



Center for Venture Research

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**THE ANGEL INVESTOR MARKET IN Q1Q2 2022:
A SURGE IN SEED FINANCING**

Market

The Q1,2 2022 angel investor market metrics indicate a rebound for financing in the seed stage and a resulting decline in valuations. The increase in seed financing, combined with stability in the start-up stage from previous years, was offset by a marked decline in angels' appetite for expansion financing.

Sector Analysis

Healthcare and Software continue to dominate the largest share of investments, with 21% and 17%, respectively, of total angel investments in Q1,2 2022, but investing in the retail sector was significant third place at 16% of angel investments. Investments in Fin Tech (13%), Hardware (8%) and Bio Tech (7%) round out the top six sectors. These three sectors (Fin Tech, Hardware and Bio Tech) all increased from Q1,2 2021 as did investing in the Retail sector.

Sector	Healthcare	Software	Retail	Fin Services	Hardware	Bio Tech
Deals	21%	17%	16%	13%	8%	7%

Yield Rates

The yield (acceptance) rate in Q1,2 2022 was 24.6%, comparable to the yield rates for Q1,2 2021 (22.9%) and full year 2021 (24.1%). This yield rate indicates that entrepreneurs have a 1 in 4 chance of receiving angel capital. This yield rate is an indication of a healthy angel market and the Q1,2 2022 yield rate compares favorably to pre-COVID yield rates of 21.6% in Q1,2 2019 and is a positive change from the unsustainable yield rate of 33.6% experienced on Q1,2 2020.

Valuation

The average angel deal valuation in Q1,2 2022 was \$2.92 million, a decline from Q1,2 2021 valuations of \$4.02 million. This decrease in valuations is both a reflection of the increase in seed stage investing for Q1,2 2022 and a welcome change from the gradual increase in deal valuations since 2019.

Stage

Angel investments in the seed stage demonstrated a substantial increase from Q1,2 2021 and full year 2021. In Q1,2 2022 32% of angel investments were in the seed stage, an increase of 12% from seed allocations in Q1,2 2021 and up 14% from full year 2021. Start-up stage financing for Q1,2 2022 was 18%, relatively unchanged from 12% in Q1,2 2021 and 19% in 2021. This same pattern held for early stage financing, with Q1,2 2022 early stage at 36%, relatively unchanged from 40% in Q1,2 2021 and 34% in 2021. It is encouraging to see this shift into the seed stage since angels are the primary source of risk capital at the seed stage.

Job Growth

Angel investments in Q1,2 2022 contributed to job growth with 3.7 jobs per angel investment, comparable to Q1,2 2021 of 4.1 jobs per angel investment and full year 2021's job creation of 4.4 jobs per angel deal.

Women and Minority Entrepreneurs and Investors

In Q1,2 2022 women angels represented 31.2% of the angel market, slightly higher than in Q1,2 2021 (30.3%) and Q1,2 2020 (28.0%). This modest upward trend is an encouraging sign that women angels are an increasing active segment in the angel market, especially given the predictions that women will soon control the majority of the net worth in the US. Women-owned ventures accounted for 37.5% of the entrepreneurs that are seeking angel capital and 24.1% of these women entrepreneurs received angel investment (the women yield rate) in Q1,2 2022. While the percentage of women seeking capital represents a decline from Q1,2 2021, the percentage seeking capital is a marked increase from 2021, when 28.6% of the entrepreneurs that sought angel capital were women.

Minority angels accounted for 12.1% of the angel population and minority-owned firms represented 11.7% of the entrepreneurs that presented their business concept to angels.

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.

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