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EDITORS AND REPORTERS: Jeffrey Sohl, director of the UNH Center for Venture Research and professor of entrepreneurship and decision sciences, is available to discuss the results of the 2006 Angel Market Analysis and the angel market overall. He can be reached at 603-862-3341 or jesohl@christa.unh.edu. The full 2006 Angel Investor Market Analysis is available for download at http://unhinfo.unh.edu/news/docs/2006angelmarketanalysis.pdf.

ANGEL MARKET GROWS 10 PERCENT IN 2006
Healthcare Sector Most Popular With Investors

DURHAM, N.H. -- The angel investor market experienced steady growth in 2006, with total investments of $25.6 billion, an increase of 10.8 percent over 2005, according to the 2006 Angel Market Analysis released today by the Center for Venture Research at the University of New Hampshire.

A total of 51,000 entrepreneurial ventures received angel funding in 2006, a 3 percent increase from 2005. The number of active investors in 2006 was 234,000 individuals. The sharp increase in total investment dollars was matched by a more modest increase in total deals, resulting in an increase in the average deal size of 7.5 percent, compared to 2005. This continued rise in total investments points to a healthy angel market.

"If the angel market is to achieve sustainable growth, there needs to be a reasonable augmentation in active investors, and thus, level of participation is an important consideration. While the number of angel organizations, and individuals that are members of organized angel groups, is increasing, there is a larger percentage of latent angels (individuals who have the necessary net worth, but have not made an investment)," said Jeffrey Sohl, director of the UNH Center for Venture Research at the Whittemore School of Business and Economics.

As in 2005, healthcare services, and medical devices and equipment accounted for the largest share of angel investments, with 21 percent of total angel investments in 2006, followed by software (18 percent) and biotech (18 percent). The remaining investments were approximately equally weighted across high-tech sectors.

"Since the angel market is essentially the spawning ground for the next wave of high growth investments, this sector diversification provides an indication of investment opportunities that will be available for later stage institutional investors," Sohl said.

Angel investments continue to be a significant contributor to job growth with the creation of 201,400 new jobs in the United States in 2006, or four jobs per angel investment. However, this tracks jobs created at the time of the angel investment and thus it is likely that this job creation of 201,400 is the minimum number of jobs created by angels in 2006.

“Since the angel investment is used by the venture to fuel growth, launch new products and explore new markets, it is highly likely that the number of jobs created by the angel investment will increase as the firm grows,” Sohl said.

Angels continue to be the largest source of seed and start-up capital, with 46 percent of 2006 angel investments in the seed and start-up stage. This preference for seed and start-up investing is followed closely by post-seed/start-up investments of 40 percent. According to the analysis, this appetite for post-seed/start-up investing continues a trend that began in 2003 and represents a 10 percent increase in historical levels. Given the four-year trend, angel seed and start-up stage investments in the 45 percent to 55 percent range appears to be the reasonable range for the foreseeable future, according to the analysis.

“While angels continue to represent the largest source of seed and start-up capital, market conditions and the capital gap in the post seed investing stage are requiring angels to engage in more later-stage investments. New, first sequence, investments represent 63 percent of 2006 angel activity, indicating that some of this post seed investing is in new deals. This restructuring of the angel market has in turn resulted in fewer dollars available for seed investments, thus exacerbating the capital gap for seed and start-up capital in the United States,” Sohl said.

In 2006 women angels represented 13.8 percent of the angel market. Women-owned ventures accounted for 12.9 percent of entrepreneurs seeking angel capital, and 21.5 percent of these women entrepreneurs received angel investment in 2006. Minority angels accounted for 3.4 percent of the angel population, and minority-owned firms represented 6.9 percent of entrepreneurs who presented their business concept to angels. Compounding this low participation rate, the yield rate for minority-owned firms was 7.1 percent, which is close to two-thirds below the general 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 and the critical role of angels in the early stage equity financing of high growth entrepreneurial ventures. Through the tenet of academic research in an applied area of study, the CVR is dedicated to providing reliable and timely information on the angel market to entrepreneurs, private investors and public policymakers.