Where are they now?

The current status of the companies that have raised finance using equity crowdfunding in the UK

Rupert Taylor, AltFi Data
Treasury Select Committee – 22nd October 2015

Chris Philp MP “I’m concerned that it might be the next big regulatory or financial services scandal.”

Question re Crowdfunding: “Do you have any figure on the level of investment losses suffered?”

Acting Chief Executive of the FCA Tracey McDermott

Answer: “We don’t have a current figure”.

ESTABLISHING A TRACK RECORD IS CENTRAL TO THE EVOLUTION OF ANY EMERGING ASSET CLASS
Where are they now?

Sector on Track to raise £140m this year
Where are they now?

A survey of all campaigns funded by:

- Industry inception in 2011 to June 30 2015
- 367 Companies
- 431 Campaigns
Where are they now?

Average increase in headcount after fundraise is 83%
Where are they now?

Delphi Score improves post Fundraise
Where are they now?

Average age of companies at fundraise 3.32 years in 2015
Number of Industry sectors that are accessing crowdfunding is increasing
Where are they now?

Companies House Data supplemented by Survey Data

Companies House +

29 ‘red’
41 ‘amber’
302 ‘green’
58 ‘Green Plus’
1 ‘realisation’
Where are they now?

2013 cohort is most representative sample
Where are they now?

% Green, Green Plus and Realisation

Nesta and RSA surveys
“9 out of 10 Fail”
Where are they now?

Return Analysis

- **Realisation** – Value the % return assumed to have been achieved, by the original crowdfund investors, on successful exit.
- **Green PLUS (Up Round)** – Establish the average valuation uplift achieved in the latest follow on raise.
- **Green** – Value at par i.e. money invested
- **Amber** - Value at 25% of par except in the case of a ‘down-round’ where we can calculate the actual value reduction.
- **Red** – Value at zero
Where are they now?

Overall IRR 2.17%

Overall IRR including EIS/SEIS 33.79%
Where are they now?

Amber category includes ‘down rounds’
Conclusions

• High proportion remain active > 80% of companies funded 2011-2013 still trading
• 2013 cohort is a useful sample:
  – 22% of the companies have gone on to either raise further funds at a higher valuation or have realized a return for investors via a successful exit
  – 28% of the companies have either failed or are showing signs of difficulty
• Net returns are impressive at this stage: 2.17% IRR or 33.79% post SEIS / EIS tax reliefs
TRANSPARENCY
Recommended Best Practice

- AltFi Data believe that accessing the crowd for finance brings an obligation to represent both risks and returns.

- Central to this is to update all investors on the status of companies that have previously raised money using equity crowdfunding.

- In such a way investors can make a better assessment of the possibility that they could lose their investment.
Recommended Best Practice

Recommended best practice includes:

• IMPROVED DISCLOSURE - Platforms should inform investors of the status of previously funded companies

• MORE TIMELY DISCLOSURE – Platforms should require companies to keep them updated such that developments can be reported promptly

• IMPROVED PERFORMANCE REPORTING - Platforms should advertise the track record of the campaigns they have funded – campaign by campaign and also in aggregate

• IMPROVED BENCHMARKING - Platforms should introduce uniform reporting standards e.g. of volume
www.altfidata.com

@altfidata

Rupert Taylor
E-mail: rupert@altfi.com
Mobile: +44(0)7720440329

Sam Griffiths
E-mail: sam@altfi.com
Mobile: +44(0)7740168249

Full report with data tape and marketing rights £5k +VAT
AltFi Europe Summit 2016
22nd March, The Brewery, London

SUPER EARLY BIRD TICKETS AVAILABLE
BUY NOW

www.altfi.com/events