NACO National Angel Capital Organization

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A Decade of Deals

ANNUAL REPORT ON ANGEL INVESTING IN CANADA

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Canada

Data Partner

Hockeystick

LEAD AUTHOR

Colin Mason is Professor of Entrepreneurship, Adam Smith Business School, University of Glasgow, Glasgow G12 8QQ, Scotland, UK. He was also the lead author of the 2010, 2011, 2015, 2016, 2017 and 2018 Angel Investment Activity reports.

PROJECT STEERING COMMITTEE

Dr. Kenneth A. Grant
Chair, Department of Entrepreneurship & Strategy
Ted Rogers School of Management, Ryerson University

Mary Moran
CEO at Calgary Economic Development

Derrick Hunter
President & CEO at Bluesky Equities Ltd.

Claudia Krywiak
President & CEO at Ontario Centres of Excellence

Joelle Foster
CEO at North Forge Technology Exchange

Mary Long-Irwin
Executive Director at Northern Ontario Angels

Pieter Dorsman
Angel Forum and E-Fund

Nancy Lala
Chair of Maple Leaf Angels

Sara Mohajerani
Investment Analyst at Bluesky Equities Ltd.

Brion Hendry CPA, CA
Partner at BDO Canada LLP

COMMITTEE OBSERVERS

Warren Clarke
Innovation, Science and Economic Development Canada

Manasi Joshi
Innovation, Science and Economic Development Canada

DATA PARTNER

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A DECADE OF DEALS: AN ANNUAL REPORT ON ANGEL INVESTMENT ACTIVITY IN CANADA

This report is the 10th annual report conducted by the National Angel Capital Organization.

By highlighting both the investment activity of angel groups in 2019 and year-on-year investment trends, this report provides unique insights into angel investment trends in Canada.

This evidence-based analysis emphasizes the importance of angel investing to Canada's innovation economy.

ACKNOWLEDGEMENTS

We wish to express appreciation to the members of the Project Steering Committee for their advice, direction, time and feedback during the formative drafts of the report. Special thanks go to the angel groups managers, members, partners and volunteers who annually dedicate significant time and energy to this initiative.

Preface

PREFACE

Charting the Next Decade

This year, after ten years of tracking investment data, NACO members have surpassed the $1 billion threshold, with $163.9 million invested in 2019. As a result, this Annual Report on Angel Investing Activity in Canada signifies a new milestone, and a new journey upon which to embark.

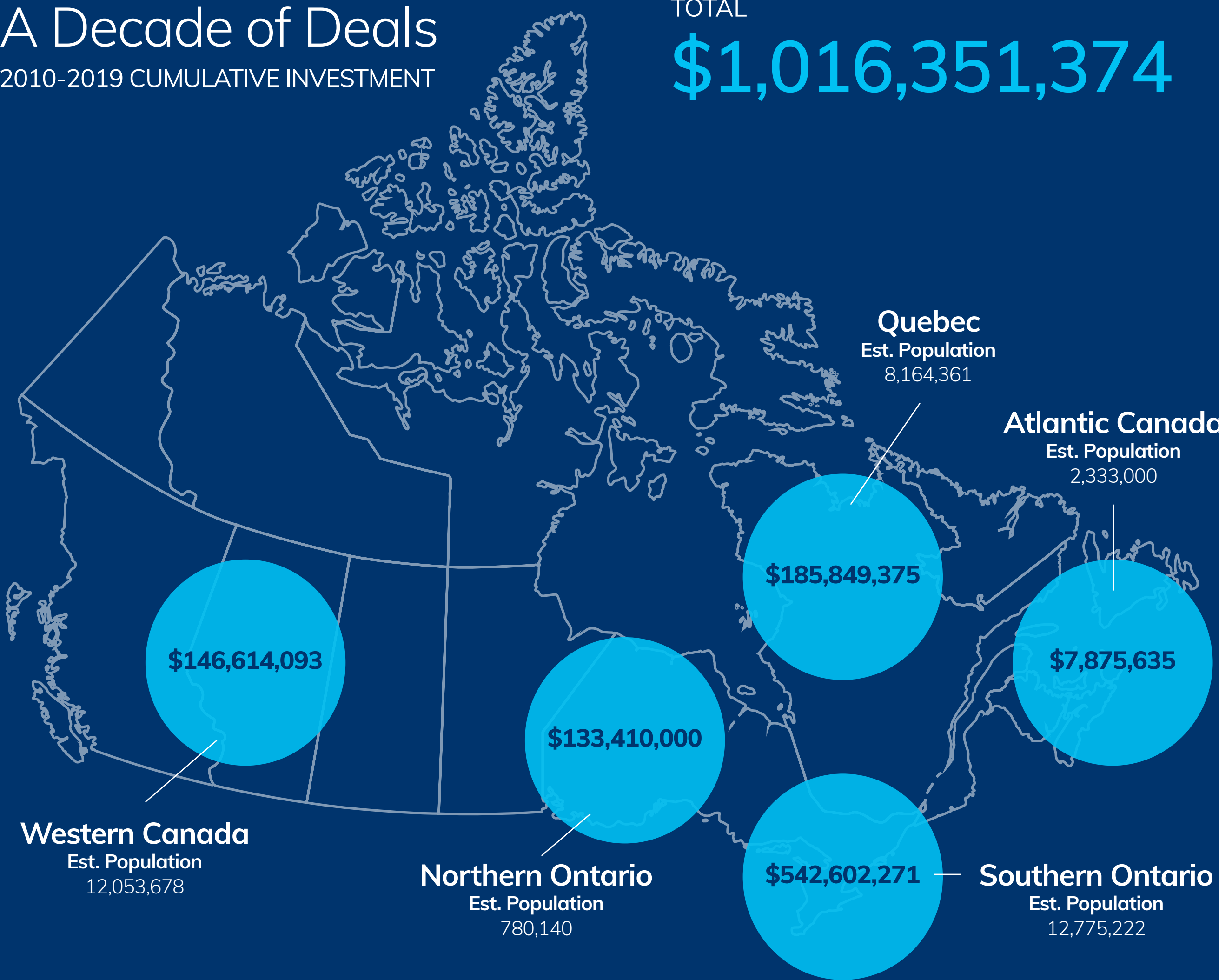
With this report, Canadians now have evidence on a decade of angel investment activity. This data tells not only a story of the importance of angel investors in supporting entrepreneurs, but also the impact of early-stage investment on the wider innovation ecosystem.

A Decade of Deals

2010-2019 CUMULATIVE INVESTMENT

TOTAL

$1,016,351,374



For almost twenty years, NACO has pioneered early-stage investing in Canada. Our national network includes over 4,000 angel investors, more than 40 regional angel groups, and 45 innovation hubs. This past year marked a period of transition, opportunity, and development for NACO and its community of leaders in the movement of increasing access to capital for entrepreneurs.

In mid-2019, our Board of Directors selected Claudio Rojas as CEO, to lead NACO and Canada's community of angel investors through a period of significant change in an exceptionally challenging environment for organized angel activity. Under his leadership, NACO's membership has emerged as a recognized and essential resource for supporting entrepreneurial growth in Canada. Over the past year, NACO has hosted national and regional summits, virtual roundtables with over 50 recognized leaders and 2,500 participants from across Canada's innovation economy, launched an initiative to enhance the funding continuum and pipeline to venture capital, and fostered the emergence of a new trend of issues-based investing — with HaloHealth, a network of physician-angels investing in the healthcare industry; and The51, an angel collective investing in women-led companies. These are inspiring developments, as they reflect the important role of angel investors in driving inclusive economic prosperity and social impact.

Access to Capital for All Entrepreneurs

Despite many areas of progress, other significant areas of opportunity for growth and improvement remain. Most notably, investment activity is unevenly distributed across regions, provinces, and demographics.

As NACO endeavours to bring equity to Canada's entrepreneurial ecosystem, we recognize that the not-for-profit network of angel groups that has led the mobilization of investment for Canadian entrepreneurs is under-resourced. To increase access to capital for entrepreneurs from underrepresented groups, in 2020, NACO announced a new National Initiative for Women Entrepreneurs, and new programs are underway to bring equitable access to capital for Black people, Indigenous peoples, people of colour, and other historically underrepresented founders. With these new initiatives, NACO will bring additional support to develop and deliver programming to unlock capital that is diverse, inclusive, and accessible to entrepreneurs in all regions and from all backgrounds. This is only the beginning of our access to equitable opportunities initiatives.

Regional Developments. Untapped Potential.

In Western Canada, NACO's expansion with the establishment of a Calgary office recognizes the importance of collaborating with established angel groups to develop regional ecosystems by mobilizing new pools of capital. Alberta, in particular, has all the ingredients to emerge as Canada's epicentre of risk capital and has a history of producing world-class companies in high-growth industries. The recent collapse of the natural resource sector combined with the effects of the COVID-19 pandemic have created an urgent need to focus on this region's innovation potential.

In Atlantic Canada we see an ecosystem that will benefit from the trend identified in this report of increased interprovincial investment. This development holds the promise of increased flows of capital between regions, and from urban to non-urban centres. Connectivity with out-of-province investors enables entrepreneurs to access new markets, tap into a wider range of expertise, and reflects the healthy development of a nationally connected ecosystem. As evidenced by the success of Verafin in St. John's, which completed a $515 million equity and debt recapitalization, local angel capital can be combined with extra-provincial investment to create jobs and prosperity for all communities.

While Central Canada demonstrated robust investments, we see a potentially challenging environment ahead for structured angel activity in Southern Ontario due to a retrenchment in provincial funding for not-for-profit angel initiatives. In the absence of new mechanisms of support, this may result in the reduced mobilization of angel investment for entrepreneurs in the region. Early warning signs of resource constraint, for example, include the challenges experienced in collecting data for this report. This is concerning, as the not-profit organizations that have historically mobilized angel activity in Southern Ontario were already operating in a resource-constrained environment prior to the outbreak of COVID-19. To the extent that the economic climate places increased pressure on these organizations, we may see consolidation and reduced capacity-building. In contrast, Québec continues to attract significant provincial support for angel activity, which has contributed to robust investment that is expected to continue.

Meanwhile, Northern Ontario Angels continues to attract strong regional support, which has contributed to its consistent ranking as one of the top performing angel groups in Canada. As a result, Northern Ontario is a useful benchmark for the potential of other regions.

Earlier in 2019, NACO partnered with the Government of Yukon to develop its entrepreneurial economy. Angel investors from across Canada participated in a series of research sessions to share insights and knowledge on attracting investment activity. National connectivity between emerging and established ecosystems remains a source of untapped potential for Canada's innovation economy. Although historically angels have been inclined to invest close to home, the increased digital activity that occurred in response to the challenges of the COVID-19 pandemic may lead to a new interest in interprovincial investing.

These insights along with the evidence shared in this report have informed the development of new programming to provide support and education to our regional groups. Through targeted efforts focused on engaging with historically underrepresented groups, the full potential of entrepreneurs in all communities will be activated.

A New Decade. A New More Inclusive Economy.

We now sit in a very unique moment in time. The COVID-19 pandemic has had devastating impacts around the world and on Canadians from coast to coast to coast. But it has also afforded us a unique opportunity to think differently as we build the New Economy. Whether this be around the geographic imbalance demonstrated in section 3.7 or the gender gaps highlighted in section 2.6, we know there is much work to be done and many opportunities for inclusive prosperity ahead. The past decade of data is a valuable foundation upon which to build more inclusive early-stage investment activity. We know we can achieve greater impact through enhanced local, regional and national collaboration. We also need to welcome and learn from those groups who have not meaningfully participated in the high-growth economy. And we look forward to supporting innovative solutions that empower our communities, our people, and our country with strength and resilience.

On behalf of NACO, we hope that this report inspires action to support Canada's entrepreneurs in all communities around the country. We welcome your participation as we carve a new path forward, research new initiatives, work to mobilize an unprecedented wave of investment to lead Canada's post-crisis economy recovery, and expand the national impact of local angel activity to drive greater levels of inclusive economic prosperity in Canada.

Sandi Gilbert
Chair, NACO Board of Directors

Claudio Rojas
CEO, NACO

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Executive Summary

Claudio Rojas, CEO of NACO at World Angel Investment Summit in Calgary, Alberta. June 2019.

EXECUTIVE SUMMARY

Introduction

This is the 10th Annual Report on Angel Investment Activity in Canada, reporting on the investments made by angel groups in 2019.

It is based on responses from 30 active angel groups of which 25 had made investments. The groups reported 299 investments that attracted $163.9 million of investment by angel investors. This is an increase in the amount invested compared with 2018 (+18.7%) but a significant decline in the number of investments (-45.3%). This is because there has been a large increase in the mean size of investment per company compared with 2018 ($1.5m compared with $282,000 in 2018). This is largely an outcome of one very large and atypical investment. Nevertheless, the rise in the average size of investment is also seen in median value which increased from $120,000 in 2018 to $190,000 in 2019.

EXECUTIVE SUMMARY

Angel Group Characteristics

The majority (73%) of angel groups are organized in not-for-profit structures, while 23% are for-profit entities.

Most groups (71%) charge for membership, with fees ranging from $250 to over $1,000 per year. Most of the groups that offer free membership are emerging groups (three years old or less). The proportion of groups that charge a membership fee has risen year-on-year. Just over half of the groups (53%) extend membership to corporate entities (typically professional service firms).

More than half of the responding groups (61%) have been established for more than five years of which 32% have been operating for ten years or more. However, new groups continue to be founded, albeit at a lower rate than in previous years.

There is considerable diversity in the size of groups, with membership ranging from 25 or less to more than 100. The vast majority of groups have more than 50 members: 20% have over 100 members. The significance of larger groups has been increasing over time.

Historically angel investors are predominantly men. Women comprised just 17% of the members of Canadian angel groups in 2019, the same proportion as in 2018 and a slight increase on the proportion in 2017, which was 14%. This is a similar proportion to other countries.

There is considerable variation among groups in terms of their level of investment activity. Seven groups (36%) made between 1 and 5 investments. At the other extreme, a further 7 groups (36%) each made more than 10 investments (active), with just two of these groups making more than 25 investments (very active). There were fewer very active groups in 2019 than in 2018. Not surprisingly, there is a relationship between group size (number of members) and investment activity, with the largest groups making the most investments.

Investment Activity in 2019

The 14 groups that reported their deal flow information for 2019 received 6,551 approaches for funding. This is lower than in each of the previous three years.

Just 9% of businesses were selected for presentation to investors. Angel investors undertook due diligence on 56% of these businesses and invested in 45% of them. Overall, angel groups made investments in just 2.4% of the businesses that applied for funding. The proportion of companies that attracted funding is lower than in 2017 and 2018. Future research will explore this development in more detail.

Angel groups made 299 investments in 2019, investing a total of $163.9 million. This is the highest annual amount invested, up 14.8% on the 2018 figure and marginally exceeding the previous record amount in 2017. However, the number of investments was significantly lower than in the previous three years. Follow-on investments accounted for 45% of total investments, an increase on previous years, and 38% of the total amount invested, marginally down in 2018.

Angel investors report using a variety of investment instruments, with none being dominant. The most commonly used instruments are common shares which account for 38% of the total, followed by convertible debentures, accounting for 29% of the total. Preferred shares are used in 19% of investments. Debt instruments are uncommon, used in just 2% of cases.

There is considerable variation in valuations. Just over half (53%) of all investments were valued at between $2m and $6m and almost two-thirds (64%) were valued at $6m or less. The median valuation was $5m. New investments had a lower valuation than follow-on investments. The median value of a new investment was $5m with 76% valued at $6m or less (42% at $4m or less). This compares with a median valuation of $9m for follow-on investment.

Investment activity measured in terms of number of investments is dominated by the Information and Communication Technologies (ICT) sector (48%) followed by the Life Sciences and Healthcare sector (20%). This dominance of ICT and Life Sciences and Healthcare has been a constant feature over time, although the proportion of investments in the Life Sciences and Healthcare sector has dropped significantly in the past three years. Because the size of investments varies among sectors, the distribution of investments by amount is somewhat different. The ICT sector accounts for only 35% of the amount invested.

Angel groups predominantly invest in small businesses with growth potential, mostly those with 1–5 or 6–10 employees at the time of the investment, accounting for 42% and 18% respectively of investments in 2019. This concentration of investments in small companies is consistent over time. However, in contrast to previous years almost one-quarter of the investments made in 2019 were in large businesses with more than 50 employees. Over half (52%) of all new investments were in businesses with 1-5 employees (and 74% with 10 or fewer employees), with just a handful of investments in businesses with more than 25 employees. Follow-on investments were concentrated in larger businesses, with 43% of such investments in businesses with more than 50 employees.

Angel investment activity continues to be distributed unevenly across Canada. Central Canada (Ontario and Quebec) accounted for 86% of investments compared with 13% in Western Canada and 1% in Atlantic Canada. In terms of amount invested, Central Canada accounts for 94% of the total. There are also regional differences in the proportion of new and follow-on investments. In Central Canada, 62% of investment dollars were new, compared with 64% in Western Canada, and 96% in Atlantic Canada. When calculated on a per capita basis, an uneven distribution of investment persists across regions.

Angel investors made 14% of their investments in companies located in the same city as the angel group and a further 52% were in the same province. There is a steady decline in within-province investments year-on-year and a large increase in inter-provincial investments which accounted for 30% of total investments in 2019 compared to 13% in 2018. International investments continue to be fairly insignificant (4%).

Julie Angus, CEO and Co-founder of Open Ocean Robotics, awarded NACO Startup of the Year 2019.

EXECUTIVE SUMMARY

The Investment Environment

Group managers were asked to rate the climate in Canada for angel investing on a scale of 1 (very poor) to 10 (excellent) (Figure 26). (Responses related to the pre-COVID-19 context). Scores range from 3 to 8. The median score is 7.0, the same as in the previous four years. The mean score is 6.4 which is lower than in the previous three years. This reflects fewer groups giving scores of 8 and above compared with previous years.

Groups based in Western Canada have the highest median score (7), slightly higher than that of Central Canada (6). Consistent with the previous year's groups in Atlantic Canada which gave a much lower rating for the investment climate (4). Bigger groups – those with 25-49 members and those with 50 or more members – gave higher scores, with medians of 8 and 7 respectively, compared with 3.5 by the smallest groups (fewer than 25 members). The score given by the smallest groups (3.5) is considerably lower than in 2018.

Group managers were invited to add written comments to elaborate on the scores that they gave and comment on specific aspects of the investment environment. A variety of issues were raised but with no single theme dominating. Moreover, many of the issues that were raised were particular concerns of specific groups, in many cases related to their size and location, particularly those groups that are located outside of the major cities.

The most frequently mentioned theme was "investor fatigue" related to the extended length of time for the return of capital, which could be seven to ten years or longer. Some groups raised a broader concern about a lack of new investors and hence new capital.

NACO World Angel Investment Summit in Toronto, Ontario. September 2018.

Second, were concerns about the quality of deal flow. Third, several groups raised the broader concern about their lack of resources – and hence personnel – which hindered their ability to recruit new angel investors, provide services to members and support their due diligence process and the post-investment management of their portfolios. The point was made that there are costs associated with running a professionally managed angel group; however, most angel groups are not financially self-sufficient in their current structure and therefore have to rely on volunteers who only have a limited amount of bandwidth to deliver many of the services. Some groups had experienced difficulties as a result of cuts in provincial government programs. The lack of resources to provide formal support for the due diligence process was a particular concern of several groups.

Angel group leaders suggested that in view of the critical role that angel investment plays in supporting early-stage high risk ventures, that governments should increase their financial support for not-for-profit angel groups. Beyond providing funding to contribute to supporting incremental project costs, participants also commonly supported the idea of tax incentives to stimulate more angel investment in recognition of its illiquid and high-risk nature. Respondents in Atlantic Canada emphasized that any tax incentives should be regional rather than provincial, with a view to encouraging investment into communities across the region.

EXECUTIVE SUMMARY

Conclusion

This report is being published at a time when the Canadian economy, along with the rest of the global economy, is starting to emerge from months of lockdown in response to the COVID-19 pandemic. Once again, this highlights the critical role of angels in financing activity at the start of the entrepreneurial pipeline.

Entrepreneurs who start and scale-up innovative companies will play a key role in Canada's economic recovery. It is entrepreneurs who will develop solutions to the problems that COVID-19 has created for government, businesses, and Canadians in all communities, to enable them to adjust to the 'new normal'. It is therefore vital that angel investors continue to invest. However, responses from angel groups suggested that there was evidence of a decline in angel investing, angel investors were focusing on supporting their existing portfolios and scaling back on new investments and focusing any new investments on COVID-19 related opportunities. There was also a concern by some groups that they may not have the resources to continue.

These developments are expected to have a significant impact on Canada's entrepreneurial ecosystem. To support entrepreneurs, government actions could include an increase in financial resources to support the incremental project costs of mobilizing angel activity; matching funds for companies supported by angel investors; tax incentives to encourage community-based investing; a securities regime exemption to increase participation in the economic recovery; enhanced access to emergency programs and measures, and; fast-tracked approval of funding for government business support programs.

1. Introduction

INTRODUCTION

1.1 The Role of Angel Investors in the Entrepreneurial Ecosystem

Angel investors are a key driver in the entrepreneurial ecosystem, investing at the start of the entrepreneurial pipeline in new and emerging companies. Alongside their capital, angel investors draw upon their experience as entrepreneurs, business managers and business professionals to contribute their knowledge and expertise, networks and psychological and emotional support to their investee businesses. Angel investors help to build client relationships, leveraging their established business networks, all of which contributes to the ability of entrepreneurs to more rapidly scale their operations. Indeed, this non-financial support can be as significant as the capital that they invest.

Angel investors are the main source of seed stage capital, investing relatively small amounts in companies at their start-up and early growth stages. As such, they play a complementary role to that of the venture capital industry. This has two dimensions. First, angel investors are often the first investors in businesses that go on to raise larger amounts from venture capital funds and participate in innovation and commercialization programs to scale-up their operations. This funding model has been seen as being analogous to a relay race: "angel investment runs the critical first leg of the relay race, passing the baton to venture capital only after a company has begun to find its stride. Venture capitalists focus on expansion and later stages of development, when their contribution is most effective."[1] Prominent Canadian entrepreneurial successes that have followed this funding pattern include Shopify in Ottawa, Solium in Calgary, Skip The Dishes in Saskatoon, Blackberry in Kitchener-Waterloo, Verafin in St John's, and Enthusiast Gaming in Toronto. Second, angels invest in startups that, while sustainable from an investment perspective, may not be engaged in leading edge innovation and hence do not offer the prospects of sufficiently rapid growth to attract investment from venture capital funds. Nevertheless, in many cases, these angel-backed businesses may provide attractive growth opportunities for larger companies through strategic acquisitions, partnerships, and other arrangements.

However, angel investing often occurs under the radar and therefore is not identified and captured by data gathering organizations. The consequence is that the critical role of angel investors in the entrepreneurial ecosystem is not given the attention that their significance warrants. Angel investors are largely an invisible population, mostly investing informally, resulting in uncertainty about the size of the angel investor population. Estimates of the number of angel investors in Canada vary between 20,000 and 50,000.[2] However, over the past two decades many angels have recognized the benefits of investing together. This has led to the emergence of angel groups in which individual angel investors frequently invest together in the same businesses. There is no standard model, but typically angel groups will have a manager (either one of the members or a hired professional) to coordinate the investment process, undertake the initial screening of investment opportunities and coordinate investor engagement, but with the individual members of the group making their own decisions whether or not to invest in specific businesses.

Some angel groups have also established sidecar funds that invest alongside the group. This gives members greater opportunity for diversification by enabling them to invest in deals that they do not invest in on an individual basis. It is also a vehicle to attract investors who do not want the responsibility of making their own investment decisions. Sidecar funds also enable entrepreneurs to raise larger amounts.[3] This is a very important trend, as angel funds allow capital to be pooled, larger deals to be funded, increases the sophistication of due diligence, and brings efficiency to portfolio management. These developments may attract increased investment from a broader range of community participants.

The emergence and expansion in the number of angel groups reflects the need for greater financial resources to make larger investments, including follow-on investments, as venture capital funds have shifted their focus to larger investments. This has been the driver for many angels to band together to create the 'pooled resources' needed to make both sizable initial investments and follow-on investments. By having the ability to 'follow their capital' it also reduces their vulnerability – as early investors – to dilution should their investee businesses need to raise further finance from venture capital funds. An additional driver of angel group expansion is the opportunity for individual angels to spread their investments more widely and thereby achieve greater diversification (which, in turn, minimizes the risk of poor returns[4]), and to access group skills and knowledge to evaluate investment opportunities and provide more effective post-investment support. Angel groups also offer the attraction of superior deal flow and the opportunity to learn from more experienced investors. Moreover, angel groups have been able to develop efficient routines for handling investment enquiries and screening opportunities and standardized investment documents. Angel groups are also attractive to high net worth individuals who want to invest in emerging companies but lack the time, referral sources, investment skills or the ability to add value. Indeed, some angel groups have a core-periphery model comprising an active core group of angels who drive the investment process, with the outer core only being invited to invest, on a 'take-it or leave-it' basis, in those deals that the core group has decided to invest in. Angel groups also reduce sources of inefficiency in the angel market; in contrast to invisibility of most solo angels, the visibility of angel groups enables entrepreneurs to approach them directly.

An important outcome of the visibility of angel groups and their organization into industry associations, such as NACO, is that it is now possible to track developments in angel investment activity, which allows for the compiling of statistics to predict and shape future trends and priorities. Although it is likely that the invisible, unorganized market continues to dominate in numerical terms (number of angels, number of investments), angel groups are now a major source of entrepreneurial finance in terms of the amounts invested, increasingly making investments of up to $500,000 and beyond that were previously the prerogative of venture capital funds. This report is the 10th annual report conducted by the National Angel Capital Organization. By highlighting both the investment activity of angel groups in 2019 and year-on-year investment trends this report provides unique insights into angel investment trends in Canada that emphasizes the importance of angel investing in supporting Canadian entrepreneurs.

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[1] Benjamin, G. A. and Margulis, J. B. (2000) Angel Financing: How to Find and Invest in Private Equity. Wiley, New York.

[2] *Gregson, G (2018) Critical Perspectives on Small and Medium-Sized Enterprise (SME) Funding in Canada, NACO.*

[3] *See Gregson (2018) op. cit (note 3), page 65.*

[4] *Gregson, G, Bock, AJ & Harrison, RT 2017, 'A review and simulation of business angel investment returns' Venture Capital: an international journal of entrepreneurial finance, 19 (4), 285-311.*

INTRODUCTION

1.2 Survey Design and Respondent Profile

The 2019 survey went out to 55 groups. These groups included current members of NACO, groups whose membership had lapsed, and other groups that have been identified as involved in angel investing but are not members. Groups were initially contacted in December 2019, with multiple follow-ups in early 2020 (prior to the onset of COVID-19). The survey was in two parts: (i) questions on various aspects of the angel group characteristics and (ii) questions on each of the investments that group members made in 2019. The number of responses to each part of the survey was lower in 2019 than in past years. The initial deadline for completion of the survey was January 24, 2020. Follow up calls and emails were made to the groups who had not responded with offers of assistance and encouragement to complete the survey. However, as the data collection process evolved, the need to respond to the challenges generated by the COVID-19 crisis meant that many of these groups were eventually unable to participate.

Responses were received from 30 groups, slightly down compared with the 2018 report (32). Only 25 of the 30 groups that responded had made investments in 2019. And in contrast with previous years, every group that responded in 2019 that had made investments provided detailed information about each of their investments.

TABLE 1

Profile of Angel Groups: An Overview of Participants

Angel Group Characteristics	All Respondents 2018 (32)	All Respondents 2019 (30)	Groups that Participated in 2018 and 2019 (20)
Median Age (Years)	7	8	11
Mean Age (Years)	7.2	9.1	10.7
Median number of members	59	60	60
Mean number of members	256	394	394

Table 1 presents a profile of the age and size of the 30 angel groups that participated in the 2019 survey. It highlights the continuing maturity of angel activity in Canada, with the average age increasing from 7 to 8 years old, reflecting the decline in the number of new groups being formed. Group size is also increasing compared with 2018. The average (mean) number of members went up from 256 in 2018 to 394 in 2019. However, the median number of members increased only marginally from 59 to 60 reflecting the skewed nature in the size distribution of angel groups, with a handful of large groups and a considerably greater number of smaller groups. The total membership of the Groups that responded is more than 6,500 individual angels.

INTRODUCTION

1.3 Investment Activity of Angel Groups in 2019: an Overview

These groups invested $163.9m in 299 businesses in 2019 (Table 2). Many of these investments also included other investors who co-invested in the deal, so the overall amounts raised by the businesses in investments in which angel groups participated is much larger. This is an increase in the amounts invested in both 2018 (+18.7%) and 2017 (+4.2%). However, the number of investments is significantly down on both 2018 (-45.5%) and 2017 (-37%). This reflects a significant increase in the average size of investment per company compared with 2018. The mean investment more than doubled from $282,167 to $506,987 while the median value (the mid-point between the lowest and highest value of investment) has increased from $120,000 to $169.814. These investment trends are also reflected in an increase in the mean amount invested per group (from $5.1m to $7.2m) (although the median fell from $2.1m to $1.7m) and a decline in the average number of investments made per group, with the median declining from 10.5 to 9 and the mean falling from 19.4 to 11.4. These trends are consistent with the growth in membership of angel groups.

These trends are confirmed when the 20 groups that provided information in both 2018 and 2019 are separately examined (Table 2 columns 3 and 4). These groups made fewer investments in 2019 than in 2018 (231 compared to 308, a 25% decline) but increased the total amount invested from $99m to $129m, a 30% increase. This reflects an increase in the mean size of investment from $394,000 to $656,000. There was no change in the median size of investment ($150,000).

The significance of angel investors is underlined when compared with venture capital investment. Venture capital firms invested a "Record Breaking CAD $6.2B in 2019." However, the vast majority of this was invested in a small number of large mega deals – just 28 investments of over $50m accounted for 55% the total amount invested. Venture capital funds made just 116 investments of $1m or less (the typical investment focus of angel groups), a total investment of just $41m[5], less than 1% of the $6.2b invested. Moreover, this was a decline from 2018 which saw $80m invested in 210 investments of $1m or less. This is significantly less than the amount invested by angel groups. And it needs to be emphasised that only a minority of angels operate via angel groups, hence the investments reported here represents a significant under estimation of overall angel investment activity. First, it only includes the visible segment of the angel market; it does not include investments made by angel investors investing on their own and in informal groups that typically go unrecorded[6]. Second, because some groups did not report their investments, it does not cover all of the investment activity in the visible market.

TABLE 2

Investment Activity by Angel Groups - Overview

Angel Group Characteristics	2018 All Respondents (32)	2019 All Respondents (30)	2018 Groups that Participated in 2018 and 2019 surveys (20)	2019 Groups that Participated in 2018 and 2019 surveys (20)
Groups (n) that made investments	28	25	16	17
Investments (k) made by group members	583	299	308	231
Median number of investments	10.5	9	10	9
Mean number of investments	19.43	11.96	19.25	13.58
Per angel group median investment amount	$2,055,810	$1,697,914	$2,147,962	$1,965,095
Per angel group mean investment amount	$5,101,259	$7,126,990	$6,184,768	$8,068,229
Groups reporting detailed investment information	n = 27, k = 507	n = 23, k = 284	n = 16, k = 308	n = 16, k = 225
Per company median investment amount	$120,000	$190,000	$150,000	$150,000
Per company mean investment amount	$282,167	$585,431	$394,248	$658,631
Total Investment amount (all groups)	$142,835,246	$163,920,775	$98,956,285	$129,091,668

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[5] CVCA (2020) Venture Capital Canadian Market Overview 2019. https://central.cvca.ca/wp-content/uploads/2020/03/CVCA_EN_Canada_VC_2019_Final.pdf

[6] The European Business Angel Network (EBAN) estimates that the visible market – which they define as comprising investments made by angels operating as part of a network which either has a direct relationship with EBAN or reports through a federation, reports through a national venture capital association or which appear on investment databases where start-up investments are reported and specify investors – comprises just 10% of total angel investment. However, other commentators suggest this figure is too low.

INTRODUCTION

1.4 The Impact of the COVID-19 Economic Crisis on Angel Investment Activity

This report highlights the vital role that angel investors play as the dominant investors in start-ups. But it refers to a world that no longer exists. As the OECD observes, the COVID-19 pandemic has triggered the most severe economic recession in nearly a century and is causing enormous damage to people's health, jobs and well-being.[7] It projects that Canada's annual output will shrink by 8% if recovery is uninterrupted and by 9.4% in 2020 in the event of a second virus outbreak and related shutdown. The rebound will not be dynamic enough for output to attain pre-COVID-19 levels by the end of 2021 under either scenario.[8] The recovery will be driven to a great extent by high growth, equity-backed startups and scale-ups. The disruptions that economic crises cause to existing markets catalyzes innovation by creating an environment for entrepreneurs to launch new products, services and business models. Many successful companies are created in such times. For example, companies started during the 2008/09 recession include WhatsApp, Slack, Airbnb, Stripe, Uber, Waymo, Pinterest and Git Hub. It is therefore critical that angels continue to invest. However, the early evidence that is emerging from North America and Europe suggest that the COVID-19 economic crisis will result in a decline in both angel and venture capital investment activity in the short and medium term, with potentially significant adverse impacts on entrepreneurial activity.

Five developments seem likely, the combined effect of which will be to reduce angel investment activity over the next 12-24 months.[9] First, most venture capital firms are expected to focus on their existing portfolios, both to extend the financial runway of those firms that they consider to be worth supporting and because of concerns about their own ability to raise further finance from their Limited Partners. Moreover, they will also need to spend more time supporting the companies in their portfolios and hence will not have the bandwidth to consider new investments. The implication for angel investors is that the investee companies in their own portfolios that need to raise follow-on funding from venture capital funds to scale-up may not be able to do so. This would require the angels to either support their investee companies for longer or to seek a sub-optimal lower return exit, and hence reducing the financial gain available for recycling back into the entrepreneurial ecosystem.

Second, some venture capital firms are reducing their valuations, with terms and conditions that have traditionally favoured entrepreneurs now shifting investment in favour of investors. Other investors have expressed an increased focus on the "flight to safety" with lower risk investments attracting more attention. This implies that investments made before the onset of the crisis may see a reduction in their valuation. Some entrepreneurs will fail to secure funding from investors due to elevated levels of risk aversion. This has implications for angels whose investee businesses raise follow-on finance from venture capital funds. It is likely that these investments will take the form of down-rounds which will see a decline in their value, raising the possibility of a re-run of the post-2000 dotcom crash in which many angels saw their investments wiped out by the perceived predatory behaviour of venture capitalists, driving many of them out of the market.

Third, there are expected to be fewer opportunities for liquidity events, and those which do occur will be at a lower valuation. This will limit the scale of entrepreneurial recycling: there will be fewer cashed-out entrepreneurs who become angel investors and the amount they have to invest will be reduced, and angel investors will have fewer and smaller exits which will reduce the capital they have available to re-invest.

Fourth, although some angel groups have announced that they are continuing to make new investments the likelihood is that most angels will seek to preserve their capital to support their existing investee companies rather than making new investments.

And finally, the significant uncertainty in financial markets will have a negative impact on the net-worth of many active and potential angel investors. This might be expected to reduce the amount of discretionary capital that they have available to be allocated to angel investing.

Angels will continue to invest. However, it is likely that much of their investment will be to support their existing investee businesses rather than in making new investments. And although some angels will continue to consider new investment opportunities, it is likely that there will be less angel investment available at the start of the entrepreneurial pipeline. This would mean increased pressure on startups to get finance, a significant slowdown in the number of startups and scale-ups over for the next 5 years, and a negative impact on Canada's economic growth.

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[7] *OECD Outlook. The world economy on a tightrope. June 2020.* https://www.oecd.org/economic-outlook/

[8] https://www.oecd-ilibrary.org/sites/0d1d1e2e-en/1/3/3/7/index.html?itemId=/content/publication/0d1d1e2e-en&_csp_=b-faa0426ac4b641531f10226ccc9a886&itemIGO=oecd&itemContentType=

[9] *These are developed in more detail in Mason, C (2020) The Coronavirus Economic Crisis: Its Impact on Venture Capital and High Growth Enterprises, European Union Joint Research Centre JRC120612.* http://publications.jrc.ec.europa.eu/repository/handle/JRC120612

1.5 Summary

Canadian angel groups increased the amount that they invested in 2019 by 14.7% compared with 2018, but the number of investments was significantly lower. This is because of a substantial increase in the average size of investment. The increase in the aggregate amount invested by angel groups is likely to be associated with an increase in their average size of group membership.

The remainder of this report looks in more detail at angel groups and their investments in 2019 and trends in investment activity over time. It is structured as follows:

Section 2 presents angel group characteristics. It covers their organizational structure, age, fee structure, number of members, gender composition of their membership, number of investments and amount invested in 2019.

Section 3 presents an analysis of the investments made by angel groups in 2019 and compares this with previous years. It starts with an analysis of the financing funnel that tracks how the number of businesses that originally approach the groups diminishes at each stage in the investment process. It then provides information on the sectoral and geographical characteristics of investments, size of investee businesses, details on co-investments and syndicated deals, follow-on investing, deal structures and company.

Section 4 assesses the current environment for angel investing in Canada. It provides information on the views of group managers on the investment climate in Canada, the challenges that they currently face and where government support should be focused.

Section 5 concludes the report by highlighting the key themes that emerge from the analysis, discusses the early evidence of the impact of the COVID-19 crisis on angel groups in Canada and proposes ways in which governments could further support angel investing at this critical time.

2. Angel Group Characterisitcs

ANGEL GROUP CHARACTERISTICS

2.1 Introduction

This section profiles angel groups in Canada. The evidence confirms the growing maturity of Canada's angel market, reflected by the growing presence of longer-established groups.

ANGEL GROUP CHARACTERISTICS

2.2 Organizational Structure

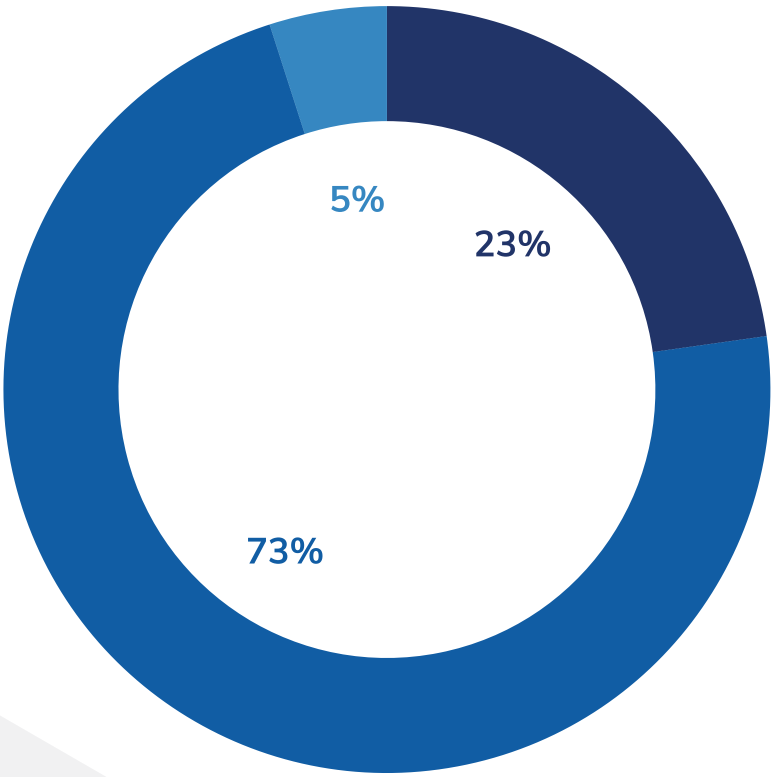
Angel groups can potentially organize themselves in a variety of ways. In Canada, the majority of groups - 73% - are structured as not-for-profit entities. A further 23% are for-profit entities (Figure 1). This is similar to previous years.

FIGURE 1

Corporate Legal Structure of Angel Groups (n = 22)

▲ For-Profit Corporation
▲ Not-for-Profit Organization
▲ Other

Note: Category "other" includes a transitioning not-for-profit entity, and a General Partner and Limited Partner structure.

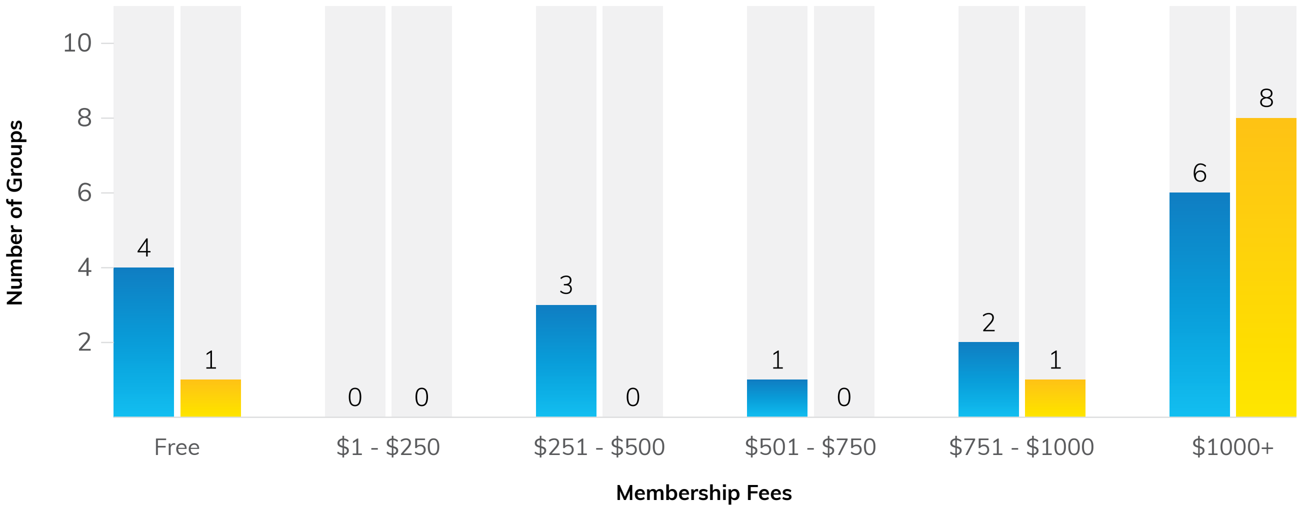


2.3 Fee Income

The majority (71%) of angel groups charge their investors membership fees (Figure 2). Membership fees for individuals range from $250 and over per year, with six groups (50% of those that charge membership fees) charging in excess of $1,000. The remaining 29% of groups do not charge fees. These are all emerging groups (less than five years old). The proportion of groups that charge a membership has been rising year-over-year (54% in 2017; 65% in 2018).

FIGURE 2

Angel Group Membership Fees



Note: there are 13 groups offering both individual and corporate membership

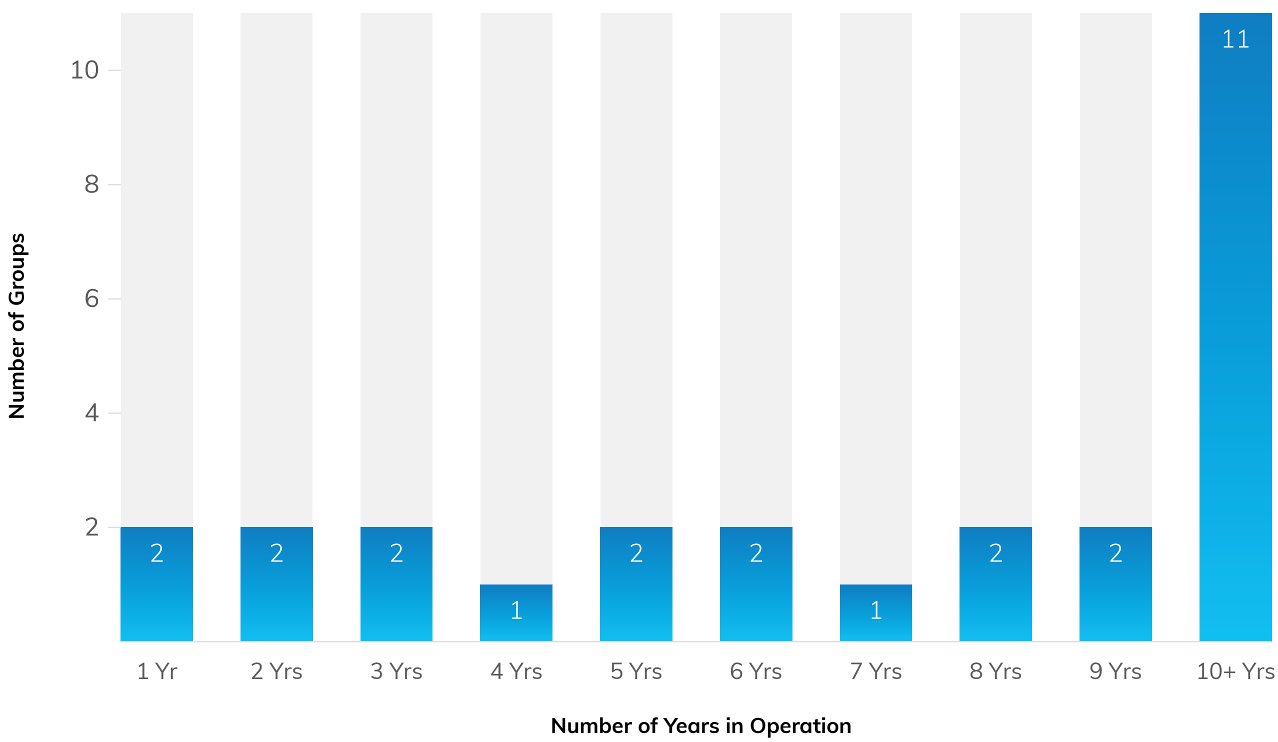
Just over half of the groups (59%) that responded to the survey extend membership to corporate entities, which may include family offices, investment entities, and professional services firms (e.g., law, accounting). These corporate entities may provide sponsorship and other support to the groups, including offering pro-bono services to businesses that are seeking, or successfully raise capital, with the objective of developing long-term commercial relationships with them. Fees for corporations are typically higher than those for individuals – all are above $750 and 80% are above $1,000. Whereas, only 56% of groups charge individuals more than $500, while only 38% of groups have individual membership fees in excess of $1,000.

2.4 Age of Group

The age distribution of angel groups underlines the growing maturity of angel investing in Canada. More than half of the responding groups (61%) have been established for more than five years and 32% have been operating for ten years or more (Figure 3). However, new groups continue to be founded, albeit at a lower rate than in previous years, with six groups under three years old.

FIGURE 3

Years in Operation



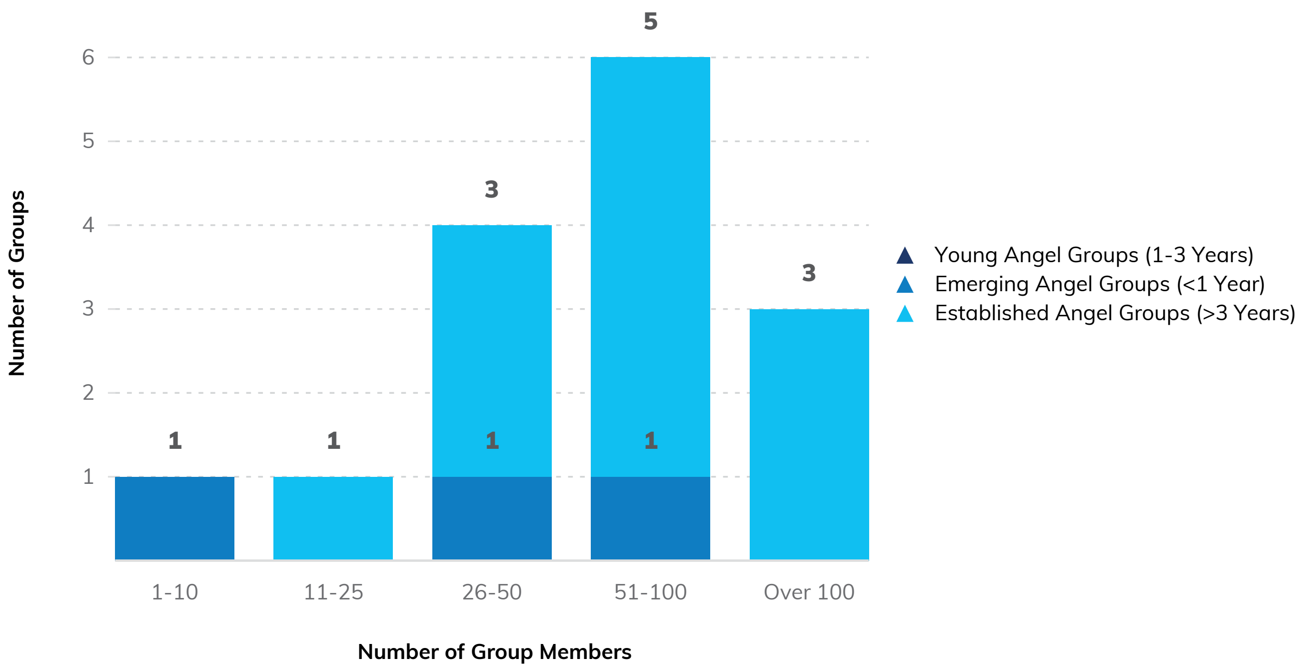
ANGEL GROUP CHARACTERISTICS

2.5 Size - Membership Numbers

There is considerable diversity in the size of groups, with membership ranging from 25 or less to more than 100 (Figure 4). However, the vast majority of groups have more than 50 members: 40% have between 51 and 100 members, and 20% have over 100 members. This size distribution confirms the trend identified in last year's report which highlighted the increase in the proportion of larger groups and the declining significance of small groups (25 or fewer members).

FIGURE 4

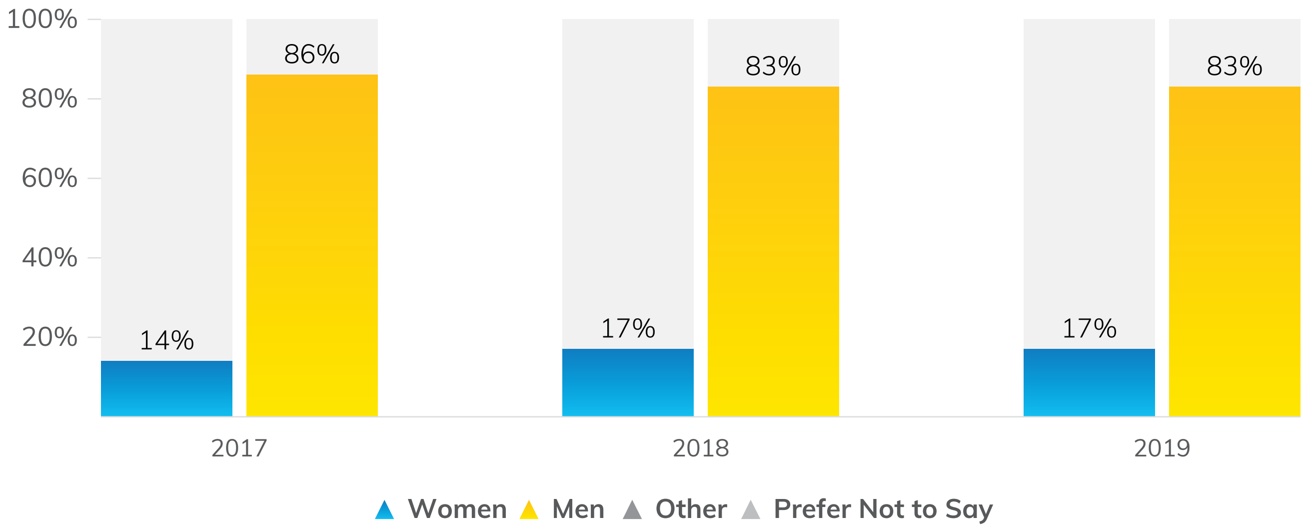
Size of Group Membership



2.6 Gender of Group Membership

Historically, angel investors have been predominantly men. Women comprised just 17% of the members of Canadian angel groups in 2019, the same proportion as in 2018 and a slight increase on the proportion in 2017, which was 14% (Figure 5). As noted in last year's report, as far as can be discerned from the available evidence, the proportion of angel investors who are women is not out of line with international comparisons. For the 12 groups that provided information, the proportion of women members ranged from 4% to 20% with a median of 17%.

FIGURE 5
Gender of Angel Group Members

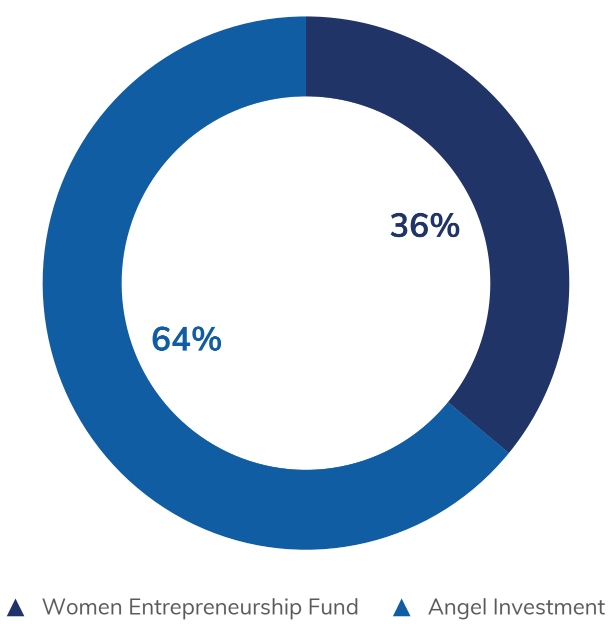


2.7 Women's Entrepreneur Fund

The Government of Canada allocated $20 million to the Women Entrepreneurship Fund (WEF) as part of its Women Entrepreneurship Strategy (WES).[10] Due to strong demand for support, an additional $10-million investment was subsequently made, $2.5 million of which was for Indigenous women entrepreneurs. Altogether, this $30M in funding was able to help support projects by over 320 women-owned or women-led businesses, with contributions of up to $100,000. The WEF was open to women-owned and women-led businesses across Canada that met certain eligibility requirements and were seeking assistance to grow and reach new markets. Priority was given to diverse women entrepreneurs;[11] businesses with products and/or services related to one of the Government of Canada's Economic Strategy Table sectors; and, projects seeking to pursue market opportunities abroad. The WEF accepted applications from October 19 to November 15, 2018 and contribution agreements for recipients were established by September 2019.

FIGURE 6

Angel And WEF Funding of WEF Investee Businesses



The successful applicants to the WEF and the funding that each company received is provided on the WEF website. Cross referencing these companies with the investments that angel groups have made in the 2010 – 2019 period identified six companies which received investment from both WEF and angel investors. These six women-led companies raised a total of almost $1.5m from these two sources of funding, almost two-thirds of which came from angel investors (Figure 6).

Two-thirds of the businesses had attracted angel investment prior to raising from the WEF.

[10] Women Entrepreneurship Fund https://www.ic.gc.ca/eic/site/128.nsf/eng/home

[11] Such as women with disabilities, Indigenous women, women in rural or remote regions, recent immigrants, visible minority women, women from Official Language Minority Communities.

ANGEL GROUP CHARACTERISTICS

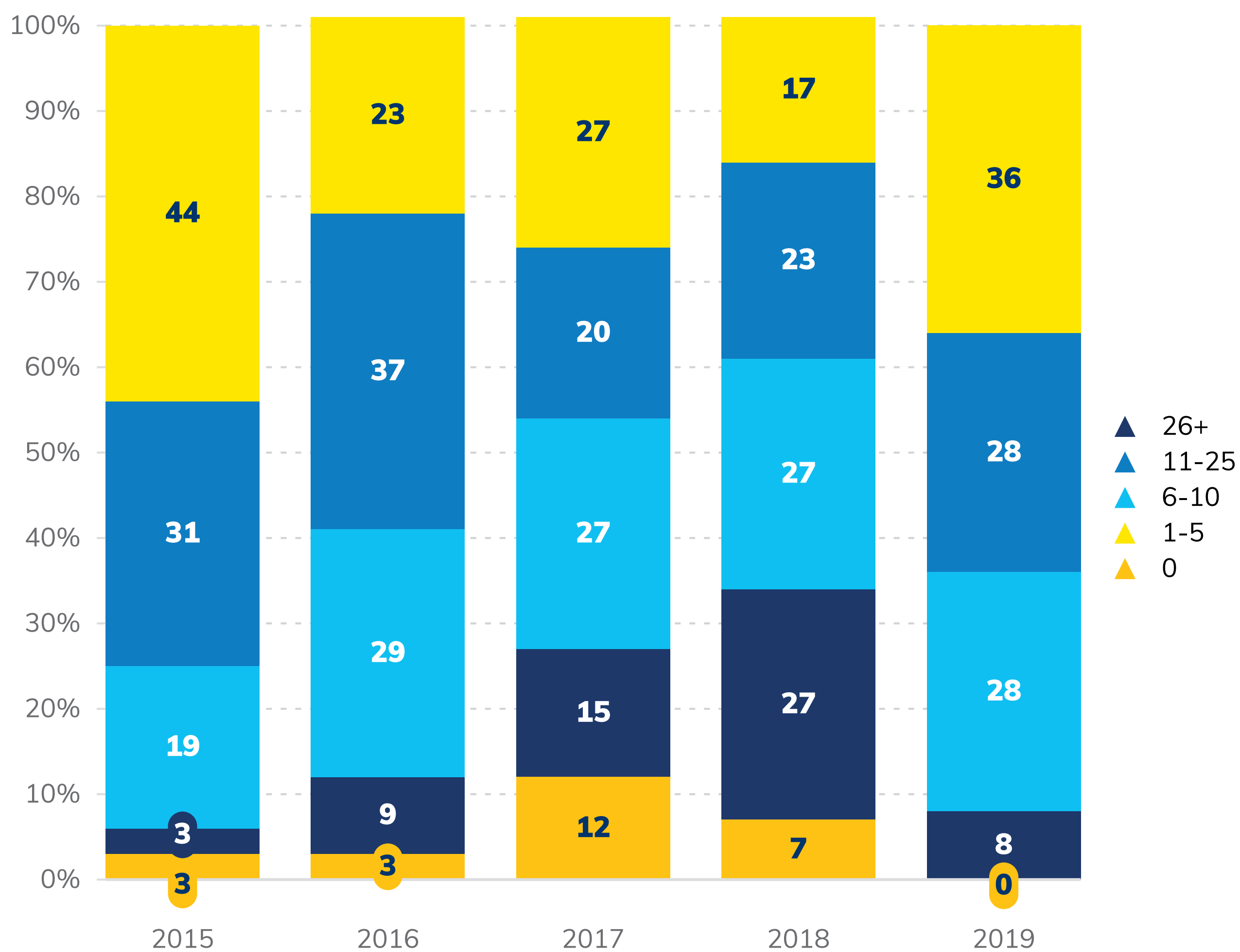
2.8 Investment Activity by Group

There is considerable variation among groups in terms of their level of investment activity. Nine groups (36%) made between 1 and 5 investments. At the other extreme, a further 9 groups (36%) each made more than 10 investments, with just 2 of these groups making more than 25 investments (Figure 7).

Last year's report identified the emergence and growing significance of a small group of highly active angel groups making more than 25 investments a year. These groups accounted for 27% of all groups in 2018. The most obvious difference from previous years is that very active groups were much less prominent in 2019, accounting for just 8% of the total. Beyond this there are no discernible temporal trends.

FIGURE 7

Number of Investments Made by Angel Groups



Not surprisingly, there is a relationship between group size (number of members) and investment activity, with larger groups making more investments (Table 3).

TABLE 3
Number of Investments and Group Size

Membership Size	50 or less	51-100	Over 100
Median number of investments	5	12.5	8.5
Mean (average) number of investments	6.3	16.8	21.5

The most active groups in 2019 that responded to the survey are located in Central Canada (Ontario and Quebec) (Table 4). The most active angel groups in terms of dollars invested show a high level of consistency over time, with three groups appearing in the top five rank in each year since 2016, and just one group (Valhalla Angel Investors) appearing for the first time in 2019.

There is less consistency over time in the most active angel groups based on the number of investments made. Just two groups were in the equivalent list in 2018 - Anges Québec and Northern Ontario Angels. However, these two groups have been amongst the top five most active angel groups measured by number of investments in every year from 2014.

TABLE 4
Top Canadian Angel Organizations by Investment Activity

Organization	2019 Rank	2018 Rank	2017 Rank	2016 Rank	2015 Rank
Anges Québec	1	3	4	2	3
Anges Québec Capital	2	5	•	•	•
Northern Ontario Angels	3	1	1	3	•
iGAN Partners Inc	4	2	2	1	1
Valhalla Angel Investors	5	•	5	5	4

• = Not in the top 5

TABLE 4-B

All Angel Organizations by Number of Investments Made

Organization	2019 Rank	2018 Rank	2017 Rank	2016 Rank	2015 Rank
Anges Québec	1	3	4	2	3
Valhalla Angel Investors	2	5	•	•	•
Anges Québec Capital	3	1	1	3	•
Northern Ontario Angels	4	2	2	1	1
Angel Forum	5	•	5	5	4

• = *Not in the top 5*

3. Investment Activity in 2019

INVESTMENT ACTIVITY IN 2019

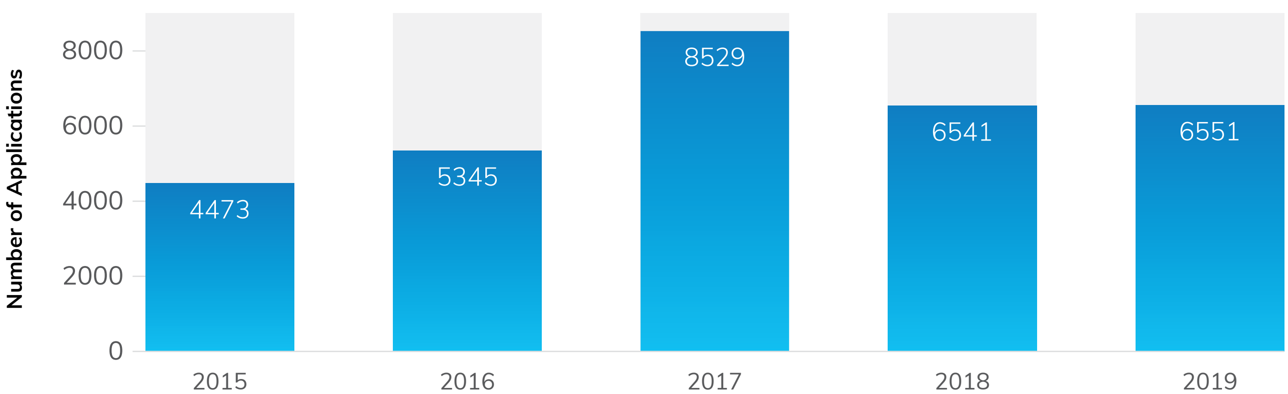
3.1 Demand For Angel Finance

Fourteen groups reported their deal flow information for 2019. These groups received 6,551 approaches for funding. This is relatively unchanged in comparison to the 2018 figure, which was itself a 21% decline on the 2017 figure. This is a higher figure than in 2015 and previous years (Figure 8).

On average, each group receives 364 applications. Annual trends are influenced by differences in the number of groups reporting this information each year.

FIGURE 8

Number of Businesses Seeking Funding from Angel Groups: Trends Over Time



INVESTMENT ACTIVITY IN 2019

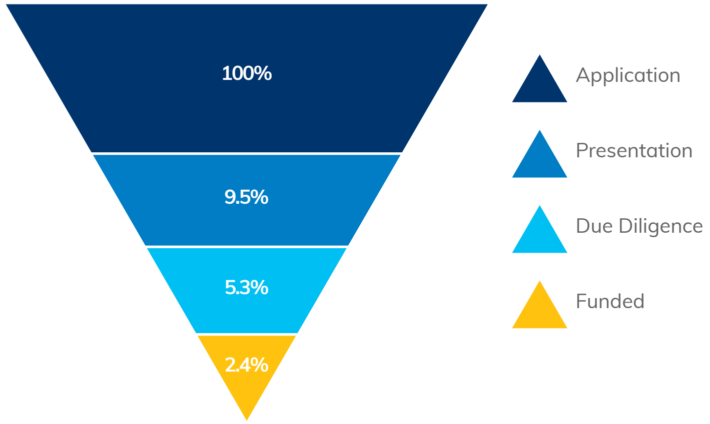
3.2 The Financing Funnel

Angels invest in only a small proportion of the companies that approach them to raise finance. We can characterize venture financing as a funding funnel. A large number of companies approach angel groups to seek funding. The majority of these are rejected by the group's management at the initial screening stage, being considered as not suitable to be assessed by group members. Some will be deemed to be un-investable, others do not fit with the Group's investment focus and yet others will be judged not to be investment ready. However, this is not necessarily entirely a negative outcome. These entrepreneurs may receive valuable feedback to help them become investment-ready in the future or be directed to more appropriate financing sources. Of those that are invited to present to members, only a minority will be of potential interest to investors. Some of these will be rejected as investors do their own due diligence. A small fraction of the businesses which originally approached angel groups, receive funding.

Thirteen groups reported full information on the number of companies at each stage in the investment funnel. Only 9% of the businesses that approached these groups were selected for presentation to investors. Angels undertook due diligence on 56% of these businesses. Angels invested in 45% of the businesses that reached the due diligence stage. This represents just 2.4% of the businesses that initially approached these groups for funding.

FIGURE 9

Funding Success Funnel



It would appear that raising finance was more difficult for startups in 2019 than in previous years. However, the smaller number of groups that provided information on the number of businesses at each stage in the funding funnel means that this conclusion can only be tentative. The proportion of businesses that were invited to present to angel groups (9%) is considerably lower than in previous years. The proportion of those that advanced to the due diligence phase (26%) is also down on both 2018 and 2017, but higher than in earlier years. The proportion of businesses invited to present that attracted funding is also lower than in previous years (Table 5). There are several possible reasons for this change and we look forward to exploring this in future research.

TABLE 5

Presentation, Funding and Application Rates

	2014	2015	2016	2017	2018	2019
Presentation rate[1]	24%	30%	30%	14%	17%	9%
Funding rate[2]	33%	21%	26%	41%	51%	26%
Application success rate[3]	8%	6%	8%	6%	9%	2%

[1] The ratio of presentations to applications

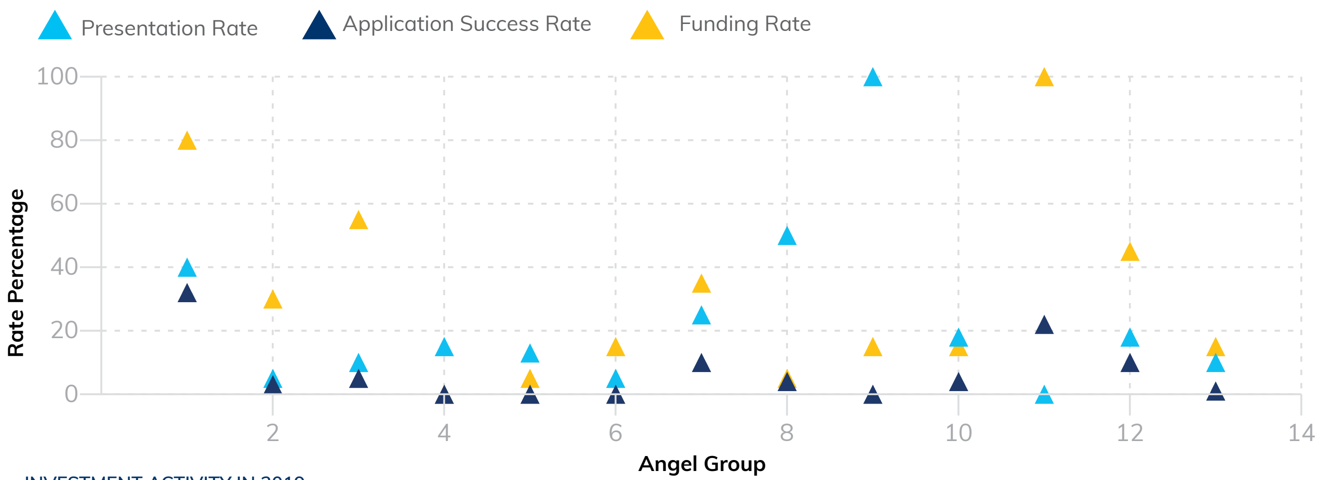
[2] The ratio of presentations that result in funding

[3] The ratio of applications that attract funding

There is considerable variation in these ratios across groups, reflecting their different operating models (Figure 10). Most groups undertake screening, presenting only a minority of their applicants to their members. Only one group presented all of its applicants to their members. The proportion of businesses that are presented to group members that go on to raise finance varies significantly across the groups, ranging from zero to 100%, with just 15% groups having a figure of over 75% funding rates. Most of these groups presented less than 20 businesses to their members.

FIGURE 10

Group Presentation, Funding and Application Success Rates



INVESTMENT ACTIVITY IN 2019

3.3 Investments

Canadian angel activity in aggregate over the past 10 years has crossed over $1 billion in total amount invested with a total of 2757 investments. In 2019, angel groups made 299 investments in 2019, investing a total of $163.9 million (Table 6, Figure 11). This is the highest annual amount invested, up 14.8% on the 2018 figure and marginally exceeding the previous record amount in 2017. In comparison, the number of investments increased in 2018, while the dollar amount of investments decreased, which resulted from a decline in the average (mean) size of investment per company compared with 2017. Activity in 2019, however, illustrates a significantly lower number of investments than in the previous three years (Table 6). This may be attributable to variation in the composition of groups reporting this information or an emerging trend of fewer transactions with a focus on larger companies. Fewer startups receiving funding would reduce the pipeline of companies that "scale-up" in future years.

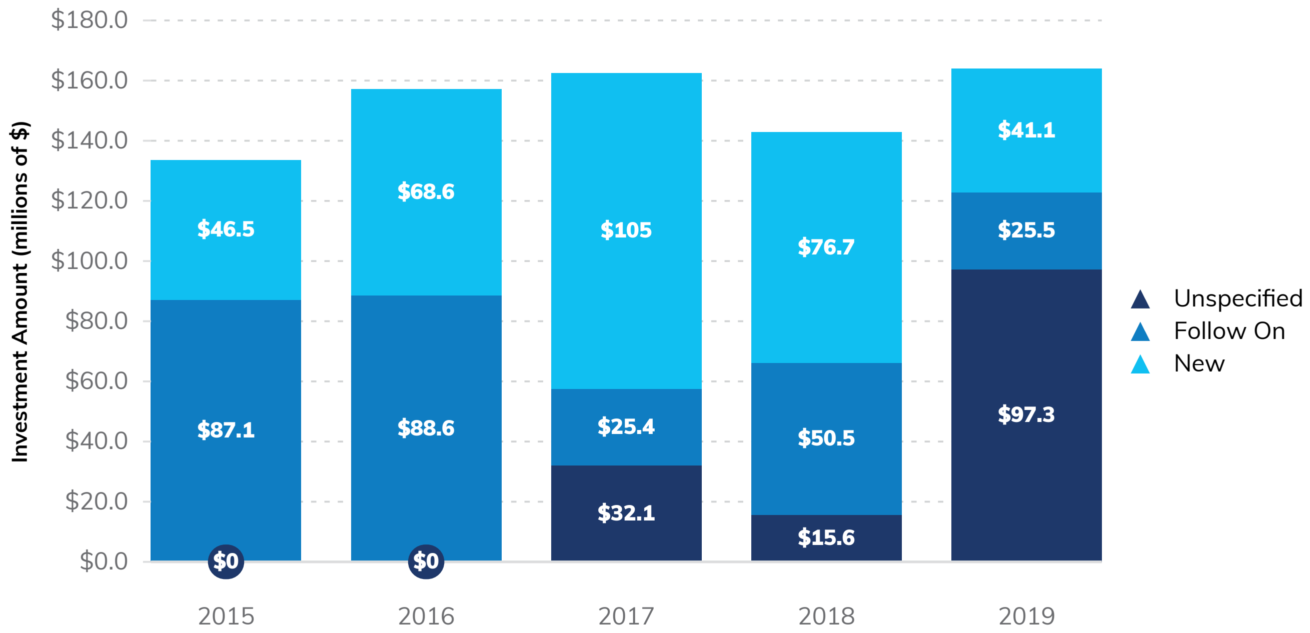
TABLE 6

Angel Investment Trends

	Total Number of Groups Reporting	Number of Groups Reporting Investments	Number of Investments	Amount Invested ($M)
2010	24	14	88	35.3
2011	24	20	71	35.7
2012	20	19	139	40.5
2013	29	25	134	88.7
2014	30	25	237	90.5
2015	32	31	283	133.6
2016	35	34	418	157.2
2017	43	35	505	162.2
2018	32	28	583	142.8
2019	30	25	299	163.9

FIGURE 11

Amount Invested: New and Follow-on Investments



One of the significant attributes of angel groups is having the financial capacity to make follow-on investments. This is critical in enabling their investee businesses to scale-up. Figure 11 shows the distribution between follow-on and new investments. However, the significant increase in unspecified transactions in 2019 is likely an anomaly in the reporting process. As Figure 12 shows, follow-on investments account for a significant and rising share of the investments that angel groups make. Figure 13 indicates follow-on investments accounted for 38% of the amount invested, marginally down from 2018 (40%). However, there is no discernible long-term trend in the share of the total amount invested that is accounted for by follow-on investments.

FIGURE 12
Number of investments: New and Follow-on Investments

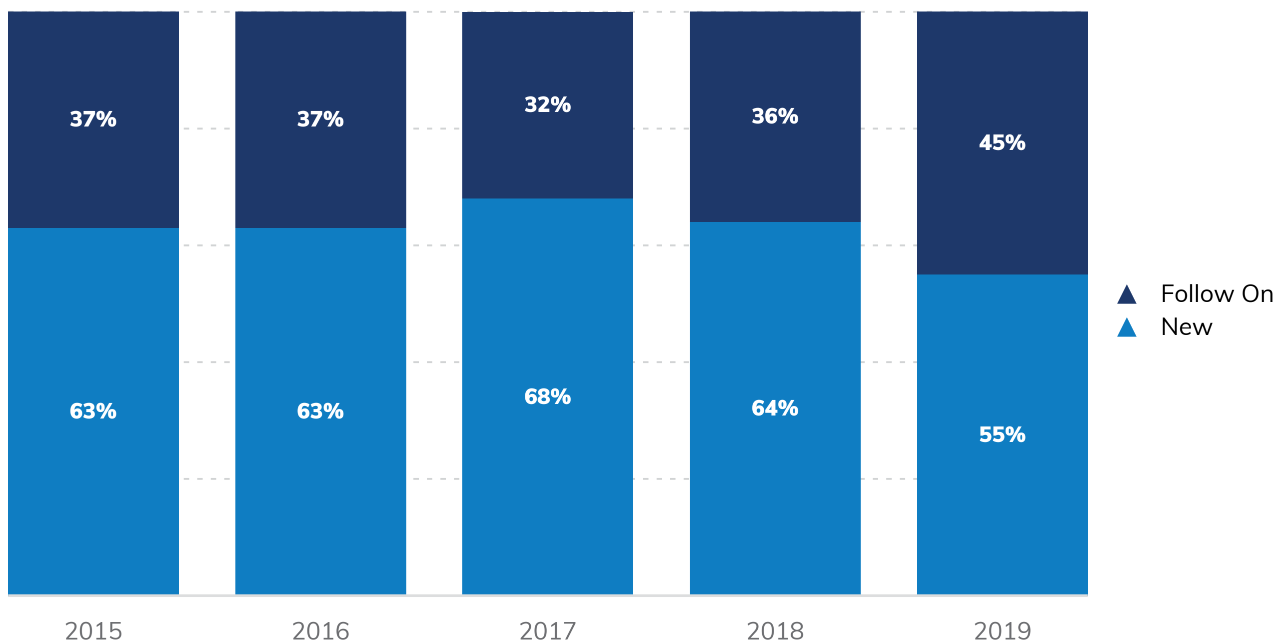
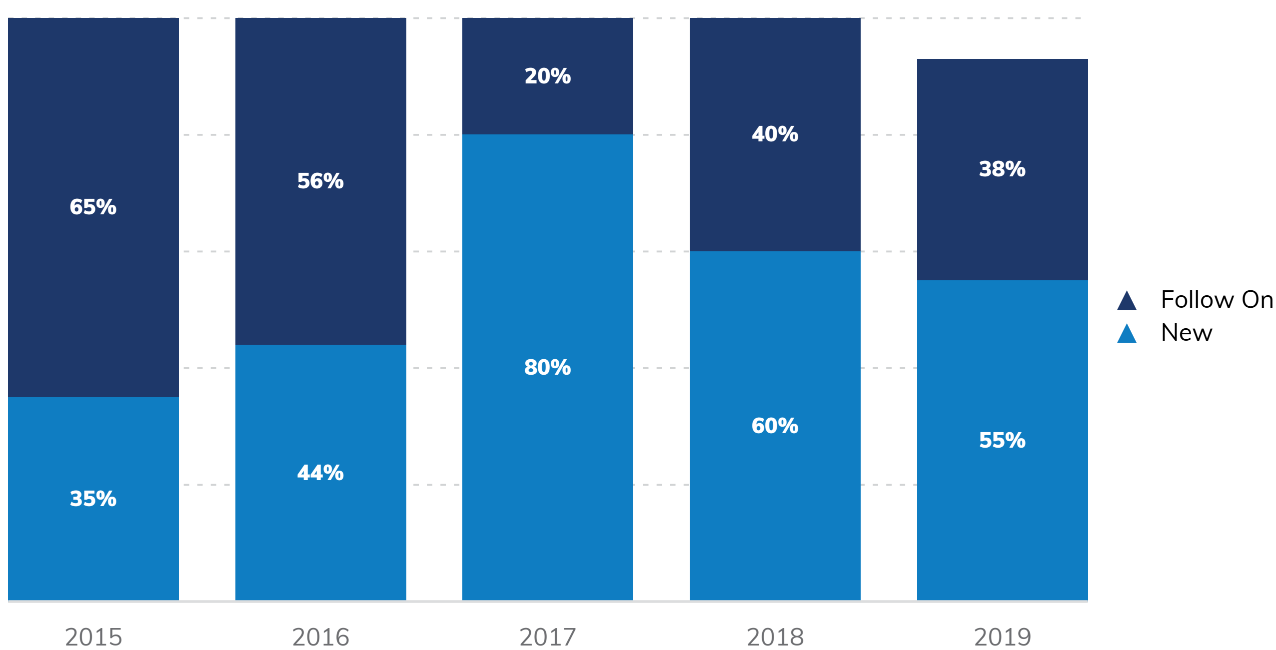


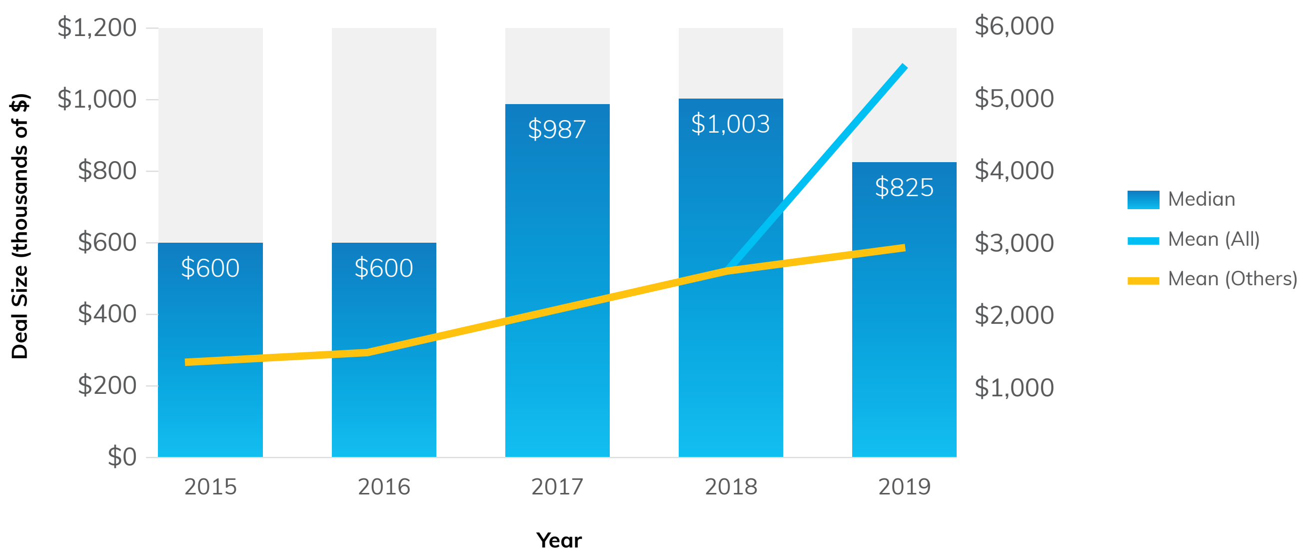
FIGURE 13
Amount Invested: New and Follow-on Investments



In many cases, angel groups invest alongside other investors as part of a larger syndicate, so the overall deal size is often much larger than angel group investments alone would indicate. These syndicated investments give businesses significant financial runway to scale up. In 2019, the median size of deals that involve both angel groups and other investors was $825,000. This represents a decline from the past two years. In contrast the mean size of deals, which has been rising year-on-year, more than doubled in 2019 to $5.6m (Figure 14). However, this reflects one very large deal: excluding this deal brings the mean deal size down to $2.9m which is a slight increase on 2018.

FIGURE 14

Median and Mean Deal Sizes



Note: Mean (Others) excludes one large deal amount ($392,000,000)

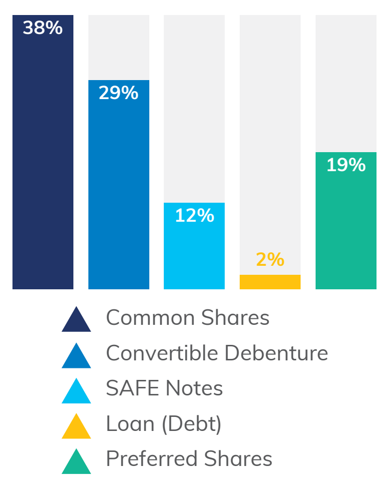
INVESTMENT ACTIVITY IN 2019

3.4 Deal Structures

Angels report using a variety of investment instruments, with none being dominant (Figure 19). The most commonly used instruments are common shares which account for 38% of the total, followed by convertible debentures, accounting for 29% of the total. Preferred shares are used in 19% of investments. Debt instruments are uncommon, used in just 2% of cases. Relative to 2018 data, the major changes were a decrease in the use of convertible debentures from 37% to 29% and decline in preferred shares from 23% to 19%. This may be explained by the new category of SAFE Notes reported in 2019, which accounted for 12% of deal structures.

FIGURE 15

Deal Structures



3.5 Valuations

There is considerable variation in valuations (Figure 16A). Just over half (53%) of all investments were valued at between $2m and $6m, while almost two-thirds (64%) were valued at $6m or less. One-quarter of investments were made at valuations of $10m and above. The median valuation was $5m. As might be expected new investments had a lower valuation than follow-on investments (Figures 16B and 16C). The median value of a new investment was $5m with 76% valued at $6m or less (42% at $4m or less). This compares with a median valuation of $9m for follow-on investment. There are also variations in valuation across sectors. Because of the sectoral distribution of investments it is only possible to compare investments in Information and Communication Technologies (ICT) with all other sectors (Figure 16D). The median valuation for ICT businesses was $500,000 compared with $1.6m for other sectors. This reflects the smaller proportion of ICT investments valued at $8m and above.

FIGURE 16-A

Valuations - Total

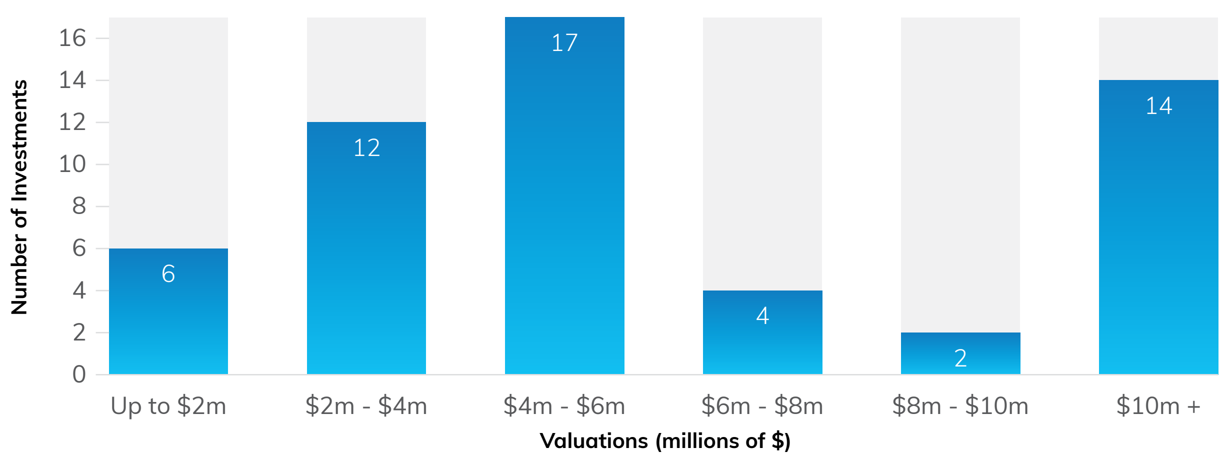


FIGURE 16-B

Valuations - New Investments

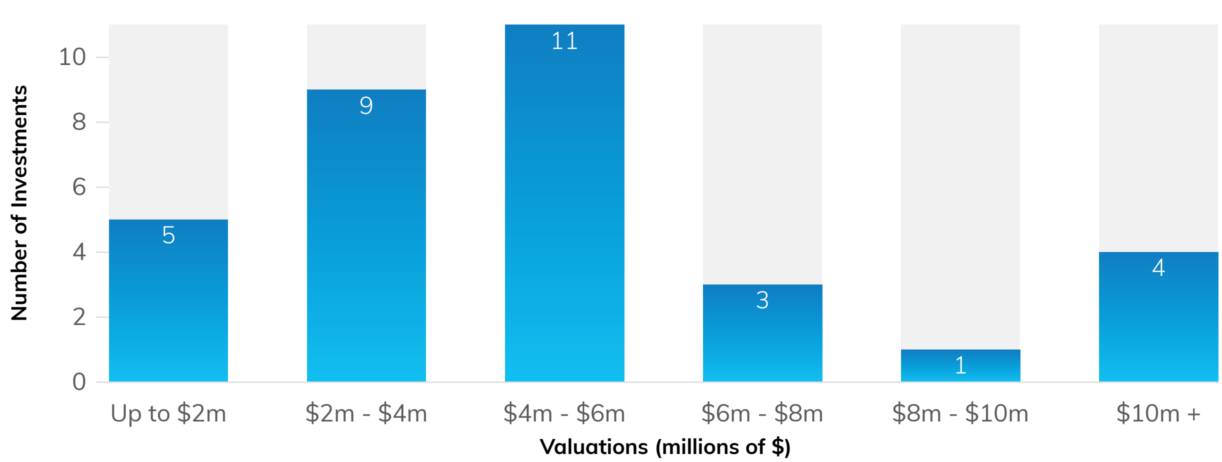


FIGURE 16-C

Valuations - Follow-on Investments

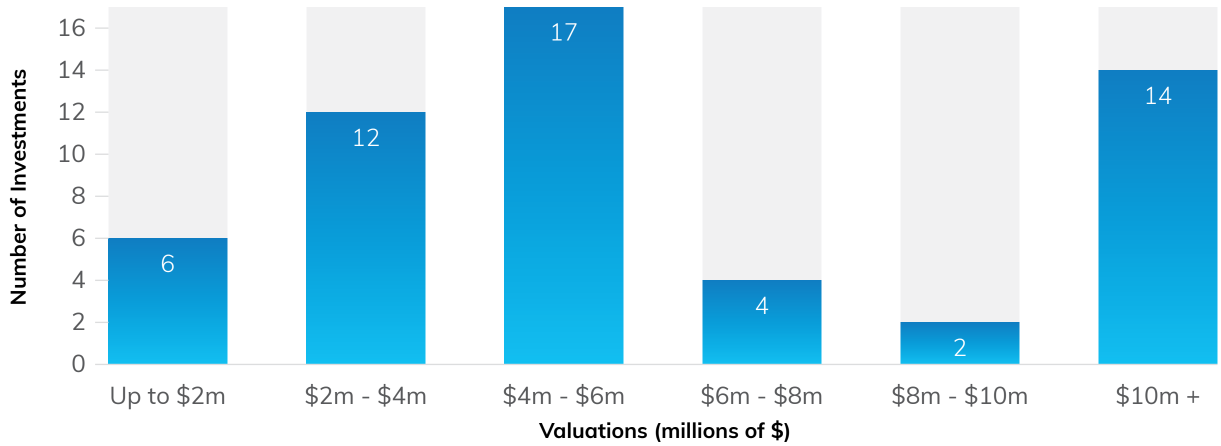
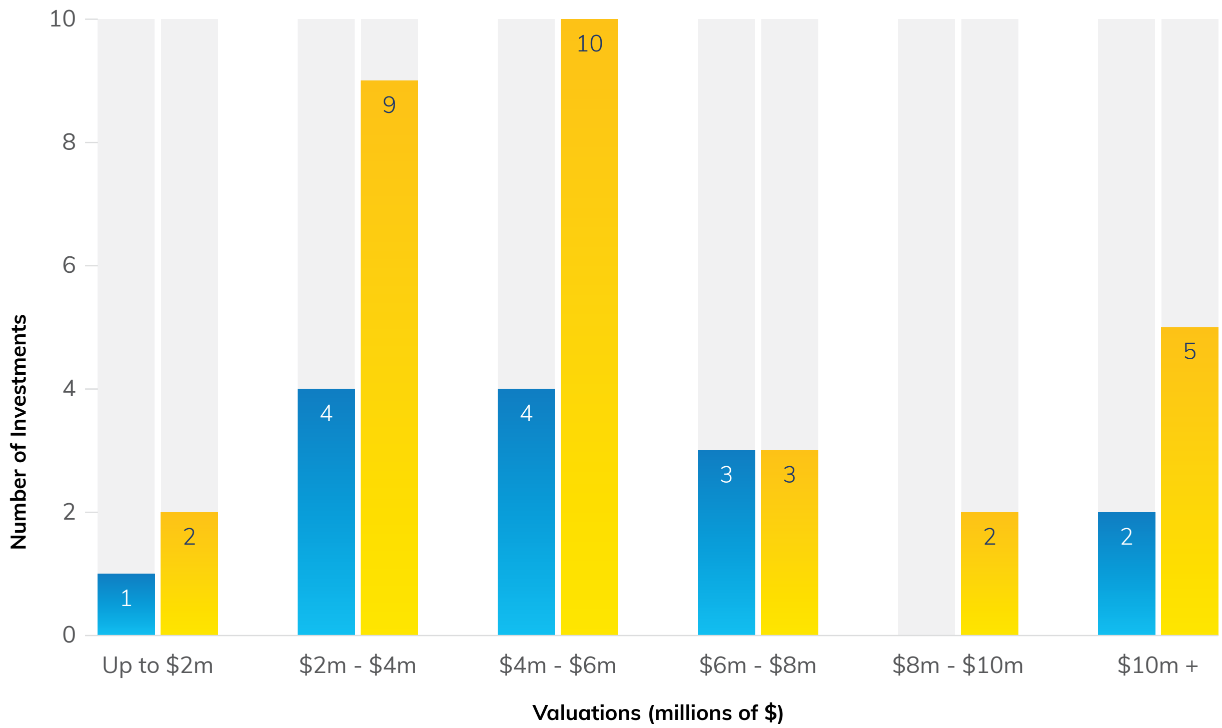


FIGURE 16-D

Valuations - Sectors



ICT

Average $21,734,786.00
Median $500,000.50

All Other Sectors

Average $20,857,797.3
Median $1,600,000.00

INVESTMENT ACTIVITY IN 2019

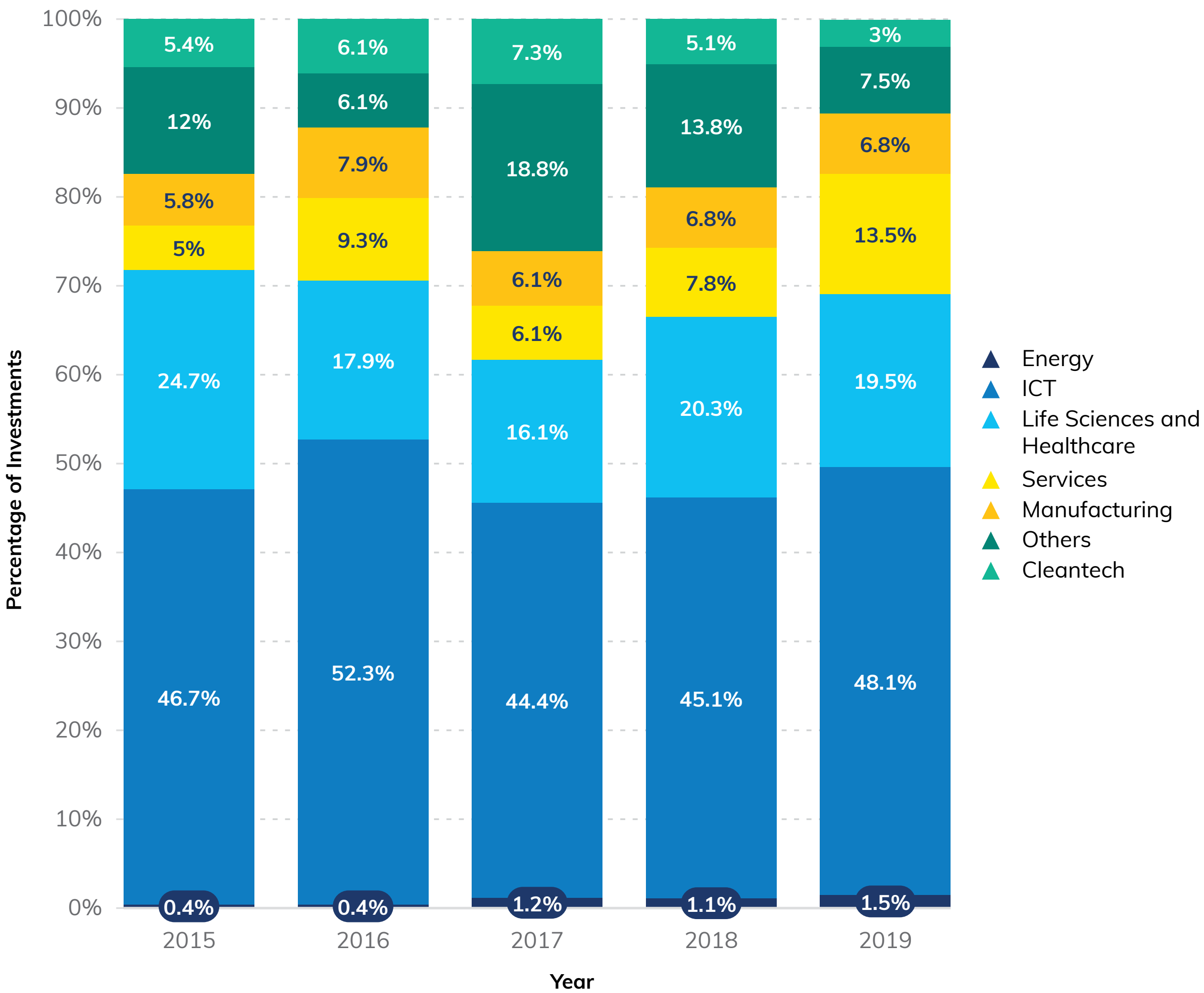
3.6 Investment Characteristics – Industry Sector

Investment activity measured in terms of number of investments is dominated by the Information and Communication Technologies (ICT) sector (48%) followed, some way behind, by the Life Sciences and Healthcare sector (20%) (Figure 17).

This dominance of ICT and Life Sciences and Healthcare has been a constant feature over time. Also notable is the limited proportion of investments in energy and cleantech sectors.

FIGURE 17

Valuations - Percentage of Investments by Industry (Number of Investments)



Since the size of investments varies among sectors, it follows that the distribution of investments by amount is somewhat different (Figure 18). In particular, the ICT sector accounts for only 35% of the amount invested compared with 48% of investments. The 'Other' sector accounts for 27% of the amount invested. The decline in the significance of Life Sciences and Healthcare in the past three years is also evident in terms of its share of the amount invested.

There is considerable variation in the size of investments between sectors and over time (Figure 19). There was very little difference in 2019 in the median investment size between sectors. This contrasts with the situation in previous years, with the ICT sector consistently having the lowest median size of investment. One particularly large investment has skewed the mean investment size of the Other sector ($1.9m). The mean size of investments in Life Sciences ($538,000) is significantly higher than for ICT and Services ($388,000 and $321,000 respectively).

FIGURE 18

Valuations - Percentage of Investments by Industry (Amount Invested)

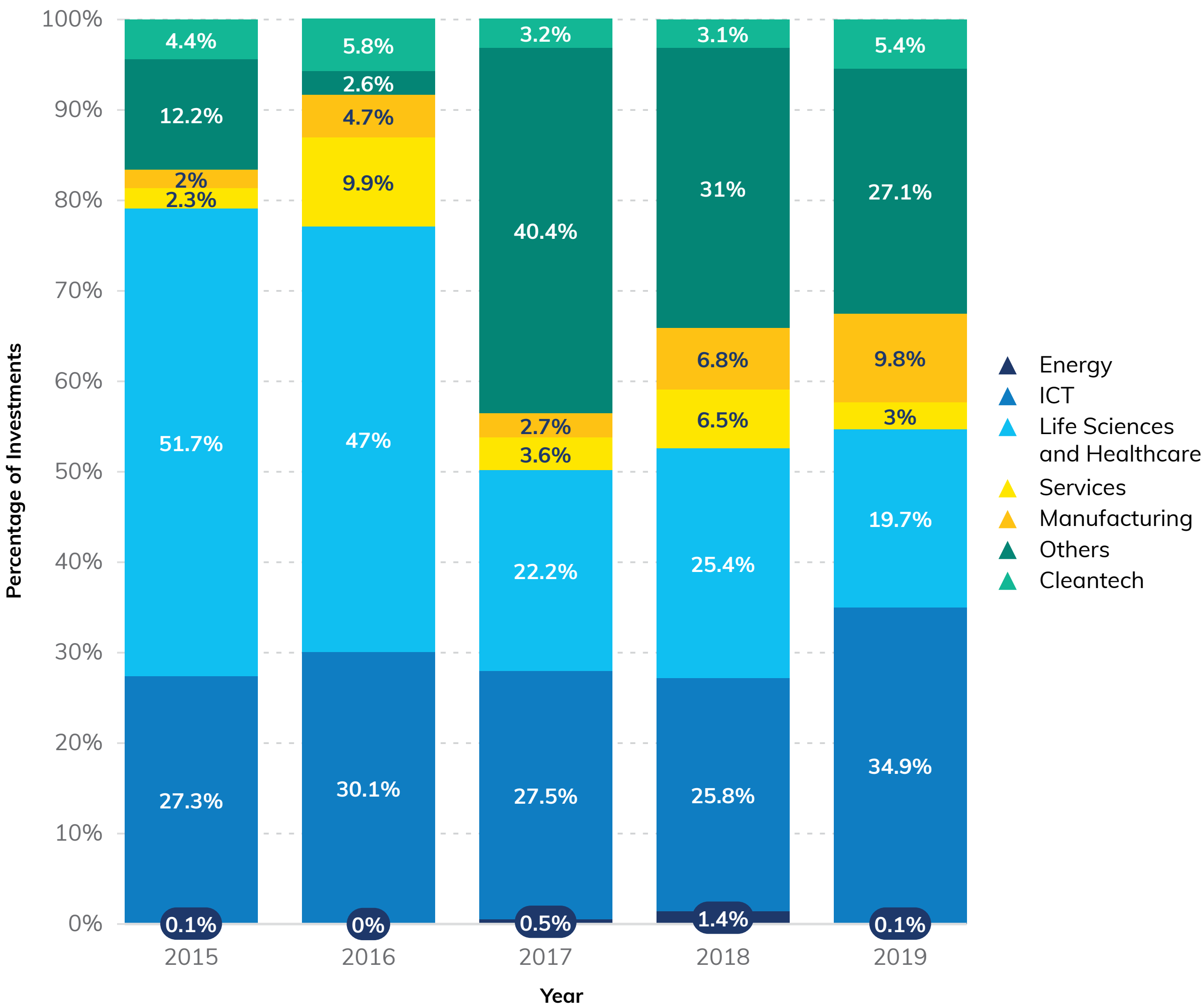


FIGURE 19-A

Average Investment Size by Industry - Median

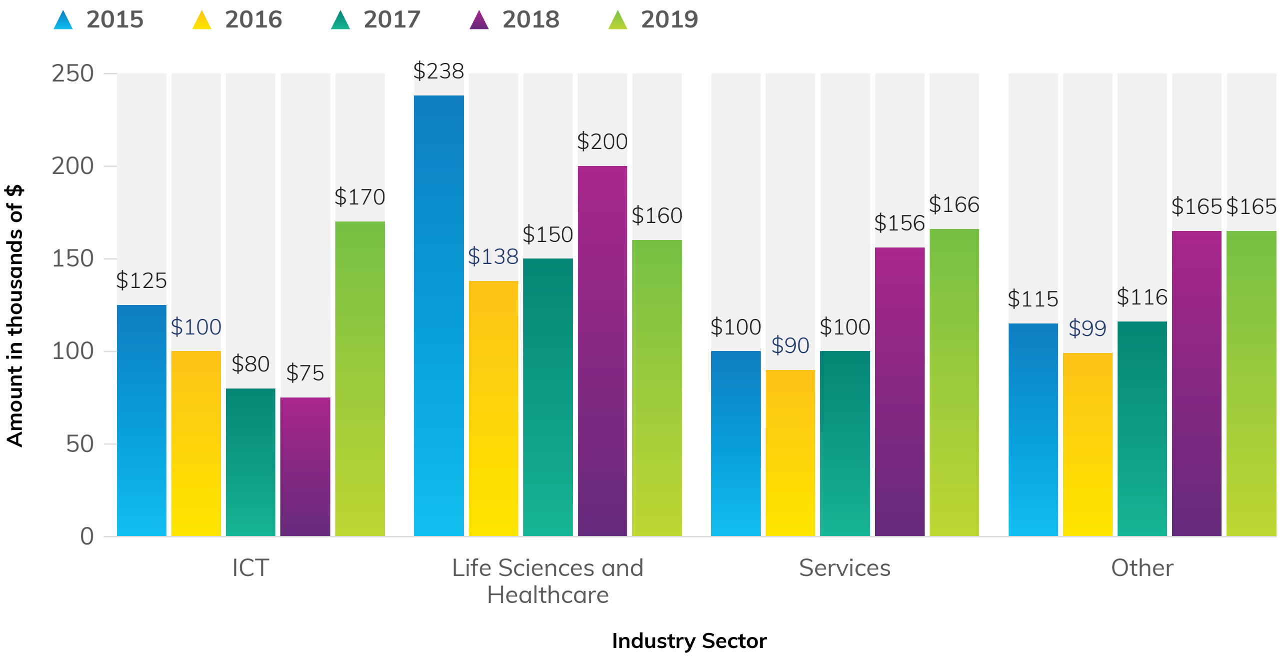
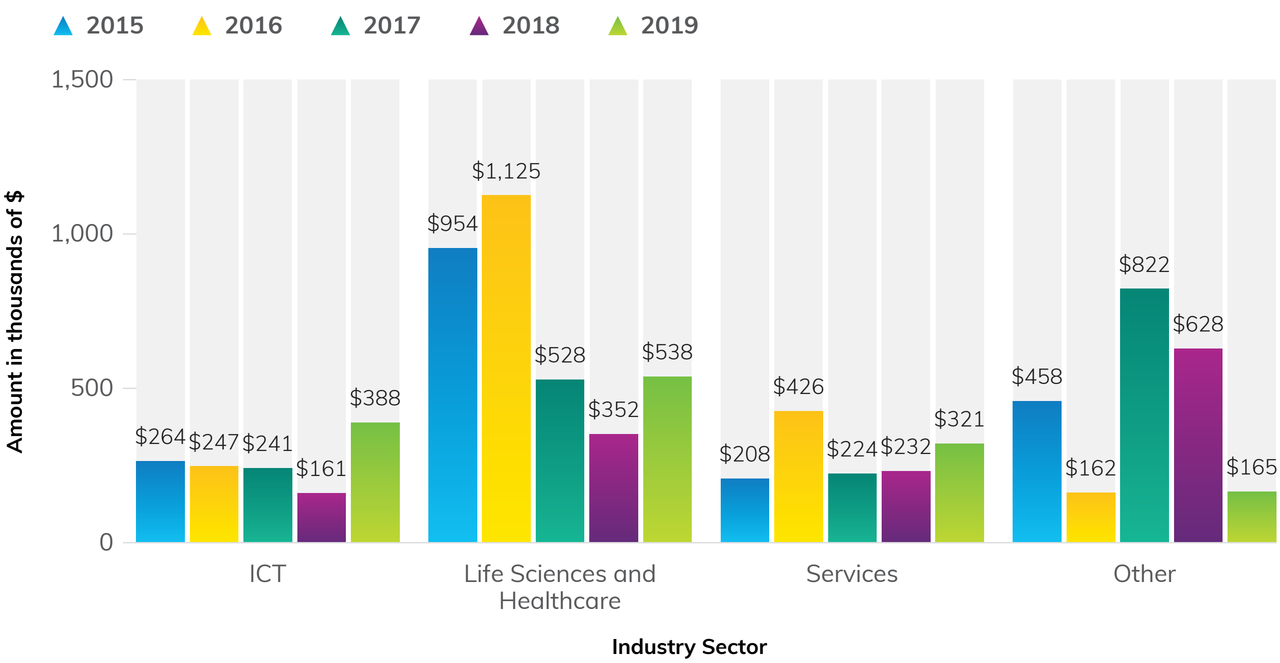


FIGURE 19-B

Average Investment Size by Industry - Mean

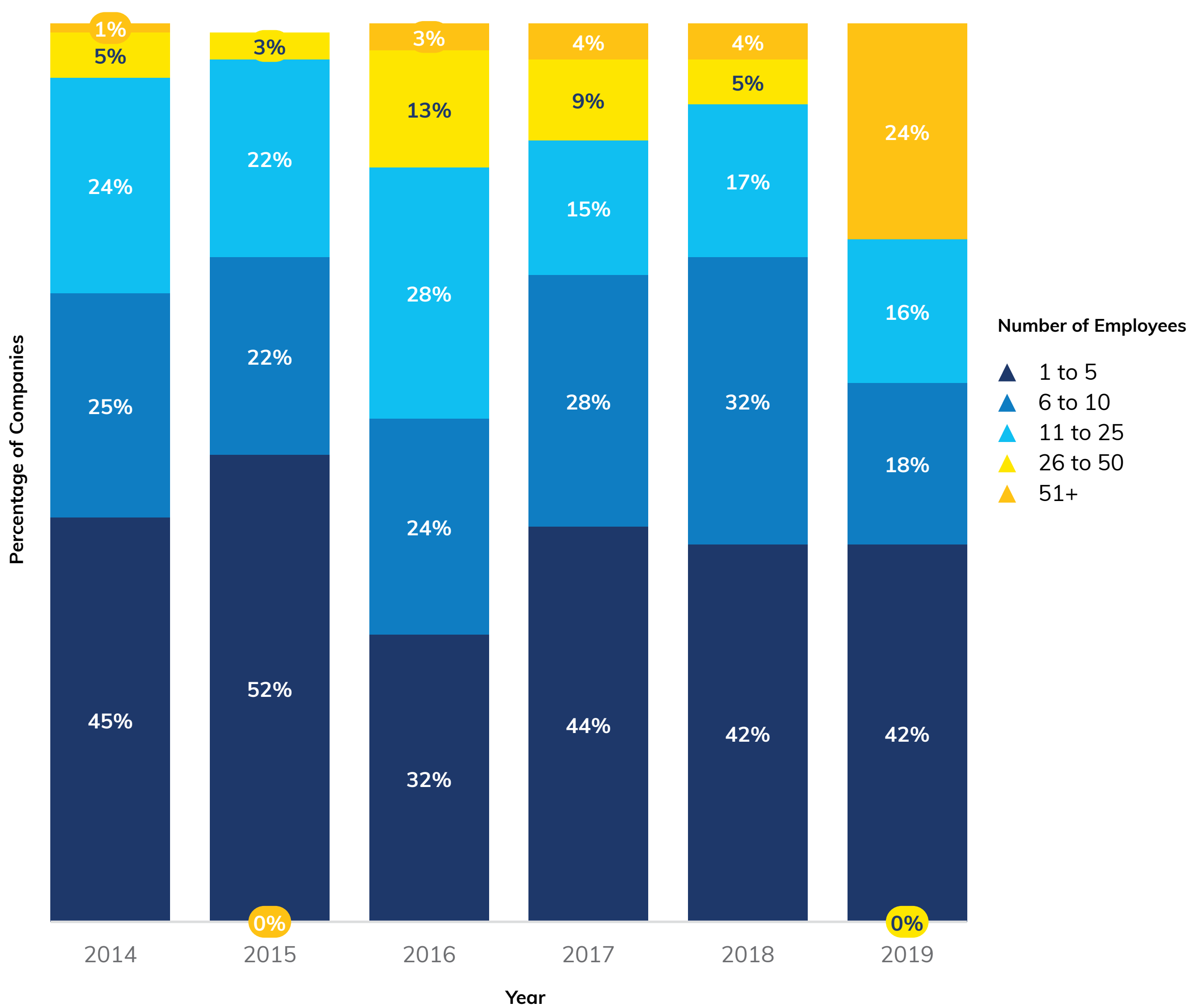


3.7 Investment Characteristics – Company Size

Angel groups predominantly invest in small businesses with growth potential, mostly those with 1–5 or 6–10 employees at the time of the investment, accounting for 42% and 18% respectively of investments in 2019 (Figure 20). This concentration of investments in small companies is consistent over time. However, in contrast to previous years almost one-quarter of the investments made in 2019 were in large businesses with more than 50 employees. This highlights the role that angels play in investing early in the financing life cycle of entrepreneurial businesses, often providing the first round of external finance, as well as in businesses that are in the early stages of scaling-up.

FIGURE 20

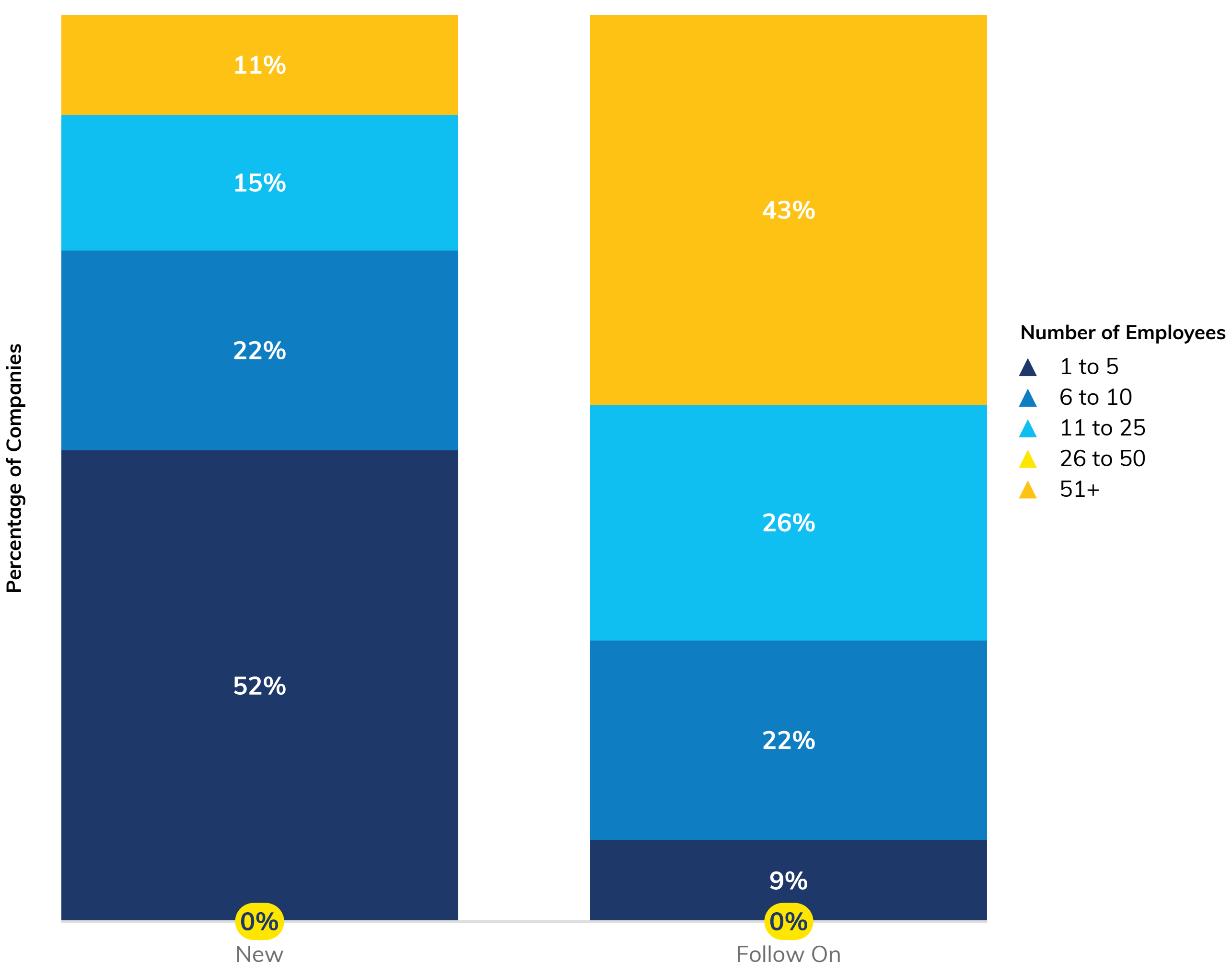
Firm Size at Time of Investment



Investments in larger businesses were more likely to be follow-on investments. As Figure 21 shows, over half (52%) of all new investments were in businesses with 1-5 employees (and 74% with 10 or fewer employees), with just a handful of investments in businesses with more than 25 employees. This compared with just 9% of follow-on investments in businesses with 1-5 employees (31% with 10 or fewer employees). Follow-on investments were concentrated in larger companies, with 43% of such investments in businesses with more than 50 employees. This serves to further emphasize the role of angel investors in financing companies that scale.

FIGURE 21

Firm Size at Time of Investment: New vs Follow On investments



3.8 Investment Characteristics – Region

Angel investment activity continues to be distributed unevenly across Canada. Central Canada (Ontario and Quebec) accounted for 86% of investments compared with 13% in Western Canada (Figure 22A) and 1% in Atlantic Canada. Central Canada is even greater in terms of the amount invested, accounting for 94% of the total (Figure 22B). We have seen some improvement in Western Canada with an increase in the number of investments from 11% in 2018. While Atlantic Canada declined from 3% in 2018, the emerging state of the ecosystem may explain this variation.

The number of investments made in Central Canada in 2018 remained the same in 2019 at 86%.

There are also regional differences in the proportion of new and follow-on investments. In Central Canada, 62% of investment dollars were new, compared with 64% in Western Canada, and 96% in Atlantic Canada. When calculated on a per capita basis, the uneven distribution of investments persists and Central Canada 's dominant position is confirmed (Table 7).

FIGURE 22-A

Regional Distribution of Investments - Number of Investments

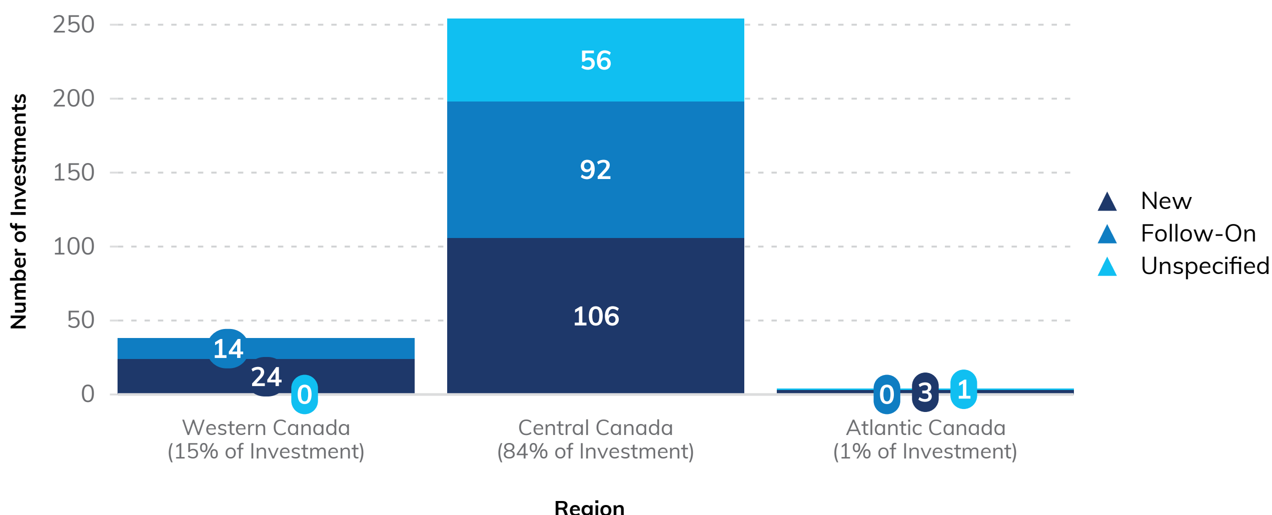
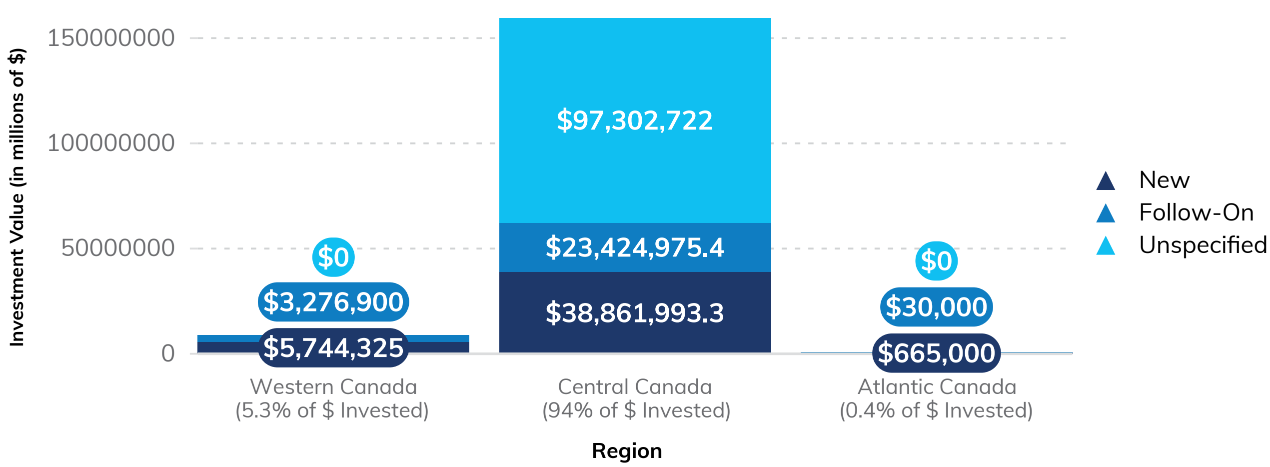


FIGURE 22-B

Regional Distribution of Investments - Amount Invested



Central Canada's dominance is a function not just of its greater number of investments but also on account of its higher mean size of investment which is consistently larger than in other regions ($628,000 compared with $237,000 in the West and $174,000 in Atlantic Canada).

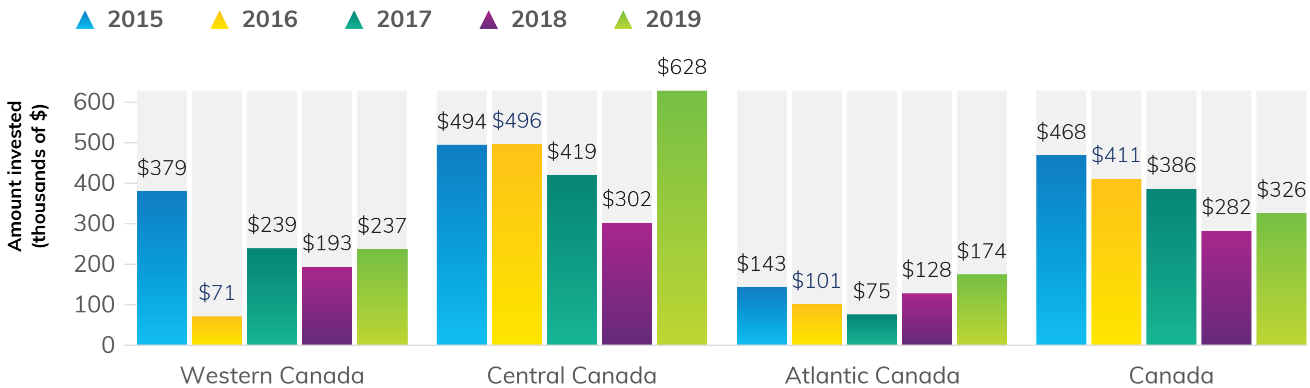
TABLE 7

Regional Breakdown of Investments Per Million Population

Region	Number of investments (per pop. million)	Amount Invested ($ million)
Western Canada	3.42	0.81
Central Canada	11.76	7.39
Atlantic Canada	1.74	0.30
Canada	8.41	8.50

FIGURE 23

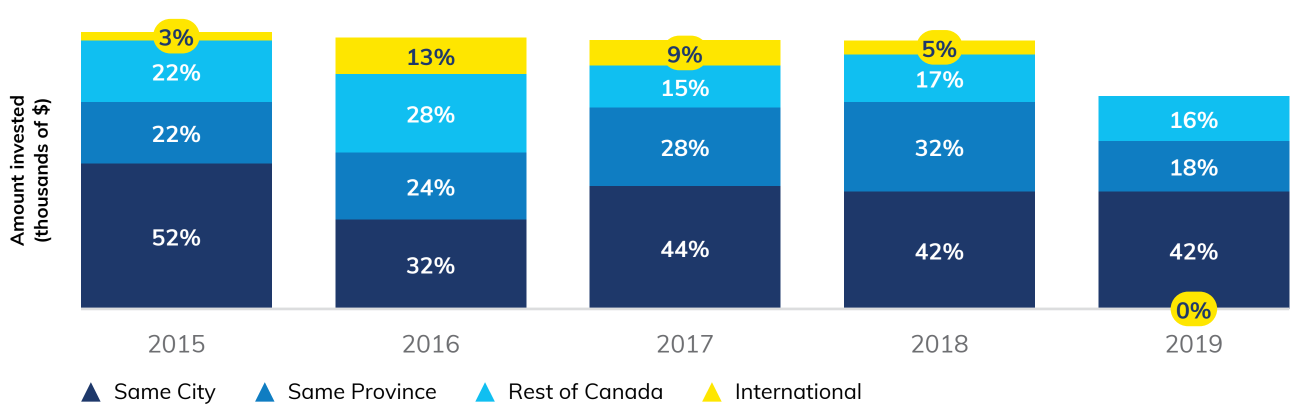
Mean Size of Investment By Region



Angel investment continues to be largely local and regional (Figure 24). In 2019, 14% of investments were in the same city as the angel group was based and a further 52% were in the same province. However, comparison with previous years indicates that this feature of angel investing is weakening, with a steady decline in within-province investments year-on-year and a large increase in inter-provincial investments which accounted for 30% of total investments in 2019. International investments continue to be fairly insignificant (4%), which accounted for 30% of total investments in 2019.

FIGURE 24

Distance of Investee Companies From Angel Group Location



4. The Investment Environment

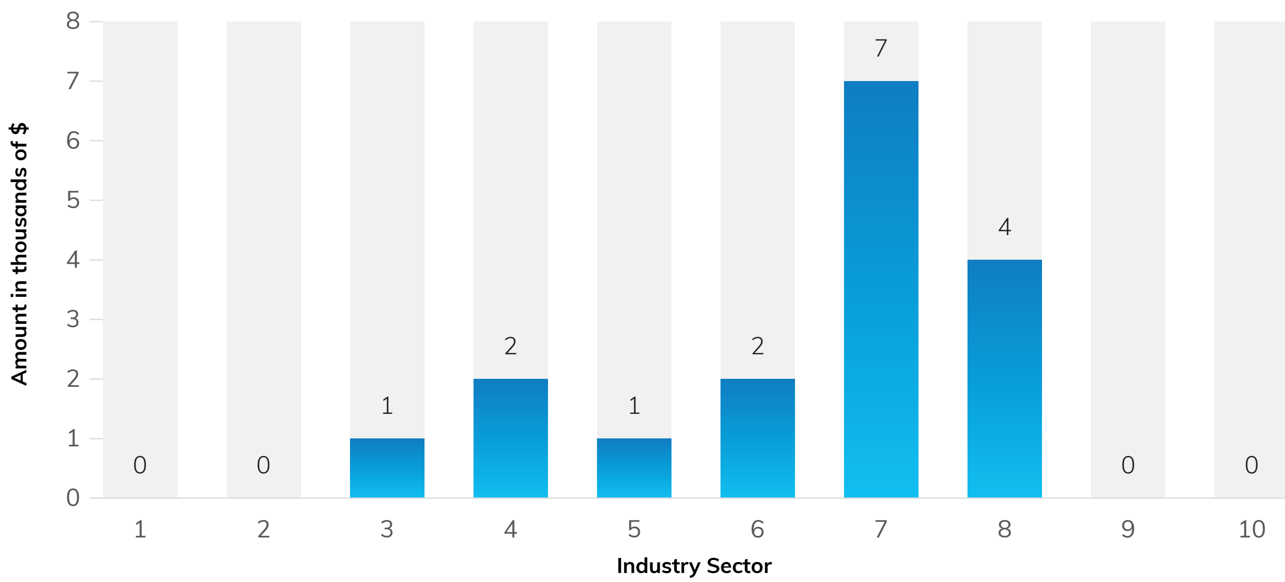
4.1 The Investment Climate For Angel Investing In 2019

Group managers were asked to rate the current climate in Canada for angel investing on a scale of 1 (very poor) to 10 (excellent) (Figure 25). Scores range from 3 to 8. The median score is 7.0, the same as in the previous four years.

The mean score is 6.4 which is lower than in the previous three years (2018 = 7.0). The lower mean score reflects fewer groups giving scores of 8 and above compared with previous years.

FIGURE 25

Rating of the Investment Climate in 2019



Drilling down into the 2019 data reveals some variation in responses:

- Groups based in Western Canada have the highest median score (7), slightly higher than that of Central Canada (6). Consistent with previous years, Groups in Atlantic Canada gave a much lower rating for the investment climate (4).
- Bigger groups – those with more than 26-50 members and those with 51 or more members – gave higher scores, with medians of 8 and 7 respectively, compared with 3.5 for the smaller groups. The score given by the smallest groups (fewer than 25 members) (3.5) is considerably lower than in 2018.
- There was little variation in the rating of the investment climate between groups with different sector focus. All groups had median scores of between 6.5 and 7. This is consistent with previous years.

Group managers were invited to add written comments to elaborate on the scores that they gave and to comment on specific aspects of the investment environment. A variety of issues were raised but with no single theme dominating. Moreover, many of the issues that were raised were particular concerns of specific groups and related to their size and location, particularly those groups that are located outside of the major cities.

The most frequently mentioned theme was "investor fatigue" related to the extended length of time for the return of capital, which could be seven to ten years or longer. Some groups raised a broader concern about a lack of new investors and hence new capital. Second, were concerns about the quality of deal flow. As discussed earlier, there was a significant decline in the number of entrepreneurs that graduated to the second stage of the investment process (presenting to the broader angel group membership). One respondent observed that "the volume of deal flow does not translate into high quality deals. This presents a big drain on very limited resources to scan and screen companies." Another group interpreted this problem as arising from a lack of investment readiness amongst entrepreneurs seeking angel investment.

THIS GROUP ELABORATED THE PROBLEM AS FOLLOWS:

"The biggest issue now is that despite running educational workshops for entrepreneurs, companies don't have their data room ready and don't realize the importance of having that part organized. Also many are naïve about what it takes to get an investor on board and very often abuse the help offered (and expect potential investors to actually take on the work of organizing the data room).

We have seen quite a few companies offering a very interesting proposition and generating investor interest only to blow it all up when it came to the stage of actually providing the right documentation for due diligence."

However, concerns about deal flow were not unanimous, with one group (located in Ontario) stating that "there is an abundance of quality deal flow".

Several groups raised the broader concern about their lack of resources – and hence personnel – which hindered their ability to recruit new angel investors, provide services to members and support the due diligence and post-investment management of their portfolios. The lack of resources to provide formal support for the due diligence process was a particular concern of several groups. One group raised a concern about the regulatory/compliance requirements that are essential to be able to make investments and meet all required criteria for investors but which take time to develop the necessary expertise and require increased back office capability and resources. These concerns have been raised on a regular basis.

4.2 Government Initiatives: What Angel Groups Need

Several groups argued that in view of the critical role of angel investment in supporting early stage high risk ventures, governments should consider providing ongoing, multi-year financial commitments to projects administered by angel groups, particularly not-for-profit organizations. The point was made that there are significant incremental costs associated with mobilizing angel activity; however, most angel groups are operating with severely constrained financial resources. Therefore, not-for-profit organizations in particular, have to rely on volunteers who only have a limited amount of bandwidth and/or expertise to deliver needed services. The leaders of one group contrasted their resource-constrained situation which necessitates that they "work for a very low hourly rate" (and have committed personal funds, and hence taken on financial risk, to roll-out an expansion of the group) with "well-funded, over staffed entrepreneur focused support organizations" that they work with. Additionally, some groups had experienced cuts in existing funding which covered as much as one-third of the operational budgets for some of the smaller member groups. And because "there was no warning that this funding would be cut off, they are scrambling now to try to replace those funds." One group conceded that "most groups have been undercharging [angels] for membership." However, raising membership might discourage angels from joining groups, thereby exacerbating their financial difficulties. Emerging, smaller not-for-profit angel groups are particularly vulnerable to cuts to their funding. Larger angel groups are more able to stay afloat on account of their sizeable memberships and support from corporate sponsors.

It was further suggested by one group that some of the costs that angel groups incur in appraising companies that approach them for funding could be reduced or eliminated by the creation of a national initiative, modelled on the Social Innovation Academy, that supports analysts who would work with angel groups to undertake the analysis of companies seeking finance and have proceeded beyond the initial screening stage and put together due diligence documentation.

Beyond providing funding to contribute to supporting the running costs there was, once again, support for tax incentives to stimulate more angel investment in recognition of its illiquid and high-risk nature. Atlantic Canada respondents emphasized that tax incentives should be regional rather than provincial. There were also calls for a federal tax incentive to complement provincial programs. The value of non-dilutive support provided by federal and provincial governments, notably the National Research Council (NRC) of Canada Industrial Research Assistance Program (IRAP) was also highlighted as enabling companies at the pre-revenue stage to prepare for angel investment.

5. Conclusion

This report is being published at a time when the Canadian economy, along with the rest of the global economy, is starting to emerge from months of lockdown in response to the COVID-19 pandemic. This report – the 10th annual report on angel investment activity in Canada – once again highlights the critical role of angel investors in financing activity at the start of the entrepreneurial pipeline. Many of Canada's most successful entrepreneurs were initially supported by angel funding and mentorship before going on to raise further funding from venture capital.

CONCLUSION

5.1 Summary

This is the 10th annual report on angel investment activity in Canada, reporting on investments by angel groups. It underlines once again the maturing of Canada's angel landscape. More than 60% of the angel groups are five or more years old, while nearly one-third are ten or more years old. The size of angel groups in terms of number of members has increased. There is a growing number of larger groups with more than 100 members. Women comprise 17% of the members of angel groups, the same proportion as in 2018. This proportion is in line with international comparisons.

For the second year running, there was a decline in the number of entrepreneurs approaching angel groups. In turn, groups only invest in a small proportion of the companies that approach them. In 2019 this figure was 2.4% for angel capital, compared to a 0.05 to 1% conversion rate in traditional venture capital funds. The proportion of entrepreneurs successfully converting an investment pitch into a successful fundraise has decreased significantly as compared to 2018 (6.4%). Nonetheless, an entrepreneur's chance of success with angels is still considerable relative to venture capital.

Angel groups that responded to the request for information made 299 investments in 2019, investing a total of $163.9 million. This is the highest recorded annual amount invested, up 14.8% on the 2018 figure and marginally exceeded the previous record amount in 2017. However, the number of investments was significantly lower than in the previous three years. This reflects a significant increase in the mean size of investment (reflecting one very large investment) but a decline in the median size of investment compared with the two previous years. There has also been a decrease in the average number of investments made by groups. Investments are primarily in tech, notably ICT and Life Sciences and Healthcare. The majority of investments are in businesses with less than 10 employees, emphasizing the role of angels in financing emerging businesses. Investments continue to be concentrated in Central Canada, reflecting the concentration of angel groups in this region. The majority of investments involve investors investing in businesses that are located in the same province in which they live. However, the proportion of cross-provincial investments is the highest ever recorded.

The report also emphasizes the role that angel investors play through angel groups in financing the early scale up of their investee companies. The membership base of angel groups provides the financial resources to enable them to make follow-on investments. In 2019, 45% of investments were follow-on, an increase from previous years. Follow-on investments accounted for 38% of the total amount invested. The growing significance of follow-on investments reflects the maturing of angel groups. As groups get older, they tend to allocate more of their investment to companies in their existing portfolio rather than to new businesses.

Angel groups were fairly positive about the investment environment in Canada in 2019. The ratings that they give to the investment climate has been consistent over the past four years (median of 7 on a scale from 1 (poor) to 10 (excellent). The most frequently voiced concerns related to investor fatigue, which is in turn attributed to the lack of liquidity events, the poor quality of deal flow, reflecting a lack of investment readiness amongst entrepreneurs that approach angel groups, and a lack of incremental resources to support their members with due diligence and post-investment management support of their portfolio companies.

5.2 Early Evidence on the Impact of the COVID-19 Pandemic on Canadian Angel Groups

It is vital that angel investors continue to invest. Entrepreneurs who start and scale-up innovative companies will be a vital component of Canada's economic recovery. Entrepreneurs will develop solutions to the problems that COVID-19 has created for government, businesses and consumers, and enable them to adjust to the 'new normal'. The Introductory chapter suggested a likely scenario of a decline in angel investing, a focus on supporting their existing portfolios, a scaling back on new investments and a focus of any new investments on COVID-19 related opportunities. The responses from groups (made in March 2020) suggests that there is early evidence to confirm that these outcomes are occurring.

"Covid-19 is impacting investors' interest in investing in new companies, unless they can clearly address specific concerns. Most investors seem to be focused on supporting their current portfolio companies. However, on a positive note, the general reduction in available capital will cause a reduction in valuation and offer investment opportunities at more appealing valuations."

"COVID concerns, with a serious drop in the market, many angels have lost liquidity. Many startups themselves are also at risk of running out of cash given their clientele. There are many more ripple effects that are yet to have been felt. Our deal flow has been good of late, as well as our group engagement, but both are up in the air with COVID. We have not had some liquidity within the group in some time, but we continue to attract new angels. Better support for due diligence would also be helpful."

There was also a concern that some groups may not have the resources to continue which, in turn, would significantly weaken the entrepreneurial ecosystem.

"With Covid-19, there is a very real fear that groups will not be able to increase membership dues and sponsorship funds enough to create a viable and sustainable business plan. The benefit of angel groups is that we support the needs of the angels to facilitate investment. Without the groups, angels will be individuals. This will make it harder for entrepreneurs to find the funds. And there will be fewer resources for angels to screen companies, and review business plans, do due diligence, and compare experiences."

The likely decline in angel investing which is suggested by these comments threatens to undermine Canada's entrepreneurial base.

"COVID-19 is a momentum and capacity building killer. It's especially disheartening to the Canadian startup community which has been scaling-up and capturing global attention, attracting capital and talent, investing in new resources and infrastructure, and building national confidence and pride. For some startups, the pandemic may expedite the growth of their business but for most it will be a disaster. As it stands, in a few short months we are at risk of losing an entire generation of early-stage companies who are too small to attract institutional venture capital, and whose survival cannot depend on the pocketbooks of friends, families and angel investors."

These concerns are shared across Canada's entrepreneurial ecosystem. For example, speaking in mid-April, MaRS CEO Yung Wu suggested there are "days, not weeks and months" to preserve the innovation sector."[12]

[12] *Mars' Yung Wu: "We have days, not weeks and months" to preserve innovation sector"*, Betakit, 17th April 2020. https://betakit.com/mars-yung-wu-we-have-days-not-weeks-and-months-to-preserve-innovation-sector/

CONCLUSION

5.3 Recommendations to Policymakers

This 'view from the trenches' cannot be ignored: rapid action is required. The angel investor community plays a vital role in the entrepreneurial ecosystem, supporting start-up companies with funds and business support. If there is a significant decline in angel investing, especially a decline in new investments, the entrepreneurial ecosystem will potentially start to unravel, compromising Canada's economic recovery that, by reducing the pipeline of future tech startups and scale-ups, will have longer lasting effects.

A coordinated policy and programming response to support and stimulate angel investing is therefore essential. As Canada moves into economic recovery, the areas this report identifies for government consideration are similar to those found in previous years, but with greater urgency.

NACO's Entrepreneurship Capital Action Plan consultation document proposes the following measures.[13]

Co-investment initiatives – to leverage angel investment and enable their investment funds to go further.

Tax incentives - reducing angel risk in order to expand the amount of finance invested.

Securities regime exemptions – to extend the pool of potential angel investors.

Angel group support - to enable them to support their investors to make investments and enable entrepreneurs seeking finance to become 'investment ready'.

NACO is developing an Entrepreneurship Capital Access plan that will provide further detail on these recommendations, and build on the findings of this report, and consultations with various stakeholders.[13]

It would be alarming if next year's Report on Investment Activity reveals a sharp decline in angel investment, as it would be a likely signal that entrepreneurial activity has also fallen. Such a development would have long-term negative impacts for the Canadian economy. Moreover, these impacts will be felt unequally across regions and demographics, widening geographical disparities in economic and social progress.

[13] NACO (2020) *Entrepreneurial Capital Action Plan: National Policy Consultation on Sustaining Canada's Innovation Economy.* https://builtbyangels.com/consultation

Participating Angel Members

Angel Forum

Since 1997, the Angel Forum - Vancouver has successfully introduced emerging companies to private equity investors at its semi-annual forum. Presenting companies have raised well over $35 million directly through our forum and a multiple of that through our network. At the same time, we offer workshops to both entrepreneurs and investors, and socials in our “home pub” after.

We have access to and work closely with Angels from all over British Columbia and the US. We collaborate with local organizations and are part of Canada’s National Angel Capital Organization and the Angel Capital Association in the US. Our private meetings are exclusive for pre-registered member investors and a select group of companies and event sponsors.

Angel One Network

Angel One Network is a Burlington-based, not-for-profit organization with investor members from southern Ontario who invest in early-stage and growth ICT, health care, and clean tech companies; with a dash of breweries and wineries on the side. New members are always welcome.

Angel One members are risk takers and deal makers passionately involved in the start-up and early-stage ecosystem. They are entrepreneurial at heart and are a diverse and vastly experienced group of accredited investors who are interested in funding innovation and building the Canadian economy one deal at a time.

Since the first investment in December 2011, Angel One members have made 125 investment rounds of $28.5 million into 74 companies.

Our members say it best, “Angel One Network supports investors with the whole process of investing, presenting deals, due diligence and closing support, together with portfolio management. It is a complete service at a very high level.” – Juan Gonzalez, corporate member since 2018.

Anges Quebec

Founded in 2008, Anges Québec is the largest group of Angel investors in Canada whose mission is to invest capital and expertise in innovative Québec-based companies with high-growth potential as well as in the real estate sector. To date, the members of Anges Québec have invested more than $80 million in the Québec economy, totalling more than 210 investments in over 115 innovative companies. To support its members in the constant acquisition of new investment-related knowledge and skills, Anges Québec created a Professional Development Centre, which offers dozens of interactive workshops every year.

Anges Québec Capital

Founded in 2012, Anges Québec Capital is an investment fund of $86M, sponsored by Investissement Québec, through its own funds and as an agent of the Government of Quebec, the Caisse de dépôt et placement du Québec (CDPQ), the Fonds of Solidarité FTQ and members of Anges Québec. Its mission is to support the 250 members of Anges Québec in their investments. To date, Anges Québec Capital has invested nearly $ 48 million in 53 innovative companies, totaling more than 100 transactions.

The joint effort of the angels and the sponsors therefore results in more than $ 86 million made available to innovative Québec entrepreneurs, allowing them to benefit from substantial financial leverage in order to significantly increase the development of their business.

Since the fund is responsible for the financial support of Anges Québec members in their investments, only entrepreneurs funded by a minimum of four Anges Quebec members are eligible for an investment from Anges Québec Capital.

BCF Ventures

A pioneer in the Canadian investment scene and one of the first corporate venture capital funds to be launched by a law firm. Launched on June 1st, 2018, BCF Business Law's partners pooled their resources to establish BCF Ventures. The fund benefits from the expertise, resources and insights of the law firm and invests jointly with other successful funds across North America and Europe. BCF Ventures invests at the seed and series A stage of technology-based startups, moostly in Canada, the United States and opportunistically in Israel, China, and Western Europe. BCF Ventures is also a designated organization authorized by the Government of Canada to invest and support potential startups under the Start-Up Visa Program.

BizField Angel Network

We are a business consulting firm headquartered in Vancouver, Canada, offering both entrepreneurship, investment, and going-public consulting services. We are committed to helping quality North American projects enter the Chinese market. We assist with incubating, financing, and getting high-potential Chinese companies listed in Canada. We support Angel investor members in Canada and China to make effective decisions, build an international investment circle, and enhance economic cooperation. We are a one-stop service provider for entrepreneurship, IPOs, and investment between Canada and China.

Brightspark Ventures

Brightspark is one of Canada's top-performing venture capital firms, actively investing in exceptional entrepreneurs since 1999. We provide growth capital and expertise to disruptive, market-transforming Canadian tech companies in seed to growth stages. Since inception, Brightspark has invested across traditional VC funds, and more recently under a model open to non-institutional investors.

Canadian International Angel Investors

CIAI is a Canadian company that helps early stage technology companies move to Canada and assists key members of those companies to immigrate to Canada.

CIAI and its angel investors provide financing, management expertise, and networking opportunities to early stage enterprises as they establish themselves in Canada.

Capital Angel Network

Founded in 2009, the Capital Angel Network (CAN) has been investing in start-ups in the National Capital Region for almost a decade. Since it's inception, CAN members have invested over $24 million into over 80 early-stage companies. This funding has also leveraged over $120 million in additional investment through government grants, syndication with other Angel groups, and venture capital. The portfolio has now seen eight exits that provided a positive return for investors. In 2018, CAN made 16 new and 12 follow-on investments totalling more than $4 million in investment.

Capital Investment Network

Our vision is to enhance the deployment of smart capital from and in the region, improve access to investment opportunities and facilitate the flow of capital to great businesses.

Our team includes founders with successful exits, high impact angel investors, business leaders, and all have a passion for developing Victoria's investment community.

Cross Border Angels and Experts

CBA Startup Ecosystem (CBA) has built an ecosystem for startups to meet with investors, corporates and other stakeholders through its global network, online portal and by organizing 130+ physical and virtual events over the past years.

CBA understands that innovation is happening everywhere. However, startups need right handholding to make their startup Investible & Exitable. CBA is passionate about finding the right stakeholders to meet with startups, which can make their company smarter and grow faster.

One of the key focus for startups is Revenue Generation & hence CBA is focused on creating value by generating various revenue opportunities for startups as a part of its programs. These could be inorganic access through channels or partners, organic access to direct customers or through Market Access Programs such as India Market Access.

CBA belongs to a group of companies which has been involved in global businesses for more than 40 years. The Group is led by Kaushal Chokshi, a serial Entrepreneur and investor, who has established and managed businesses in Asia, Europe, Middle East and North America.

East Valley

East Valley is a start-up accelerator and Angel investor group born out of Mariner in 2011. We invest our time, expertise, and money in helping ICT start-ups get off the ground.

We believe that the companies we foster today will be tomorrow's titans. We invest in ICT because it offers such enormous growth potential for both individual investors and the economy as a whole.

East Valley is working to create a vibrant tech sector here at home that will help Atlantic Canada prosper as we move into the future.

iGan Partners

Our purpose is to be a catalyst for change in healthcare by helping dynamic entrepreneurs with proven healthcare technologies to succeed and grow. We invest in healthcare because it's where we think we can have the greatest impact on the world. We believe that despite remarkable progress (e.g., vaccines, imaging, diagnostics, EMRs, minimally invasive surgery etc), we continue to face major challenges in healthcare on a global basis.

We believe that Technology, Data, Analytics & Connectivity are central to improving the accuracy, efficiency, quality and affordability of care – these are the 'pick & shovels' of health systems transformation.

Island Capital Partners

Island Capital Partners (ICP) is a Venture Capital investment fund, established in 2017 and aimed at investing in high growth potential, early stage Prince Edward Island Start-Up companies. The strong entrepreneurial ecosystem within the Start-Up industry presents PEI with a tremendous economic growth opportunity and a means for attracting and retaining talent, particularly with immigrant and recent graduates. Availability of risk capital is a critical factor in an entrepreneurial ecosystem and in developing a culture which creates and supports startups with long term growth potential. Island Capital Partners leverages both private and public funds and, most importantly, is also actively involved in mentoring and advising companies in which it invests.

Keiretsu Forum

Keiretsu Forum is a global investment community of accredited private equity angel investors, venture capitalists and corporate/institutional investors. Keiretsu Forum was founded in the San Francisco East Bay in California in 2000 by Randy Williams. Keiretsu Forum is a worldwide network of capital, resources and deal flow with 52 chapters on 3 continents. Keiretsu Forum members invest in high-quality, diverse investment opportunities. The community is strengthened through its involvement in social and charitable activities.

Keiretsu Forum membership is comprised of serious investors, business leaders, venture capitalists, corporate/institutional investors and serial entrepreneurs. Keiretsu Forum enjoys synergies and close relationships with venture capital firms, universities, and other partner organizations. These relationships facilitate the access to capital, talent, technology, and resources needed to build a successful venture.

Maple Leaf Angels

Established in 2007, Maple Leaf Angels (MLA) is a Toronto-based membership organization of high-net-worth individuals who invest in seed and early-stage technology companies.

Our mandate is to connect accredited investors and the brightest, most passionate entrepreneurs in a streamlined process. While investments are made individually, MLA members enjoy the benefit of best practices and the collective knowledge. To date, our members have invested more than $30 million in 55+ companies and have participated in 14 successful exits.

Maple Leaf Angels Capital Corporation (MLACC), a subsidiary of MLA, is the general partner for Maple Leaf Angels 48 Fund Limited Partnership (MLA48), a limited partnership comprising several MLA members who want to invest collectively in seed and early-stage companies. After successfully investing MLA48 Fund I and II, the partnership once again turns to its members and aims to close a third fund, MLA48 Fund III LP. MLA48 Fund III will consider investing up to $150,000 per company (with follow-on reserve) in great, early-stage start-ups.

Investment decisions will be made in 48 hours from the time of formal Investment Committee pitch. Collectively, our members look to invest between $250,000 and $1 million in each opportunity.

Niagara Angel Network

The Niagara Angel Network (NAN) launched in November 2010 with the aim of filling the financing gap in the Niagara Region. NAN is a member-based, not-for-profit corporation, professionally managed, and dedicated to giving accredited investors exposure to high-quality investment opportunities.

Since it was created, NAN has invested $13 million in over 30 innovative companies. The goal of NAN is to build the capacity of the Angel group to finance early-stage ventures in Niagara and throughout southern Ontario.

In keeping with NAN's commitment to growing a strong ecosystem in Niagara, we are committed to leveraging our financial resources, knowledge, and experience to build the next generation of businesses. For more information, visit www.niagaraangels.com

Northern Ontario Angels

NOA co-hosts PITCH Sessions with the Regional Innovation Centres. Events are posted on the NOA website. www.northernontarioangels.ca. NOA Consultants are on the ground covering Sudbury, Timmins & Kapuskasing, North Bay, Sault Ste. Marie, Thunder Bay, and Kenora. "Angel investing plays an important role in economic development. With its partners, NOA is recognized by the National Angel Capital Organization (nacocanada.com) as one of the top Angel investment groups in Canada. Whether you are an active or potential Angel, an aspiring entrepreneur, or simply interested in strengthening the business community, come out to one of our PITCH Sessions." Chris Winrow, Chairman, NOA Board of Directors.

Panache Ventures

Panache Ventures is Canada's most active seed stage venture capital fund, and is led by a team of experienced operators, with a strong angel investor track record, years of institutional VC experience and a strong network in Canada, in Silicon Valley and worldwide. The fund has a founders-first philosophy, a commitment to diversity and strategically co-invests with smart angel investors and seed stage funds.

Peterborough Angels

The Peterborough Region Angel Network (PRAN) brings together individual investors from the Peterborough area. Peterborough Angels combine their wealth of knowledge and experience to collaborate and invest in early stage growth companies. Our particular areas of focus for investment include: information & communication technology (ICT), medical technology, green technology (cleantech), biotechnology and life-sciences. The Peterborough Region Angel Network (PRAN) brings together individual investors from the Peterborough area.

Southeastern Ontario Angel Network

The Southeastern Ontario Angel Network (SOAN) has been created to facilitate the mobilization of investments from accredited investors into companies being developed in southeastern Ontario. This Network is closely associated with our regional innovation centre, local economic development agencies, research institutions, the Ontario Network of Entrepreneurs and other recognized angel networks in Ontario, Canada and the US. The Southeastern Ontario Angel Network is a not-for-profit corporation, recognized by and registered with Angel Investors Ontario.

Southwestern Ontario Angel Group

SWO Angels is an Angel group based in London, ON. We are an active partner in an alliance with GTAN and Angel One – together our members are over 200 accredited investors. In 10 years, to the end of 2018, SWO Angels members have invested more than $21 million in 36 companies, which leveraged over $39 million more from other investors.

Spark Angels

Spark Angel Network is a group of individual investors whose aim is to build economic growth and sustainability within the Durham and Northumberland regions. As successful individuals, the members have come together to provide private equity investment to early-stage innovative and scalable businesses. Since 2012, Spark Angel Network has invested a total of over $10.5 million in 66 companies throughout the GTA. It has grown its membership to 47 accredited and associate members. Spark continues to focus on two stages of company development: pre-revenue and post-revenue. These opportunities typically have an investment need from $25,000 to $500,000. Spark continues to develop and strengthen the entrepreneur ecosystem in Durham and Northumberland.
www.sparkangels.ca

Valhalla Angels

Valhalla Angels is a community of Canada's top Angel investors. We have formed a diligent screening process to ensure that you see only the best deals at our forum. We provide constructive guidance to all start-ups that apply and to those that pitch to our members, as we wish to see our innovative communities grow and succeed. In addition, membership provides an excellent networking opportunity with other like-minded investors as well as education and support for those new to Angel investing.

VANTEC

Since 1999 we have been hosting monthly angel investment meetings where 8-12 early stage companies present their business and investment opportunity to an audience of angel investors. We are often the first investor community where startups pitch. We offer entrepreneurs a 90 second preview pitch and the chance to give a full presentation based on investor interest. We introduce all investment opportunity pitches to our network of angel investors across BC and the Pacific Northwest in our free monthly angel investing newsletter.

Windsor Essex Capital Angel Network

The Windsor Essex Capital Angel Network (WECAN) provides its investor group members with opportunities to increase their exposure to quality, investment-ready companies, and the ability to expand their network with like-minded investors. WECAN investors are successful entrepreneurs, business professionals and high net worth individuals who are seeking opportunities to invest in companies in which they can take an active interest.

Most WECAN members are active angel investors – they mentor the companies in which they invest by contributing time and experience as well as offering introductions to valuable contacts. They deploy their cumulative experiences and investment capital to help the next generation of entrepreneurs become successful.

York Angel Investors

York Angel Investors Inc.'s focus is to create a superior return on investment for our Angels and for the entrepreneurs with whom we work. YAI Angels come from a wide variety of business backgrounds.

As successful entrepreneurs and business people, we pool our collective knowledge, experience, connections, and capital to invest in excellent Angel opportunities. The diversity of our group ensures our investees receive SMART money: money with experience and connections. Our collaborative mentorship approach and strategic financing support entrepreneurs through various stages of early growth. Our investments often represent the bridge between the self-financed or seed stage and the venture capital and/or private equity level of funding.

During the past 11 years, YAI has been involved in more than 188 deals, invested over $25.8 million, and has grown to more than 130 members. York Angels is pleased to be the second-largest membership-based group in Canada, and proud to be the #1 for 2018 & in the top 5 for deal flow the last four years.

This report is produced by the National Angel Capital Organization (NACO).

Over 20 years, NACO has emerged as the bedrock of Canada's entrepreneurial and innovation economy, and Canada's national platform for regional collaboration and national connectivity. NACO mobilizes the capital and mentorship that Canadian entrepreneurs need to scale their companies. With a growing membership of over 4000 angel investors, 45 incubators and accelerators, and 44 angel groups, NACO members have pioneered the movement of increasing access to capital for Canadian entrepreneurs.

NACO
MaRS Centre, Heritage Building
101 College Street, Suite 120G
Toronto, Ontario M5G 1L7

www.nacocanada.com
www.builtbyangels.com

NACO National Angel Capital Organization