



## Center for Venture Research

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### **THE ANGEL INVESTOR MARKET IN Q1Q2 2011: A RETURN TO THE SEED STAGE**

#### **Market Size**

The angel investor market in Q1,2 2011 showed signs of stabilization since the 30% market correction in the second half of 2008 and the first half of 2009. Total investments in Q1,2 2011 were \$8.9 billion, an increase of 4.7% over Q1,2 2010, according to the **Center for Venture Research** at the University of New Hampshire. A total of 26,300 entrepreneurial ventures received angel funding in Q1,2 2011, a 4.4% increase from Q1,2 2010, and the number of active investors in Q1,2 2011 was 124,900 individuals, virtually unchanged from Q1,2 2010. The increase in total dollars and the matching increase in total investments resulted in a deal size of \$338,400 in Q1,2 2011, comparable to the deal size in Q1,2 2010 of \$337,300.

These data indicate that angels remain committed to this investment class and at slightly higher valuations than in 2010. While the market exhibited a stabilization from Q1,2 2010, when compared to the market correction that occurred in 2008, these data indicate that the angel market appears to have reached its nadir in 2009 and has since demonstrated a slow recovery.

#### **Stage**

Angels have significantly increased their penchant for seed and start-up stage investing, with 39% of Q1,2 2011 angel investments in the seed and start-up stage, marking an increase in the seed and start-up stage from Q1,2 2010 (26%). This increase was reflected in a decrease in post-seed/start-up investing with 60% of investments in early and expansion stage, compared to 70% in Q1,2 2010. Historically angels have been the major source of seed and start-up capital for entrepreneurs and this return to seed and start-up investing is an encouraging sign. While there remains a need for seed and start-up capital and a capital gap in this stage, if the return to seed and start-up investing continues this will signify an improvement in both new venture formation and job creation. New, first sequence, investments represent 49% of Q1,2 2011 angel activity, an increase of 3% from Q1,2 2010 and 8% from 2010.

#### **Job Growth**

Angel investments continue to be a significant contributor to job growth with the creation of 134,130 new jobs in the United States in 2011, or 5 jobs per angel investment.

## Sector Analysis

Healthcare Services/Medical Devices and Equipment accounted for the largest share of investments, with 25% of total angel investments in Q1,2 2011, followed by Industrial/Energy (17%), Biotech (14%), Software (11%), Media (8%) and Retail (8%). Industrial/Energy has shown a continued increase since 2010, reflecting a growing interest in clean tech investing by angels. Retail and Media have solidified their presence in the top six sectors, mainly due to investing in social networking ventures.

Sector	Healthcare	Industrial/ Energy	Biotech	Software	Media	Retail
Deals	25%	17%	14%	11%	8%	8%

## Yield Rates

The yield (acceptance) rate is defined as the percentage of investment opportunities that are brought to the attention of investors that result in an investment. In Q1,2 2011 the yield rate was 15%, continuing a stabilization in yield rates that began in 2008 (10%) and continued in 2009 (14.5%) and Q1,2 2010 (12%). This yield rate indicates a cautious approach to investing, reduces the concern of an unsustainable investment rate, but also reflects the difficulty for entrepreneurs to secure angel funding.

## Women and Minority Entrepreneurs and Investors

In Q1,2 2011 women angels represented 12% of the angel market. Women-owned ventures accounted for 12% of the entrepreneurs that are seeking angel capital and 26% of these women entrepreneurs received angel investment in Q1,2 2011. Thus, while the number of women seeking angel capital is low, the percentage that received angel investments is above the overall market yield rate.

Minority angels accounted for 5% of the angel population and minority-owned firms represented 11% of the entrepreneurs that presented their business concept to angels. The yield rate for these minority-owned firms was 17%, which for the fourth straight year is in line with, or higher than, market yield rates. However, the small percentage of minority-owned firms seeking angel capital is of concern.

The **Center for Venture Research (CVR)** has been conducting research on the angel market since 1980. The CVR's mission is to provide an understanding of the angel market through quality research. The CVR is dedicated to providing reliable and timely information on the angel market to entrepreneurs, private investors and public policymakers.

The Center for Venture Research would like to thank all the angel groups and individual angels that participate in our research efforts. The response rate for this survey was 27%. The Center for Venture Research also provides seminars to angels and entrepreneurs, and research reports on aspects of the angel market are also available. For more information visit <http://wsbe.unh.edu/cvr> or contact the CVR at 603-862-3341.

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