

2012 Valuation Survey of Angel Groups

This summer I conducted our third annual survey of the pre-money valuation of pre-revenue companies recently funded by angel groups in North America. Access to our 2010 and 2011 surveys can be found at [2011 Valuation Survey of North American Angel Investor Groups](#).

We received data from thirty groups of the fifty angel groups from whom we requested data. For the first time, we asked for data from specific business sectors, as follows:

- All pre-revenue deals
- Pre-revenue life Science, biotech and medical device deals
- Pre-revenue software, internet, mobile and telecom deals
- Pre-revenue energy and clean tech
- Other pre-revenue deals

We asked each group for their median (middle) pre-money valuation of pre-revenue deals. And, for purposes of this survey, companies with less than \$200,000 in current annual revenue run rate are to be considered pre-revenue.

The results of the 2012 survey are shown in the table below, with groups listed by median overall pre-revenue, pre-money valuation from the lowest to the highest. The average and median data for the entire set of data are shown at the bottom.

2012 Valuation Survey						
(pre-money valuation in US\$ millions)						
Organization	Overall	Life Science	Software	Clean Tech	Other	
Alliance of Angels (Seattle)	0.80		0.80			
BELLE Capital (Michigan)	1.00	1.00		1.00		
Boise Angel Alliance	1.10		1.00			
Centennial (Missouri)	1.20	1.00		1.40		
First Angel Network (Halifax)	1.38		0.75			1.38
Atlanta Technology Angels	1.80		1.78			2.00
SeedStep Angels (Oklahoma)	1.80	35.00	1.78			
Queen City Angels (Cincinnati)	2.00	1.95	2.00			2.00
Robin Hood Ventures (Phila)	2.00		2.00			
Vancouver Angels	2.00	3.20	2.20	2.00		1.10
Ohio TechAngels (Columbus)	2.45	2.50	2.40			
New York Angels	2.45		2.45			
Wilmington Investor Network (NC)	2.50	2.75	2.80			
Desert Angels (Tucson)	2.60	4.50	2.50	9.80		1.10
Band of Angels (Silicon Valley)	2.75	2.50	2.75	3.00		1.00

Launchpad Angels (Boston)	2.75	3.50	2.50	3.00	
New Mexico Angels	2.80			3.00	2.80
Sierra Angels (Incline Village, NV)	2.90				
Mid-Atlantic Angel Group (Phila)	3.00	4.00	3.00		
Life Science Angels (Salt Lake City)	3.00	3.00			
Hub Angels (Boston)	3.13		3.13		
Golden Seeds (NY, Boston, CA)	3.35	3.35	3.00		
Sand Hill Angels (Silicon Valley)	3.50	3.50	4.00	3.75	
Angel Forum (Vancouver, BC)	3.59	2.74	4.16	4.40	
North Dakota (6 groups)	3.60	4.70	3.00		3.60
Tech Coast Angels (So. CA)	3.60				
Baylor Angels (Waco, TX)	4.69	4.69			
Golden Angels (Milwaukee)	5.00	3.00	5.00	8.00	
CommonAngels (Boston)	5.00				
Utah Angels (Utah County)	11.00	11.00			
Average:	2.96	5.15	2.52	3.94	1.87
Median:	2.75	3.20	2.50	3.00	1.69
Number:	30	19	21	10	8

Three groups chose to provide only the overall median valuation. Others were able to provide additional data for one or more business verticals.

The distribution of groups in the survey includes a relatively representative sampling of angel groups across the US and Canada. Three Canadian groups filed reports. And, at least two groups from each of the nine US regions defined in the Angel Resource Institute's Halo Report are included in the data above.

The median, representing the midpoint in the range, is generally thought to be more reasonable for comparison purposes, because a few very high (or perhaps low) data points tends to skew the average but have less impact on the median.

Before providing any analysis, all involved would agree that this is simply a survey and no statistical significance should be applied to this report.

Observations from this data and from communications with these angel leaders are:

1. The median valuation varied significantly from group to group, but the median of all business sectors were between \$1.69 million and \$3.2 million.
2. In this survey, the median and the average for all deals, the software/Internet/mobile/telecom deals and for deals in the "other" category were essentially the same, while the average was much higher than the median for life science and energy/clean tech deals. It is not surprising that the average is higher than the mean for the capital intensive business sectors.
3. Some group leaders report they are doing fewer pre-revenue deals than in the past. Consequently, their median data represented fewer deals.

4. The two high pre-money valuation reports for the life science deals are quite understandable. Some angel-funded life science companies remain “pre-revenue” for years and several rounds of funding, as they pursue FDA approvals.

Here are comparisons with earlier surveys and with current data collected elsewhere:

- The pre-money valuation of pre-revenue companies in the 2012 survey (median = 2.75, average = 2.96) increased significantly over the data from the survey in 2011 (average = \$2.1 million) and the 2010 survey (average = \$1.7 million). Of the 22 groups included in both the 2012 and 2011 survey, 18 reported higher valuations while only 4 reported lower valuations.
- The Halo Report for the rolling median for the 12 months proceeding June 30, 2012 showed that the median pre-money valuation for Seed Stage deals as \$2.7 million, up over \$2.5 million one quarter earlier. While a somewhat different data set, there is good agreement between the Halo Report and our survey.
- In 2011, we noted that the pre-money valuation of pre-revenue deals funded by angel groups in Silicon Valley, Boston and New York was higher than most other regions of the country. In 2012 seven of the eight groups from California, Boston and New York were above the median of all groups.
- LINC, the Scottish Angel Capital Association reports that their median pre-money valuation of all pre-revenue deals in 2011 was US\$1.0 million, clearly at the low end of the range for North America.
- The New Zealand Venture Investment Fund, collecting pre-money valuations for startup companies in 2011, is reporting that their overall pre-money valuation was US\$1.8 million, somewhat lower than the median for all North American deals. New Zealand’s life science sector startups were funded at a pre-money valuation of US\$3.25, almost identical to the North American median. Kiwi software deals were funded at a pre-money valuation of US\$1.4 million, nearly \$1 million lower than North American deals.

Summary

1. It appears from three year’s data that the pre-money valuation of pre-revenue deals funded by angel groups has increased by about 75% since 2010. Only five of the thirty groups in the 2012 survey reported pre-money valuations below the average for 2010.
2. As expected, the life Science, biotech and medical device sector and the energy and clean tech were funded at higher valuations than the software and other sectors. However, the median pre-money valuations of all sectors were in a rather narrow range.
3. Half of the groups reported overall pre-money valuations of pre-revenue companies between \$1.8 million and \$3.0 million. Five groups reported funded deals at lower median valuation while ten groups reported pre-money valuations above this range.

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