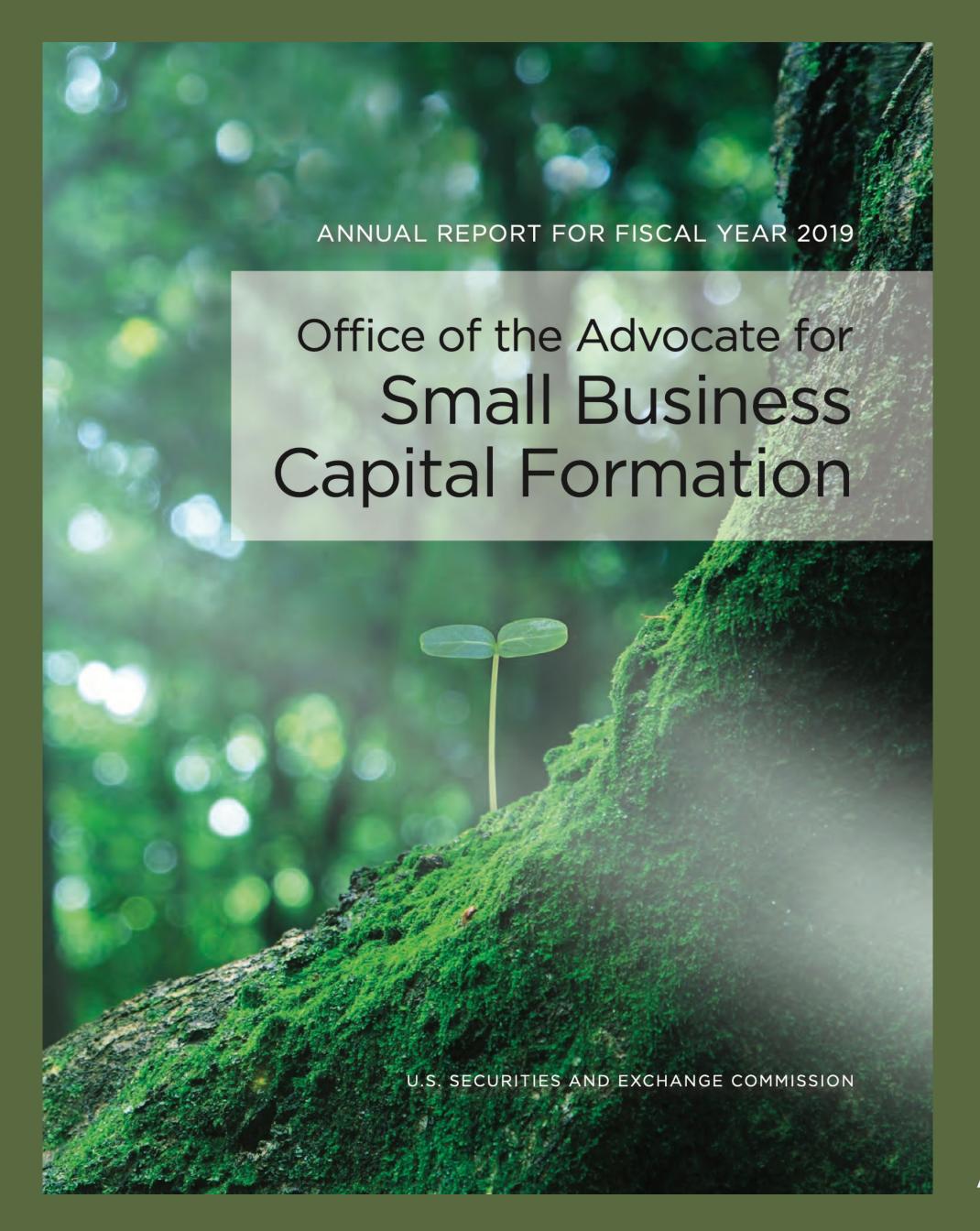


# Office of the Advocate for Small Business Capital Formation

Overview of FY 2019 Annual Report

February 4, 2020

Disclaimer: The views expressed in this presentation are the speakers' own and do not necessarily reflect those of the Commission, Commissioners, or Commission Staff.





Available at www.sec.gov/oasb

#### Inaugural Year of the Office in Review

LAUNCH OF THE SEC'S NEWEST OFFICE



Office hosts first external engagement events with entrepreneurs and investors in Kansas City, MO and KS.

MARCH 18-20 Road to Global Entrepreneurship Summit<sup>7</sup>

SEC Speaks 2019<sup>9</sup>

Investment Company
Institute's Small Funds
Committee

Roundtable with
Colorado Small
Businesses and
Investors

38th Government-Business Forum on Small Business Capital Formation<sup>15</sup>

U.S. Black Chambers
10th National
Conference<sup>17</sup>

Rural RISE 2019 Summit<sup>19</sup>

March 19, 2019

Overland Park, KS

Panel discussion alongside individuals from the public and private sector, hosted by the U.S. Department of State.



**April 8, 2019** 

Washington, DC

Launch of the Office's Foundational Business Plan<sup>10</sup> and plans for inaugural year of the Office. April 30, 2019

Washington, DC

Solicitation of investor input from smaller funds and investment companies.

May 3, 2019

Denver, CO

Roundtable discussion with small business owners and investors on pressing capital formation issues.



June 4, 2019

Washington, DC

National Association

of Women Business

Owners' Advocacy Day<sup>14</sup>

Collaboration with female entrepreneurs on their national advocacy day.

August 14, 2019

securities policy.

Omaha, NE

Hosted forum, gathering members of the public and private sectors to craft suggestions for



August 20, 2019

National Harbor, MD

Panel discussion on the art of capital raising and deal activity. Sept. 18, 2019 Pine Bluff, AR

Panel discussion highlighting government resources to empower rural communities to foster entrepreneurship.



March 20, 2019

Kansas City, MO

Town hall meeting with small business owners, investors, and aspiring entrepreneurs.



April 9, 2019

Washington, DC

Discussion of the creation of the Office and role at the SEC with international securities regulators.

May 3, 2019 Denver, CO

Discussion of legal issues in small business capital

formation in the Rockies.

May 6, 2019
Washington, DC

Roundtable focused on experiences of businesses and investors raising capital and investing outside of coastal "hot spots."



June 10, 2019

Washington, DC

Discussion with NSBA's Leadership Council on their top issues. August 15, 2019

Omaha, NE

Pitched the Office like an entrepreneur at the largest Midwestern entrepreneurship conference.



Sept. 17, 2019

Little Rock, AR

Roundtable discussion with the Little Rock startup and fintech community.

Sept. 19, 2019

New York City, NY

Fireside chat discussing issues faced by small reporting companies and their investors, and *Inside the IceHouse* podcast episode recording.<sup>20</sup>

Town Hall Meeting at the 1 Million Cups<sup>8</sup>

International Institute for Securities Market Growth and Development<sup>11</sup>

Rocky Mountain
Securities Conference<sup>12</sup>

National Small Business
Week Roundtable on
"Capital Formation
Between the Coasts"
13

National Small
Business Association

Maha Discovery
Festival<sup>16</sup>

The Venture Center Roundtable<sup>18</sup>

NYSE American
Emerging Companies
Summit

#### www.sec.gov/oasb





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Office of the Advocate for Small Business Capital Formation

Small Business Capital Formation Video Gallery

Small Business Forum

Small Business Capital Formation Advisory Committee

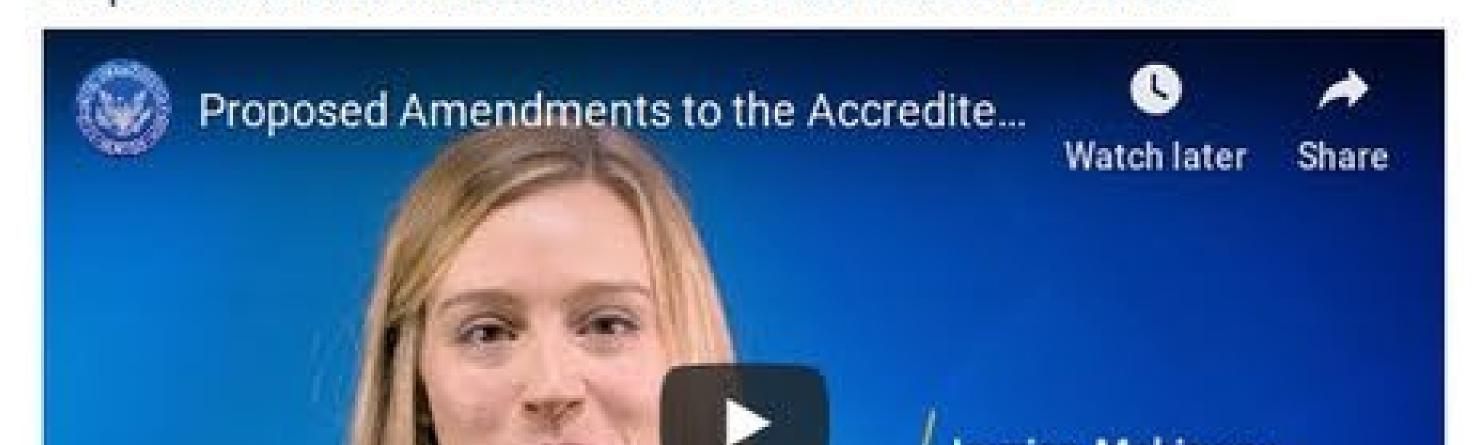
Resources on How to Raise Capital

#### Small Business Capital Formation Video Gallery



Following are videos from the Office of the Advocate for Small Business Capital Formation and are meant to provide a high-level summary of relevant rulemakings or events.

Proposed Amendments to the Accredited Investor Definition





#### Data Sources

Unless otherwise indicated, data is derived from public filings with the SEC, as analyzed by the SEC's Division of Economic and Risk Analysis.

Full citations, explanations of, and links to referenced data are provided in the annual report, available at www.sec.gov/oasb.



\$1.4T
\$1.9M
median

\$210B \$1M median

**\$260M** \$200,000 median

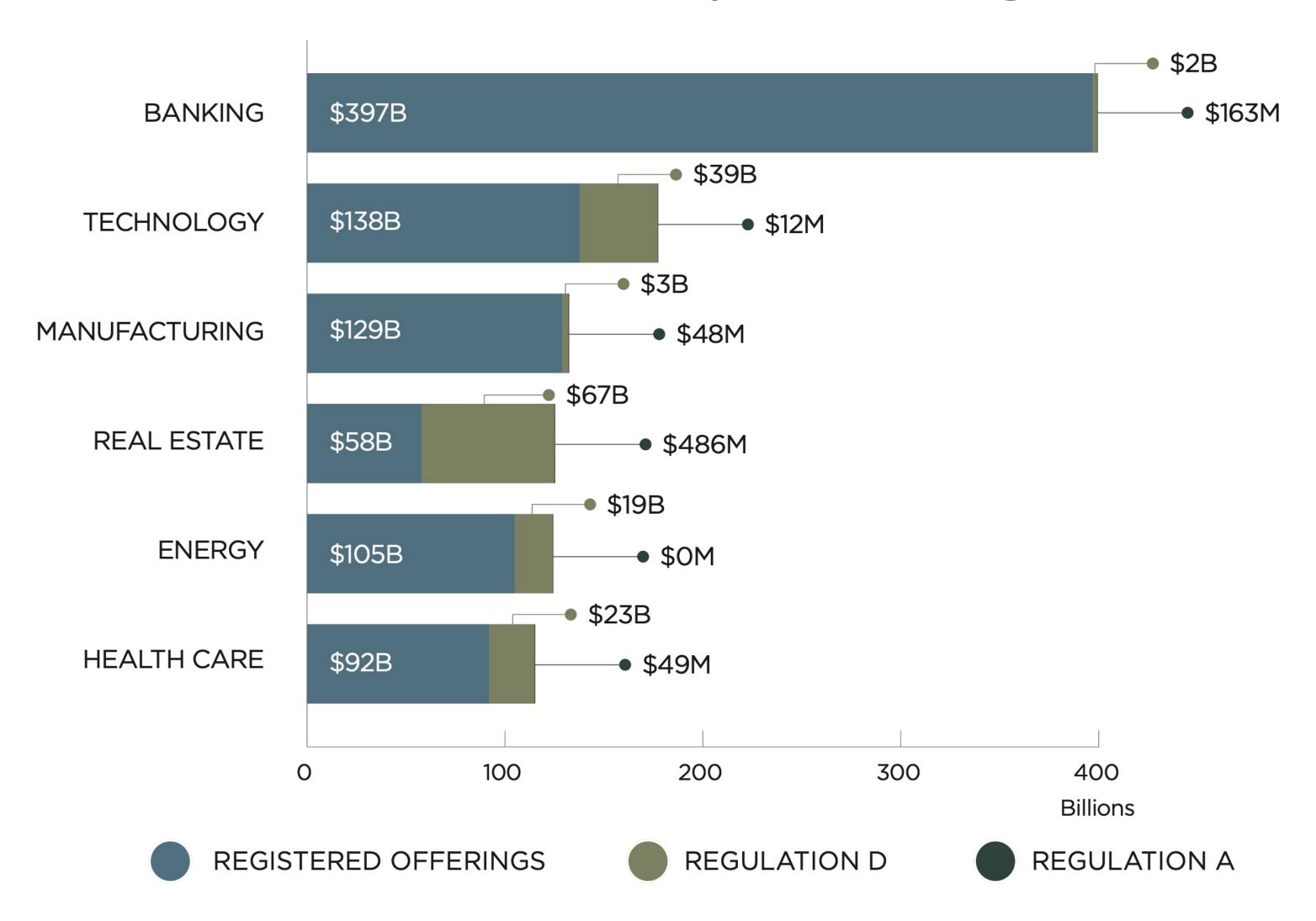


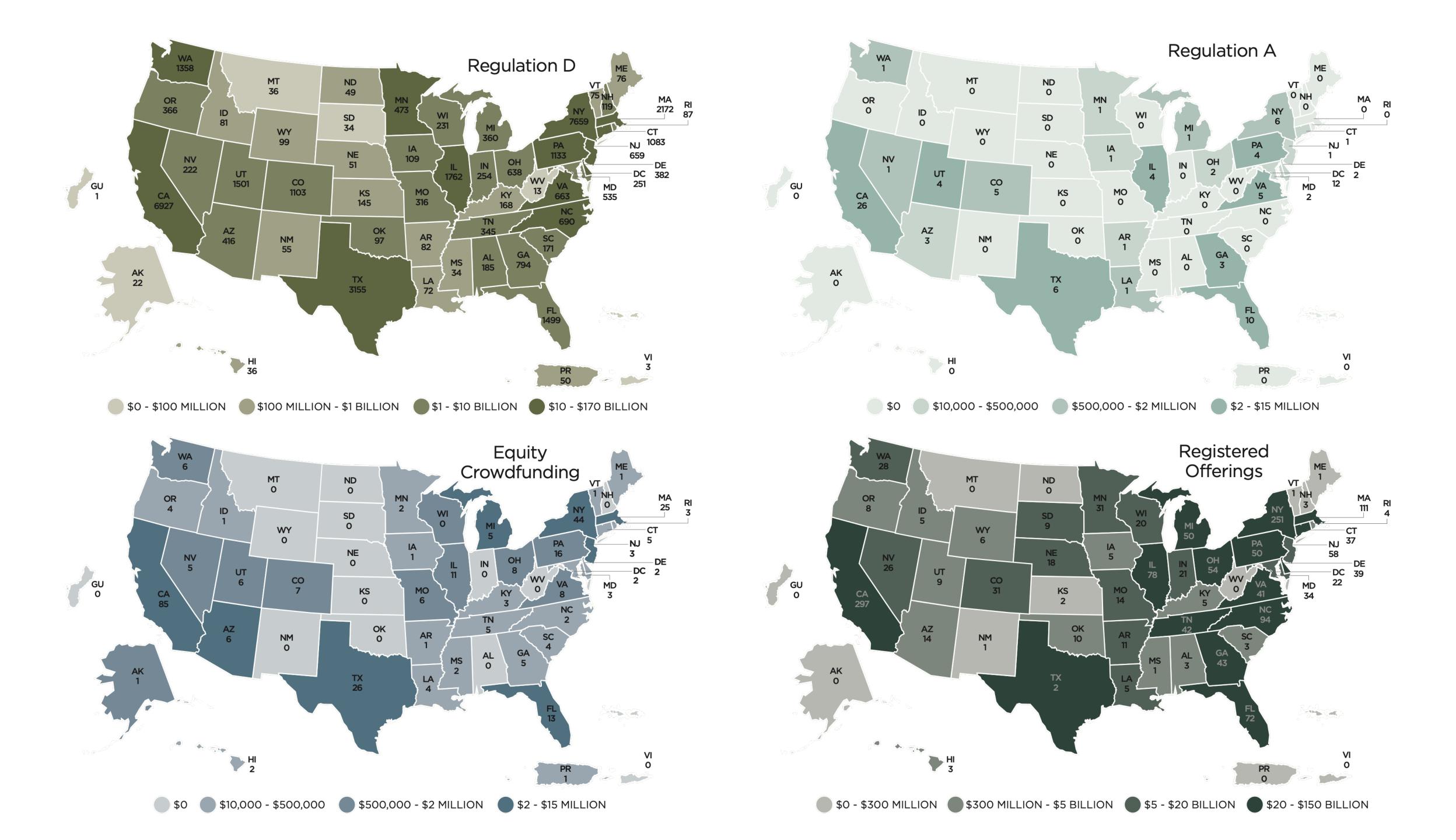




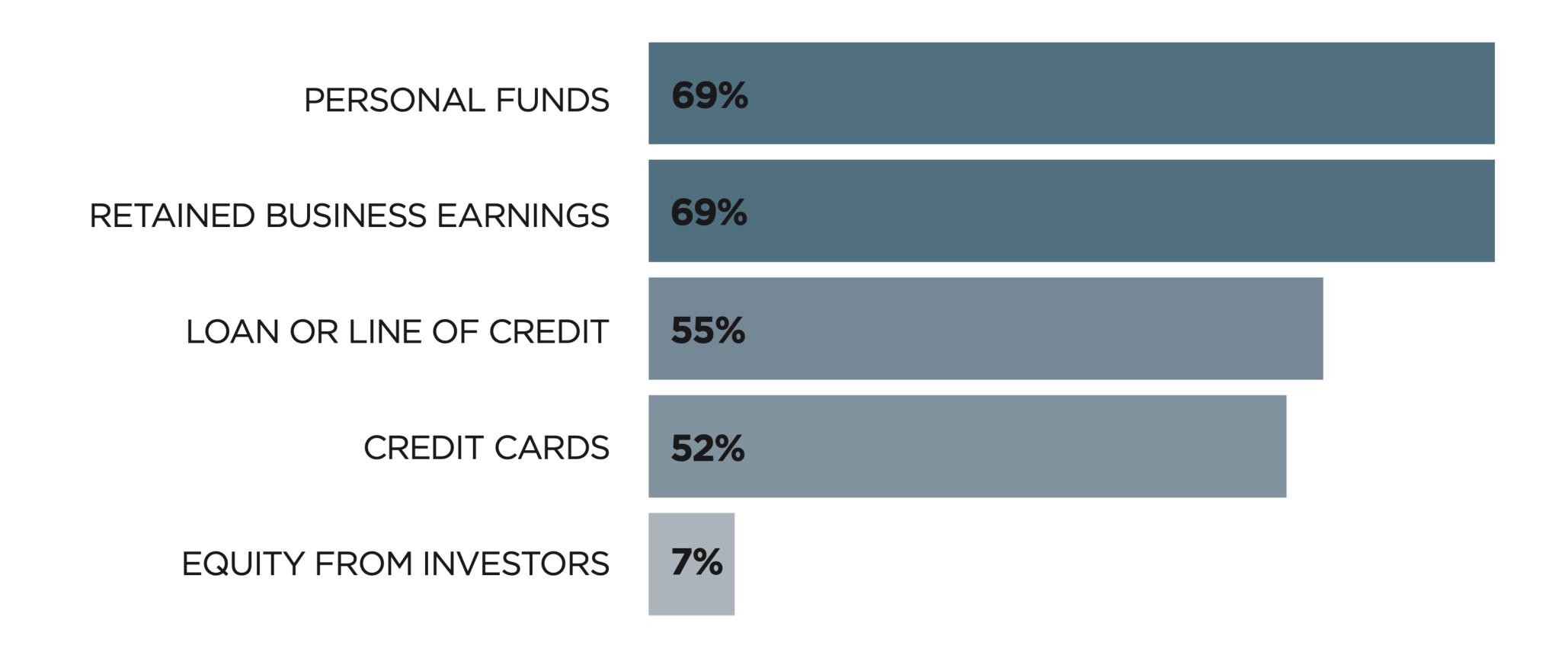


#### How are companies using the offering types in the industries that raise the most capital (excluding pooled funds)?

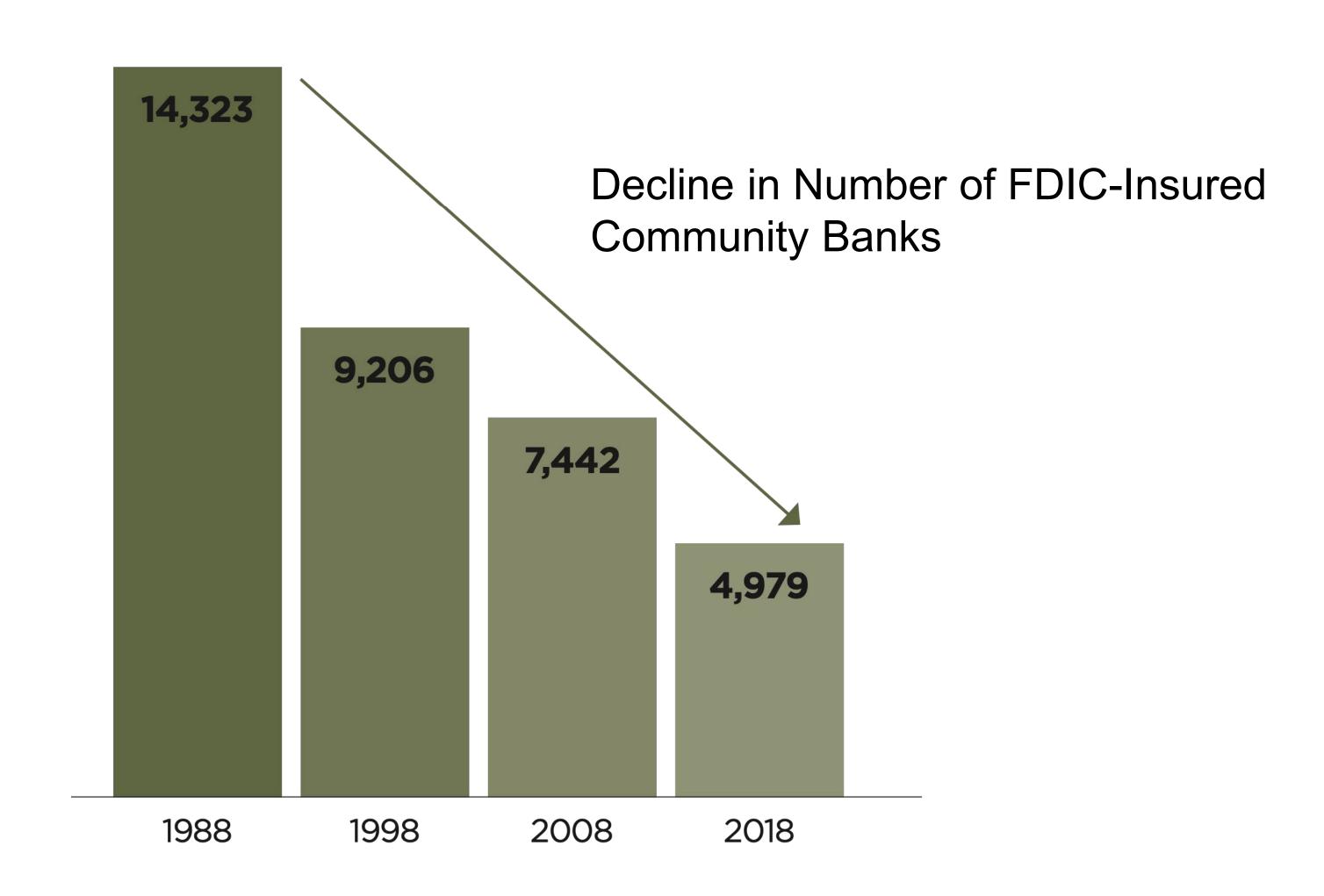




# How are early stage small businesses accessing capital?



## How have community banking trends impacted emerging businesses?



#### What is the scale of angel investing in early-stage companies?

334,565

active angel investors





\$23.1 billion

in total angel investments

66,110

entrepreneurial ventures received angel funding





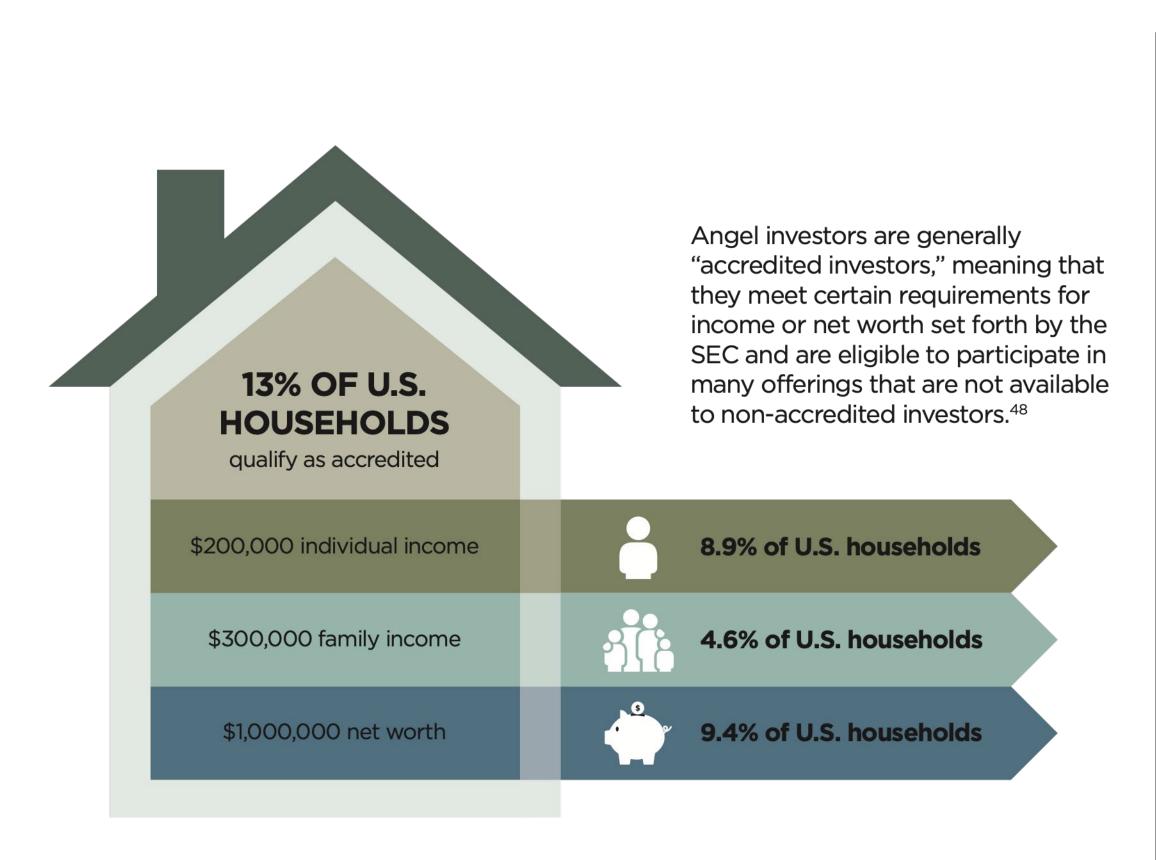
\$349,620

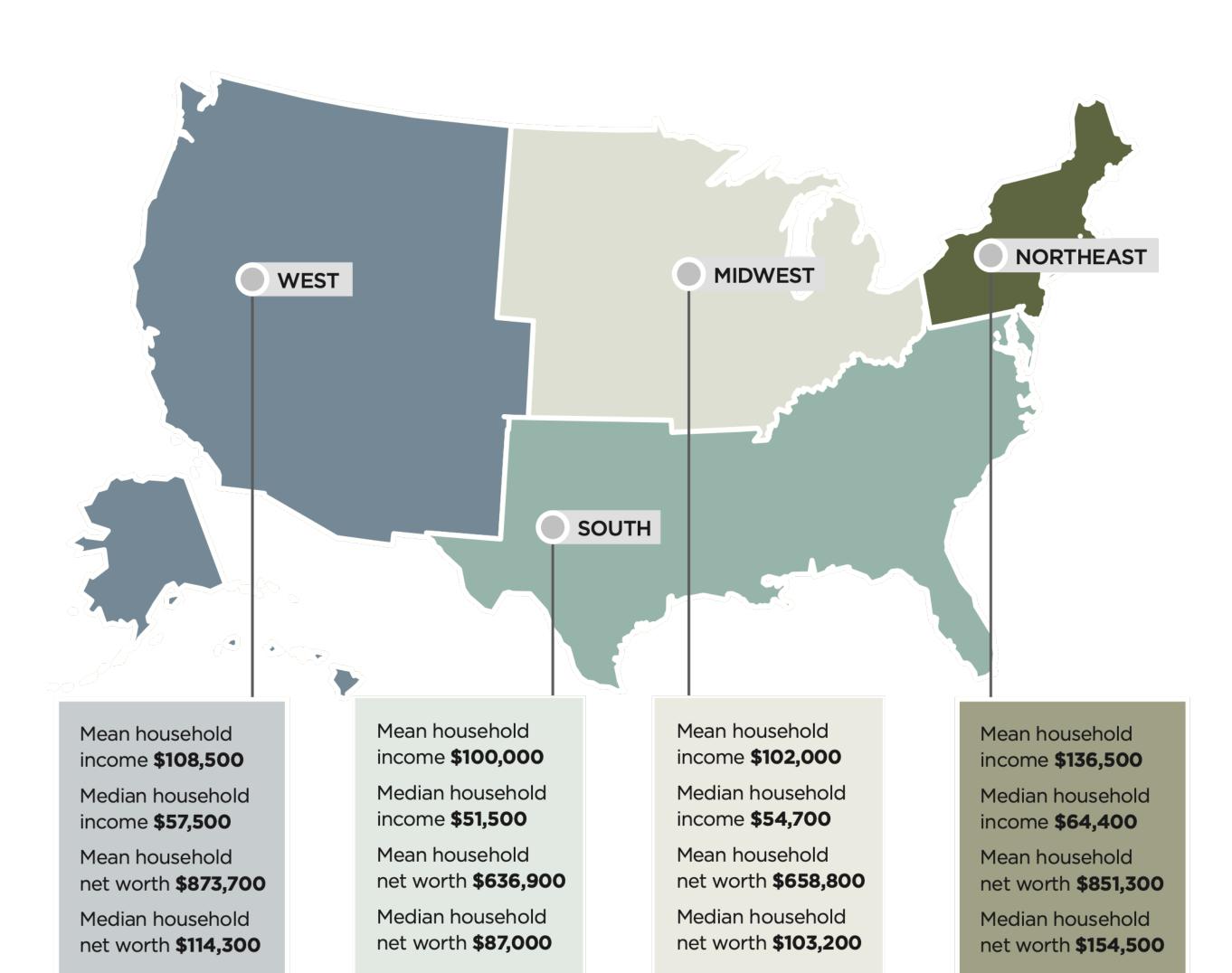
average angel funding round

#### The average angel's individual investment is between:

\$5,000 and \$100,000

### How does the accredited investor definition impact access to angel funding?





### What is the role of venture capital (VC) in funding mature and later-stage businesses?



18,228

VC deals in 2018, up from 6,876 in 2009<sup>57</sup>

1,087

VC-backed IPOs from 2009-2018<sup>58</sup>

### What is the role of private equity (PE) in funding mature and later-stage businesses?



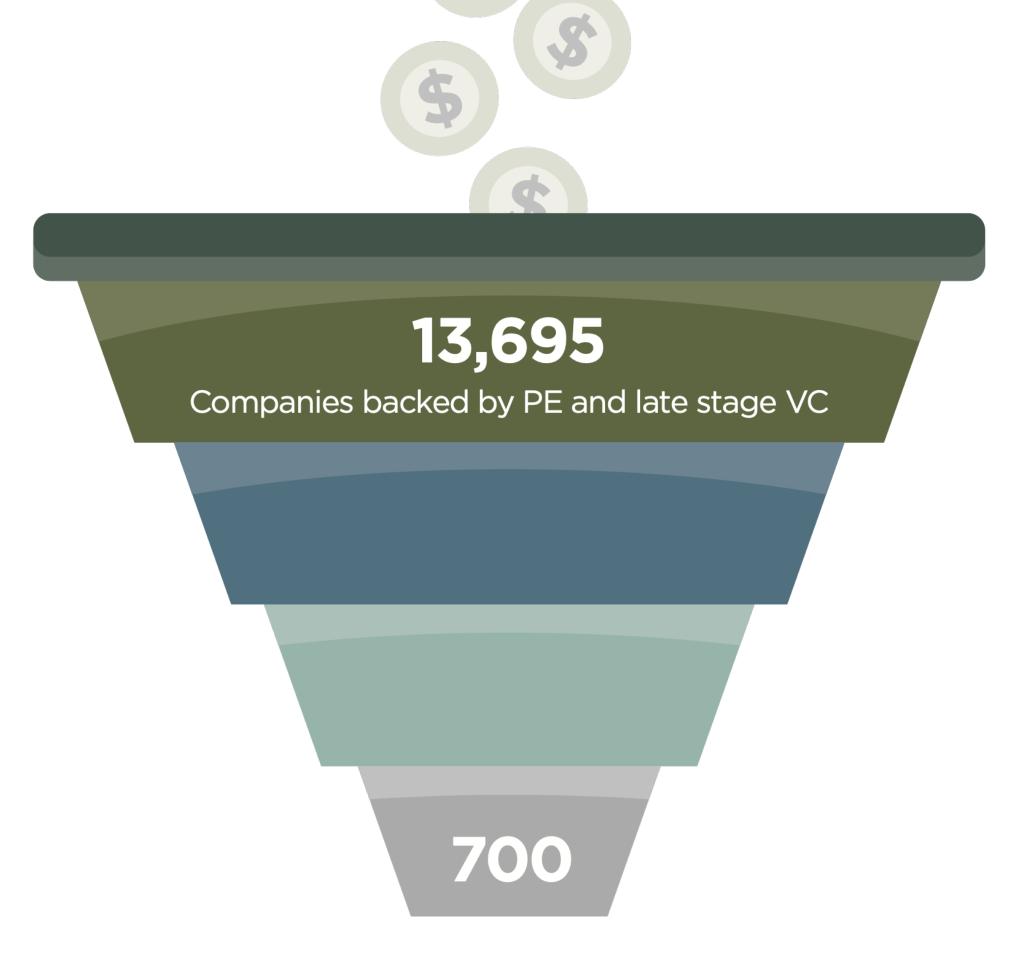
10,000

average PE yearly deal count for the past 5 years<sup>60</sup>

1,043

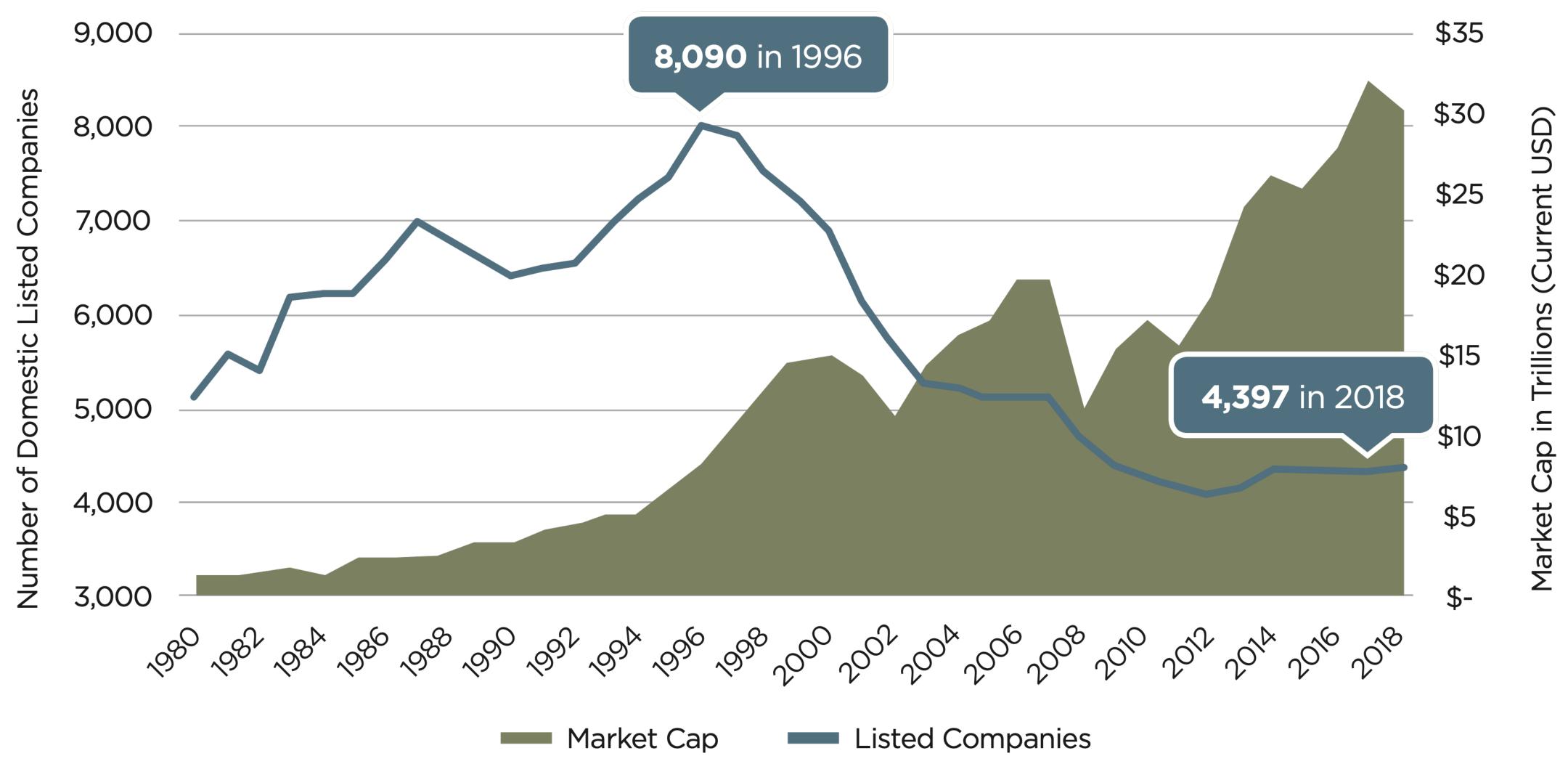
PE-backed IPOs from 2009-2018<sup>61</sup>

### In what ways do VC-and PE-backed companies enter the public markets?



of which are estimated to become the next immediate generation of public companies

### How has the prevalence of publicly traded companies changed over time?



### What trends are impacting initial public offerings (IPOs) and attractiveness of the public markets?

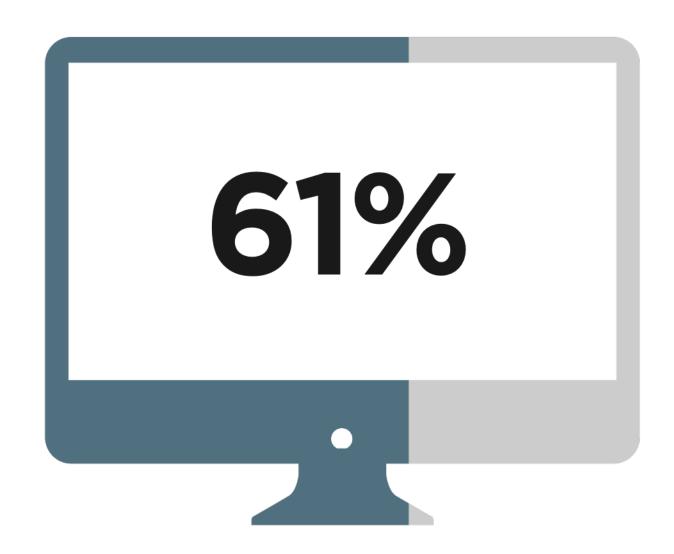
All IPOS from July 1, 2018 to June 30, 2019:

204
IPOs

\$243 Million
Average Proceeds

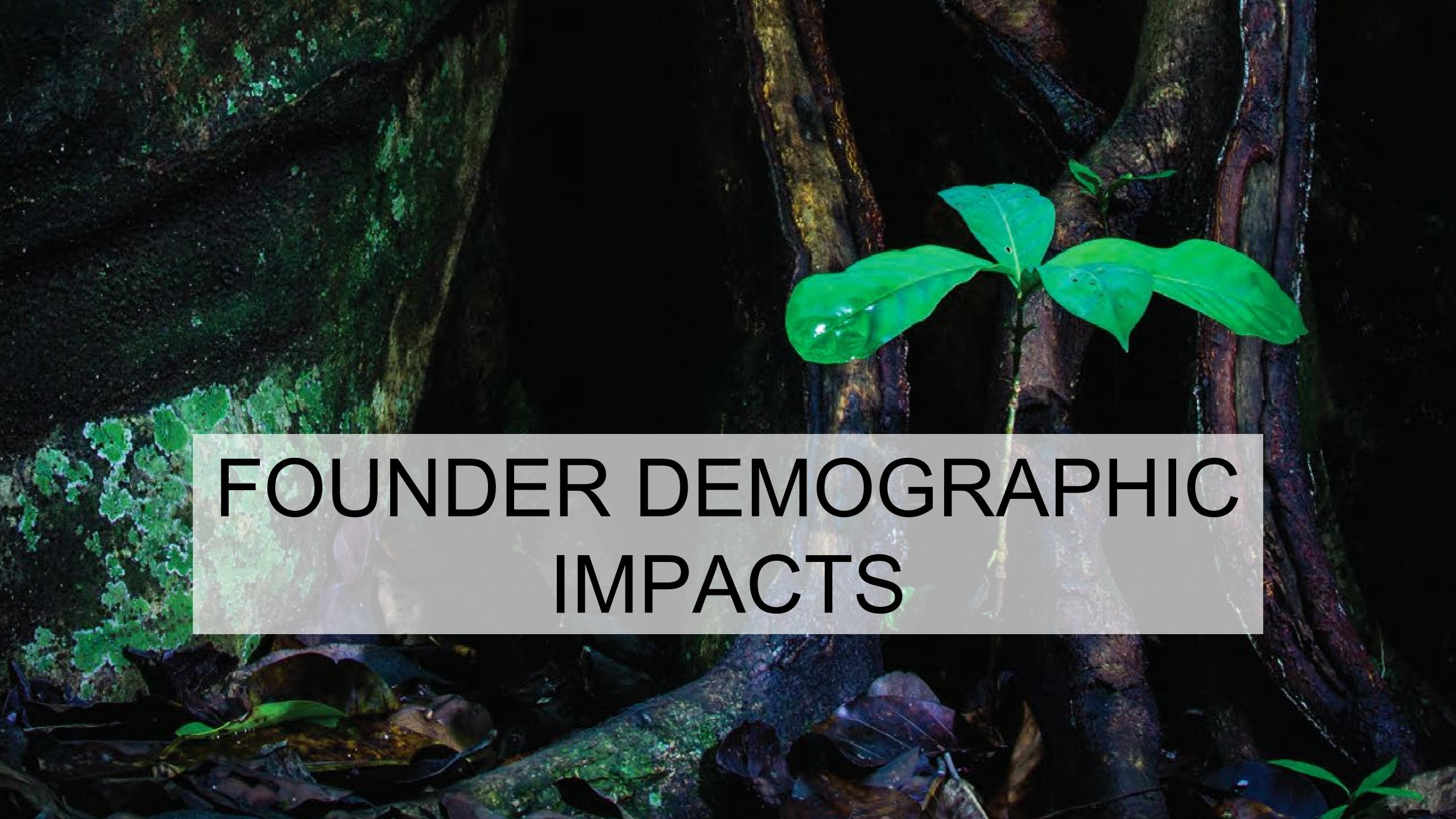
IPOS and other registered offerings by small public companies from July 1, 2018 to June 30, 2019:





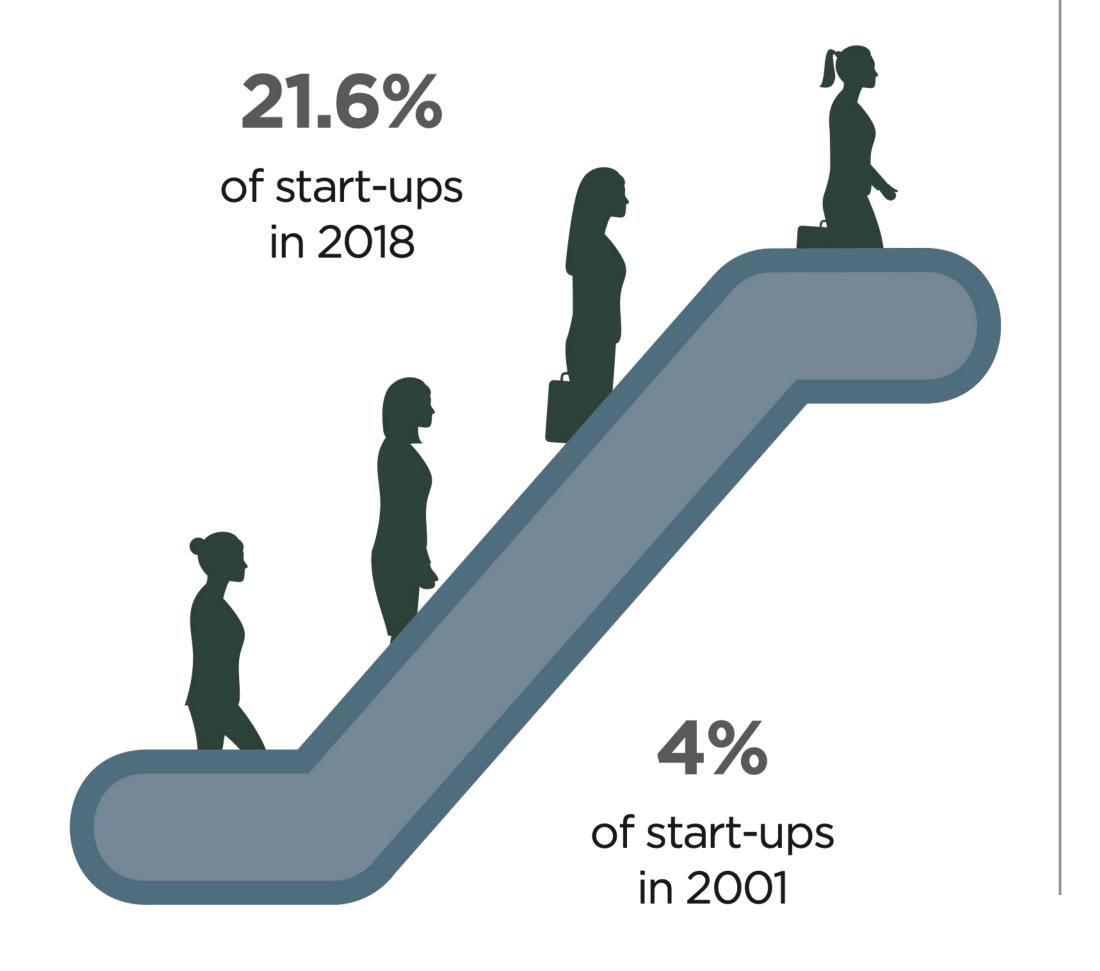
of exchange-traded companies with <\$100 million market capitalization have

no research coverage75



#### Women-Owned Businesses

Women are founding more start-ups:



Capital used at start-up varies by gender:



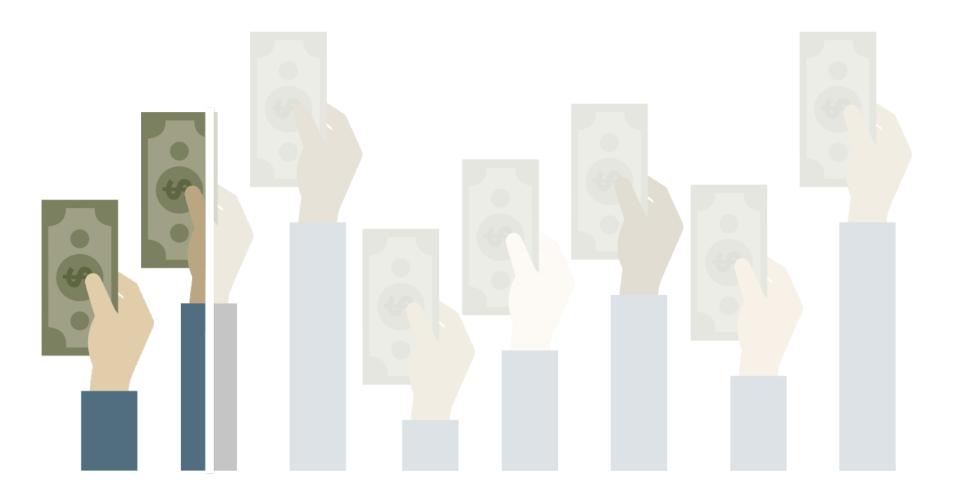
Source: Ewing Marion Kauffman Foundation, "Data Show that Gender-Inclusive Founding Teams Have Greater Success in Fundraising and Innovation" (Oct. 3, 2019); Ewing Marion Kauffman Foundation, "The State of Capital Access for Entrepreneurs: From Barriers to Potential" (Feb. 5, 2019).

Women constituted

25.9% of entrepreneurs seeking capital in 2018...



#### and had an investment yield rate of 17.5%



compared to a baseline rate of **23.2%** 

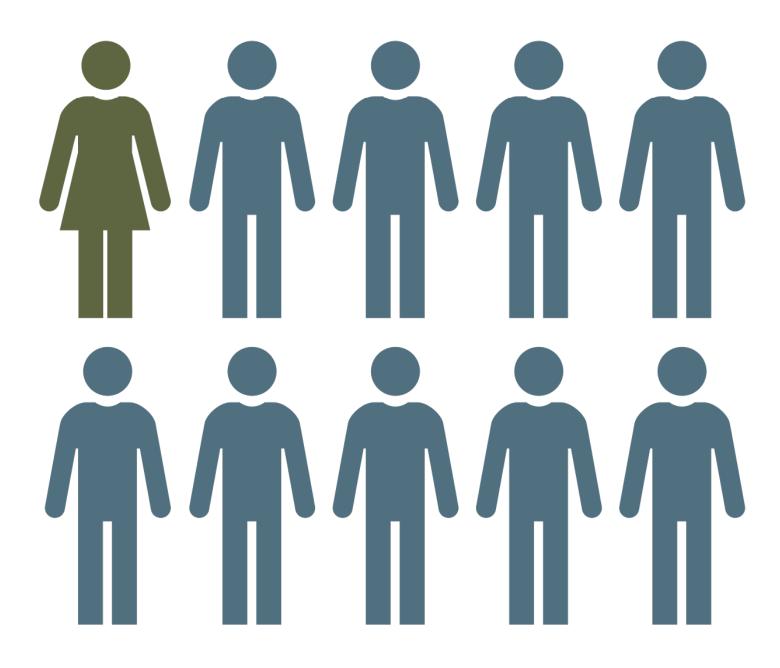


#### Women Investors



29.5%

of angel investors are women



only

11%

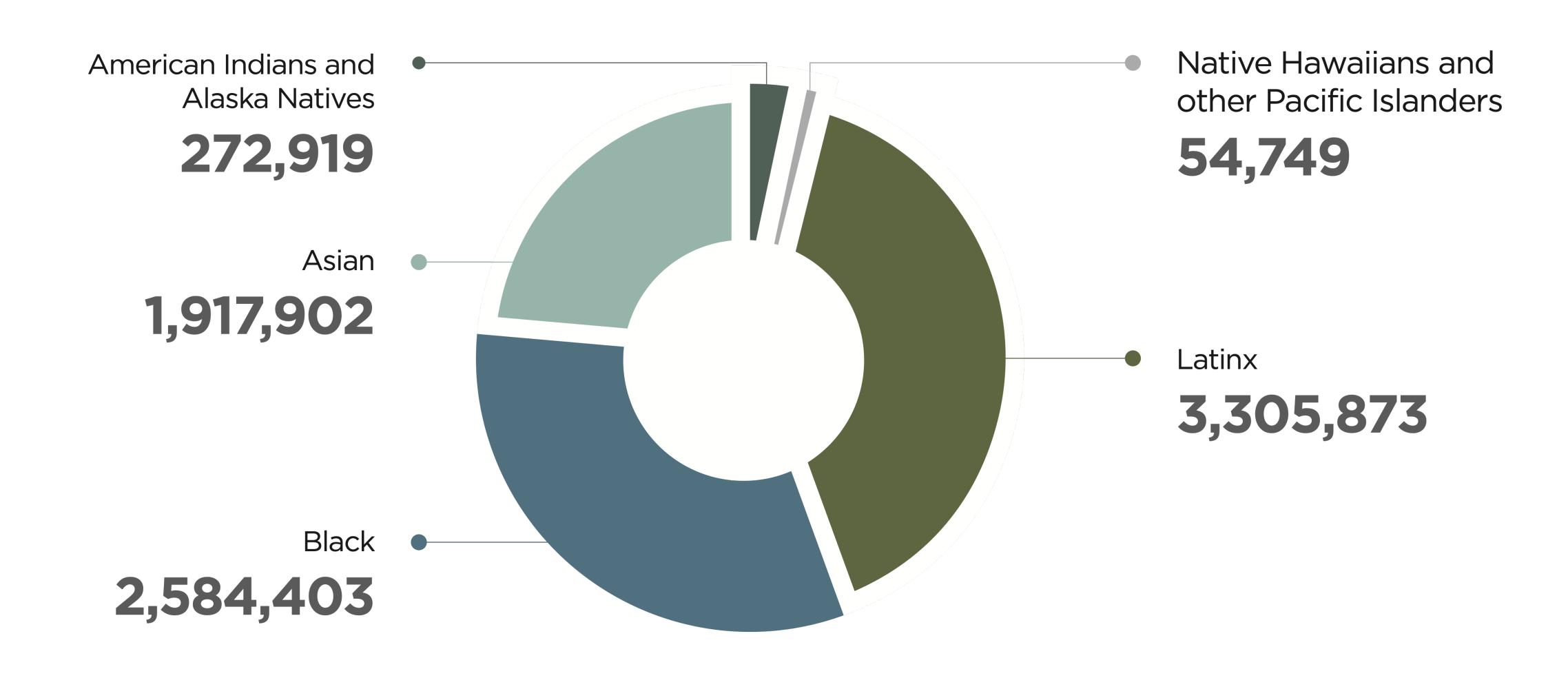
of VCs across the industry are women



of VC firms have no female partners

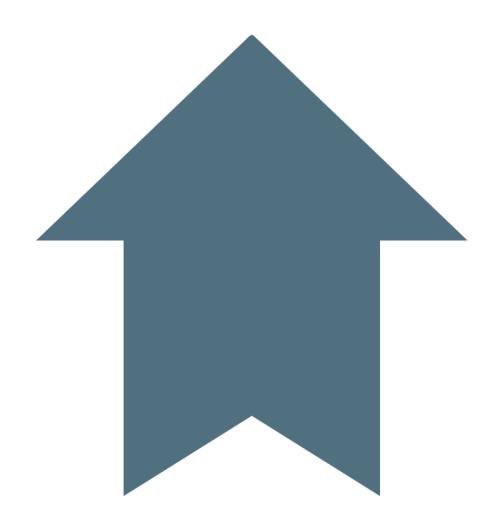
Source: Jeffrey Sohl, "The Angel Market in 2018: More Angels Investing in More Deals at Lower Valuations", Center for Venture Research (May 9, 2019); Rebecca Kaden, "How VC Can Help More Women Get Ahead," Harvard Business Review (Oct. 1, 2019).

#### Minority-Owned Businesses



## Despite growth in minority-owned businesses, many face challenges with access to capital

Since 2007, there has been a



**38%** increase in the number of minority-owned businesses<sup>88</sup>



new black-owned businesses start with almost three times less in terms of overall capital

\$35,205



compared with new white-owned businesses

\$106,720



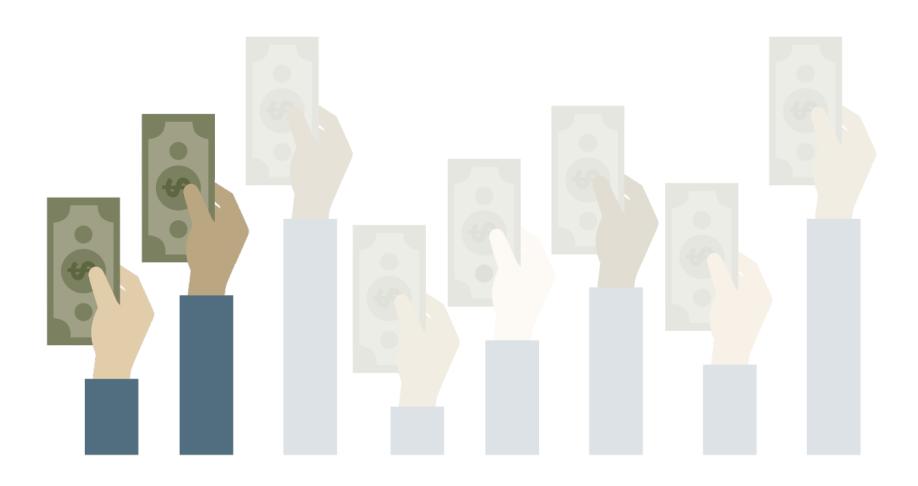
Minorities constitute

10.7%

of entrepreneurs seeking capital in 2018

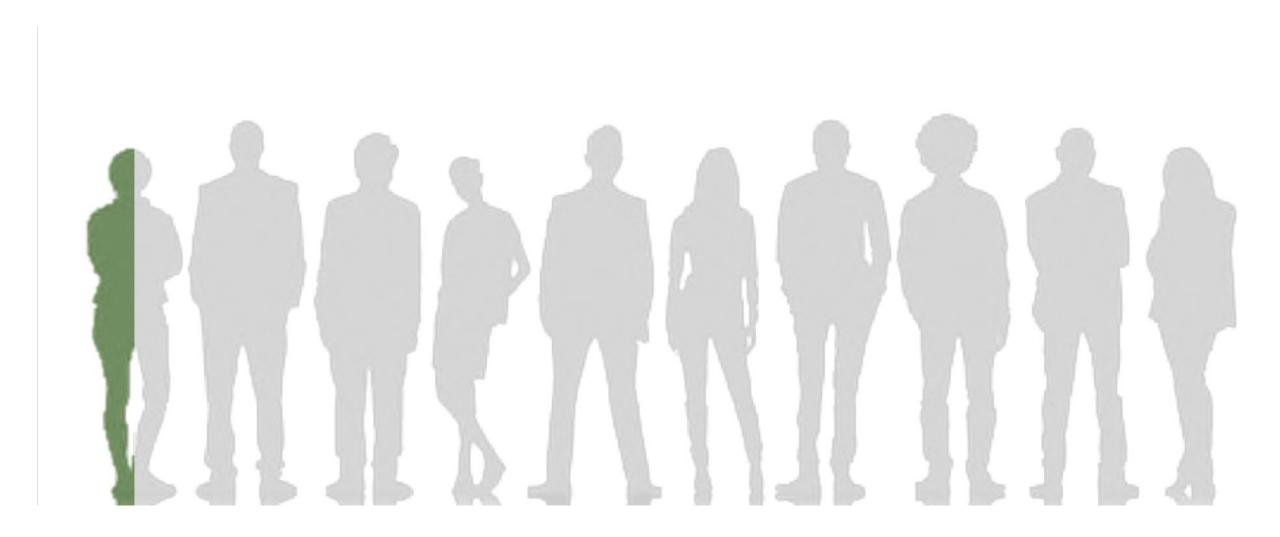


and had an investment yield rate of **22%** 



compared to a baseline rate of **23.2%** 

#### Minority Investors



Only

5.3%

of angel investors are minorities



Venture Capital Investment Partners

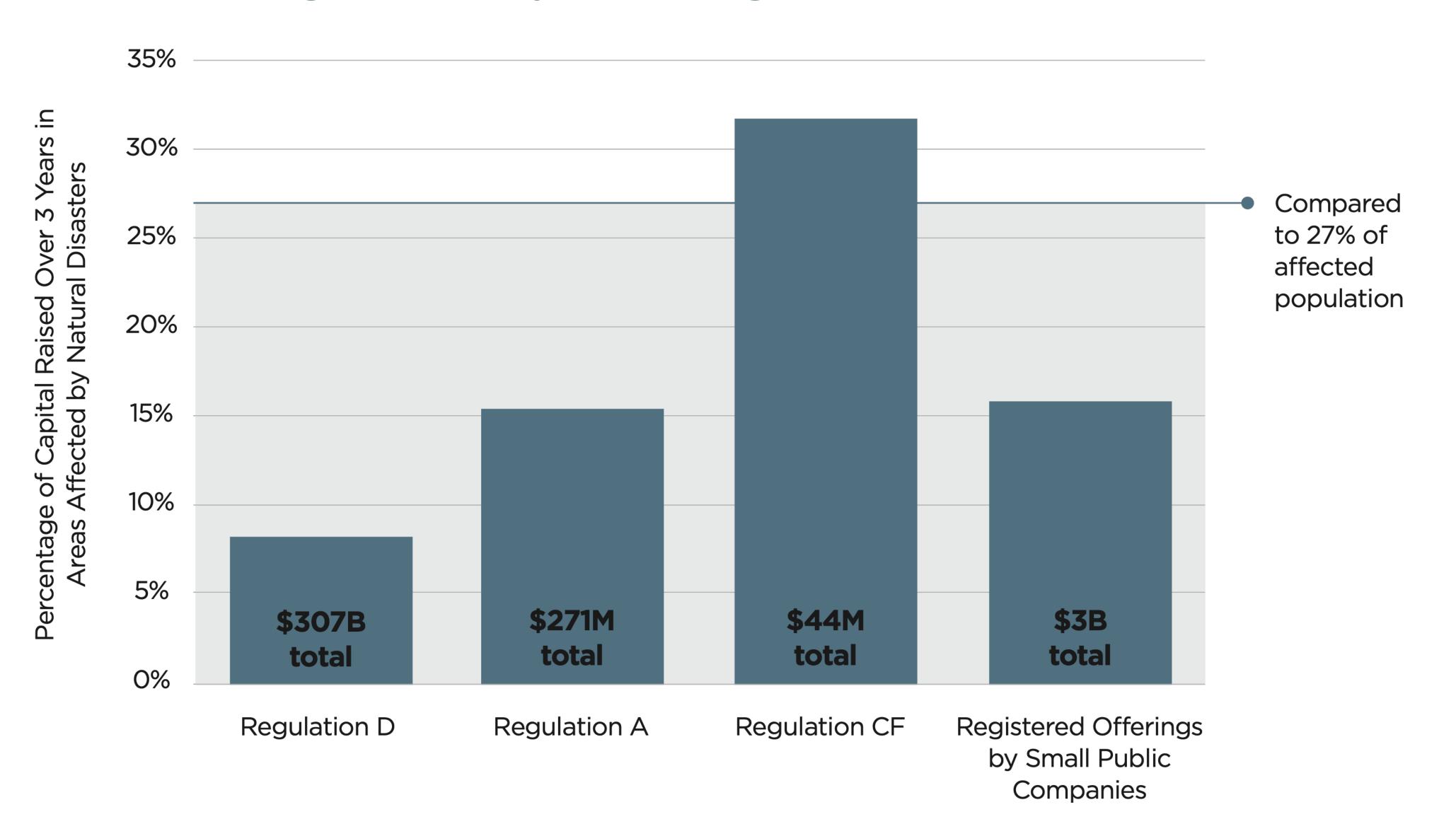
Black

Asian/Pacific Islander

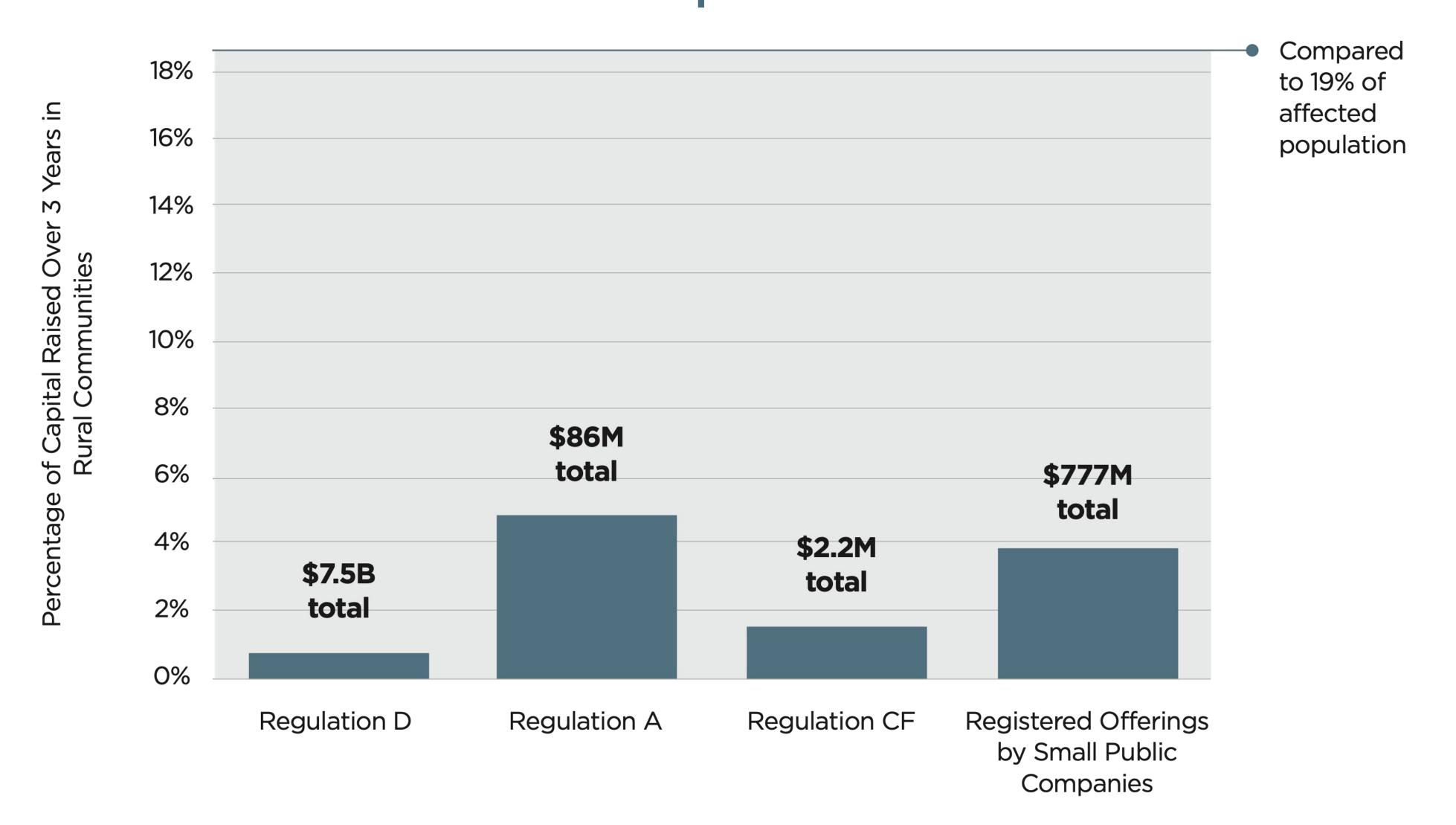
Latinx

White

### Businesses in areas affected by natural disasters are generally raising less capital



### Businesses in rural areas are also generally raising less capital





- 1. Harmonization
- 2. Investor Participation in Private Offerings
- 3. Engaging Investors via Finders
- 4. Crowdfunding
- 5. Scaled Obligations for Smaller, Less Complex Reporting Companies

