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UNH Center for Venture Research: U.S. Angel Investor Market on Solid Path of Recovery in 2011 Optimism Takes Hold As Active Investors Jump 20 Percent and Seed/Start-Up Investments Climb

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Optimism Takes Hold As Active Investors Jump 20 Percent And Seed/Start-Up Investments Climb

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DURHAM, N.H. – Following a considerable contraction in investment dollars in 2008 and 2009, the U.S. angel investor market continued to recover in 2011, a trend that began in 2010 in investment dollars and in the number of investments, according to the 2011 Angel Market Analysis released by the Center for Venture Research at the University of New Hampshire.

Total investments in 2011 were $22.5 billion, an increase of 12.1 percent over 2010 when investments totaled $20.1 billion. A total of 66,230 entrepreneurial ventures received angel funding in 2011, an increase of 7.3 percent over 2010 investments, and the number of active investors in 2011 reached 318,480 individuals, a substantial growth of 20 percent from 2010.

“The significant increase in total dollars, coupled with the rise in the number of investments resulted in a larger deal size for 2011 -- an increase in deal size of 4.7 percent from 2010,” according to Jeffrey Sohl, director of the UNH Center for Venture Research at the Whittemore School of Business and Economics. “These data indicate that angels have significantly increased their investment activity, and are committing more dollars resulting from higher valuations. It appears that optimism in angel investing is taking hold.”

Software regained the top sector position with 23 percent of total angel investments in 2011, followed by healthcare services/medical devices and equipment (19 percent), industrial/energy (13 percent), biotech (13 percent), IT services (7 percent), and media (5 percent). Industrial/energy investing has remained a significant sector for angels for the last few years, reflecting a continued appetite for clean tech.

Mergers and acquisitions represented 54 percent of the angel exits, and bankruptcies accounted for 24 percent of the exits in 2011. Slightly more than half of the angel exits were at a profit and annual returns for angel’s exits (mergers and acquisitions, notes, and IPOs) were between 18 percent and 28 percent; however, these returns were quite variable.

Angels increased their investments of seed and start-up capital, with 42 percent of 2011 angel investments in the seed and start-up stage, reversing a two-year decline in seed and start-up investing and a significant increase from 2010 (31 percent in seed/start-up). Angels also exhibited a decreased interest in post-seed/start-up investing with 55 percent of investments in the early and expansion stage, down from 67 percent in 2010. New, first sequence, investments represented 52 percent of 2011 angel activity, an increase of 11 percent from last year.

“This increase in seed/start-up stage and first sequence investing is promising and this renewed interest in seed and start-up financing is an encouraging development for our nation’s entrepreneurs,” Sohl said. Angel investments continue to be a significant contributor to job growth with the creation of 165,600 new jobs in the United States in 2011, or 2.5 jobs per angel investment.

The Center for Venture Research has been conducting research on the angel market since 1980. The center’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 center is dedicated to providing reliable and timely information on the angel market to entrepreneurs, private investors and public policymakers. For more information visit http://wsbe.unh.edu/cvr or contact the center at 603-862-3341. To view an archive of all of the center’s angel research, visit http://wsbe.unh.edu/cvr-analysis-reports.

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PHOTO
Jeffrey Sohl, director of the UNH Center for Venture Research
http://www.unh.edu/news/img/JeffreySohl.tif

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