62 deals). In 70% of these cases angels invested alongside co-investors. The total amount invested by co-investors was almost $32 million for an average amount invested of $757,226. The total number of co-investors for 2011 is 165, with the number of co-investors per deal ranging from 1 to 25. (Equivalent information is not available for 2010 survey). Most co-investors were individual angels (53%) or angel investors associated with another group (21%) (Figure 15).
2.3.3 Number and Value of Investments by Region

Angel investments are concentrated in Central Canada which accounted for 87% of all investments in 2011 (Figures 16 and 17). Ontario accounted for 80% in investments with Quebec accounting for a further 7%. The next largest concentration of investments was 8% of the total. Investments in Central Canada are also substantially larger than in other regions. The average investment size in Central Canada in 2011 was $682,000, more than twice the average size of investment in Eastern Canada and more than five times the average size of investment in Western Canada. Moreover, Central Canada’s average size of investment has in 2011 is some 30% higher than in 2010 ($682,000 vs. $524,000) (Figures 19 and 20).

The consequence of these geographical disparities in the size of investments is that Central Canada accounted for 97% of the value of all Angel Group investments (Figure 18). This concentration is only partly explained by the location of angel groups. Central Canada has 16 of the 24 groups (67%), with six in Western Canada and two in Eastern Canada. Rather, it reflects the concentration of the largest and most active angel groups in Central Canada.

This concentration of investments in Central Canada has increased since 2010 when it accounted for 67% of investments (62% in Ontario). At the same time, British Columbia, which had 19% of investments in 2010, has lost ground.
Figure 16. Percentage of Total Angel Group Investments by Region in 2011

Percentage of Total Angel Group Investments by Region in 2011

Legend
Percentage of Angel Group Investments per Province
Sector Breakdown by Province
- ICT
- Life Sciences
- Clean Technology
- Other

Central Canada
Eastern Canada
Western Canada
The average value of investment increases in all regions when the amount invested by co-investors is also considered, with Central Canada still accounting for the highest value of total investment in companies at $724,000 (Figure 21).

### 2.3.4 Equity Shares

The average percentage equity received by all Angel Groups for their investments was 17%. However, this proved to be a difficult question for many angel groups to answer. In many cases the groups simply did not know because their members negotiated the terms and conditions of their investments individually. In addition, some investments took the form of convertible debenture and did not fit the construct of the survey. Consequently this information is only available for 43 of the 134 investments, or 32%. The average percentage equity received for 2010 for investment was 26% but here again the information is for only a minority of investments.

### 2.3.4 Comparison of Investments by Sector

Angel investments have a strong bias towards technology sectors, notably ICT, which accounted for 41% of investments in 2011 and Life Sciences, which accounted for 33%. These industries also attracted most investments in 2010. However, as Figure 22 shows, they have become more dominant in 2011. Indeed, ICT, Life Sciences, along with Clean Technology accounted for 91% of all investments in 2011, up from 80% in 2010. These three industries are equally dominant in terms of amounts invested, accounting for 93% of the total in 2011 (Figure 23). Annex II describes the composition of these sectors.

#### Sectors of most investment include ICT (51%), clean technology (21%), and life sciences (17%).
2.3.5 Types of government programs involved in the investment

Most governments provide support to the angel market in recognition of its importance in promoting entrepreneurial activity. This support takes several forms (Mason, 2009): tax incentives, network support, securities legislation, angel training, investment readiness training for entrepreneurs and co-investment schemes. Canada is no exception, with programmes to support both individual angel groups and industry associations while some provinces offer tax incentives. However, to date the Federal Government does not offer tax incentives for business angels.

The Federal Economic Development Agency for Southern Ontario (FedDev) has taken a particularly active role in supporting Angel Groups investing more than $2 million ($50K each) to five angel networks: Golden Triangle Angelnet, Georgian Angel Network, PARTEQ Innovations, Niagara Angel Network, and York Angel Investors as well as two organizations representing angel networks, including NACO. The Quebec Government has provided substantial support

http://www.feddevontario.gc.ca/eic/site/723.nsf/eng/00685.html
to Anges Quebec. ACOA supports First Angel Network in Atlantic Canada.

Only some groups (48%) were able to respond to the question of whether the investment was supported by a government program. For those which reported, 67% indicated there was support in the nature of Provincial Investment Tax Credits, Regional Economic Development Programs or other support. ‘Other’ was further specified as: Northern Ontario Heritage Fund Corporation (NOHFC), Health Technology Exchange (HTX), Ontario Centres of Excellence (OCE), and the Regional Economic Intervention Fund (FIER).

The use of various government programs by Angel Groups by region is shown in Figure 25. It should be noted, first, that this tracks only 43 out of 134 investments, and second, that some investments use more than one form of government program support.

![Figure 25. Distribution of Investments Supported by Government Programs, 2011](image)

In both Western Canada (82%) and in Eastern Canada (100%) Angel Groups rely on Provincial Investment tax credits, whereas in Central Canada (66%) they utilize a regional economic development agency program. For example, in British Columbia the investment tax credit program allows investors to receive a refundable tax credit equal to 30% of their investment amount up to a maximum of $60,000 in credits per taxation year.\(^{15}\)

In Central Canada 34% of the investment transactions accessed OCE support, or other support through FedNor, IRAP, HTX, NOHFC and FIER. Fed Dev Ontario’s new support for Angel Groups and angel networks in the Fall of 2011 will likely begin to appear in investment activity throughout 2012.

2.4 Exits in 2011

This year’s Survey was able to capture some data for a total of 8 exits in 2011. However, due to confidentiality issues complete data could be recorded for only 6 exits.

2.4.1 Length of Investment Before Exit

Half of the original investments have taken four or more years to mature before exit. This is generally consistent with previous research (Mason and Harrison, 2002) which has indicated that successful exits took a median of 4 years.

2.4.2 Return on Investment (ROI)

The total amount invested in the six companies for which we have information was $1.25M. These companies returned a total of $2.101M to their Angel Group investors. However this is skewed, with one company returning over 50% of this amount (a ‘home run’). Three investments generated positive returns while the other three generated a negative return. Failures usually emerge before successes in angel investments (Mason and Harrison, 2002), reflecting the adage that ‘lemons ripen before plums.’ The total gain was $851K with an average gain of $142K. The multiple on the original investment was 0.68. While it is not possible to come to conclusive analysis with such a small data set, it is in line with the evidence of the Angel Research Institute that returns in the US are skewed with over 50% of exits not returning invested capital, and less than 10% of the investment deals provide most of the return on investment.

2.4.3 Method of Exit

We have information on the method of exits for seven of these investments. Only one is recorded as the ‘company ceased operations’. The other six – which included two of the companies that generated negative returns - found buyers. The main exit route was sale to or merger with another company.
2.4.4 Industry Sector of Exit

The exits that occurred in 2011 were in various sectors (Figure 28) including Life Sciences, Diversified Industries, ICT and Clean Technology. Annex II provides a description of what the sectors include.

Figure 28. Industry Sector of Exits made in 2011
3. Conclusions

This is just the second year in which Angel Groups in Canada have been surveyed to capture information on their investment activity. It is important to stress that this is not a survey of the entire angel marketplace. Individual angels were not part of the survey. The evidence is restricted to the visible market comprising networks and groups which accounts for a small proportion of the market. However, angel groups and networks are increasing in significance and are increasingly becoming a distinct segment in the early stage venture capital market, occupying the $250,000 to $2 million plus funding range which is too large for individual angels but too small for most venture capital funds. As such, they are an important focus for government efforts to increase the availability of finance for entrepreneurial businesses.

A number of points have emerged from this survey.

1. The organisation of Canada’s angel market into groups and networks is relatively recent, with 63% of Angel Groups formed within in the last four years. The majority of their investments are therefore new. However, as these angel groups mature we can confidently anticipate that the proportion of their investments that are follow-on investments will increase.

2. The proportion of business plans received by groups that were selected for detailed consideration, the proportion of business plans selected for detailed consideration that were funded, and the proportion of business plans received that were funded were all higher in 2011 than in 2010.

3. Canadian angel groups invested over $82m in 134 businesses in 2011. This represents a significant increase in investment activity since 2010, in terms of both the number of investments and the amount invested. However, much of this increase in activity centres on one Angel Group.

4. As was the case in 2010 there is a high concentration in the number and value of Angel Group investments in Central Canada. This concentration is increasing.

5. Angel investments are concentrated in three sectors – ICT, followed by Life Sciences and Clean Technologies – but with a more pronounced increase in Life Science investments in 2011.

6. Exits are just now emerging with an equal balance between losses and gains being generated, and with the majority of the returns being generated by a small number of highly successful investments. Exits are largely achieved through trade sales.

This report is based on data provided by a majority of active Angel Groups in Canada and is intended to capture the main features of a market that is still at an early stage of development. As just the second annual survey there continues to be significant scope to improve coverage and the accuracy of future data on Angel Group activity and investment in future years, and thereby enhance the value of this type of Report. Annex IV considers Key Issues from the Survey and Annex V makes suggestions to improve the survey/data for next year.
Annex

Annex I: Angel Group Survey Methodology

There are currently two main approaches to measuring business angel investment activity. The first is based on random sampling of individuals or households. This is best illustrated by the Global Entrepreneurship Monitor (GEM) - an international research programme involving scholars from 59 countries (in 2010). Canada was a member in the early years but dropped out in 2003. It is best known for identifying levels of entrepreneurial activity in each of the countries involved in the programme. However, GEM also asks respondents whether they have invested in someone else’s firm in the previous three years (excluding buying publicly traded shares and mutual funds), and if so, how much did they invest and what was the relationship with the business owner. Sample sizes were at least 2000 in each country, surveys were administered by professional market research companies and conducted by telephone and samples were weighted to be representative of the adult population. However, it has some critical limitations. First, its focus is on ‘informal investments’, a very broad categorization which includes investments by family and friends as well as investments by business angels. Second, the data is dominated by family and friends investments. Third, the categorisations used (family, friends and colleagues, strangers) makes it very difficult to separately identify business angels. Fourth, very little information is obtained on either the nature of the investment or the investee business. Fifth, the unit of analysis is the respondent’s most recent investment. Finally, to the extent that business angels can be identified, their rarity means that even a comparatively large sample size, such as UK GEM, still contains relatively few angels. This has implications for the sample errors of estimates of changes in the scale of the market over time, with year-on-year changes in investment activity having to be fairly large to register as statistically significant.

A study by Avdeitchikova et al (2008) based on a random population survey (undertaken by a market research company) to identify business angels in Sweden has revealed further problems with the household survey approach. The first is the response rate. In this case it achieved a creditable 66%. Second, is the number of business angels identified: the 24,000 respondents included just 861 business angels (3.6%). Third, further wastage occurred when only 401(46.6%) could be re-contacted for an in-depth survey. Fourth, 123 (30.7%) of these individuals did not meet the definition of a business angel, suggesting flaws in the initial screening survey.16 This left a total of 278 angels who provided information obtained on their investment history, personal background and three most recent investments. This information was used to extrapolate to the full population, making an adjustment to allow for those respondents who on closer examination were not angels. All of this suggests that it might be concluded that household surveys such as this or GEM – especially if undertaken on an annual basis – do not represent a sufficiently detailed or a cost-effective means of annually monitoring business angel investment activity.

The second approach, and one which has the advantage of being low cost is based on the recognition that the business angel market comprises two parts: a visible market and an invisible market. The visible market comprises investments that are facilitated in some way what Jeffrey Sohl (2007; 2012) as termed ‘portals’, notably informal Angel Groups, more formal angel alliances/syndicates and various types of business angel networks which provide

16 The main sources of misunderstanding were to include investments in their own company, in family businesses and in publicly traded businesses.
‘introductions’ between entrepreneurs seeking finance and investors seeking investment opportunities. These organisations were designed to increase the efficiency of the market, first by enabling investors and entrepreneurs to more easily find each other, and second to raise levels of competence amongst both entrepreneurs and angels. They are typically locally or regionally oriented to reflect the preference of business angels to invest close to home. The key point here is that these organisations have to be visible in order to attract investors and businesses, otherwise they would not be able to operate effectively. They collect at least some data on the investments that they facilitate. And in many countries some or all of these portals will be members of an industry association that may actually collect investment data from its membership.

There are two generic types of networks.

The first is matching networks (sometimes called business introduction services): these have been around since at least the early 1990s. They provide a mechanism for angels to receive information on investment opportunities and for entrepreneurs to gain access to angels. These matching networks take various forms. The earliest were based on computer-matching (e.g. COIN in Canada) but their effectiveness proved to be limited because of the importance of human interaction in the investment decision. Others operate by circulating business plans or executive summaries to their network of investors or organise events at which pre-screened entrepreneurs make presentations to potential investors. Networks are often supported by governments. However, there are also various private, commercially oriented matching networks, with some operating, in effect, on a private placement model.

The second is Angel Groups. Syndicates take various forms but the most common generic type of model (at least in the USA) is as follows:

- Limited and selective membership of angels (typically 20-75 members) who typically play an active role in the investment process
- Meet regularly (e.g. for dinner) to hear ‘pitches’ by entrepreneurs seeking finance
- A syndicate manager supports members by organising meetings, communications and manages logistics.
- The manager or a core group of members will screen the deal flow and select the companies which are invited to pitch
- Angels vote whether to pursue their interest in the business
- If the vote is in favour a sub-group will be appointed to undertake the due diligence and report back to the full membership
- If the recommendation is positive, individual members make their own decisions whether or not to invest (there is likely to be a minimum investment threshold for each deal) and the syndicate will combine all of the member dollars into a single investment.
- An expectation that each member of the syndicate will make a certain number of investments per year.
Sohl (2007) differentiates between informal Angel Groups and formal angel alliances – with angel alliances being more visible, larger number of angel members, more professionally organised, with employed staff and with a formal legal structure. Angel networks dominate in Europe whereas Angel Groups dominate in the US and Canada.

The most obvious and main disadvantage of measuring business angel investment activity on the basis of data supplied by networks is that it provides incomplete coverage of the market because only a minority of business angels are members of networks. Moreover, there is no knowledge as to the proportion of the total number of business angels that are members of networks nor the proportion of total investment activity that is captured, so data from angel networks cannot be accurately extrapolated to estimate overall investment activity. In addition, membership of angel networks is likely to be biased towards more active angels, syndicated investments and, hence, bigger investments.

However, there are also positive reasons for focusing data collection on angel portals. First, the angel market has become more organised over time thus the visible market is becoming a more significant part of overall business angel investment activity. In Europe the number of angel networks has grown from 66 in 1999 to around 250 currently. In the USA Angel Group numbers have increased from 100 in 1999 to around 300 now. Second, the bias of Angel Groups and networks towards more active angels and syndicated deals means that it is measuring the investment activity of the more ‘professional’ business angels and market coverage is likely to be greater in terms of amount invested than number of investments. Third, these various angel portals are becoming a distinctive investment category in their own right - filling a position on the funding escalator above friends and family and individual/ad hoc business angels and below venture capital funds. The role of angel portals as partners in government co-investment funds strengthens this argument. Fourth, if collected annually the data can provide valuable information on business angel investment trends. Fifth, if an accurate scaling factor can be identified then the overall market size can be extrapolated from this data, albeit approximately (see Mason and Harrison, 2000; 2009; 2010). Sixth, the data is inexpensive to collect and response rates should be high, especially if these groups are part of a trade body and/or have received financial support from government. Finally, demand trends are favouring Angel Groups. Web based and software companies are able to start with little start-up funding, are capital efficient as a result of their use of use lean start-up methodologies (Reiss, 2011) and can reach profitability quicker. The limited capital needs of such firms means that angels are a more appropriate source of funding than venture capital funds. Moreover, they offer the possibility for angels to achieve ‘early exits’ (Peters, 2009) without needing to seeking VC funding for later rounds.

Given that Governments in various countries and states/provinces make tax incentives available as a means of encouraging business angel investment activity, an alternative definition of the visible market is those investments that are made under such tax programmes. Of course, this part of the market is only available to Government. It should also be noted that in the UK it has been shown that there is only an imperfect overlap between business angel investments and investments made using the Enterprise Investment Scheme (EIS), with some angels not using EIS for some, or all, of their investments, while some EIS investments may not meet the definition of a business angel investment (Mason and Harrison, 2010; 2011). Moreover, as in any government programme, changes (e.g. eligibility of businesses and investors, level of tax incentive) will create discontinuities in the data which will hamper the analysis of temporal trends.
Measuring angel investment activity using data from angel networks has been pioneered in the UK. Mason (2006) collected data on investments made through BANs on an annual basis from 1993-94 through to 2003, initially on behalf of the British Venture Capital Association and then for the National Business Angel Network (NBAN), and linked to the publication by these organisations of an annual directory of BANs. Annual reports were published by BVCA and NBAN. Data collection ceased after 2003 following the demise of NBAN. This data provided the basis for a detailed analysis of investment trends from 1993-94 to 2003 (Mason, 2006).

More recently, the UK Government commissioned Mason and Harrison (2010; 2011) to produce two annual reports on business angel investment activity based on investments facilitated by the 24 members of the British Business Angel Association (covering England, Wales and Northern Ireland) and the various Angel Groups affiliated with LINC Scotland. This data was supplemented by a short survey of around 150 business angels in each year. A number of variables were examined from a network perspective: number of investors, retention and turnover rates, number of approaches by businesses seeking funding; number passing the initial screening stage and number of investments made and amount invested. The actual investments were then further examined in terms of number of participating angels, amount invested, presence of any co-investors and overall deal size, round, stage of business, size of company and industry sector. The second report was also able to examine changes over the two years.

Notwithstanding the tip-of-the-iceberg issue these analyses provided a unique and valuable insight into business angel investment trends, at least for that segment of the market represented by membership of business angel networks, was produced at very low cost and because of the small numbers involved could be published with only a short time delay. The major limitation was that data coverage was limited to only part of the visible market, namely those angel networks and groups that were members of either the British Business Angel Association or LINC Scotland. It excluded various informal and formal angel groups.

Finally, the reports have been claimed to have influenced government policy, which is one of the justifications for gathering data on angel investing. The introduction of the Seed Capital Enterprise Investment Scheme, a tax incentive with even greater benefits than the existing Enterprise Investment Scheme for business angels making investments in seed stage companies in the 2012 Budget has been attributed to the evidence which highlighted the very small proportion of angel investments at the seed stage.
Annex II: The Survey Instrument

Survey Instrument

A. Overview of Angel Groups/Individuals

1. Angel Group/Individual Contact Information
   1.1. Name of the Angel Group
   1.2. Survey Respondent Name and Contact Details

2. Angel Group/Individual Investment Models
   2.1. How does your Angel Group make investment?
   2.2. What is your approach to individual investments?
   2.3. What is your approach to group investments?

3. Angel Group Membership
   3.1. In what year was your Angel Group established?
   3.2. How many members were in your group at the end of 2011?
   3.3. How many members made investments through your group during 2011?
   3.4. What percentage of your members are current or former entrepreneurs (people that have launched a new business or have run a start-up)?

B. Overview of Investment Portfolios

4. Investments and Exits
   4.1. How many investments (new and/or follow-on) did your group make in 2011?
   4.2. What was the value of investments (new and/or follow-on) made in 2011?
   4.3. How many exits did your group make in 2011?
   4.4. What was the total value to your group (CDN received by members) from exits made in 2011?
   4.5. How many active firms, for which group members retain an equity stake, remain in your group’s portfolio at the end of 2011?
   4.6. What was the total value of your group’s investments in active firms at the end of 2011?

5. Investment Selection Metrics for 2011
   5.1. How many business plans did your group receive from firms seeking financing in 2011?
   5.2. How many investment opportunities were selected for formal due diligence in 2011?

C. Detailed Investment Profiles

6. 2011 Investment Profile: Firm 1
   6.1. Was the investment made: New or Follow-on
   6.2. Amount invested by members of your group (CDN)
   6.3. Number of your group members who invested
   6.4. Percent of equity received by your investors
   6.5. Was the investment supported by any co-investors (syndicated investment between your group and other angels, Angel Groups, venture groups, etc.)?
   6.6. Number of co-investors who also invested (syndicated investment between your group and other angels, Angel Groups, venture groups, etc.)?
   6.7. Type of co-investors involved in the investment (select all that apply)
   6.8. Amount invested by co-investors (CDN)
   6.9. Were any Government programs (e.g. Angel tax credits, etc.) used to support the investment?
   6.10. Type of Government programs involved in the investment (select all that apply)
   6.11. Did the company your group invested in have sales revenue in 2011?

Note: This section repeats for additional investments up to 20 firms.
6.12. What industry sector does the company represent?
6.13. Please provide the province or state of the company’s HQ
6.14. Please provide the city of the company’s HQ

D. 2011 Exit Profiles
7. 2011 Exit Profile: Firm 1

7.1. In what year was the original investment made by your members?
7.2. How many rounds of investment were made by your members?
7.3. Total amount invested by members of your group ($CDN)
7.4. Total amount of cash received by members of your group prior to exit ($CDN)
7.5. Percent of company equity sold by your members (%)
7.6. Total amount of cash received by members of your group at exit ($CDN)
7.7. Method of exit
7.8. What industry sector does the company represent?
7.9. Total valuation of the company on exit ($CDN)
7.10. Please provide the province or state of the company’s HQ
7.11. Please provide the city of the company’s HQ

Also, breakdown of sectors is as follows: the ICT sector includes: software, communications & networking, wireless & mobile, E&M commerce, internet focus/web2.0, electronics & computers, and semiconductors. The new media sector includes: game development, and social media platforms. The Communications & Media sector includes: telecommunications, and film. The Clean technology sector includes: alternate/clean energy, hardware, energy infrastructure, energy informatics, smart grid, and environmental technology. Diversified industries include: automotive, defence, fisheries and aquatics, tourism, business products, consumer products, and retail. The Life sciences sector includes: biopharmaceuticals/drugs, medical/biotechnology software, medical devices & equipment, healthcare, and bioagriculture. The traditional industries sector includes: financial services, mining, oil & gas, real estate, and utilities & pipelines.

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Note: This section repeats for additional exits up to 10 firms.
Annex III: Summary of the Results from the 2010 Survey

Angel Groups in Canada

- Approximately half of the groups have been set up in the past three years, since 2008.
- The vast majority operate on the basis of individuals doing their own due diligence, sometimes with group support, and making their own investment decision. However, in most Angel Groups two or more angels will invest together in the same company.
- The groups collectively had just under 1500 investors. Three large groups accounted for 58% of the total. The majority of groups had fewer than 50 investors.
- The groups had a portfolio of over 250 investments. The three largest groups accounted for 55% of this total.
- In 2010 the groups collectively received around 1,850 business plans from companies seeking finance. Four groups accounted for 48% of the total. Only 14% of these business plans passed the initial screening and were considered in detail.
- The group made over 80 investments, with most groups making between one and five investments. This is equivalent to 4.5% of the overall number of business plans received but 32% of the business plans that had been seriously considered.
- Only around one-quarter of the group members invested in these businesses. The proportion was significantly higher in the smaller groups.
- Group investment trends appeared to be fairly similar to previous years.

Investments Made By Angel Groups in 2010

- The vast majority (90%) of investments were new as opposed to follow-on,
- The majority of investments (61%) were in Ontario, with a smaller concentration in British Columbia (17%). The remainder of provinces had just a handful of investments. The amounts invested by business angels are much greater in Ontario than in the rest of Canada.
- Angels invested CAN$35.3m in the 88 deals for which we have information. This is an under-estimate as some groups did not report the amount invested. Co-investors were involved in 58% of investments. They invested a further CAN$29.4m.
- The amounts invested by angels in a single deal ranged from less than CAN$50,000 to over CAN$5m, but clustered in the CAN$100,000 to CAN$999,000 range. Over half of the investments had just one angel investor while at the other extreme 30% had more than five angels.
- Angels invested in a wide range of industries but with a strong technology focus. The biggest concentration was in the ICT sector (43%), followed by life sciences (18%) and clean tech (16).
- Nearly three-quarters (74%) of investee businesses had sales revenue in 2010.

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References


For more information, about our research and advocacy programs or to contribute to the Investment Activity by Canadian Angel Groups: 2012 Report, please contact NACO at:

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