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THE ANGEL INVESTOR MARKET IN 2013: A RETURN TO SEED INVESTING

Market Size

The angel investor market in 2013 continued the upward trend started in 2010 in investment dollars and in the number of investments. Total investments in 2013 were \$24.8 billion, an increase of 8.3% over 2012, according to the **Center for Venture Research** at the University of New Hampshire. A total of 70,730 entrepreneurial ventures received angel funding in 2013, an increase of 5.5% over 2012 investments. The number of active investors in 2013 was 298,800 individuals, an increase of 11.4% from 2012. The increase in both total dollars and the number of investments resulted in a deal size for 2013 that was slightly higher than in 2012 (an increase in deal size of 2.6% from 2012). These data indicate that angels were active investors in 2013 but those that did invest decreased their individual investments from \$85,435 in 2012 to \$83,050 in 2013, a decrease of 2.8%. The \$24.8 billion in total investments is close to the market high of \$26.0 billion that occurred in 2007.

Sector Analysis

Software remained in the top sector position with 23% of total angel investments in 2013, followed by Media (16%), Healthcare Services/Medical Devices and Equipment (14%), Biotech (11%), Retail (7%) and Financial Services/Business Products and Services (7%). The jump in Media investments from 6th place in 2012 to 2nd in 2013 is a reflection of the growing investor interest in social media and applications.

Sector	Software	Media	Healthcare	Biotech	Retail	Financial Services
Deals	23%	16%	14%	11%	7%	7%

Job Growth

Angel investments were a significant contributor to job growth with the creation of 290,020 new jobs in the United States in 2013, or 4.1 jobs per angel investment.

Valuation

The average angel deal size in 2013 was \$350,830, an increase of 2.6% from 2012, and the average equity received was 12.5% with a deal valuation of \$2.8 million.

Stage

Angels increased their investments in the seed and start-up stage, with 45% of 2013 angel investments in the seed and start-up stage, up from 35% in 2012. The biggest factor in this increase was in the seed stage with 21% of angel investments in 2013, up from 9% in 2012. Angels also exhibited an increased interest in early stage investing with 41% of investments in the early stage, up from 33% in 2012. Expansion financing exhibited a significant decrease to 12% of deals in 2013, down from 29% in 2012. Investment activity was evenly divided between new, first sequence investments and follow-on investments, unchanged from 2012. This increase in seed/start-up stage is an encouraging sign since seed 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 2013 the yield rate was 21.6%, virtually identical to 2012 (21.3%). While a high yield rate is an encouraging development 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 2013 women angels represented 19.4% of the angel market, similar to 2012 (21.8%). Women-owned ventures accounted for 23% of the entrepreneurs that were seeking angel capital and 19% of these women entrepreneurs received angel investment in 2013. It is interesting to note that less women entrepreneurs were seeking angel capital in 2012 (16%) but more of those women received angel capital in 2012 (25%). This high yield rate for women entrepreneurs in 2012 may have attracted more women entrepreneurs to the market and account for the increase in the percentage of women seeking angel capital in 2013.

Minority angels accounted for 4% of the angel population and minority-owned firms represented 7% of the entrepreneurs that presented their business concept to angels, figures comparable to 2012. The yield rate for these minority-owned firms was 13%, which is below the market yield rate in 2013. Thus, the goal would be to both increase the percentage of minority entrepreneurs seeking angel capital and increase the quality.

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 29%. 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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