

EIS Tax Break Propels Crowdfunding Growth

The Spark Crowdfunding platform provides a quick route for EIS companies to tap into small investors, writes **Darren O’Loughlin**

Spark Crowdfunding founder and CEO Chris Burge is on a roll, partly thanks to Covid. Lockdowns and restricted spending have left investors with spare cash and Burge has been drawing them to the campaigns on his online crowdfunding platform. “In the last 18 months, every campaign that’s gone onto our platform has been successful, without exception,” says Burge. “We’re trying to keep the hundred per cent record going and we’re very close to it as well.”

So far in 2021, the platform has attracted c.1,400 investors. The average investment is €3,200, and the largest single investment year-to-date has been €70,000. The fastest was for ASX, a virtual stock market venture that raised €630,000 in 28 hours. ASX then went back for more and attracted another €1m from small investors.

Other recent fund-raisers using Spark include Tacenda, an AI-powered platform to monitor revenue operations in large companies, which exceeded its €600,000 funding target for a 23% equity stake, attracting 105 investors. Oran Rigby’s venture Akkure Genomics, which aims to match patients with clinical trials, was also popular. Rigby launched a €500,000 campaign on Spark and secured €1.2m from over 300 people.

Most Spark campaigns leverage the Employment and Investment Incentive Scheme, which offers a tax rebate of up to 40% on the investment amount, subject to various conditions. That rebate is subject to Revenue formally approving a company’s EIS status, which is not guaranteed. Investors pay no fees to invest and Spark charges investees a 7% commission. Campaigns usually run for between



30 and 40 days, while the post-campaign formalities are typically finalised after a fortnight, according to Burge.

“That’s the beauty of this funding model – the speed,” says Burge. “A

Chris Burge’s crowdfunding platform is a godsend for startups

campaign can be completed from start to finish in about 10 weeks. Once investors put their money in, less than 1% withdraw during the seven-day cooling off period. Crowdfunding is just another name for general investing. We do exactly the same thing as angel investor networks or venture capital firms. The difference is that our investors are people whose pockets are not quite so deep, but there are lots more of them.”

Originally from the UK, Burge has been living and working in Ireland for 21 years. He trained and worked as an engineer and gravitated into energy management consultancy. “That ticked a box for me because I am interested in sustainability issues but I kept looking around for other opportunities,” he explains.

“I saw the rise and rise of equity crowdfunding. I had also been a casual investor over the years and I had found it difficult to invest. It always seemed to cost as much in legal and third-party professional fees as it did to actually put the money in. I decided to give equity crowdfunding a go.”

TAKING A PUNT

2021

ASX2:	€1.1m
ASX:	€630,000
Zipp Mobility	€587,000
Tacenda	€668,000
Akkure Genomics:	€1.2m

2020

Hotfoot:	€151,000
Moby:	€795,000
DigiTally:	€286,000
HorsePay:	€120,000
BusterBox:	€167,000
HaloSOS:	€159,000
Frequency:	€379,000
Motarme:	€117,000

2019/2018

Accucolour:	€321,000
FireBuilder:	€211,000
Trifol:	€325,000
Wellola:	€181,000
Campsited:	€284,000
Fleet:	€385,000

Spark Crowdfunding campaigns 2018 to 2021

Operating company Slua Ventures was incorporated in May 2018. The principals are Burge and fellow director and shareholder Michael J Foley. An early campaign success was Fleet App, a peer-to-peer car rental service that raised €385,000. “I knew a number of investors and I got them on board, along with some of my friends, to get the first few campaigns running,” Burge recalls.

The crowdfunding platform cannot guarantee any return for investors. “When they put money in, it’s there for the long haul. It’s not something investors can withdraw six months later. They are putting their money in as equity and that money is locked up until the company has an exit. And that could be three years, seven years, or it might be never.”

Many of Spark Crowdfunding’s clients are companies that require equity funding to leverage matched funding from Enterprise Ireland. Of the seven companies that have used Spark in 2021, five are in EI’s High Potential Startups portfolio. This is a comfort factor for small investors, who presume that the state agency has undertaken a level of due diligence.

Burge adds: “The norm with equity investing is that five out of ten fundraising companies are going to fall flat on their faces, or they’ll never secure that big exit. We’d hope that investment number six will wash its face, the seventh will have a 2x return, number eight a 5x return and so on. A portfolio approach, where you invest

HOW STARTUP BOWSY IS SOURCING €600,000

John Brady (48) spent most of his career working in the tobacco industry before establishing Bowsy in 2019 with Richard Bryce and Igor Lorenzo. Bowsy is a marketplace connecting university students looking for contract work with companies looking for students to undertake project work. The site launch in Ireland in H2 2020 followed a soft launch in Croatia, and the company says its vision is to transform the traditional graduate talent acquisition process.

The challenge is twofold: encouraging students to use the site to offer their services, and finding companies who will use Bowsy to pay for those services. Rates offered for tasks are generally

€12 to €14 an hour, so Bowsy will require decent traction to pay its way.

According to Brady, Bowsy currently has c.250 students registered and c.100 students have earned money through the site. The business plan for June 2021 to June 2022 projects c.40,000 hours of tasks generating c.€600,000



Bowsy co-founder John Brady

revenue. For year 3, Bowsy sees this increasing to c.3,000 students and €1.4m of revenue.

On Spark Crowdfunding, Bowsy recently secured €300,000 for a 15.8% stake in the venture, valuing the startup at €1.6m. The company’s expectation is that this EIS investment will leverage €300,000 from taxpayers through Enterprise Ireland.

small amounts into a number of businesses, gives better protection.”

Spark Crowdfunding operates an investor club service, where groups of investors evaluate campaigns to provide guidance to investors. Burge says that he will supplement this in the coming weeks with a portfolio club, where participants pay nominal fees into several campaigns to build a portfolio.

Crowdfunding is currently unregulated, although moves are afoot to bring in regulations by November 2021, after the EU finalised a regulatory regime for the sector in

2020. Most of the provisions concern marketing and the need to fully communicate the risks in equity investing.

Burge welcomes the move. “The regulations will give people more comfort around the idea of equity investing. I think that Spark Crowdfunding has already proved itself in the campaigns that we’ve raised money for. The regulations will open up Ireland to more competition in equity crowdfunding, and we welcome that. On the flip side, Spark will have the opportunity to passport into other EU countries, which is going to be amazing for us.”

EIS Investment Opportunity



EIS to fund further investment in biopharmaceutical manufacturing, including vaccine and immunotherapy applications.

- ✓ Qualifying Company
- ✓ Proven Technology
- ✓ Strong Management Team
- ✓ Avail of up to 40% income tax relief
- ✓ Minimum Investment €5,000
- ✓ No entry or exit fees



For further details contact:

Email: eis@glycoselect.com
 Tel: 01-254-4164
 Mobile: 087-790-2652
 Website: www.glycoselect.com/eis-2021