



Center for Venture Research

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**THE ANGEL INVESTOR MARKET IN Q1Q2 2020:
A RESILIENT MARKET BUT NOT WITHOUT SOME FINE TUNING**

Market

The Q1,2 2020 angel investor market metrics indicate some coronavirus related adjustments, most notably in seed and start-up stage investing and job creation, but overall the angel market exhibited resiliency during the early stages of the pandemic. An encouraging development was the continued solidification of women as active angel investors.

Sector Analysis

Software and Healthcare continue to dominate for the largest share of investments, with 29% and 23%, respectively, of total angel investments in Q1,2 2020. Investments in Biotech (11%) remained stable compared to Q1,2 2019 (12%) but increased significantly from full year 2019 (4%). Rounding out the next three are Industrial Energy/Clean Tech (10%), Retail (7%) and Financial Services/ Business Products and Services (6%). The top two sectors (Software and Healthcare) remained unchanged over the last few years.

Sector	Software	Healthcare	Biotech	Ind/Energy	Retail	Fin Services
Deals	29%	23%	11%	10%	7%	6%

Yield Rates

The yield (acceptance) rate in Q1,2 2020 was 33.6%, on par with the full year 2019 rate (30.7%). This yield rate indicates that entrepreneurs have a greater than 1 in 4 chance of receiving angel capital. This relatively high yield rate could be an indication of higher quality deals being pitched to angels or the beginning signs of an overheated market. Historically, yield rates greater than 25% were not sustainable.

Valuation

The average angel deal valuation in Q1,2 2020 was \$4.12 million, an increase of 3.0% from the Q1,2 2019 average deal valuation of \$4.0 million. This steady increase in valuations since 2016 may be indicative of a trend towards overvaluations in some sectors or regions. Full year 2020 valuations will be closely watched as a potential indicator of upward pressure on valuations.

Stage

Angel investment allocations in the seed and start-up stage demonstrated a substantial decline from full year 2019. In Q1,2 2020 27% of angel investments were in the seed and start-up stage, a drop of 10% from full year 2019 seed and start-up stage investments of 37% of total angel investments. Late/expansion stage financing for Q1,2 2020 was 28%, up from 20% in full year 2019. It is possible that this shift from the seed and start-up stage is, in part, due to the need to invest in portfolio companies in the post seed/start-up stage to help those portfolio companies survive the impact of the coronavirus.

Job Growth

Angel investments in Q1,2 2020 contributed to job growth with 2.5 jobs per angel investment, a decline from the 3.3 jobs per angel investment in Q1,2 2019. However, given the rise in general unemployment in the first half of 2020, these job creations numbers are noteworthy.

Women and Minority Entrepreneurs and Investors

In Q1,2 2020 women angels represented 28.0% of the angel market, slightly higher than in Q1,2 2019 (24.2%) and Q1,2 2018 (24.9%). 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 37% of the entrepreneurs that are seeking angel capital and 35% of these women entrepreneurs received angel investment (the women yield rate) in Q1,2 2020. These both represent a significant increase from the 28% of the entrepreneurs and the 21% yield in Q1,2 2019. Minority angels accounted for 7.1% of the angel population and minority-owned firms represented 14.3% of the entrepreneurs that presented their business concept to angels. The yield rate for these minority-owned firms was 21.2%, similar to the Q1,2 2019 minority yield rate of 21.6%.

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%. 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

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