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THE ANGEL INVESTOR MARKET IN Q1Q2 2012: A MARKET IN STEADY RECOVERY

Market Size

The angel investor market in Q1,2 2012 showed signs of a continued steady recovery since the market correction in the second half of 2008 and the first half of 2009. Total investments in Q1,2 2012 were \$9.2 billion, an increase of 3.1% over Q1,2 2011, according to the **Center for Venture Research** at the University of New Hampshire. A total of 27,280 entrepreneurial ventures received angel funding in Q1,2 2012, a 3.7% increase from Q1,2 2011, and the number of active investors in Q1,2 2012 was 131,145 individuals, an increase of 5% from Q1,2 2011. The increase in total dollars and the matching increase in total investments resulted in a deal size of \$336,390 in Q1,2 2012, comparable to the deal size in Q1,2 2011 of \$338,400. These data indicate that angels remain major players in this investment class and at valuations similar to Q1,2 2011. While the market exhibited a stabilization from Q1,2 2011, when compared to the market correction that occurred in 2008, these data indicate that the angel market has demonstrated a steady recovery since 2008.

Stage

Angels continue their appetite for seed and start-up stage investing, with 40% of Q1,2 2012 angel investments in the seed and start-up stage, virtually unchanged from the seed and start-up stage in Q1,2 2011 (39%) and in the full year 2011 (42%). There was, however, a shift to expansion stage financing to 22% of investments in Q1,2 2012 from 13% in Q1,2 2011, indicating that angels are positioning their investments for exits in the coming year. Historically angels have been the major source of seed and start-up capital for entrepreneurs and while this stabilization in seed and start-up investing is an encouraging sign it remains below the pre-2008 peak of 55%, signifying that there remains a need for seed and start-up capital for both new venture formation and job creation. New, first sequence, investments represent 49% of Q1,2 2012 angel activity, unchanged from Q1,2 2011.

Job Growth

Angel investments continue to contribute to job growth with the creation of 106,400 new jobs in the United States in Q1,2 2012, or 3.9 jobs per angel investment, up from 2.5 in the full year 2011.

Sector Analysis

Healthcare Services/Medical Devices and Equipment accounted for the largest share of investments, with 24% of total angel investments in Q1,2 2012, followed by Software (14%), Biotech (12%), Retail (10%), IT Services (7%) and Media (6%). After a favored status in the top six sectors for Industrial/Energy since 2009, which reflected an interest in clean tech investing, interest in this sector has waned in Q1,2 2012. Retail and Media have solidified their presence in the top six sectors, mainly due to investing in social networking ventures.

Sector	Healthcare	Software	Biotech	Retail	IT Services	Media
Deals	24%	14%	12%	10%	7%	6%

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 2012 the yield rate was 17.8%, continuing a stabilization in yield rates that began in 2010 (18.4%) and continued in 2011 (18.3%) and Q1,2 2011 (15.3%). This yield rate indicates a cautious approach to investing, reduces the concern of an unsustainable investment rate, but also reflects the difficulty for entrepreneurs to secure angel funding.

Women and Minority Entrepreneurs and Investors

In Q1,2 2012 women angels represented 21.8% of the angel market, a large increase from Q1,2 2011 (11.7%), but a full year of reporting is needed to see if this increase is sustainable. Women-owned ventures accounted for 18.4% of the entrepreneurs that are seeking angel capital and 17.2% of these women entrepreneurs received angel investment in Q1,2 2012. Thus, while the number of women seeking angel capital is low, the percentage that received angel investments is comparable to the overall market yield rate.

Minority angels accounted for 4% of the angel population and minority-owned firms represented 7.1% of the entrepreneurs that presented their business concept to angels. The yield rate for these minority-owned firms was 13.5%, which for the fifth straight year is similar to, or higher than, market yield rates. However, the small percentage of minority-owned firms seeking angel capital is of concern.

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 28%. 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://wsbe.unh.edu/cvr> or contact the CVR at 603-862-3341.

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