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Erika Mantz
UNH Media Relations

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November 18, 2014

UNH Research Finds Growth in U.S. Angel Investor Market; Decrease in Deal Size



Jeffrey Sohl, director of the UNH Center for Venture Research

DURHAM, N.H. – The five-year moderate growth in the U.S. angel investor market continued in the first two quarters of 2014 with increases in the number of ventures receiving funding and the number of active investors, according to the Center for Venture Research at the University of New Hampshire.

A total of 30,270 entrepreneurial ventures received angel funding during the first half of 2014, a 5.9 percent increase from the same period in 2013, and the number of active investors in Q1 and Q2 2014 was 143,140 individuals, a 6.1 percent increase from 2013. The increase in total dollars and the larger increase in

total investments (deals) resulted in an average deal size of \$332,120 in the first half of 2014, a decline in the deal size in the same period in 2013 of \$337,850.

“Angels remain major players in this investment class and at valuations similar to the same period in 2013,” said Jeffrey Sohl, director of the UNH Center for Venture Research. “The market exhibited a sustained growth pattern over a five-year period and the angel market has now recovered from the correction in 2008.”

The new data also revealed that angels continued to have a presence in seed and start-up stage investing, with 36 percent of Q1 and Q2 2014 angel investments in the seed and start-up stage, comparable to 38 percent in the same period last year. There was a shift in early stage financing (post-seed and start-up) to 42 percent in the first half of 2014, a decrease from 51 percent from the previous period. New, first-sequence investments represented 40 percent of Q1 and Q2 2014 angel activity, down slightly from the same period last year.

“Historically angels have been the major source of seed and start-up capital for entrepreneurs, and while this stabilization is an encouraging sign, it has remained consistently below the pre-2008 peak of 55 percent, signifying that there continues to be a need for seed and start-up capital for both new venture formation and job creation,” Sohl said.

Software accounted for the largest share of investments, with 37 percent of total angel investments in Q1 and Q2 2014, followed by health care services/medical devices (10 percent), retail (10 percent), biotech (9 percent) IT services (7 percent) and industrial/energy (7 percent).

Angel investments continue to contribute to job growth with the creation of 96,860 new jobs in the United States in the first half of 2014, or 3.2 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 <https://paulcollege.unh.edu/research/center-venture-research> or call (603) 862-3341.

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Jeffrey Sohl, director of the UNH Center for Venture Research

<http://www.unh.edu/news/img/JeffreySohl.tif>

Jeffrey Sohl can be reached at (603) 862-3373 and jeff.sohl@unh.edu. The full analysis is available at: <https://paulcollege.unh.edu/sites/paulcollege.unh.edu/files/webform/Q1Q2%202014%20Analysis%20Report.pdf>

Media Contact: [Erika Mantz](mailto:Erika.Mantz@unh.edu) | 603-862-1567 | UNH Media Relations | [@unhnews](https://twitter.com/unhnews)

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