



CROWDFINDERS

2016 IN REVIEW:

WHAT HAVE THE LAST 12 MONTHS
MEANT FOR CROWDFUNDING AND WHAT
DOES 2017 HAVE IN STORE?



A Year of Transition and Opportunity

2016 has been a transitional year both at home and abroad following the surprising vote of the British people to leave the European Union (EU), the Bank of England (BoE) setting record-low interest rates and a shock US presidential election result. While many sectors have been unsettled by a series of political shockwaves, Britain's growing SMEs have kept demonstrably calm and carried on, maintaining their momentum throughout this truly eventful year.

In the midst of numerous significant events, a series of exciting SME and crowdfunding specific announcements were made, which have contributed to the optimism and strength of Britain's community of small businesses. In the Spring Budget, then Chancellor George Osborne announced that, as of April 2017, the Government will more than double the threshold for small business rates relief from £6,000 to £15,000, meaning 600,000 small businesses will no longer pay any business rates whatsoever. This was followed, in new Chancellor Philip Hammond's first and last Autumn Statement, by a series of investments in productivity, regional infrastructure, venture capital, and the launch of the Patient Capital Review into the barriers SMEs face when attempting to access growth capital.

The Key Announcements from the 2016 Autumn Statement:

- £400 million will be committed to venture capital funds via the British Business Bank to encourage start-ups to scale
- A £23 billion National Productivity Investment Fund (NPIF) will be launched to boost transport, digital communications, research and development (R&D), and housing
- £1 billion has been committed to full-fibre broadband and 5G mobile to improve digital communications
- £1.8 billion will be divided amongst Local Enterprise Partnerships (LEPs) across the country

In the private sector too, a series of research and funding raises have confirmed that investor appetite for scale-up investment was unshaken by Brexit and the nation's alternative finance industry has played a pivotal role in connecting promising entrepreneurs with vital growth capital. In August, the wake of the EU referendum, Crowdfunders' research found that over half (52%) of UK investors were considering investing in UK SMEs as the nation's crowdfunding sector steamed ahead; the UK market's alternative finance market experienced rapid growth from £1.7 billion of loans, investments and donations in 2014 to £3.2 billion last year.

The combined backing of the private and public sectors has meant that the context in which so many SMEs operate has improved, enabling entrepreneurs to overcome any short-term market volatility caused by the Brexit vote and subsequent political reshuffle.

2016 was an especially big year for us here at Crowdfinders as we continued to develop and support our nation's scale-up businesses through our series of live business pitch events; the launch of our £100 million Race to Scale fund; and the big reveal of our new online pre-crowd investment platform. We are deeply committed in our efforts to democratise access to scale-up capital and are more motivated than ever to seek out Britain's most exciting SME investment opportunities.

To round up the past 12 months, we've compiled a timeline of the year's most momentous milestones which made 2016 a year of both transition and opportunity for crowdfunding. As well as covering the headline-making events that have impacted the UK's political, economic and alternative finance landscapes, the timeline includes Crowdfinders' own defining moments in what has been a brilliant year for us. With our Race to Scale initiative launching to huge praise in the press – including a triumphant article in the Guardian – we have also produced research reports that have garnered attention in a vast number of national and trade titles. For example, our Understanding Investor Confidence in the Wake of Brexit report featured in Forbes and City A.M., while our recent research report Is Equity Crowdfunding Truly Democratic? was a headline story on the Daily Mail's This Is Money section.

Our Timeline of 2016's Milestone Political, Economic, Crowdfunding and Crowdfinders-related Events

February 2016

Cameron Announces a Date for the EU Referendum

Delivering on the Conservative Party's 2015 general election manifesto commitment, then Prime Minister David Cameron announced that the UK would be going to the polls on 23 June 2016 to decide whether or not to leave the European Union

April 2016

Crowdfinders Launches Race to Scale

Our £100 million funding drive dedicated to scaling the UK's SMEs was launched at Crowdfinders Live: The Science of Crowdfunding at The Royal Institution

As traditional lines of SME funding retreat, Race to Scale was created to provide Britain's scale-ups with the opportunity to access much-needed growth capital. After submitting a proposal, successful businesses get the chance to pitch live in front of hundreds of seasoned investors so they can secure their part of a £100 million funding pot

March 2016

George Osborne Delivers his Eighth and Final Budget as Chancellor

Hailed as a "Budget for business", the 2016 Spring Budget committed the Government to more than doubling the threshold for small business rates relief from £6,000 to £15,000 as of April 2017, meaning 600,000 small businesses will no longer pay any business rates to leave the European Union

April 2016

Crowdfinders Launches Race to Scale

As the largest funding initiative of its kind, Race to Scale partnered with the biggest names in alternative finance and entrepreneurship including UKBAA, Seedrs, SyndicateRoom, Crowdcube, and Envestors

The first company to receive funding commitments was Manchester-based, revolutionary oncology company Incanthera

May 2016

USA Broadens its Equity Crowdfunding Market

The United States opened its equity crowdfunding market up to non-accredited investors after previously being reserved for wealthier investors with an annual income exceeding \$200,000 or a net worth of at least \$1 million

June 2016

David Cameron Resigns as Prime Minister

On the day that Brexit was proclaimed, David Cameron announced that he would be stepping down as Prime Minister after six years of service in 10 Downing Street

July 2016

Theresa May Appointed Britain's New PM

After a swift victory in the Conservative leadership contest, Theresa May officially became the new Prime Minister on 13 July

On 14 July, May then appointed her new Cabinet, with Philip Hammond appointed Chancellor of the Exchequer; David Davis as the new Secretary of State for Exiting the EU; Liam Fox appointed as the new Secretary of State for International Trade; and Greg Clark appointed as the Secretary of State for Business and Energy

August 2016

Investor Confidence on a High

IW Capital and Crowdfunders research – Understanding Investor Confidence in the Wake of Brexit – found that investor appetite for SMEs was still resoundingly high despite political and monetary volatility:

- 52% of UK investors would consider supporting SMEs in the aftermath of Brexit
- 70% of investors aged 18-34 would consider supporting SMEs after Brexit
- 68% of London investors would back SMEs – the highest regional response

June 2016

The EU Referendum: Britain Votes for Brexit

The British public went to the ballot boxes on 23 June and made the historic decision to leave the European Union

The domino effect of the vote saw initial market volatility, with a fall in the FTSE index and a plunge in the value of sterling

July 2016

Business Confidence on a High

Despite initial market turbulence immediately after the UK voted to leave the EU, the Business Growth Fund's (BGF) Growth Climate Index indicated that 74% of business leaders still believe the UK to be a great place to start and grow a business

August 2016

Bank of England Cuts Interest Rates to Record Low 0.25%

Citing a period of uncertainty and adjustment following the referendum result, the Governor of the Bank of England Mark Carney announced that the Monetary Policy Committee had voted to cut interest rates from 0.5% to a record low of 0.25% in an effort to stimulate spending and investment in the UK economy

October 2016

Crowdfunders Launches Pre-Crowd Investment Platform

Crowdfunders launches its new pre-crowd investment platform at its Crowdfunders Live event at the Ice Tank in Covent Garden

November 2016

Real Estate Tycoon Donald Trump Elected US President

On 9 November, in a shock election result, real estate mogul and reality TV star Donald Trump was elected as the 45th President of the United States

November 2016

Philip Hammond's First and Last Autumn Statement

On 23 November, Philip Hammond delivered his first and last Autumn Statement as Chancellor, revealing some positive policies, a new calendar for budgets that mirrors the financial year, and a series of investment strategies for business:

- A £23 billion National Productivity Investment Fund (NPIF) will be launched to boost transport, digital communications, research and development (R&D), and housing
- £400 million will be committed to venture capital funds via the British Business Bank to encourage start-ups to scale
- £1 billion has been committed to full-fibre broadband and 5G mobile to improve digital communications
- £1.8 billion will be divided amongst Local Enterprise Partnerships (LEPs) across the country
- The Patient Capital Review will be launched to investigate the barriers SMEs face in accessing growth capital

October 2016

Crowdfunders Launches Pre-Crowd Investment Platform

Research launched by Crowdfunders and IW Capital – Is Equity Crowdfunding Truly Democratic? – discovered:

- 35% of business-minded Brits still said they would rely upon personal saving to launch or grow their business
- 15% said they would call on their personal networks for funding to start or scale their business
- However, 64% of entrepreneurial Britain said their friends and family would not have the finances to support their business venture
- Worryingly, 45% of entrepreneurial Brits would not know where to turn for financial support for their business

In partnership with Seedrs, Crowdfunders launched an industry-first pre-crowd equity crowdfunding platform that raises the first 30% of a campaign from sophisticated investors before working alongside the crowd. Our new platform bridges the gap for a host of successful entrepreneurs who cannot rely on their personal networks for the next level of growth finance

Looking Forward to 2017

SMEs, investors and alternative finance providers have remained remarkably resilient and optimistic throughout this year of headline-making events. Weathering the turbulence in the value of sterling and the market volatility that followed the referendum result, the private sector has embraced a transformative year, taking the initiative to seize the many opportunities that lie ahead. As we look to the coming months, it is anticipated that the Government will trigger Article 50 in March 2017, beginning the process of exiting the European Union. With the Spring Budget also due to take place in this same month, these significant events give the Government a chance to continue championing the vital role SMEs are playing in driving economic growth across the UK.

The renewed focus on SME-led growth we can expect next year has already been preceded by the Department for International Trade launching its SME trade platform – connecting Britain’s SMEs with the commercial partners they need abroad to reach a leading position in the global market. Furthermore, as the Treasury-led Patient Capital Review is concluded in the coming months, we can expect renewed Government action to support scale-up finance, with SME and investor-friendly measures following as a matter of urgency for a Brexit government searching for a long-term growth strategy.

With SME confidence resiliently high, the crowdfunding industry is likely to continue moving from strength to strength as the private and public sector enhance their focus on scale-up finance. However, to ensure SMEs have access to the full depth of Britain’s funding pool, greater education and awareness will be necessary; a survey by our sister company IW Capital in September this year found that 43% of consumers and investors in the UK do not feel as though they have sufficient knowledge of alternative finance to decide whether to incorporate this into their future investment strategy. This shows that while there is a huge cause for optimism – 30% of British investors said they are considering alternative finance as part of their investment plans over the next 12 months – there are still strides to be made for the alternative finance industry to reach its full potential.

Looking to the year ahead, 2017 presents many exciting prospects for the crowdfunding landscape. As ever, we are ready to embrace fast-paced industry developments that are set to come to fruition in 2017, providing an efficient and valuable meeting place – both at our events and through our platform – for the best of British businesses and the nation’s most prominent investors to reach their full potential. Through ground-breaking initiatives such as Race to Scale and our pre-crowd investment platform, we will endeavour to create an ever-increasing list of investment success stories. Equally, we will create a knowledge share environment, delivering businesses and investors pre-emptive and reactive research reports that remain relevant and beneficial to the business community we work with.

We are excited to be on the frontline of a rapidly-growing alternative finance industry that is providing much-needed support for the UK’s most promising business talent. Moreover, as the UK carves out a new identity for itself away from the EU’s Single Market, there is a plethora of exciting opportunities for disruptive and high-growth SMEs – a vibrant private investment sector will enable these start-up and scale-up businesses to seize these opportunities.