



Center for Venture Research

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THE ANGEL INVESTOR MARKET IN 2014: A MARKET CORRECTION IN DEAL SIZE

Market Size

The angel investor market in 2014 had a slight correction in investment dollars and in the deal size. Total investments in 2014 were \$24.1 billion, a decrease of 2.8% over 2013, according to the **Center for Venture Research** at the University of New Hampshire. A total of 73,400 entrepreneurial ventures received angel funding in 2014, an increase of 3.8% over 2013 investments. The number of active investors in 2014 was 316,600 individuals, an increase of 5.9% from 2013. The change in both total dollars and the number of investments resulted in a deal size for 2014 that was smaller than in 2013 (a decrease in deal size of 6.4% from 2013). These data indicate that angels were active investors in 2014 but at decreased valuations than in previous years, indicating a slight market correction in valuations. However, the \$24.1 billion is a robust amount and is close to the market high of \$26.0 billion that occurred in 2007.

Sector Analysis

Software remained in the top sector position with 27% of total angel investments in 2014, followed by Healthcare Services/Medical Devices and Equipment (16%), IT Services (10%), Retail (9%), Financial Services/Business Products and Services (8%) and Industrial/Energy (5%). Clean technology investments, which includes several sectors, represented 6% of angel investments in 2014.

| Sector | Software | Healthcare | IT Services | Retail | Financial Services | Ind/Energy |
|--------|----------|------------|-------------|--------|--------------------|------------|
| Deals | 27% | 16% | 10% | 9% | 8% | 5% |

Job Growth

Angel investments were a significant contributor to job growth with the creation of 264,200 new jobs in the United States in 2014, or 3.6 jobs per angel investment.

Valuation

The average angel deal size in 2014 was \$328,500, a decrease of 6.4% from 2013, and the average equity received was 12.3% with a deal valuation of \$2.67 million, down by 4.6% from 2013.

Stage

Angels decreased their investments in the seed and start-up stage, with 25% of 2014 angel investments in the seed and start-up stage, down from 45% in 2013 and 35% in 2012. Contributing factors to this decrease was the shift to expansion stage financing with 28% of angel investments in the expansion stage in 2014, up from 12% in 2013, and the increase in early stage financing. Angels remained a strong factor in early stage investing with 46% of investments in the early stage, up from 41% in 2013. Investment activity was evenly divided between new, first sequence, investments and follow-on investments, unchanged from 2013. This decrease in seed/start-up stage financing is a discouraging sign since seed and start-up capital is the stage of need for our nation's entrepreneurs.

Yield Rates

The yield rate is defined as the percentage of investment opportunities that are brought to the attention of investors that result in an investment. In 2014 the yield rate was 19.2%, a slight decrease from 2013 (21.6%). While a high yield rate is encouraging for entrepreneurs seeking angel capital there is a question of the sustainability of this rate and it is possible that the yield rate will retreat to the historical average of 15%.

Women and Minority Entrepreneurs and Investors

In 2014 women angels represented 26.1% of the angel market, a slight increase from 2013 (19.4%). Women-owned ventures accounted for 36% of the entrepreneurs that were seeking angel capital and 15% of these women entrepreneurs received angel investment in 2014. It is interesting to note that less women entrepreneurs were seeking angel capital in 2013 (23%) but more of those women received angel capital in 2013 (19%). It is possible that the decrease in the yield rate for women entrepreneurs from 2013 to 2014 was the result of more women entrepreneurs seeking angel capital in 2014.

Minority angels accounted for 8% of the angel population and minority-owned firms represented 24% of the entrepreneurs that presented their business concept to angels, figures higher than in 2013. The yield rate for these minority-owned firms was 16%, which is below the market yield rate in 2014. Thus, the goal would be to increase the quality of these entrepreneurial ventures.

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 19%. 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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