



Center for Venture Research

Director, Jeffrey Sohl

(603)862-3341

<http://paulcollege.unh.edu/center-venture-research>

**THE ANGEL INVESTOR MARKET IN Q1Q2 2018:
SEEKING STABILITY IN POST SEED INVESTING**

Market

For the second year in a row Q1,2 2018 market metrics indicate a stabilization of the retreat from seed and start-up stage deals, an indication angels are seeking stability by investing in early stage ventures with more of a track record than a seed/start-up stage company. Contributing to this investment redistribution is the robust public equity markets and their attractive returns.

However, historically seed and start-up stage deals have been the lowest in the first two quarters of the year.

Sector Analysis

Healthcare and Software continue to account for the largest share of investments, with 22% and 20%, respectively, of total angel investments in Q1,2 2018. Retail (10.6%) and Financial Services/ Business Products and Services (10.4%) round out the top four sectors. Clean Tech investing has been a consistent performer since 2009, currently at 9% of investments. The top two sectors (medical and software) remained unchanged from Q1,2 2017 but investments in biotech declined from a strong Q1,2 2017 (11%).

Sector	Healthcare	Software	Retail	Fin Services	IT Services	Biotech
Deals	22%	20%	10.6%	10.4%	7%	6%

Yield Rates

The yield (acceptance) rate in Q1,2 2018 was 17.2%, slightly lower than in Q1,2 2017 (21.0%) and Q1,2 2016 (18.3%). This yield rate indicates that entrepreneurs have less than a 1 in 5 chance of receiving angel capital and reflects a reasonable strategy to investing by angels but it also reveals the continuing difficulty for entrepreneurs to secure angel funding.

Valuation

The average angel deal valuation in Q1,2 2018 was \$3.7 million. This deal valuation represents an increase of 14% from the Q1,2 2017 average deal valuation of \$3.24 million. This may be indicative of a trend towards overvaluations in some sectors or regions.

Stage

Angels continue to keep their investment allocations in the seed and start-up stage low, with 24% of Q1,2 2018 angel investments in the seed and start-up stage. This is similar to periods in 2017 and 2016. In the first half of 2017, 20% of the angel deals were in the seed and start-up stage and 27% in the first two quarters of 2016. There was also a consistency in early stage (post seed and start-up) financing of 54% of investments in Q1,2 2018, comparable to 51% in Q1,2 2017 and 53% in the first two quarters of 2016. Expansion stage financing decreased from 28% in Q1,2 2017 to 17% in Q1,2 2018. Historically angels have been the major source of seed and start-up capital for entrepreneurs and while that stage remains close to a quarter of angel investments, angel seed/start-up investments have remained consistently below the pre-2008 peak of 55%. This steady decline in allocations signifies that there continues to be a need for seed and start-up capital for both new venture formation and job creation. New, first sequence, investments represent 51% of Q1,2 2018 angel activity, similar to the 46% in Q1,2 2017. Thus, the percentage of new investments coupled with the low number of deals in seed and start-up capital indicates that some of these angel investments in the early stage are not follow-on rounds in existing portfolio companies but rather new investments in an early stage company.

Job Growth

Angel investments in Q1,2 2018 contributed to job growth with 3.2 jobs per angel investment, similar to the 3.3 jobs per angel investment in Q1,2 2017.

Women and Minority Entrepreneurs and Investors

In Q1,2 2018 women angels represented 24.9% of the angel market, nearly identical to Q1,2 2017 (25.8%). Women-owned ventures accounted for 25% of the entrepreneurs that are seeking angel capital and 17% of these women entrepreneurs received angel investment in Q1,2 2018. For Q1,2 2018 the percentage of women that received angel investments is close to the overall market yield rate and is up slightly from the yield rate for women ventures in Q1,2 2017 (16%). Minority angels accounted for 8.5% of the angel population and minority-owned firms represented 13.5% of the entrepreneurs that presented their business concept to angels, which is comparable to Q1,2 2017 (12.4% presenting). The yield rate for these minority-owned firms was 13.3%, which continues to be lower than the market 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 20%. 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 for this article is: Jeffrey Sohl, "The Angel Investor Market in Q1Q2 2018: Seeking Stability in Post Seed Investing", Center for Venture Research, January 7, 2019.