



2019 Annual Report

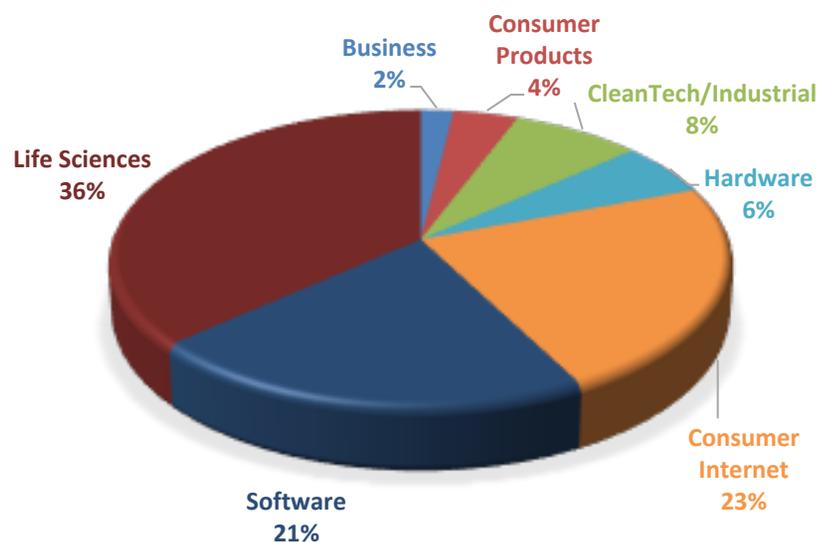
2019 Highlights

- Grew **investment** 91% to a record \$19.1 million in a total of 52 companies
- Grew **membership** 15% to 458 at year end 2019
- Implemented **annual chapter funds** – bringing over \$6 million of additional potential capital to deals in 2020 (beyond individual member investments)
- Brought **diversification** to member portfolios through the chapter funds
- Shortened **due diligence** time now targeting decision by the fund of the leading chapter **within 30 days**
- Realized **five exits** including returns of 31x, 19x and 6.5x
- Achieved **4.8X multiple** on all outcomes (all exits and shutdowns) with **IRR of 23.1%**
- Continued to **mentor and guide** 225 (54%) of the 417 companies funded since TCA inception in 1997 that are still **active** – especially needed under the current Covid-19 crisis

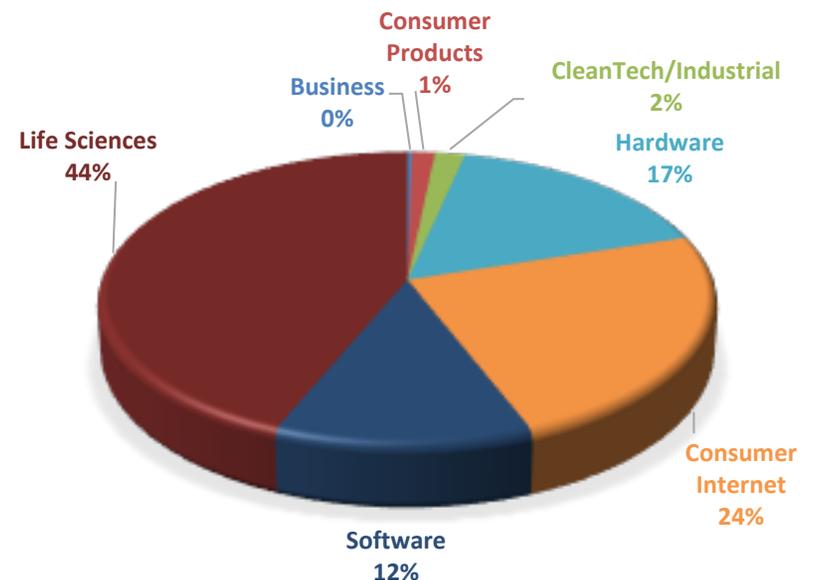
2019 was a record year for Tech Coast Angels (TCA) in funding and member growth

- TCA invested \$19.1 million in a total of 52 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 by Software, Hardware and Consumer Internet. Hardware received a higher portion of dollars invested in 2019 vs 2018 due to one large funding
- 32 of these companies were new additions to the portfolio – a number that was second only to the all-time record number of 37 in 2016
- 57% of the dollar investment went to these new companies
- Membership grew from 398 at the end of 2018 to 458 at year end 2019

2019 TCA INVESTMENTS BY INDUSTRY
52 COMPANIES



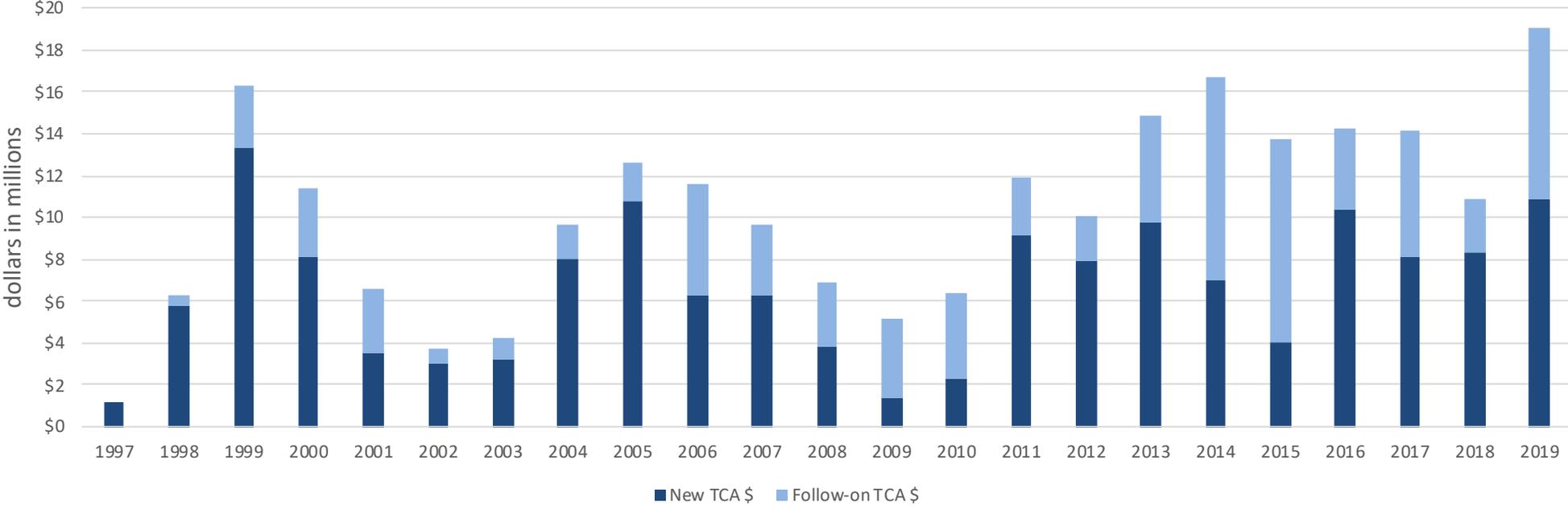
2019 TCA INVESTMENTS BY INDUSTRY
\$19.1 MILLION



Total investment for the year reflects the longest sustained level of activity since TCA was founded in 1997 – nine years at \$10 million or more

- From 2011-2019, total investment each year was between \$10.0 - \$19.1 million
- Investment surged 81% from \$10.9 to \$19.1 million in 2019, driven by strong membership growth of 51% to 458 members coupled with strategic changes including the implementation of the first chapter fund in San Diego and the promise of a decision from the fund within 30 days of screening. TCA is working hard to be the Best Place for the Best Companies to get funded in Southern California
- The mix into new companies shifted in 2019 to 57% of investment from 76% in 2018

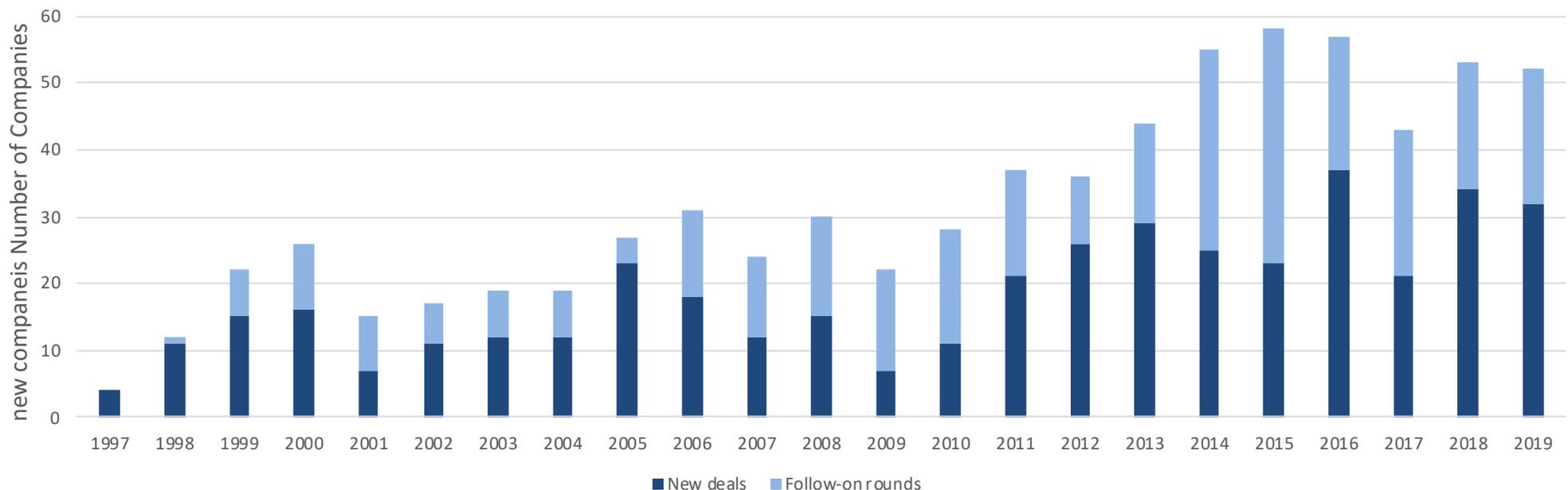
TCA NEW & FOLLOW-ON INVESTMENTS BY YEAR



TCA invested in 52 companies in 2019, including 32 new companies which approached the all-time record of 37 in 2017

- This total of 52 includes 19 companies in Life Sciences, 11 in Software, 12 in Consumer Internet, 4 in Cleantech/Industrials, 2 in Consumer Products, 3 in Hardware and 1 in Business
- New companies included 13 companies in Life Sciences, 7 in Software, 7 in Consumer Internet, 3 in Hardware and 2 in Cleantech/Industrials

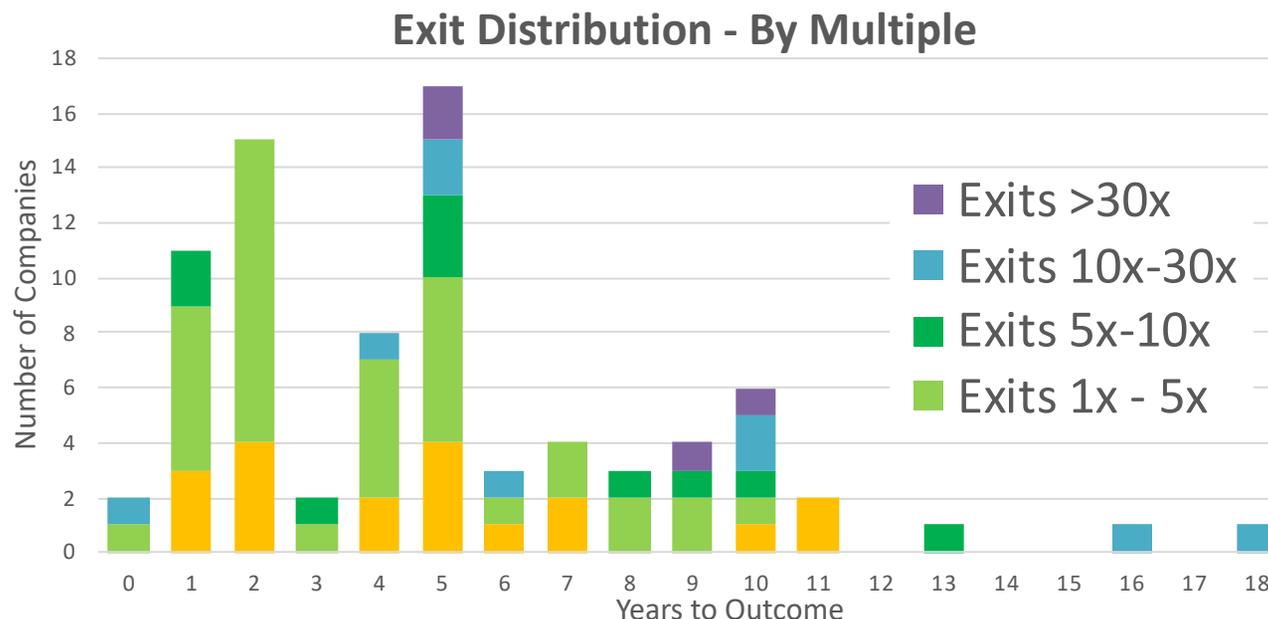
NUMBER OF TCA COMPANIES INVESTED IN EACH YEAR



TCA had five exits in 2019 and a 4.8x return on all outcomes since 1997

- 1 secondary offering in **Leaselock** (2014 investment) for a 31x return
- 3 acquisitions (all 2014 investments): **Parcel Pending** to Neopost for \$100 million and a 19x return, **Portfolium** to Instructure for \$40 million and a 6.5x return, and Ushr (a spinout of **Geodigital**) to Dynamic Map Platform for \$181 million
- 1 merger into public company: **Salaris Pharmaceuticals** into Flex Pharma (NASDAQ: SLRX) (2018 investment)

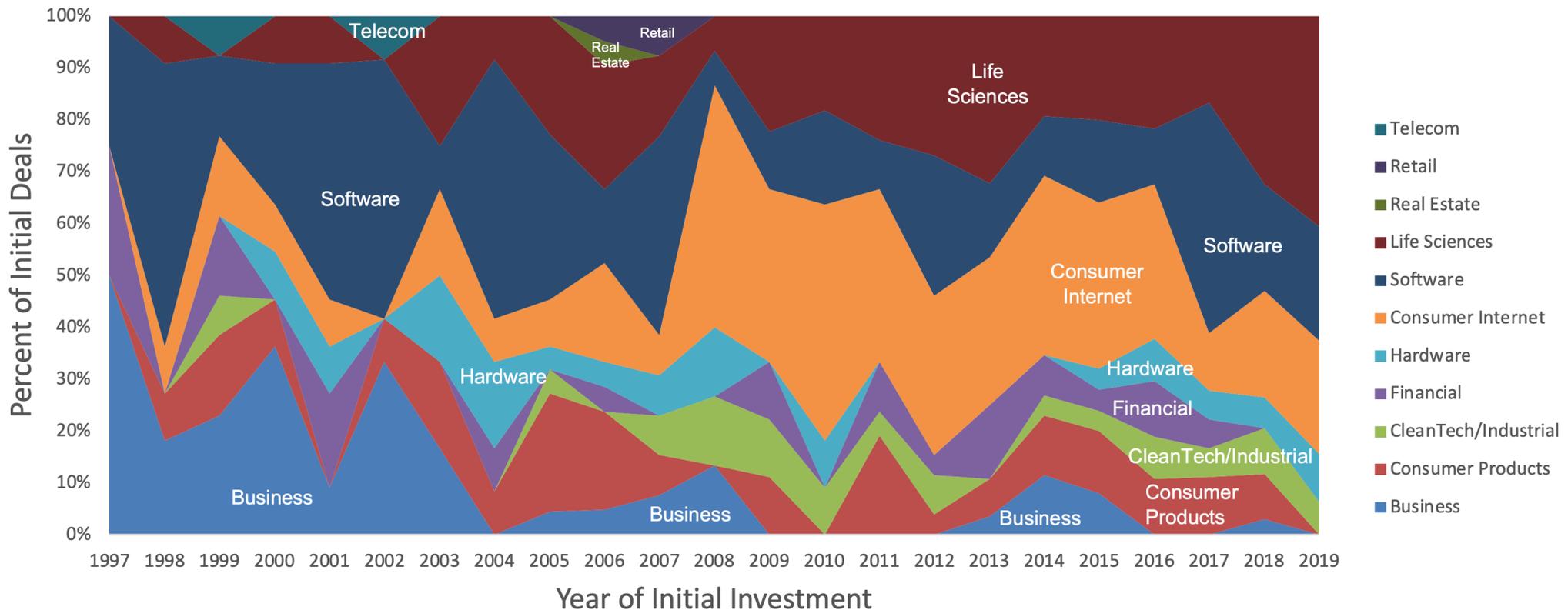
This brings the total exits since TCA's inception in 1997 to 82 exits, and 110 shutdowns. Of the 417 investments TCA has made since its founding, 225 (54%) are still active. At the highest price achieved after IPOs, TCA's return has been 4.8X and the IRR has been 23.1%. This compares to a 2.5x benchmark for angels per ARI. Tax benefits from the write-offs are not included.



Our 458 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 2019, Life Sciences, Software and Consumer Internet continue to lead
- Life Sciences has grown to 37% of the companies and 44% of the dollars invested

Number of TCA Initial Investments by Industry by Year



TCA invested in 32 new companies in 2019:

Advekit – marketplace that matches patients with mental health professionals

Atlazo* – continuous health data monitoring, aggregation and analytics

Brius (Mechanodontics)* – dental braces that move the teeth independently

Ceresti Health – support family caregivers for multi-chronic patients

Cloudkeyz – secured access management replacing call-box intercom

Concert Health – help physicians deliver evidence-based behavioral health care

Deep Blue Medical Advances – novel hernia mesh to reduce hernia repair failures

Elemeno Health – transforms client healthcare with actionable guides

Elysium – new class of Rx painkillers that replace addictive opioids

GoSite – most complete end-to-end software suite for local businesses

GroGuru – precision soil and irrigation monitoring system

Grolens – ERP for commercial cannabis producers

Grolltex – industrializable and sustainable method to make graphene

Habitu8 – understand, benchmark, and shape risky employee behaviors

Healionics – improved means of dialysis access in patients with kidney failure

Heart Health Intelligence – toilet seat-based cardiovascular monitoring system

Industry Jump – marketplace for producers and film crew to find, hire and pay

KettleSpace – transforms hospitality assets into on-demand work space network

Lennd – event operations platform for modern event teams

Mercato* – online marketplace for independent grocery stores

* TCA investment more than \$1 Million in 2019

New companies in 2019 (continued):

Paradigm Diagnostics – finds best comprehensive treatment approaches for cancer

Pathware – biopsy quality assessment tool

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

Recess – helps brands and agencies discover, contract, pay event organizers

Seatrec – converting temperature differences into electricity generation

Shoonya – game-based learning for language and culture

Snapwire – on-demand platform for buyers and creators of visual content

Spiral Genetics – make large-scale genomic data mining possible

Trials.ai – AI to accelerate clinical trials management

Turn Technologies – solutions for the 1099 labor supply side of the gig economy

URB-E – foldable urban delivery solutions

Visgenx – gene therapy solution for age-related macular degeneration

In 2019 there were an unprecedented six companies with over \$1 million invested by TCA. The biggest deal in 2019 was **Buy It Installed*** with \$2.7 million, followed by **Atlazo*** with \$2.5 million and **Neural Analytics*** with \$2.0 million. Three other companies (**DTx Pharma***, **Mercato*** and **Brius***) received between \$1 and 2 million from TCA in 2019.

* TCA investment more than \$1 Million in 2019

TCA made follow-on investments in these portfolio companies:

- Actuate Therapeutics** – GSK-3 inhibitor into clinic for oncology and fibrotic diseases
- Aquacycl (Aquam)** – distributed wastewater treatment to reduce sludge & recover energy
- BeTheBeast** – online community for scholastic athletes recruiting (“LinkedIn” for sports)
- Buy It Installed*** – button integrated into retailer ecommerce site to include installation
- Capillary Bio** – continuous subcutaneous insulin infusion for diabetics
- Connected Signals** – real-time predictive data streams for traffic lights
- Curb** – integrated system for visualizing and managing energy consumption
- Discover Echo (Echo Labs)** – world’s first hybrid hi-res digital microscope
- DTx Pharma*** – oligonucleotide therapeutic for efficient delivery of nucleic acid drugs
- EV Connect** – electric car battery testing system for OEMs
- Groupize** – cloud-based systems to help meeting planners find spaces
- Kangarootime** – childcare software for payments, communications & compliance
- Kast (Evasyst)** – live hang-out to watch movies, TV, play games and share together
- Matrisys Bioscience** – microbiome development for skin infections
- Midas Education** – SAAS integrating 17 “siloes” data analytics systems in schools
- Mobilize Solutions** – create & share branded photos on social media
- Neural Analytics*** – non-invasively measure intracranial pressure
- NextPro (Gametime Footage)** – produce & distribute over 50K youth sports games
- Outsite** – co-working and co-living for independent millennial professionals
- Pasturebird** – largest pasture-raised poultry producer in the US

* TCA investment more than \$1 Million in 2019

TCA extended its Angel Syndication Network (ASN) to share best deals for deal syndication among 50+ prominent angel groups across the US

- These angel groups nominate their best deals to share with other angel groups for syndication
- ASN hosts a monthly “virtual” web presentation based on a live meeting occurring 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, roughly half of those presenting have received additional funding from these investors (totaling \$7.5 million)
- Collectively, the angel groups participating in ASN represent over 1,500 angels, and over \$1 billion in direct investment



Angel Syndication Network (ASN) funded the following companies in 2019:

BeTheBeast (presented by Pasadena Angels) – online community for scholastic athletes recruiting (“LinkedIn” for sports)

DTx Pharma (presented by Tech Coast Angels) – oligonucleotide therapeutic for efficient delivery of nucleic acid drugs

Kast (Evasyst) (presented by Tech Coast Angels) – live hang-out to watch movies, TV, play games and share together

Nymb1 Science (presented by Rockies Venture Club) – digital balance assessment and intervention software to prevent senior falls (24% reduction)

Paradigm Diagnostics (presented by Tech Coast Angels) – finds best comprehensive treatment approaches for cancer (since acquired by Exact Sciences)

Seatrec (presented by Pasadena Angels) – Converting temperature differences into electricity generation

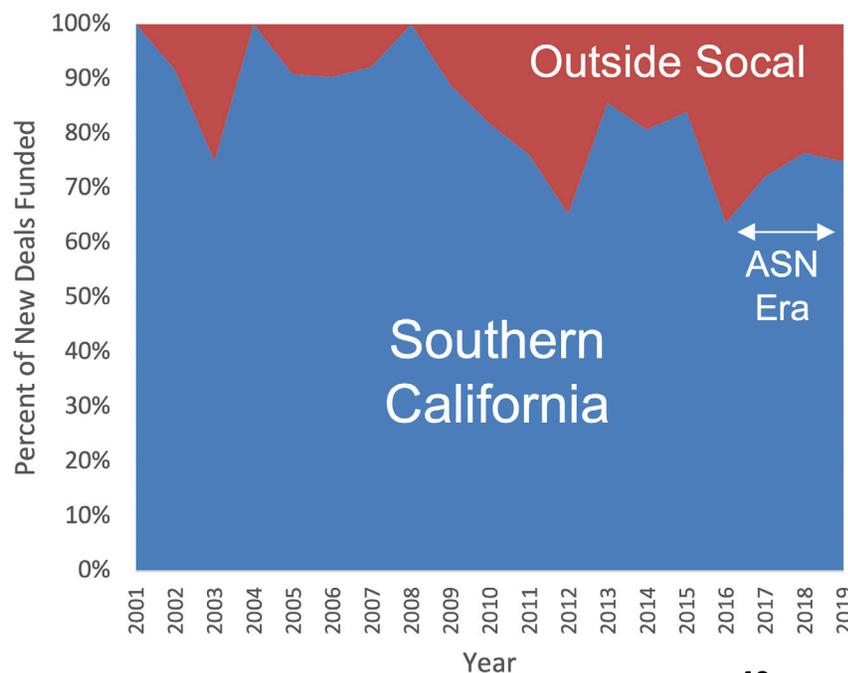
StormSensor (presented by Frontier Angels + Next Wave Impact) – map water movement through urban infrastructure to prioritize infrastructure spending

Turn Technologies (presented by Keiretsu) – solutions for the 1099 labor supply side of the gig economy

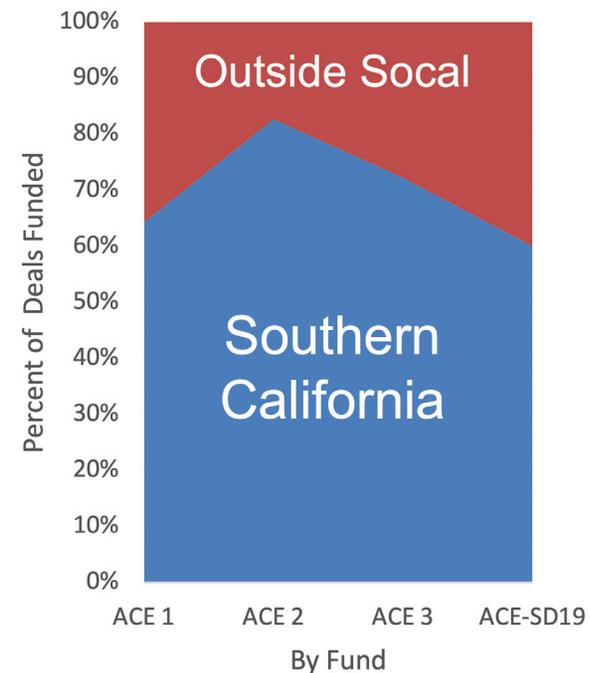
This greater syndication activity through ASN has shifted the geographic mix to more based outside of Southern California

- 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 36% in 2016, 28% in 2017, 24% in 2018 and 25% in 2019
- This also has been influenced by the investments of TCA’s ACE (Angel Capital for Entrepreneurs) Funds which have had a larger percentage of investments outside Southern California

TCA Initial Investments By Geography



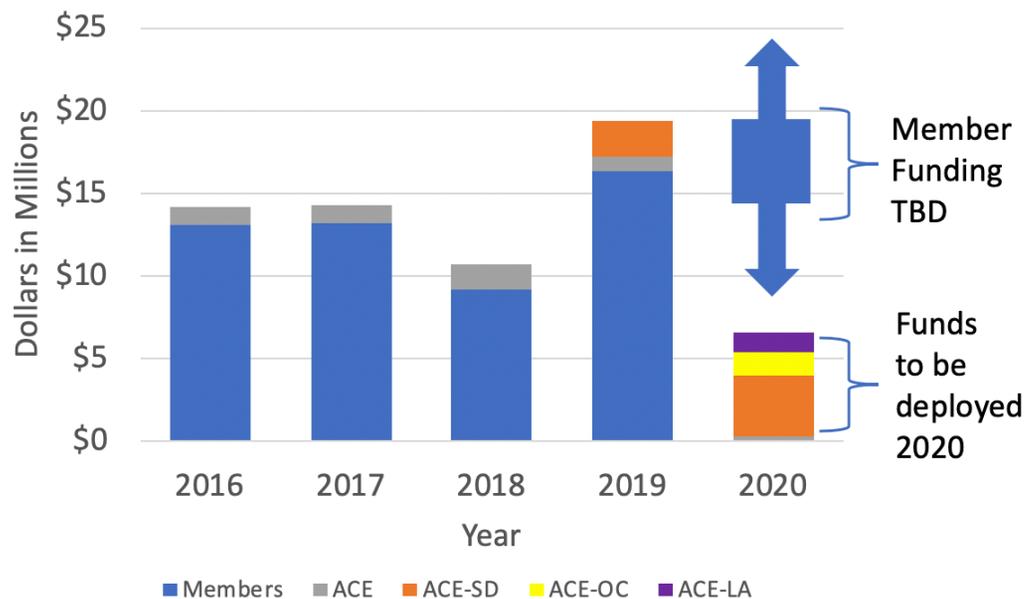
ACE Fund Investments by Geography



2019 was a pivotal year for TCA with the advent of annual chapter funds to invest alongside members

- TCA-San Diego launched ACE-SD19 in which \$2.2 million was invested in the first 10 months of 2019. ACE-SD20 raised another \$3.7 million intended for deals in 2020
- TCA-Orange County followed suit with \$1.4 million in ACE-OC20 and TCA-Los Angeles with \$1.2 million in ACE-LA20 both for deals in 2020
- TCA now targets completing due diligence and making fund decision within 30 days, after which individual members invest alongside the funds
- For 2019, the funds contributed \$3 million towards the record \$19.1 million total investment by TCA, and in 2020 the investment by the funds should exceed \$6 million (if the opportunities are there)

TCA Investment by Source



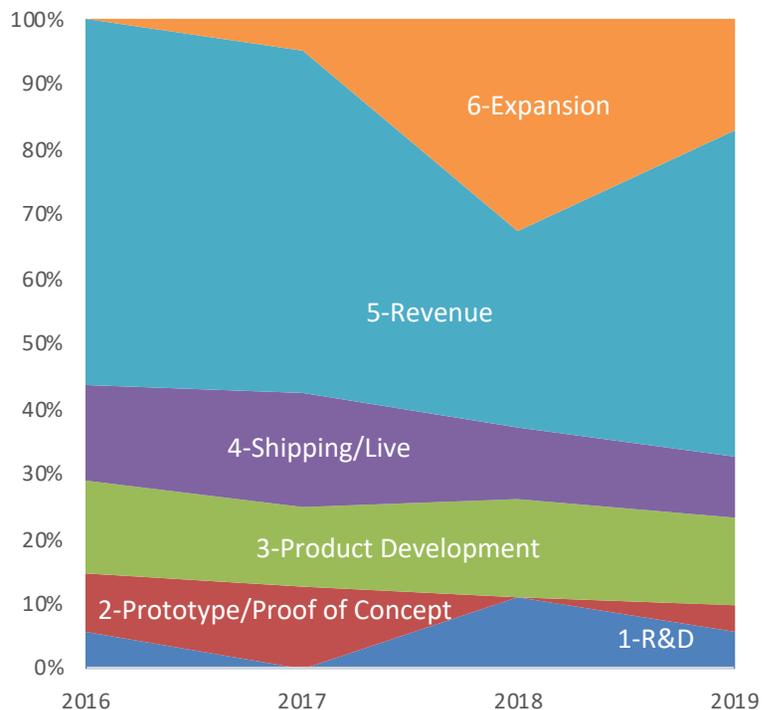
Top 10 TCA-SD Deals in 2019



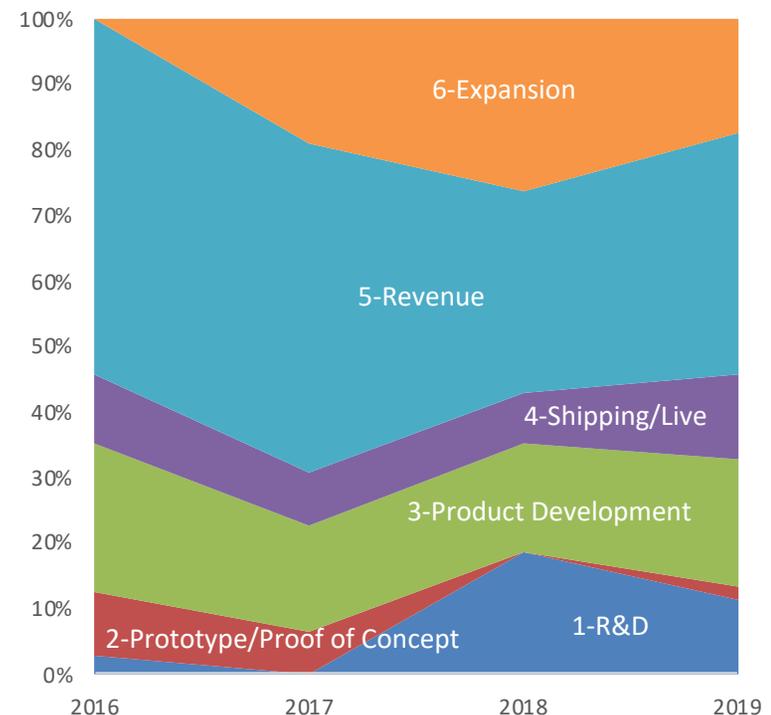
TCA funding is more likely when initial products/services are already developed and there is evidence of customer traction

- 67% of investments in 2019 were in companies with revenue and those seeking expansion capital, up slightly from 65% in 2018. 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

2016-2019 TCA INVESTMENTS
BY DEVELOPMENT STAGE
MIX OF COMPANIES



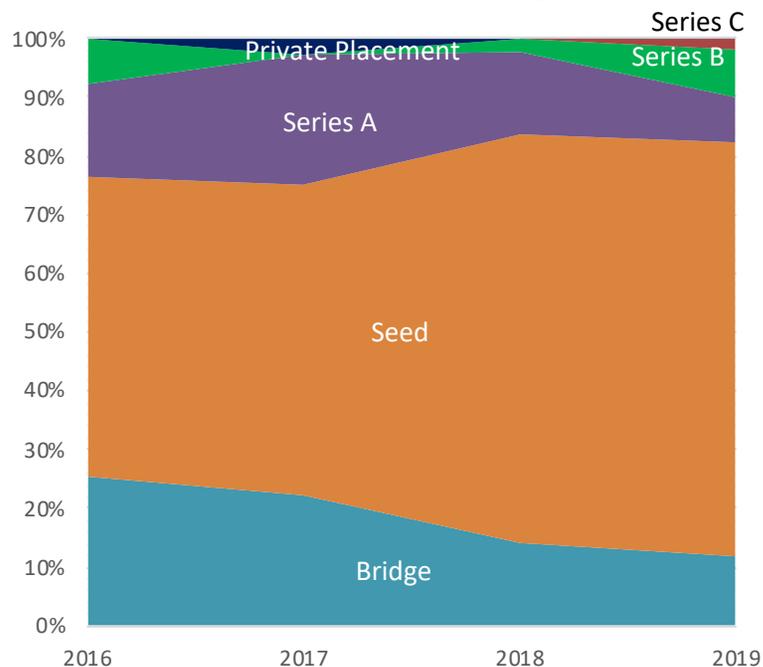
2016-2019 TCA INVESTMENTS
BY DEVELOPMENT STAGE
MIX OF DOLLARS



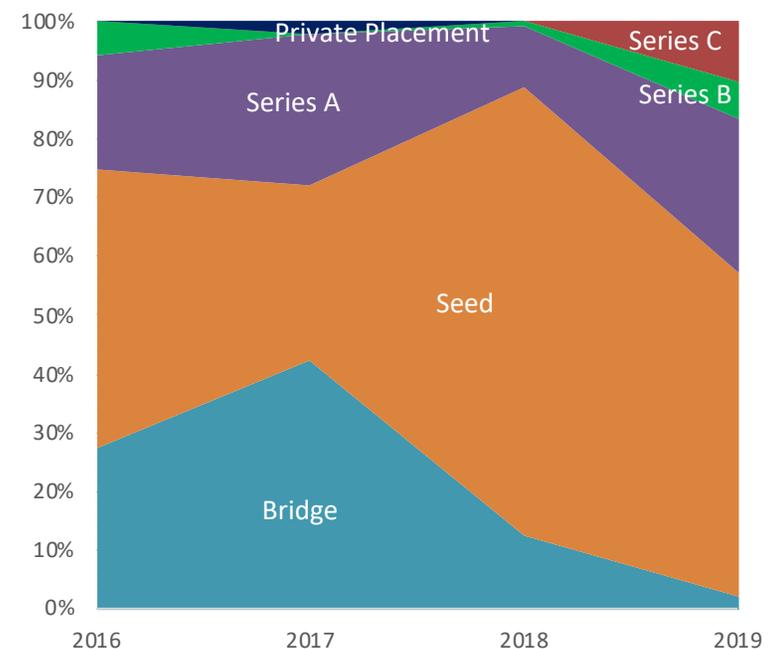
TCA's investment focus continues to be on early stage "seed" deals

- 71% of deals and 55% of investments in 2019 were Seed – both higher than the average for the previous two years
- Some of this bias to early stage deals has been pursuit of lower valuations associated with seed activity, since later rounds have been increasingly at less attractive valuations
- Bridge investment declined significantly in the past two years from 42% in 2017 and 12% in 2018 to 2% in 2019

2016-2019 TCA INVESTMENTS
BY STAGE OF ROUND
MIX OF COMPANIES



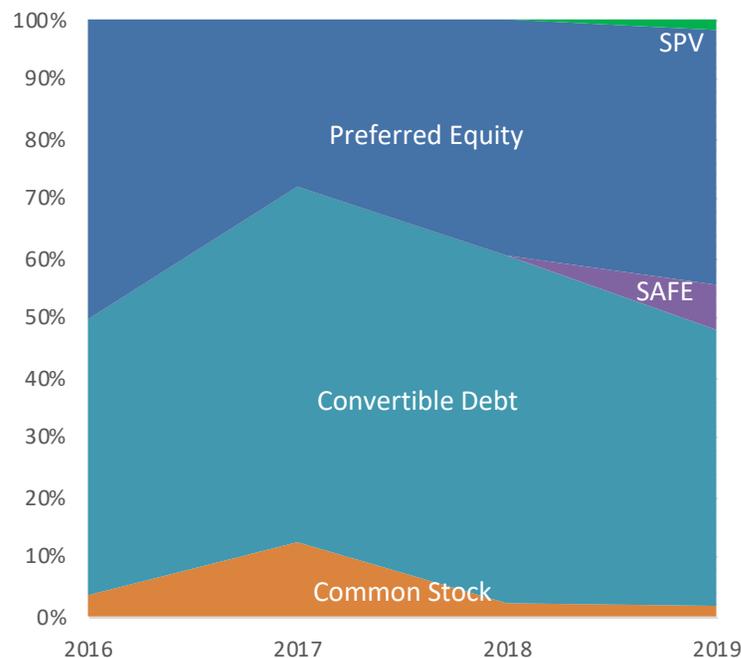
2016-2019 TCA INVESTMENT
BY STAGE OF ROUND
MIX OF DOLLARS



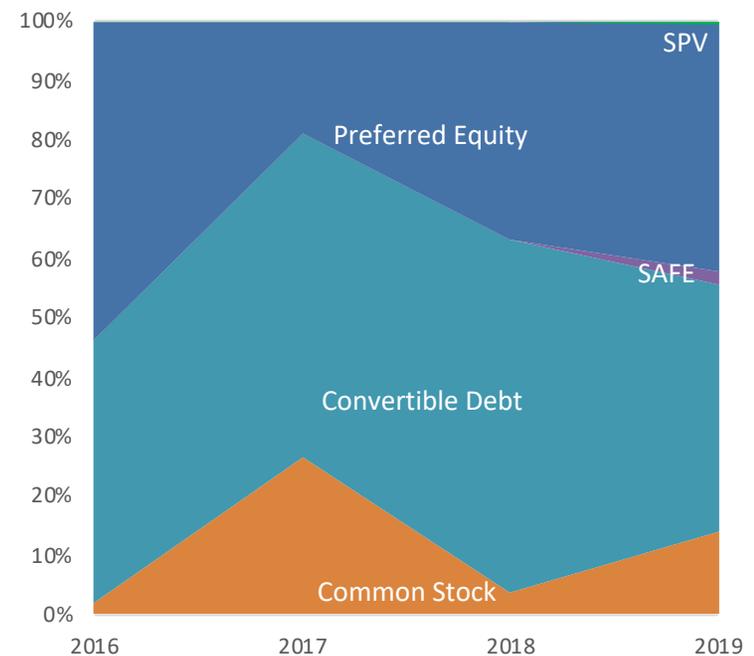
Most investments in 2019 continue to be either Preferred Equity or Convertible Debt that converts into Preferred Equity

- The 41% invested in Preferred Equity was an increase from 2018 and heading back towards the level of 50% in 2016
- However, the prevalence of convertible notes (43% 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
- Common equity investment increased to 14% due to one large deal

2016-2019 TCA INVESTMENTS
BY DEAL TYPE
MIX OF COMPANIES



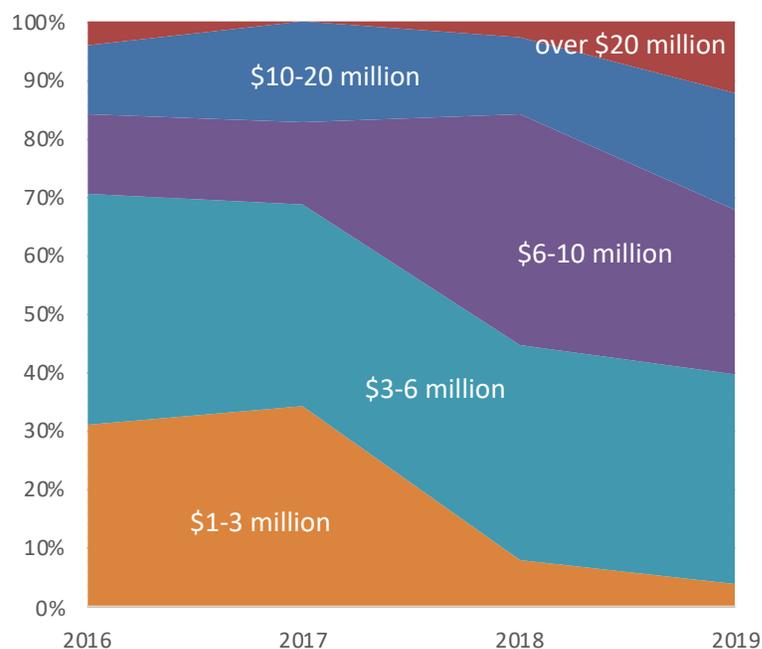
2016-2019 TCA INVESTMENTS
BY DEAL TYPE
MIX OF DOLLARS



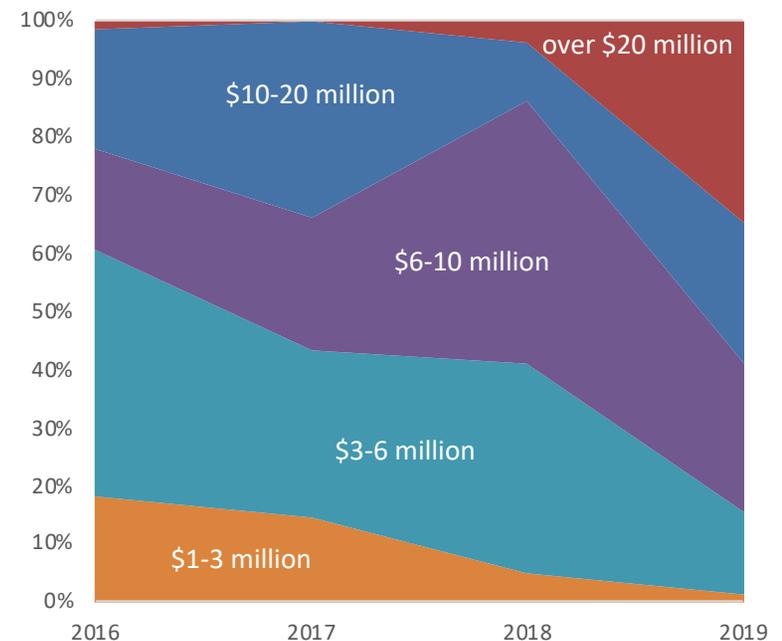
Valuations at time of TCA investment continue their climb to historically uncomfortable levels – this should reverse in 2020

- 15% of TCA's investments in 2019 were in companies with valuations below \$6 million, compared to 41% in 2018, 43% in 2017 and 61% in 2016
- The median valuation was \$9.0 million in 2019, compared to \$6.0 million in 2018, and \$4.5 million in 2016 and 2017
- The long-term "sweet spot" for angel investing are deals valued at \$1-3 million – this declined to 1% of investment from 5% in 2018, 14% in 2017, and 18% in 2016

2016-2019 TCA INVESTMENTS
BY VALUATION
MIX OF COMPANIES



2016-2019 TCA INVESTMENTS
BY VALUATION
MIX OF DOLLARS



Tips for Going Forward

TCA's record high investment in 2019 reflects a strong pipeline of opportunities. But events in early 2020 clearly show the investment cycle has turned down. 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 recent averages. It's a new world. Any investment will be hard, and overpricing can be fatal
- Hunker down to survive, and try to find a way to stay afloat with the funds you've already raised. 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. Consider shifting more compensation from cash to stock options at least on a voluntary basis
- 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)
- For Angels, now is the time to accelerate funding of companies at more realistic valuations – particularly companies which can achieve breakeven with the funds raised in the current round

Thank You to TCA's Sponsors!

