



HUB ANGEL INVESTMENT GROUP, LLC

Making Your Pitch a Money Magnet

ENET

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The success of your start-up is only as good as your ability to...

- Attract Capital to Finance it!

- The Numbers

- \$60 billion

- \$ invested by VCs

- \$24.6 billion

- \$ invested by Angels

- 4,500

- Companies funded by VCs

- 71,110

- Companies funded by angels

- 350,000+

- Angels in the US

- 500+

- VCs in the US

- 35+

- Angel groups in New England

Background

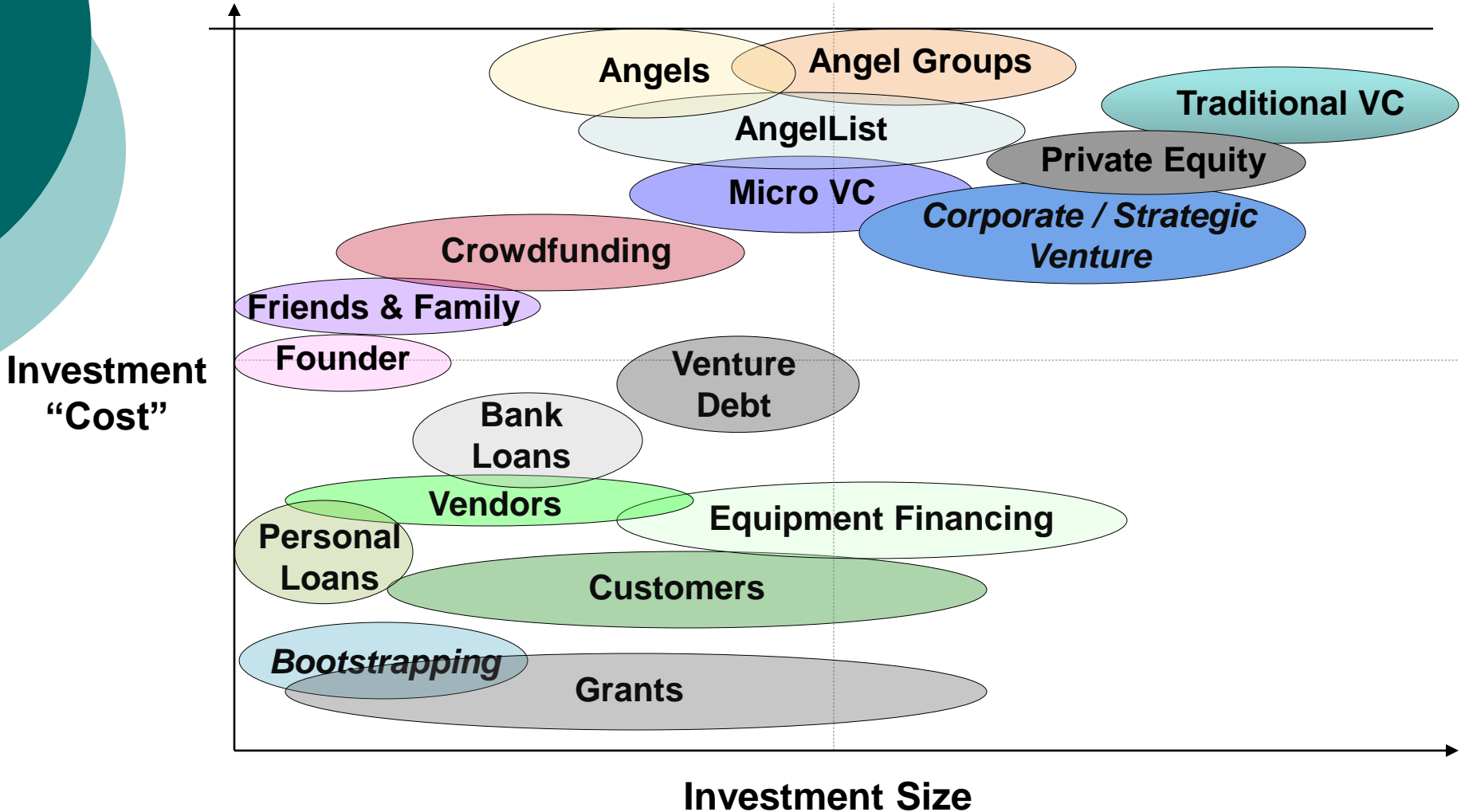
- David Verrill
 - Education
 - Bowdoin (BA), MIT Sloan (SM)
 - Experience Prior to Hub
 - Not-for-profit and for-profit fundraising at MIT and Winchester Int'l Group
 - International sales and business development at Xerox – Adaptive Products
 - Current
 - Founder and Managing Director – Hub Angel Investment Group, LLC
 - Partial Appointment – MIT Sloan School Initiative on the Digital Economy
 - Board of Directors/Observer – PageScience, Geezeo, ViralGains, ContentRaven, Angel Capital Association
- Hub Angel Investment Group History
 - Started in 2000 as an experiment using a “club” model
 - “Institutionalized” as a fund in 2001
 - Currently investing Fund VI
 - Model – Fund w/ reserve 50% in “dry powder”, Members have co-investment rights
 - Two partners – fundraising/sales/bizdev, strategy/healthcare/compensation
 - >100 Members – entrepreneurs, VCs, financial services, healthcare, family offices...
- Disclaimer - I speak as an organized angel group investor, not an individual angel investor, not a venture capitalist



Financing Headlines

- *If external capital is required, your focus should be on planning how to get your new venture financed*
- *Bootstrapping is a badge of courage, do it as much as you can*
- *Research the investor pool and present your opportunity only to those where there is a match with the stage and needs of your company*
- *Your ability to validate your plan will dictate the terms of your financing (throughout the life of your company)*

Sources of capital



Basic differentiation

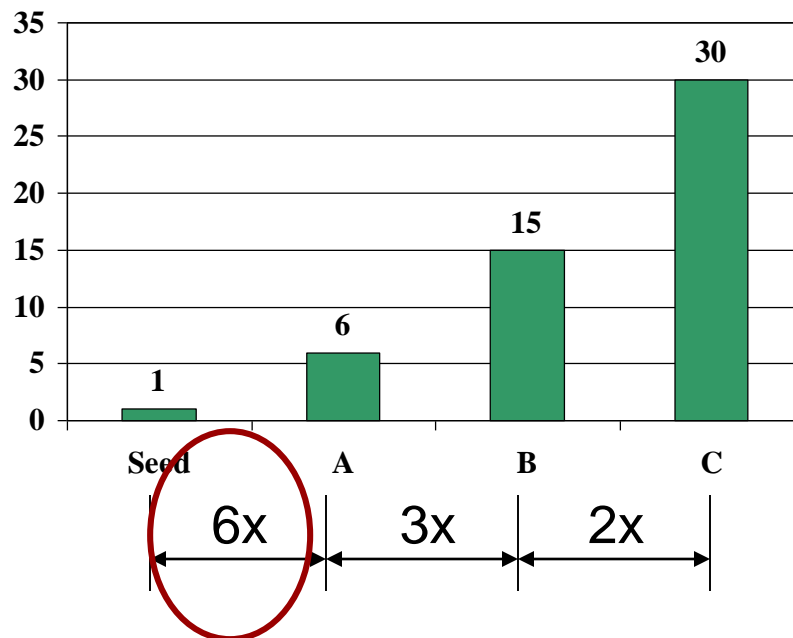
<u>Type</u>	<u>Amounts</u>	<u>Security</u>	<u>Terms</u>	<u>Motivation</u>
Friends and Family	\$5-25k	Common, LLC Interests, Convertible Notes	Loose or undefined	Love and friendship
Individual Angels	\$25k-100k	Common, LLC Interests, Convertible Notes	Basic	More from the heart than the head
Angel Groups	\$250k-2mm	Convertible Notes, Preferred Equity	VC-like	More from the head than the heart
Venture Capitalists	\$3mm-up	Preferred Equity	Well-lawyered	Show me the money

→ **Each** of these sources provided **tens of billions** of investment capital to start-ups in 2018

Why invest in early stage ventures?

It's all about the risk/return...

Typical Pre-money Valuations



The greatest percentage increase in valuation in any company's life comes at the beginning -- between the seed round and the first institutional VC round.

This is also the stage of greatest failure!

Sector focus

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Software	37%	18%	25%	30%
HC Svcs	10%	16%	20%	19%
Retail	10%	11%	14%	10%
Biotech	9%	13%	10%	10%
IT Services	7%	10%	5%	5%
Industrial/Energy	7%	11%	8%	7%
Media	5%	9%	5%	5%

Source: Professor Jeff Sohl, UNH



Examples of investors in Boston

- Angel Groups (Individual wealth to \$10 million funds)
 - Hub Angels
 - Boston Harbor Angels
 - Launchpad
 - Mass Medical Angels
 - Walnut Group
 - BOSS
- Smaller VCs (\$25-\$150 million funds)
 - MassVentures
 - NextView
 - GlassWing
 - LongRiver
 - New Atlantic
 - Kepha
 - Norwich
- Bigger VCs (\$250+ million funds)
 - Polaris
 - Venrock
 - General Catalyst
 - NorthBridge
 - Globespan
 - Longworth



What differentiates Hub?

- Invest in the \$2.5mm to \$10mm pre-money valuation range
- Invest in a broad range of industry sectors
- Won't look at unsolicited deals
- Only invest in the "Boston area"
- Use a fund as the primary investment vehicle, and leverage with co-investment rights of Members
- Get in the boat and row - bringing the networks of our membership to bear, and taking a Board seat (or Observer rights)
- Affinity with the top schools

Sample Portfolio

- Hub Club
 - **Flexplay – Disposable DVD**
 - **Zipcar – Local/By-the-hour Car Rental**
- Fund I
 - **SeahorseBio – Dynamic Measurement of Cell Metabolism**
 - **Experion – Online Trusted Advisor S/W**
 - **LifeHarbor→Vestmark – Managed Account S/W**
 - **CircleLending – Online P2P Loan Administration**
- Fund II
 - **Catalyst Oncology – Reference Lab for Shc Test (Cancer)**
- Fund III
 - **Intelligent Bio-Systems – DNA Sequencing**
 - Geezeo – Personal Financial Management for Banks/Credit Unions
 - **Incentive Targeting – Ad Targeting**
 - **Copiun – PC/Tablet Data Management**
- Fund IV
 - Localytics – Mobile App Analytics
 - DraftKings – Daily Fantasy Sports
 - ViralGains – Social Media Distribution
 - **PageScience - AdTech**
- Fund V
 - **SevenOaks – Skin Grafting**
 - Cambridge Blockchain – FinTech
 - MachineMetrics – IoT for Manufacturing



Hub process

- Generate deal flow
- Screen
- Prepare/Present
- Due diligence
- Recommend
- Negotiate
- Help grow and exit

Executive Summary (3 pages or less)

- **Company Name, Type** (*S, C, LLC*) **and Date Founded**
- **Location** (*primary location of business*)
- **Referred by** (*who referred you to the Hub Angels*)
- **By-line** (*promotional statement – 7 words maximum*)
- **Focus** (*briefly, what is the problem facing the target market*)
- **Product** (*briefly, what is your product, how does it solve the market's problem, and what stage of development/implementation is it currently*)
- **Addressable Market** (*what is the specific size of the addressable target market in \$, and what are the major segments*)
- **Revenue Model** (*describe in words the revenue model*)
- **Projections** (*list revenue - actual and projected - for each revenue model/product, expected break-even point, and projected total headcount by year*)

	2017	2018	2019	2020	2021
Revenues (\$000,000)					
Margin					
Break-even point					
Head count					
- **Competition** (*with specific company names, describe both the direct and indirect competition, and your advantage over each*)
- **Management Team** (*state total # of full-time employees and list the senior management team and briefly describe the work history and education of each*)
- **Burn Rate** (*what is the present net monthly burn rate*)
- **Board/Advisors** (*list the members of the board and advisors with a brief description of each*)
- **Intellectual Property** (*describe any patent, trademark or copyright ownership and its strength and relevance*)
- **Present Ownership/Investors/Valuation** (*list ownership and valuations for previous investors with dates of previous investments if any*)
- **Pre-Money Valuation** (*present valuation of the company*)
- **Type of Security Offered** (*specific type of equity or debt security, e.g. Series A Preferred, Bridge Loan, etc.*)
- **Subscription Amount, Total Estimated Capital Requirement** (*minimum and maximum capital desired in this round, and an estimate of total capital required to take the company to an exit*)
- **Exit Rationale and Comparables** (*list likely exit scenarios and relevant comparable examples of other company exits in the space – with exit multiples if possible*)

Presentation (15 slides or less)

- Slide 1 – Company Name, Contact
- Slide 2 – Overview of Key Take-away Points
- Slide 3 – Goal of Company
- Slide 4 – Target (Addressable) Market
- Slide 5 – First Product w/ Hint at Product Extensions
- Slide 6 – How Product Works
- Slide 7 – Revenue Model
- Slide 8 – Pro Formas w/ BE, Headcount, Margins, Etc.
- Slide 9 – Competition
- Slide 10 – IP/Barriers to Entry
- Slide 11 – Team Including Board/Advisors
- Slide 12 – Capital Requirements and Current Deal
- Slide 13 – Exit Strategy w/ Comparables
- Slide 14 – Summary
- Slide 15 – Company Name, Contact

What do Angels Look for?

- Stuff they know, people they like, close to where they live
- Collateral...keep it simple
 - Executive Summary (1-3 pages)
 - PowerPoint (15 slides)
- Pitch...focus on reality
 - Addressable Market Size
 - Pain Points
 - Unique Ability to Address Pain
 - Barriers to Entry
 - At Least One Star on Management Team
 - Impressive Board/Advisors
 - Examples of Comparable Exits
- Finding Money...financing is your (first) biggest risk
 - Use Your Network to get to Friends, Family, Angels, Angel Groups
 - Segment the Angel Market
 - Do a Lot with a Little
 - Set and Reach Achievable Goals (monthly, quarterly)



Dumb statements

“Get in now while the valuation is low”

“We’re closing our round this week”

“Our valuation is \$40 million, but we have no revs”

“There is no direct competitor”

“We intend to flip the company in 12 months”

“We’re smarter than the competition”

“Invest in us because we won the \$50k Prize”



Recipe for successful fundraising

- If you haven't "done it" before, it is a tough road to raise capital in today's market (find those who have done it)
- Prove to early investors that you are frugal (bootstrap)
- Have realistic expectations of company valuation (don't obsess about your ownership stake)
- Find a partner with your financier (it will be easier to ask for more)
- Network, network, network (did I say network?)
- The "idea" is just that (be a doer)
- A good team can adapt (don't be single-minded/stubborn)
- Diversity is good (don't hire only in your own image)
- Execute on your plan (do what you say you will do)
- Focusing on creating wealth is a distraction to accomplishment



Questions? Great ideas?



Thank you

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