



# 2021 Annual Report

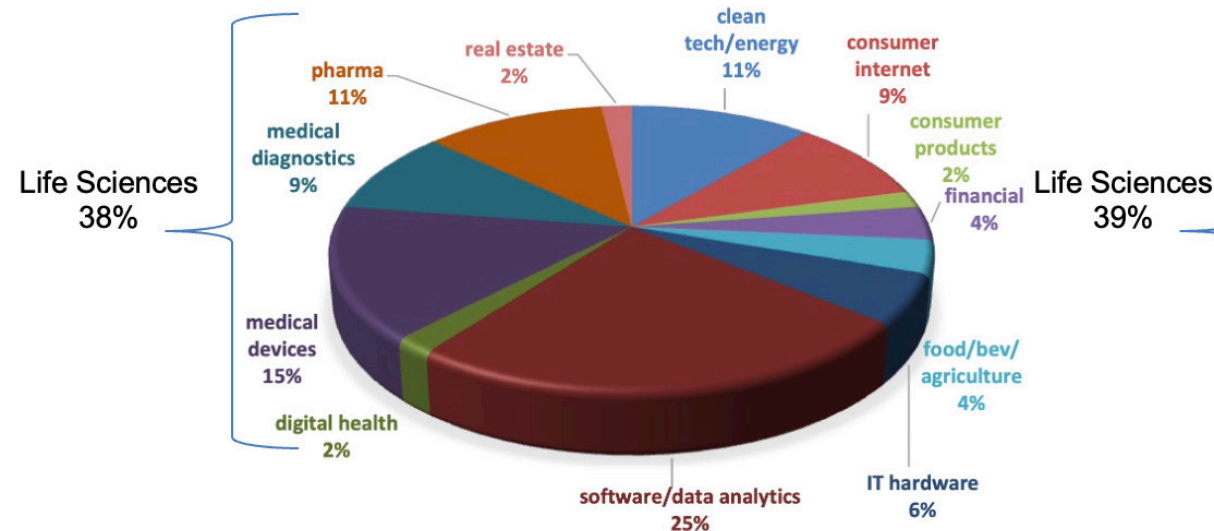
# 2021 Highlights

- Grew **investment** to a record \$20.4 million in 53 companies
- Grew **membership** to a record 581 at year end 2021
- Accepted our **500th** member and **500th** company into the portfolio
- Grew our **annual chapter funds** which invested \$9.7 million of additional capital in deals in 2021 (in addition to \$11.7 million from individual member investments) and brought diversification
- Realized a record **eleven exits** including our largest multiple ever – 368x on original investment after the successful IPO of Procore Technologies
- Achieved **6.7x multiple** on all outcomes (all exits and shutdowns) since 1997 with **IRR of 26.1%**
- Met our goal of reaching **investment decision within 30 days** from the start of due diligence on most deals
- Continued to **mentor and guide** 277 (55%) of the 502 companies funded since TCA inception in 1997 that are still **active**

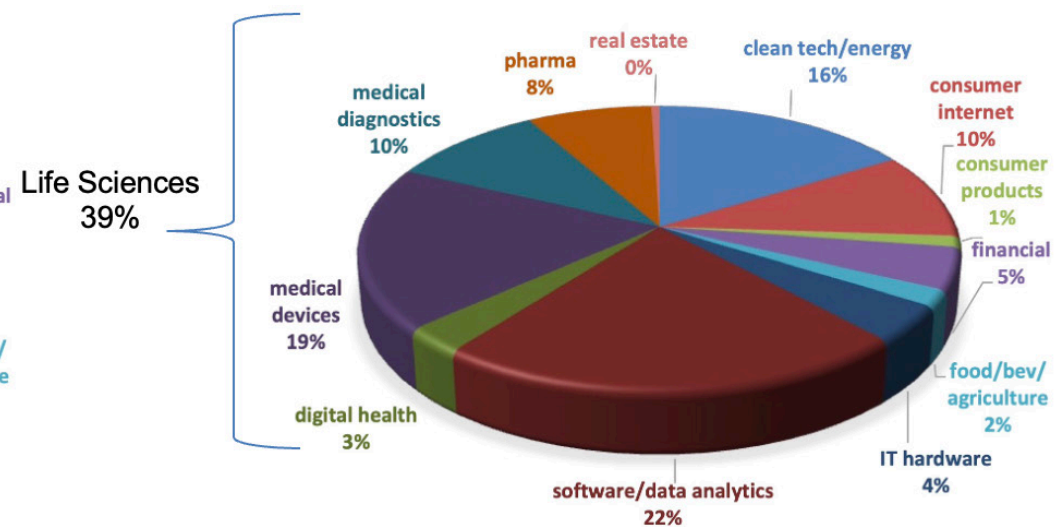
## 2021 was a record year for Tech Coast Angels (TCA) in funding and member growth

- TCA invested \$21.4 million in a total of 53 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 (39% of amount), followed by Software (22%)
- 40 of these companies were new additions to the portfolio and 72% of the dollar investment went to these new companies
- Membership grew modestly from record-high 469 at the end of 2020 to a new record 581 in 2021, sustaining TCA's leadership as one of the largest Angel Groups

2021 TCA INVESTMENTS BY INDUSTRY  
53 COMPANIES



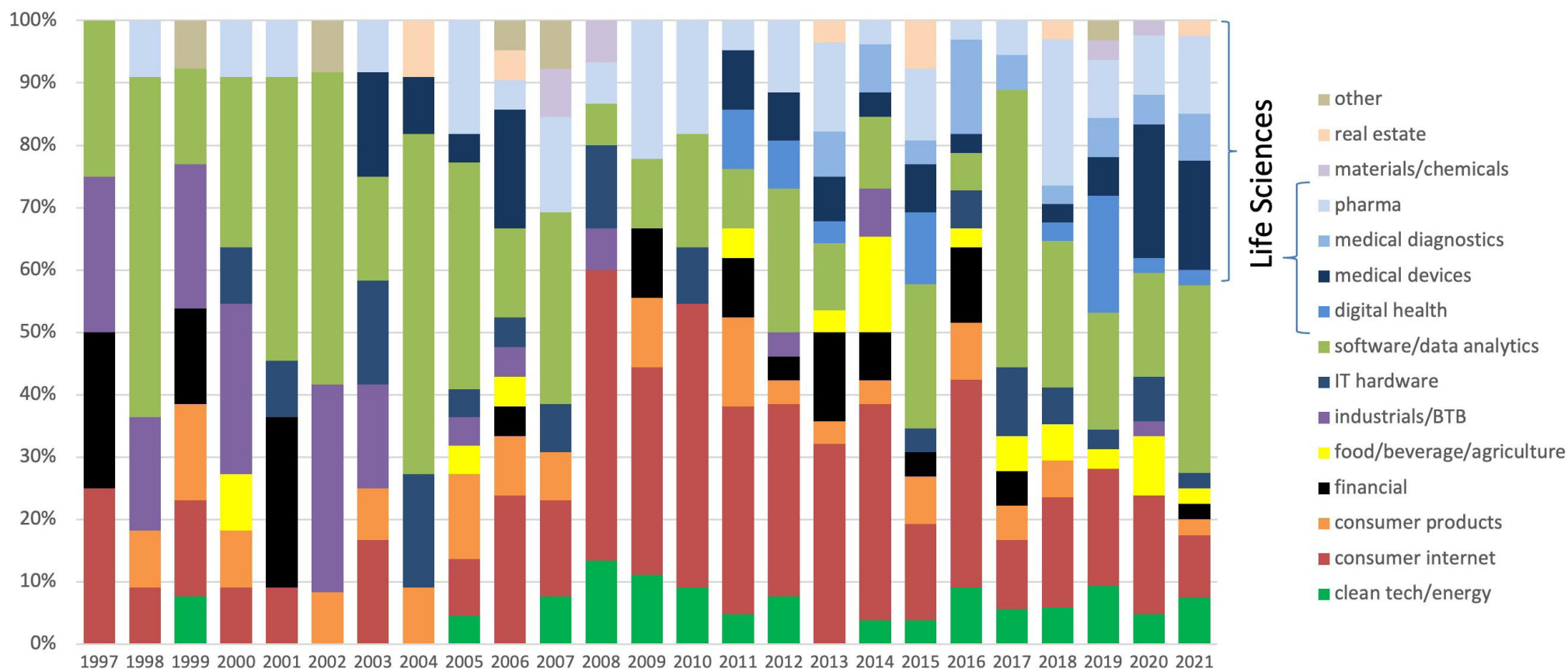
2021 TCA INVESTMENTS BY INDUSTRY  
\$21.4 MILLION



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

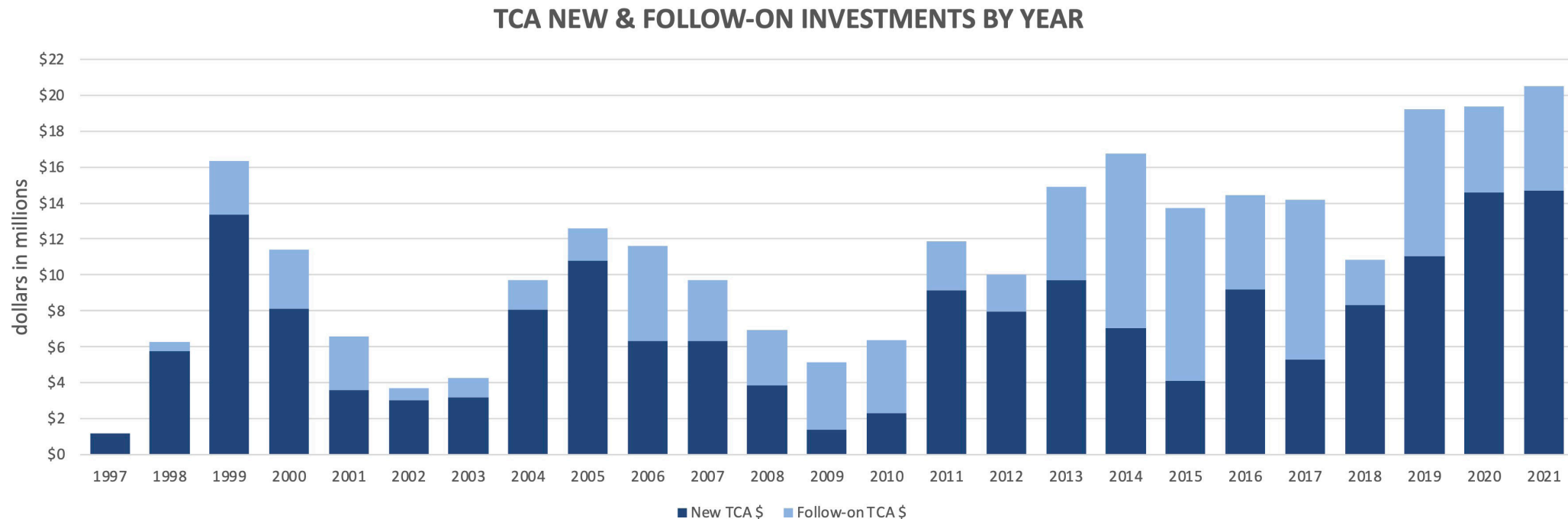
- Of new companies added to the portfolio in 2021, Life Sciences, Software and Consumer Internet continue to lead.
- Life Sciences has grown to 38% of the companies and 39% of the dollars invested. Within Life Sciences, the largest categories are Medical Devices (18% of the dollars), Medical Diagnostics (10%) and Pharma (8%)

**NUMBER OF TCA INITIAL INVESTMENTS BY INDUSTRY BY YEAR**



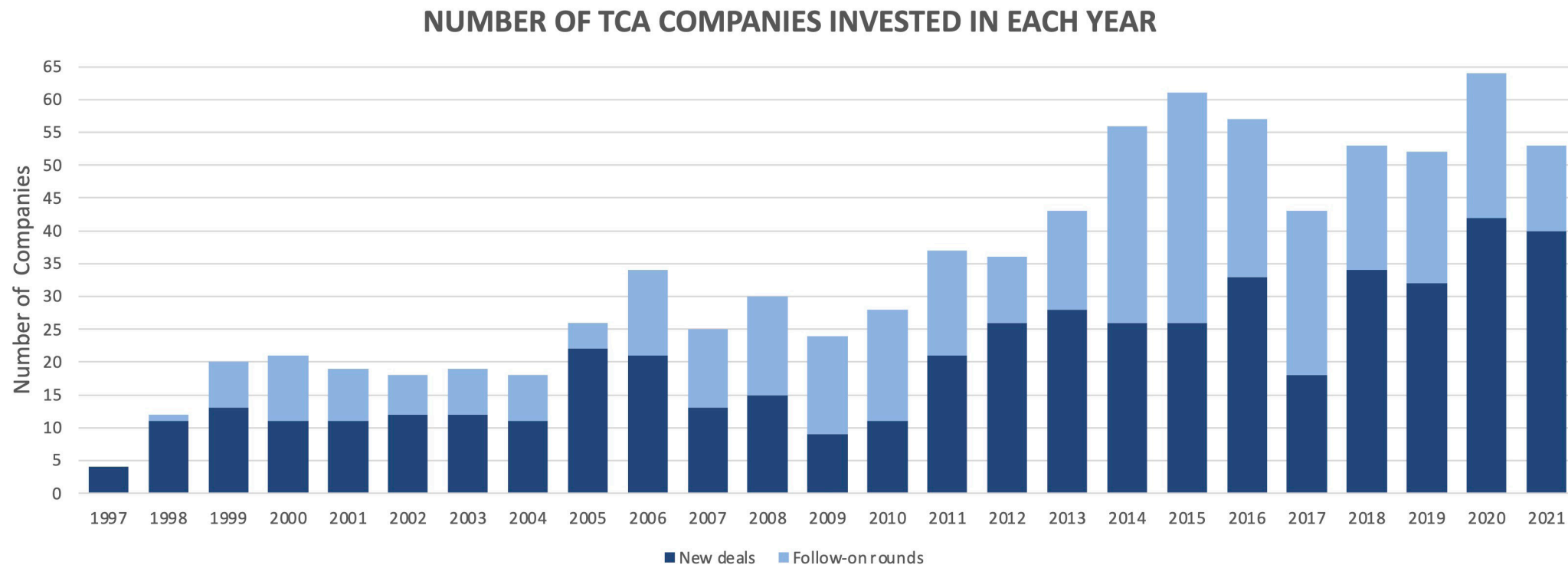
## \$20.4 million in TCA Investment in 2021 topped the record pace of 2020

- Total investment for the year reflects the longest sustained level of high investment activity since TCA was founded in 1997 – eleven years at \$10 million or more
- From 2011-2021, total investment each year was between \$10.0 - \$20.4 million
- Three chapter funds and the target of a decision from the funds within 30 days of screening helped drive the high level of investment. TCA is working diligently to be the Best Place for the Best Companies to get funded
- 72% of investment was into new companies in 2021 (vs 75% in 2020)
- With SBA's PPP and EIDL grants and loans no longer available, we saw no significant increase in failure rates (relative to the number of exits) in 2021



## TCA invested in 53 companies in 2021, including 40 new companies

- This total of 53 includes 20 companies in Life Sciences, 13 in Software, 6 in Cleantech/Energy, 5 in Consumer Internet, 3 in IT Hardware, 2 in Financial, 2 in Food/Beverage/Agriculture, 1 in Consumer Products/Services, and 1 in Real Estate
- New companies included 16 companies in Life Sciences, 12 in Software, 4 in Consumer Internet, 3 in Cleantech/Energy, 1 in Food/Beverage/Agriculture, 1 in Consumer Products/Services, 1 in Financial, 1 in IT Hardware, and 1 in Real Estate

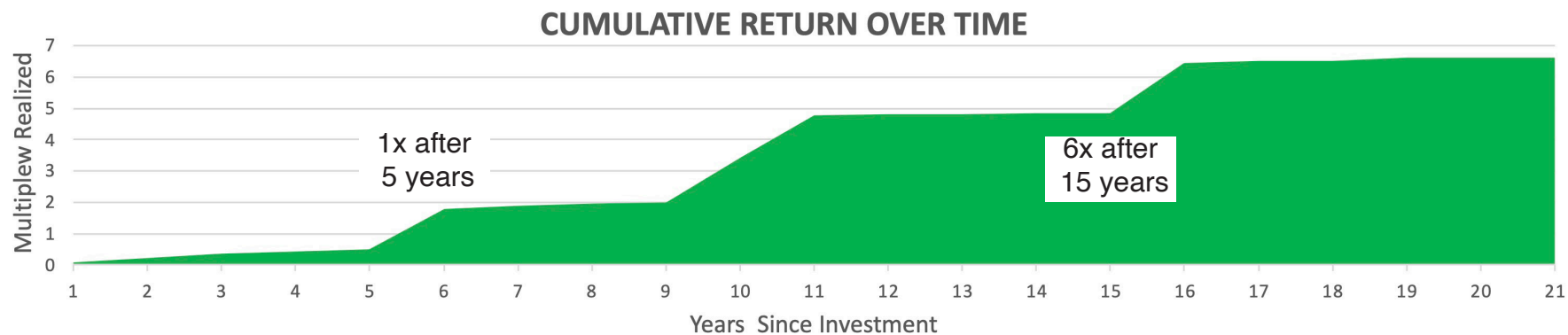
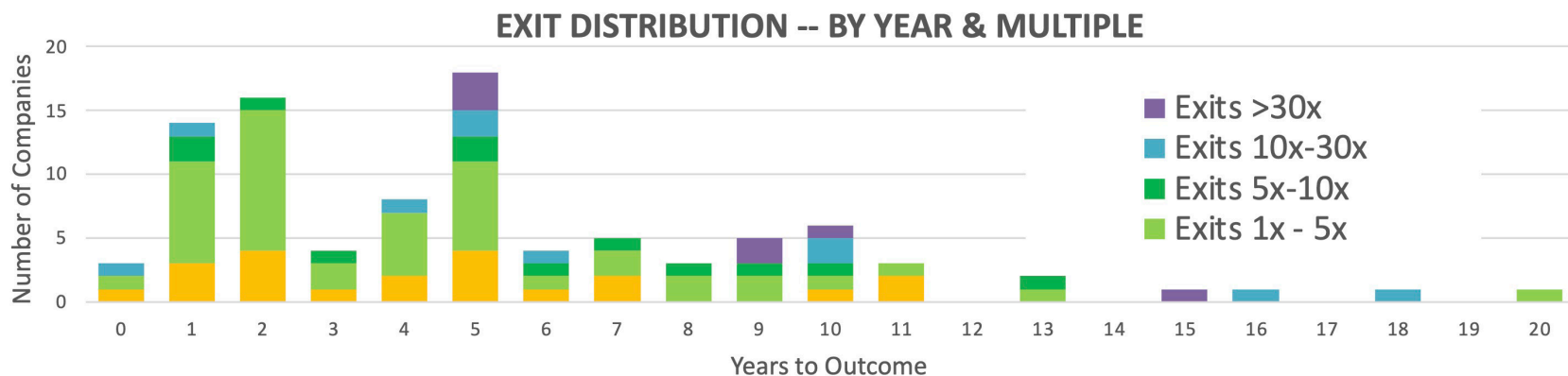


## TCA had a record 11 exits in 2021 and a 6.7x return on all outcomes since 1997

- **Procore Technologies** (2006 investment) IPO'd (PCOR) for \$10 billion and a 368x return – the highest ever for TCA [the previous leaders have been Mindbody (264x), GreenDot (235x), Sandpiper (149x), Truecar (75x) and Companion Medical (58x)]
- **Findox** (2016 investment) had an optional buyout at 12x and 64% IRR
- **Doctible** (2015 investment) was acquired by PracticeTek and realized an 8x cash return plus a significant equity interest upside
- **Discover Echo** (2016 investment) was acquired by Cellink for a 6x return and 33% IRR
- **Insight Medical** (2020 investment) was acquired by Certara for a 4x return and 250% IRR
- **Cognition Therapeutics** (2010 investment) completed an IPO (CGTX) yielding a 3x return
- **ControlTec** (2001 investment) was acquired by Kindersystems for a 3x return
- **Habitu8** (2019 investment) was acquired by Arctic Wolf for a 2x return and 45% IRR
- **Spine Align** (2020 investment) was acquired by a strategic for a 2x return and 100% IRR
- **Amplifyx Pharmaceuticals** (2008 investment) was acquired by Pfizer for about 1x
- **Haxiot** (2018 investment) was acquired by Digi International for about 1x

*This brings the total outcomes since TCA's inception in 1997 to 97 exits, and 128 shutdowns. Of the 502 investments TCA has made since its founding, 277 (55%) are still active. At the highest price achieved after IPOs, TCA's return (assuming equal weighting) has been 6.7x and the IRR has been 26.1%. This compares to 2.5x and 22% benchmarks for angels per Angel Resource Institute. Tax benefits from the write-offs are not included in TCA returns.*

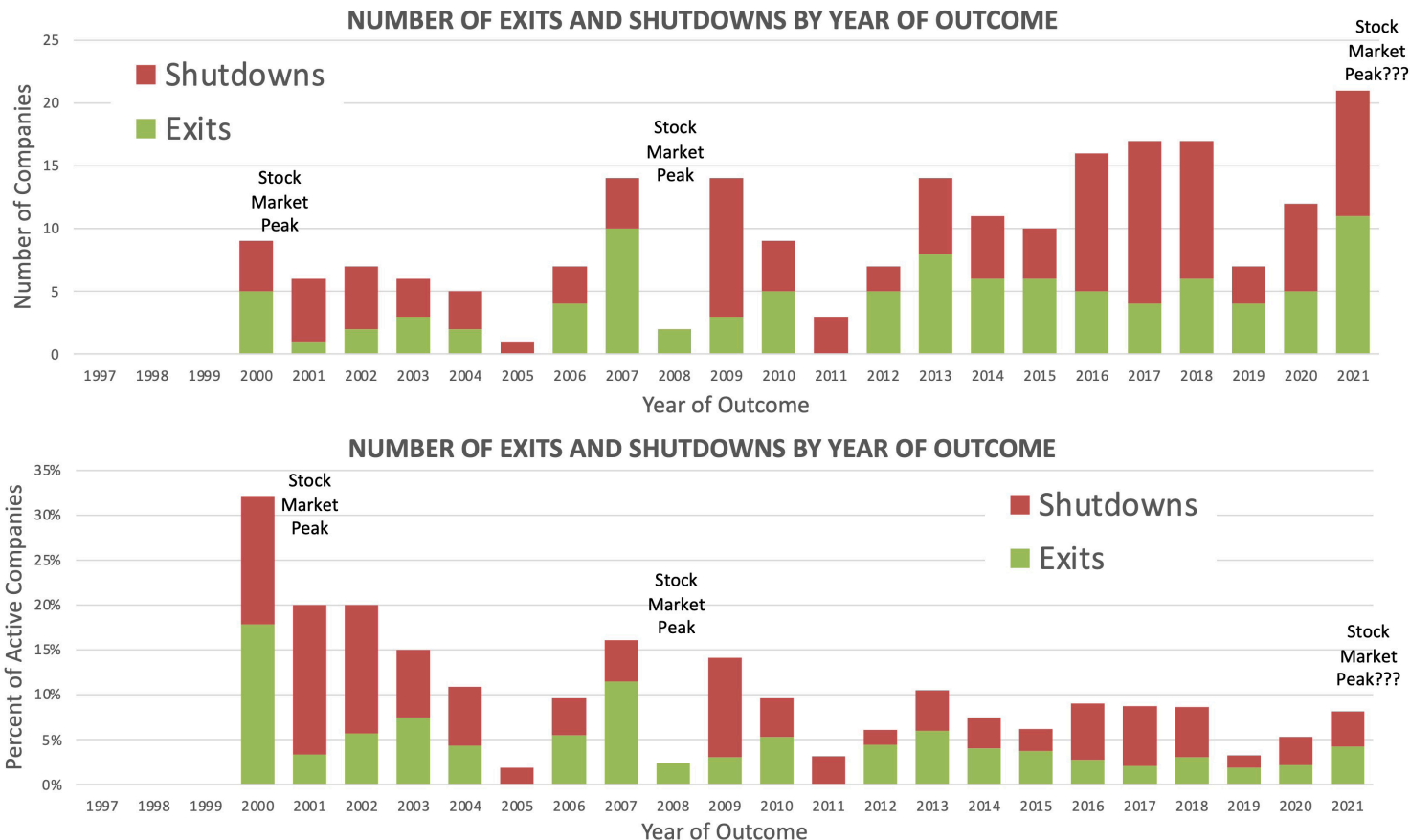
# TCA's results make it clear that patience is required – with largest exits happening after 5 years or more, and most failures occurring in the 3 to 6 year “Valley of Death”





## Both the number of exits and shutdowns were high in 2021, and likely to shift towards more shutdowns in near future based on prior cycles

- 2021 had a record 11 exits and a near record 11 shutdowns (record was 13 in 2017)
- Based on previous stock market peaks in 2000 and 2008, exit activity tends to surge just before peaking, followed by a surge in shutdowns just after the peak
- If the current volatility leads to a (long overdue) bear market, we are likely to see less exits and more shutdowns in the next couple of years



See pages 22 and 23 for Tips for Entrepreneurs and Angels navigating these challenging times

## TCA invested in 40 new companies in 2021:

**Advanced Image Robotics** – remote video production and broadcast solutions

**Algenesis** – renewable and biodegradable polyurethanes made from algae

**Amsel Medical** – needle-delivered vessel clamping for Venous Leg Ulcers

**AOA Dx** – non-invasive ovarian cancer diagnostic liquid biopsy test

**ChargeNet Stations** – EV charge up experience for quick-serve restaurants

**ClearClub** – direct to consumer custom night guards for teeth grinding

**Cooler Heads** – makes hair loss from chemotherapy a thing of the past

**Crafter** – digital workshop experiences and curated kits by expert artisans

**Embrace Prevention Care** – telehealth care through a Nurse Practitioner

**EnVision** – guided visualizations to help people achieve their goals

**Eumentis** – treat High Value Neurodevelopmental and Neurodegenerative Disease

**Eunimart** – unified SaaS platform enabling logistics and supply chain networks

**FanAI** – helps brands realize the true value of sponsorships

**Gattaco** – at-home ready-to-use blood collection kit

**Harvest Thermal** – next generation all-electric heating, cooling and hot water system

**Indicio** – Blockchain-based identity verification platform

**Karma Biotechnologies** – vaccines for myasthenia gravis, autoimmune encephalitis, & MS

**Kushae** – DTC fem health products

**Life Detection Tech** – non-contact vital sign monitor for COPD exacerbation

**Lincode.ai** – Computer vision intelligence to improve factory quality inspection systems

## New companies in 2021 (continued):

**Lumoptik** – haptic medical procedures for light based needle guidance

**Maxable Space** – education, design, and contractor-matching services for ADUs

**Meallogix** – complete ERP in the rapidly growing meal prep space

**Mill It Farms** – plant-based buttermilk and plant-based buttermilk salad dressing

**mmTron** – 5G/SATCOM mmwave linear power efficient broadband

**OnSite Waste** – small desktop device processes sharps / red bag waste at doctor

**PhishCloud** – threat intelligence to users allowing them to see and avoid online threats

**Preview Medical** – real time classifies prostate cancer tissue as benign or malignant

**Saasuma** – users can search across all their clouds and software from a single location

**Seal Rock Therapeutics** – best-in-class treatments for inflammatory / fibrotic diseases

**Single Pass** – disposable electrocautery device to cauterize deep tissue biopsy tracts

**SST Wireless** – industrial IoT / analytics to help customers make operational decisions

**Temper** – cannabinoid nootropic to help people start and stick to intermittent fasting

**The Good Patch** – patch alternative to oral supplements

**TPA Stream** – employee benefit communication between participants and providers

**Trubify** – livestreaming music technology platform

**Verivend** – payments platform for industrial enterprises.

**Zenlo** – automates opting out, unsubscribing, and deleting PII data

**Zesty.io** – content platform that powers enterprise websites and applications

**Zigazoo** – social video edtech app for families

## TCA made follow-on investments in these 13 portfolio companies:

**Allotrope** – electrical stimulation to ID critical structures during surgery

**Comfreight** – integrates load matching & automated payment advances to carriers

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

**EV Connect** – cloud-based platform for management of the electric vehicle ecosystem

**ExpressCells** – knock-in cell lines for drug discovery toxicology and biologic research

**Fluid Power AI** – machine learning & IOT technology to monitor ANY hydraulic system

**Neural Analytics (Nova Signal)** – non-invasively measure intracranial pressure

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

**PercAssist** – battery powered non-blood contact percutaneous balloon catheter

**Powur** – lead generation for solar installations

**Ready, Set, Food** – protect babies from developing peanut, egg and milk allergies

**Terecircuits** – novel circuit fabrication and assembly technique

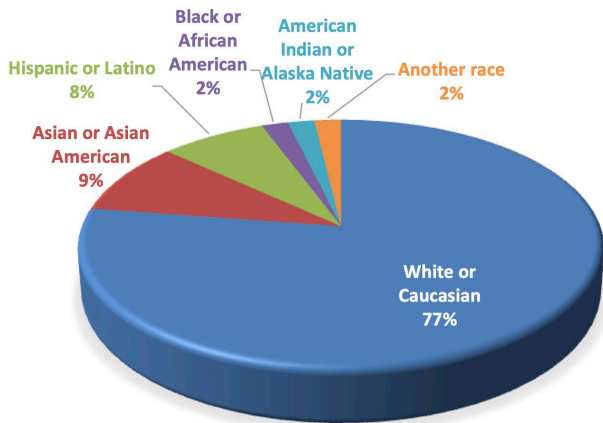
**YBVR** – immersive interactive live sports

\* TCA investment more than \$1 Million in 2021

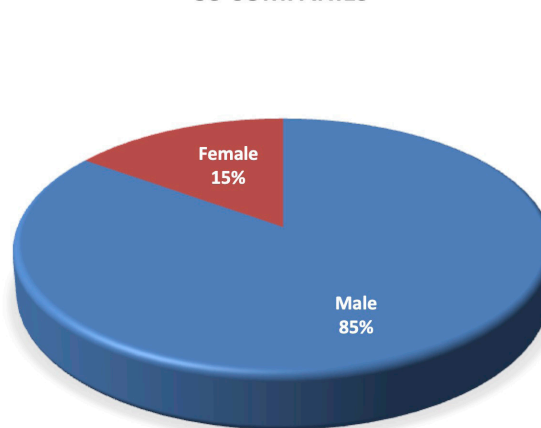
## We are striving for greater diversity in our members and the background of our portfolio company CEOs, but we need to make more progress

- 15% of the CEOs who received funding this year are women
- Two of our four Chapter Presidents are women
- 23% of the CEOs receiving funding in 2021 are non-white ethnicity
- ... we have a DEI initiative underway to improve

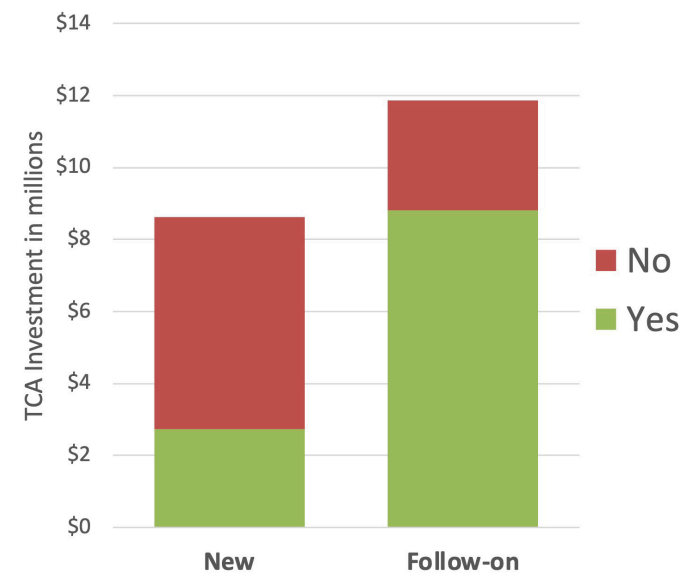
2021 TCA INVESTMENTS BY CEO ETHNICITY  
53 COMPANIES



2021 TCA INVESTMENTS BY CEO GENDER  
53 COMPANIES



2021 TCA INVESTMENTS BY CEO EXPERIENCE





# TCA's Angel Syndication Network (ASN) covers 60+ angel groups

- These angel groups nominate their best deals to share with other angel groups for syndication
- ASN hosts a monthly "virtual" web presentation. 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, almost half of those presenting have received additional funding from these investors (totalling \$13.1 million)
- Collectively, the angel groups participating in ASN represent over 1,500 angels, and more than \$1 billion in direct investment



## **Angel Syndication Network (ASN) funded \$3.5 million in 8 companies in 2021 – 36% of those screened:**

**Vixiar Medical (MEDA Angels)** – *point of care, non-invasive device for measuring hemodynamic congestion in heart failure*

**TPA Stream (North Coast Angels)** – *insurance technology software to help participants and benefit providers communicate*

**Mill It Farms (Kern Venture Group)** – *first organic vegan buttermilk, used to make organic plant-based salad dressings that are half the fat/calories*

**Phishcloud (Frontier Angels)** – *simple interactive security products in cybersecurity space*

**Single Pass (Tech Coast Angels)** – *disposable electrocautery device to cauterize deep tissue biopsy tracts*

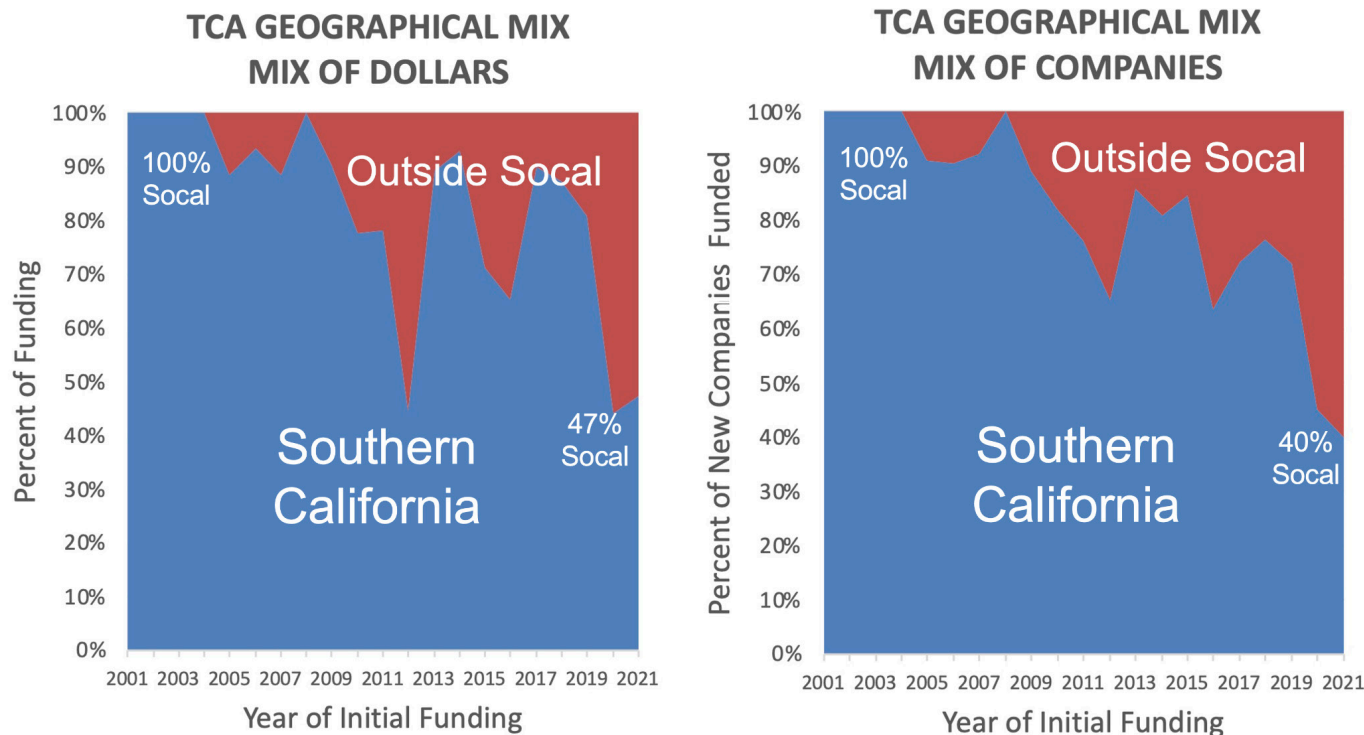
**Gruvi (Rockies Venture Club)** – *line of craft brewed alcohol-free beers & wines*

**VKTRY Gear (Keiretsu Capital)** – *performance insole, to help athletes run faster, jump higher and train smarter*

**Cryptostopper (Frontier Angels)** – *ransomware detection and response SaaS business*

## This greater syndication activity through ASN coupled with virtual screening and remote due diligence has shifted the geographic mix to more companies based outside of Southern California in 2020 and 2021

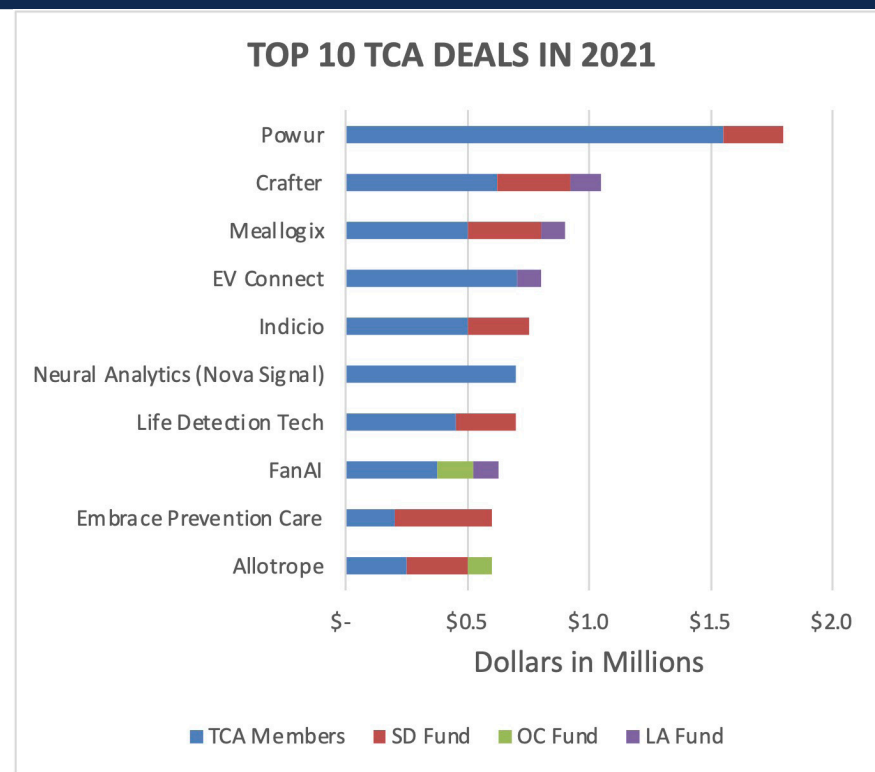
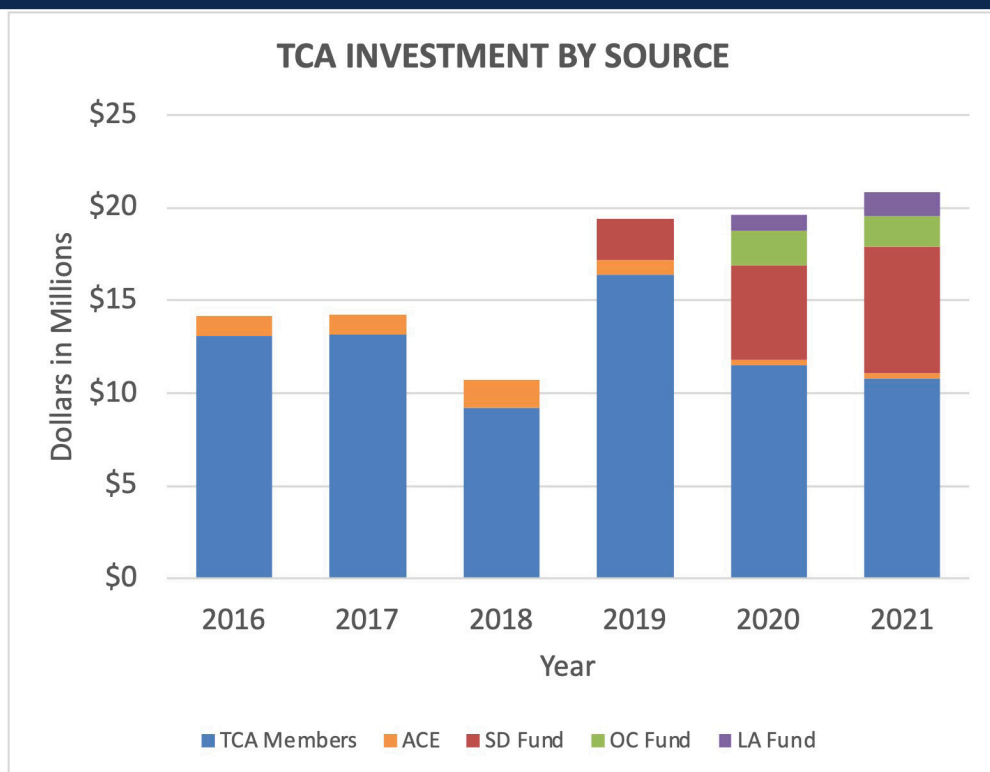
- Traditionally, the mix has been 85% - 90% in Southern California where TCA's members can be actively involved in mentoring and governing.
- With ASN, TCA is seeing more good deals that have strong support and local involvement by other prominent angel groups. Thus new investments outside Southern California rose to 53% in 2021 (from 36% in 2016, 28% in 2017, 24% in 2018, 25% in 2019, and 55% in 2020)
- Under Covid-19, the shift to virtual screening and due diligence, coupled with the addition of virtual members across the USA, has allowed geographical diversification, with more than 50% of deals (including ones led by TCA) now outside SoCal





## Annual chapter funds brought significant incremental capital to entrepreneurs and diversification for members

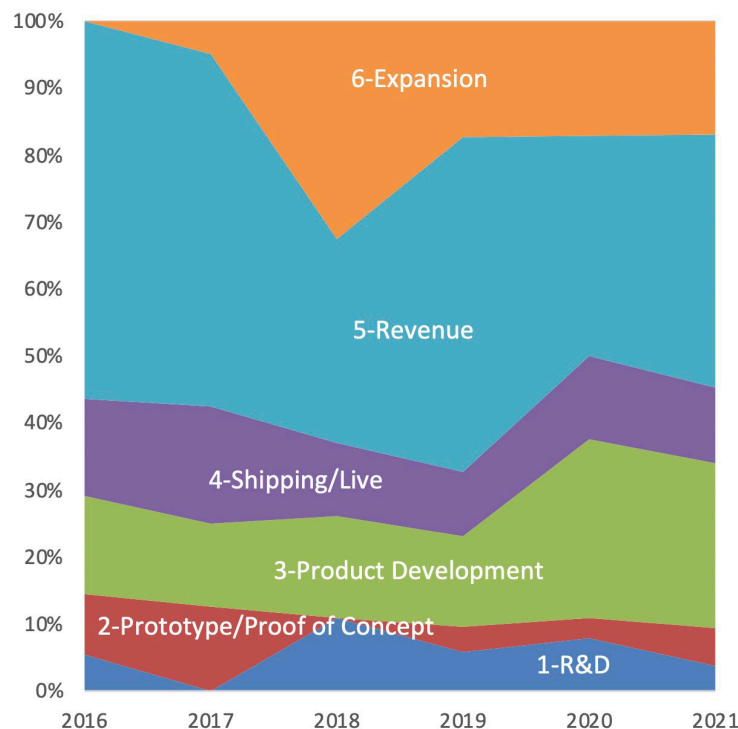
- A record \$9.7 million from TCA's three chapter funds fueled record total investment
- 43 of TCA's 53 deals in 2021 received investment from at least one TCA fund
- TCA now targets completing due diligence and making a fund decision within 30 days, after which individual members invest alongside the funds
- Direct TCA member investment was \$10.8 million - consistent with the average for the three years (2016 - 2018) before the advent of the chapter funds in 2019
- The addition of the chapter funds has been a significant factor in bringing more capital to each company and more diversification to our members



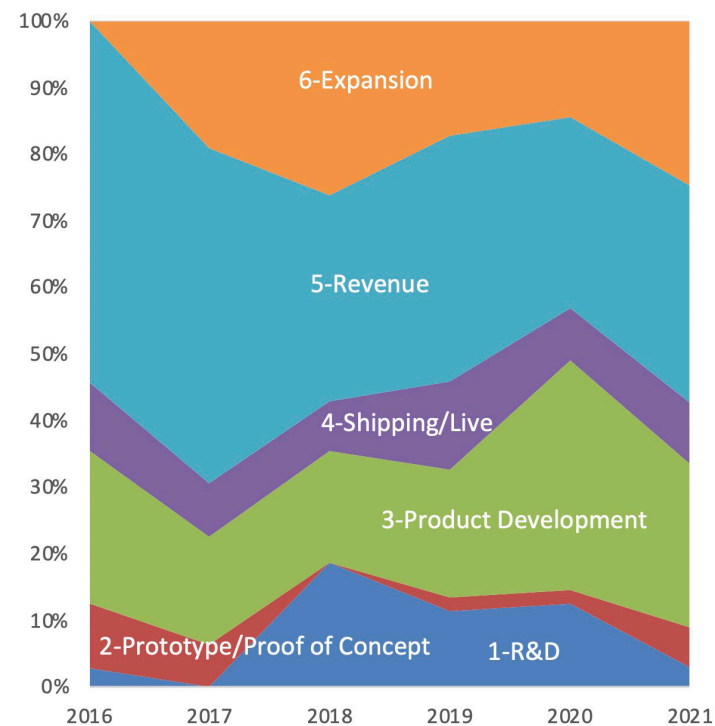
# TCA funding continues to be more likely when initial products/services are already developed and there is evidence of customer traction

- 58% of investments in 2021 were in companies with revenue and those seeking expansion capital, up slightly from 50% in 2020. This is driven by:
  - Companies are launching products/services earlier with MVPs (Minimum Viable Products) before seeking investment
  - Investors at this later stage of the investment cycle expect companies to be closer to breakeven in order to survive the anticipated downturn

2016-2021 TCA INVESTMENTS  
BY DEVELOPMENT STAGE  
MIX OF COMPANIES

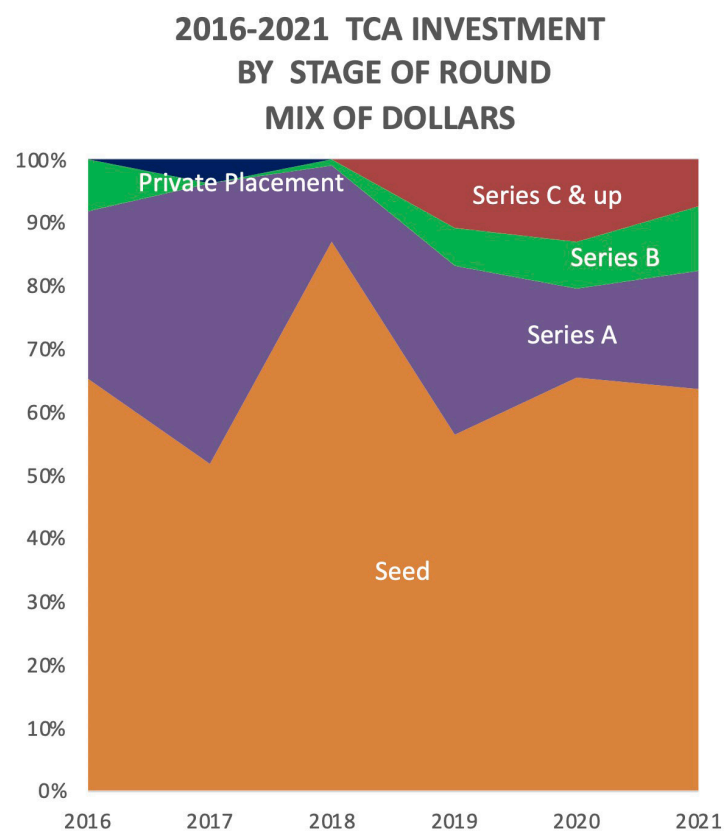
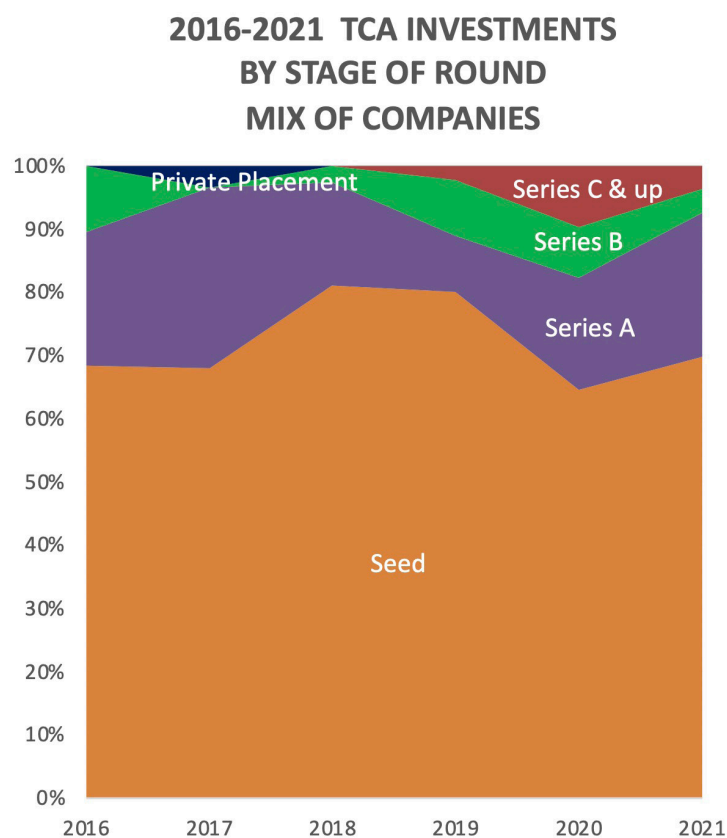


2016-2021 TCA INVESTMENTS  
BY DEVELOPMENT STAGE  
MIX OF DOLLARS



## TCA's investment focus continues to be on “seed” deals

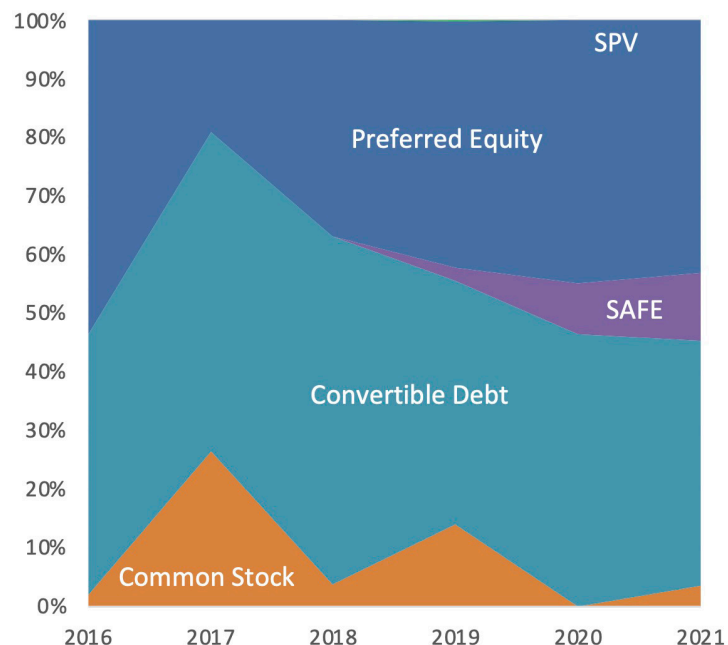
- 70% of deals and 64% of investments in 2021 were Seed – compared to 63% of deals and 65% of investments in 2020
- Some of this bias towards early stage deals has been the pursuit of lower valuations associated with Seed activity, since later rounds have been increasingly at less attractive valuations
- Series A represented 23% of deals and 19% of investments in 2021 (both up slightly)
- In the past three years, there has been more follow-on investment in Series C & up



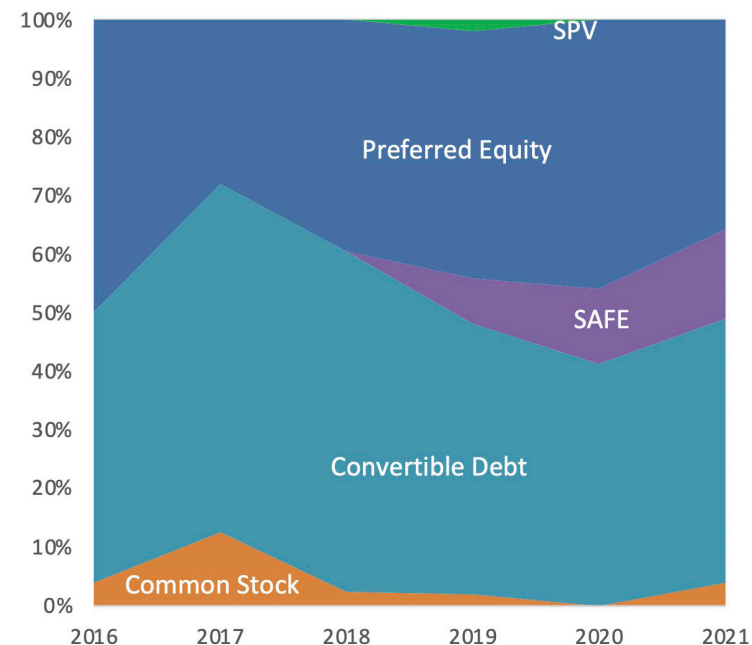
## Most investments in 2021 continue to be either Preferred Equity or Convertible Debt that converts into Preferred Equity

- The 43% invested in Preferred Equity was slightly less than the 45% in 2020 but not yet back to the level of 54% in 2016
- However, the prevalence of convertible notes (42% of the investment total) remains concerning to some because it limits long-term returns due to 1) less initial lift in valuation before Series A and 2) fewer deals will realize Section 1202/Section 1244 favorable tax treatment
- SAFE instruments rose to 12%, concerning since these are unfriendly to investors
- Common equity investments remain rare in 2021, at 3% of the dollars invested

2016-2021 TCA INVESTMENTS  
BY DEAL TYPE  
MIX OF DOLLARS



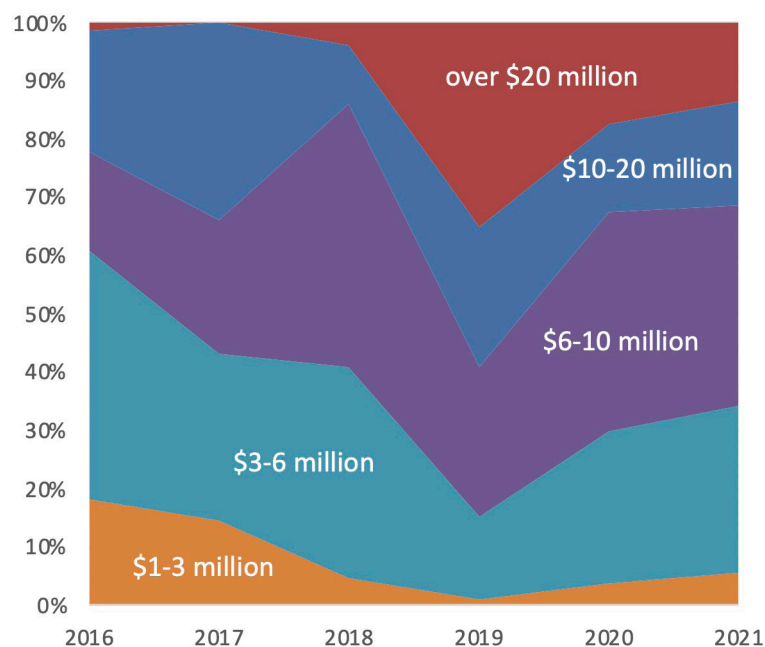
2016-2021 TCA INVESTMENTS  
BY DEAL TYPE  
MIX OF COMPANIES



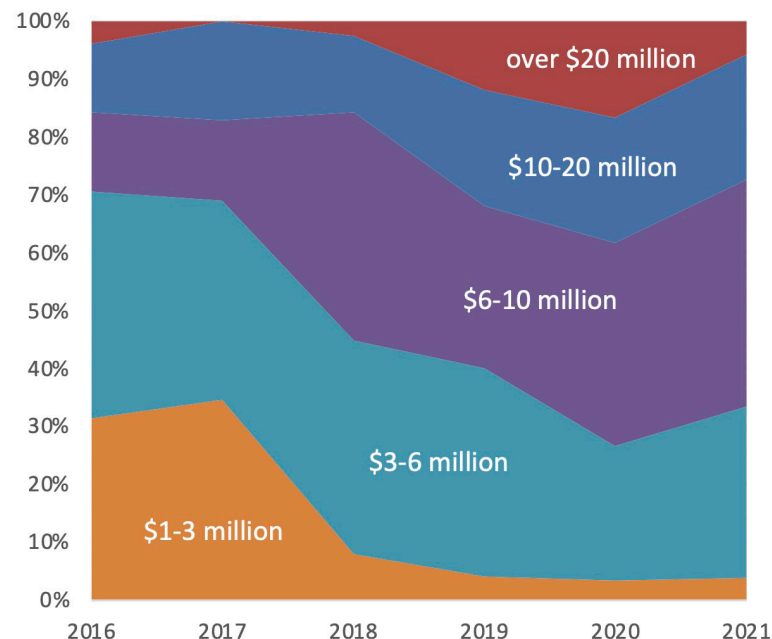
## Valuations at time of TCA investment remain at historically uncomfortable levels – this may reverse in 2022

- 32% of TCA's investments in 2021 were in companies with valuations below \$6 million, compared to 28% in 2020, 15% in 2019, 45% in 2018, 43% in 2017 and 61% in 2016
- The median valuation was \$8.0 million in 2020 and 2021, compared to \$9.0 million in 2019, \$6.0 million in 2018, and \$4.5 million in 2016 and 2017
- The long-term “sweet spot” for angel investing has been deals valued at \$1-3 million – this declined to 3% of investment from 18% in 2016

2016-2021 TCA INVESTMENTS  
BY VALUATION  
MIX OF DOLLARS

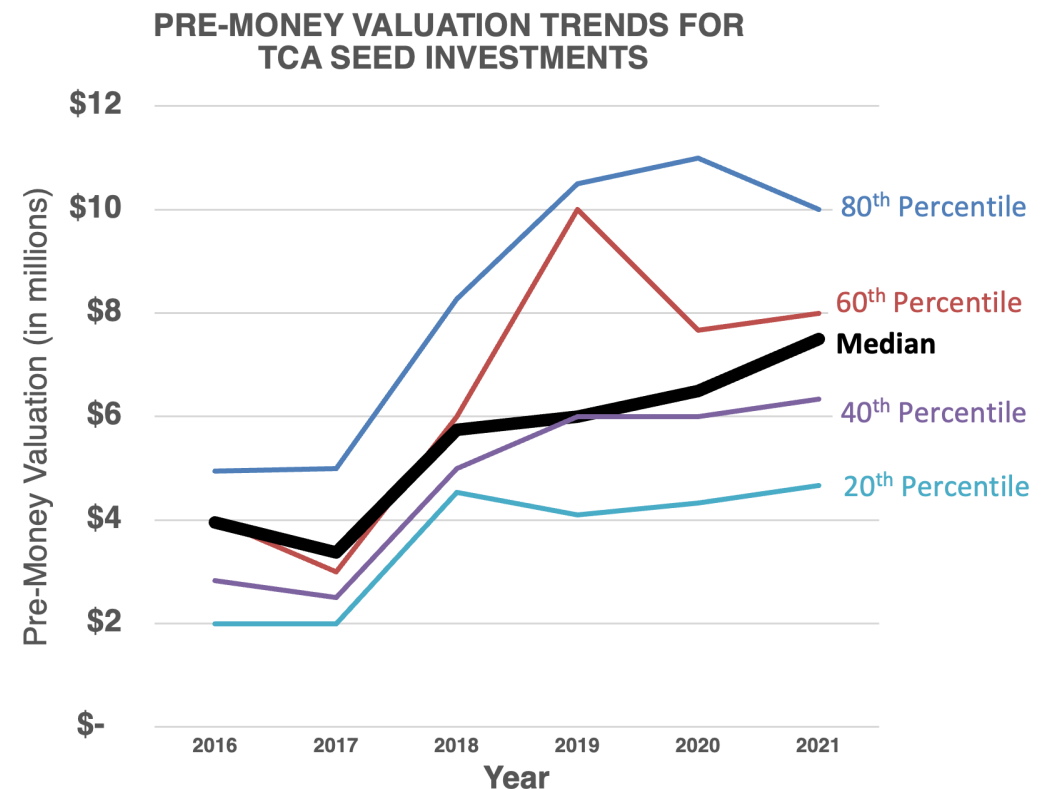
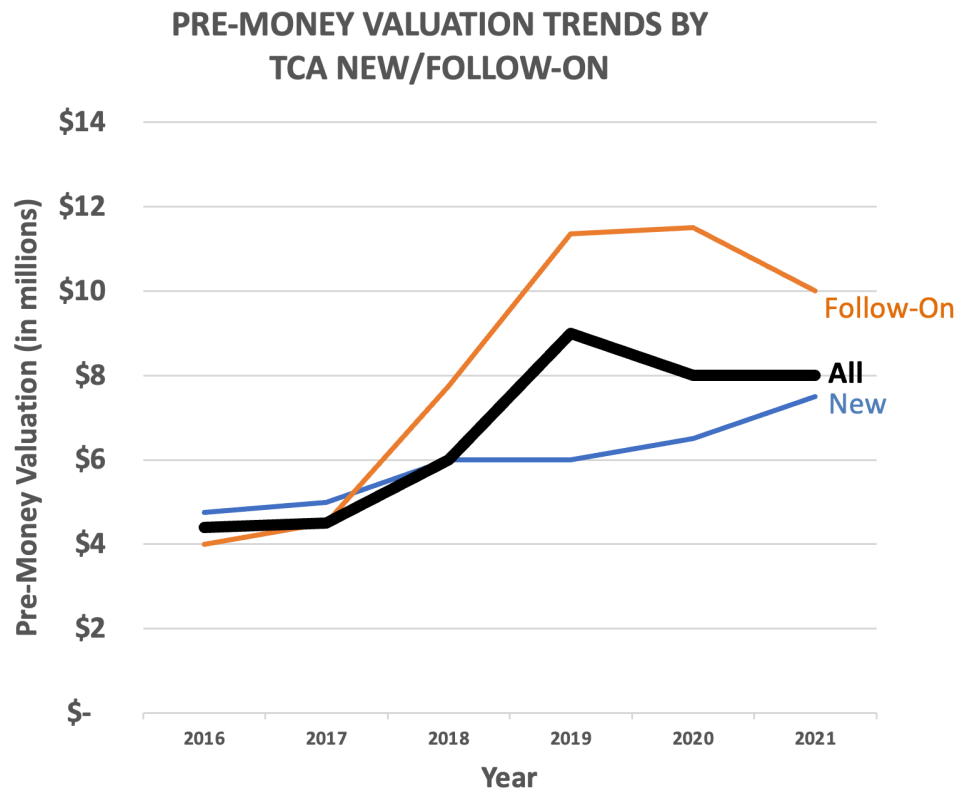


2016-2021 TCA INVESTMENTS  
BY VALUATION  
MIX OF COMPANIES



## More on Valuation Trends ...

- While median valuation for all deals was stable in 2021, it still rose slightly for new companies (and all seed companies) to \$7.5 million from \$6.5 million in 2020
- Valuations for seed investments compressed at the top of the range (80th percentile) dropped from \$11 million in 2020 to \$10 million in 2021



Source: Tech Coast Angels

# Tips for Entrepreneurs Going Forward

TCA's record high investment in the last three years reflects a strong pipeline of opportunities. But excessive valuations in public and private markets signal a correction is likely coming during which financing will be a challenge.

Our advice to smart entrepreneurs at this stage in the cycle is to be well prepared:

- Get realistic about valuation and don't look to last year's averages. It's a new world. Any investment will be hard, and overpricing can be fatal if it leaves you underfunded
- Maintain a healthy runway. In the next two years, more good companies will likely fail for lack of financing than for all other reasons combined
- If you are lucky enough to attract funding, raise as much money as you can in the current round and don't be concerned about dilution. You won't regret it later
- Stay focused. 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 (rather than those that are willing to offer the highest valuation), and listen to your advisers

# Tips for Angels Going Forward

Our advice to smart angels at this stage in the cycle is to be well prepared:

- Accelerate funding of companies who embrace more realistic valuations – particularly companies which can achieve breakeven with the funds raised in the current round. Some of the most successful companies today were started during downturns – they navigate the higher hurdles and have less competition when funding gets tighter
- Invest in funds if you have a limited amount of capital to deploy – giving you the benefits of diversification that is so important in this class of investment. Supplement the investment in funds with sidecars in areas/markets in which you have knowledge
- Join a trusted angel group to access quality deal flow and the expertise of others in due diligence and mentorship of the companies moving forward
- Learn from other experienced angels by participating in the Angel Capital Association's Angel University, webinars and annual ACA Summit conference
- Be patient – you'll likely have more failures than successes, and the successes will typically come later. But a few of the successes should more than compensate for the shutdowns and yield an overall attractive portfolio return



# Thank You to TCA's Sponsors!

