



# Equity CrowdFunding Resource

 InterTradeIreland

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Equity Crowdfunding has established itself as a real complement and alternative to traditional equity funding sources for High Growth Potential Start-Up and Growth Stage businesses in the UK and Ireland in recent years.

**Disclaimer:** This Resource should not be considered in any way as a recommendation for companies to use/access Equity Crowdfunding platforms. Any companies considering taking such a route to raise capital do so at their own risk. While the promoters of the case studies profiled here have all said they would be prepared to undertake an Equity Crowdfunding campaign again, this assertion should not be considered an explicit recommendation by those companies or InterTradeIreland of Equity Crowdfunding per se, or the actual platform used by that company. This Resource should not be considered in any way as a recommendation to any investors considering investing via such a platform. Such investors do so at their own risk. This Resource does not deal with other Crowdfunding platform models used by start-up or growth stage companies – such as loan based (eg. FundingCircle, LinkedFinance etc) or donation/pre-sales platforms (eg. Kickstarter etc).

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# 1. Introduction

## 1.1 Equity Crowdfunding

Equity Crowdfunding has established itself as a real complement and alternative to traditional equity funding sources for High Growth Potential Start-Up and Growth Stage businesses in the UK and Ireland in recent years.

This document aims to describe the active players in the market and provide a comparison to more established forms of funding, helping start-ups in Northern Ireland and the Republic of Ireland to make informed fundraising decisions.

The following data is gleaned from the Beauhurst report on 2017 UK Start-Up investment activity “The Deal”, reflecting the deal volume activity of the lead UK-based Equity Crowdfunding platforms. The lead private players in the UK are Seedrs, CrowdCube, SyndicateRoom and VentureFounders.

SyndicateRoom defines Equity Crowdfunding on their website as follows:

“Equity Crowdfunding is the process whereby people (i.e. the ‘crowd’) invest in an early-stage unlisted company (a company that is not listed on a stock market) in exchange for shares in that company. A shareholder has partial ownership of a company and stands to profit should the company do well. The opposite is also true, so if the company fails investors can lose some, or all, of their investment.

Previously only wealthy individuals, venture capitalists and business angels could invest in startups. Equity Crowdfunding platforms have helped democratise the investment process by opening the door to a larger pool of potential investors dubbed “the crowd”.

### Equity Crowdfunding in UK Leading Private Platforms Activity 2017 Source “The Deal 2017”, Beauhurst

Platform	Crowd Cube	Seedrs	Syndicate Room	Venture Founders	Total
Total Amount Raised	£87.3m	£55.1m	£39.5m	£23.6m	£206m
Deals #	133	144	58	17	352
Average per Deal	£656k	£383k	£681k	£1.39m	£584k

*Inferred from data provided*

## 1.2 Why The Resource?

As part of its “Succeed in Raising Finance” initiative InterTradelreland advises several hundred High Growth Potential Start-Up and Early Stage businesses each year on the island of Ireland who are planning to raise seed or growth equity capital. This Equity Crowdfunding Resource (the “Resource”) provides some initial indicative information to those businesses about what might be involved in raising equity capital in this way. InterTradelreland have reached out to several companies who have successfully completed Equity Crowdfunding campaigns to share their experiences, which is the foundation of the information for this Resource.

High Growth Potential Start-Up and Early stage companies typically capitalise their business by selling equity in their company. Most often it is via sale of shares (equity), or it could be the issuance of convertible loan notes (convertible into shares).

The “traditional” source of funding for such companies is as follows:

- **Founders. Amount raised here is usually low, of the order of €1-€100k.**
- **Friends and Family of founders – their own network. Amounts raised here could be of the order of €1-€250k.**
- **Angel Investors – High Net Worth investors who have capital and sometimes expertise, which is of value to the founding team. Relatively professional approach and investment terms. Amounts invested by individual Angels here might range from €25k-€250k. (greater amounts can be involved if a business angel syndicate is investing).**
- **Venture Capital Investors – Professional fund managers who invest in very high growth potential businesses. Amounts here could be from €250k – €10+m.**

Equity Crowdfunding is usually used to raise amounts in the range between €100k-€5m. It overlaps primarily with the stage of investment where Angels and Venture Capital investors would get involved in a High Growth Potential Start-Up or Early Stage business.

Per Beauhurst’s report, UK Start-Ups in 2017 raised more rounds of under £1m from Crowdfunding platforms than from Angel Networks.

Equity Crowdfunding may be considered an alternative to raising investment via Angels or Venture Capital firms – it is often in practice a complement to raising investment from such sources.

The Resource is not meant to present an exhaustive list of the issues related to Equity Crowdfunding. We aim to highlight some issues which previous companies who have raised Equity Crowdfunding pointed out to us as things they learnt from their own experiences.

The Resource is intended for companies considering raising capital through Equity Crowdfunding platforms. The Resource should complement the due diligence and planning efforts that companies need to undertake when they decide on their own methods to raise capital, which might suit their own business model, amount being raised, stage of development and availability of alternative sources of capital etc.

Equity Crowdfunding has been a positive endeavour for a number of companies as described in their case studies later in this Resource. The long term impact of this alternative source of financing has yet to be seen, but it is clear that an increasing amount of funding is becoming available through these platforms. Equity Crowdfunding may well be an excellent source of funding for some companies, but they should place close attention to the details of the offering and the level of work required to recruit investors onto the platform.

## 2. Is Equity Crowdfunding very different than usual sources of Start-Up Funding?

### 2.1 What is the Same?

Raising Equity Crowdfunding is not very different to raising equity capital from Angels and VCs in the following ways:

- Still need a strong investment proposition**

The business still has to have an attractive investible proposition. The business will still have to communicate that they are smartly addressing a large market with a differentiated product or service which has some defensible USP and that it has a plan that can be delivered by an exceptional team. The better the ability to communicate that proposition, and to demonstrate traction (some early evidence of strong team execution and probably market adoption), then the better the odds that the company can raise the investment.
- Still need to have a business plan**

An investible Business Plan might be summarised as a combination of an investible proposition and a clear plan with timeline and targets showing how the investment funds raised (with other company resources) will achieve the success milestones of revenue, profits, customers, users, product, etc. Whether formatted as a document, or a pitch deck/video combined with a financial forecast or laid out on the Equity Crowdfunding platform website – investors will expect any business launching a fundraising campaign to have a plan on which they can interrogate the management team.
- Still need to have a fundraising campaign**

Raising equity for High Potential Start-Up and Growth businesses still requires a campaign management approach. Fundraising is a sales campaign where the company is “selling” equity/shares/convertible loans in the business. Readiness for such a campaign involves more than just presenting investor materials (eg Business Plan, deck, video, financial forecasts etc). Companies need to deploy senior management resources in advance of any Crowdfunding campaign to ensure management accounts, financial projections, legal agreements (licences, customer, supplier contracts etc), shareholder expectations/consents, any other expected due diligence materials (IP, bank statements, cap table etc etc) are prepared. Companies need to organise a data room (usually virtually) for prospective due diligence, to be able to demonstrate and back up any claims they make to prospective investors or Equity Crowdfunding platforms.
- Still need to hustle a network of investors in the real world**

The work of “building the book” (actual commitments or expressions of interest from investors) still has to happen in the real world, before any online campaign is launched. The management team usually needs to create and stimulate a network of investors in the physical world. Businesses still need to source the initial/lead investors offline, and plan to generate some/much of the “Crowd” that will be investing off the platform. Management will gather investor commitments, which are ready at the starting line of the campaign and will be aiming to convert previously interested/qualified investors to participate after the campaign has gone live.

Hustle will be required both before and during campaign. Some companies come to the platform with >30-50% of funds committed before campaign launch and then convert some of their warm leads during campaign live. Some of the platforms require a minimum percentage (eg >25%) of the round to be committed by a lead investor or investor group (Syndicate Room and VentureFounders have this requirement).
- Still need to consider class of shares, use of nominee structure**

The Company issues/sells shares, which means Promoters are diluted – just like a investments from other sources. Equity is usually issued as ordinary shares (though preference shares may be permitted on some platforms) – which hopefully means an economic upside for the investor on a sale or listing of the business. The rights which attach to ordinary shares are sometimes adjusted, depending on the level of investment being made by an investor.

Often there are voting, pre-emption and information rights attached to the ordinary shares. In addition, on some platforms, the Company raising investment can partially or wholly disapply (via company constitution documents or Shareholders’ agreements) the voting, pre-emption and information rights attaching to ordinary shares subscribed to by smaller investors.



Outside of the Equity Crowdfunding platforms, it is not uncommon on some platforms where companies raise funds from a high number of small investors that a nominee company structure is used to reduce the administration burden of the investment. Some platforms use this structure and some offer an option of direct or nominee structures.

Understand what the platform allows, or even recommends. The company itself needs to be cognisant of the type of rights it wants its investors to have – what the promoters and existing shareholders believe is fair, balanced with that they believe is manageable.

- **Still need to consider what tax benefits there may be for individual investors**

In the UK the tax benefits for individual investors are SEIS and EIS, in Ireland EIS. These are still very important (though not the sole, or even the primary) drivers of investor motivation when they are investing in High Growth Potential Start-Up or Growth businesses. In advance of seeking investment, Companies should confirm the eligibility for tax relief under these schemes for individual investors from either UK or Irish tax jurisdictions.

- **Lead investor and/or endorsements still count**

The impact of having a credible lead investor, or key opinion leader endorsement, is still significant in any equity fundraising campaign – whether it is offline or on an Equity Crowdfunding platform.

For some platforms, a lead investor is a prerequisite to launching the campaign (eg SyndicateRoom, VentureFounders).

- **Still need the best calibre of advisers you can get**

Companies planning to raise capital should access best in breed advisers in Legal and Accounting services, with the relevant experience, that they can source to best position their fundraising campaign for success. This applies whether raising capital offline or through an Equity Crowdfunding campaign.



## 2. Is Equity Crowdfunding very different than usual sources of Start-Up Funding?

### 2.2 What is Different?

- **Sourcing and managing a high volume of new shareholders.**

Equity Crowdfunding can lead to an investment by a high number of small investors – whom the company promoters may never have met.

For a High Potential Start-Up that may be pre-revenue, or early in its growth cycle, the potential benefit here is that a high participation rate of new small investors may signal a market validation/approval of the customer proposition and business model – possibly before customers or scaling revenues have a chance to so validate.

For a business that already has a sizeable customer base, Equity Crowdfunding enables the business' customer/stakeholder base to participate in the equity of the business and hopefully become advocates for it in their own networks.

The platforms (and nominee structures used) enable and simplify the completion process with investors and simplify investor relations.

- **Settlement/completion**

It is beneficial to a business to have a public end date (a campaign finish line), with uniformity of terms and documentation, with the platform as a central place for the settlement of the investment legal agreement, for collection and distribution of investment funds. Getting a deal closed with a diverse group of investors, without the drive of a public and centralized closing platform, can risk resembling herding cats.

- **Communications capability needs to be at a higher level.**

Launching a fundraising campaign on an Equity Crowdfunding platform requires companies to simplify communications of what they do, and to profile themselves professionally, even if very early in delivery of their business model. This higher level of required communications capability, married with a campaign to raise investment, helps generate awareness and PR, which may be as valuable to the company as the capital being raised.

- **Sharing “sensitive” information**

In a traditional fundraising process off-line, High Potential Start-Ups and Growth companies typically have some degree of control over how much information they share with prospective investors, as they progress a conversation, and mutually qualify how interested they are in doing business. When such High Potential Start-Ups and Growth companies fundraise via the Equity Crowdfunding platform, they share a lot of information with prospective investors immediately - videos, pitch decks, information memos, financial forecasts and also discussion on the Q&A forums. Knowing how much information should be shared to ensure investors are adequately informed of the investment opportunity and the risks associated with it, while protecting commercially sensitive proprietary data, is a balancing act. The Equity Crowdfunding platforms do varying levels of due diligence on the companies, which gives some comfort to investors and at the same time mitigates over-exposure of sensitive information by the company. Nevertheless, it is likely that some companies' competitors may without too much difficulty access information about them as a result of information shared on the Equity Crowdfunding platform, which might have otherwise not been readily available.



- **Public risk of failure!**

The Equity Crowdfunding Platforms typically require you to hit a minimum investment level in the campaign. If you don't hit your target level of fundraise – then no investment happens.

If a company's campaign fails to hit the minimum level – then it could be a much more public failure, than if it had happened offline, where fewer investors or market stakeholders might have even been aware the company was seeking investment.

If such a failure occurs, with such “reverse validation” the damage to reputation and credibility might threaten the continued existence of the business.

- **Valuation setting**

Most funding campaigns on Equity Crowdfunding platforms are clear upfront what the valuation of the company is set at, and the price per share upon launch. This setting of the valuation may be done by the company on some platforms (eg CrowdCube, Seedrs), or is the result of an agreement between lead investors and the company, as is required by SyndicateRoom or VentureFounders. In practice, even for CrowdCube and Seedrs, often the initial committed investors and the company have agreed an indicative valuation (or range), where the campaign will be launched.

- **Nonmonetary benefits**

Traditional sources of capital can often provide additional assistance that is not available from Equity Crowdfunding. For example sectoral expertise from angel investors or scaling and financial inputs from Venture Capital firms. In contrast, successful Equity Crowdfund raises provide a business with a long list of enthusiastic customers and committed evangelists for the business that are invested in its success. Several companies raising funding on the platforms aim to get the best of both worlds - knowledgeable and engaged lead investors (angel or Venture Capitalist) anchoring a campaign, and a crowd of smaller investors who will become evangelists for the business.

## 3. Some things to consider

### 3.1 Selecting the Platform

Conducting due diligence and selecting the right platform for your company. Some issues for prospective companies looking to select a platform:

- **Profile of platform's investor base.**
  - Average size of investor commitment and number of investors.
  - Sectoral Relevance - B2C and B2B. Some platforms may have had better success for B2B fundraises than others. Some platforms may be stronger for retail, some for life sciences etc.
  - Geography – where the company currently has customer base/awareness, where it hopes to expand. Will this overlap with the profile of the platform' investor base?
  - If the business has deep technical Intellectual Property (eg. materials or life sciences) and is pre-revenue or has very early revenues, then some platforms may be a better fit as they are known to secure third party diligence on the Intellectual Property /technology.
- **Stage of business**  
Start-Up, Growing, Scaling, etc.
- **Size of investment being raised**  
Some platforms have fewer but larger raises than others.
- **Co-investment and pre-commitment conditions**  
  
How much of the total fund raising round that the business is seeking can be raised on the platform?  
Does the platform require you to have a large proportion of the equity round pre-committed?
- **Pricing**  
What are the fees based on the fundraising (usually expressed as a percentage of funds raised)? Are they negotiable? Are they based on total round, or only on funds raised/sourced via the platform? Is there different pricing for amounts raised in excess of the target? What are the “payment processing” or “deal completion” flat/fixd fees? Are there ongoing monthly/monitoring fees? Does the platform pay for the cost of a video production? Are there any costs for the investors (fees or carry)?
- **Is there a secondary market for the shares?**  
Will investors be in a position to market the shares in the company on the platform after the investment has been made? Typically the marketplace may be limited to buyers who are already shareholders in the company.
- **Deeply understand the terms and conditions**  
The process, the profile of companies which have successfully raised investment before. Have companies returned successfully to do multiple funding rounds?
- **Information requirement**  
Understand the information requirements not only before and during the campaign, but also afterwards in terms of investor updates, etc.
- **Platform side-car fund**  
Does the platform have a side-car managed fund which may co-invest with the crowd in some of the campaigns it lists?
- **Ask those who have gone before...**  
Talk to previous promoters who have successfully raised on the platform.

- **By partnering with an equity crowdfunding platform, you outsource some but not all of the completion process**

Different platforms have different approaches to standardising the legal agreements with companies and how much of the final draft legal agreements are shared at the outset of a campaign.

Be very clear who owns the legal process to completion - if your investment round includes a mix of new investors on and off the platform. In particular if there is an institutional co-investor which may be investing at the same price per share as other investors, but getting additional rights on top (eg. board representation, pre-emption rights, consent rights, drag rights etc.).

Calibre of the platform account managers and the success they have had in completing the process for companies before. Get a sense of the direct experience and knowledge of the platform account manager for successfully completed, funded campaigns. Possibly consider reference checks here with previous campaigns on which the platform account manager has worked.

Get a sense of what the process is like from the investor perspective on the platform, as well as the company perspective.

Clarify with the platform what the typical time gap is between the platform campaign closing and the completion of the actual investment.

- **If you build it they will come... never that simple**

A business launching a fundraising campaign typically cannot solely rely on the Equity CrowdFunding platform to deliver investors.

The business needs to hustle and raise a significant portion of the investment funds itself. Each company should plan to bring several investors to the fundraising campaign offline beforehand. Many companies seek to have line of sight of upwards of 50% of potential investment committed before launching their online campaign.

The individual campaign may be anchored by a significant identified lead investor. This anchoring/endorsement can be impactful on all platforms – not just those that “require” a lead investor.

- **PR and momentum**

The business needs a deliberate public relations and digital communications strategy, with planned dedicated newsworthy content, to keep momentum throughout the campaign.

- **“Equity” crowdfunding is different than “product” crowdfunding**

Success in product CrowdFunding, or having a large online user/customer base does not automatically translate to success in Equity CrowdFunding.

While your customers may be fans of your product and business, and were prepared to pre-pay for your product - that may not mean they have the same mindset or appetite as Equity CrowdFunding investors, where they acquire shares for a potential future return or loss.

## 4. Case Studies

### 4.1 HouseMyDog

Name of Company:

**HouseMyDog**

Website:

**www.housemydog.com**

Activity:

**Dog-boarding and dog-sitting.**

Promoters:

**James McElroy,  
Timothy McElroy**

Date of Campaign Closed:

**September 2017**

Platform:

**CrowdCube**

Target of Crowdfunding Campaign:

**£180k**

Actual funding raised

via Crowdfunding Campaign:

**£482k**

Crowdfunding Valuation:

**Pre-money £1.45m,  
post-money £1.9m**

Status pre-Crowdfunding Campaign:

**Revenue generating**

#### A Investor profile

HouseMyDog ended their Crowdfunding campaign early after 7 days as it had gone so well so quickly – there was a limit to how much the company wanted to over-fund. 75% of funds raised came from HouseMyDog's own fundraising efforts before launching campaign – i.e. investor contacts which had been warmed up before the campaign started, having built up a qualified list of over 400 investors. While some of these funds were committed pre-launch, much of it was committed post launch.

**10% of the funds came from users/customers of the business.**

**15% of the funds were sourced through the platform itself.**

#### B SEIS/EIS

HouseMyDog is an Irish limited company, but it has a subsidiary and premises in Belfast, Northern Ireland. The company went through SEIS/EIS process directly with HMRC in UK. This process included showing a business plan with five year projections to HMRC.

#### C Due diligence process

CrowdCube were very particular that every claim in the pitch had to be proven/verifiable with a third party. The company had to demonstrate that all metrics were accurate.

Any claims about market positioning (e.g. fastest growing etc.) had to be independently verifiable with a third party or could not be made.

CrowdCube examined management accounts, as well as the business plan going forward.

It took HouseMyDog 5-6 weeks to go from starting an application with CrowdCube to being ready for launch.

## D Structure and terms

Used a Nominee structure – went with one class of shares.

Fees – 4.5% on any funds raised on the platform up to the target limit. 7.5% on any funds raised over the target.

## E Campaign preparation before launch and work during

HouseMyDog promoters had been actively courting/sourcing investors for six months before launching the campaign.

Other advance work done by the team included completing the platform application and preparation of the necessary investment legals.

HouseMyDog had a PR plan, marketing plan and investment plan before launch.

The HouseMyDog promoters had a target list of prospective investors of up to 400: the company had barely accessed this list actively by the time they had to suspend the campaign because they had significantly exceeded their target.

## F Why choose that platform?

The HouseMyDog promoters perceived it was an easier, frictionless process for smaller investors to invest on CrowdCube than other platforms. It was important for HouseMyDog that their own customers/users would have the opportunity to participate in the investment round, if they wanted to.

## G Lessons learnt

The HouseMyDog promoters might have considered a higher pre-money valuation and raising more as there was clearly a higher level of appetite to invest than they had anticipated. They had underestimated potential demand from investors.

## H Do it again?

The HouseMyDog team would do Equity Crowdfunding again.

## 4. Case Studies

### 4.2 See.Sense

**Name of Company:**

**See.Sense**

**Website:**

**www.seesense.cc**

**Activity:**

**Intelligent bicycle lighting for urban cyclists**

**Promoters:**

**Philip McAleese,  
Irene McAleese**

**Date of Campaign Closed:**

**November 2016**

**Platform:**

**CrowdCube**

**Target of Crowdfunding Campaign:**

**£500k**

**Actual funding raised**

**via Crowdfunding Campaign:**

**£711k**

**Crowdfunding Valuation:**

**Pre-money £2m,  
post-money £2.7m**

**Status pre-Crowdfunding Campaign:**

**Revenue generating since 2013, with two previously successful Kickstarter product Crowdfunding campaigns.**

#### A Investor profile

A total of 479 investors participated in the CrowdCube campaign.

See.Sense had commitment of £250k investment from TechStart NI (a Belfast-based institutional seed fund investor) before going live on CrowdCube.

The total raised £711k on the CrowdCube platform was £250k from TechStart NI and an additional £461k from other investors.

Of the £711k – £500k came from 12 investors (incl TechStart NI).

The See.Sense team brought nearly 60% (incl. TechStart NI) of the funding value to the round from its own contacts. 40% of the funding came from new investors, previously unknown to the company. The vast bulk of the backers were small investors.

#### B SEIS/EIS

See.Sense were EIS approved. CrowdCube helped with the paperwork in terms of managing necessary confirmations with large numbers of shareholders.

#### C Due diligence process

CrowdCube was very thorough on the due diligence business plan and presentation and videos. Any claims being made by See.Sense in their investment materials had to be validated.

#### D Structure and terms

There were two classes of shares – A & B.

B Shares had same economic rights as A shares – but not the voting, pre-emption rights etc. A Shares were for investors investing minimum of £10k.

No nominee company was used.



## **E Campaign preparation before launch and work during**

The See.Sense team gathered many email addresses, from possibly interested investors and had canvassed larger investors directly in advance of the campaign launch.

Following their two successful KickStarter campaigns, the See.Sense team had hoped for lots of >£1,000 commitments from investors, but in fact the numbers of investors exceeding this level were relatively low. A lot of investors were around the £100 level.

See.Sense participated in an Angel investor event in London, which was separate from but contemporaneous to the CrowdFunding campaign.

Initially the campaign did not have as strong momentum as anticipated. The See.Sense promoters went through their own network of high net worth prospective investors via LinkedIn, which worked.

## **F Why choose that platform?**

See.Sense went with CrowdCube as it had a significant audience of retail investors.

## **G Lessons learnt**

Promoters need to plan to bring a significant level of investment/crowd themselves to an equity CrowdFunding platform.

The CrowdFunding platform is very useful to use as standardised terms and conditions, completion/settlement platform and gives specific target date for completion. It helps to drive to completion.

## **H Do it again?**

See.Sense would consider doing Equity CrowdFunding again.

## 4. Case Studies

### 4.3 Flender

**Name of Company:**

**Flender**

**Website:**

**www.flender.ie**

**Activity:**

**Irish Peer-to-Peer lending/  
investment platform, regulated  
by FCA in UK**

**Promoters:**

**Oli Cavanagh, Jeremy Davies  
Betancourt, Kristian Koik**

**Date of Campaign Closed:**

**January 2017**

**Platform:**

**Seedrs**

**Target of Crowdfunding Campaign:**

**£500k**

**Actual funding raised**

**via Crowdfunding Campaign:**

**£502k**

**Crowdfunding Valuation:**

**Pre-money £4.5m,  
post-money £5m**

**Status pre-Crowdfunding Campaign:**

**Pre-launch, Pre-revenue,  
had already raised €250k  
Irish angel investment in 2016**

#### **A Investor profile**

Campaign concluded with 257 investors  
– Flender introduced 30, platform introduced 227.

30 investors committed c. £350k, 227 investors  
committed c. £150k

#### **B SEIS/EIS**

The entity which raised the funding on Seedrs is the UK parent company, with a wholly owned Irish operating subsidiary. Company was EIS eligible in the UK which was very attractive to the UK investors.

Pre-Campaign Flender confirmed EIS eligibility.

#### **C Due diligence process**

Seedrs performed extensive Due Diligence which took in excess of 30 days.

Seedrs confirmed the documentation around Flender's FCA compliance (UK financial regulator).

Seedrs verified pipeline of prospective transactions – i.e. that there were signed term sheets with prospective clients of Flender's platform.

Seedrs looked at wording and claims in the business plan – to ensure all claims made were verifiable.

Seedrs looked at the wireframes and development progress of the Flender's web platform at that time – Flender's own platform was not live at the time.

Seedrs validated the background of the team members.

## D Structure and terms

Seedrs investors invested via a nominee company.

All investors received same class of shares  
– pari passu ordinary shares.

Company issues a monthly shareholder update.

## E Campaign preparation before launch and work during

UK company incorporated in 2014 – started FCA process

Irish company incorporated January 2017.

The process took 4 months from initiating conversation with Seedrs to launching campaign.

Flender teed up professional advisers well in advance  
– accounting, legal etc.

Legal advisors in Ireland – McCann Fitzgerald

Legal advisors in UK – Squire Patton Boggs

Accountants – Russell Brennan Keane in Dublin

Flender reached out to other founders who had successfully completed CrowdFunding campaigns to understand what was required, including what level of “pre-pledges” they brought to the campaign. The team estimated from this feedback that needed to have committed pre-pledges of at least 70% of the funds

Sourced PR firm for Ireland (Sharon Bannerton) and UK (Ready10).

Prospected through professional connections as well as via LinkedIn.

## F Why choose that platform?

Seedrs had a significant network of investors.

In addition, it did not charge any fees for the funds brought to the table by the Company.

## G Lessons learnt

- Bring at least 50% to the table in advance in terms of pre-pledges, if not more. Consider aiming for over-funding during the campaign.
- Put the board in place prior to campaign launch (Flender added well-known Irish investors during the campaign to strengthen board)
- Get a good creative agency (Flender used Fudge Creative in Dublin)
- Get a good video production company and director (Flender used Courtyard Studio and Gavin O’Connor)
- Bullet-proof the numbers (Flender used Philip Grant from Farrell Grant Sparks, who later became the chairman of Flender)
- Plan continuous PR strategy for before and during the campaign – momentum sagged midway in campaign, the company believe it should have anticipated consistent robust PR “momentum” to support the CrowdFunding campaign

## H Do it again?

Yes, the team behind Flender would do Equity CrowdFunding again for the marketing and because of the impact in bringing in new users (a lot of the people who invested during the equity CrowdFunding round also became lenders on Flender itself).

Flender actually did it again post-launch in late 2017 using their own platform, raising €400,000 through their own users. They are the first company to do this in Ireland.

## 4. Case Studies

### 4.4 Re-Vana Therapeutics

**Name of Company:**

**Re-Vana Therapeutics**

**Website:**

**<https://www.revanatx.com/>**

**Activity:**

**Innovative ophthalmic drug delivery to treat eye disease.**

**Promoters:**

**Michael O'Rourke,  
Thakur Raghu Raj Singh, Prof  
David Jones, Brian McCaul**

**Date of Campaign Closed:**

**November 2017**

**Platform:**

**SyndicateRoom**

**Target of Crowdfunding Campaign:**

**£950k**

**Actual funding raised via Crowdfunding Campaign (Overfunding):**

**£1.105m**

**Crowdfunding Valuation:**

**Pre-money £1.2m,  
post-money £2.409m**

**Status pre-Crowdfunding Campaign:**

**Pre-Revenues**

#### A Investor profile

Re-Vana had secured anchor investor commitments of 50% of their target before going live. TechStartNI, a Belfast based seed fund, led the round. TechStartNI committed £425k and Qubis (investment and commercialization arm of Queen's University Belfast) committed a further £50k. SyndicateRoom requires a lead-investor before hosting a campaign.

Re-Vana (with active support from Qubis) brought a further £370k during the campaign through its own off-line fundraising activities.

During the campaign, SyndicateRoom's own sidecar fund, Fund28, also directly invested. £210k was sourced from SyndicateRoom investors (including Fund28).

#### B SEIS/EIS

Company was SEIS/EIS eligible. The platform reserved 40% EIS for the crowd and enabled the SEIS/EIS compliance paperwork, where those SEIS/EIS investors completed via the platform.

#### C Due diligence process

Re-Vana completed an extensive questionnaire with SyndicateRoom – in effect not too dissimilar to a business plan, covering areas such as the company, product, market.

SyndicateRoom undertook some technical due diligence in terms of reviewing the technology.

SyndicateRoom interrogated specific use of proceeds of the fundraise.

SyndicateRoom also focused heavily on value proposition and competitive positioning. In terms of investment and exits in the marketplace, SyndicateRoom looked closely at deals that involved comparators – investment raised, exits in the space etc.

**Re-Vana's materials used during the fundraise:**

- Video – interview shot in London studios in conjunction with Syndicate Room (platform bore the cost). Syndicate Room's Head of Investment also participated in the video and offered verbal endorsement and support.

- Information on the platform website and pitch-deck was the main material for investors, as well as the Q&A forum.
- Q&A forum during Campaign – dealt with by CEO – online forum for 4 weeks
- Q&A with lead investor – Sandy McKinnon from Pentech (TechStartNI) in Q&A
- Multiple email requests for additional information, including pitch deck were all responded to by CEO within 24 hours of receipt.
- SyndicateRoom pro-actively marketed the campaign with regular email updates on funds raised v target and number of days remaining.

## D Structure and terms.

Investors had choice to go with Ordinary or Preference Shares. For those investors where SEIS/EIS was relevant, they generally went with the Ordinary Shares option.

Investors which had been sourced offline invested directly in Re-Vana and those sourced through the platform invested via a nominee company.

It took a little longer than expected to finalise the legal agreement reflecting all investors interests and expectations, balancing the requirements of SEIS/EIS and preferential shareholders.

## E Campaign preparation before launch and work during

Re-Vana, working closely with Qubis, had “warmed up” over 40 potential angel investors in advance of launching the campaign on SyndicateRoom, in addition to the anchor investors.

Re-Vana secured testimonial from a top ophthalmologist from US in advance of the campaign launch and this was placed on the SyndicateRoom pitch deck. Re-Vana had also secured a research collaboration agreement with a major ophthalmic pharmaceutical company thus providing additional endorsement of the technology.

## F Why choose that platform?

Company chose Syndicate Room because some life science projects had been funded on it before and potentially angels from many different countries could invest via the platform.

## G Lessons learnt

Re-Vana team would look to better understand the process in advance. In particular, how long it could take and how it would be led/managed by platform and company. Re-Vana knows now how important it is to have consistent account manager/lead from the platform throughout the process.

## H Do it again?

Re-Vana would consider doing Equity Crowdfunding again. Company needs to be very pro-active in understanding the process in detail and to some extent leading it – in particular timing of legals, how they would be led etc.

Important that account manager is experienced, and in particular that there is continuity with the same account manager. If such continuity is broken, it can impact the momentum of the campaign.

Of critical importance is the need to have a dedicated internal team with accountability as it can be a time consuming process. In Re-Vana’s case it was primarily the CEO with Brian McCaul from Qubis (a key investor). Brian’s role was very significant and on many occasions he was the lead contact and liaison. Brian managed much of the documentation and legals and the process would not have been successful without him. Overall it was a great experience for Re-Vana.



## 5. Some current Active Players

### Snapshot December 2017

	Crowd Cube	Seedrs	Syndicate Room	Venture Founders
<b>Investment Terms</b>	Set by entrepreneur	Set by entrepreneur	Set with Lead Investor - Angel/VC	Set with Lead Investor - Angel/VC
<b>Regulated</b>	FCA	FCA	FCA	FCA
<b>Instrument</b>	Ordinary Shares	Ordinary Shares	Ordinary / Preference Shares	Ordinary / Preference Shares
<b>Start Investor Range</b>	£10+	£10+	£1,000+	£1,000
<b>Company Fee</b>	7% of funds raised + payment fee	6% of funds raised + payment fee + £2,000 completion fee	4% of funds raised + 1% p.a. ongoing + £1,500 set-up	3% commission
<b>Investor Fee</b>	None	7.5% of profit after investor has initial capital returned	None	20% of profit after investor has initial capital returned
<b>Investment Vehicle</b>	Nominee or Direct	Nominee	Nominee and Direct	Nominee
<b>Funds raised to date since platform launch</b>	>£390m raised to date	>£270m raised to date	>£100m raised to date	>£55m raised to date



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