

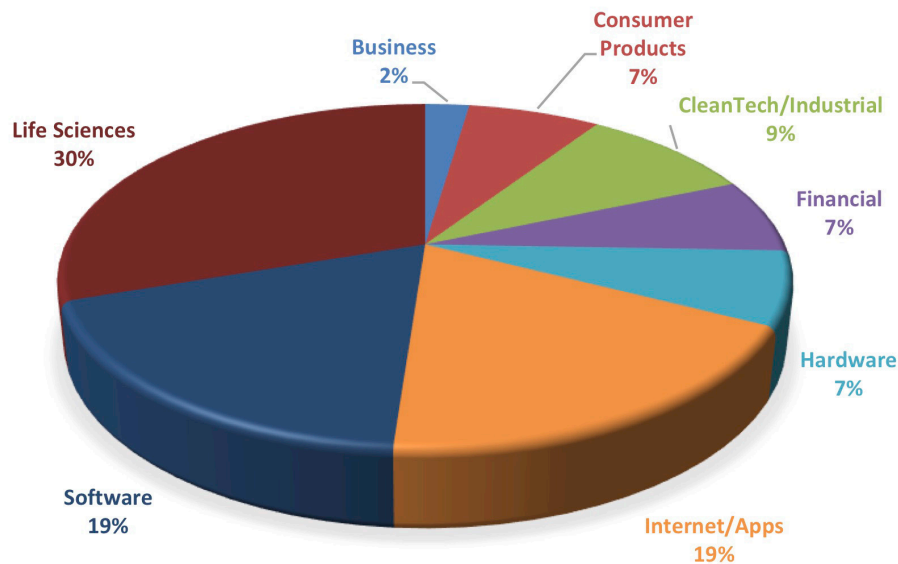


# 2017 Annual Report

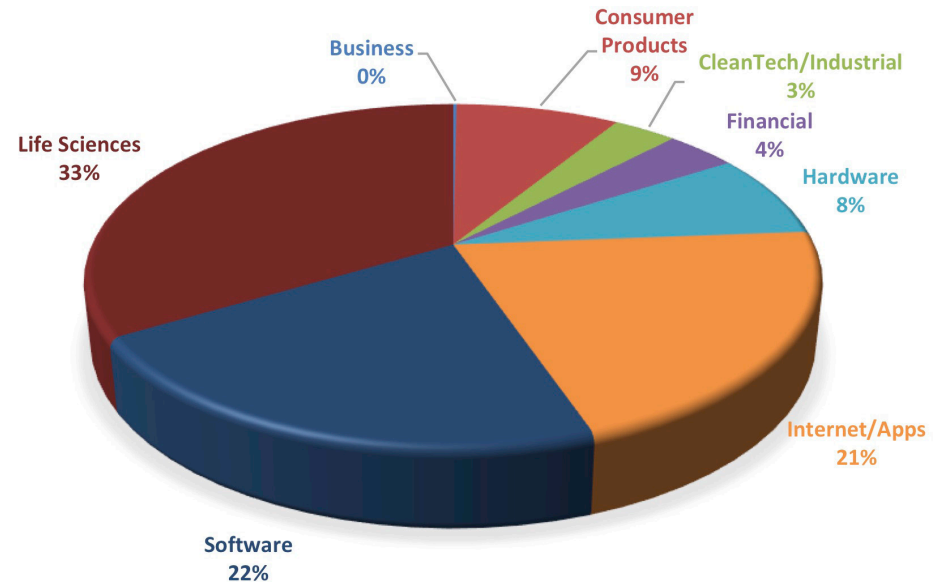
## 2017 was another strong year for Tech Coast Angels (TCA):

- TCA invested \$14.2 million in a total of 43 companies across a diverse mix of industries – showing that TCA continues to invest in both tech and non-tech companies
- Life Sciences was the largest sector, followed closely by Software and Internet/Apps

2017 TCA INVESTMENTS BY INDUSTRY  
43 COMPANIES



2017 TCA INVESTMENTS BY INDUSTRY  
\$14.2 MILLION



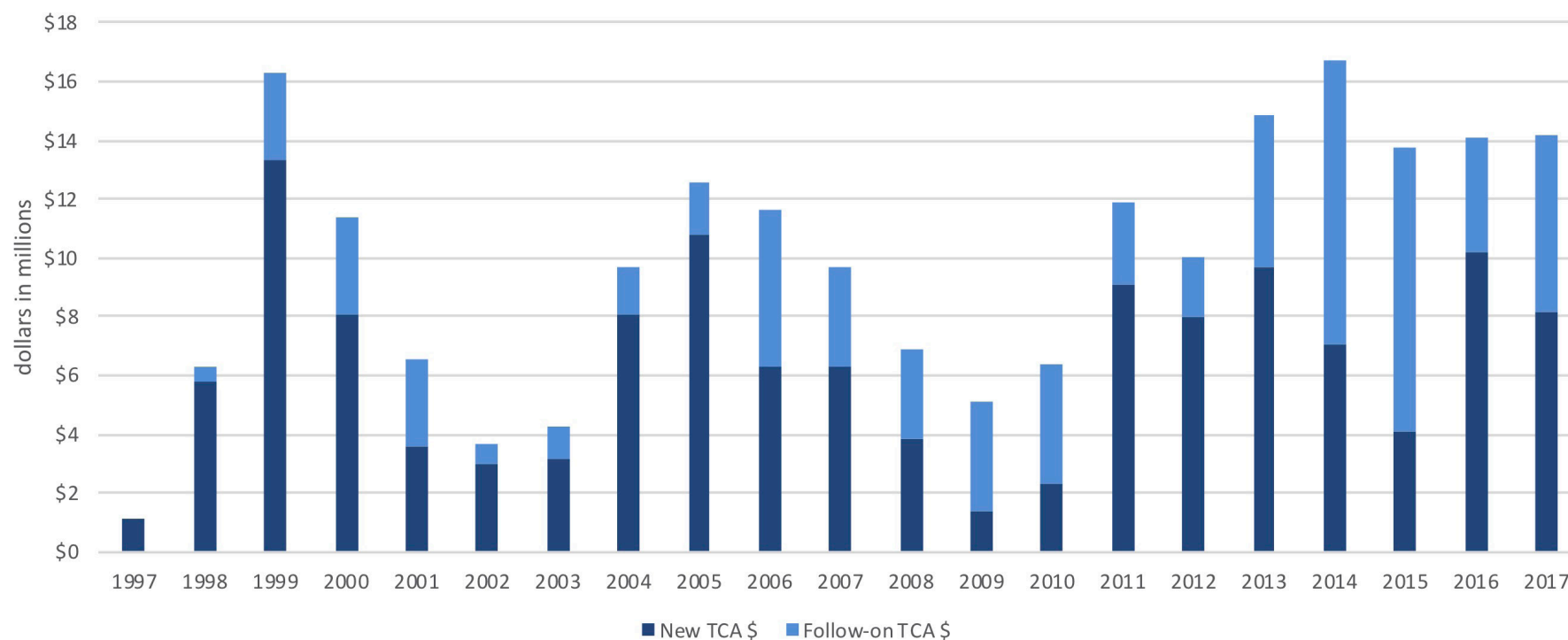
# Our total investment for the year was the fourth highest since TCA was founded in 1997.

TCA had five exits in 2017:

- 2 acquisitions (WeGoLook and AnyMeeting)
- 1 buyout after an acquisition (MaMoCa)
- 2 companies that became public (Savara and Dthera Sciences); Savara had previously set a record for TCA investment - \$6.6 million – so this was good news for many TCA members

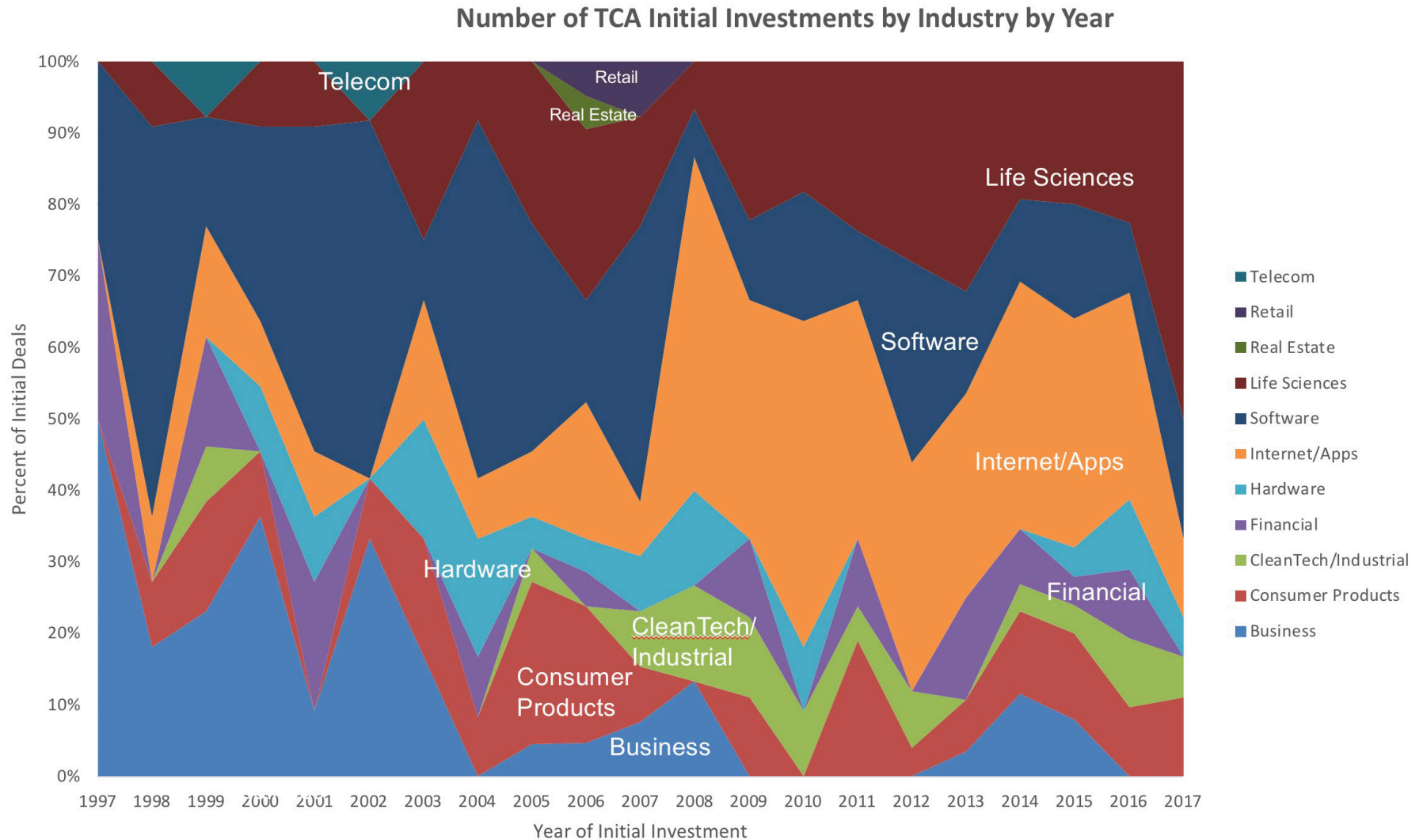
This brings the total exits since TCA's inception in 1997 to 70. Of the 351 investments TCA has made since its founding, 54% are still active. Investing equal amounts across TCA's entire portfolio would have yielded a return of 312% of the initial investment. Counting the highest price achieved after IPOs would increase TCA's return to 482%. This compares to 250% benchmark for angels. Tax benefits from the writeoffs not included.

### TCA NEW & FOLLOW-ON INVESTMENTS BY YEAR



**Our 300+ members, with their extensive and broad industry experience, help us invest with confidence in this diverse range of industries, which has always been part of TCA's DNA.**

**Of new companies added to the portfolio in 2017, Life Sciences was 50%.**



## TCA invested in the following new companies in 2017:

**Axalume**\* – proprietary technologies that combine silicon photonic circuits

**Buy It Installed**\* – button integrated into retailer ecommerce site for installation

**Carepoynt** – rewards program for healthcare

**Cherryvale Farms** – 100% plant-based baking mixes with fresh ingredients

**Comfreight** – integrates load matching automated payments to carriers/brokers

**Conectric** – identifies hotel room occupancy and controls A/C and other loads

**CourseKey** – Learning intelligence platform for higher education

**Dodo OmniData** – higher-density, less-costly, more-stable data storage solution

**Envision Solar** – portable solar EV charging station with no grid ties

**Factorial (NILES)** – augmented intelligence for teams find answers

**Groupsize** – cloud-based systems to help meeting planners find meeting spaces

**Groupsolver** – intelligent survey software - machine learning & crowd intelligence

**InvestED** – connects vetted borrowers to trusted lenders in emerging markets

**Mobilize Solutions** – create & share branded photos on social media

**OnRamp** – simplifies DNA analysis while cutting compute time and cost in half

**Oxeia** – developing ghrelin for concussions and other neurotrauma indications

**Queepsake** – first chat-based parenting journal to capture memories

**Templarbit** – AI (not rule-based) system tracks anomalies to thwart malicious attacks

**Tot Squad** – baby gear services company for installation of car safety seats

**Vyrl** – enabling influencers and companies around the world

**Yobi** – retail cannabis software for orders, sales, inventory management, & CRM

The average investment in these new portfolio companies was \$388,000 for 2017, up from \$291,000 in 2016. This compares to \$275,000 for follow-on investments in 2017, which was also up from \$196,000 in 2016.

\* TCA investment more than \$1 Million

## **TCA made additional investments in the following portfolio companies:**

**Cloudbeds** – SAAS Hotel Hospitality Management Software

**Coin-IN** – Reward App for Mobile App Games

**Digsy** – enables businesses to outsource office space search

**Discotech** – OpenTable for Nightlife

**Echo Laboratories** – world's first hybrid hi-res digital microscope

**Enmotus** – flash/hard drive combo storage solution

**EV Connect** – electric car battery testing system for OEMs

**Fitspot** – mobile app that connects consumers to fitness trainers

**H3 Financial** – debit/credit card wellness programs for veterinarians and dentists

**Influential Network** – ad agency platform for social network influencers

**Kangarootime** – childcare software for payments, check-in/out, compliance

**Kitterly** – bundled kits for knitting/crocheting projects

**Larada Sciences\*** – device for killing head lice with hot air

**Milo** – next generation of wearable biosensors

**Movocash** – Peer-2-Peer-2-Purchase payment solution for under-banked Millennials

**MyLabBox** – testing for STDs from the comfort of home

**Neural Analytics\*** – non-invasively measure intracranial pressure

**Nevados** – solar ground installations that are faster to install and less expensive

**Phytonix** – using cyanobacteria, photosynthesis, and CO2 to produce butanol

**Schlep and Fetch** – expedited delivery service for restaurant, messenger & courier

**Somabar\*** – hands-free bartending appliance for the home kitchen & restaurants

**Tiny Kicks** – wireless smart sensor to continuously capture fetal movement

The two biggest deals in 2017 were **Buy It Installed\*** and **Neural Analytics\*** – both with over \$2 million invested by TCA. Three other companies (**Larada Sciences\***, **Axalume\*** and **Somabar\***) received over \$1 million in investment by TCA in 2017.

\* TCA investment more than \$1 Million



**TCA extended its Angel Syndication Network (ASN) to share the best deals for deal syndication among 40+ prominent angel groups (up from 25+ last year). Each angel group nominates their best deals to share with other angel groups for syndication.**

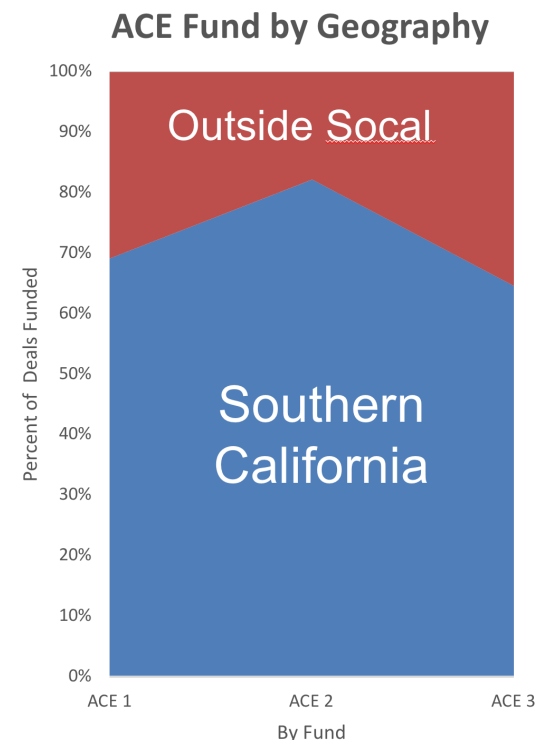
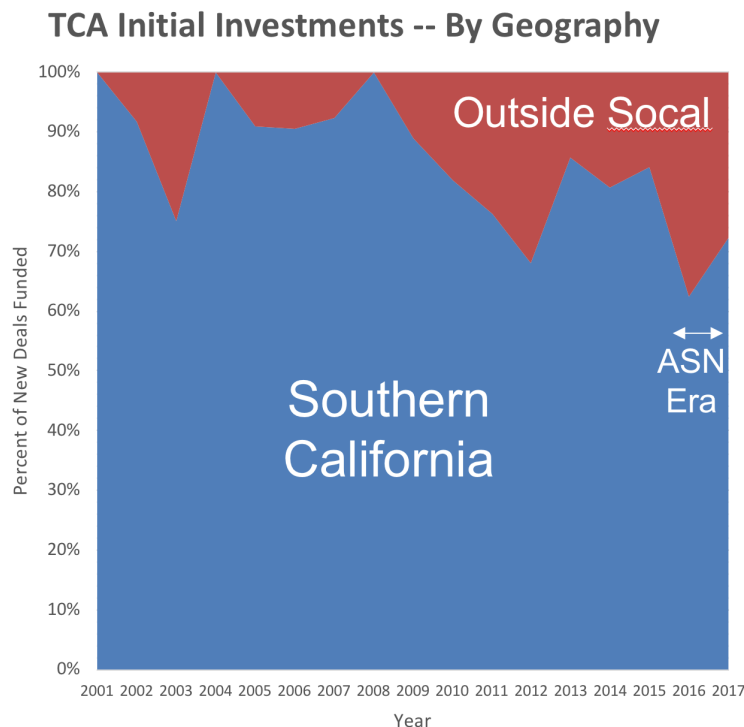
Each month, ASN hosts a “virtual” web presentation. The live meeting occurs within a state-of-the-art facility (UCI Applied Innovation’s The Cove facility) with multiple cameras and microphones recording attendee interaction and deal deliberation. The purpose of these meetings is to help fill a round, expedite a closing, and save the CEO from extended road shows. The screening sessions are open and viewed by accredited investors from these respective groups. So far, 50% of those presenting have received additional funding (total of \$5.2 million).

Collectively, the angel groups participating in ASN represent over 1,500 angels, and over \$1 billion in direct investment.



## This greater syndication activity through ASN has shifted the geographic mix to more outside of Southern California.

- Traditionally, the mix has been 85% - 90% in Southern California – with the assumption that companies do better when TCA'S members can be actively involved in mentoring and governing
- With ASN, TCA is seeing more good deals that have strong support and local involvement by other prominent angel groups. Thus new investments outside Southern California rose to 37% in 2016 and 28% in 2017
- This also has been influenced by the investments of TCA's ACE Fund which have been 65% outside SoCal in the most recent fund.



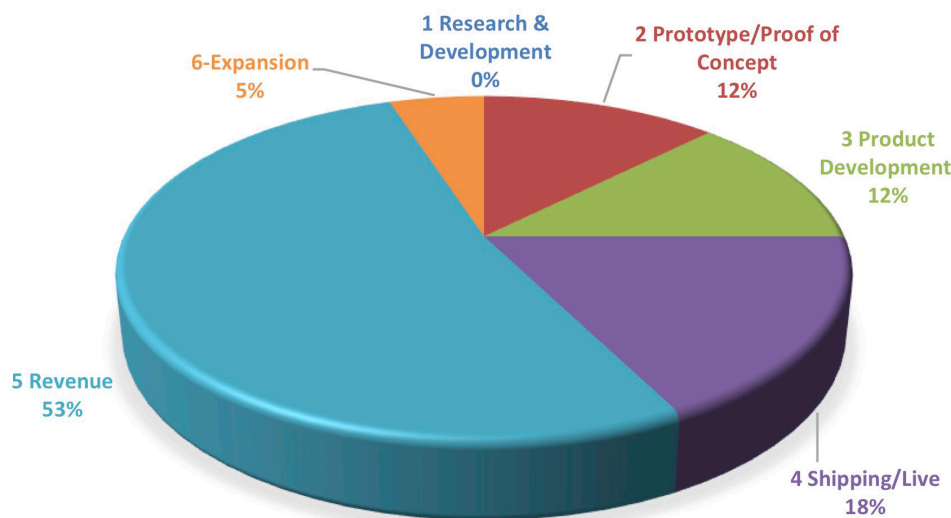


# TCA funding is more likely when initial products/services are already developed and there is evidence of customer traction.

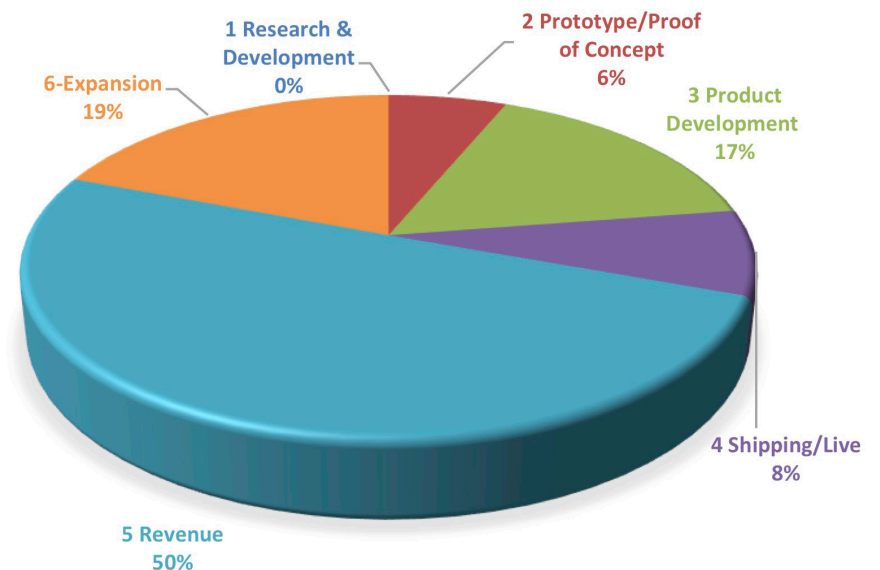
69% of 2017's investments were in companies in revenue and those seeking expansion capital. This trend is driven by:

- Companies are launching products/services earlier with MVPs (minimum viable products) before seeking investment
- Lower startup costs (due to technology) allowing friends and family funding to take companies further in terms of risk reduction
- Investors at this later stage of the investment cycle expecting companies to be closer to breakeven in order to survive the inevitable downturn coming

2017 TCA INVESTMENTS BY STAGE  
43 COMPANIES



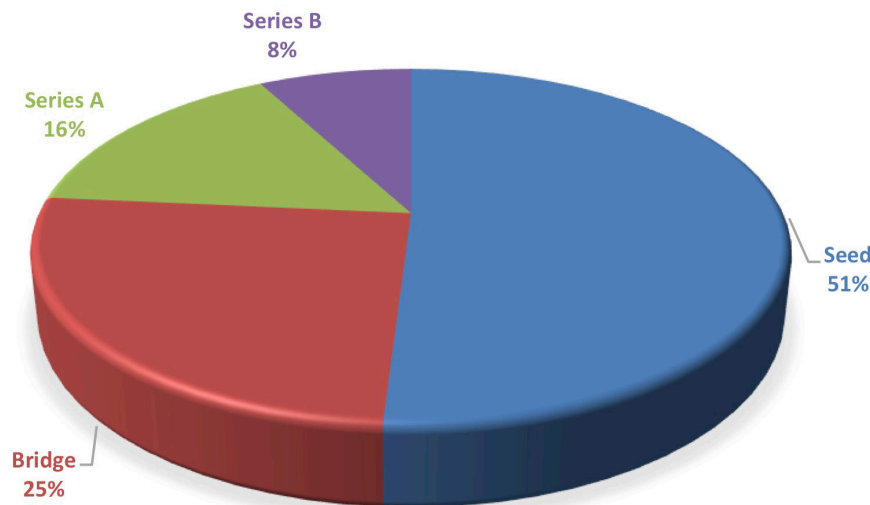
2017 TCA INVESTMENTS BY STAGE  
\$14.2 MILLION



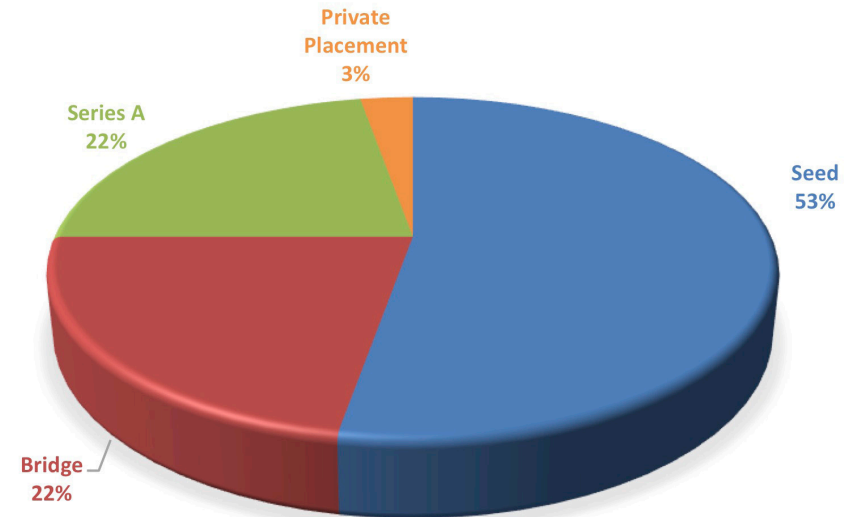
## TCA's investment focus continues to be on early stage companies.

- The vast majority of investments in 2017 were seed/pre-Series A, including bridge funding to either seed equity or Series A
- The mix is similar to 2016, although there were fewer post-Series A rounds in 2017

2016 TCA INVESTMENT MIX  
BY STAGE OF ROUND

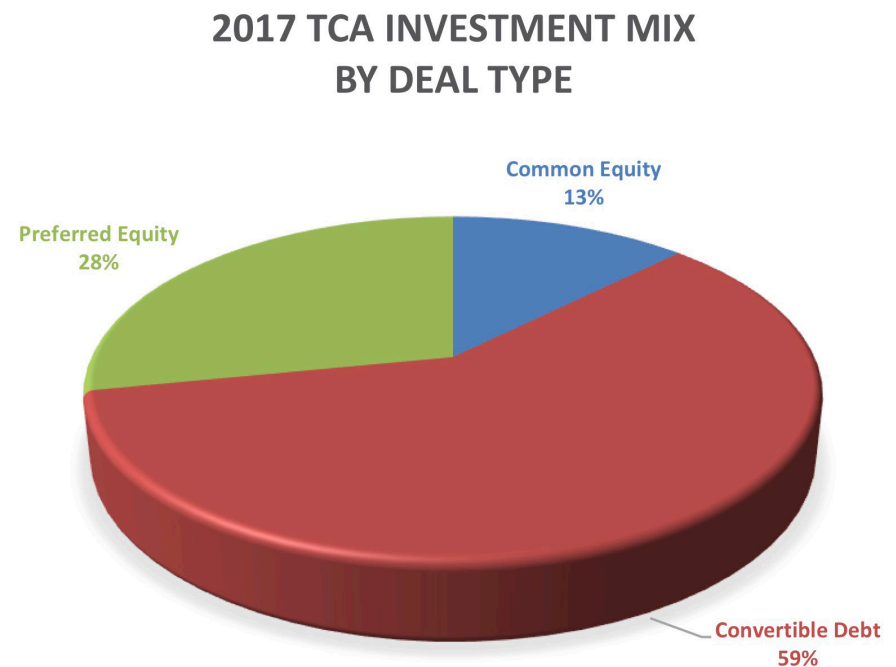
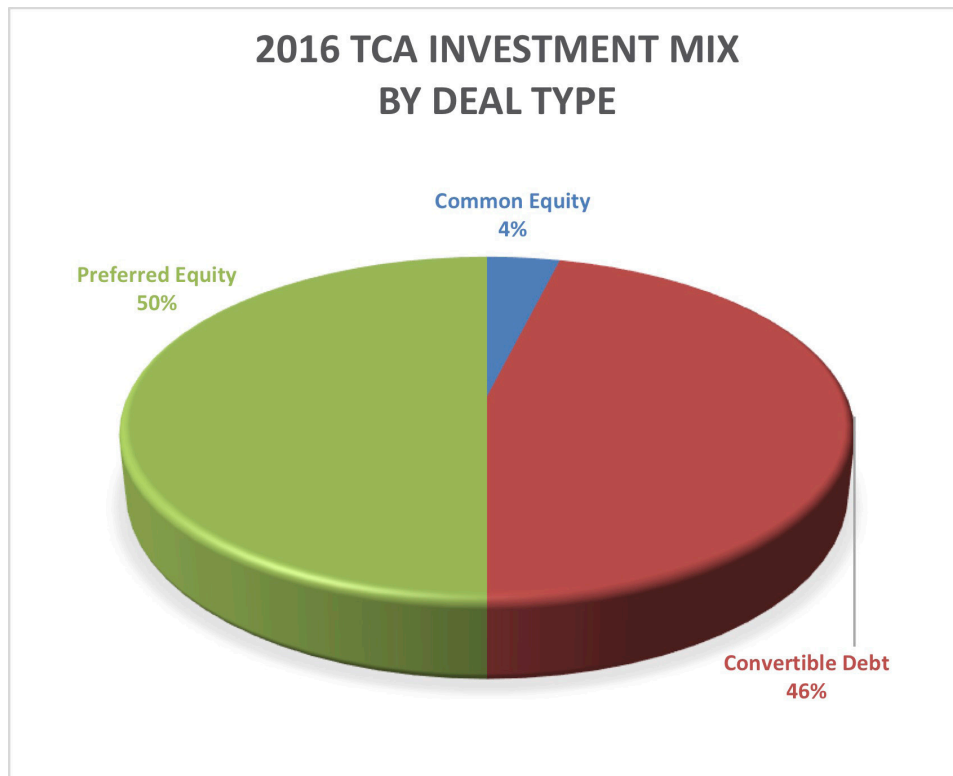


2017 TCA INVESTMENT MIX  
BY STAGE OF ROUND



## Most investments in 2017 were either Preferred Equity or Convertible Debt/SAFE (that converts into Preferred Equity).

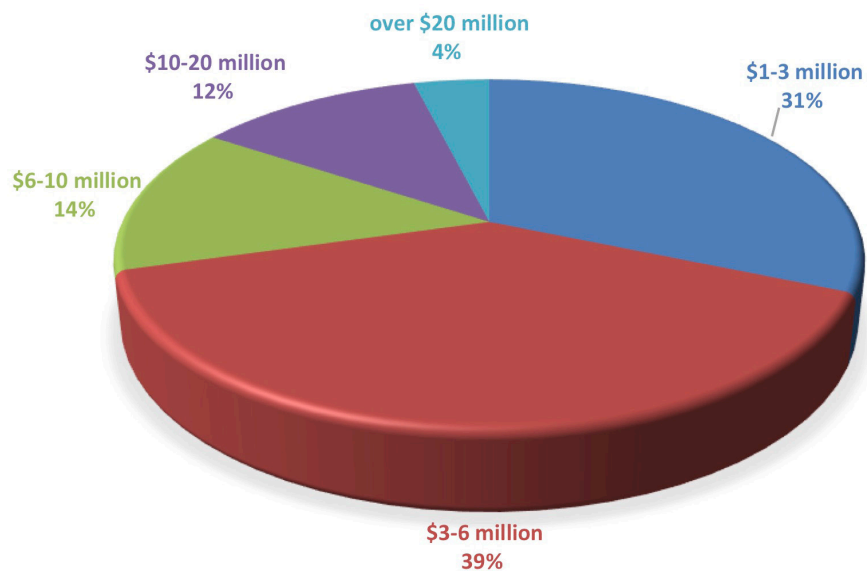
- However, the number of common equity deals increased from previous years (driven by some special circumstances and not likely a longer-term trend)
- 60% of deals were Convertible Debt – more than in 2016



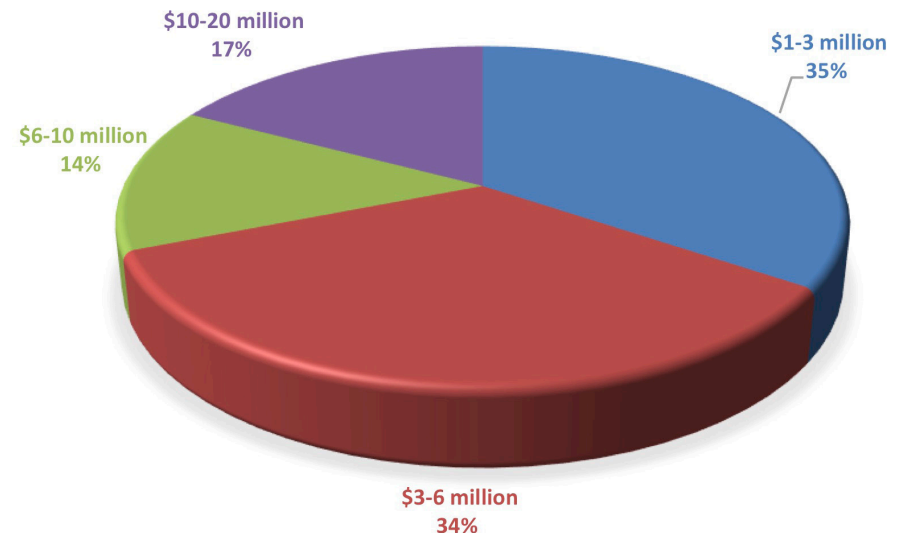
## Valuations at time of TCA investment were similar in 2017 compared to 2016.

- 69% of TCA's investments in 2017 were in companies with valuations below \$6 million, compared to 70% in 2016
- In 2017 there were no deals valued over \$20 M. This occurred in 2016 when Savara took investment just before it went public

2016 TCA INVESTMENT MIX  
BY VALUATION



2017 TCA INVESTMENT MIX  
BY VALUATION



TCA investment in new companies in 2017 was 57% of the total invested, down slightly from 62% in 2016, but up from 35% in 2015 and 41% in 2014. The shift back to new companies in the last couple of years reflects a strong pipeline of opportunities. But the fact remains that the investment cycle is nearing its end. Our advice to smart entrepreneurs at this stage in the cycle is to be well prepared:

- Valuations have been dropping, so don't cling to a higher expectation based on averages of the last several years. Doing so may leave you underfunded or even unfunded
- Raise as much money as you can in the current round, and don't be concerned about dilution. The next round of equity will be particularly challenging given we could soon be in a down cycle
- Develop a plan that allows you to achieve cash flow breakeven with the funds you are raising in the current round. This may not be your "Plan A", but you'll need to have a way to survive if funding during the coming "dry years" does not materialize. At this coming stage in the cycle, VCs understandably focus on keeping their existing portfolio companies alive rather than placing many new bets
- Spend wisely and frugally. If the next dollar you spend doesn't make for a better product or better customer experience, don't spend it
- Seek investors who can provide you with experience, guidance and contacts that can help you navigate the challenges ahead