

## Proprietary Intelligence

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### **Sector Overview – Australian crowdfunding sector set to see meaningful growth and M&A this year**

Analysis

*The Australian crowdfunding sector is expected to see meaningful growth and M&A this year as the industry evolves and with COVID-19 fast tracking further digitization of the sector and businesses generally. This overview by Mergermarket senior reporter Louise Weihart in Sydney features recent deals, industry research, insights from sector players, and a selection of companies to watch.*

The Australian crowdfunding sector has started to mature and received a boost from COVID-19, resulting in new entrants and business models entering the market. We can expect to see rapid growth and M&A this year, said Mark Rainbird, owner of Queensland-based capital raising and corporate advisory firm Funding Strategies.

2020 was a difficult market for capital raising, especially for private and early-stage companies, but it is expected to hot up this year and equity crowdfunding providers that support the sector will become increasingly important, agreed Alex Jamieson, founder of Melbourne-based advisory firm AJ Financial Planning.

While equity crowdfunding is not new to Australia, it was restricted to wholesale investors under Section 708 of the Corporations Act 2001 until 2017 when Crowd-Sourced Funding (CSF) legislation was introduced, enabling private companies with turnover or gross assets of less than AUD 25m to raise up to AUD 5m from retail investors via crowdfunding.

The UK equity crowdfunding market, which is the world's most mature, is starting to see meaningful M&A, as evidenced by the USD 140m merger of the UK's two dominant platforms Crowdcube and Seedrs last October, and this is a relevant precedent for Australia, said Matt Vitale, co-founder of Melbourne-based equity crowdfunding platform Birchal.

Australia is still lagging more mature private capital markets like the UK, US, Singapore and Israel but digital adoption "has grown 10 years in one year" due to the COVID-19 pandemic and the crowdfunding industry will advance too, agreed Jason Atkins, CEO of Queensland-based digital equity management platform Cake Equity.

Birchal research found that transaction value rose from AUD 14m in 2018 to just over AUD 30m in 2020, slightly down from the AUD 31m raised in 2019. While 1H20 saw a 54% drop in activity, there was a 31% uptick in the second half compared with the same period in 2019, Vitale said, noting that 4Q20 was Birchal's strongest quarter to date and he expects more upside for the industry this year.

#### **New entrants, new models**

We are seeing the emergence of more comprehensive offerings with new entrants either starting out with diversified offerings or existing players adding to their core businesses, said Cake

Equity's Atkins, citing as an example, Sydney-based capital raising and events company Wholesale Investor's equity investment in his company last July.

Private capital raising platforms are less sensitive to current market fluctuations and offer investors an opportunity to diversify their portfolios in uncertain times and we are seeing lots of investor interest in early-stage companies, agreed Jonny Wilkinson, co-founder of Trans-Tasman online investment platform Equitise.

### **The buyers**

More international investors including funds, family offices and US-based venture capital (VC) firms heading Australia's way via digital introductions are impressed by Australia's ability to manage COVID-19 and the innovation and resilience of local founders. They could well opt to also invest in local equity crowdfunding platforms to get further exposure to domestic deals, said Daniel Hallawi, founder of Sydney-based private raisings platform Kapvista.

Investment banks with retail arms like Citigroup [NYSE:C] and Macquarie [ASX:MQG] could acquire equity crowdfunding platforms to enhance their digital offerings and remain relevant to their clients in the post-pandemic environment, said Kenny Lee, CEO of Melbourne-based end-to-end capital raising company STAX.

Traditional stockbroking firms could pursue investments in their online counterparts to increase their digital offerings, while existing online players might target new entrants with niche technologies to enhance their offerings, added Cake Equity's Atkin.

Private equity (PE) and VC players could well start targeting roll-ups to build and add value to platforms, Equitise's Wilkinson said, citing as an example Menlo, California-based Andreessen Horowitz, which in May 2019 led a USD 300m Series E raise in San Francisco, California-based fundraising platform Carta, valuing that business at USD 1.7bn.

**Below is a summary of companies in the equity crowdfunding space that *Mergermarket* has covered or is watching:**

- The **Australian Small Scale Offerings Board** (ASSOB), which was started in 2004 and now trades as Enable Funding, is regarded as Australia's first 'crowdfunder', but has stayed true to its roots in terms of its investor profile with its VC investment platform facilitating investments from wholesale, sophisticated and family office investors, according to its website.
- Sydney-based **Wholesale Investor**, a capital raising platform and events company also supporting sophisticated investors, which started in 2008, supports both listed, private and early-stage raisings. The Sydney-based company acted quickly to make its business virtual last year.
- Wholesale Investor's purchase of a stake in **Cake Equity** is an example of the type of M&A we can see as platforms look to enhance their offerings, Cake Equity CEO Jason Atkins said. Cake Equity is gearing for an up to AUD 5m Series A raise later this year as it mulls options for global expansion, he told this news service earlier this month.
- Started in 2009, Sydney-based **OnMarket Bookbuilds**, has some 56,000 investors in its network and has helped 173 companies raise more than AUD 130m, CEO Ben Bucknell told this news service. He declined to comment on M&A but noted that the company, which facilitates wholesale transactions and gives retail investors direct access to IPOs, placements, and equity crowdfunding, is on a growth path, having also opened an office in Brisbane last year.
- Started in 2012, Queensland-based **Funding Strategies**, which facilitates raisings and provides corporate advisory services, has supported raisings of more than AUD 10m since its inception, sole owner Mark Rainbird told this news service this month. The company has been self-funded to date but could consider raising capital now to scale

further and set up a venture funding arm. There is a large gap in the market for early-stage companies, not least due to Australia's VC market becoming stronger and chasing larger deals, but it is "the early-stage sector that is driving the economy in terms of job growth and we are keen to support these companies and hence the economy by also undertaking our own direct investments", he said.

- Sydney-headquartered multi-asset-class crowdfunding platform **VentureCrowd**, started in 2013, with its first raising in 2014 being AUD 1.2m for taxi-booking service Ingogo, as announced.
- Sydney-based online investment platform **Equitise**, which started in 2014, plans to raise up to AUD 3m on a post-raise valuation of up to AUD 30m in the next few months to scale in its existing markets of Australia and New Zealand and to expand to Asian markets with regulations supporting crowdfunding like Singapore, Japan, Indonesia, the Philippines, and Hong Kong, co-founder Jonny Wilkinson told this news service earlier this month.
- Started in 2016, Melbourne-based **Birchal** has attracted investor interest, but has grown steadily with minimal external capital and is profitable, so it has not felt the need to bring in external investors, but could now seek to capitalise on current local and offshore opportunities, co-founder Matt Vitale told this news service this month.
- Started in 2018, Melbourne-based digital investing marketplace **Fresh Equities** could make another acquisition to grow its local presence, following its purchase of Australian IPO tracking website ipowatch.com.au late last year, CEO Ben Williamson told this news service this week (27 January). Last year *Mergermarket* reported that the company could raise up to AUD 10m this year and, while Williamson confirmed it is still exploring entry to the UK, Singapore and Hong Kong in 2021, he declined to elaborate on the raise.
- Melbourne-based end-to-end capital raising company **STAX**, which started in 2019, is a new breed of player in the space in that it not only facilitates raisings and provides advisory services but is also the only Australian capital raising platform to accept investments in cryptocurrency, and is launching a secondary market, CEO Kenny Lee said. Valued at up to AUD 50m, it is seeking strategic partners that can enhance its offering and help it enter offshore markets, he told this news service earlier this month.
- Also started in 2019, Sydney-based **FUNDSITION**, is not only a fully integrated platform for fund raising but also provides advisory, marketing and investment management services, and has launched a blockchain-enabled share registry, founder Nigel Abbott told this news service earlier this month. Its model is geared for the post-pandemic economy, which is characterised by growing investor appetite for early-stage investments and socially conscious businesses, he said.
- Launched in January 2020, Sydney-based **Kapvista** was born during the COVID-19 crisis and developed its model to meet the requirements of the new economy by combining technology with personal services including warm introductions to combat the absence of face-to-face events, founder Daniel Hallawi told this news service this month. It will review funding needs during 2021, with an up to AUD 5m raise an option towards year-end to scale and enter new geographies, he said.

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[See intelligence on companies for sale in the \(sub-\)sector in the last three months](#)

[See recently announced transactions in the \(sub-\)sector in the last six months](#)

[League Table of top financial advisors to the sector in the last 12 months](#)

**Bidder:** Citi, Macquarie Group Limited, Funding Strategies, Fresh Equities

**Other:** Seedrs Limited, Crowdcube Capital Ltd, Fundsition, Australian Small Scale Offerings Board, VentureCrowd

**Target:** eShares, Inc.

**Bidder:** Andreessen Horowitz LLC

**Target:** Wholesale Investor

**Target:** Cake Equity

**Bidder:** Wholesale Investor

**Target:** OnMarket Bookbuilds

**Target:** Funding Strategies

**Target:** Equitise

**Target:** Birchal

**Target:** STAX Exchange

**Target:** KapVista

**Target:** Fresh Equities

**Source:** Proprietary Intelligence

**Size:** < 500m (USD)

**Value:**

**Stake Value:** N/A

**Grade:** Confirmed

**Alert:** Australia M&A Intelligence

**Intelligence ID:** intelcms-wrx3xt



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