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## Angel Investments Down In 2008, But Not Deals

UNH Center For Venture Research Releases 2008 Angel Market Analysis

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DURHAM, N.H. - Angel investments dropped in 2008 by 26.2 percent over 2007, but the number of deals was relatively unchanged, with 55,480 entrepreneurial ventures receiving funding, according to the 2008 Angel Market Analysis released by the Center for Venture Research at the University of New Hampshire.

The angel investor market had a considerable contraction in investment dollars from last year but exhibited little change in the number of investments, according to Jeffrey Sohl, director of the UNH Center for Venture Research at the Whittemore School of Business and Economics.

Total investments in 2008 were \$19.2 billion, a decrease of 26.2 percent over 2007 when investments totaled \$26 billion. However, 55,480 entrepreneurial ventures received angel funding in 2008, a modest 2.9 percent decrease from 2007 when 57,120 entrepreneurial ventures received angel funding. The number of active investors in 2008 was 260,500 individuals, virtually unchanged from 2007's 258,200 individuals.

"The significant decline in total dollars, coupled with the small decrease in investments resulted in a smaller deal size for 2008, a decline in deal size of 24 percent from 2007. In contrast to venture capital, in which money must be invested during the life of the fund and is in part based on the size of the fund, angel investing is an individual decision and angels invest from their net worth. 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," Sohl said.

Healthcare services/medical devices and equipment accounted for the largest share of investments, with 16 percent of total angel investments in 2008, followed by software (13 percent), retail (12 percent) and biotech (11 percent). Industrial/energy accounted for 8 percent of investments, reflecting a continued appetite for green technologies, and media (7 percent) rounds out the top six investment sectors.

"Retail and media have solidified their presence in the top six sectors, mainly due to a continued interest in social networking ventures," Sohl said.

Mergers and acquisitions represented 70 percent of the angel exits, and IPOs 4 percent, in 2008. Bankruptcies accounted for 26 percent of the exits. Annual returns for angel's exits (mergers and acquisitions and IPOs) were 22 percent, however, these returns were quite variable.

Angels have maintained their position as the largest source of seed and start-up capital, with 45 percent of 2008 angel investments in the seed and start-up stage, a slight increase of 6

percent over 2007. Angels also exhibited an interest in post-seed/start-up investing with 40 percent of investments in this stage, also an increase from 2007. Expansion stage investing (14 percent) showed the largest decline. New, first sequence, investments represent 63 percent of 2008 angel activity, unchanged from the last two years, indicating a continued preference for new, as opposed to follow-on, investments.

The Center for Venture Research has been conducting research on the angel market since 1980. The center'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 center is dedicated to providing reliable and timely information on the angel market to entrepreneurs, private investors and public policymakers. For more information visit [www.unh.edu/cvr](http://www.unh.edu/cvr) or contact the center at 603-862-3341.

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### PHOTO

Jeff Sohl, director of the UNH Center for Venture Research

<http://www.unh.edu/news/img/JeffreySohl.tif>

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