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Angel Investor Market Sustains Modest Recovery In 2004, According To UNH Center For Venture Research

Analysis Includes First Assessment Of Minority Angel Investing At National Level

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Editors: Jeffrey Sohl, director of the Center for Venture Research and professor of entrepreneurship and decision sciences, is available for interviews and can be reached at (603) 862-3341 or jesohl@christa.unh.edu. The full analysis of the 2004 national angel market is available for download at <http://www.unh.edu/news/docs/cvr2004.pdf>.

DURHAM, N.H. – The national angel investor market showed signs of a sustainable recovery in 2004, according to a new report about the 2004 national angel investor market that includes the first national assessment of minority angel investors. The report was released today by the Center for Venture Research at the University of New Hampshire Whittemore School of Business and Economics.

“A total of 48,000 entrepreneurial ventures received angel funding in 2004, a 24 percent increase from 2003. The number of active investors in 2004 was 225,000 individuals, an increase of 2.5 percent from 2003, with an average of 4 to 5 investors joining forces to fund an entrepreneurial start-up. This continued modest rise in total investments is encouraging,” according to Jeffrey Sohl, director of the Center for Venture Research.

A sector-by-sector analysis shows software garnered the largest angel investments, with 22 percent of total angel investments in 2004, followed by healthcare services/medical devices and equipment, with a 16 percent share of angel investments. The remaining investments were approximately equally weighted across high tech sectors, with each having about 10 percent of the total deals.

“This market level sector diversification indicates a robust investment pattern and provides a foundation for reasonable growth in the market. Since the angel market is essentially the spawning grounds for the next wave of high growth investments, this sector diversification provides an indication of investment opportunities that will be available for later stage institutional investors,” Sohl said.

In terms of job growth, angel investments resulted in 141,200 new jobs in the United States in

2004, or three jobs per angel investment. “However, this tracks jobs created at the time of the angel investment, which is often at the seed and start-up stage of the venture. It is likely that this job creation of 141,200 is the minimum number of jobs created by angels in 2004. As the angel investment is used by the venture to fuel growth, launch new products and explore new markets, it is highly likely that the number of jobs created by the angel investment will increase as the firm grows,” Sohl said.

The 2004 analysis is the first to look at minority angel investing at a national level. The research reveals minority angels account for 3.6 percent of the angel population, and only one in 10 of these angels made an investment in 2004. Minority-owned firms represent 5.4 percent of the entrepreneurs that presented their business concept to angels. However, the yield rate -- percentage of investment opportunities that result in an investment -- for these minority-owned firms was 20 percent, which is in line with the general yield rate.

“These data indicate that to succeed in securing angel capital, more minority-owned firms need to attract the attention of angel investors, since given the chance, a reasonable proportion of minority-owned ventures were considered to be of sufficient quality to make an investment, based on comparable yield rates,” Sohl said.

The Center for Venture Research (CVR) at the University of New Hampshire Whittemore School of Business and Economics has been conducting research on the angel market since 1980. The CVR’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 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 also provides reports on state level angel activity. For more information visit www.unh.edu/cvr or contact the CVR at 603-862-3341.