

Looking for an Angel

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As if entrepreneurs needed more reason to conserve cash. On March 30 University of New Hampshire's Center for Venture Research released its survey on angel investing. The bottom line: angel investors have tightened the purse strings.

According to the survey, total angel investing in 2008 was \$19.2 billion, down 26% from 2007. While the total number of deals funded was only down 2.9% to 55,480, the average deal size was slashed 24%. That means small firms relying on angel funds need to stretch their funds further than ever. Particularly hard hit have been firms looking for capital to expand: the survey found those deals have suffered the biggest decline.

All this is hardly surprising. After all, angel investors are wealthy individuals—and those folks have seen their net worth take a hit along with everyone else as the stock market and real estate values nationwide have plummeted.

So what are small firms looking for funding to do? It is critical in the current environment to be conservative in the amount of money you seek and have a plan to share with investors that details how you will manage your cash flow. And with valuations for almost all companies being impacted by the tanking of the stock market, if you can get by without raising additional funds right now, it's not a bad idea.

As for the outlook, Jeffrey Sohl, director of the Center, says the hope is that 2009 investing will be flat with 2008.

"If this economy is bottoming out, that will at least get people thinking there is a light at the end of the tunnel. I don't think we see another 30% drop in 2009. If we do we will all be in trouble. My gut hope is we are flat this year."

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