



Center for Venture Research

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THE ANGEL INVESTOR MARKET IN Q1Q2 2013: A SUSTAINABLE GROWTH CONTINUES

Market Size

The angel investor market in Q1,2 2013 showed signs that a sustainable growth has taken hold since the market correction in the second half of 2008 and the first half of 2009. Total investments in Q1,2 2013 were \$9.7 billion, an increase of 5.2% over Q1,2 2012, according to the **Center for Venture Research** at the University of New Hampshire. A total of 28,590 entrepreneurial ventures received angel funding in Q1,2 2013, a 4.8% increase from Q1,2 2012, and the number of active investors in Q1,2 2013 was 134,895 individuals, an increase of 2.9% from Q1,2 2012. The increase in total dollars and the matching increase in total investments resulted in a deal size of \$337,850 in Q1,2 2013, essentially unchanged from the deal size in Q1,2 2012 of \$336,390. These data indicate that angels remain major players in this investment class and at valuations similar to Q1,2 2012. While the market exhibited a pattern similar to Q1,2 2012, when compared to the market correction that occurred in 2008, these data indicate that the angel market has demonstrated a steady recovery since 2008.

Stage

Angels continue their presence in seed and start-up stage investing, with 38% of Q1,2 2013 angel investments in the seed and start-up stage, comparable to the seed and start-up stage investing in Q1,2 2012 (40%) and in the full year 2012 (35%). There was, however, a shift in early stage (post seed and start-up) financing to 51% of investments in Q1,2 2013 from 38% in Q1,2 2012, indicating that angels are positioning their investments for growth in the coming year. Historically angels have been the major source of seed and start-up capital for entrepreneurs and while this stabilization in seed and start-up investing is an encouraging sign it has remained consistently below the pre-2008 peak of 55%, signifying 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 49% of Q1,2 2013 angel activity, unchanged from Q1,2 2012.

Job Growth

Angel investments continue to contribute to job growth with the creation of 111,500 new jobs in the United States in Q1,2 2013, or 3.9 jobs per angel investment, down slightly from 4.1 in the full year 2012.

Sector Analysis

Software accounted for the largest share of investments, with 24% of total angel investments in Q1,2 2013, followed by Healthcare Services/Medical Devices and Equipment (21%), Industrial/Energy (10%), Retail (8%), Biotech (8%) and IT Services (6%). Industrial/Energy investing has been a consistent performer since 2009, which reflects an interest in clean tech investing. Retail and Biotech have solidified their presence in the top six sectors.

Sector	Software	Healthcare	Industrial/Energy	Retail	Biotech	IT Services
Deals	24%	21%	10%	8%	8%	6%

Yield Rates

The yield (acceptance) rate is defined as the percentage of investment opportunities that are brought to the attention of investors that result in an investment. In Q1,2 2013 the yield rate was 21.5%, an increase from Q1,2 2012 (17.8%) and comparable to 2012 (21.3%). This yield rate reflects a reasonable approach to investing, but if it continues to increase it may indicate an unsustainable investment rate. It also reflects the difficulty for entrepreneurs to secure angel funding.

Women and Minority Entrepreneurs and Investors

In Q1,2 2013 women angels represented 18.2% of the angel market, a slight decrease from Q1,2 2012 (21.8%). Women-owned ventures accounted for 15.9% of the entrepreneurs that are seeking angel capital and 23.6% of these women entrepreneurs received angel investment in Q1,2 2013. Thus, while the number of women seeking angel capital is low, the percentage that received angel investments is higher than the overall market yield rate and this may indicate that some of the programs designed to help women get “investor ready” may be having an effect.

Minority angels accounted for 4.5% of the angel population and minority-owned firms represented 8.5% of the entrepreneurs that presented their business concept to angels. The yield rate for these minority-owned firms was 14.7%, which lags behind the market yield rate. This lag, coupled with the small percentage of minority-owned firms seeking angel capital, is of concern.

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 28%. 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/research/center-venture-research> or contact the CVR at 603-862-3341.

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