



## Center for Venture Research

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### THE ANGEL MARKET IN 2021: METRICS INDICATE STRONG MARKET

#### Market Size

The angel investor market in 2021 exhibited an increase in active investors, the number of investments, and the total dollars invested by angels, according to the **Center for Venture Research** at the University of New Hampshire. Total angel investments in 2021 were \$29.1 billion, an increase of 15.2% over 2020. A total of 69,060 entrepreneurial ventures received angel funding in 2021, an increase of 7.1% over 2020 investments. The number of active investors in 2021 also increased to 363,460 as compared to 334,680 in 2020, an increase of 8.6%. The deal size for 2021 increased by 7.6% from 2020, reflecting the higher valuations. For the second consecutive year the seed and start-up stage market were the predominant investment stage for angels.

#### Sector Analysis

Healthcare Services/Medical Devices and Equipment (29%) dominated angel investments in 2021. Software (14%) maintained its position as the second most popular sector but witnessed a significant decline in market share from 2020. Other active sectors included Industrial/Energy-Clean Tech (13.6%), FinTech (13%), Retail (7.4%) and IT Services (7.1%).

Sector	Healthcare	Software	Ind/Energy	Fin Tech	Retail	IT services
Deals	29%	14%	13.6%	13%	7.4%	7.1%

#### Stage

Angel investments (deals) in the seed and start-up stage were 37% in 2021 and for the second consecutive period the seed and start-up stage market was the predominant investment stage for angels. This solidifies the trend in increasing allocations to seed and start-up ventures that began in 2018. Early stage investing was 34% of the deals in 2021. With angels as the leading source of seed and start-up capital this dominance in seed/start-up investments is encouraging for entrepreneurs.

#### Job Growth

Angel investments continue to be a robust contributor to job growth with the creation of 4.4 jobs per angel investment, an increase in the job creation rate by angels in 2020 (3.9 jobs per deal).

## **Valuation**

The average angel deal size in 2021 was \$421,675 an increase of 7.6% from 2020. The average equity received was 9.5% with a deal valuation of \$4.4 million, an increase of 7.3% from 2020. Valuations have increased steadily since 2018, an indication of upward pressure on valuations and potential overvaluations in some sectors and/or regions of the angel market.

## **Yield Rates**

The yield rate is defined as the percentage of investment opportunities that are brought to the attention of investors that result in an investment. In 2021 the yield rate was 24.1%, a decline from the 2020 yield rate of 30.8%. This yield rate indicates that entrepreneurs seeking angel capital have a 1 in 4 chance of securing an angel investment. Yield rates in the 20%-25% range have historically been indications of a sustainable market over the longer term.

## **Women and Minority Entrepreneurs and Investors**

In 2021 women angels represented 33.6% of the angel market, a slight increase from 2020 (29.5%). Women-owned ventures accounted for 28.6% of the entrepreneurs that were seeking angel capital (33.6% in 2020). The yield rate for women entrepreneurs seeking angel capital was 19.7%, a decline from the 28.1% women yield rate in 2020. This decrease in women seeking angel capital and the decrease in the yield rate for women entrepreneurs both bear watching, however, the decline in women yield rates is similar to the yield rate decline in the overall market.

Minority angels accounted for 4.1% of the angel population and minority-owned firms represented 12.8% of the entrepreneurs that presented their business concept to angels (5.3% in 2020). The yield rate for these minority-owned firms was 30.5%. This robust yield rate is promising, as is the increase in the number of minority entrepreneurs seeking angel capital. These metrics indicate the high quality of the deals being pitched to angels.

## **Market Participation**

In 2021, 56.3% of the membership in angel groups was latent angels (members who did not make an investment) which is higher than in previous years. In contrast, only 38.6% of women members in angel groups were latent investors in 2021. Conversely 61.4% of women angels were active investors compared to 43.7% in the entire market.

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 19%. For more information visit <http://paulcollege.unh.edu/center-venture-research> or contact the CVR at 603-862-3341.

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