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THE ANGEL MARKET IN 2017 ANGELS REMAIN BULLISH FOR SEED AND START-UP INVESTING

Market Size

The angel investor market in 2017 experienced an increase in investment dollars with total investments in 2017 of \$23.9 billion, an increase of 12.6% over 2016, according to the **Center for Venture Research** at the University of New Hampshire. A total of 61,560 entrepreneurial ventures received angel funding in 2017, a decline of 4.4% over 2016 investments. The number of active investors in 2017 experienced a modest decrease from the 297,880 individuals in 2016 to 288,380 in 2017, a decrease of 3.2%. The change in both total dollars and the number of investments resulted in a deal size for 2017 that was larger than in 2016, reflecting higher valuations. These data indicate a cautious optimism in terms of dollars invested and an increased appetite for seed and start-up investing, but with a higher perceived value as demonstrated by the increase in both deal size and valuations.

Sector Analysis

Software maintained its dominant sector position with 30% of total angel investments in 2017, followed by Healthcare Services/Medical Devices and Equipment (19%), Retail (10%), Biotech (10%), Industrial/Energy (7%) and Financial Services/Business Products and Services (5%). Industrial/Energy investing is predominately in clean tech.

Sector	Software	Healthcare	Retail	Biotech	Ind/Energy	Fin/Bus
Deals	30%	19%	10%	10%	7%	5%

Stage

Angel investments in the seed and start-up stage were identical to 2016, with 41% of 2017 angel investments in the seed and start-up stage. Angels increased their presence in early stage investing with 41% of investments in the early stage, a noticeable increase from the 2016 early stage investments of 31%. Coupled with new investments (51%) these data provide further evidence for a seed/start-up stage recovery that began in 2015 and highlight the important role of angels in financing the next wave of high growth ventures.

Job Growth

Angel investments were a significant contributor to job growth with the creation of 209,300 new jobs in the United States in 2017, or 3.4 jobs per angel investment.

Valuation

The average angel deal size in 2017 was \$388,860, an increase of 17.8% from 2016, and the average equity received was 12.2% with a deal valuation of \$3.2 million, up by 18.5%. These data indicate that angels are investing more dollars in fewer deals as the deal price, and subsequent valuations, increased.

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 2017 the yield rate was 26.7%, an increase from the 2016 yield rate of 19.7%. This yield rate indicates that entrepreneurs seeking angel capital have a 1 in 4 chance of securing an angel investment. While a higher yield rate would be encouraging for entrepreneurs there is a question of the sustainability of a high rate since the historical average yield rate is 15%. The last time the yield rate was over 25% was in 2000.

Exits

Approximately 2/3 of angel exits in 2017 was by merger or sale, with about half at a profit.

Women and Minority Entrepreneurs and Investors

In 2017 women angels represented 19.5% of the angel market, a decrease from 2016 (26.2%). Women-owned ventures accounted for 26.9% of the entrepreneurs that were seeking angel capital and 23.4% of these women entrepreneurs received an angel investment in 2017. It should be noted that the increase in yield rate for women entrepreneurs mirrored the national yield rate trend. Combining this with the decrease in percentage of women angel investors indicates the need for more women investors in the angel ecosystem.

Minority angels accounted for 5.6% of the angel population and minority-owned firms represented 11.2% of the entrepreneurs that presented their business concept to angels. The yield rate for these minority-owned firms was 27.2%, which is a significant increase from the minority yield rate of 12.3% in 2016 but similar to 2015's yield rate of 22.0%. Thus, the goal would be to maintain the quality of the entrepreneurial ventures and also increase the number of minority angels to stabilize this 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 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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