

Equity Investors Have Much to Offer New Mexico Entrepreneurs

By Sandy Nelson for Finance New Mexico

While New Mexico hasn't attracted the type of venture capital that flocks to entrepreneurial hot spots like San Francisco and other West Coast cities, equity investors are pumping money into promising startups all over the state. Those investors might be venture capitalists, but they're more likely to be angel investors, family members and friends, and crowdfunders.

In 2016, according to the National Venture Capital Association, 11 New Mexico companies received capital funding from venture capitalists — small potatoes when compared with VC investment in more than 2,650 companies in California and 84 in Arizona. Two of the state's other neighbors, Colorado and Utah, got a larger share of the venture capital pie, but the Colorado, Utah and New Mexico combined still accounted for less than 10 percent of the VC deals.



That said, New Mexico entrepreneurs are getting attention from other types of equity investors — affluent individuals and groups of people willing and able to risk money on an embryonic venture with the expectation of earning a substantial profit relatively quickly. New Mexico Angels leads the pack among the angel investor class. The 70-member group of high-net-worth individuals injected nearly \$2 million of seed money and early-stage capital into 11 local startups last year, beating its previous record set in 2013.

Like other equity investors, angels and venture capitalists offer a budding business advice, direction, experience and other intangibles in addition to cash. Crowdfunding sites are less intimate arrangements, but the platforms generate publicity and enthusiastic support to projects trying to get traction.

With all these potential allies in the investment universe, businesses considering the pros and cons of partnering with an equity investor need to focus on what types of assistance professional

investors can offer beyond money and what control the investors will expect in return. For example, an equity investment partner can bring:

Strategic guidance. Many equity investors, especially angels and VCs, are former entrepreneurs or industry executives whose investment experience helps them identify trends and challenges. This dovetails well with the entrepreneur's market knowledge and offers important objectivity. These investors can provide strategic insight and feedback while trusting the entrepreneur's judgment with daily operations. They're especially savvy about exit strategies that help all partners achieve their goals.

Fundraising acumen. Most equity investors don't want to be the sole source of a company's financing. They prefer to attract more debt or equity capital by improving the company's positioning and recruiting business colleagues to join the project. A valuable equity investor should take some of the capital-raising burden off the entrepreneurial team's shoulders.

Access to top talent. Equity investors frequently know big players in the business world, and those relationships can pay off in an equity partnership. They know what roles are vital for a fledgling company, what those jobs should pay and who might be a good fit.

Equity investors enter investment partnerships with an eye to liquidating the venture in a way that enriches all stakeholders: the entrepreneur, investors and employees. Because they have a substantial stake in the business, equity partners are committed to the venture's success.

To learn more about the New Mexico Angels, visit nmangels.com. Join them at their quarterly meeting on Thursday, May 25, at Sandia Golf Club in Albuquerque. Find the event and registration instructions at <http://bizcalendar.org/>.

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