



Center for Venture Research

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THE ANGEL INVESTOR MARKET IN 2010: A MARKET ON THE REBOUND

Market Size

The angel investor market in 2010, following a considerable contraction in investment dollars in 2008 and 2009, exhibited a rise in investment dollars and in the number of investments. Total investments in 2010 were \$20.1 billion, a robust increase of 14% over 2009, according to the **Center for Venture Research** at the University of New Hampshire. A total of 61,900 entrepreneurial ventures received angel funding in 2010, an increase of 8.2% over 2009 investments. The number of active investors in 2010 was 265,400 individuals, a small growth of 2.3% from 2009. The significant increase in total dollars, coupled with the rise in the number of investments resulted in a larger deal size for 2010 (an increase in deal size of 5.4% from 2009). These data indicate that angels have significantly increased their investment activity, and are committing more dollars resulting from higher valuations. It appears that a cautious optimism to investing is taking hold. Noteworthy changes did occur in the critical seed and start-up stage investment landscape.

Sector Analysis

Healthcare Services/Medical Devices and Equipment accounted for the largest share of investments, with 30% of total angel investments in 2010, followed by Software (16%), Biotech (15%), Industrial/Energy (8%), Retail (5%) and IT Services (5%). Industrial/Energy investing has remained a significant sector for angels, reflecting a continued appetite for clean tech.

Sector	Healthcare	Software	Biotech	Industrial/Energy	Retail	IT Services
Deals	30%	16%	15%	8%	5%	5%

Job Growth

Angel investments continue to be a significant contributor to job growth with the creation of 370,000 new jobs in the United States in 2010, or 6 jobs per angel investment.

Return Rates

Mergers and acquisitions represented 66% of the angel exits, and bankruptcies accounted for 27% of the exits in 2010. About half of the angel exits were at a profit and annual returns for angel's exits (mergers and acquisitions and IPOs) were between 24% and 36%, however, these returns were quite variable.

Stage

Angels again reduced their investments of seed and start-up capital, with 31% of 2010 angel investments in the seed and start-up stage, a decrease of 4% from 2009. Angels also exhibited an increased interest in post-seed/start-up investing with 67% of investments in the early and expansion stage, an increase from 2009. New, first sequence, investments represented 41% of 2010 angel activity, also a decline from the last year of 6%. This decrease in seed/start-up stage and first sequence investing is of concern. However, as existing investments move to an exit and thus reduce the need for follow-on investments, it is anticipated that angel capital will become available for new seed stage investments.

Yield Rates

The yield rate is defined as the percentage of investment opportunities that are brought to the attention of investors that result in an investment. In 2010 the yield rate was 18.4%, an increase from the 2009 yield rate (14.5%). While a higher yield rate is an encouraging development for entrepreneurs seeking angel capital there is a question of the sustainability of this rate. As the yield increases, more entrepreneurs may begin to seek angel capital and as this supply increases it is possible that the yield rate will retreat to the historical average of 10% to 15%.

Women and Minority Entrepreneurs and Investors

In 2010 women angels represented 13% of the angel market. Women-owned ventures accounted for 21% of the entrepreneurs that are seeking angel capital and 13% of these women entrepreneurs received angel investment in 2010. Both the number of women seeking angel capital and the percentage that receives angel investments are low compared to the overall market. These data indicate that when women do seek angel capital they lag behind the market yield rate by 5%.

Minority angels accounted for 2% of the angel population and minority-owned firms represented 6% of the entrepreneurs that presented their business concept to angels. The yield rate for these minority-owned firms was 19%, which for the fourth straight year is in line with 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 41%. 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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