

# FirstAngelsJA

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# Why Does Jamaica Need an Angel Investor Network Now?

- Economy characterised by perennially low growth and high debt
- Fiscal consolidation effort a significant challenge to accelerating GDP growth
- Significant economic growth will only come from private sector-led, entrepreneurial activities
- Key stakeholders have been working to strengthen the ecosystem for venture financing of high potential growth companies

## Legal & Regulatory Environment

- *Stable and well regulated business environment*
- *Laws regarding VC applied well*
- *Acceptable tax treatment of VC investments*
- *Protected minority investor rights*

## Players

- *Fund Managers*
- *Pension funds that invest in VC*
- *Government that supports growth of VC industry*
- *Entrepreneurs who understand VC investing*

## Exit

- *Local capital markets strong enough to allow exits through IPOs*
- *Local companies attractive to international strategic buyers*

## Elements of the Ecosystem

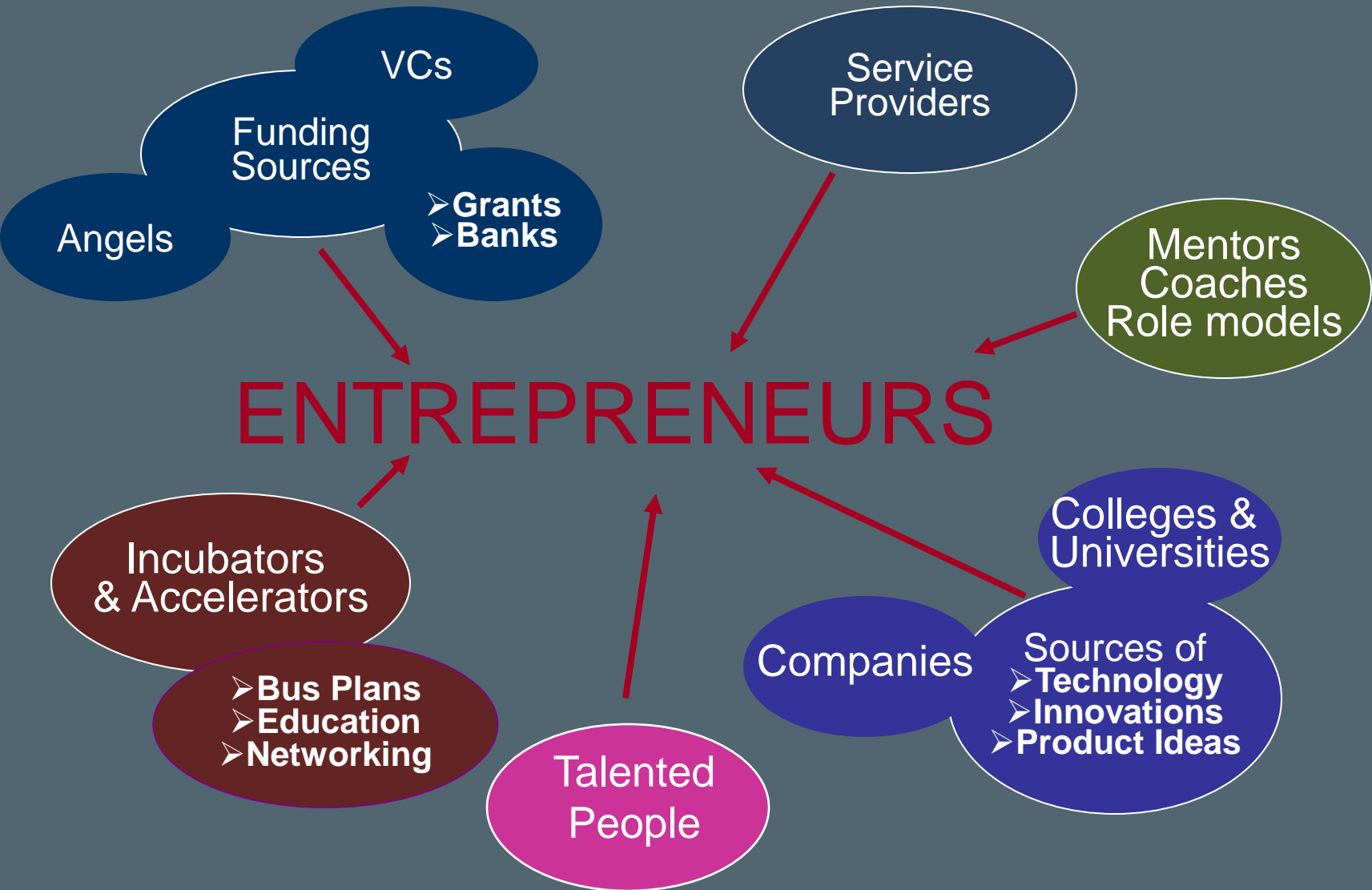
## Entrepreneurship

- *Angel networks starting*
- *Entrepreneurs actively building companies*
- *Incubators operating with a commercial approach*

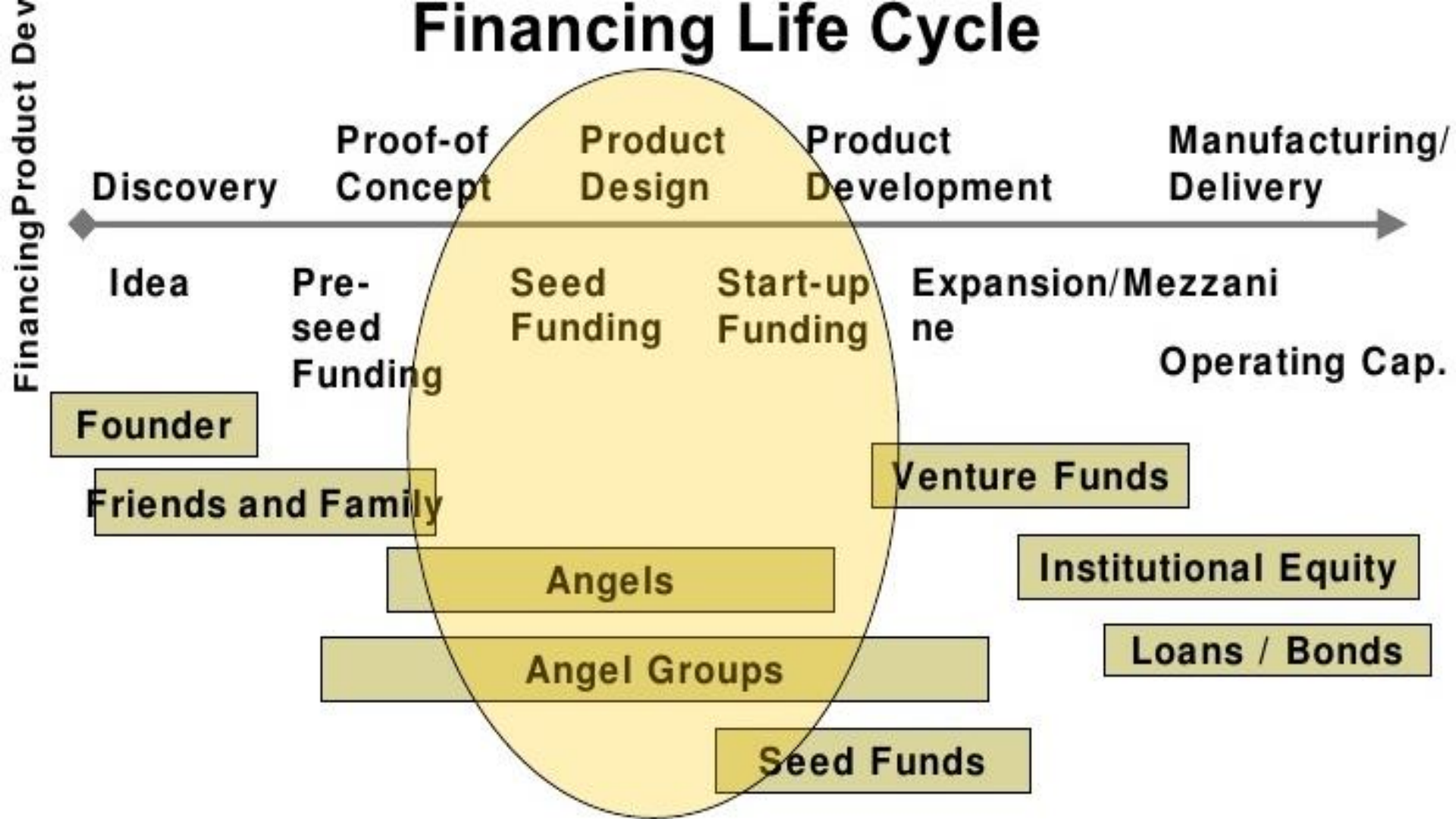
## SMEs

- *Quality SMEs to ensure robust deal flow*
- *Robust corporate governance*
- *Satisfactory local accounting and adherence to international accounting standards*

# Building Entrepreneur-friendly Ecosystems



# Financing Life Cycle



# FSC Definition: Accredited Investor

- Financial position of investor:
  - *“Any individual whose **net worth** exceeds **JA\$50,000,000.00** or*
  - *a corporation **over 90%** of the voting shares of which are owned by such an individual*
  - *a trust of which such an individual **is the sole primary beneficiary***
  - *Individual who had an income before taxes **in excess of JA\$10,000,000.00** in **each of the two most recent calendar years***
- Assumption:
  - Knowledgeable – **capable of due diligence**
  - **Can afford to lose invested funds**

# Attributes of Angel Investors

- Often successful entrepreneurs
- “Accredited Investor” – regulatory assumption of financial sophistication and risk tolerance
- Provide “patient capital” nevertheless expectation of financial reward
- Want to play a role in the entrepreneurial process
- Are involved in an entrepreneurial ventures; have wisdom and expertise
- Community involvement; regional investment
- Social responsibility

# Who are the FirstAngels?

- 13 Individual Investors
- 2 Associate Members





# What Motivates Them to Become Angel Investors?

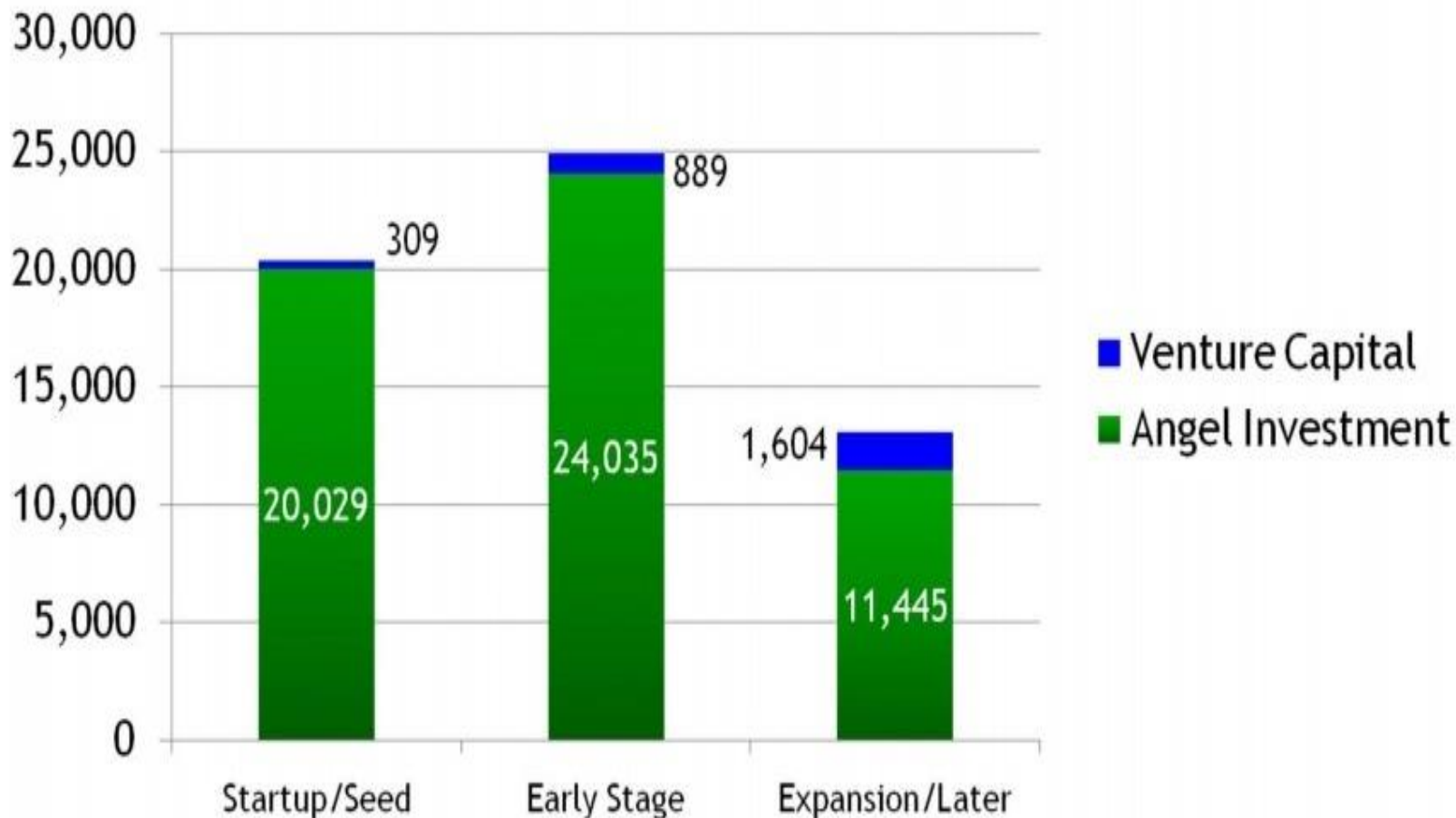
- Motivated by returns, but also giving back to the community and the country
- Love of mentoring entrepreneurs
- Staying engaged – using skills and experiences to help other people build businesses
- An active form of investing – not just watching markets
- Return on Investment is the metric

# What Do The Angels Do?

- Invest money in seed, startup and early stage companies
- Invest time in entrepreneurs and their companies
  - Share business acumen
  - Mentor and coach
  - Serve on boards
  - Make business introductions

# Angels Invest in the Majority of Startup & Early Stage Deals

Number of Deals in 2009: Angel Investment and Venture Capital

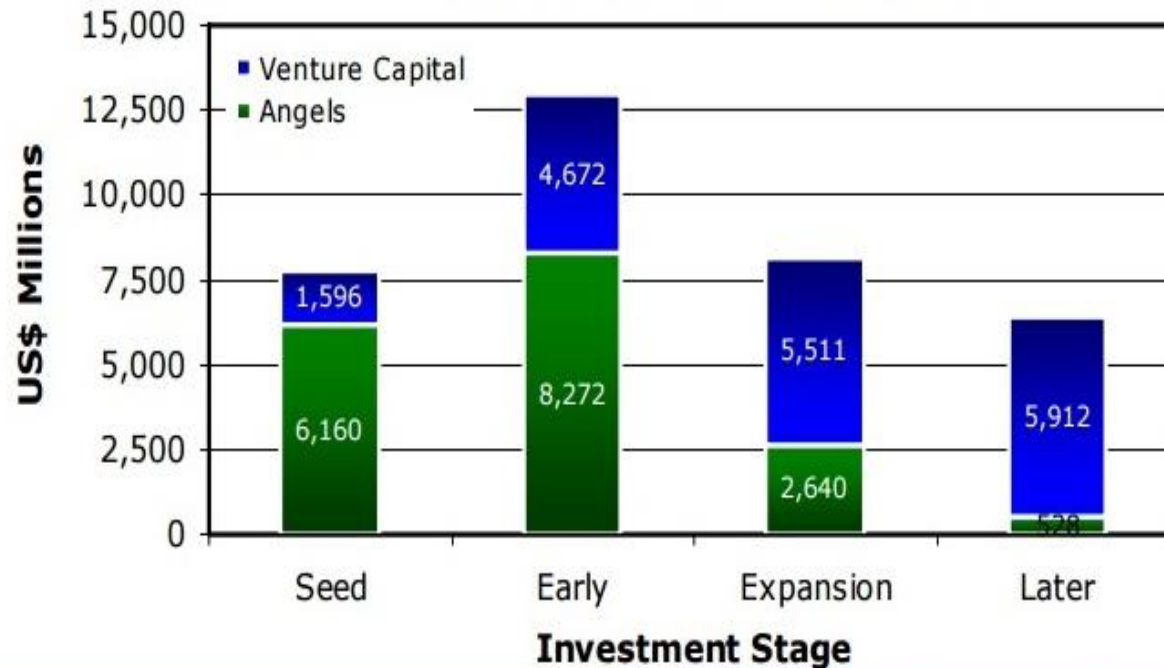


Source: "Jeffrey E. Sohl, Center for Venture Research" and 2010 NVCA Yearbook

Courtesy: Angel Capital Association

# Angels: Majority of Startup Funding

**Funding by Source and Stage- 2009**



Sources:  
Center for  
Venture  
Research and  
PwC  
MoneyTree

## Angel Investors 2009

- \$17.60 billion
- ~57,000 deals
- 35% seed/startup
- 47% early stage
- ~ 259,500 individuals

## Venture Capital 2009

- \$17.69 billion
- ~2,800 deals
- 9% seed/startup
- 65% later/expansion capital
- Total 794 firms (not all active)

# How Angels Integrate Exits as Part of Their Portfolio Strategy

- VCs tend to exit in **3-5 years** (assume 5)
- Angels invest earlier and expect to exit in **5-7 years (assume 7)**
- A balanced angel portfolio contains **ten** companies.
- Consequently, angels should invest in **2-3 companies** per year
  - Build to ten company portfolio gradually
  - A portfolio of companies in all stages of development
  - Good balance for investors time

# Why Angels Join A Network

- Investing as a solo is hard
- Process is time-consuming
  - Deal sourcing
  - Reading plans
  - Due diligence
- Due diligence is difficult
  - Finding vertical experience
  - May require using outside experts
- Legal support is expensive

# Investing Through FirstAngelsJA

- FAJ is Manager-led; sharing the work eases the pain
- Variety of vertical experience is available
- Standardised processes and term sheets
- Deal flow encouraged, entrepreneur-friendly
- Pick and choose the deals we like that are “in the wheelhouse” of members
- Camaraderie among like-minded people who already know each other and do business together

# Thanks to our International Partners

- 4 year programme support for
  - **Administration**
  - **Marketing**
  - **Training of entrepreneurs**
  - **Training of Angels**
  - **Subscriptions for use of Proseeder Platform**





# Thanks to our International Partners



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**The Queen's Award  
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Thank You!