



## Center for Venture Research

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### THE ANGEL MARKET IN 2018 MORE ANGELS INVESTING IN MORE DEALS AT LOWER VALUATIONS

#### Market Size

The angel investor market in 2018 experienced an increase in market participation in more companies, albeit at smaller amounts, according to the **Center for Venture Research** at the University of New Hampshire. Total angel investments in 2018 were \$23.1 billion, a negligible decrease of 3.4% over 2017. A total of 66,110 entrepreneurial ventures received angel funding in 2018, an increase of 7.4% over 2017 investments. The number of active investors in 2018 rose to 334,565 as compared to 288,380 in 2017, a robust increase of 16%. The change in total dollars and the number of investments resulted in a deal size for 2018 that was smaller than in 2017, reflecting lower valuations. The increase in number of investments likely offsets a decline in activity by institutional investors in seed and start-up deals and the smaller deal size may have partially contributed to the increase in angel investors.

#### Sector Analysis

Healthcare Services/Medical Devices and Equipment regained its dominant sector position with 23% of total angel investments in 2018, followed by Software (20%), Retail (13%), Biotech (9%), Financial Services/Business Products and Services (8%) and Industrial/Energy (6%). Industrial/Energy investing is predominately in clean tech.

Sector	Healthcare	Software	Retail	Biotech	Fin/Bus	Ind/Energy
Deals	23%	20%	13%	9%	8%	6%

#### Stage

Angel investments in the seed and start-up stage were 34% in 2018, a decrease of 7% from 2017 and 2016 levels. Angel investments in the early stage were 41% in 2018, identical to the 2017 allocations. However, angels increased, to 21%, their investment in expansion stage companies. This increase in expansion financing indicates that angels were concerned with building a longer runway for their investments, but this came at the expense of investments in the next generation of ventures, as indicated by the decrease in seed and start-up stage investments.

#### Job Growth

Angel investments continue to be a significant contributor to job growth with the creation of 251,200 new jobs in the United States in 2018, or 3.8 jobs per angel investment.

## **Valuation**

The average angel deal size in 2018 was \$349,620, a decrease of 10.1% from 2017, and the average equity received was 12.1% with a deal valuation of \$2.9 million, down by 9.1%. These data indicate that angels are investing less dollars in more deals as the deal price, and subsequent valuations, decreased.

## **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 2018 the yield rate was 23.2%, a decrease from 26.7% in 2017. This yield rate indicates that entrepreneurs seeking angel capital have a 1 in 4 chance of securing an angel investment. The yield rate appears to have stabilized in the 20% range which appears to be, from a market perspective, a sustainable rate.

## **Exits**

A little more than half of the angel exits in 2018 were by merger or sale, with around 15% of these M&As at a loss.

## **Women and Minority Entrepreneurs and Investors**

In 2018 women angels represented 29.5% of the angel market, an increase from 2017 (19.5%) but in line with 2016 (26.2%). Women-owned ventures accounted for 25.9% of the entrepreneurs that were seeking angel capital and 17.5% (23.4% in 2017) of these women entrepreneurs received an angel investment in 2018. This decrease in yield rate for women entrepreneurs mirrored the national yield rate trend. It is encouraging that women angels experienced a 10% increase in participation in the angel market.

Minority angels accounted for 5.3% of the angel population and minority-owned firms represented 10.7% of the entrepreneurs that presented their business concept to angels, both similar to 2017. The yield rate for these minority-owned firms was 22%, a decrease from the 2017 minority yield rate of 27.2% but in line with the decreasing national yield rate. The goal continues to be one that maintains the quality of the entrepreneurial ventures and also increases the number of minority angels to stabilize this yield 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 19%. 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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