

The evolution and adoption of equity crowdfunding: Entrepreneur and investor entry into a new market

Small Business Economis

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Appendices B and C

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Appendix B: Entrepreneurs' Motivations – Representative Evidence

| First-Order Categories | Second-Order Concepts | Representative Data |
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| Aggregate Dimension: Entrepreneurs' Motivations for ECF Adoption and Avoidance | | |
| 1. Reasons for bypassing institutional funding models (banks and VCs) | A. Lack of funds available post financial crisis | A.1 It was difficult to raise funds in 2012, but I've been looking at VC funds for many years. In 2012, after the financial crisis, the funds generally were being held until they protected the existing portfolios they already had. Overall the attitude in the UK is risk aversion. The people don't understand it, they don't want to invest in it. It's our job to make them understand it, but then it's too good to be true... (CT1.2016) |
| | | A.2 Simply put [ECF] makes it easier for the smaller enterprises to raise funds, the banks problems are that due to the costs being too high for them to enable them to contemplate smaller transactions. The costs are just too disproportionate. (CT3.2016) |
| | | A.3 They [banks, post crisis] are very risk averse. They almost have a set formula in their minds of the way things should be done. If you try and suggest anything different, they just don't want to know. Compared to the US, they look very closely at the technology and the IP protection, and very closely at the business plan. Really they don't seem to be taking into account the expertise, the experience of the management team...we've all been here before, we've all done it, we've raised money, we've had successful businesses, and yet that didn't seem to cut much with them. (CT1.2016) |
| | | A.4 I think angel money, seed money is fairly easy to get, the question is, what comes after that? I think Europe, and then UK, is still undercapitalized in terms of the amount of money that is available to build US companies. I would say the gap comes in 2 areas, first growth capital and then there are some businesses that are good business as a team, but they are running out of cash. (ED3.2016) |

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| | B. Availability of Angel/Incubator Investment | B.1 What's typically happened is that we have had high net worth people who have managed to persuade their high net worth friends to invest in the company. That's kept us going. (CT4.2016) |
| | | B.2 So we got the initial funding from Innovation [Company] and same, thanks to the backing, gave us the sort of creditability to get angel investors. So we kicked off the company with over 200,000 pounds, mostly from angels and the incubator. (CT5.2016) |
| | | B.3 So basically we had to go out and get money on the basis of a brilliant concept, but no product. That's not easy and the first one came through a contact of our CEO—an investment of 1 million Canadian dollars. We went round everybody in the UK. We went to all of the VCs—we just didn't want to go to VCs. We all had experiences before and know it's so easy to be ripped off by them and that confirmed our experience in all of the ones we approached this time around. We went to high net worth individuals, we went to company foundations, we spoke in one year to about 80 different organizations, offices or organizations based in the UK. With nothing—no interest whatsoever. (CT1.2016) |
| | | B.4 When the bank said go away and get some of your own funds, I approached two friends of mine, one said, yes and put some money in as well, as a silent partner in the business, so he put 10,000 pounds in, and that helped and a few more savings over time helped put me over the edge. (KO2.2016) |
| | | B.5 I think that our business is frankly too boring to be of interest to crowd funders. We simply need professional investors (business angels) that understand what they are investing in. (I1.2017). |
| | C. Ability to use existing customer base | C.1 I put a little sign on the back of the coffee machine, anyone interested in investing, send me an email. And we were probably two or 3 times oversubscribed...ended up doing that a couple of times. (CO1.2016) |
| | D. Ability to self-fund | D. 1 Initially, the bulk of the finance that has gone in for the company is from myself—it's all been bootstrapped. I'd previously worked in the city in finance myself...savings and redundancy pay. (IT2.2016) |
| | | D.2 When we started our first shop, we used a credit card to pay for it. (CO1.2016) |
| 2. Reasons for using ECF | E. Quick access to a large pool of investors | E.1. Number one? Larger audience. Fundraising is a sales exercise... you want to increase the numbers at any stage of the sales cycle, I believe has around 180,000 people registered on its database (interviewed in: 2014), so when we launch on the platform we get our message in front of 180,000 people. (3.B.2014) |
| | | E.2. It was a commercial decision. We felt that the platform had a large investor pool more quickly and easily available. (3.A.2014) |
| | | E.3. We didn't want to alienate or exclude people wanting to invest, even if they are at the smaller end. (3.C.2014) |

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| | | E.4 You have lots of ripple investors collectively taking stakes in potentially, what could be much larger companies. It was something that could rhetorically capture peoples' imaginations a little bit and therefore in a way that VCs might not think the same way. I thought I might get a decent valuation out if it as well... (IT2.2016) |
| | F. Leverage customer loyalty | F.1 [Through ECF] we could see when our customers became investors and shareholders. It almost supercharges [customers] advocacy on behalf of the product and the company (3.D.2015) |
| | | F.2 We could see that there was a huge demand from our customers – there are three quarters of a million of them, - to own some of the business and to profit from our success and so once we realised that it was better than plan B. (3.A.2014) |
| | | F.3 So we at a certain stage where we've built up this incredible community, very vibrant and engaged community. (3.D.2015) |
| | | F.4 If you are raising money cold, people who don't know what you are doing or what you are about or don't get it, it takes some time to get them over the curb. Whereas if you are raising money from your customers, they are your customers because they like what you are doing. (CO1.2016) |
| | G. Shifting levels of control through number of investors | G.1 From the view of someone who is looking for funding [crowdfunding] is a very positive thing. You don't have to worry about funders, as they don't really have influence. If the money is gone, it's gone. If you're with a VC, they might kick you out [as the manager of a venture] and get involved, as they really want to see returns on their investment. (I14.2014) |
| | | G.2 We put a minimum of 100 pounds rather than 10 (how it was on the platform). We didn't want to deal with those 10 pound investors and only wanted serious investors. Even the 100-1000 investors, which made up probably 500 of the 1000 investors, the percentage of the total amount we raised was less than 5%. The focus is how are you going to get people to invest 5 or 10 thousand and how are you going to target them? (CT4.2016) |
| | | G.3 It has its management challenges because you need to communicate with your investors and probably because you need to communicate with any other kind of investors—if you treat the crowd as you would treat a normal investor, then things should go as smooth as you can make it. (CT5.2016) |
| | | G.4 We also liked the fact that at the platform, all of the people who put into the pot, basically all of your investors are under the nominee of the platform. We knew when we were doing the campaign, it was early stage funding and we were likely to seek funding later on as well. What we didn't want to do was reach a point where we were seeking funding, or even VC funding and we've got hundreds of investors, some of which who have only put in 5 pounds or 10 pounds. So yea, that's basically why we picked the platform.(IT3.2016) |
| | H. Quick access to significant levels of capital | H.1 When you see that it's possible to raise a significant amount of money then it becomes a viable option for a growth stage company like ours whereas I think it really started with seed stage companies which would need to raise a quarter of a million or something like that but once we became comfortable that it was possible to raise one million so it became more viable for us. (3.D.2015) |
| | | H.2 Equity crowdfunding has been a little bit limited in terms of transaction size. For future assistance, it will really need to grow as fast as possible. It will involve much more of an evolution of the equity crowdfunding size with respect to the transaction sizes. I know there have been a few kinds of records over the past few weeks and we are watching the stakes closely to see what happens. It's definitely on the radar. (CT2.2016) |

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| | | H.3 The reason for using the platform was that they could cope with big numbers. I think if we had gone with a smaller platform, we were concerned they wouldn't be able to cope with the number of investors we had. We were under the misconception that the platform was a lot more useful. I think the only thing the media does is validate existing investment decisions. The most successful targeting we did was targeting local law firms, accounting firms, tax advisors. Where we are based, there is a local mass affluent type of people. If you think of any kind of crowdfunding thing, when we raised over 100 million pounds over time, you only need 1000 people, it's just finding those 1000 people. It isn't much—and any media coverage will get you more than 1000 people, but it's getting those people and it's targeting the people who will invest more than 1000 pounds. (CT4.2016) |
| | | H.4 The platform we used, approached us and said you have a very compelling story, the crowd will love it, and more importantly, they have a partnership with [Government Department] which wants to invest in crowdfunding campaigns for companies that fulfil their agenda. (CT5.2016) |
| | | H.5 Usually these campaigns are a sort of U-shaped—a lot of momentum and then usually it dies down and then you get a bit of a pick up towards the end as people start getting towards the target. In our case, it started to dip down towards the bottom and then suddenly someone from Hong Kong put in 25,000 and then someone else who recently missed out on another big investment kind of panicked and put in 33,000 and then I think that triggered a lot of other alerts with lots of other people who had set up all sorts of alerts to get an email or a text when it gets close to the 9th or 10th percent mark or something like that. So I went into a meeting and we were about 60% funded and came out of the meeting and we were over 100%.(IT2.2016) |
| | | H.6 For us, one of the benefits of ECF and the online platform is that we were at the stage where we didn't have a prototype. We had the idea, the research, the team...but not the product. And in order to get the product, we needed investors. And at that stage you are way too early for angels and way way too early for VCs. So the kind of stage we were at is often called the friends and family round, where you just try to basically get your parents or your siblings to help out or you just invest yourself in order to do it. What we sought from the platform is basically replacing that kind of round in order to get to the stage where we could build our prototype, and also as it was a B2B product at the time that was trying to solve a problem, we also saw the platform as a source of validation. If we could get that funding and a group of investors and such would say yes that is a problem, let's invest some time in to do it. (IT3.2016) |
| | I. Raise awareness of company/product/service | I.1 While we were looking to fundraise as well, it was relatively significant that we wanted to raise awareness with the restaurants in London. We wanted to gain credibility among the restaurants. [Crowdfunding] allowed us to do that. (3.C.2014) |
| | | I.2 We were in the media a lot on both campaigns with a BBC article which basically said these guys have raised about 100% in 24 hours and this thing is selling like hotcakes, which then encouraged people to invest even more and made it more successful. It's an easy way to raise finance, it's quick, it's low hassle administratively and there are a lot of side benefits to it. You can get publicity just by crowdfunding and you can get lots of recognition—there's lots of initiatives going on around crowdfunding. But you've got to be robust and know what you are talking about, the forum is very public. But I think business today—if you think you can hide behind a wall and not be public about anything--you can't anymore, it's an open world. (CT4.2016) |
| | J. Access to networks and deeper knowledge base | J.1 One of the advantages from the crowdfunding is that you end up with a network of investors, we got investment from over 300 individuals. And out of those 300, easy to find people with the skills, connections, or just the will to help. Many of the investors have approached us now and said we have the connections here; I can help you with that---it's a nice way to build up a network of people who are interested in your business. (CT5.2016) |

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| | K. Digitization/virtualization of investment process | K.1 The platform is attractive to the investor and investee because it's a virtual meeting rather than a physical meeting and you don't have to go and sit in a hot room somewhere and look and watch six or seven other companies presenting, so it's very attractive from that point of view. (3.D.2015) |
| 3. Reasons for avoiding ECF | M. Limits on capital raised | M.1 So that's it—we would have done a 3rd round in 12 months, but the feedback we got from our platform was that they had had feedback from the Financial Conduct Authority that these multiple rounds of quick succession, they weren't very comfortable with it. The platform's interpretation of the regulations basically said no. We contest and we don't think it is right, but we are part of this blanket thing and if they don't want to do it, then we can't do it. There really isn't any other platform that will allow us to raise the quantum of money we want. (CT4.2016) |
| | | M. 2 We were introduced to a couple of crowdfunding options. At that time, they were very limited. Now I think things have moved on a bit and it's a better space to be in and you are talking more like the 10-12 million pounds, but for where we are it's probably not the right type of funding. But I think it's a wonderful mechanism and it will have more and more potential over time once it has proven itself. At the moment it's not mature enough to be of real value to us. (CT6.2016) |
| | | M. 3 I'm not sure we will use it again. I think for a couple of reasons. I think the most obvious one is that probably the next time we raise money it is probably going to be a bit more money than you would typically expect to raise through crowdfunding. Our next round might be 3 million pounds in equity or something and I don't think crowdfunding sees those sorts of funds being raised at the moment. That's my observation. just because crowdfunding as a market can't keep up with our funding requirements. (CO1.2016) |
| | N. Administrative overheads | N.1 I could say that it was a painful experience, but every time you raise funds you need to go through a lot of due diligence, a lot of legal work, but it's not different than when you do it with normal investment. (CT5.2016) |
| | | N.2 The crowdfunding process from our company's point of view, was quite admin heavy. It was lots of paperwork; a lot of hoops we went through. The second time we went through it, there was even more than the first time. There was a sorts of information from the company's directors that a lot of our time was taken up from admin. (ED1.2016). |
| | O. Reputational damage if the funding round fails | O.1 This is really important when you are fundraising, you have to pitch to over 100s of people. If you are serious about funding and you actually go out there—if you get 95 No, you might get 2 Yes. With crowdfunding it doesn't work like that, you have one chance. One chance to get it right. If you fail, it's public. I failed publically. Everyone I pinged to try and get subsequent funds, they knew I wasn't successful and I failed at it. (IT1.2016) |
| | | O.2 There are people like myself and my business partner, who probably should have been told, "you have a fantastic idea, but crowdfunding isn't going to get you more money and it will probably do you more harm than good - because actually it might do your reputation more harm than good... (ED2.2016) |
| | P. Business risk if the platform fails | P.1 You had to transfer all of your rights of the company, to the crowdfunding company, until the money was raised. I don't know all of the specifics or what was behind that, but there was no way when they were talking about relatively small amounts of money, about 4 or 5 million pounds. (CT6.2016) |
| | | P.2 Throughout the life of our shareholding, they run all of the admin—we have to do all of the shareholder communications, we have to provide EIS (Tax) forms, but they do the basic stuff. To a degree, we are running an amount of credit risk against them, because if they fail, we will have to do that ourselves and I'm not quite sure what the mechanism is. Also, they have created unlimited liability forever about providing that service and I'm not sure how they have worked that into their business model, (CT4.2016) |

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| | Q. Transparency of business | Q. 1 It's not something I would ever touch, ever. I'm really not interested in putting my name out there, and I don't really understand it fully and what I see is that you have to put up a video and a business plan and forecasts and all the financials, both in the past and in the future. That's the sort of information I don't really want to have in the public eye. People putting money in, it's their lifetimes savings, or part of their savings, and then the pressure is on to give it back. (CO2.2016) |
| | R. Lack of support from the platform | R.1 I think also [ECF platforms] should take a far greater responsibility, bearing in mind they take a big old whack, of the investment you raise. They take a large proportion of it... they take about 10%. I find it very difficult to see how they can justify that. (ED2.2016) |
| | | R.2 They did provide the regulatory framework (they were the FCA accredited company, which we needed, they had the platform—apart from that they didn't really do anything for us) we thought the platform name and investing in the amount of advertising that they did, would be more useful. They did promote us a little bit, but we really had to knock on their door and we had to fight with probably 30 other companies doing the same thing. I'm not sure the platform is that important or it does that much for you. (CT4.2016) |
| | S. Seen as means of last resort and desperation | S.1 I would say for me; it is still a method of last resort. I would always recommend the founder to go with more value added type things. It's really important you get support from other angels, their network and expertise and not just the money. When you go through equity crowdfunding basically take from the crowd, smaller tickets from many people that makes it very difficult to exploit the knowledge of investors. (ED3.2016) |
| | | S.2 A lot of people use crowdfunding as a backup, they think it's easier than going to VCs or angel investors, and because of that it means that means that they aren't good enough to raise funds from VCs or angels. So it's like this self-fulfilling prophecy, where you aren't really good enough to get money, to raise investment, so you go for crowdfunding as a backup, but you've convinced yourself that it should work—it usually doesn't. if you aren't fundable, you aren't fundable whether it's a crowd, angels, or VC. (IT1.2016) |
| | T. Dealing with unsophisticated investors | T. 1 People putting money in, it's their lifetimes savings, or part of their savings, and then the pressure is on to give it back. (KO2.2016) |
| | | T.2 Statistically out of all of those who crowdfund about 8 out of 10 fail in the next 5 years (around those numbers). There will be a large amount of companies who crowdfund who will fail. And out of those there are a large number of people who are not sophisticated investors, haven't done a great deal of due diligence, and are a lot less protected than in any other investment suddenly losing a lot of money. We had a random guy invest 500 pounds in us and he ended up ringing up the office and got put through to me and he said he had invested—he wanted to know what he would get for it...wasn't worried about losing money, "I think you guys are great and I wanted to give you some money, but I don't understand whether you have just got it and that's a gift from me or whether I get anything for it." If you have a person like that who can click this bozo multi-choice questionnaire in order to qualify as an investor that has to get sharpened up. We had a lot of people ring us up on the first crowdfund saying that they had failed the test...a three-year-old could do it! They kept ringing us up, asking for the answers. When the person who can't pass the simple test is then coached by the person who is receiving the money, that's a massive moral hazard issue for the company. I think there are bunch of issues like that that are going to come out. (CT4.2016) |
| | | T.3 The crowd tends to be unsophisticated. It could be anybody off the street investing in a company, you have to be able to deal with a plethora of questions and concerns and making everybody happy where they aren't necessarily professional investors. Also unsophisticated investors don't know much about your space, they can't really add value from investing in your business. (IT1.2016) |
| | | T.4 Not regulated enough and people will lose a lot of money. A lot of risk, there are false projections. From what I've seen people are overly enthusiastic and I'm not the only one with concerns. I would never give money as an investment. My feeling is that it will potentially crash in the future. (CO2.2016) |

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| | | <p>T.5 I do think [platforms] should have more a responsibility placed on them to give full and informed advice to ensure they aren't breaking any rules and certainly not any financial investment rules—which I think had we gotten the investment we possibly might have done because we had to tick this box, which we did, but we had no idea why we were ticking them. So I think with that responsibility comes some accountability, if you are going to ask for such a large percentage of the amount these people raise, often through friends and acquaintances, they should be accountable for delivering something... (ED2.2016)</p> |
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Aggregate Dimension: Investor Motivations for ECF Adoption and Avoidance

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| 1. Reasons for investing through ECF | A. High expected returns | | L | A.1 I usually invest in the 1st or 2nd round, so I would say that 10 times is an acceptable return. If you look, for example, to one of the projects I invested in through crowdfunding is food related. I don’t expect a 10 times return on that one, but I see 5 to 8 times if they do well, because food is harder to get a high return on. Whereas if you go for high-tech it is easier. (I1.2017) |
| | | | L | A.2 On the whole, my portfolio, in 5 years if it doubles or triples it is okay. (I3.2017) |
| | | | L | A.3 I would say 10 times. About a 1000%. (I5.2017) |
| | | | L | A.4 A 100% return on a 10.000 investment would be very good, but it depends how long it takes. (I8.2017). |
| | | | L | A.5 If you have an X amount – if you can develop it in 5 years, and you get a 20% return – that is actually very good. (I9.2017) |
| | | | L | A.6 So in terms of success – if it can cover your kind of admin costs.. you have to do due diligence before you invest, you have to kind of be in touch with the platform, you do some fraud checks, there is obviously the financial stake, and you put time in the EIS claims and the rest of it – so it does all sort of add up. So a double of the investment you put in would be what I deem a success, as a minimum. I think it would be doubling your investment. That would be a very good outcome.(I10.2017) |

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| | | C | H | A.7 I hope for something like a 5% return at the most. (CS-r.2017) |
| | | + | H | A.8 Two or three times return would be successful I think. (DM-r.2017) |
| | | + | H | A.9 It depends on the company and trends of the risk profile, it depends on what stage of the company's growth you're investing in as well. For instance Revely I just managed to invest a tiny amount because they limited it like to \$2K. They just did a round valuing the company at 275 million pre-money. I'm not really expecting a 10 times return on that, whereas obviously if it's a smaller company then that's what you're hoping for to justify the risk that you take. (DP-r.2017) |
| | | - | H | A.10 Am I going to turn myself in a multimillionaire by investing £40,000 and it might creep up to £50,000 over the next year? This way, probably not. I think the market is relatively sophisticated. If there is another Apple out there, I don't think the likes of me would get a look at it. (EB.2017) |
| | | - | H | A.11 What does success look like? In terms of financial success, obviously, the highest possible return available, whether that's 20%, 50%, 100%, a multifold increase, it would really vary. (ND-r.2017) |
| | | - | H | A.12 One of the motivations is that the returns can be a lot higher. At this stage I only have one exit and that represented an 80% return over about 18 months. I was quite happy with that. (PM-r.2017) |
| | B. Strong risk appetite and tolerance for total loss | | L | B.1 No – in terms of portfolio thinking – the money I invest in equity crowdfunding I consider as lost. I prefer to not put all my money being lost so ECF is not a significant part of my overall portfolio. When I invest on a crowdfunding platform, I mentally consider my money gone. What I hope to see is the company to survive and grow past the initial phases. If I happen to have some return down the line, I'll be very happy because that shows the company actually made it and the idea was viable. But I don't put a number on the return I expect from these investments. I think I will probably do that when I have more experience of how they work out, but I would be very surprised – out of the number investments that I have made now – that one would start generating something that I would call a return on investment. I expect them to fail, but I don't hope they do. (I2.2017) |
| | | | L | B.2 It is an opportunity to invest in something new and innovative. I mean a share in Apple is nice, but where is the risk? (I3.2017) |
| | | | L | B.3 I prefer investing in something, knowing that I will get some return – so I try to look for relatively safe things. If I get a good feeling about projects I invest. At some point I got some money, and for me investing was a way of thinking more about the future. During the last 6 years I've been a student with a scholarship, so I didn't have any kind of funding or pension etc. So now I am starting to work, and I'm like wow I'm starting my professional career at the age of 36/37, and I have about 16 years in which I didn't have anything – so how can I increase that. So that's how I decided – okay I want to start with investing. (I4.2017) |
| | | | L | B.4 Obviously I don't want to throw it away, but it's not money that I can't live without. If you disregard my pension, it's probably about 10 percent (I5.2017) |
| | | | L | B.5 When you are talking about smaller start-up companies, at the end of the day there are a number of volatile factors you need to take into consideration. Through the crowdfunding platform, should the company go bust, it's going to be very difficult or expensive for an international investor to get all the money back. So more or less the risk profile is the same.(I2.B.2015) |

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| | | L | B.6 Because of my age and the capital I have built over time, my ability to take risks with that money is greatly enhanced, so a portion of my wealth is allocated towards more risk taking ventures. Because of my background I am inherently more comfortable considering this type of investment and taking that risk. (I2.G.2015.) |
| | | L | B.7 I bought a house as well and taken investment property, so it is kind of trying to balance a portfolio with high risk and sort of more – dependable investments. So there is a financial stake of – there is a small amount that I am willing to invest in higher risk projects that are of interest (I10.2017)_ |
| | | L | B.8 You expect 7 out of 10 to fail, 1 to be going along nicely, and 2 to be quite good. (I11.2017) |
| | | L | B.9 At the moment my portfolio is more or less 50/50, in more stable/risky investments (I7.2017) |
| | | L | B. 10 If I had 10, let's say, I would expect at least 2 or 3 to fail. At the moment, because I have five, I would say maybe one will fail. If you put money into a crowdfunding business it is a possibility that you lose all your money. It is a real possibility (I12.2017). |
| | | L | B. 11 ECF is something like 10/15% of my overall equity portfolio. I like the idea, and I have money I don't mind losing, I invest in ECF. I understand the risk, I understand the upsides and downsides. So as long as it is money that I don't miss, I am happy to invest. That is my philosophy. (I13.2017) |
| | | + | H B.12 If every single thing that I've invested in went fairly up and I lost everything, I would be disappointed, but it wouldn't change anything in my life. |
| | | + | H B.13 To be honest, I'd say success probably is just not losing money overall after taking account of the tax breaks, and anything over and above that is good. I do not have great expectations and I'm certainly not dependent on it. (AG-r.2017) |
| | | + | H B.14 I then also felt that I should be expecting a one in ten success. Of maybe slightly better, maybe two in 10 or something like that. Of every 10 companies in which I invest, eight of them probably will fail, which means that I'm hoping that the one or two that do succeed will be able to cover the losses. |
| | | + | H B.15 When I made the investment, I've mentally written the money off, because these are relatively small companies. They're either startups, or they're in a big growth burst phase and they're relatively high risk. (EB.2017) |
| | | + | H B.16 I realized immediately that I could lose all my money on every single investment. Not that I'm prepared to but certainly, I can afford to. I suppose I talk to friends as well and everybody was saying it's like the wild west. It's extremely risky and high octane and all the rest of it. I reckon that about 1 in 10 of my investments will -- say 1 in 8, 1 in 7 was going to make a substantial return and certainly cover the losses of all the others. As I said, I didn't go into this to lose money but at the same time, I was very aware that it was risky. It was extremely risky. (JC-r.2017) |
| | | C | H B.17 When I invested, I just thought that all the companies were going to do well, or reasonably, or survive at least. I've been shocked by how many have gone under. I've been shocked by the mismanagement. (JC-r.2017) |

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| | | + | H | B.18 The risks and the rewards are much higher. It's just an interest in more rewarding form of investing than investing in public stocks which is obviously a very different game. |
| | | + | H | B.19 One is hoping that one of the companies you back does very well and you make a very good return potentially five times investment or above. the idea of being that on the overall portfolio, I'm able to make two to three times over a period of time, hopefully towards three times and most of that return probably be driven by one or two of those investments with the rest probably going to zero. (MB.2017) |
| | | + | H | B.20 I'm not expecting most of these to make a profit. When I make the investment, I make the investment on the understanding that I can't sell these shares. Because these are startups and most of them have failed and will continue to fail, but of the ones that come through and I make a profit, I expect those to significantly offset any other potential losses in the process. (ND-r.2017) |
| | | + | H | B.21 My confidence in the investments are always very, very low. The probability of losing all your money is really high and they say that. They're very upfront about it, but I don't get really sit-in with people. When I think you're going to see this big boom of these platforms coming online and people being involved, but then you go down the road, three to five years and a lot of them aren't going to turn up for anything. (Rs-r.2017) |
| | C. Low interest rates returns from traditional investments | | L | C. 1 I had some expendable income and decided that it would be a good idea to diversify what I am putting my money into rather than just sticking it into a mutual fund. Instead I could take a small portion of my savings and put them into something higher risk and more exciting. (2.C.2014) |
| | | | L | C,2 I have a considerable amount of spare cash in the bank. My interest [in equity based crowdfunding] was how I could invest and receive a good rate of return. (2.D.2015) |
| | | | L | C.3 I am interested in the potential benefit [of equity based crowdfunding] if you find the right company, of the gains from that but at the same time I am pretty aware of the fact there are high risks with small companies. (2.E.2015) |
| | | | L | C.4 I have capital to put to work. There aren't a lot of opportunities to invest that money by more traditional routes to get a return and certainly you can't sit on the money in the bank, it just doesn't feel very comfortable doing that. (2.G.2015) |
| | | | L | C. 5 Interest rates are really low. At the moment leaving the money in the bank doesn't really do you much good. (2.H.2015) |
| | | | L | C.6 I was attracted by the higher potential returns from crowdfunding in comparison to listed investment opportunities. (2.F.2015) |
| | | | L | C. 7 With equity crowdfunding I find more interesting than the stock market in the sense that you get in at a very early stage, and you actually have a chance to have a higher level of the equity than you would do on the normal stock market. (I1.2017) |

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| | | L | C. 8 Compared to venture capital fund [crowdfunding] is more flexible in the selection and choice of the type and size of company that one could invest in, whilst providing similar tax relief and governance. (2.I.2015) |
| | + | H | C.9 The returns that are available in banks being so poor and miserable and indeed on the stock market is more risky but some this looked like a very interesting idea of partly becoming involved in new startups. (JC-r.2017) |
| | + | H | C.10 Definitely part of the motivation is accessing higher returns in what is otherwise a fairly flat market. (PM-r.2017) |
| D. Ability to invest small sums | | L | D. 1 Ah, most of these were what I would call small investments. In pounds that would be between 500 and 1500 pounds for most of them, some a little larger – so small investments. (I2.2017) |
| | | L | D. 2 In all cases I only put in 1000 or 2000 pounds. In other investments I did I put in more money than that. In total about 5000 pounds. (I3.2017) |
| | | L | D. 3 At the moment I do relatively small investments, I don't particularly think or care about that. I mean, I understand my vote would be just a tiny fraction on the whole and not that important. I trust the entrepreneurs to share the company. (I1.2017) |
| | | L | D. 4 I am starting to build that portfolio of around 5000 pounds (I4.2017) |
| | | L | D. 5 The first one I put was about 1500 pounds into easy property. And then Ive had a few around a thousand, one of 500, and a few on 250. Overall they averaged out at about a 1000 each (I5.2017) |
| | | L | D. 6 My investments were usually minority investments between 10-15000 pounds. (I6.2017) |
| | | L | D. 7 One was 10.000 and one was 5000 pounds. (I8.2017) |
| | | L | D. 8 I have made perhaps only half a dozen investments. I thought I would make many more, but I have become somewhat sceptical after having started a couple of years ago – I have largely stopped now. So yeah, my largest initial investment was maybe 5000 (I11.2017) |
| | | L | D. 9 ECF offers something more accessible. For people who have the interest, but maybe don't have the huge capital – maybe quite as much experience, as other more established investment schemes, like stock market or hedge funds or VC and stuff. I think I invested 2000 then, and since I have done other small investments – for 1100, and that is probably the limit for me in high risk investment.(I10.2017) |
| | | L | D. 10 I am not investing 84000 pounds, I am investing smaller chunks of money. So if you like, I'm crowding the risk all the time. So I wouldn't put 50.000 pounds into [the platform]. I put in 15000, but for that business. Generally I invest no more than 5000 pounds in these kinds of businesses. Because if I lose 5000 pounds, it is not the end of the world. I don't like it, but it's not the end of the world and its not going to affect my life, and my lifestyle, or my wife's lifestyle, or my children's lifestyle. If I lost 50.000 pounds, that would hurt quite a lot. |

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| | | | | More than that, I wouldn't want to go there (I12.2017) |
| | | | L | D. 11 At first, I wanted to invest it through the VC where I worked, but they didn't want my money as the transaction costs for investments were relatively high for the amount that I wanted to invest. That is how I got to the platform. (I7.2017) |
| | | | L | D. 12 It is very small, in three projects, very small amounts.(I9.2017) |
| | | C | H | D.13 I limit myself to £1,000. If five of my investments go down, fine, I've lost £5,000. But it's not going to break me. If I make a profit, I'll make 3,000 or something [chuckles]. (CS-r.2017) |
| | | C | H | D.14 I did actually start looking, when I retired for angel investing and I was very nervous about it, because the perspective I had on that was, you have to have large sums of money, and you have to put large sums of money into one or two companies. Now crowdfunding has just changed the whole model. You can get in with, I think some of them they were as little as £10, currently. (EB.2017) |
| | E. Medium/Long term returns | | L | E. 1 As you know, the risk of failing is fairly high. The average of returns in both tech and biotech, it would be 7 or 8 years. It is not something I expect to be paid back by tomorrow. I see it as a bet or a lottery ticket, but with higher chances. (I1.2017) |
| | | | L | E.2 My thinking is that within 3 years from now, I will know if any of the investments are at the level whether they will give return. The crowdfunding platform is the one that is doing that the most and will turn towards the direction of IPO at some point. So that would be the time where I will expect to see some kind of return, for the rest I think it is more long term – if ever. (I2 .2017) |
| | | | L | E. 3 We're talking about 3-5 years as a horizon – so 2x would not be so spectacular. It would be OK but a bit disappointing. 3-5 X would be expected, per individual company to say that it was a success. Beyond that it is not great, but of course overall I realize that some companies may not return anything. (I3.2017) |
| | | | L | E.4 I think one normally hopes these companies exit or becomes tradable within 5 years. (I8.2017) |
| | | | L | E. 5 I am investing in the ones, mostly, that have the tax relief available – so you can't claim that in three to five years. I would pay back the relief. So its five years minimum, but I think that a lot of these, the pace that they are going in in further rounds and selling outs, you might be expecting some to be sooner than that – 5 years – but I think probably around 7 to 10 would be what you might expect.(I10.2017) |
| | | | L | E. 6 I am very conscious the returns happen over a scale of many years. So, that one fails and that one fails, and then finally in year 6 years this one may become big. So even by now I might not expect it to be positive return (I11.2017) |
| | | | L | E. 7 Certainly not less than 5 to 10 years, I have other investment which I had for 25 years. . On something like a ECF investment, I would be disappointed if I didn't get 50% back in 5 years (return). (I12.2017) |
| | | + | H | E.8 I'm a very patient investor. Again, I'm looking at this in maybe a five to 10 year. (AG-r.2017) |

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| | | + | H | E.9 I expect the very earliest to be three years. I think for any start up company to progress to another stage, whether that's being absorbed by another company or even an IPO, the very earliest is three years. |
| | | + | H | E.10 You've got to be realistic and most of the time your money is going to be tied up for a number of years. So generally these companies when they're raising money, say three to five I think, sort of five to eight years is more likely. That's if you're going to get return. (DP-r.2017) |
| | | + | H | E.11 You may be looking at 10 times your initial investment. It could be substantially more but I think a realistic wish is for the better ones to make 7, 8, 9, 10 times an initial investment. It's naive to think it's going to be three to five years, which is what all these -- initially, what they were all saying that -- again, I look back at what they were saying and it was ridiculous. Even I was taken in frankly at some stage. (JC-r.2017) |
| | | + | H | E.12 This sort of investment I see it being five to ten years. (MB.2017) |
| | | + | H | E.13 I do do it for profit but I don't expect profit in the short-term. I think it's a long-term gain. (ND-r.2017) |
| | | + | H | E.14 You can't go into this sort of start-up investment and expect anything back inside, I would say, seven years. I don't subscribe to the concept of time horizon from the investor's point of view because there is no point in the future at which I can say, I want to draw money out. My time horizon is infinite in that sense. All I want to see is that the value of the asset continues to perform for me in whatever way I can determine that. (PM-r.2017) |
| | | C | H | E.15 My view is that many of the investments are long term investments so I'm not expecting any payout very quickly. I mean in some of the cases I think the investments will pay off over the longer term and they're in a good position to do so. think to start seeing some return on the investment, I'm thinking more three to five years. |
| F. Tax breaks | | | L | F. 1 Tax Relief messes up the market in the UK. So it is not necessarily a good thing for the market as a whole, but it is good for the individual. Since only companies that are willing/or able to get an EIS/SEIS – they will have a much higher chance to get funded. So companies not able to do that, because of how they work, or how they are, will be affected. It creates a broken market. Moreover, it also disincentives UK investors to invest elsewhere. They would rather have their company within the UK to fall under EIS/SEIS. (I1.2017) |
| | | | L | F.2 There something to learn from the UK – not just in terms of oversight, but also in combining it with actual tax incentives and making it more integrated into a normal investment portfolio. It is still more seen as a hobby, a fun thing on the side. I mean right now I cannot use the tax reliefs that are offered in the UK, as I don't have income in the UK. In Denmark its not possible and same thing in Sweden. But if there was tax relief, it would be an incentive to invest much more. (I2.2017) |
| | | | L | F. 3 So, of the six I have done, I think only two of them were eligible. So certainly, my two main 'hoppers' weren't eligible for it, so its certainly an attraction but it's not the defining reason. (I5.2017) |
| | | | L | F. 4 It was an indulgence. 10.000 pounds investment into a business that looked very interesting with a very good management team cost me 6000 pounds, initially, because of the 40% return on the SEIS investment. Then if it goes belly up the risk is 2800, which is not worth worrying about really. Tax reliefs mean you can slightly indulge yourself. (I8.2017) |
| | | | L | F. 5 Tax relief – EIS. It definitely helps to de-risk it to a certain degree. And you know that if the company makes losses or goes bust, you get some of that back – you get some of it back immediately – so it does make it very attractive.(I10.2017) |

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| | | | L | F. 6 Yes, I like to have it. I claimed it as well. (I9.2017) |
| | | | L | F.7 With the tax advantages of EIS/SEIS, you would not even have to be that right on average. If you believe the business plan, and the numbers, you would only have to get 1 out of 10 and you would come out ahead. But as I said, I have probably revised those probabilities (I11.2017) |
| | | | L | F.8 When I was working, EIS was quite important. Now, it's not, to me. But for some people it is, and it should be. Sometimes I talk to friends and they tell me they do not always sign off their EIS – and I ask them ‘why not, you are mad – you must be’ Yeah people can’t be bothered. Even if they know about it. It’s just a piece of paper. So I think it’s a under used tool. (I12.2017) |
| | | | L | F.9 From my perspective I wasn’t counting on tax relief when I started, but then when it is time to submit your tax returns, it brings down your tax considerably. It is a win-win. It definitely encourages more people to invest (I13.2017). |
| | | + | H | F.10 Yes, but I probably would have put much less into them, both the numbers of project and amount if they had not been SEIS or EIS relief. (AG-r.2017) |
| | | + | H | F.11 It definitely does play a role in the early stage investments, whether that’s through crowdfunding or through other means, but yes, it definitely does. (DM-r.2017) |
| | | + | H | F.12 First, you should never invest because of the tax benefits. If they were to remove the tax benefits, let's say, I think I would be a lot more selective, like a hell of a lot more selective probably about the types of companies I was investing in. I would probably just invest in slightly larger companies. I wouldn't provide seed money to probably like early growth stage, once they've got to a certain stage. (DP-r.2017) |
| | | + | H | F.13 Tax is an interesting one. Yes, it’s a huge positive in terms of investing. My take on it is, that there’s a single criteria for investment, and that’s you think you’re going to make money. If you have to pay tax on the money you’ve made, then you’ve got to pay tax on it. From that perspective, I’d rather be paying tax on it. If you’re making an investment because you think there’s a tax benefit there for it, then I think you’re doing it for the wrong reason and you’re not thinking about it properly. (EB.2017) |
| | | + | H | F.14 The tax regime, the EIS and the CIS, was -- once I learned about it, was extremely attractive to me. (JC-r.2017) |
| | | + | H | F.15 It's interesting and obviously I will factor it in when I'm evaluating the opportunities and at least two of the more materials ones I made, both qualified for EIF. One of them didn't, so it's not a total blocker but obviously it's attractive. (MB.2017) |
| | | + | H | F.16 Yes. From my investments that I’ve made, tax relief gives me an almost instant 30% back. (ND-r.2017) |
| | | C | H | F.17 I take account of the available tax relief in setting my annual plan and I consider that from the viewpoint of my tax planning but then, when I've invested in a company, I do not consider the tax relief as something to that company has delivered and if I see a potential investment presenting its case by referring to the tax relief, I walk away because I consider that to be a dishonest approach. It's nothing to do with the entrepreneur what my tax situation is. If you like, I see the tax relief as something on the side but I evaluate by respect of the businesses. (PM-r.2017) |

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| | | + | H | F.18 You tend to minimise the risk to some extent because obviously you can claim back tax at either 30 or 50% on the initial investment. And then if the company does fail. So far only one of the organisation that I invested in has actually failed. You can claim back, obviously, the capital loss at your marginal rate. (RA-r.2017) |
| | | + | H | F.19 In a lot of instances, the fact that the business is applied for or and, been pre-approved as EIS or SEIS plays a big decision. (RA-r.2017) |
| | G. Liking the product and being 'part of the journey | | L | G.1 I did it to become part of the journey. (I1.2017) |
| | | | L | G.2 The projects that the entrepreneurs describe, when I feel passionate about them, and I can feel these are a good team that have a great idea. They basically show you the light and if you think they deserve to be successful and where I think they can be successful – these are the projects that interest me and that I like to go for. (I2.2017) |
| | | | L | G. 3 Sometimes there are products that I think are worth backing even if there is no great financial chance of success or financial upside – but it's a great project, I may invest in it as well. Medical devices are a good example. In that case, being part of the project is important. Like I said, I don't care that much about the financial reward in that case. It is about the project succeeding, entrepreneurs building what they are intended to build. So for some cases it is more important than for others. With energy it would be somewhere in the middle, financial and the product itself – the new modes of gaining energy. (I3.2017) |
| | | | L | G.4 Basically I have been more attracted to equity, also with normal listed companies. I find it more fun to be a part owner, even if it is in a very 'small way'. (I4.2017) |
| | | | L | G. 5 I can make a very very small amount of investment feel like I am being part of something and potentially make some money back on it. (2.A.2014) |
| | | | L | G. 6 I put in money because I enjoy the idea and I want just to follow it or their success other investments I take financially more seriously. (2.M.2014) |
| | | | L | G. 7 No I didn't feel part of the journey. You couldn't expect to feel part of the project when you only invest 10.000 and they raised three-quarters of a million. (I8.2017). |
| | | | L | G. 8 I wasn't really thinking that I would set out to make some money. I liked the idea of some of the things that were there and I thought I want to invest in this. It's a good thing that should be invested in. (2.A.2014) |
| | | | L | G. 9 Let's say, I see a project and I think it is a terrible idea – but if people seem to be investing in it – I will put in 10 pounds just so I can follow it to check if my theory was correct or not. (I10.2017) |
| | | | L | G.10 I just enjoy investing. It's a bit like a chase, it's not about making lots of money really, but more about finding things that you believe in and might be successful.(I12.2017) |

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| | | L | G.11 I would look at what could be a fun company which is probably a bad way to invest. You think 'ah it would be cool if I could tell my mates that I'm investing in this company', so for example the dating app that I just told you about, that was cool to be part of. There is also a TV channel that's cool to be a part of, you know 'I own part of a TV channel'. (I11.2017) | |
| | | L | G.12 I am basically an engineer at a regular job, but I always wanted to invest and try to help any new inventions – so that I am part of the new invention. There are many ideas that never make it because of lack of funds. So if 10 people can come and sponsor the idea, it is good for the investor and for the guy who invented it, isn't it? (I9.2017) | |
| | | L | G.13 I remember thinking 'oh, a I am a consumer, I like that product, I would give them a tenner'. I would give them something to make that product happen and get the product and be part of it, and a lot of people did that (I10.2017) | |
| | | + | H | G.14 So I've invested in several things that are cycling related. I'm very keen on cycling. It is great, best form of transport investment etc. I really empathise relate to the idea and why they are doing it and believing that's a good thing to be done, to reduce pollution and to increase fitness and things like that. But I'm not actively involved in the companies, so it feels like the involvement is in two levels. One is, in some cases, actively involved with the company, and others its emotionally involved with the idea. (AG-r.2017) |
| | | + | H | G.15 I had to feel some strong affiliation with the company or the product or the service, in which I was investing. It had to make me feel excited, and I had to feel that this was a really worthy cause, right? (CS-r.2017) |
| | | - | H | G.16 I wouldn't say I invest because I want to feel part of like-- that's not the reason for my investment. (DP-r.2017) |
| | | + | H | G.17 I think the best part about it is, it isn't the money. To me it's-- and that may sound arrogant to some people, but it's the enjoyment and the fun and reading and finding out about new things and finding about new products which are revolutionary, finding about new ways of doing things. It keeps me well informed. I like to be well informed about what's happening in the world, so that to me is the most interesting part. There's been some companies I've seen over here that I haven't invested in, but it's really interesting to look at their products. (EB.2017) |
| | | - | H | G.18 Now, I'm no charitable foundation. Like although, I'm quite coy in my responses in terms of expecting profitability, if I believe that there'd be no profitability in this, I wouldn't invest. In terms of feeling part of it, I don't actually feel part of it. (ND-r.2017) |
| | | + | H | G.19 The other motivation is an interest in the companies of which I invest. I think you become more emotionally engaged with the company and its product in this sort of direct investment. Ethical investments or green investments tend to capture my attention a little bit more. Probably education investments attract my attention. (PM-r.2017) |
| | | + | H | G.20 That actually is also doing some social good as well. I also invested in a company called Water to Go. They make water purifying bottles and they do a lot of work with NGOs and those kind of things. So there is kind of some social aspect to the investment in those cases. (RA-r.2017) |
| | | + | H | G.21 I think it's fun, because I like the product. It was like, "All right. Let's have a go." In terms, like, psychological income, there's a very small sliver of, "Yes. That's neat." (Rs-r.2017) |
| | H. Learning about investing and access to the start-up | | L | H.1 In the end, I only put in a small amount of money. I'm not going to become rich out of it. But I did it to personally see what the experience [of equity based crowdfunding] was like. (2.K.2014) |

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| | | | L | H.2 I don't invest very much. I am not a massive investor in so it's kind of away for me to learn. It's a form of self-improvement in terms of being to become a better investor in the future. (2.K.2014) |
| | | | L | H.3 I still see myself as playing with it. Because I invested very small sums, but for, so far, it's a way of understanding and practice in how it works. (I4.2017) |
| | | | L | H.4 The [crowdfunding platforms] allow me to see more opportunities, seeing sectors where I don't have networks. (2.J.2015) |
| | | | L | H.5 For me, it was a part of using 'free capital' that I have for my normal business, and to become a part of the start-up scene that I was working with in other ways. The dialogue between the founders and the investors is a very appealing part of the crowdfunding investment.(I2.2017) |
| | | | L | H.6 It is more me learning what is happening, expensive learning. It is a fun thing that I am doing. I want to know what is happening in this start up arena, to know all the interesting stuff that is happening, and this is one way to be connected with it. You look at one of the platforms and then you get to know that. You know a lot more is happening in the food and drinks sector, and on technology, and to get more insights. To be part of that is one of the motivations (I13.2017) |
| | | + | H | H.7 Intellectual curiosity and the whole idea of entrepreneurship and finding new -- exploring new opportunities, somethings that I never imagined, many things that weren't even conceivable 20 years ago and now possible and seeing companies exploiting that, those possibilities. (AG-r.2017) |
| | I. Previous experience in investing in equities/entrepreneurship | | L | I.1 I invested in a few start-ups. So I started out there with a company – flight search engine – and some internet based games, and that was the time I started my own pharma company as well. I have always invested in very early stage companies, at the earliest parts of its life – with high risk profiles – rather than going into stock market. (I.20171) |
| | | | L | I.2 I'm an experienced professional. I have been working in corporate businesses in most of my career doing business development and building up companies and subsidiaries, setting up business. 5 or 6 years ago I started looking into the whole start up scene, to follow what was going on in that area. So I started working as a venture for start-ups and took an interest in the whole – let's say – community around start-ups. (I2.2017) |
| | | | L | I.3 I had done some conventional investments in life insurance products with additional stock fund investments and some products from my local bank that are index funds. (I3.2017) |
| | | | L | I.4 I have dabbled with stocks and shares. (I5.2017). |
| | | | L | I.5 I've been investing for a very long time, mainly in regularly listed equity – probably for about 25 years or so. And then as the market evolved, the equity market at the time was underdeveloped, but became more sophisticated over time. Then is started fairly regular private equity, and also some purely private transactions (loans). I'm quite familiar with a broad range of investments. In the last couple of years I |

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| | | | | have also been looking into the sort of crowdfunding space.(I6.2017) |
| | | | L | I.6 Since my late 50s, I have started two business, invested in them, and raised funds for them (I8.2017) |
| | | | L | I.7 Having worked and run a small business, and now working with startups, it's the idea that attracts me more than anything. Its not really the business plan or the financials, but the concept of the product and the business that is the biggest sort of motivator in making the decision whether or not to invest (I10.2017) |
| | | | L | I.8 I have been investing probably for 5 or so years. My portfolio is predominantly regular stocks. I manage my own portfolio and that of family members as well. I am also quite active in peer to peer lending, this may be the second largest thing. And then crowdfunding and equity crowdfunding would be the third string to that (I11.2017) |
| | | | L | I.9 I've been an investor since I was a graduate trainee in advertising. I bought my first shares. The reason I did was because another friend of mine wanted to work in the city and he got me interested in equity, so then I started investing in equity. Very very early on. So I've been investing a lot over many years. (I12.2017) |
| | | | L | I.10 Before I invested in the stock market, investing with things like mutual funds and stuff, and in the past 4/5 years I have been investing in crowdfunding platforms. I think of the most big ones I have invested through and I am currently invested in (I13.2017) |
| | | + | H | L.11 It's probably about 15% of my overall portfolio. (AG-r.2017) |
| | | + | H | L.12 I started at the beginning of 2014. I've done that three and a half years. That's crowdfunding investment. Up until that point in time, all investing I'd done had been very standard managed funds. Principally long term investments, for pensions or for education funds, things like that. (CS-r.2017) |
| | | + | H | L.13 I used to work in an investment bank for 15-20 years but since 2009 I have worked for myself, I have portfolio part time roles like non-executive director in some companies. (DM-r.2017) |
| | | + | H | L.14 I've been investing in public listed companies from a relatively young age, so it's something interested in . (DP-r.2017) |
| | | + | H | L.15 Well my background is actually investment banking, that's where I worked for my whole career. (EB.2017) |
| | | + | H | L.16 I'm an entrepreneur and I've been in business for 25 years, 30 years. (JC-r.2017) |
| | | + | H | L.17 I'm an Investor for them, looking at both business development and investment opportunities, most often equity investment opportunities. (MB.2017) |

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| | | + | H | L.18 I've been investing in various apparatus over the past few years now, from equities to CFDs, even a bit of currency, footsie that type of stuff. (ND-r.2017) |
| | | + | H | L.19 My early career was as a Management Consultant in Human Resources and I was a Partner of a large firm which then floated. (PM-r.2017) |
| | | + | H | L.20 I used to invest-- Well, I still do. I invest in shares directly. (RH-r.2017) |
| | | + | H | L.21 I worked for a couple of different hedge funds. I worked for largest market maker in the world until they merged them with some follow-up. And now I have a small track trading firm here in London/ (Rs-r.2017) |
| | J. Platforms are regulated | | L | J.1 I think regulation matters. I have invested through different platforms and in different countries. The UK is very strong, and I think that specific level of 'guarantee' and 'oversight' is quite strong in the UK, whereas other countries are still lagging behind on that. Many countries are still not as big and mature, maybe Sweden is mature, but Denmark is far behind. But there is to learn from the UK – not just in terms of oversight, but also in combining it with actual tax incentives and making it more integrated into a normal investment portfolio. It is still more seen as a hobby, a fun thing on the side. (I2.2017) |
| | | | L | J.2 Yes, of course, regulation provides some level of trust. But also the platform, reviews the pitches so that also gives additional confidence as well. So besides oversight of the company, the platform has its own reputation at stake that is related to its own financial success. (I3.2017) |
| | | | L | J.3 I remember that when I read the platforms were regulated in an email, it made it feel much safer. Also from within the firm they gave some liability that a firm would go bust, that was also useful since I want to play more on the safe side. Knowing that there are actors looking at this makes it safer. Also I remember reading a lot of articles that discussed ECF as a grey area, in legal terms. It felt much safer when regulations got extended to them, and that makes me feel better about it. (I4.2017) |
| | | | L | J.4 I wouldn't buy anything other than through a regulated site. (I8.2017) |
| | | | L | J.5 Yes. There must be a strict regulation (I9.2017) |
| | | | L | J.6 Yeah I think that it's a regulated industry is a kind of mark of quality and security. I don't think I would be investing if it wasn't a regulated industry.(I10.2017) |
| | | | L | J.7 Yes, definitely. I think it should be regulated, because you don't want people to come and disappear overnight. This is where the reputation of the platform comes into play.(I13.2017) |
| | | - | H | J.8 No, it doesn't really figure in the way I'd look at it. (MB.2017) |

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| | | + | H | J.9 Yes it is important, to a degree, yes |
| | | - | H | J.10 Not necessarily, no. It's not one of the things I really look at. (CS-r.2017) |
| | | - | H | J.11 I think you should have more confidence if it's FCA regulated. Ultimately at the end of the day, it's all a risk. Any investment you make is a risk. I think the FSA gives a little level of comfort, but actually the bigger risk is the company itself in terms of whether its got a product that's successful, or not not whether it's regulated by somebody. (EB.2017) |
| | | - | H | J.12 I think its all the nonsense to be honest with you. It's still Wild West. It's still highly risky. (JC-r.2017) |
| | | - | H | J.13 I think that if you look back over history, any attempts at regulation have very limited impact on investor security. It does something but it's not a big deal. I think if you rely on regulated protection then you're in the wrong business. (PM-r.2017) |
| | | + | H | J.14 The [platform] site is obviously regulated which gives you confidence. (RA-r.2017) |
| | | + | H | J.15 'm glad the platform is regulated, so I feel like if I put money in it, it's going to get to where it's supposed to go. That's a very different question about the confidence in the investment. (Rs-r.2017) |
| | K. Reduced effort in researching investments and due diligence | | L | K.1 Not much time is spent. 3, 4, 5 hours – for small investments. For larger investments probably more. (I1.2017) |
| | | | L | K.2 I review all the material that the firms put on the crowdfunding platform. Try to get an impression of the idea, but also the team and what they want to do. Then I try to see if there is something similar in the market, or if it something that appears to be very new. So about 10 hours all in all each, to get around the different aspects. (I2.2017) |
| | | | L | K.3 I would look into what kind of companies already exist, try to do a bit of research on the company, probably not too much, about a couple of hours. Obviously I would check out the product as well – if it is already online. (I5.2017) |
| | | | L | K.4 Yes. It gives you less friction in making the investment. It takes you less time, if you will. And it does not require as much commitment in money. If you have to go and meet a company to invest in it, it takes a lot of time on behalf of both the funder and the funded – so you feel an obligation to put in money that is ‘worthwhile’ (if you were going to put in money anyway). So you are not going to put in 500 quid if it was a personal meeting, but on ECF you can put anything ranging from 50 to 50.000 quid. (I1.2017). |
| | | | L | K.5 I cannot spend my own time, on for instance doing research, because I am tied to family life (I9.2017) |

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| | | C | H | K.6 I hope that, and have an expectation, that the platforms in listing companies on their platform will have done a reasonable amount of due diligence. (CS-r.2017) |
| | | + | H | K.7 Certainly I request the business plans. The business plans are not posted, you have to request those. So I do my own level of due diligence. I'm not saying I'm the most thorough person because I tend to look at the business plan and think, "Well okay." If it doesn't strike me as being ludicrous then, we're talking about three years into the future, who knows. But I do look at all the forums, I look at all the questions that have been posed already and how they've been answered. There's a degree of research. (CS-r.2017) |
| | | - | H | K. 8Yes. If you just want to invest £100 in every company without doing any due diligence, looking at these things, it's great. But if you are looking to make a more meaningful investment, how would you know from those 10 new ones that the crowdfunding community have put up today, is the one you should spend four or five hours doing some work on? The crowdfunding sites say they do due diligence and I think the due diligence they do is pretty thin and not very thorough because for these guys, the more people they get up on the platform, the more money they're going to make. (DM-r.2017) |
| | | - | H | K.9 Yes, I certainly follow the pitch but then if it's a company, for instance, one of the companies I invested in it's like a B2C company etc. So there you want to check on reviews. Trust pilot etc check to see what people say about the company. Because if the customers aren't particularly happy with the company then. And then obviously you want to see what their competitors are like etc. How they fare in that space. What they offer compared to the competitors, if they offer anything better. More of that. I suppose it's up to each investor to research by themselves the background of the team, but often that's incredibly important. (DP-r.2017) |
| | | + | H | K.10 Because it's so transparent you can afford to do your due diligence. You look at the people involved, you're going to look at websites. You're going through if there's any press articles about them. On average, I would say between half an hour and an hour per day. That's very much about bridged-out, because I won't look at anything for three or four days and then I might spend a whole morning two or three hours just looking through things. I would say, on average five hours a week. (EB.2017) |
| | | + | H | K.11 I would obviously go through all the materials that are available on the platform. I would then do some digging around and thinking of my own, actually asking questions, talking it through with friends and family. It's not overly extended, but a few days. (MB.2017) |
| | | + | H | K.12 I've just come across the company, then yes, I need to look into the profile of the directors, the background and the idea, and the rest of it. But it boils down to how much I understand the industry, because I'm not focused only on a particular industry. I look across industries. (ND-r.2017) |
| | | + | H | K.13 It's probably one to two hours. Reading through their prospectus and then doing some calculations on their numbers and mulling it over. Yes, somewhere in that region. (PM-r.2017) |
| | | + | H | K.14 It's because of the level of the investment I'm making, it's more speculative. So there's probably less due diligence. (RA-r.2017) |
| | | + | H | K.15 For £5,000, that took me like five seconds. Where I was like, "Yes. Fine. That's fine." The other one was actually substantially longer, because I really-- It was because I started interacting with the principles of the company, and they were sending me the documentation. They were sending me personal documentation. I was reading through it all. I was trying to understand it, asking questions. That took a lot longer, but I knew I was interested. (Rs-r.2017) |

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| L. Opportunity cost of investment | | L | L.1 I would not have invested the funds at all if not through ECF (I1.2017). |
| | | L | L.2 If I hadn't invested I would have kept the money in the bank. I don't know anyone who has invested anything. In my family, all the money used to go to the pension fund or the bank. For me, I was thinking like that, until I got frustrated with the very low returns. (I4.2017) |
| | | L | L.3 If I hadn't invested I might have paid off more of my mortgage or put it on listed shares (I5.2017) |
| | | L | L.4 ECF is not currently a significant part of my portfolio, but it is in the trial phase for me to see how it works My alternative was peer to peer lending. Because you can expect return even though it is risky.(I9.2017) |
| | | L | L.5 If I wouldn't have invested my money in this firm I think I would've put it in bonds or funds. (I7.2017) |
| | | L | L.6 That money would have gone to one of the listed companies. Either to a index funds, or directly to a LSE listed company. You do feel the buzz about start-ups everywhere. I guess it gives you an opportunity to be part of that, part of that buzz. Which means that – I'm sure there is additional money flowing. Purely from that perspective, people would have kept it in their bank accounts – with 0% interest, almost. (I13.2017). |
| | | + | H L.7 The main reason was to build up a portfolio of investments outside of the property portfolio I have and also my pension fund. I had funds available and I thought this is something that I m interested in from a pure financial perspective. (CS-r.2017) |
| | | + | H L.8 5 % of total portfolio If I'd have become aware of them through another means, then I might have invested. One of them, I was already an investor in the company, so I would have done anyway, the others, in the old days, you probably wouldn't have found out about them (DM-r.2017) |
| | | + | H L.9 It is about 5%. of my portfolio. (RH-r.2017). |
| | | - | H L.10 Ecf is weighted more than it should be in my portfolio. It should be, I don't know, probably about, I'd say about 35-40%. I know that's a lot more than it should be. I think they recommend, these are high risk investments and I think they recommend that you shouldn't have about—or I think the FTA recommend that it should be about 10%. Particularly on equity crowd funding, I suppose that like P2P which is obviously not quite as risky, but yes. (DP-r.2017) |
| | | + | H L.11 In terms of finances, no. I've got property investment as well. So the property investment by the sheer nature, there's probably, tends to dwarf the actual stocks and shares investment. (EB.2017) |
| | | + | H L.12 I guess there's a little bit of channelling in terms of where that money would have been deployed otherwise, I guess it would either have stayed as cash, or would have been deployed into more traditional investments. I think this has opened up opportunity to deploy money that I probably wouldn't have looked to invest otherwise. (MB.2017) |

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| | | + | H | L.13 I would probably just put that into normal stocks and shares. I mean most of the companies are investing on the blue-chip index kind of more, very stable dividend paying stocks. They've got quite high yields on them. That's again I reinvest the dividends and so my shareholding grows that way. I think it's an additional investment for myself. As I mentioned, I do have blue chip stocks and shares that are traded on the Footsie or European or US Exchanges as well. It's not my sole focus, its just kind of just slightly more risky part of my portfolio. (RA-r.2017) |
| 2. Investment decision making practices | M. Direct access or knowledge of the SME/ entrepreneurs/ industry | | L | M. 1 They are just in my interest. I mean my background is accounting, but currently I am working in one of the companies I invested in. I invested 20000-25000 pounds and I ended up working in it. (I1.2017) |
| | | | L | M.2 I knew the management teams in each case and I thought they were very good. (I8.2017) |
| | | | L | M.3 At the bottom it is financial, I was convinced of each potential to become much larger and to grow its value. Well there are several industries that I am interested, so I follow those. I check the platform to see what investments that are open at the moment, and whether they are in those industries.(I3.2017) |
| | | | L | M.4 The most important thing is the product or their offering, but even if they have that, you need the whole package. Do they have the right business mind-set, are they familiar enough with operational, legal, technological, and financial aspects, et cetera. Sometimes it takes as little as awareness, so they can get the right people to look at it. No one knows everything but you need the awareness that you need everything to succeed. (I6.2017) |
| | | + | H | M.5 Some have been because I know some of the people involved, and some are through businesses that I either have dealt with as a client, or are in a field where I have some knowledge. (DM-r.2017) |
| | | + | H | M.6 They tend to put up the prime movers and shakers in these new companies. So the chief executive, the founders etcetera. I think you then need to go and google these people and look at who are they, where have they been, what they have been doing for the last 20 years. (EB.2017) |
| | N. Track record of entrepreneurs | | L | N.1 The experience of the founders is very important. Have they done something like this before, do they have experience, are they feasible to pull this through. Stuff like that. (I1.2017) |
| | | | L | N.2 Seeing the guys on the team, they know what they are doing. They have very experienced guys and they have different fields of expertise.(I7.2017) |
| | | | L | N.3 One criteria is the management, what their background is and what they do. The second is the nature of its product and scalability (I12.2017) |
| | | | L | N.4 I look at the idea, the founders, have they got attraction with customers, do they have a proper plan, a plan we can look into. More often than not I am looking at the pitches and the individuals that are involved.(I13.2017) |

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| | | + | H | N.5 It's the idea, the people, the team, and in particular, scalability. (AG-r.2017) |
| | | + | H | N.6 I actually look more so at the entrepreneur. I look at how much I believe that the entrepreneur is successful. (ND-r.2017) |
| | O. Passion of other investors | | L | O.1 I rely on is how enthusiastic others are, so if basically a project is overfunding – then I may invest some money even if I don't particularly care about the project or the company. I just throw some extra money in the pot. [...] I think they know something and the plan may be successful. The ones I invest more in I try to understand more the business and the potential (I3.2017) |
| | | | L | O.2 Initially it was going with the crowd, you know, looking at the investment that was getting a lot of attraction with investors. And then you think – maybe this is interesting, everybody seems to be interested in this. (I13.2017) |
| | | + | H | O.3 There's a transparency about it that you don't see necessarily in the traditional investment market. In that you actually see how much money is being invested and how many people have invested and you can see that as day by day goes by. And there's always the level of comfort and reassurance there, but if you think something's good I usually sit and watch it for 10 days and then if I see that 100 investors have invested quarter of a million pounds over the last 10 days, while I've been thinking about it, it's almost an affirmation of my thought process. |
| | P. First-hand experience with the product and brand recognition | | L | P.1 I didn't just do it because it was actually crowdfunding. I did it because I've used [Company X] products in the past, I bought a pack maybe 9 months ago and it's very, very good and I thought that at the moment in the market, it's not very well-known about... Once they start going more mass market, I think the products is strong enough that it will sell very well. I only put in a small amount of money. (2.K.2014) |
| | | | L | P.2 I like the product. It's something that I'm very interested in. I used it and I like. When it became available to be invested in and they want my money as an investor, I'm very happy to be part of them. So it's more about the personal interest in the company and into the product itself. The product is fantastic. I did look at their financials, they look pretty decent. (2.J) |
| | | | L | P.3 I've always been fond of [Brewery X]. So, I think these guys are very distinctive. I think they seem to have a very good acceptance from both, a mainstream consumer and from more, sophisticated beer connoisseurs. You know, the owner is the founder. And I also think that the brand, you know, is an important asset and of course [Brewery X], it's one of the most synchronized places in London. (2.B.2015) |
| | | | L | P.4 [Parking company] I am driving a lot for work it means I am frequently parking in the local carpark and I am thinking this is ridiculous it's very expensive. I've got the app on my phone and I actually use this and it felt like it's a good idea. I think they were about 30% funded when I put my funding in and they were oversubscribed by another like 150% something like that. It was quite bonkers. (2.A.2014) |
| | | + | H | P.5 I've invested a lot in Fintech where I'm more familiar with some of those companies. In terms of my larger investments, then a lot of them have been Fintech companies I'm already familiar with, or maybe already using that product. (DP-r.2017) |
| | | + | H | P.6 Yes I think general sense of familiarity, belief in the product is important. If it's something I'm going to use, even better, if it's something I know other people I know would use, that's good. I think that helps. (MB.2017) |

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| | | + | H | P.7 If it's a company that I understand, if I've been using the product, then I don't need any time. (ND-r.2017) |
| Q. Trusting the valuations of investments on the platform | | | L | Q.1 Most of them are in early stages still, so I realize the valuations are changing over the years – either decreasing or increasing. [...] So usually I try to see myself if the business has a promise of going, and I trust the crowd to do the corrective work. Entrepreneurs will respond to that. If they see the crowd is not responding they will rethink their evaluations and come up with better numbers that are more attractive. (I3.2017) |
| | | | L | Q.2 Yes, I trust the valuations (I1.2017) |
| | | | L | Q.3 I am satisfied with the [Brewery X] valuations. The other ones are more a bet, a risk. (I4.2017) |
| | | | L | Q. 4 I use the information that is provided. Some financial details, vision, and so on. In some cases I go more into the description, and the market, to value if there is a chance of success, (I3.2017) |
| | | | L | Q.5 I think the two I invested in the valuations were pretty good – good enough. (I8.2017) |
| | | | L | Q.6 I prefer to invest in more tangible projects. Anyone in the virtual space can claim their valuation is so and so on. No one knows. Whereas I can see – for example [heath company] they have researchers, a small lab and constant costs, so we know what they are doing. That is how I believe in valuations. The rest of the valuations are just numbers. (I9.2017) |
| | | | L | Q.7 I think this is where the platform comes in. you say – it's a good platform – and it is their task to do due diligence. There are millions of start-ups, and a fraction can come to the crowdfunding platform. This is where some of the platforms are better than the others. There are people there who know about valuations, and know about who comes in – that's useful. (I13.2017) |
| R. Learning from other investors on the online discussion groups | | | L | R.1 Online discussion forums are useful to see what others are asking saying about it. This is a big part of due diligence, to see what are other people thinking and why are they thinking they that. As well as the responses of the people that are fundraising. (I1.2017) |
| | | | L | R.2 Yes I follow the online discussions regarding the pitches. I have also followed crowdfunding campaigns, to see when they are successful and when are they not. (I2.2017) |
| | | | L | R.3 It's funny, in the beginning – yes. Then I didn't follow them. But after the experience of losing money, when I decided to invest in the mini-bonds, I read tons. The forum was very important to me then, to see if people were trusting it. I started to realize also, that some companies are very good at responding, to anything. Whereas other companies, it may take them days to do so. Perhaps it would have been an amazing company, but I didn't like that. Sound and solid responses increases the trust. (I4.2017) |

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| | | L | R.4 I do value the others on the forum. There is lots of things people would ask, which I wouldn't – people with different areas of expertise. So it is very important. I would also read comments that other people put forward. I am not an accountant, but some people raise very good questions in relation to that. (I5.2017) |
| | | L | R.5 On the online discussions there might be people cropping up who know about the specific industry or the sector that the business is in. I would maybe ask more technical questions about competitors, or viability of the product that someone who is not experienced on, might not think of. They can be very interesting people there – I am not big on the details and finance side of it – but there are people who go through that and sort of poke holes. An example would be [Firm X] where people pointed out the big losses that were made financially – kind of putting that to them and asking direct and insightful questions, about the financials and viability of the product and the market. (I10.2017) |
| | | L | R.6 I do look at it. I do read some of it. Very often there is a question asked that I would like to know the answer of as well. But I wouldn't say it influences me. I have never come across anything that changed my mind – to put it that way. But I do think it is important, if people ask questions to the guy that is raising the money. What I am most interested in is 'how' they answer it, rather than what they answer. How transparent are they, are they trying to answer the question or are they trying to avoid it. (I12.2017) |
| | | L | R. 7 I used to follow the crowd, so to speak. But I stopped that now (I13.2017) |
| | | + | H R.8 Sometimes I'll look to see what other people are asking in order to understand better what the key issues are in that industry. Yes, I think there is some value in that process even though there's also a lot of idiots who ask questions that show they really don't understand what's going on at all, or who make aggressive public comments about the valuation of a company. (PM-r.2017) |
| | | + | H R.9 Yes, absolutely I follow the online discussion about the pitch. The forums where people ask questions, yes, absolutely. The wisdom of the crowd. One doesn't have a stranglehold on all the good questions. Yes. I find that pretty useful, the forums where people ask questions, I definitely always review those as well. (DM-r.2017) |
| | | + | H R.10 A lot of the reason for investing I'd say was because of the lead investor that. Well, he's a very reputable, guy. He's like a really reputable investor and he's got a great track record. (DP-r.2017) |
| | | + | H R.11 I think you'd absolutely be foolish not to read through everything online and the investor discussions are really useful. Because I've put up a couple of questions myself in the past. I'm not a big one for getting involved in terms of being the instigator of discussions, but there's usually some very interesting discussions up there. And people come up with questions that you may not have thought of yourself, so you can read through the questions. The companies are all abound to reply. I think they're foolish if they don't, because they look a bit daft and actually, things like that have put me off investing in a couple of people. My perspectives being, if there's an investor discussion started by a potential investor and he puts a question up and he doesn't see a reply for a week or so. Then I think, "Yes. I know you're busy, but you're trying to raise money from us." (EB.2017) |
| | | + | H R.12 Quite often in every occasion I will look at what other people are doing. It's very important to me that there's critical mass. Other people who are probably more sophisticated do, do more due diligence than I do. It's very important that I know the schemes and pictures are going to be fully funded and a go ahead. So I will come in at 60 or 70%. It's pretty easy to spot the pitches that are going to be successful. Because they get early traction. They get to 50% within a few days and then 60,70%. Then I'm thinking. "Okay. There's a lot of people that think that these--" Yes. I now know of course and quite often the other investors are friends, or venture capitalist that we're already putting in. That's a |

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| | | | | nonsense. (JC-r.2017) |
| | | - | H | R.13 I will typically not discuss it with other investors. I will definitely bounce it off friends and family and potentially also people I work with in the investment community, but not rigorously I see this more as my own personal decision making. (MB.2017) |
| | | - | H | R.14 Like a five-year-old can invest in one of these companies. It doesn't mean that I'm going to value the opinion of a five-year-old. I don't know anything about the backgrounds of these people to wonder how much I value their opinion. If I was part of some type of investment club where I knew that everyone in that club met a certain criteria and we could discuss, then yes that would be a different question. But at the moment I don't see it that way. (ND-r.2017) |
| | | + | H | R.15 I do look at the online discussion. I find that very useful, because invariably, somebody's always thought of something that I haven't thought of and also they ask some pretty good questions on that. Yes, I follow the online discussion. (ND-r.2017) |
| | | + | H | R.16 Based upon things that are around coming through the discussion forum et cetera. I ended up canceling the investment before it closed. Then there are kind of a few investments where the idea looked interesting to me but clearly wasn't of interest to the wider crowd community. And so they didn't actually reach their investment target so the deal didn't actually close. think the discussion forums are probably one of the most useful areas, because clearly, with a lot of the early stage businesses, if you're just making a decision based upon the likely returns that they are stating in their business plan, or even based upon what other similar companies in the sector may have achieved through some sort of trade sale, or IPO or whatever it may be, often the multiples that they are talking about are massive, and I think to put all of your faith in something like that which is, made with some possibility happen, is probably a little bit too naive. (RA-r.2017) |
| | | - | H | R.17 I have a brief look at the questions that other people have asked. (RH-r.2017). |
| | S. Communicatin g with other investors offline/post- investment | | L | S.1 Not before the investment, but I have subsequently built connections with other investments after the investments – partially through the creation of investor groups by the company. It is a good community for investors (I2.2017) |
| | | | L | S.2 Not really, I have wanted to though. I receive invitations to join activities or events. So far I have been very busy, but I would like to, because I don't know anyone who is doing this type of investing. I would like to get in touch with people who are in a very similar situation to mine. (I4.2017) |
| | | | L | S.3 [The platform] are very good. They do have events, every six months or so. Which you can go along to meet other investors – so yeah I did that (I12.2017) |

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| | | L | S.4 Yeah there are different ways of staying in touch with the investors, and meeting other investors. [Platforms X and Y] had some events, and I go to some of these events just to see what others are doing, what the platform itself is doing. Some of the pitches I go to listen the start-ups. For me it's more about getting to know, and meeting new people – and as I said one of my drivers is looking at – understanding the space, understanding the start-ups, and understanding what is happening, with the founders. For me those kind of events are interesting, so I get to see and understand (I13.2017) |
| | | - | H S.5 Other than reading stuffs, but I don't communicate with them. I may post some comments on the web page, on the platforms but I -- and then some people take helpful of whatever as I do, but that's about it really. (AG-r.2017) |
| | | - | H S.5 No I don't. (DM-r.2017) |
| | | - | H S.6 If I do discuss with other people, it would probably be after I've made the investment in the sense of-- I mean the occasionally, if it's a big raise like I think revenue, like I gave the example of raising money, talked about that with other people etc before, but generally no, I'm on my own. (DP-r.2017) |
| | | - | H S.7 Ultimately I make the decision myself and I don't engage in direct one to one conversations with any other investor to sway my decision. My decisions are informed by what information I can gather, but down to me at the end of the day. (EB.2017) |
| | | + | H S.8 I've been to a couple of open days and I've met other investors. (JC-r.2017) |
| | | - | H S.9 I don't really have the time to do that and the majority of these cases, the amount of money is not enough to warrant that time. (MB.2017) |
| | | + | H S.10 I come across something that I feel I'm prepared to make a sizeable investment, then yes, I would do more work into it and discuss with more people. But I'm viewing this, like I said at the start, more of a hobby type of investment. (ND-r.2017) |
| | | - | H S.11 No, not particularly and there isn't an official channel for being able to do that because you don't know who the other investors are or you shouldn't know who the other investors are. Obviously, everybody can access the list of shareholders at Companies House but all you're getting there is a list of names and the entrepreneur should not be communicating other than via a BCC so you wouldn't get to know who they are. I did have one investor who didn't use the BCC and I then spotted that an old friend of mine from a completely different walk of life was a tail investor in that company, which was quite interesting but I should never have got to know that. (PM-r.2017) |
| | T. Communicating directly with the entrepreneurs on and off the platform | L | T.1 I just email them and ask how it is going. Most of them have a monthly newsletter, and a lot of it seems about advertising the products to get early backers. So it is also a marketing tool, next to an investment tool – to spread the message. (I1.2017) |

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| | | L | T.2 Yes, I communicate with the entrepreneurs' pre and post investment. The most successful ones are the ones that are most engaged with communication platforms, Facebook for instance. Here they share about good and bad, how they are doing, new things about their projects – that is part of the joy (I4.2017). |
| | | L | T.3 Yes, I like to have contact. Most of them provide some regular updates. I also try to connect with them, especially if It is a somewhat larger amount or if I care about their project in particular. I try to connect with them on LinkedIn, and if I have a tip to offer or something that I think would help the project then I try to share it. So, yes it is important. I have my own business so I understand that it takes a lot of time just concentrating on the business, so I don't expect them to always willing, even to make a connection [...] or to respond to questions. Overall I am happy, especially if they provide updates regularly to all investors, its fine. (I3.2017) |
| | | L | T.4 It is important to see them responding to questions, but I haven't been to any life pitches yet. I did go to an AGM for one of my investments. (I5.2017) |
| | | L | T.5 I think those platforms are very unsuitable for having any sort of impact on valuations. They act on those platforms and they feel very confident on feeling validated through the platforms. The valuations are very much along the lines of take it or leave it. They would not have a constructive conversation on value, they follow protocols. I found it did not actually reflect the value. (I6.2017) |
| | | L | T.6 I think the two I invested in were pretty good – good enough. I think a lot of crowdfund investments are poor – in terms of value. They overvalue and offer too little for what their raising. But that's because their dealing with small (retail) investors, who are on the whole not that experienced I think. (I8.2017). |
| | | L | T.7 I can see that the start-ups that are most active in having a conversation with current and potential investors are the ones that are most likely to be successful in getting their funding and come further. It also seems to make investors more patient, once they have funded, when they feel they have a good conversation with the start-up. That is what I learned, that because of the size of crowdfunding you have the opportunity to engage with the start-up and the founders, whereas if you invest on the normal corporate stock market you are still very distant from the management and you don't have much to say.(I2.2017) |
| | | L | T. 8 Another firm I invested in was [Firm X], I invested a couple of grants into that one. Ive got involved with the guys as well, I kind of meet up with them once a month. I would describe them as nice guys, working very hard (I11.2017) |
| | | L | T.9 We sent the entrepreneur a list of questions. This happened over the weekend; we sent it on Saturday night and we got very solid and clear responses by Sunday afternoon. So we emailed back and forth, and that gave us a very good impression. (I7.2017) |
| | | L | T.10 I wanted to meet the management before I put 10 grand in. I emailed them and then they opened an office in London and invited me to meet the team. (I12.2017) |
| | | L | T.11 On my checklist would be – to have a good google on the directors themselves, to see if they have been naughty at any stage, or involved in companies that are no longer existing, and if so – why. I would also always meet up with at least one of the directors, just to get a feeling for them.(I11.2017) |
| | | L | T.12 What I've done with some of them, contact the founders and say 'do you have this or that, a plan for instance'. Some of them share it once you are signed in in the platform. Others say, get in contact if you want to know more.(I13.2017) |

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| | | + | H | T.13 I already enjoyed mentoring the startup, the founders of the business in discussions about what we're doing, what they're doing, and how we can do things differently or better. (AG-r.2017) |
| | | + | H | T.14 It's also the interaction. In most cases, I will have communicated with the representatives of the company. Whether that's the CEO, or the CFO, or whoever, with some kind of question. Giving advice to the companies is another interesting aspect of crowdfunding which I think is completely secondary and coincidental but funny enough I think is really very interesting and valuable. The directness of contact between me and the company. I don't want that to be removed. If I cannot have that direct contact, if someone has to be an intermediary in the way, then that would really spoil it. I fundamentally believe that crowdfunding was inevitable. The birth of the concept was inevitable, because the traditional stock market, has become so complex and so institutionalized. (CS-r.2017) |
| | | + | H | T.15 I looked for things like how quickly they responded to questions on the platforms. I looked at how good the answers were and this provided me with quite a high degree of comfort, actually. (JC-r.2017) |
| | | + | H | T.16 Right from the start. I ask a question on the platform during the pitch. It didn't get answered, or it took a week to get answered or something that was it, it was finished. (JC-r.2017) |
| | | + | H | T.17 A lot of the diligence then happens through the Q and A forum and so the crowd drives it. I've asked questions myself. Not a huge number but for something I'm particularly focused on and it's not being asked, then I have asked it. I would definitely follow all of the Q and A's because I think important things get flushed out. I think the Q and A is pretty high up there because that is basically active diligence taking place in real time. (MB.2017) |
| | | + | H | T.18 In a couple of instances, I've actually asked questions directly via the [platform] sites to the entrepreneurs, just to get a little bit more sense about the business. But I think often the questions have been raised on the discussion forum, or it's information that you can get through the information that [platform] actually put up on the businesses which are pitching. (RA-r.2017) |
| | | + | H | T.19 With some of the products in investments, if I come across something that I think would be useful to the entrepreneur, I'll share it with them. (PM-r.2017) |
| | | - | H | T.20 Very rarely. If I need clarification on some financial figures I will do, but otherwise I don't. (RH-r.2017). |
| | | + | H | T.21 I initiated a dialogue with the people who are looking to raise money. I said, "Look, I'm interested in putting in like 100,000 and they're like, "Oh. Okay." We went ahead and did that, so I have essentially £100,000 equity stake with them and then later they came back outside of the platforms that they have these convertible bonds that were rolling off and was very interested in taking a tranche. (Rs-r.2017) |
| 3. Reason for avoiding investing through ECF. | U. Poor reviews and success rate | | L | U.1 I read this blog, which has shed some light on perhaps some of the guidance and due diligence that is performed – that is not quite up to scratch. So I have pulled back a little bit and not put more money in (I5.2017) |

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| | | L | U.2 The current success rate is quite low – across the board as it were. So I am waiting to see how things go and whether or not they have been regulated or not doesn't seem to make a big difference in success at the moment. (I5.2017) |
| | | L | U.3 One firm failed completely, declared bankruptcy, but why did it go so quickly? There was no information, so bad. Within one year they went bankrupt, that's not good (I9.2017). |
| | | L | U.4 Yeah it really does put you off, when you see so many of the stories – I have also seen one of the stories on one of the companies I have invested in myself, which I didn't quite pick upon myself. Afterwards I was like 'oh yeah that is actually true, that was actually not correct, was it'. When you see the full breadth of them. But just to see a lot of companies are not acting properly, shall we say. But a priori – going back 3 years – I would have predicted it to be better than it is now. So I would have definitely have expected more and it is obvious at this stage that the portfolio that I have is very unlikely to give a big return. (I11.2017) |
| | V. Conflicts of interest between the platform and investors | L | V.1 I think there is a slight conflict of interest for the platform, as of course they want to get as many raisings as possible ... so they don't necessarily want to be turning everybody away. Uhh.. it is a bit of a tricky line. (I5.2017) |
| | | L | V.2 .Essentially some of the money that was raised via [the platform] I believe, was used to pay back the loans of one of the directors. I think this is not correct. The office space ended up being one of the director's apartments. So I guess the company's money was redistributed to the rent. I think in his mind he felt he could justify both of these things, I don't think he was out to rip anybody off, but it is still not how you expect your money is going to be spent when you first invest your money (I11.2017). |
| | W. View that investments on ECF are less robust and attractive than professional funded investments | L | W.1 I found it sort of interesting, but to be honest, the more I look into it I am also put off. Usually the moment you see anything on the crowdfunding platform, either means that all the professional investors have turned it down, or the professional investors already tried to capitalize on a prior investment round. It raises warning signs for me (I6.2017) |
| | | L | W.2 Equity crowdfunding is not the sweet spot for me, if you get what I mean. It's usually the wrong investors, the wrong situation in terms of either an unproven business model trying to raise funds, or investors cashing in something that may not be as great as they thought – early exits type of thing. It is just, it does not always feel right to me. (I6.2017) |
| | X. Inexperienced entrepreneurs with lack of business knowledge | L | X.1 They turned out to be run by people that just didn't seem experienced enough on the business side of things. Maybe on the product side, which they initially founded the company for, but most of them didn't seem to be very business savvy. They didn't know how to do a liquidity forecast, or didn't know how to handle a situation where things didn't develop as they planned. They simply had a lack of technical knowledge, which I sensed from the fact that people didn't have an idea or necessarily had a business background, and I don't think they got the right business people in. they think it is all about the product, but it's not. You have to get the business side of things right. (I5.2017) |
| | | L | X.2 I am of the view that the reason a significant number of businesses never succeed is because the owners actually won't listen to anybody else. They won't take advice. They know best. Now – arguably, if you're running your own business, you don't want other people telling you how to run it. I can understand that. I ran my own business. In fact, I was in a partnership and that made a difference. It's not my own, there is |

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| | | | | someone else you had to listen to, because you're both shareholders. So that was slightly different from being a sole entrepreneur, although I have done that myself as well. So, I think a lot of entrepreneurs don't listen to advice. I know, they won't listen, and that's fine. But then you have to say- I would not invest money if it is behind someone like that. Because in any sort of business success, you have to have a team – somewhere along the line. And if you're not want to listen early on, you are probably not going to change your mind (I12.2017). |
| | | - | H | X. 3 Of course it failed. In the meantime I went to an investor meeting. I met them. Yes. Nice guys, nice people, but were they commercially minded? Possibly, no. They weren't. (JC-r.2017) |
| | Y. Poor advice from the 'herd. | | L | Y.1 Your co-investors are usually relatively unexperienced and uneducated investors. (I6.2017) |
| | | | L | Y.2 ECF is almost like shopping. Your online, you don't talk to anyone, you look at a sales pitch. It is just about the idea. You look at beer and you think oh that is cool. I think the psychological edge that the company has is quite immense. It is a relative indirect way of pitching something, almost like Amazon or Ebay. Overall, it is far too easy. Even though there are warnings – if you are excited about a project, you decide to buy it – without really looking at valuations. People make the wrong decisions based on incomplete information. There is the golden rule in finance 'don't get emotional' when making investments. I think emotion is the only thing driving the equity crowdfunding. It is tempting to invest, and tempting to let go of all caution. Most people probably spend more time buying something or 25 pounds – by comparing prices – than for a couple of thousand pounds into illiquid investments like this. While it is so likely to fail. (I6.2017) |
| | | | L | Y.3 No. A good investment is something you discover, keep from others and you try to get the best deal. It's not in your interest to attract others because it makes everything more expensive. The best time to invest when everyone thinks it's a bad investment. I don't believe in the crowd. They're always wrong. (I14.2014) |
| | | | L | Y.4 Yes, I do look at it. Sometimes they can descend into anything like the YouTube comments or online forums, it can get a bit sort off topic, or snarky, or there is some where clearly naivety is showing. As it is such an open platform, there were some people talking about 'when do we get this money back' or 'when the business exits, give us a brief headline of that', and then somebody else would come back saying sold when to who?, and they didn't really understand the concept of long term high risk investment (I10.2017) |
| | | | L | Y.5 I would like to think of myself as being quite independent, and being aware of psychological biases. So even the fact that other people are investing on the website doesn't really concern me or not. I think that's a trap that many people fall into. It's a bit of a game that is being played now – to lower the target you want to make sure to get to the 100%, and then the rest would think 'oh this must be good because the whole crowd is investing'.(I11.2017) |
| | | | L | Y.6 But no, I wouldn't rely on someone else's... it's my money. Just like what I said about entrepreneurs. I wouldn't rely on someone else's opinion – I read chip sheets, and magazines etc, but at the end of the day – it has to be your decision, it has to be your own criteria. And all people have different criteria, which may not be the same as mine. So I don't.(I13.2017) |
| | | C | H | Y.7 I will often watch the other investors. I can't see them in person, but I can see how much of the percentage of the requested amount has actually come in, and that sometimes influences me, if I feel that I'm not entirely sure, it's good to see what the rest of the investing community thinks. If it starts to go up quickly, then that's an interesting indicator. (CS-r.2017) |
| | | C | H | Y.8 Also one of the factors that often plays as a sign of confidence is the largest investment that somebody has made. In some cases even if a company is only seeking 150 to 200,000 you'll often see that one investor has made £40,000 or £50,000 investment in that business which clearly indicates that there's some faith, that will pay out. (RA-r.2017) |

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| Z. Poor commitment and feedback from entrepreneurs | | L | Z.1 No. Equity crowdfunding not. It is just not ideal for me. The hurdle for a company to be committed is too low. Why would they talk to me if they have 599 other investors? The fact that they don't shows me it is too easy for them to raise funds. (I6.2017) |
| | | L | Z.2 I have also found the post-investment phase quite frustrating. Everything that those firms on the threshold promised, in terms of their product offerings, or growth they promised, and communication, and what they did with the funds... I mean you never hear back from them unless you send them an email to ask what they are up to. They promise quarterly or semi-annual updates, but you never receive them. if you ask for one, you get a relatively informal email . (I6.2017). |
| | | L | Z.3 Part of the problem is that everyone is looking for interesting investments, but the contact through the platform is so unipersonal and almost non-existent. Standardization is necessary (I6.2017). |
| | | L | Z.4 When you're invested online you have no influence. Offline you can be involved with the board, have management influence. As part of the crowd you have zero control, being one out of 250 other people is not interesting. These are donations more than investments. |
| | | L | Z.5 The thing is that many discussions are posted on the online discussion, but what I noticed is that there were very few replies from the guys raising. Very bad. Very bad. They have to be active. Maybe they have to allocate a one week slot to keep on answering. It is very very poor.(I9.2017) |
| | | L | Z.6 I got an email from them a week back, saying 'the general meeting was held, and there was a majority of votes to changes the articles of the association'. This was news to me because I didn't see any notification coming around that there would be a meeting, and I don't know what these articles of association are. So I responded to them 'would you mind to share them, and by the way how did you notify the shareholders?'. That has not been replied to. I know they were having some difficulties, but... It is a bit like you get money from the shareholders and then you don't care about them anymore.(I11.2017) |
| | | L | Z.7 I can't say if I actually had a response to a personal remark I made, I have done it twice. To one, I sent two emails and a phone call to the CEO, but I never got a response.(I10.2017) |
| | | - | H Z.8 Because the level of shareholder, communications to the shareholders in too many cases is just dire, it's often non-existent, (AG-r.2017) |
| | | + | H Z.9 I do like to see good quarterly reports and I read them. All of the companies in which I invest have sent out some form of regular update, most of them anyway and some are better than others. There are some that are better than others and my gut feeling is that those that have created a periodical report which really captures the important aspects of what's going on, are likely to be more successful. Getting those is very important. One of the things I really enjoy is, now I'm three and a half years in. My very, very first investment, I've seen how it's grown, I've kept in touch with them, I actually visited them in July, the company and they've got a shop just off Oxford Street. (CS-r.2017) |
| | | - | H Z.10 It's very important. It's also important from the company's point of view because a lot of these companies, this is not going to be the one and only time they need to raise money. A lot of them will need further funding rounds to get where they going so it's in their own self-interest to keep investors on board with what's going on, and part of the process but some of them are not very good at it I must say. I think those companies that are more involved in the consumer space are pretty aware that it's useful to engage with your shareholders as brand ambassadors, and things like that. They can be quite good at keeping you involved and in the loop, and feeling part of the process. Perhaps more as a consumer than as an investor though. Apart from that, I would say that some of them are not so good at keeping you up to |

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| | | | | speed with financial developments. (DM-r.2017) |
| | | - | H | Z.11 It's incredibly important I think to have-- I expect quarterly feedback from companies, which I don't think is overly demanding. I understand obviously they don't want to be inundated by the small investors asking them ridiculous questions, but to have update quarterly I think is very fair. Also, it's the quality of the update. Because sometimes the information you get provided with is just crap. ? I deal more with companies where I have larger investments. If they are not providing updates, it's unlikely that I'm going to invest more and so I'm not going to waste my time. (DP-r.2017) |
| | | - | H | Z.12 I want feedback, again, I want my half yearly commentary from the company. The feedback that I get obviously has, ranges widely, from no feedback, if things are not going so well, to really proper feedback. Feedback is what I thrive on. (JC-r.2017) |
| | | - | H | Z.13 I think there's lots of opportunity here that's not being accessed yet. I think there should be much better tracking of the updates of the various companies. A bit like if you invest in a fund you might get an annual or semi-annual update on your investments. I think they do it at a very basic level at the moment. I don't think the platforms take much responsibility for it, I think there would be much more interest if the platform provided you the consolidated dates on the investments. |
| | | + | H | Z.14 Very important. I don't think I've actively chased any company to give me an update, but if they don't give me an update then I know they don't have anything to share and know it's heading pretty quickly toward bankruptcy. If I don't hear from a company, I know they're going to be bankrupt soon. If they've got something to share about, they're quite quick to share about it. I wait for them just to send me stuff. I generally don't communicate with them unless I'm either claiming investor rewards, or following up tax certificates, all that type of stuff. I do follow Twitter accounts and I do receive updates on Twitter. (ND-r.2017) |
| | | - | H | Z.15 If you could project forward and know the degree to which the entrepreneur will communicate with investors, then I would not invest with those who don't communicate. There's one or two in my portfolio who are atrocious about communication. There's a couple more who will communicate but only when they want more money and then at the other end of the spectrum, there's one who has a channel of communication on Instagram and have stuff appearing almost weekly. (PM-r.2017) |
| | | + | H | Z.16 If they don't communicate with me in a 12 months period, I go back to them and say, "So, what's going on? Can you report back to us shareholders please?" The best ones are reporting quarterly and I will congratulate them on reporting with that frequency in order to encourage them to continue. I'll also occasionally ask them a question in relation to something they've reported. (PM-r.2017) |
| | | + | H | Z.17 I'm not sure whether it's mandatory, but I've started to see more and more that businesses doing quarterly updates for all the shareholders in time in terms of performance and future plans and those kinds of things. That plays a part in any decision as to whether, if they're seeking to raise further funds, whether you want to actually maintain your percentage shareholding in the company. Invest more so you don't have your shares, shareholding reduced. (RA-r.2017) |
| | | + | H | Z.18 Some are good. You get lots of updates, of course through trading but it's quite good though I would just prefer once or twice a year, say six months or annually. (RH-r.2017). |
| | | + | H | Z.19 I get these updates, but sometimes when I feel like I go onto the website and follow the online updates, there are either-- they're not-- They're just like some discussion forum and I really don't have the time and the interest to-- There was one, particularly stands out where some investors complaining about, "Well, you didn't tell us you're going to do this. This is equity, just deal with it." It's just something that the level of sophistication on the crowdfunding platforms is actually very low. For this size in my portfolio, it's not really important at all. (Rs-r.2017) |

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| AA. Lack of confidence in platform regulations and related investor screening | | | L | AA.1 It does not give me more confidence that it is FCA regulated. That regulatory oversight, I don't think it means much. Obviously there are certain hurdles or criteria that have to be met, but overall it says very little about the investment being a good one. Secondly, I think it is also under regulated, in the sense that it is far too easy for the regular investor to getting involved on the ECF platform. (I6.2017) |
| | | | L | AA.2 I saw people who buy part of an unquoted company at 10.30 after a night out. They go online, browse the platform, look into it for 5 to 10 minutes and then they purchase. It is far too easy. I don't know what should or could be done, but it is something that is far too accessible to the average person. (I6.2017) |
| | | | L | AA.3 I think a lot of crowdfund investments are poor – in terms of value. They overvalue and offer too little for what their raising. But that's because their dealing with small (retail) investors, who are on the whole not that experienced I think. (I8.2017). |
| | | | L | AA.4 FCA it is just a supervising body, I don't feel they have any resources to go further and drill down and see the promotors background and valuation.(I9.2017) |
| | | | L | AA.5 For me that the platform itself is regulated by the FCA probably doesn't concern me, because ultimately if you invest in a small business, to these two directors that are running it – are they eventually going to pay us all or are they going to pay themselves for a nice salary (I11.2017) |
| | | - | H | AA.6 I don't think the regulations they're strong enough. You do question some companies raising money. Everyone can raise money with like in terms of-- any company can have a bad business plan that shouldn't receive investment. I guess that all these companies do end up secreting investment. But then my concern is more on the corporate governance side where people are raising money and then not performing in a way that it's in the benefit of shareholders. (DP-r.2017) |
| | | - | H | AA.7 I don't have great confidence in the regulation to actually make the quality of the investments or the companies that get listed much better. But hopefully it is a process they have to go through and so it will minimize the number of cowboys that are in the industry. It's like doing huddles which raises the bar, but its not a very high bar. (AG-r.2017) |
| | | - | H | AA.8 It's too easy to get on the platforms. It's usually easy for anybody to go on a platform and then go back on the platform when they've spent all the money on the first round. It's ridiculous and so to people that think they're going to make a quick buck that's not going to happen. There has to be more regulation there has to be. It has to be I don't know which authorities. But it has to be regulated better I think. it's too easy to get it wrong. It should be the case that you shouldn't lose your money so easily I think that it 's too easy to loose everything very quickly and there's no stopping these companies, who's basically spending your money on salaries. You just can't stop that. It remains extremely high risk really. (JC-r.2017) |
| | | - | H | AA.9 I don't feel it's regulated well enough. What I feel is missing is I don't feel there's enough protection there for investors, and I believe if the FCA doesn't move quickly to tackle this, I can see crowdfunding as a whole not doing too well and not surviving too long. What I mean is, for example, if I set up a company and I've got a reasonable good idea. If I'm selling these bottles, there's something unique about it, and I've sold enough that I can prove that my company's worth a million dollars or \$10 million, or whatever, I can raise funding. Once I've raised funding, there's nothing preventing me from essentially lining my own pockets with that money. This is one thing that I'm not sure most investors actually understand. As an entrepreneur, if I've raised a million dollars from the crowd, I'm fully responsible for that million dollars, but I've got no accountability. This is where I feel the FCA needs to do something to protect the shareholders. (ND-r.2017) |

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| | BB. Lack of control and confidence in the valuations | | L | BB.1 I think those platforms are very unsuitable for having any sort of impact on valuations. They act on those platforms and they feel very confident on feeling validated through the platforms. The valuations are very much along the lines of take it or leave it. They would not have a constructive conversation on value, they follow protocols. I found it did not actually reflect the value. (I6.2017) |
| | | | L | BB.2 When you're invested online you have no influence. Offline you can be involved with the board, have management influence. As part of the crowd you have zero control, being one out of 250 other people is not interesting. These are donations more than investments.(I14.2014) |
| | | | L | BB.3 I do know that on forums there has been a lot of criticism that crowdfunded business valuations are inflated.(I10.2017) |
| | | | L | BB.4 I think many [valuations] border on ridiculous. On the [company X] one – that was taking advantage of unsophisticated investors. A VC company was investing simultaneously. The deal that was presented to the crowd was that you are investing on the same terms and valuation, which was already very high. But, on that one - what I felt was very misleading, all the kind of seniority rights, or whatever they may be, but the VC made their investments much more valuable than what was going to the crowd. I forgot the terminology, but the VC would be paid back first, etc, etc. That was not made obvious on the pitch, so I think that is taking advantage of unsophisticated investors.(I11.2017) |
| | | - | H | BB.5 The valuations are over-inflated, and I think, convey unrealistic expectations I almost think the tax relief is effectively included in the valuation in that, in other words that 30% to 50% overvalued, which negates the tax incentive. (AG-r.2017) |
| | | - | H | BB.6 Everyone always projects to the moon. Sales are going to go up and revenue's going to go up, and ad infinitum, forever and ever and the track record of the people involved. (DM-r.2017) |
| | | - | H | BB.7 There seems to be like a trend of not providing financial information now, because they always used to provide financial information but they were so off in the-- obviously now crowdfunding has been going for I suppose for what like six years or something. People can now look back... (DP-r.2017) |
| | | - | H | BB.8 Almost uniformly I think they're very optimistically valued. What's put online via the crowdfunding sites is a sales brochure. Clearly it's nothing else apart from that. It's to entice you in. It's to entice you that this is a good investment, it's something worth investing in. The information that's presented there I think it's good, but if you think that's the whole picture, I think you are being very naive to yourself and your investment. (EB.2017) |
| | | - | H | BB.9 I know extremely well you can lie in your accounts. Accounts say what you want to say so in many ways. I just think that everything can be manipulated in any way that people want and indeed this is, it becomes clearer and clearer as things progress. Whatever preparation you do to be taken with the fact that figures can be manipulated. People say things that you want to hear. Any sort of due diligence that the platforms supposedly do before companies are allowed to raise funds. I take with a pinch of salt, I think is a little bit rubbish actually. Certainly the projections of these companies during that the pitch is ridiculous. They're ridiculous all of them. (JC-r.2017) |
| | | C + | H | BB.10 Often in this world, valuations are relatively optimistic. I would say there's been a few instances where valuations have been what I would say would be beyond outrageous levels but not many. I think there are some that as you would normally expect, optimistic. Valuation is something I focus on. The ones I've invested in will be ones where I felt the valuation was at least reasonable and the way I think about valuation is like can I see the potential for this business to be worth at least three times that amount if things play out a certain way. I mostly have a view to whether not only that is a realistic valuation in relation to the company today but is it realistic for the business to get significantly more valuable and someone to put that value on the business in an exit. Some of the ones I've voided, would be ones where I feel the valuation is excessive. (MB.2017) |

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| | | - | H | BB.11 I feel most of the valuations are grossly over exaggerated, and most of the time it's more of a wish as opposed to any realistic valuation. (ND-r.2017) |
| | | C, + | H | BB.12 I think in general like the valuations are probably in line with what the business could achieve. The fact that again you get the comfort of the crowd because there are some many people investing in it and believing that the multiples that they're talking about probably are right, almost gives you some comfort and confidence. (RA-r.2017) |
| | | C, | H | BB.13 Some are good and others are less good (RH-r.2017). It's interesting because there was definitely only one company where I interacted with in terms of their figures. Just their replies then put me off investing in them. (RH-r.2017). |
| | | - | H | BB.14 I think that early stage equity evaluation is just-- it's kind of a joke. It's a complete stab in the dark and anyone who-- You know what I mean? Really in an equity investment you're depending on the future cash flows to the equity holders. Sure. It's 99.9999% assumption and 0.001% reality. (Rs-r.2017) |