The Art and Science of Angel Investing

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Topics for Today

• Angels—How Important Are They?
• The Rise of Angel Groups
• Hyde Park Angels—A Case Study
• What’s Happening Now?
But First, A Quiz!
Angel vs. VC--2013

Angel Investors

- $24.8 billion invested
- In 70,730 companies (5.5% increase over 2012)
- 45% seed/startup
- 298,800 individuals (up 11.4% from 2012)

Venture Capital

- $29.4 billion invested
- In 3995 companies
- 5% seed/50% “early stage”
- 45% later/expansion capital
- 25 “most active” investors account for 35% of total deals

Sources: Center for Venture Research and PwC Money Tree
Who Are Angel Investors?
Why Now?

- Start-up capital requirements have dropped dramatically
- VC funds have gotten larger
- Larger companies with lots of cash and need to grow
Why Invest With a Group?
Advantages for the Entrepreneur
Hyde Park Angels

- Founded mid-2007 by alumni from the University of Chicago Booth School of Business and Polsky Center for Entrepreneurship
- 120 investing members
- Managed by three paid staff and 4--6 HPA Associates
- Supported by member dues, industry partners, corporate sponsors, and the Polsky Center for Entrepreneurship and Innovation
- Thirty companies funded to date—over $16 MM in capital deployed
- Five companies have been acquired by strategics
- Two companies have shut down
- Nine companies have raised follow-on rounds from venture funds/strategics
What Do We Look For?

• Big markets
• Pain points
• Novel solutions
• Capital efficiency
• Backable management
• GOAL: To make 10X in five years!
FeeFighters (www.feefighters.com) – May, 2010

FeeFighters’ online marketplace lowers credit card processing fees for small businesses. In September, 2011, the company launched Samurai, a powerful, easy to implement, payment gateway.

- Total Initial Investment: $550,000 in May, 2010
- Investment Type: Convertible Note
- HPA Initial Investment: $395,000 from 26 members
- HPA Deal Leads: Bob Giammanco, Karin O’Connor (Board of FeeFighters)
- Co-investors: Sandbox Industries, I2A Fund, 500 Startups, Excelerate Labs

*Sandbox Industries led a $1.6 MM Series A round in December, 2010.*

*HPA’s note converted in the round, with HPA members investing an additional $100 K.*

*FeeFighters was acquired by Groupon, Inc. in March, 2012.*
Moxie Jean (www.moxiejean.com) – November, 2012

Moxie Jean’s “upscale resale” online store offers a curated, stylish selection of like-new kids’ clothes at consignment sale prices.

- Total Initial Investment: $440,000 in November, 2012
- Investment Type: Convertible Note
- HPA Initial Investment: $100,000 from 10 members
- HPA Deal Lead: Karin O’Connor
- Co-investors: Great Oaks Venture Capital, Excelerate Labs, New World Ventures

The company used proceeds of the note to fund online advertising and a social media campaign and moved into new, larger warehouse space earlier this year. Sales and inventory receipts continue to grow, and the team recently held a first close on a $1 MM Series Seed raise.
Intellihot Green Technologies (www.intellihot.com) – September, 2013

Intellihot Green Technologies’ signature technology is a tankless water heater that cuts wasted water and saves home and business owners 30 to 50 percent off their yearly energy bills.

- Total Initial Investment: $4,700,000
- Investment Type:
  - Series A Preferred Stock
- HPA Initial Investment: $250,000 from 17 members.
- HPA Deal Leads: John Lorentzen/Karin O’Connor
- Co-investors: Independence Equity, Energy Foundry, Cornerstone Angels, Central Illinois Angels

Company’s product line is gaining traction in both the commercial and residential markets. The team used proceeds from the recent financing to add sales/marketing/customer service resources and to scale up production activities. A Series B round is expected in early 2015.
What’s Happening Now?

- Chicago as an Entrepreneurial Ecosystem
- JOBS Act—Is Crowdfunding a Good Idea?
- The rise of corporate venture groups
- Is This a Bubble?