



## Center for Venture Research

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### THE ANGEL INVESTOR MARKET IN Q1Q2 2009: A HALT IN THE MARKET CONTRACTION

#### Market Size

The angel investor market in Q1,2 2009 experienced a considerable decline in investment dollars from last year but exhibited a slight increase in the number of investments. Total investments in Q1,2 2009 were \$9.1 billion, a decrease of 27% over Q1,2 2008, according to the **Center for Venture Research** at the University of New Hampshire. However, a total of 24,500 entrepreneurial ventures received angel funding in Q1,2 2009, a 6% increase from Q1,2 2008, and the number of active investors in Q1,2 2009 was 140,200 individuals, virtually unchanged from Q1,2 2008. The significant decline in total dollars, coupled with the small increase in investments resulted in a smaller deal size for Q1,2 2009 (a decline in deal size of 31% from Q1,2 2008). These data indicate that while angels have not significantly decreased their investment activity, they are committing less dollars resulting from lower valuations and a cautious approach to investing. While the market exhibited a decline from Q1,2 2008, when compared to the market correction that occurred in the second half of 2008 these data indicate that the angel market appears to have reached its nadir in Q1,2 2009.

#### Sector Analysis

Healthcare Services/Medical Devices and Equipment accounted for the largest share of investments, with 28% of total angel investments in Q1,2 2009, followed by Software (14%), Electronics/Hardware (14%), Industrial/Energy (13%), which reflects a continued appetite for green technologies, and Retail (8%) rounds out the top five investment sectors. Retail has solidified its presence in the top five sectors, mainly due to a continued interest in social networking ventures.

Sector	Healthcare	Software	Electronics/ Hardware	Industrial/ Energy	Retail	Telecom
Deals	28%	14%	14%	13%	8%	5%

#### Job Growth

Angel investments continue to be a significant contributor to job growth. At the time of the angel investment the average size of the company was 8 employees.

## **Stage**

Angels have decreased their appetite for seed and start-up stage investing, with 27% of Q1,2 2009 angel investments in the seed and start-up stage, a decrease of 19% over Q1,2 2008, which is the smallest percentage in seed and start-up investing for several years. This decline was reflected in an increase in post-seed/start-up investing with 58% of investments in this stage, an increase from Q1,2 2008. This change in investment behavior is likely an indication of both a need to increase investments in existing portfolio companies and a change in angel's risk tolerance. Expansion stage investing (14%) remained unchanged. New, first sequence, investments represent 58% of Q1,2 2009 angel activity, a slight decline from the last 12 months.

## **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 2009 the yield rate was 9%, continuing a decline in yield rates that began in 2005 (23% yield rate). This yield rate indicates a cautious approach to investing, reduces the concern of an unsustainable investment rate, but also reflects an increased difficulty for entrepreneurs to secure angel funding.

## **Women and Minority Entrepreneurs and Investors**

In Q1,2 2009 women angels represented 15% of the angel market. Women-owned ventures accounted for 22% of the entrepreneurs that are seeking angel capital and 6% of these women entrepreneurs received angel investment in Q1,2 2009. Thus, while the number of women seeking angel capital is low, the percentage that receives angel investments is in line with the overall market yield rate.

Minority angels accounted for 3% of the angel population and minority-owned firms represented 8% of the entrepreneurs that presented their business concept to angels. The yield rate for these minority-owned firms was 9%, which for the second straight year is in line with market yield rates. However, the small percentage of minority-owned firms seeking angel capital is of concern, as is the sustainability of the 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 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 42%. 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 [www.unh.edu/cvr](http://www.unh.edu/cvr) or contact the CVR at 603-862-3341.

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