

# Equity Crowdfunding Readiness Guide

## Connections for Capital

**K**ia ora,

Welcome to Crowdsphere's readiness guide to launching your own equity crowdfunding campaign.

Equity crowdfunding is a fantastic way to grow your business. Crowdsphere is about much more than just raising your business finance. Feedback, press and business mentors are sometimes just as valuable as the money raised. Building a community of people eager to help your business become a success is a powerful recipe.

Tapping into this experience and expertise through mentoring and advisory roles is commonplace on Crowdsphere and make the difference between a good and great company.

We're more than just a crowdfunding platform, we're supported by investment professionals with decades of experience in investment banking. As we are regulated by the Financial Markets Authority we'll need you to provide an Information Memorandum and accurate financial forecasts, which we can assist you with should you need it.

We're very excited to have you on board, should you have any further questions please get in touch.

Cheers,

The Team at Crowdsphere

## Crowdsphere – raise capital for your business

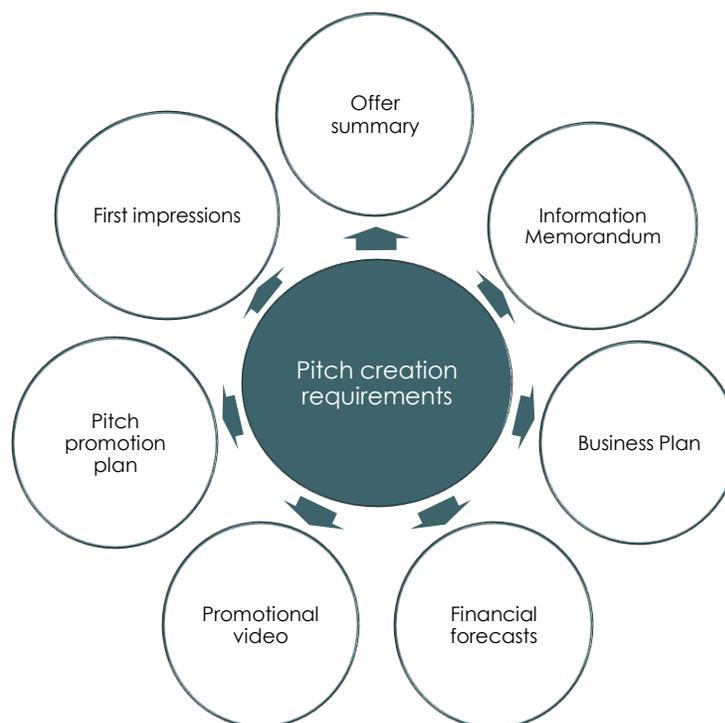
Crowdfunding through Crowdsphere represents an additional option for businesses to raise growth capital by giving you, the entrepreneur, a platform to connect with people who may be interested in investing in your business.

By attracting lots of investors who invest in your company you also create a network of advocates and promoters for your product and idea.

Crowdfunding is ideally suited for business to consumer businesses and those entrepreneurs that have an existing crowd that the pitch can be promoted to.

## Getting your pitch on Crowdsphere

The first stage is to complete the pitch application process. We'll review the information to make sure your offer is ready for activation on the Crowdsphere site and we'll get back to you ASAP. If you're not quite ready, we'll tell you why and what you could do to improve it so that you can make appropriate changes.



If your application is approved, we'll help you complete your Pitch Page by creating a project in your Dashboard, located on the Crowdsphere website.

Requirements to apply:

- **Investment summary:** Around 200 words that outline the idea, the market and the people that will make the business a success. Include an explanation of the investment risks and why your firm needs investment and how the funds will be allocated.
- **Information Memorandum:** A well prepared information memorandum that provides the detail about your business and why it is a compelling investment.
- **Financial forecasts:** Historical and forecast financials, we will test these assumptions so will require a working model in excel.
- **Business plan:** A comprehensive business plan outlining future strategy, objectives and mission.
- **Video:** We recommend having a video to tell your story.
- **Corporate Documents:** Your constitution and shareholders agreement (if applicable).

#### Some considerations when preparing your information are:

- **Valuation:** Valuations need to be realistic.
- **Detail:** Experience has shown that the crowd will quickly point out any gaps in your pitch, we aim to pick them up first. If your pitch or financial forecasts are lacking in detail, we will point them out.
- **Idea:** Investors want to see ideas that are genuinely novel and ground-breaking. If we can find examples of similar products, you'll need to have a clear plan for differentiating yourself.
- **Scalability:** Put simply, you need to be able to take the idea from start-up to a strong, successful business. Without this, investors are unlikely to get their money back and are therefore unlikely to invest.
- **Funding required:** Whilst some pitches have raised the maximum of \$2 million, the majority are for between \$250,000 and \$1,000,000
- **Rewards:** be imaginative and target potential customers, but also think about whether this is a dividend or some other form of capital return.

Have a look at our [Entrepreneurs Checklist](#)

#### Financial Forecasts

The purpose of your financial forecasts is to set out a clear picture of your financial performance and position in a way that allows an investor to understand your business model, how you are going to use the capital and make their own judgement about your potential.

To meet Crowdsphere compulsory standards your financials must cover a minimum of three years, be dated for specific periods (ie not 'month 1, 'month 2') and comprise of integrated profit & loss, cash-flow and balance sheet elements and meet proper accounting standards.

The profit & loss statement must set out clearly your revenue and direct costs and if relevant, your gross profitability and meet accounting standards in respect of excluding inappropriate elements such as investor funds, capital expenditure etc., and exclude GST.

Cash-flow projections must include the prospective equity funds raised in the appropriate month and set out clearly your short-term operational budgets for overheads.

Lastly, the balance sheet must differentiate between classes of tangible and intangible fixed assets, especially in respect of intellectual property rights and between bank balances and other current assets and liabilities such as stock, trade debtors and creditors, and statutory liabilities such as GST, PAYE and company tax. It must also show any directors loans clearly and provide a provisional calculation for company tax liability after appropriate treatment of tax payments in the cash-flow statement.

Your forecasts should include a commentary section (notes) which explains any simplification applied – (ie not modeling GST or PAYE liabilities or their cash flow implications). Financials must be saved as '.pdf' files comprising legible pages that can be viewed on-screen or printed at a single click, 'raw' spreadsheets are not permitted. Please name the file and describe its contents clearly, for example "Aspire.com – Crowdsphere Pitch Financial Snapshot.pdf."

If you need help with your financial forecasts, then please contact us and we can help or download our Financial Forecasting Guide.

### Tips to succeed – Promotional activity

The purpose of your promotional activity needs to be active. Just as you need to actively and continually promote a business, you need to actively promote a pitch if it's going to succeed. We'll do all we can to help but we're FMA licensed so we can't favor one pitch over another (such as having a pitch of the week).

One of the most common reasons for a pitch not hitting their target is an over reliance on our crowd so the more people you can bring to the party, the better. Remember you're offering them an opportunity to be part of an exciting, growing business that they will hopefully make a return from.

Consider:

- ✓ Events
- ✓ Networks and contacts
- ✓ Current customers and suppliers
- ✓ Social media
- ✓ PR

Preparing a plan is key. Download our Pitch Marketing Checklist

## First impressions

A well-crafted image or logo will grab people's attention. An up-to-date website shows that you're active and provides a valuable insight. An active Facebook page shows people you've thought about promoting the brand. Your Twitter feed will show how you interact with people. Your LinkedIn profile will give people an insight into your 'professional' persona.

When combined, these elements say a lot about the business behind the pitch and can reassure investors so start thinking about them before you create your pitch.

## Our Requirements

Professionalism in every aspect of the equity raise significantly improves the chances of a successful crowdfunding campaign.

For offers to be considered for activation on the Crowdsphere platform we undertake a level of due diligence in accordance with our license.

We differentiate ourselves by focusing on quality. Not just quality of the offer but also quality for the investors post capital raising. This quality mantra means that all investees prior to activation must:

1. Be solvent at the time of the offer;
2. Have at least 2 directors who understand their duties under the companies Act and all other relevant legislation;
3. Have a clear and concise information memorandum with no exaggeration and hyperbole;
4. Have well thought out and achievable financial projections which support a fair valuation;
5. Have completed at least 4 weeks of pre-marketing to its crowd; and
6. Have pre-commitments of at least 35% of the minimum raise.

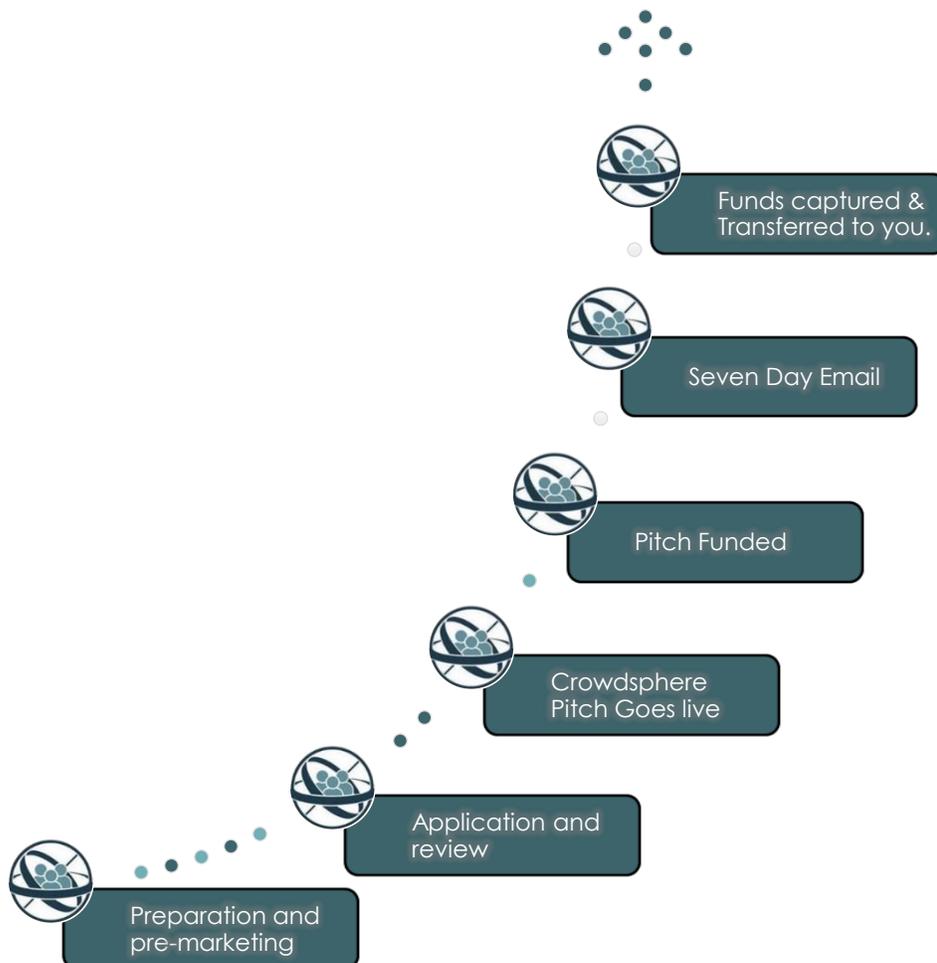
If you are unsure please ask. Our team of capital markets professionals have lots of experience and want to help.

We will check the quality and accuracy of any documents in support of your application.

Lastly, don't forget to include any miscellaneous information you think may be relevant. For example, if you can demonstrate you already have the support of experienced business advisors and have already secured pre-commitments for your crowdfund, investors may be more optimistic about the opportunity.

## Process Timeline

We recommend spending as much time as possible to get prepared. It is likely your offer will only be open for a maximum of 6 weeks and we recommend a minimum of 6 weeks getting prepared.



Once an offer is closed it takes about 2 weeks to complete the funds capture, share issuance and transfer of funds to you.

Adding it all up, with a 6 week offer period, the minimum time required is about 14 weeks. The more time you spend up front preparing the better.

## Fees and Costs

Our fees are structured as follows:

- **Pitch Listing Fee** – when you decide to go ahead with pitch with us we charge a Pitch Listing Fee of \$3,500. This recognizes our costs in helping you get investment ready and fine tuning your offer prior to being activated on the platform. If we do not accept the project we will refund this fee.
- **Capital Raising Fee** – we charge a Success Fee of 6% of the amount raised upon completion of a successful raise
- **Payment Processing Fee** – we charge a payment process fee of approximately 0.5% of the amount raised. This is purely a recovery of costs charged to us for the direct debit process.

In addition, you are likely to incur legal and accounting professional fees if you need to take such advice as part of preparing for the capital raise. These could include financial forecasting, changes to your constitution and/or shareholder agreement, issuance of the share, preparation of appropriate director resolutions and updating your share register and the Companies Register.

## Post Capital Raising

Once you have completed your capital raise and you have a new group of shareholders you need to:

- **Communicate** with them regularly by providing updates and newsletters;
- **Prepare an annual report** and financial statements in accordance with the Companies Act and Financial Reporting Act;
- **Hold an Annual General Meeting** in accordance with the Companies Act with a properly prepared Notice of Meeting and Resolutions dealing with matters such as the appointment of an Auditor;
- **Consider other Regulatory Requirements** such as the Takeovers Code (most small companies can opt out of this), the Fair Trading Act and a myriad of other legislation.

Because of the above, we recommend you have at least one independent director who has knowledge about the above, so you can ensure you comply and act in the best interests of your shareholders.