



Center for Venture Research

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THE ANGEL INVESTOR MARKET IN 2012: A MODERATING RECOVERY CONTINUES

Market Size

The angel investor market in 2012 continued the upward trend started in 2010 in investment dollars and in the number of investments, albeit at a moderate pace. Total investments in 2012 were \$22.9 billion, an increase of 1.8% over 2011, according to the **Center for Venture Research** at the University of New Hampshire. A total of 67,030 entrepreneurial ventures received angel funding in 2012, an increase of 1.2% over 2011 investments. The number of active investors in 2012 was 268,160 individuals, a reduction of 15.8% from 2011. The small increase in both total dollars and the number of investments resulted in a deal size for 2012 that was virtually unchanged from 2011 (an increase in deal size of 0.6% from 2011). These data indicate that while fewer angels were active investors in 2012 those that did invest have increased their individual investments substantially, from \$70,690 in 2011 to \$85,435 in 2012, an increase of 20.9%. It is possible that given the robust returns in the public equity markets, some angels may have reallocated their portfolios and reduced their angel investing activity but those angels that continued to invest remained quite active.

Sector Analysis

Software remained in the top sector position with 23% of total angel investments in 2012, followed by Healthcare Services/Medical Devices and Equipment (14%), Retail (12%), Biotech (11%), Industrial/Energy (7%) and Media (7%). 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	Retail	Biotech	Industrial/Energy	Media
Deals	23%	14%	12%	11%	7%	7%

Job Growth

Angel investments were a significant contributor to job growth with the creation of 274,800 new jobs in the United States in 2012, or 4.1 jobs per angel investment.

Valuation

The average angel deal size in 2012 was \$341,800 and the average equity received was 12.7% with a deal valuation of \$2.7 million.

Stage

Angels decreased their investments of seed and start-up capital, with 35% of 2012 angel investments in the seed and start-up stage, down from 42% in 2011 and matching seed and start-up investing in 2010 (31%). Angels also exhibited a decreased interest in early stage investing with 33% of investments in the early stage, down from 40% in 2011. Expansion financing exhibited a significant increase to 29% of deals, up from 15% in 2011. Investment activity was evenly divided between new, first sequence, investments and follow-on investments, the same as in 2011. This decrease in seed/start-up stage is of concern since that is the stage of need for our nation's entrepreneurs.

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 2012 the yield rate was 21.3%, a slight increase from the 2011 yield rate (18.3%). 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 15%.

Women and Minority Entrepreneurs and Investors

In 2012 women angels represented 21.8% of the angel market, a significant increase from 2011 (12.2%). Women-owned ventures accounted for 16% of the entrepreneurs that were seeking angel capital and 25% of these women entrepreneurs received angel investment in 2012. While the number of women seeking angel capital is low, the percentage that received angel investments (25%) is above the market yield rate and these data indicate that when women do seek angel capital they lead the market yield rate by 4%.

Minority angels accounted for 5% of the angel population and minority-owned firms represented 6% of the entrepreneurs that presented their business concept to angels, figures comparable to 2011. The yield rate for these minority-owned firms was 18%, which for the fifth straight year is in line with market yield rates. Thus, the goal would be to increase the percentage of minority entrepreneurs seeking angel capital while maintaining the current quality.

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 21%. 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://paulcollege.unh.edu/center-venture-research> or contact the CVR at 603-862-3341.

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