

Making headway in equity crowdfunding

Initiative proves sceptics and critics wrong with first batch of issuers having achieved promising feats



by Calyn Yap

AS the pioneering Southeast Asian country to introduce a legal framework to enable equity crowdfunding (ECF), there is obviously keen interest to see how financial technology

(fintech) is rolled out in Malaysia.

This initiative came on the back of conventional reward-based crowdfunding which has yet to establish a strong foothold from around 2012. Hence, there were scepticisms whether ECF could take off despite an ongoing push to educate the public and encourage participation.

ECF, however, appears to have proven its sceptics and critics wrong. Two years after the framework's debut, the drive for capital market inclusiveness seems to be on the right track.

Following the licensing of Crowdfunder (Crowdo), pitchIN, Propellar Crowd+ (CrowdPlus.asia), Alix Global, Ata Plus and Eureka as ECF operators in June last year, the first batch of issuers has achieved promising feats.

FocusM takes a look at some companies which had raised capital ranging from RM200,000 to close to RM3 mil on the licensed ECF platform.

Parenthood Venture Sdn Bhd (The Parenthood)

ECF platform: Crowdo

One of the first ECF offers launched locally, The Parenthood's fundraising initiative went live on March 9 for a minimum base target of RM1.05 mil (13.04% equity) and oversubscription of up to RM2.98 mil (29.82% equity). It easily surpassed the target by 250% in just over half a month, and ended up with total investments of RM2.64 mil.

The fundraising is meant to be used as additional capital expenditure for its second family park at the new wing of the Sunway Pyramid Shopping Mall in Petaling Jaya. The 26,000 sq ft park, slated to be launched next month, will house an in-house international preschool, a five-storey indoor playground, beauty and leisure services, F&B outlets and 45 retail outlets.

The Parenthood chose ECF as a means to raise funds simply because it was an efficient tool to reach out to a massive investment community, says Lee

"The Parenthood chose ECF as a means to raise funds simply because it was an efficient tool to reach out to a massive investment community, ranging from retail investors to sophisticated investors," its CEO Leroy Lee shares.

Further, he says ECF has enabled The Parenthood to be a public company and, by extension, introduced it to adhere to corporate governance and financial transparency as management reports have to be released to investors on a quarterly basis.

The company owns Malaysia's first London Street Park, touted to be the largest family park in the country. The 16,000 sq ft park in Sunway Putra Mall was opened on Dec 3 with a RM3 mil investment. It houses 33 retail outlets and over 100 brands. It also serves as a one-stop parenting hub providing edutainment and leisure activities for the entire family.

Within the next three to five years, The Parenthood aims to be listed on the Hong Kong Growth Exchange Market (GEM) Board leveraging experience from its ECF issuance.

"In 2016, we have begun phase one development of our very own International Preschool and it has been scheduled to start operations in August. Our mid-term business plans include being listed on the HK GEM Board by 2020 and subsequent expansion within Malaysia, as well as into the Southeast Asian markets," says Lee.

KRU Academy Sdn Bhd

ECF platform: pitchIN

KRU Academy sought to raise RM250,000 (1.23% equity) as a minimum funding target, with a ceiling of RM1 mil (4.76% equity). The offer was launched on April 27 and as of closing, it exceeded its base target at RM260,000, but was unable to hit its oversubscription goal.

The funds are meant to be funnelled into the introduction of a new faculty as part of its nationwide expansion plans over the next few years. Its longer-term plan is to be a regional player by 2025.

A vocational college

specialising in skills related to the creative industry and entrepreneurship, KRU Academy provides technical vocational education and training which are gaining good momentum, with an eye on further diversification of programmes offered. It is already profitable with revenue growing from RM150,000 in 2013 to RM4.9 mil last year.

The academy, established in 2012 with RM4 mil in paid-up capital, targets to achieve a turnover of RM6.9 mil by end-June this year and net profit projection of above RM10 mil in 2019, says its CEO Datuk Norman Abdul Halim.

Give & Gain Sdn Bhd (Halal Speed Dating)

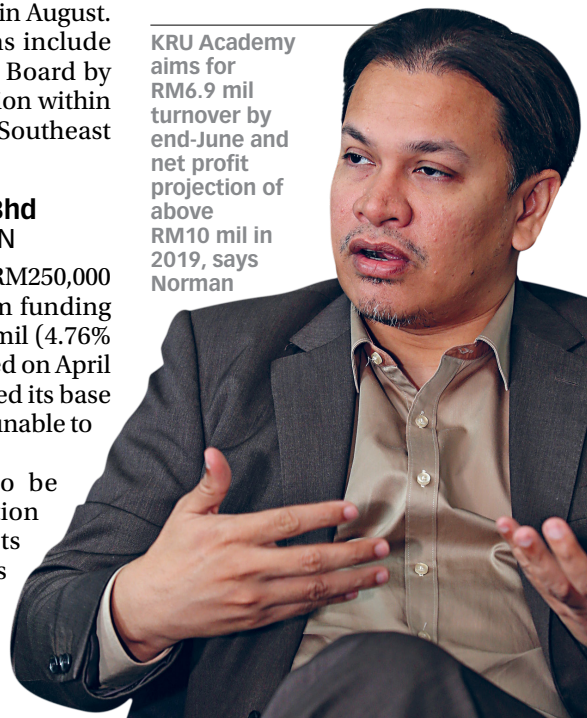
ECF platform: Alix Global, launched on FundedByMe

Launched by Alix Global in partnership with Sweden-based crowdfunding platform FundedByMe on May 18, Halal Speed Dating's ECF offering was aimed at creating an Islamic matchmaking platform for marriage on a mobile application.

It sought to raise a minimum target of RM200,000 (5.5% equity) to a maximum of RM350,000 (9.04%). At the close of its offering, the company reached its oversubscription limit. The funds will be staggered for use over 18 months within which Halal Speed Dating expects to go global.

Started last year as a shariah-compliant matchmaking event company, Halal Speed Dating aims to tap the power of the internet and mobile market to reach out to more consumers. Its exit strategies include mergers and acquisitions to enable its ECF investors to receive returns from the exercises or divesting shares on a secondary trading market.

KRU Academy aims for RM6.9 mil turnover by end-June and net profit projection of above RM10 mil in 2019, says Norman



Nuren Group's management team wants to position the network as the region's leading female marketplace

Enlinea Sdn Bhd (Nuren Group)

ECF platform: Crowdo

Nuren Group announced the launch of its offer with a target amount of RM200,000 on June 3. The initial target was reached within a minute of the offer going live, and at closing, it raised slightly over RM295,000. The company had earlier raised US\$2 mil in series A round of financing from venture capitalists led by Gobi Partners.

The objective of the ECF offer was to accelerate growth of users and sales across all target markets, to enable the company to reach out to more users from more channels. It is also intended for investment to strengthen its core team, increase the comprehensiveness of products and services, and enhance its e-commerce capabilities.

"Being a consumer-driven business, the offering aims to bring on board retail investors – leveraging their wealth of experience and knowledge to add value to the company. The offering through

How ECF works

MALAYSIA'S equity crowdfunding (ECF) framework allows eligible issuers to raise up to RM3 mil in 12 months regardless of the number of projects, as well as gain access to investment by retail, sophisticated and angel investors.

A limit of RM5 mil – excluding internal capital contributions or funds from private placement exercises – has been put on the maximum amount a company can raise on ECF platforms. Also, regulations state no issuer can be hosted concurrently on multiple ECF platforms.

Funds raised through a listing on any ECF platform can be released only once they have reached the amount sought, factoring in a six-business-day cooling period for investors. During the cooling period, investors may withdraw their entire investments.

Uniquely, it allows retail investors to invest in these companies. While there are no restrictions on investment amount for sophisticated investors, a maximum of RM5,000 per issuer – with a total not exceeding RM50,000 – within 12 months has been set for retail investors and RM500,000 for angel investors.



The Parenthood's team is spearheading a 26,000 sq ft family park at the new wing of the Sunway Pyramid Shopping Mall in Petaling Jaya



Despite having recently concluded a round of funding, GLT's directors are already planning additional fundraising rounds for further expansion

Crowdo also provides us a more efficient and transparent investment process for the ECF offering," explains its CEO and co-founder Petrina Goh.

A content, community and commerce platform founded in 2013, Nuren Group operates Wedding.com.my, Motherhood.com.my and Nuren.sg. And in May, it launched an integrated motherhood e-commerce marketplace.

Goh says the wedding industry in Southeast Asia is still very conventional, with a lack of price openness and trusted information online.

"People largely rely on word-of-mouth to find ideas and vendors they need. Most brides end up facing the common problems of choosing the wrong vendor or paying too much for a service. Within the next three years, we will transform the traditional wedding industry into a transparent and connected network, bringing the bridal community and wedding professionals together."

The coming years will see Nuren Group striving to establish its presence across five countries, including Thailand and the Philippines, reach out to one million couples and become the region's leading female marketplace.

Green Lagoon Technology Sdn Bhd (GLT)

ECF platform: CrowdPlus.asia

Biotechnology-focused GLT was the first green technology deal on the ECF platform in Malaysia. Its offer on CrowdPlus.asia went live on June 21 and raised the maximum amount sought more than a week before its offer closing on July 21.

The goal was to raise a minimum of RM400,000 (or 3.37% equity) to a maximum of RM800,000 (6.52% equity), to increase the company's 20% stake in two existing 1MW biogas plants located in Pahang to 40% each.

Its COO Raymond Cheah says the

fundraising activity was set up within three months once the team met up with CrowdPlus.asia.

"Being the right company at the right time was important since our needs also matched with the potential and opportunity that ECF can offer. Our business is also very niche in that outside the palm oil industry, hardly anyone would have heard about our business model.

"ECF offers us the opportunity to meet with different groups of people, and opens up avenues for us to explore the greater investment community," he shares, adding it also provides the platform for GLT to create wider awareness on environmental issues.

Although it has recently concluded a round of funding, Cheah says the company is already planning additional fundraising rounds for further expansion. Moving forward, he is confident ECF will continue to be a significant fundraising platform to raise more funds to start new biogas-to-power projects as well as new business ventures.

Started in May 2010, GLT is a one-stop centre that turns organic waste into renewable energy. It has more than 10 biogas projects located at mills belonging to IOI, Felda and Sime Darby.

It is involved in biogas harvesting, storage, treatment, utilisation and carbon reduction monitoring for palm oil mills to optimise their waste and generate income streams. It also provides build-own-operate-transfer and turnkey solutions for palm oil millers to manage biogas emitted by palm oil mill effluents.

"What we lack for the moment is the funds to drive the company forward, and that's where ECF comes in. The longer-term strategy is of course to proceed to list on some of the major stock exchanges, to derive capital for further growth," Cheah adds. **FocusM**



Crowdo CEO and co-founder Leo Shimada leads the company's operations in both ECF and P2P in the region

Sam Shafie is a pioneer in the local crowdfunding scene, and is a co-founder of pitchIN

Elaine Lockman is director and co-founder of Ata Plus, which is working through issuer applications



The six platform operators

Five of the six licensed ECF platform operators have signed on as co-investors in Cradle Fund's equity co-investment programme

IN February last year, the Securities Commission released guidelines under Section 34 of the Capital Markets and Services Act 2007, as well as opened registration to ECF operators, to facilitate equity crowdfunding (ECF).

Six ECF operators were licensed in June the same year – Crowdonomic (Crowdo), pitchIN, Propellar Crowd+ (CrowdPlus.asia), Alix Global, Ata Plus and Eureeca. Of these, only the last two have yet to list any issuers.

Crowdo

Operated by Singapore-based Crowdonomic, Crowdo was established in 2012 as a regional player offering equity crowdfunding, as well as peer-to-peer (P2P) lending solutions by leveraging its past experience in running crowdfunding platforms. It has a strong regional presence with offices in Singapore, Malaysia and Indonesia.

Its competitive edge is its ability to offer international market access to local businesses and form win-win partnerships. It is gearing up for a full launch of its ECF and peer-to-business (P2B) platforms in Singapore.

pitchIN

One of the pioneers for reward-based crowdfunding in Malaysia, pitchIN has expanded its business into ECF and plans to grow both crowdfunding ventures at the same time.

Since its 2012 launch, pitchIN has been actively involved in the crowdfunding scene. Its management team has experienced veterans from the finance and corporate sectors. Its venture partner is Cradle Fund, and it also works closely with the Malaysia Digital Economy Corp (previously Multimedia Development Corp), the Malaysian Global Innovation and Creativity Centre and the Malaysian Business Angels Network.

CrowdPlus.asia

CrowdPlus.asia is backed by tech-based venture capital firm Netrove Ventures Group and Hong Kong-based ECF

operator Propellar Corporation Ltd.

Its platform boasts a Qualified Matching Investors feature that will bring to play qualified mentors and investors across the region to achieve greater value creation and enhance success for its funded companies. It intends to establish Malaysia as the equity crowdfunding hub for Asean by collaborating with various government agencies, locally and regionally.

Alix Global

Alix Global is Swedish crowdfunding platform FundedByMe's joint venture in Malaysia. It was originally a neo-marketing consulting firm focusing on markets in Malaysia, Singapore and Germany, with expertise in transforming conventional marketing into digital marketing.

Since its establishment in 2013, Alix Global is operated by a team of eight professionals dedicated to strengthening the competitiveness of Malaysia's SMEs by digitising their conventional businesses. As of last year, it has organised more than 100 neo-marketing related workshops and classes, and has reached out to more than 300 SMEs and 3,000 individual participants.

Ata Plus

Kuala Lumpur-based Ata Plus launched its ECF platform in March, but has yet to list any companies. Its director and co-founder Elaine Lockman says it is working through the applications for ECF issuers.

The company's proposition revolves around its partnership ecosystem that provides support in areas of deal flow, screening, investment administration and entrepreneurial development. It has partnerships with the Halal Industry Development Corp, SME Corp, Frost & Sullivan as well as Verity Intelligence, among a host of other partners.

Eureeca

A global ECF platform, Eureeca was launched in 2013 and currently offers investment opportunities from the Middle East, Europe and Southeast Asia. It has yet to launch any offers in Malaysia.

Licensed by the UK Financial Conduct Authority and the Securities Commission last year, it has offices in Dubai, London and Kuala Lumpur. It aims to provide members of its 10,000-strong investor network, ranging from casual and angel investors to institutional firms, opportunities to buy shares in growth-oriented businesses while providing operational businesses with crucial access to capital.