



Center for Venture Research

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THE ANGEL MARKET IN 2020: RETURN OF THE SEED AND START-UP STAGE MARKET FOR ANGELS

Market Size

The angel investor market in 2020 exhibited an increase 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 2020 were \$25.3 billion, an increase of 6.0% over 2019. A total of 64,480 entrepreneurial ventures received angel funding in 2020, an increase of 1.2% over 2019 investments. The number of active investors in 2020 also increased to 334,680 as compared to 323,365 in 2019, an increase of 3.5%. The deal size for 2020 increased by 4.8% from 2019, reflecting higher valuations. For the first time in several years the seed and start-up stage market became the predominant investment stage for angels.

Sector Analysis

Healthcare Services/Medical Devices and Equipment (30%) dominated angel investments in 2020, followed closely by Software (23%), not surprising considering the pandemic. Other active sectors included Industrial/Energy- Clean Tech (9%), Financial Services/Business Products and Services (9%), Retail (8%) and Biotech (6%).

Sector	Healthcare	Software	Ind/Energy	Fin/Bus	Retail	Biotech
Deals	30%	23%	9%	9%	8%	6%

Stage

Angel investments (deals) in the seed and start-up stage were 39% in 2020 and for the first time in several years the seed and start-up stage market became the predominant investment stage for angels. This solidifies the trend in increasing allocations to seed and start-up ventures that began in 2018 and comes at the expense of early stage investing, 32% in 2020, down from 43% in 2019. With angels as the leading source of seed and start-up capital this increase in seed/start-up investments is encouraging for entrepreneurs.

Job Growth

Angel investments continue to be a robust contributor to job growth with the creation of 3.9 jobs per angel investment, similar to the job creation rate by angels in 2019 and 2018.

Valuation

The average angel deal size in 2020 was \$392,025 an increase of 4.8% from 2019. The average equity received was 9.6% with a deal valuation of \$4.1 million, a slight increase from 2019. Valuation trends in the angel market 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 2020 the yield rate was 30.8%, virtually unchanged from 2019 (30.7%). This yield rate indicates that entrepreneurs seeking angel capital have close to a 1 in 3 chance of securing an angel investment. These high yield rates, combined with increasing valuations, are likely not sustainable over the longer term.

Women and Minority Entrepreneurs and Investors

In 2020 women angels represented 29.5% of the angel market, unchanged from 2019 (29.0%). Women-owned ventures accounted for 33.6% of the entrepreneurs that were seeking angel capital (27.6% in 2019) and 28.1% (21.4% in 2019) of these women entrepreneurs received an angel investment in 2020. This increase in women seeking angel capital and the increase in the yield rate for women entrepreneurs are both encouraging, but the women yield rate still lags the national rate. Women angel's participation in the angel market has remained steady for three years, representing a solid foundation of investors on which to build upon.

Minority angels accounted for 5.5% of the angel population and minority-owned firms represented 5.3% of the entrepreneurs that presented their business concept to angels, both down from 2019. The yield rate for these minority-owned firms was 33.0%, an increase from the 2019 minority yield rate of 22%. This robust yield rate is promising but the low number of minority entrepreneurs seeking angel capital needs improvement, while at the same time the quality of the deals needs to be maintained.

Market Participation

In 2020, 51% of the membership in angel groups was latent angels (members who did not make an investment) which is higher than in previous years. In contrast, 31.4% of women members in angel groups were latent investors in 2020.

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 22%. For more information visit <http://paulcollege.unh.edu/center-venture-research> or contact the CVR at 603-862-3341.

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