Angel Investors: 
Financing New Ideas

Presented by
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Why are we here?
1. Financing in Regions
   • Discussion of GFC, regions and business lending

2. Potential Solutions
   • Range of solutions including angel funds, innovation fund, microfinance and better understanding

3. Discussion
Financing in Regions
- GFC has changed life as we know it, forever
- New definitions of risk, new lending standards
Financing in Regions

“None of the ADIs presenting evidence to the inquiry informed the committee that their lending policies differed between SMEs in regional and rural areas and SMEs in metropolitan areas. ANZ and NAB stated that the same lending polices applied to rural and regional SMEs and SMEs in metropolitan areas.”

- Parliamentary Joint Committee Report (April 2011)

“My job is to give money to businesses that don't need it, and, unfortunately, I can't give money to the businesses that do need it.”

- Anonymous Banker, 2005

Anecdotal evidence would suggest that there is often a higher risk rating associated with businesses and investments into regional areas
Potential Solutions
Access to Funding Denied

• There can be many reasons why finance is declined to a business or for an investment:
  – Business is too risky
  – Insufficient capital to support loan
  – Complex businesses
  – Unclear understanding of project or environment

“It looks as if you have all the ingredients to start a small business: no money, a job you’re about to be fired from, and a hare-brained idea.”
Potential Solutions
Promoting Better Understanding
Promoting Better Understanding

• Ensuring that lenders and financing institutions are familiar with the local environment, industry and operating conditions can help
  – **Port Hedland**: hosted visits by major bankers in Perth. Tour of region and briefings regarding future investment pipeline and underlying fundamental
  – **Townsville**: hosted visit by major bankers from Brisbane and Sydney. Tour of region and discussions with major businesses regarding local business environment as well as briefing regarding the economy, future opportunities and underlying fundamentals
Potential Solutions

CASE STUDY: Blue Ridge Angel Investor Network
Blue Ridge Angel Investors Network (BRAIN)

- Initiative of AdvantageWest
  - Regional economic development agency for 23 counties
- Population of 1.4 million
- Region is mountainous and largely rural
- Traditional industries include manufacturing, agricultural and tourism
Overview

• BRAIN is a group of individual accredited angel investors who want a stake in the future of Western North Carolina
• Mission is to provide opportunities for members to obtain outstanding financial returns by investing in innovative companies with a presence in western North Carolina
• Started in 2002 by Advantage West (now an independent corporation)
• Typically invest between $100,000-$500,000
• Since 2002, BRAIN members have invested $2 million in local companies and helped raise more than $10 million
History

• Region was home to many successful business people, attracted by quality of life and lifestyle
• There was a significant “brain drain” taking place to larger, more metropolitan regions
• Without an organised capital channel, good business ideas were stifled
• Board of AdvantageWest devised BRAIN to deal with these issues and provide access to capital for entrepreneurs and existing businesses (and naturally to promote job creation and economic diversification)
BRAIN Today

• Executive Director
• Board of Advisers
  – Terry Ackerman, Nanotech Capital
  – Chris Derrick, Womble Carlyle Sandridge & Rice
  – Bob Dunn, ESI Advisors
  – Mike Fulenwider, Fulenwider Enterprises
  – Eric Jackson, DeepWeave
  – David Kemper, KemperStrategy
  – Cheryl McMurry, North Carolina Biotechnology Center
  – David Reeves
  – Scott Sonnone, Sweetwater Capital
• Network of over 100 regional investors
Focus

• BRAIN invests in innovative companies that have intellectual property, job creation potential and realistic exit strategies
• While the group works together to effectively evaluate investment opportunities, each member makes individual investment decisions
• BRAIN investors focus on companies within the innovation clusters:
  – Advanced manufacturing
  – ICT
  – Food
  – Life sciences & agribusiness
  – Retirement-related
  – Arts, crafts and design
  – Health care
  – Environment-related
  – Recreation and tourism
  – Security
Investment Criteria

• **Management Team:** Look for teams of high-quality and passionate people with a proven track record

• **Market Opportunity:** Providing a solution to a problem with a large potential market

• **Use of Proceeds:** Funds must be used to accelerate your company’s growth (R&D, sales and marketing, infrastructure)

• **Growth Potential:** High growth potential through sound financial assumptions and cash flow models

• **Competitive Advantage:** Proprietary features that distinguish the company

• **Fit:** Ideas must fit with members

• **Technology:** Prefer first-of-a-kind new ideas
Evaluation

- **Self Assessment**: ensuring angel capital is right for business
- **Online Application**: Detailed business plan application
- **Screening Meeting**: Committee meeting to review applications
- **Presentation to Membership**: Presentation of business plan, ‘the pitch’
- **Due Diligence**: Probing and testing of business plan, team, etc.
- **Term Sheet Negotiation**: Defines the structure of the investment deal, including type of equity and board of directors representation
- **Funding**: Deal is executed
- **Beyond**: Access to a network of value-added contacts and experienced professionals to provide essential guidance
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