



Equity Crowdfunding


 PRIVATE
 FUNDING
 INSTRUMENTS

EQUITY

 Designed
 for SMEs


Initial idea



Business plan


 Marketable
 product


Commercialisation



Expansion

What is it?

Equity crowdfunding is a pitch to members of an online platform in order to acquire equity in a start-up. It fulfils the start-ups need for capital, in return for shares.

The crowdfunding campaign works on an 'all or nothing' principle where by the company either receives the full target investment or not.

Start-ups are a high risk investment and should therefore have the potential to create significant rewards to be interesting for investors.

The key benefits of crowdfunding for the investing party are the risk sharing and the small minimal investment amount per campaign.

Who can benefit?

- Start-ups with a relatively high return potential needing capital in order to advance their business, often in the seed stage but also increasingly in the subsequent early stage.
- Start-ups that are able to quickly capture the imagination of investors with an attractive campaign.
- Start-ups that do not have resources to pitch individually to a host of different investors or that have difficulties accessing traditional investment sources.

Useful links

Examples of equity crowdfunding platforms:

- **Seedrs** (www.seedrs.com).
- **Crowdcube** (www.crowdcube.com).

How to use it?

Equity crowdfunding requires the start-up to create a business plan deciding how much extra capital is required and the areas where it will be sent.

The start-up must select a platform and submit a crowdfunding campaign to this platform for review, which includes an executive summary about the company and its current situation, both within the market and financially. The start-up also needs to decide the amount of funding they need and the amount of equity they are willing to part with. In order to be successful the campaign needs to be appealing to investors.

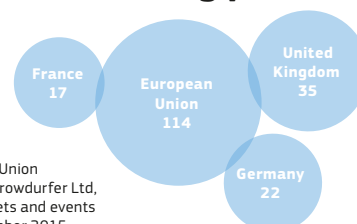
Once accepted, the campaign is launched on the crowdfunding platform for a fixed period of time and members of the platform can choose the amount they wish to invest for an equivalent amount of equity.

The campaign ends successfully with the start-up having the required level of funding so a (minimal) due diligence process by the platform can start and the investment can be made.

Key benefits

- A large number of investors can be reached at once.
- Some investors may actively support the start-up with their network or business expertise.
- Businesses out of scope for traditional VC investment may be successful with this instrument.

Number of equity based crowdfunding platforms



Source: European Union
 Crowdfunding & Crowdfunder Ltd,
 Mapping EU markets and events
 study, 30th September 2015.

More information

copernicus.eu/access-to-finance