



Flash Memory Summit

FMS VC Forum

Session 301B-1

8/8/19

Wayne Rickard, Moderator



VC Panel

- **Wayne Rickard**, Moderator, Tech Coast Angels and Arizona Tech Investors
- **Chris Rust**, Founder and General Partner, Clear Ventures
- **John Rotchford**, Managing Director, SASI
- **Angel Orrantia**, Partner, Advantary LLC



Chris Rust, Clear Ventures

Chris Rust is a founder and General Partner of Clear, where he focuses on early stage technology investments. Chris's operational specialties are recruiting, product marketing, business development, follow-on fund raising, and scaling. He has been the lead investor in over 35 companies.

Prior to founding Clear in 2014 Chris spent 14 years as an early stage technology investor with exceptional mentors at Sequoia Capital and USVP. He also spent 12 years in operating roles as a development engineer, network architect, and product manager.

Chris was a co-founder and Lead Architect of broadband access pioneer Roadrunner, now known as Time Warner Cable Internet. Roadrunner grew to 14 million subscribers, over \$4 Billion in 2015 revenue, and is the key driver of Charter Communication's \$56.7 billion acquisition of Time Warner Cable.



Sources of Funding


■ Angel Capital

- Typically local individuals or groups
- Investments range from \$100K to \$1,000,000 and average around \$600K
- Target 10x to 15x return in 3-5 Years
- Tech Coast Angels, Band of Angels, Sand Hill Angels, Keiretsu Forum

■ Venture Capital

- \$5 million and up
- Institutional funds
- Look for 5x to 10x return
- NEA, Sequoia, Accel Partners, Bessemer, Lightspeed

FINDING INVESTORS



Pre-seed Stage	Seed/Start-up Stage	FUNDING GAP	Early Stage	Later Stages
Founders' Friends & Family	Angel Investors	Very few angel deals done above \$1 million Very few VC deals done below \$4 million	Venture Capitalists	
\$0	\$250K	\$1.5 million	\$4 million	\$10 million & up



Grant Money

- Federal Government has multiple programs
 - SIR, STTR, ATP
- Multiple Agencies within the “alphabet soup” of agencies:
 - DoD
 - NSF
 - NIH
 - NIST
 - NASA
 - VA
- Non-Dilutive



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What is an Angel Investor?



- Anyone who makes a private investment in a non-public company
- High net worth individual
- Live in tech hubs, typically invest locally
- Usually well-educated
- Part-time investor
- Sees 50-250 startups/year, invests in 2-3
- Often are entrepreneurs themselves
- May be a member of an Angel Group for evaluating investments and sharing risk



What is an Accredited Investor?

- defined in Rule 501 of Regulation D of the U.S. Securities and Exchange Commission
 - \$1 million in investable assets (not including value of primary residence) OR
 - \$200K in income (\$300K joint)
- Friends, family & founders can be non-accredited
- Crowd sourced investor are new category of non-accredited investors



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Tech Coast Angels

- Based in Southern California, ~400 Members
- Since 1997, invested over \$234 M in over 415 companies (224 still active)
- In 2018, we invested \$11 M in 53 companies (34 new, 19 follow-ons); first half 2019 in \$13.3M in 28 deals
- Returns:
 - TCA: 4.9x multiple, 23% IRR; three over 100x (GreenDot, Mindbody, Sandpiper)





Angel Groups Network with Each Other

- the Angel Syndication Network shares the best deals among 40+ prominent angel groups (up from 25 last year)
- Each angel group nominates their best deals to share with other angel groups
- Syndication can help fill a round, expedite a closing, and save the CEO from extended road shows
- Collectively, the angel groups participating in ASN represent over 1500 angels, and over \$1 billion in direct investment





What are Investors Looking For?

- Enduring, Wealth Generating *Companies in Growth Markets*
- Early Stage or Seed Stage
- Management / Team
- Pain Killers, Not Vitamins
- Unfair Advantage / IP
- Ability to Rapidly Achieve Scale
- Clear and Rapid Path to Liquidity
- Strong Business Model





Investors are like Lemmings



IN

- Internet of Things (IoT)
- Autonomous Vehicles
- AI / Deep Learning
- Wearables
- Virtual / Augmented Reality
- Digital Health
- Fintech / Bitcoin / **Blockchain**
- Gaming / eSports
- Security
- Cannabis
- Pharmaceuticals ☐

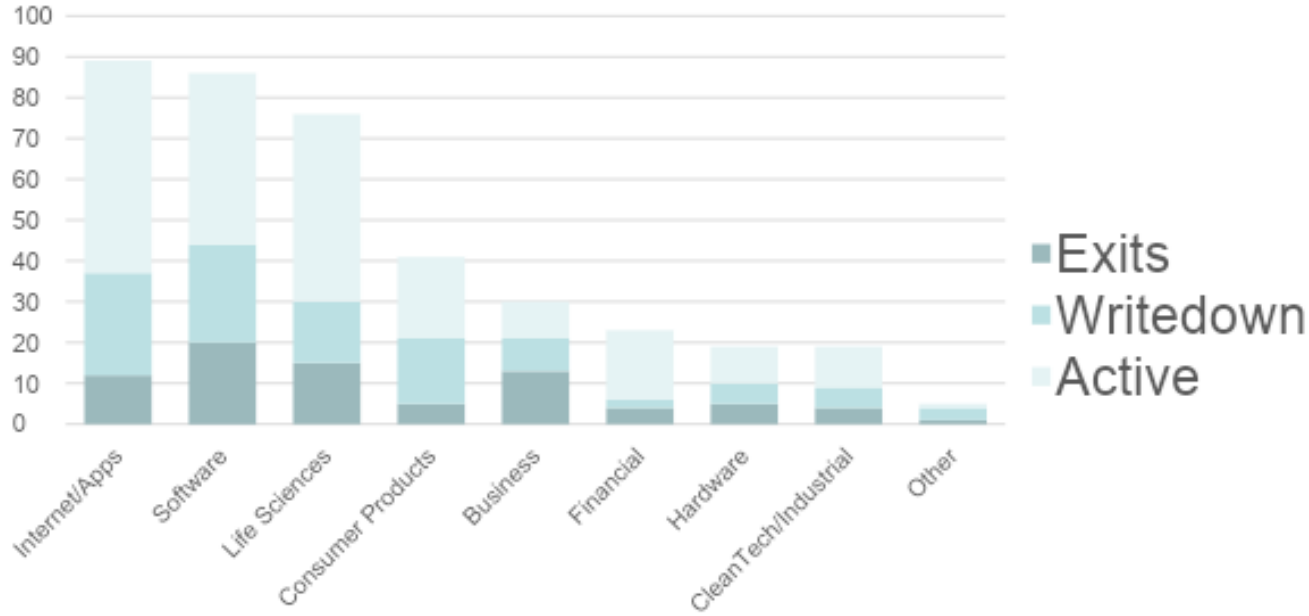
OUT

- Drones ☐
- Renewable Energy
- Apps for Phones
- SAAS☐
- ASIC's
- Hardware



Which industries produce more exits?

TCA Outcomes by Industry



- Internet/Apps is most active industry (for TCA), but fewer exits there
- Poor success rate in Consumer
- Software and B2B higher ratio of exits
- Life Sciences longer time to resolve, but higher % are exits



Non-Rational Criteria



Founders

Do I identify with you?

Industry
University
Experience

Product

Cool factor

Resolving
personal pain

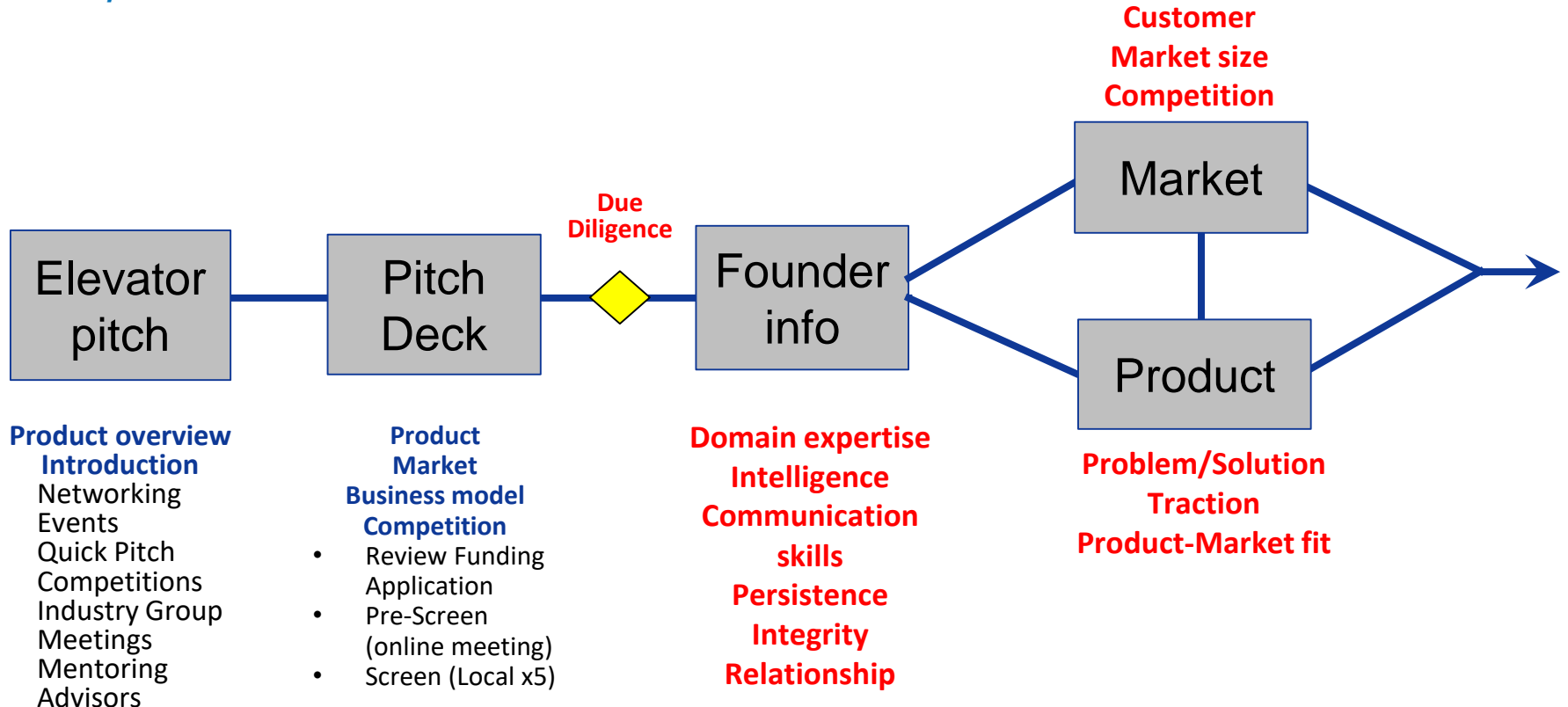
Market

Personal
experience

Interest

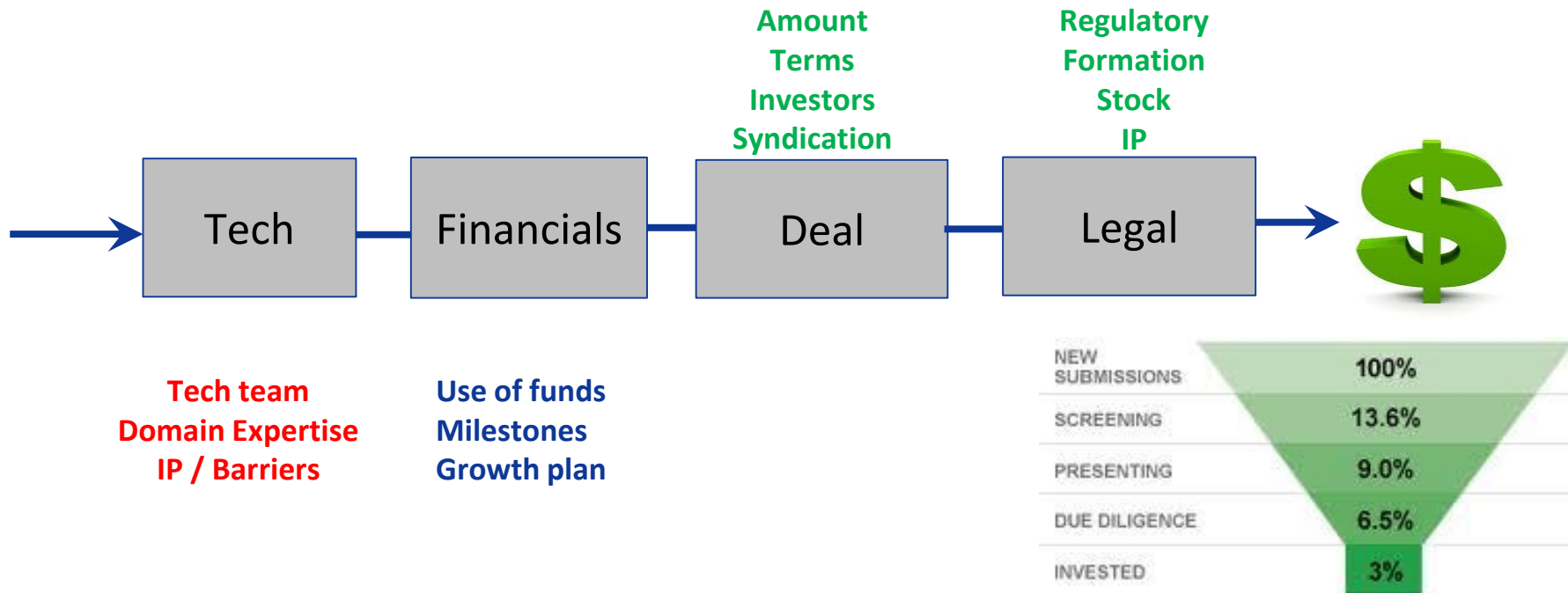


Decision-Making Process





Decision-Making Process





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Flash Memory Venture Funding & M&A Insights

August 8, 2019

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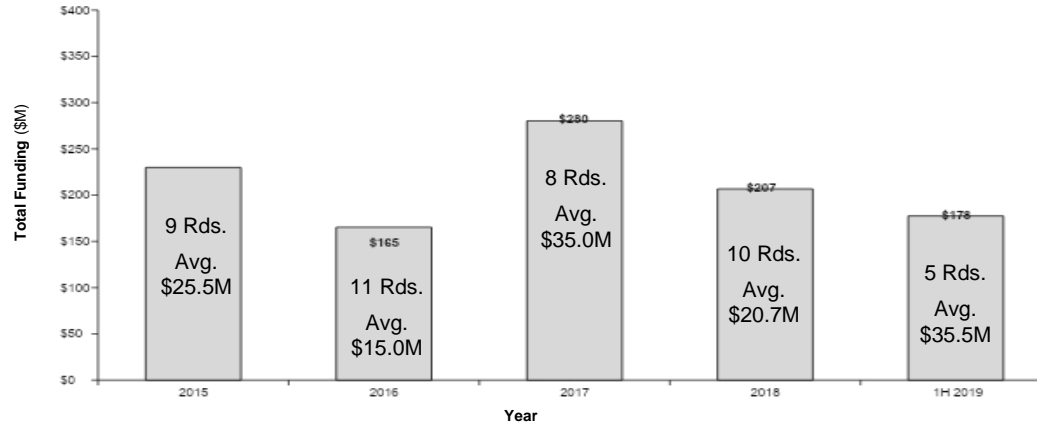
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Flash Memory Venture Funding

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A solid first half of 2019 with \$178M in finding, led by Lightbits with an impressive \$50M 1st round of funding which included strategic investors, Cisco, Dell and Micron...



Top Five Rounds

Tegile \$70M 4th
 Crossbar \$35M 4th
 Nantero \$31.5M 5th
 Everspin Tech \$29M 2nd
 Crocus \$21M 5th

Elastifile \$50M 2nd
 Diablo Tech \$37M 3rd
 Avalanche Tech \$23M 6th
 Nantero \$21 6th
 E8 Storage \$12M 2nd

Kaminario \$75M 5th
 Vexata \$54M 4th
 CNEX Labs \$38M 3rd
 Tegile \$33M 5th
 Kalray \$26M Later

Spin Transfer \$52M 2nd
 Crocus Tech \$35M 6th
 Nantero \$30M 6th
 ScaleFlux \$25M 2nd
 CNEX \$23M 4th

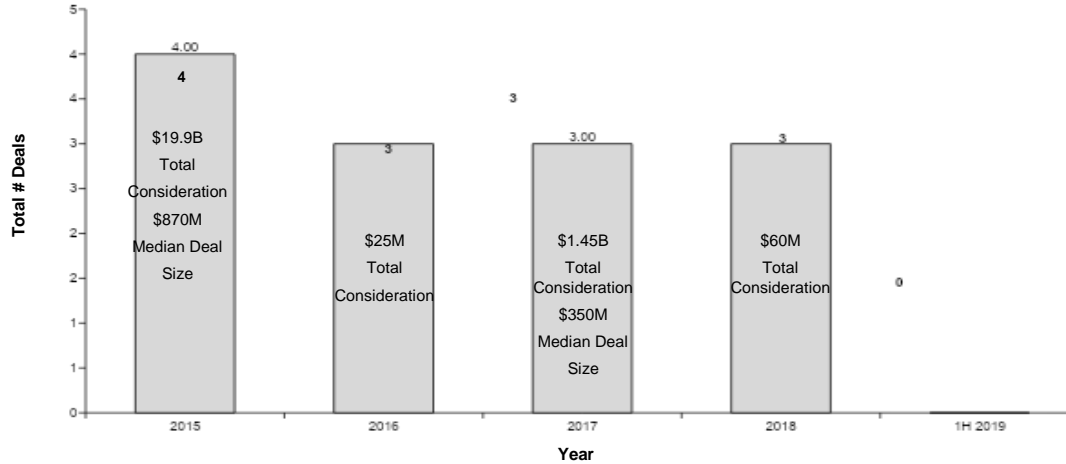
Lightbits \$50M 1st
 VAST Data \$40M 2nd
 Avalanche \$33 7th
 Pliops \$30 2nd
 MemVerge \$25M 1st



Flash Memory M&A

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While venture funding remains strong, the M&A valve has been shut off...



Top Deals

WD/SanDisk \$1.0B
 NetApp/SolidFire \$870M
 Silicon Motion/Shannon Sys \$58M

Nutanix/PermixData \$25M
 Pivot3/NexGen Stg
 Kingston/Imation

HPE/Nimble Storage \$1.1B
 WD/Tegile \$350M
 Soros/Violin \$15M

DDN/Tintri \$60M
 Violin/X-IO Storage
 Synopsys/Kilopass

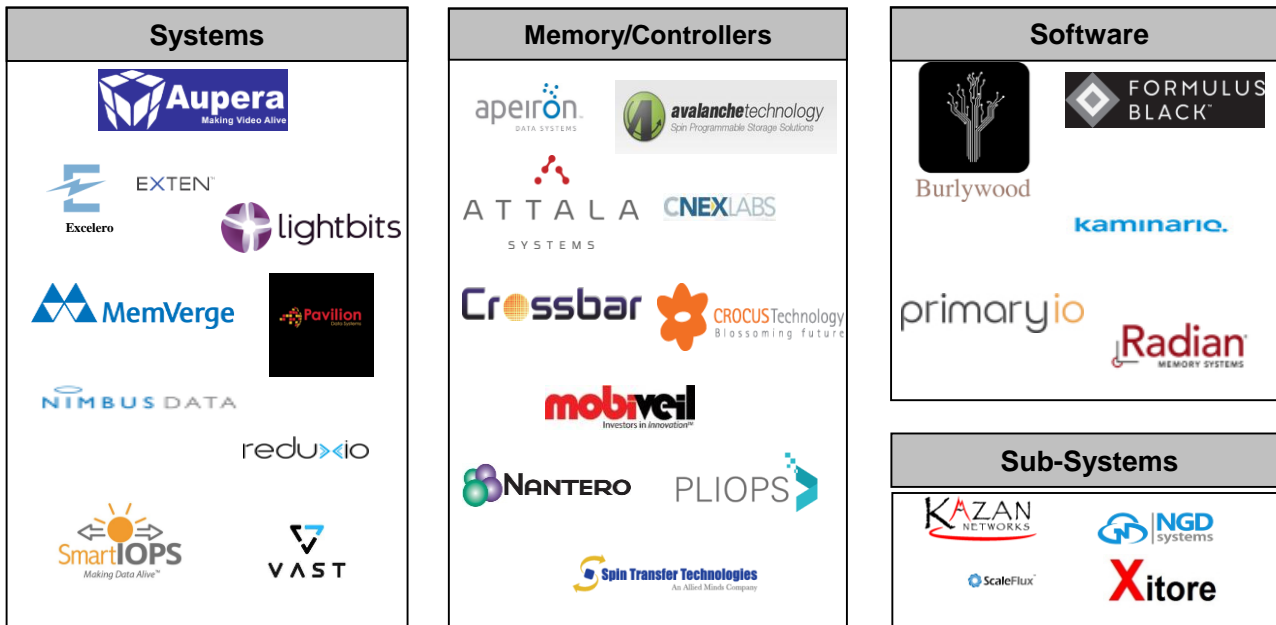
However, its' already picking up in July/August with Storcentric acquisition of Vexata, Rambus acquisition of Northwest Logic and AWS purchase of E8 Storage



Flash Memory Venture Market Map

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We expect VC funding to remain strong in the 2nd half of 2019 and we could also see another 3+ M&A trades happening before year end...





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