

LI BUSINESS

'Angels' wings fluffing up

Investors are spending more to help startups, but good deals are out there



DAVID HANSCHUH

Matt DeMaio recently snagged angel funding for his Condition One Nutrition in Valley Stream, which makes meal replacement bars.

BY JAIMIE HERZLICH

Angel investors, or high net-worth individuals as they're known, invested larger amounts in fewer deals last year, according to the Center for Venture Research at the University of New Hampshire.

Total investments nationwide in 2017 were \$23.9 billion, an increase of 12.6 percent over 2016, while the number of entrepreneurial ventures that received angel funding — 61,560 — was down 4.4 percent, according to the center's data.

The numbers bode well both locally and nationally for entrepreneurs.

"I think we're on the right track," says

Jeffrey Sohl, director of the UNH center. "This looks like a relatively stable market."

There are good deals to be had for angels, although they appear to be paying slightly more for them, he says. The higher valuations could reflect more competition for fewer deals, he says.

While local statistics weren't broken out, New York and Boston are "two major centers of startup activity and angel investing," says Sohl.

On Long Island, experts said activity mirrored the national report's findings, with larger amounts invested in fewer deals.

Members of the Long Island Angel Network, who invest in early-stage companies, provided more than \$5 million in funding

to companies in 2017, slightly higher than in 2016, estimates LIAN board chairman Michael Faltischek, a founding partner at the Ruskin Moscou Faltischek law firm in Uniondale. Most of those were "follow-on investments"— meaning investments in early-stage firms that are further along in their business models and may have started producing some revenue.

26.7%

Yield rate, or percentage of angel investment opportunities that resulted in an investment in 2017, up from 19.7% in 2016.

SOURCE: UNHCenter for Venture Research



Michael L. Faltischek.
Photo Credit: Ruskin Moscou Faltischek P.C.

That follows the trend in the national report's findings: The percentage of angel investments in companies in the seed and startup stage was identical in 2016 and 2017, at 41 percent, but angels increased their presence in early-stage investing to 41 percent of investments, up from 31 percent in 2016.

Faltischek says he is "ambivalent" about the local investment outlook for 2018, noting he'd like to see more "quality" opportunities for seed investment locally in order to attract more angels. He says he is meeting with local research institutions and universities to gauge future opportunities for commercialization of technologies.

Meanwhile, Neil Kaufman, chairman of the Long Island Capital Alliance and managing member of Kaufman & Associates law firm in Hauppauge, says he's seen a good crop of firms presenting at LICA's quarterly forums, where companies pitch to potential investors.

"We've seen a high quantity of high-quality local companies at all stages," he says, noting LICA has been receiving a "historically high volume of applicants" to present at its forums.

Kaufman says he expects 2018 to continue 2017's trend, with a strong volume of applicants and activity.

Matt DeMaio, president of Valley Stream-based Condition One Nutrition, hopes so.

He presented at LICA's December forum and recently snagged angel funds for his firm, which manufactures meal replacement bars.



PHOTOGRAPHS BY DAVID HANDSCHUH

Top, Matt DeMaio, president of Valley Stream-based Condition One Nutrition, works on cutting and packaging the bars at Kaltec Food Packaging in Port Jervis. Above, condition One Nutrition bars ready for packaging at Kaltec Food Packaging in Port Jervis. The Valley Stream-based firm recently snagged angel funding.

"I'm in discussions for additional funding from other angel investors I met through LICA," he says, noting Kaufman assisted in structuring and closing the deal.

DeMaio wouldn't reveal the amount of funding he received but says it will be used for working capital, marketing and sales.

Going forward, Bob Brill, managing partner of Newlight Management in Jericho, which manages \$100 million in tech investments, says he thinks 2018 will be a solid year.

"I think 2017 was a good year for angel

investing and 2018 will probably be better," he says, noting better economic conditions will help fuel that.

Brill, also on the board of LIAN and an angel investor himself, sees strong interest in cybersecurity, biotech, medical devices and financial tech companies.

The key to getting angel funds continues to be the founding team and what they bring to the table, as well as the market, he says, noting those key elements have to be in place for him to invest.

"Personally I may look at 20 to 30 deals and only invest in one," says Brill.