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Market

The Q1,2 2021 angel investor market metrics indicate some lingering coronavirus related adjustments, but overall the angel market exhibited continued resiliency during these early vaccination stages of the pandemic. An interesting development was the increase in women seeking angel capital and the decrease in the yield rate.

Sector Analysis

Software and Healthcare continue to dominate the largest share of investments, with 26% and 25%, respectively, of total angel investments in Q1,2 2021. Investments in Industrial Energy/Clean Tech (13%), Retail (10%) and Fin Tech (7%) all increased from Q1,2 2020. Hardware rounds out the top six sectors (4%) while Biotech (3%) experienced a significant decline from Q1,2 2020. The top two sectors (Software and Healthcare), which combined for 51% of the angel investments, remained the dominate sectors over the last few years.

Sector	Software	Healthcare	Ind/Energy	Retail	Fin Services	Hardware
Deals	26%	25%	13%	10%	7%	4%

Yield Rates

The yield (acceptance) rate in Q1,2 2021 was 22.9%, significantly lower than the yield rates for Q1,2 2020 (33.6%) and full year 2020 (30.8%). This yield rate indicates that entrepreneurs have a 1 in 5 chance of receiving angel capital. This lower yield rate could be an indication of lower quality deals being pitched, potentially a fallout from the increased entrepreneurial activity during the pandemic. The Q1,2 2021 yield rate compares favorably to pre-COVID yield rates of 21.6% in Q1,2 2019.

Valuation

The average angel deal valuation in Q1,2 2021 was \$4.02 million, a decrease of 2.4% from the Q1,2 2020 average deal valuation of \$4.12 million. This stabilizing of the valuations is a welcome change to the gradual increase in deal valuations since 2019. However, it appears that some overvaluations still exist in some sectors or regions.

Stage

Angel investment allocations in the seed and start-up stage demonstrated a substantial increase from Q1,2 2020 and Q1,2 2019. In Q1,2 2021 32% of angel investments were in the seed and start-up stage, an increase of 5% from both Q1,2 2020 and Q1,2 2019 seed and start-up stage investments of 27% of total angel investments. Early stage financing for Q1,2 2021 was 40%, down slightly from 44% in Q1,2 2020 and 45% in Q1,2 2019. It is encouraging to see this shift into the seed and start-up stage since angels are the primary source of risk capital at the seed and start-up stage.

Job Growth

Angel investments in Q1,2 2021 contributed to job growth with 4.1 jobs per angel investment, a slight increase from the 3.9 jobs per angel investment in 2020. Given the economic reality of the general job market in Q1,2 2021, these job creation numbers are noteworthy.

Women and Minority Entrepreneurs and Investors

In Q1,2 2021 women angels represented 30.3% of the angel market, slightly higher than in Q1,2 2020 (28.0%) and Q1,2 2019 (24.2%). This modest upward trend is an encouraging sign that women angels are an increasing active segment in the angel market, especially given the predictions that women will soon control the majority of the net worth in the US. Women-owned ventures accounted for 46.1% of the entrepreneurs that are seeking angel capital and 20.7% of these women entrepreneurs received angel investment (the women yield rate) in Q1,2 2021. This percentage of women seeking capital is a significant increase from previous years and could be the result of the increased entrepreneurial activity during the pandemic. Minority angels accounted for 5.7% of the angel population and minority-owned firms represented 12.0% of the entrepreneurs that presented their business concept to angels.

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 20%. 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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