



For Entrepreneurs Angel Investing 101

Angel investors are wealthy individuals who invest in high risk, early stage ventures by reserving a portion of their total investment portfolios to provide emerging companies with seed and startup capital through direct, private investments. Their goal is to achieve higher returns than the typical public markets provide. Most angels are active investors - who contribute their time and experience, as well as offer introductions to valuable contacts essential to the company's success.

Is angel funding right for your company? Below is a check list that will help you to decide if and when you should seek an angel investment.

Management team

Is your team experienced, driven, coachable, and willing to cede some control and decision-making authority to outside investors?

Target customer

Do you have an identifiable market segment?

Is there a demonstrable and significant demand for your proposed solution?

Market size

Is the projected spending in your product category large and growing?

Can this be a \$100 million market?

Competition

Have you identified potential competitors?

Do you understand your company's differentiation points?

Will true barriers to entry help your company to maintain a competitive advantage?

Technology

Have you proven the concept behind your product or technology?

Can this be confirmed with data or by objective experts?

Have you built a comprehensive business plan to commercialize the technology?

Protected intellectual property

Have you protected your intellectual property?

Have you performed an exhaustive search to be sure that you are not infringing on patents or trademarks held by others?

Sales strategy

Do you have a plan to achieve widespread market penetration for your products and services?

How will you do this as efficiently as possible?

Will you create an internal, direct sales team, or will you rely on external channel partners?

Profit potential

Can you demonstrate how high margins (+15%) and consistent cash flow growth will be achieved?

Capital needs

Do you require between \$50,000 to \$500,000 to finance growth activities, including product development, recruiting key staff, launching sales and marketing activity?

Financial projections

Have you developed reasonable financial projections - including an income statement, cash flow and balance sheet and supporting spreadsheets - based on logical, realistic assumptions?

Exit strategy

Do you have a clear exit strategy that will enable angel investors to generate a return of at least ten times their initial investment?

Business plan.

Have you developed a comprehensive business plan that articulates your key business strategies for how you will grow your venture?