



Center for Venture Research

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A CAUTIOUS RESTRUCTURING OF THE ANGEL MARKET IN 2016 WITH A ROBUST APPETITE FOR SEED AND START-UP INVESTING

Market Size

The angel investor market in 2016 experienced a decrease in investment dollars and in the deal size. Total investments in 2016 were \$21.3 billion, a decrease of 13.5% over 2015, according to the **Center for Venture Research** at the University of New Hampshire. A total of 64,380 entrepreneurial ventures received angel funding in 2016, a decline of 9.5% over 2015 investments. The number of active investors in 2016 was 297,880 individuals, a decrease of 2.3% from 2015. The change in both total dollars and the number of investments resulted in a deal size for 2016 that was smaller than in 2015. While these data indicate a cautious retreat in terms of dollars invested and deals, angels increased their appetite for seed and start-up investing, and the associated risk, but with a higher perceived value as demonstrated by the increase in valuations and decrease in deal (investment round) size.

Sector Analysis

Software maintained its top sector position with 25% of total angel investments in 2016, followed by Healthcare Services/Medical Devices and Equipment (20%), Retail (14%), Biotech (10%), Industrial/Energy (8%) and IT Services (5%). Software and Healthcare continue to be the preferred sectors for angel investors.

Sector	Software	Healthcare	Retail	Biotech	Ind/Energy	IT Services
Deals	25%	20%	14%	10%	8%	5%

Stage

Angel investments in the seed and start-up stage increased in 2016, with 41% of 2016 angel investments in the seed and start-up stage, compared to 28% in 2015. Angels maintained a presence in early stage investing with 31% of investments in the early stage, a noticeable decrease to the 2015 early stage investments of 45%. There was little movement in expansion (26%) and late stage investing (3%) between 2015 and 2016. Investment activity in new investments was 43% in 2016, unchanged from 2015. With 57% of the deals considered follow-on, it is likely that these were a follow-on to a previous seed deal, or a start-up stage investment.

Job Growth

Angel investments were a significant contributor to job growth with the creation of 263,950 new jobs in the United States in 2016, or 4.1 jobs per angel investment.

Valuation

The average angel deal size in 2016 was \$330,185, a decrease of 4.4% from 2015, and the average equity received was 12.3% with a deal valuation of \$2.7 million, up by 16.4%.

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 2016 the yield rate was 19.7%, a slight increase from 2015 (18%). This yield rate indicates that entrepreneurs seeking angel capital have a 1 in 5 chance of securing an angel investment. While a higher yield rate would be encouraging for entrepreneurs there is a question of the sustainability of a high rate since the historical average yield rate is 15%.

Women and Minority Entrepreneurs and Investors

In 2016 women angels represented 26.2% of the angel market, a small increase from 2015 (25.3%). Women-owned ventures accounted for 30.3% of the entrepreneurs that were seeking angel capital and 14.1% of these women entrepreneurs received an angel investment in 2016. It should be noted that the yield rate for women entrepreneurs appears to have stabilized around 14% and lags behind the overall yield rate. Combining this with the relatively unchanged percentage of women angel investors, may indicate the need for more women investors in the angel ecosystem.

Minority angels accounted for 4.9% of the angel population and minority-owned firms represented 15.3% of the entrepreneurs that presented their business concept to angels. The yield rate for these minority-owned firms was 12.3%, which is a significant decline from the minority yield rate of 22% in 2015. Thus, the goal would be to increase the quality of the entrepreneurial ventures and/or the number of minority angels to bring this yield rate more in line with the overall rate.

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 16%. 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.

The correct citation is: Jeffrey Sohl, "A Cautious Restructuring of the Angel Market in 2016 With a Robust Appetite for Seed and Start-Up Investing", Center for Venture Research, May 31, 2017.