



Center for Venture Research

Director, Jeffrey Sohl

<http://paulcollege.unh.edu/center-venture-research> (603)862-3341

THE ANGEL INVESTOR MARKET IN 2015: A BUYERS MARKET

Market Size

The angel investor market in 2015 had a slight increase in investment dollars and in the deal size. Total investments in 2015 were \$24.6 billion, an increase of 1.9% over 2014, according to the **Center for Venture Research** at the University of New Hampshire. A total of 71,110 entrepreneurial ventures received angel funding in 2015, a decline of 3.1% over 2014 investments. The number of active investors in 2015 was 304,930 individuals, a decrease of 3.7% from 2014. The change in both total dollars and the number of investments resulted in a deal size for 2015 that was larger than in 2014 (an increase in deal size of 5.1% from 2014). These data, combined with the yield rates and valuations, indicate that angels were selective in their investment behavior in 2015. The decrease in valuations over the last three years indicates a continuing market correction in valuations. However, the \$24.6 billion of investments is a robust amount and is close to the market high of \$26.0 billion that occurred in 2007.

Sector Analysis

Software maintained its top sector position with 18% of total angel investments in 2015, followed by Healthcare Services/Medical Devices and Equipment (16%), Biotech (13%), Industrial/Energy (11%), Retail (10.6%), and Media (9%). Biotech has regained a favorable position after a one year hiatus from the top six angel investment sectors.

Sector	Software	Healthcare	Biotech	Ind/Energy	Retail	Media
Deals	18%	16%	13%	11%	10.6%	9%

Job Growth

Angel investments were a significant contributor to job growth with the creation of 270,200 new jobs in the United States in 2015, or 3.8 jobs per angel investment.

Valuation

The average angel deal size in 2015 was \$345,390, an increase of 5.1% from 2014, and the average equity received was 14.9% with a deal valuation of \$2.32 million, down by 13.1% from 2014. This decline in valuations represent a three year trend and may indicate that a market correction is gaining momentum.

Stage

Angel investments in the seed and start-up stage were largely unchanged, with 28% of 2015 angel investments in the seed and start-up stage, compared to 25% in 2014. Angels remained a strong factor in early stage investing with 45% of investments in the early stage, virtually identical to the 2014 early stage investments of 46%. In addition, there was little movement in expansion (25%) and late stage investing (2%) between 2014 and 2015. Investment activity in new, first sequence, investments was 44% in 2015, a decline from 49% in 2014. This decrease in new investments is a discouraging sign for our nation's start-ups.

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 2015 the yield rate was 18%, a slight decrease from 2014 (19.2%). 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 2015 women angels represented 25.3% of the angel market, a slight decrease from 2014 (26.1%). Women-owned ventures accounted for 29.2% of the entrepreneurs that were seeking angel capital and 14.4% of these women entrepreneurs received an angel investment in 2015. It should be noted that the yield rate for women entrepreneurs has steadily declined over the last four years and this, combined 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 5% of the angel population and minority-owned firms represented 10% of the entrepreneurs that presented their business concept to angels, figures lower than in 2014. The yield rate for these minority-owned firms was 22%, which is above the market yield rate in 2015. Thus, the goal would be to encourage minority entrepreneurs to continue to seek angel capital.

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 19.4%. 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, "The Angel Investor Market in 2015: A Buyers' Market", Center for Venture Research, May 25, 2015.