



Center for Venture Research

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THE ANGEL MARKET IN 2019: COMMITMENTS BY ANGELS INCREASE WITH A SIGNIFICANT RISE IN DEAL VALUATIONS

Market Size

The angel investor market in 2019 exhibited a decrease in active investors and in the number of investments, while simultaneously experiencing an increase in the total dollars invested by angels, according to the **Center for Venture Research** at the University of New Hampshire. Total angel investments in 2019 were \$23.9 billion, an increase of 3.2% over 2018. A total of 63,730 entrepreneurial ventures received angel funding in 2019, a decline of 3.6% over 2018 investments. The number of active investors in 2019 also declined to 323,365 as compared to 334,565 in 2018, a decrease of 3.3%. The change in total dollars combined with the decrease in the number of investments resulted in a deal size for 2019 that was significantly larger than in 2018, reflecting higher valuations. The dollars invested per angel investor in 2019 increased by 6.8% while the number of angels per deal remained stable at 5.1 angels per investment.

Sector Analysis

Software (31%) and Healthcare Services/Medical Devices and Equipment (31%) dominated angel investments in 2019 with their total market share increasing from 43% in 2018 to 62%. Other active sectors included Financial Services/Business Products and Services (7%), Retail (6%), Industrial/Energy- Clean Tech (5%) and Biotech (4%).

Sector	Software	Healthcare	Fin/Bus	Retail	Ind/Energy	Biotech
Deals	31%	31%	7%	6%	5%	4%

Stage

Angel investments (deals) in the seed and start-up stage were 37% in 2019, relatively unchanged from 2018. Angel investments in the early stage were 43% in 2019, similar to 2018 allocations (39%) and total investments in the expansion and late stage in 2019 were 20%, a slight decrease from 2018. It is encouraging that the seed and start-up deals remained steady at more than 1/3 of market investments since angels are the leading source of risk capital for nascent entrepreneurs.

Job Growth

Angel investments continue to be a robust contributor to job growth with the creation of 246,000 new jobs in the United States in 2019, or 3.8 jobs per angel investment, the same job creation rate by angels in 2018.

Valuation

The average angel deal size in 2019 was \$374,225 an increase of 7.0% from 2018. The average equity received was 9.4% with a deal valuation of \$4.0 million, a 38% increase from 2018. This substantial increase in deal valuation was indicated in the mid-year 2019 angel report (valuation \$3.95 million). These valuation trends are likely an indication of upward pressure on valuations resulting in overvaluations in some sectors and/or regions of the angel market.

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 2019 the yield rate was 30.7%, an increase from 23.2% in 2018. This yield rate indicates that entrepreneurs seeking angel capital have close to a 1 in 3 chance of securing an angel investment. Historically, yield rates above 25% have not been sustainable over the longer term.

Women and Minority Entrepreneurs and Investors

In 2019 women angels represented 29% of the angel market, unchanged from 2018 (29.5%). Women-owned ventures accounted for 27.6% of the entrepreneurs that were seeking angel capital and 21.4% (17.5% in 2018) of these women entrepreneurs received an angel investment in 2019. This increase in yield rate for women entrepreneurs mirrored the national yield rate trend but still lagged behind the national rate. It is encouraging that women angel's participation in the angel market has remained steady for two years.

Minority angels accounted for 7.1% of the angel population and minority-owned firms represented 9.3% of the entrepreneurs that presented their business concept to angels, both similar to 2018. The yield rate for these minority-owned firms was 28.2%, an increase from the 2018 minority yield rate of 22% but in line with the 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.

Market Participation

In 2019, 32% of the membership in angel groups was latent angels (members who did not make an investment) which is comparable to previous years. In contrast, 23% of women members in angel groups were latent investors in 2019.

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%. 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, "The Angel Market in 2019: Commitments by Angels Increase with a Significant Rise in Deal Valuations", Center for Venture Research, May 5, 2020.