



Center for Venture Research

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THE ANGEL INVESTOR MARKET IN 2011: THE RECOVERY CONTINUES

Market Size

The angel investor market in 2011, following a considerable contraction in investment dollars in 2008 and 2009, exhibited the upward trend that began in 2010 in investment dollars and in the number of investments. Total investments in 2011 were \$22.5 billion, an increase of 12.1% over 2010, according to the **Center for Venture Research** at the University of New Hampshire. A total of 66,230 entrepreneurial ventures received angel funding in 2011, an increase of 7.3% over 2010 investments. The number of active investors in 2011 was 318,480 individuals, a substantial growth of 20% from 2010. The significant increase in total dollars, coupled with the rise in the number of investments resulted in a larger deal size for 2011 (an increase in deal size of 4.7% from 2010). These data indicate that angels have significantly increased their investment activity, and are committing more dollars resulting from higher valuations. It appears that an optimism in angel investing is taking hold.

Sector Analysis

Software regained the top sector position with 23% of total angel investments in 2011, followed by Healthcare Services/Medical Devices and Equipment (19%), Industrial/Energy (13%), Biotech (13%), IT Services (7%) and Media (5%). Industrial/Energy investing has remained a significant sector for angels for the last few years, reflecting a continued appetite for clean tech.

Sector	Software	Healthcare	Industrial/Energy	Biotech	IT Services	Media
Deals	23%	19%	13%	13%	7%	5%

Job Growth

Angel investments continue to be a significant contributor to job growth with the creation of 165,600 new jobs in the United States in 2011, or 2.5 jobs per angel investment.

Return Rates

Mergers and acquisitions represented 54% of the angel exits, and bankruptcies accounted for 24% of the exits in 2011. Slightly more than half of the angel exits were at a profit and annual returns for angel's exits (mergers and acquisitions, notes and IPOs) were between 18% and 28%, however, these returns were quite variable.

Stage

Angels increased their investments of seed and start-up capital, with 42% of 2011 angel investments in the seed and start-up stage, reversing a two year decline in seed and start-up investing and a significant increase from 2010 (31% in seed/start-up). Angels also exhibited a decreased interest in post-seed/start-up investing with 55% of investments in the early and expansion stage, down from 67% in 2010. New, first sequence, investments represented 52% of 2011 angel activity, also an increase of 11% from last year. This increase in seed/start-up stage and first sequence investing is promising and this renewed interest in seed and start-up financing is an encouraging development for our nation's entrepreneurs.

Yield Rates

The yield rate is the percentage of investment opportunities that are brought to the attention of investors that result in an investment. In 2011 the yield rate was 18.3%, virtually unchanged from the 2010 yield rate (18.4%). 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 2011 women angels represented 12% of the angel market. Women-owned ventures accounted for 12% of the entrepreneurs that were seeking angel capital and 20.5% of these women entrepreneurs received angel investment in 2011. While the number of women seeking angel capital is low, the percentage that receives angel investments is comparable to that of the overall market. These data indicate that when women do seek angel capital they lead the market yield rate by 2%.

Minority angels accounted for 4% of the angel population and minority-owned firms represented 7% of the entrepreneurs that presented their business concept to angels. The yield rate for these minority-owned firms was 14.7%, 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 a non-profit, does not sell the angel data collected in the survey and 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 30%. 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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