

Introduction to Angel Investing



*What would you like
to discuss or learn today?*





The Basics of being an Angel

Who is an Angel Investor?



Accredited individuals who personally invest in early-stage, private startup companies, helping to bring those companies to market.

Qualifications:

- 1) Accredited Investor - \$200k of individual income, or \$300k of joint annual income and/or net worth (excluding the home) of \$1 million, OR
- 2) Employees knowledgeable of a fund (you work there); Family offices with at least \$5 million in assets; LLCs with \$5 million in assets.

How to Become an Angel?



- Join an angel network



- Help a friend or family member by investing in their startup



- Invest individually by personally networking with companies and other angels

Why become an Angel Investor?



Support innovation and meet interesting startups



Use the skills and expertise you have developed over a lifetime



Learn new skills – early stage investing



Enjoy being part of a like-minded group



Make a financial return

Why be an IMPACT Angel?

SWAN Angels are bound together by a passion for making the world a better place.



UN Sustainable Development Goals

How angel investments fit into your overall investment portfolio

Angel investments become part of your overall asset allocation strategy

- Your assets: stock, bonds, hedge funds, private equity, venture capital and angel investments
- Typically, angel investments are no more than 5-10% of your total investment portfolio

Characteristics of Angel Investments

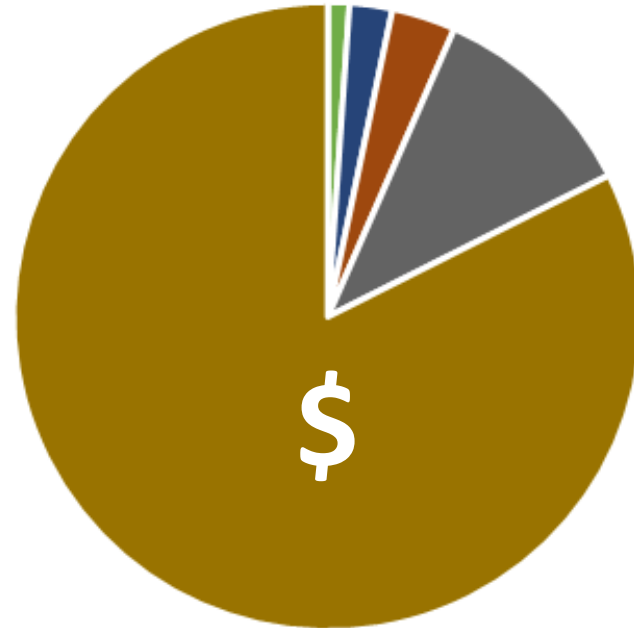
- High risk/high reward
- Patient Capital - 3-10 year holding periods
- Illiquid investments until a company is acquired or has an IPO

Solid returns if you are diversified

Assume you make equal sized investments in 10 companies



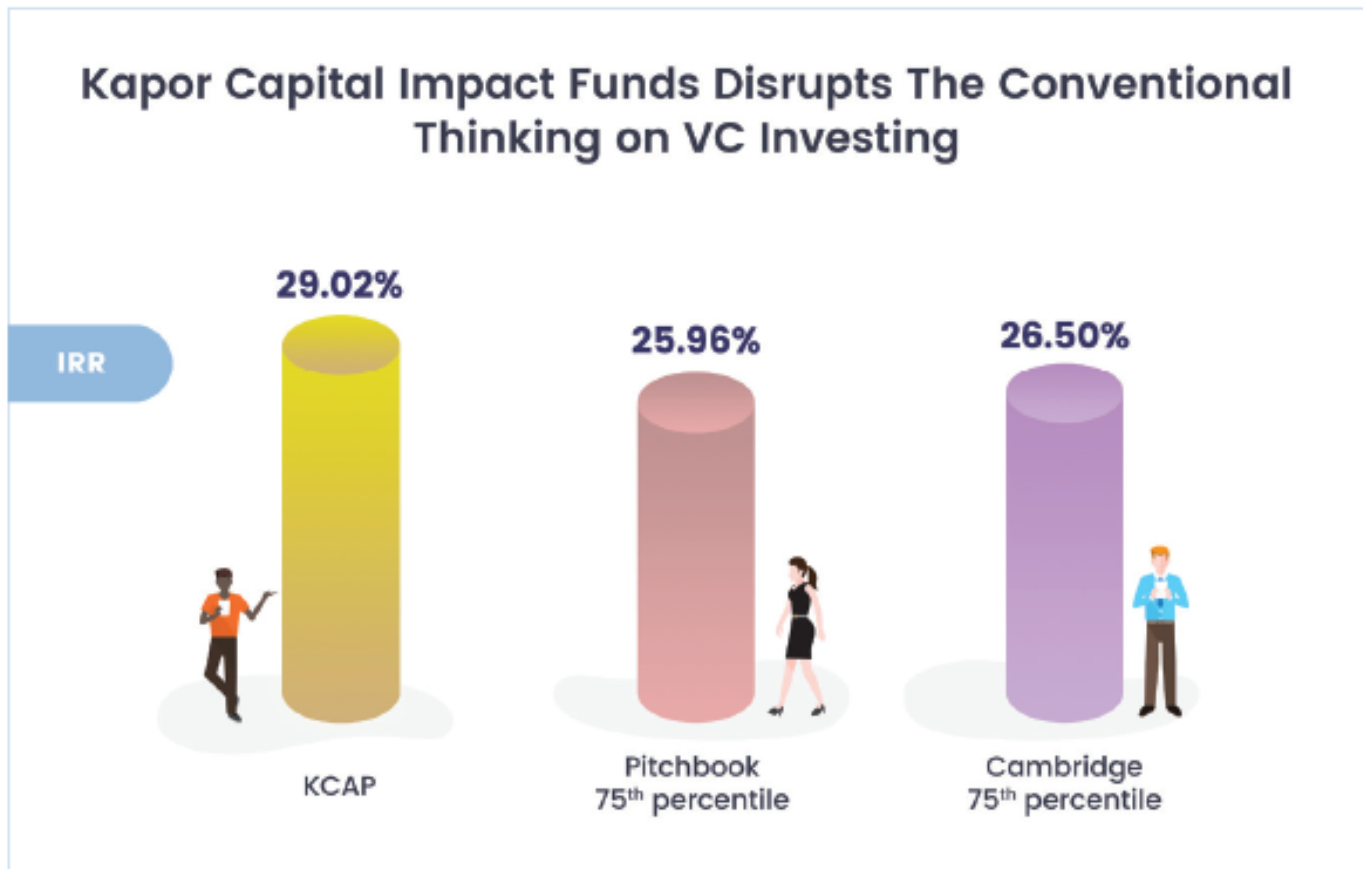
Then, maybe five companies will provide a return, and one of those will give you a big win.



Recommended: 20 angel investments

Impact investing can yield leadership startup returns

Impact Fund's IRR compared with 75th percentile benchmarks as of 9/30/18



Key Drivers of Angel Investing Success

Thoughtful due diligence (40+ person-hours per deal)

- Individually or collectively by network members

Access to expertise in the investment area

- Networks have immense collective expertise

Angels supporting portfolio companies after investing

- In a network, other angels might fill that role



You get to meet interesting companies and founders

50% of SWAN investments have
been in companies with an
under-served founder – woman
or person of color

SWAN Impact Network Investments

Flow Below

- Improves truck fuel efficiency by 1.5%
- 2016 investment
- 2019 acquisition
- 35% IRR



Josh Butler
CEO/Founder

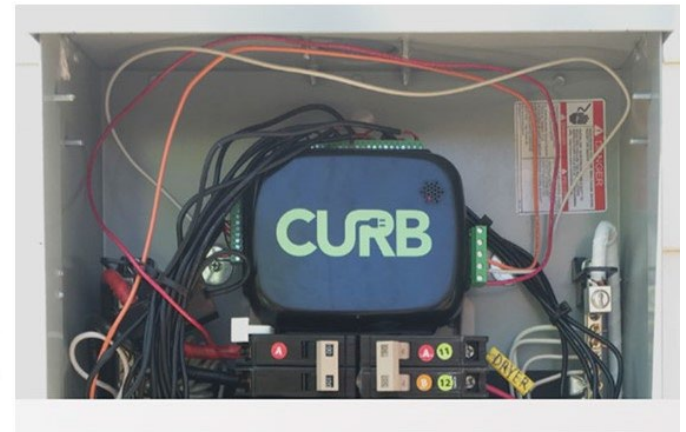


Curb

- Enables residences to reduce power consumption by 20%
- Investments in 2019 and 2020
- 2020 merger (stock swap) → 1.1x multiple on cost basis



Erik Norwood
CEO/Founder



SWAN Impact Network Investments

Speech Vive

- Restores conversational speech for Parkinson patients
- 2020 investment



Steve Mogensen
CEO/Co-Founder



Dr. Jessica Huber
CTO/Co-Founder

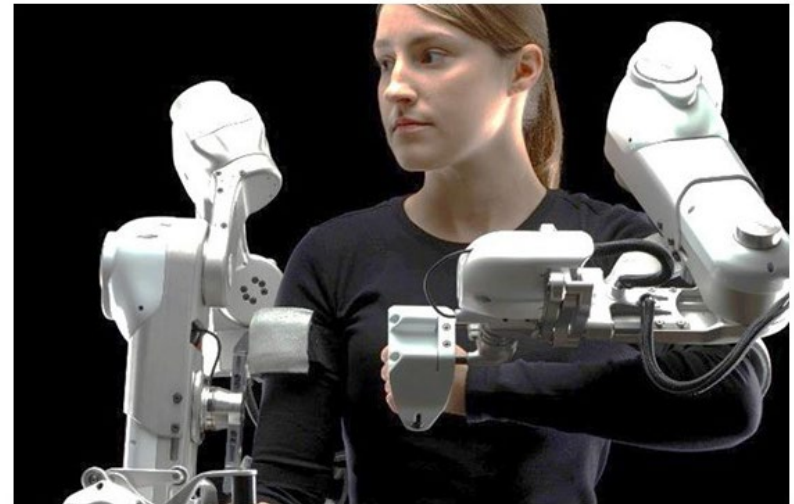


Harmonic Bionics

- Robotic physical therapy system for stroke patients
- 2019 investment
- 1.9x unrealized gain in valuation



Chris Prentice
CEO



SWAN Impact Network Investments

Shyft Energy

- Accelerates the integration of green energy in developing countries
- 2019 investment



Ugwem Eneyo
CEO/Co-founder



Clear Flame Engines

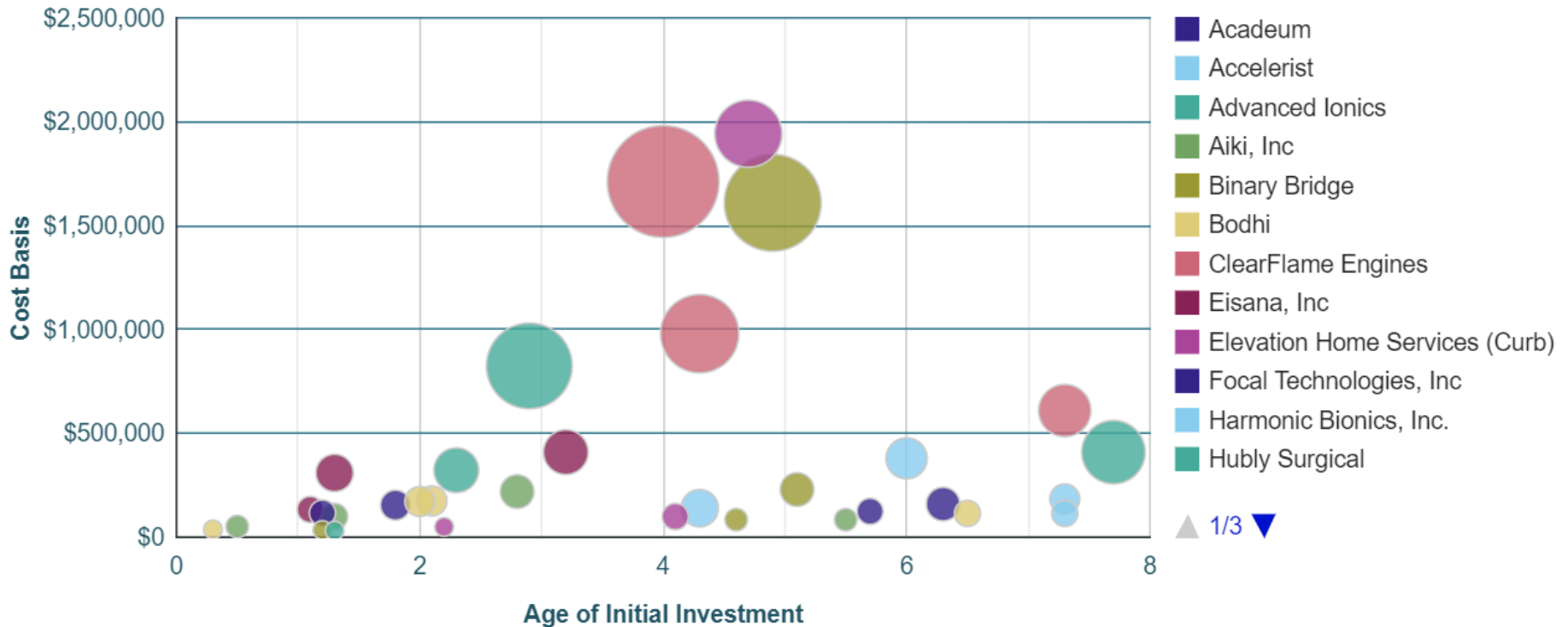
- Improves the fuel efficiency of diesel truck engines
- Four investments starting in 2021
- 24% IRR



Dr. BJ Johnson, CEO,
Dr. Julie Blumreiter, CTO



SWAN's current Portfolio By Year





How SWAN assesses startups

More detail is provided in our 201 and 202 webinars

What SWAN considers

Team

Product –
Technology &
Competitive
Advantages

Market
Opportunity

Sales
Approach

Impact
Efficacy

Finances

Deal Terms

Corporate
Structure -
Governance

Exit
Opportunity

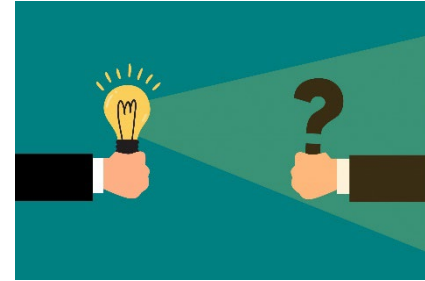
Impact Efficacy



- Is delivering impact the reason the company was founded?
- How significant is the expected impact?
- Does the company have a practical plan for measuring and reporting on delivered impact?

More impact information is in our 203 webinar

Some Key Questions



- Team
 - Do we have confidence in the team? Do we enjoy working with the team? How is the team compensating for experiences gaps?
- Competitive advantage
 - How will the company maintain competitive leadership for 7 years, until an exit?
- Sales and go-to-market
 - Do they understand the specific sales challenges that they will face?
- Exit potential
 - What acquisitions are happening in their general market area?



SWAN's Operating Model

SWAN's Personality

A friendly, welcoming group

- And we honor diversity

Focused on educating new angels

- Learn from experience angels

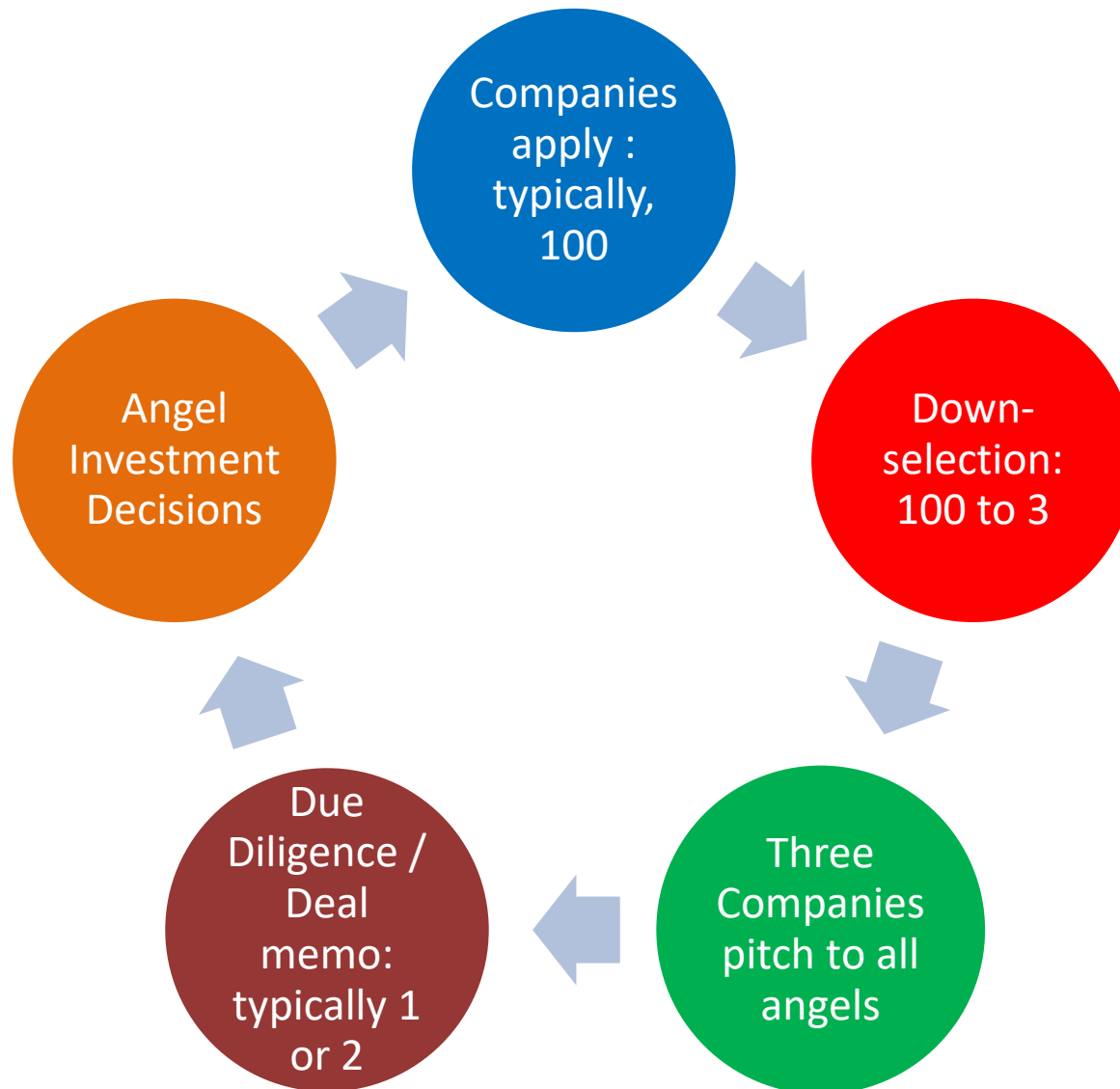
Humble

- Every angel has important insights

Shared desire to make the world a better place

- Help build your personal legacy

SWAN's Quarterly Cycle



How the SWAN cycle works

Down-selection

- Performed by volunteers
- Opportunity to help and learn
- Review 100 applications and then zoom calls with six companies

Pitch Event

- For all angels
- 3 companies pitch & group Q&A
- Followed by breakouts with each company

Due diligence/Deal Memos

- Performed by volunteers
- Opportunity to help and learn
- 20-page memo

Investment Decisions

- You personally decide if you want to invest
- No investment required

Ways to Plug into SWAN

**Become an
Angel member**

**Become an
Associate
member**

**For
Entrepreneurs**

Attend Community-wide Impact Happy Hours
Take advantage of our educational webinars

Attend Pitch Events
Help assess company applicants
Attend SWAN Social events
Join SWAN Affinity groups

Apply for
Funding

Additional Webinars



Angel Investing 201

- The Big Picture: Basics of building an Investment Portfolio, and an introduction to how to do Due Diligence



Angel Investing 202

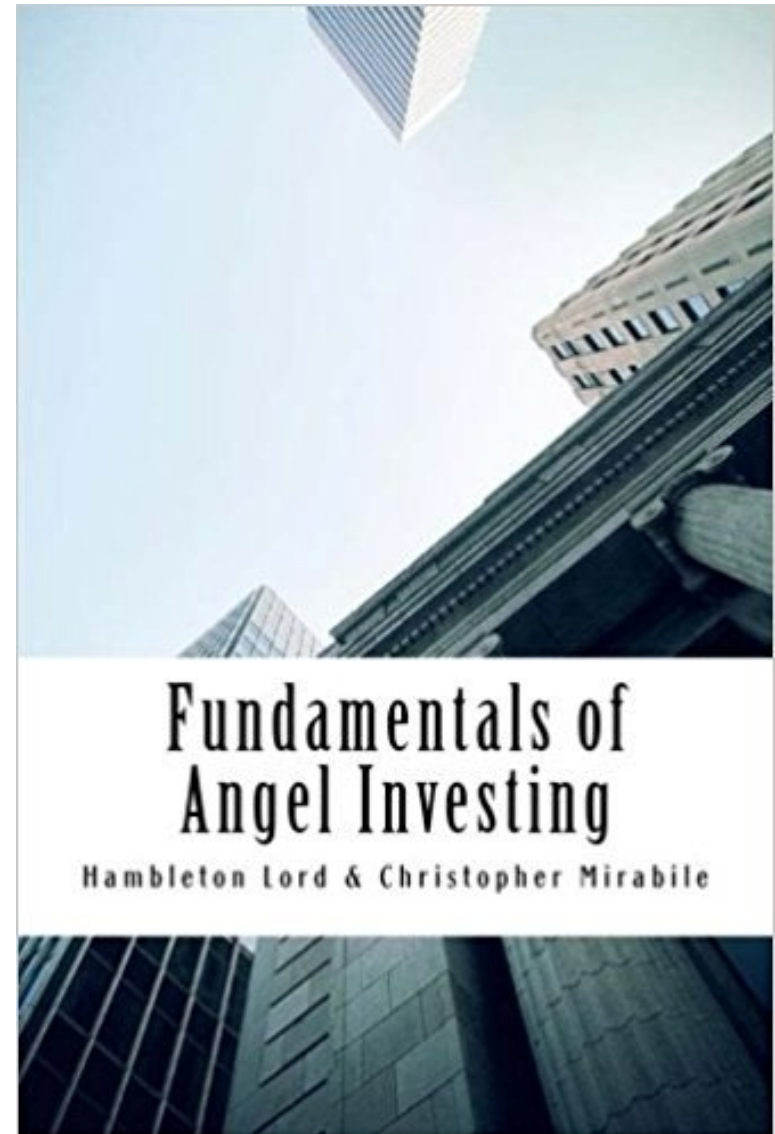
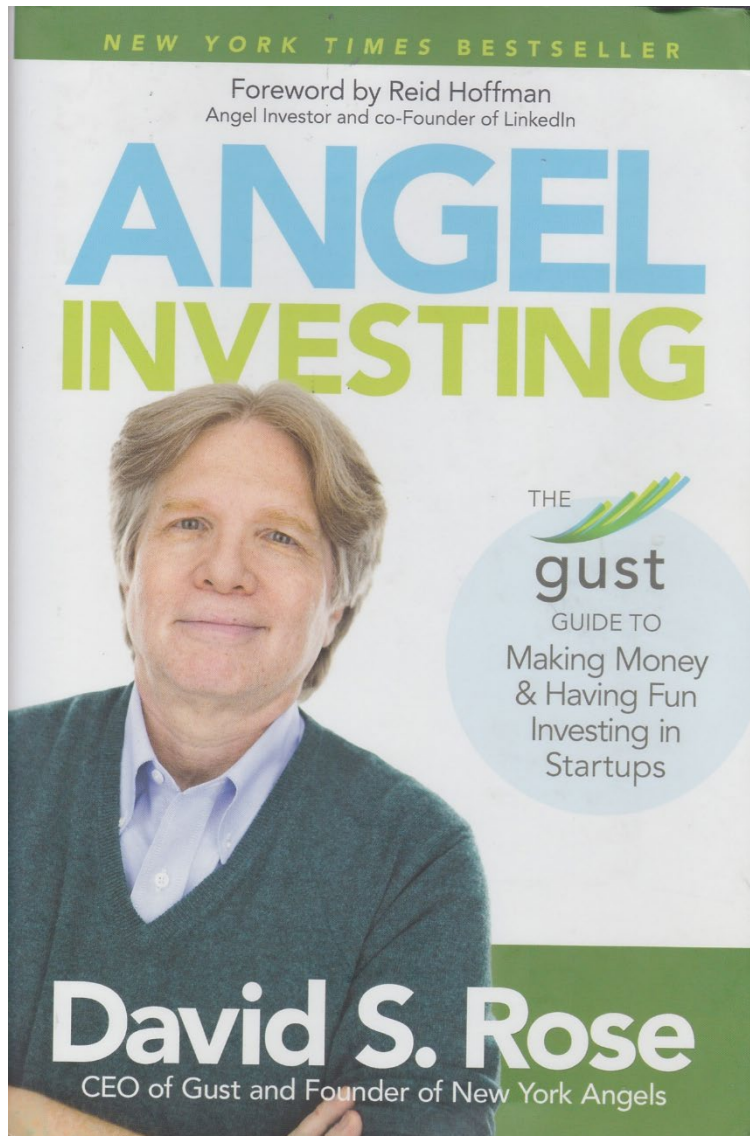
- The Mechanics of Investments: Investment instruments, company valuations, dilution across rounds, post-investment activities, and tax considerations



Angel Investing 203

- Measuring Impact and Results: A Discussion of Metrics and Tools, and examples of SWAN impact assessments

Good Resources



Webinar Feedback



Any final questions?



What was most helpful?



What was less interesting?



What would you like to learn more about?