



Center for Venture Research

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THE ANGEL INVESTOR MARKET IN Q1Q2 2019: WOMEN ANGELS SOLIDIFYING THEIR POSITION IN THE ANGEL MARKET

Market

The Q1,2 2019 angel investor market metrics indicate a continued, albeit small, upward trend in seed and start-up stage investments that started in Q1,2 2017. During the same time period angel investments in the expansion stage have been a source of significant volatility, with respect to interest in this late stage. Of note, for the third year in a row the angel market points to a stabilization of the position of women angels as active investors.

Sector Analysis

Software and Healthcare continue to dominate for the largest share of investments, with 26% and 20%, respectively, of total angel investments in Q1,2 2019. Investments in Biotech (12%) rebounded from a weak Q1,2 2018 (6%). Rounding out the next three are Financial Services/Business Products and Services (9%), Retail (8%) and Industrial Energy/Clean Tech currently at 6% of investments. The top two sectors (Software and Healthcare) remained unchanged from Q1,2 2018 although Software moved ahead of Healthcare to the top spot.

Sector	Software	Healthcare	Biotech	Fin Services	Retail	Ind/Energy
Deals	26%	20%	12%	9%	8%	6%

Yield Rates

The yield (acceptance) rate in Q1,2 2019 was 21.6%, higher than in Q1,2 2018 (17.2%) but on par with Q1,2 2017 (21.0%) and full year 2018 (23.2%). This yield rate indicates that entrepreneurs have a 1 in 5 chance of receiving angel capital and reveals the continuing difficulty for entrepreneurs to secure angel funding. However, given the current market dynamics a yield rate around 20% is sustainable over the long term angel market.

Valuation

The average angel deal valuation in Q1,2 2019 was \$4.0 million, an increase of 8.1% from the Q1,2 2018 average deal valuation of \$3.7 million. This may be indicative of a trend towards overvaluations in some sectors or regions. Full year 2019 valuations will be closely watched as they would be more of an indicator of any trending upward pressure on valuations.

Stage

Angels continue to keep their investment allocations in the seed and start-up stage low but with an increasing trend when measured in the first two quarters. In Q1,2 2019 27% of angel investments were in the seed and start-up stage, as compared to Q1,2 2018 (24%) and Q1,2 2017 (20%). This upward trend is encouraging for entrepreneurs since the seed/start-up stage is the most difficult funding round. The volatility of the market share of expansion stage financing continues with expansion stage financing representing 29% of angel investment in Q1,2 2019, up from 17% in Q1,2 2018 but in line with Q1,2 2017 (28%). It appears that this shift to expansion financing is at the expense of early stage (post seed and start-up) financing, with 45% of investments in Q1,2 2019 in the early stage as opposed to 54% in Q1,2 2018 and 51% in the first two quarters of 2017. New, first sequence, investments represent 51% of Q1,2 2019 angel activity, identical to Q1,2 2018. 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 or expansion stage are not follow-on rounds in existing portfolio companies but rather new investments in an early stage company or possibly at the expansion stage.

Job Growth

Angel investments in Q1,2 2019 contributed to job growth with 3.3 jobs per angel investment, similar to the 3.2 jobs per angel investment in Q1,2 2018.

Women and Minority Entrepreneurs and Investors

In Q1,2 2019 women angels represented 24.2% of the angel market, nearly identical to Q1,2 2018 (24.9%) and Q1,2 2017 (25.8%). This three year trend appears to indicate a stabilization of the position of women angels as active investors as they are consistently representing a 25% to 30% share of the angel investors. Women-owned ventures accounted for 28% of the entrepreneurs that are seeking angel capital and 21% of these women entrepreneurs received angel investment (the yield rate) in Q1,2 2019. These both represent an increase from the 25% of the entrepreneurs and the 17% yield in Q1,2 2018. Minority angels accounted for 6.4% of the angel population and minority-owned firms represented 19.4% of the entrepreneurs that presented their business concept to angels. The yield rate for these minority-owned firms was 21.6%, a marked increase from the Q1,2 2018 market yield rate of 13.3%.

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 21%. 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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