

POTENTIALS OF CROWDFUNDING
IN ACCELERATING RETAIL PARTICIPATION
IN THE CAPITAL MARKET/CROWDFUNDING
LISTING OPPORTUNITIES

EGUAREKHIDE LONGE
MD/CEO, NASD PLC



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OVERVIEW - SIMPLE DEFINITIONS



- What is Crowdfunding:

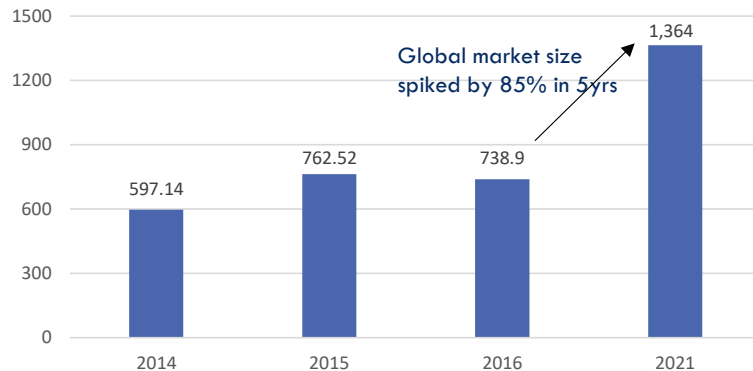
The Securities and Exchange Commission (SEC), Nigeria defines Crowdfunding as the process of raising funds to finance a project or business from the public through an online platform;

- Funding is usually through small amounts from a large number of individuals
- The Crowdfunding principle revolves basically around the concept of ease of accessibility to vast networks of people, usually through social media and crowdfunding websites, to bring investors and entrepreneurs together with the potential to increase entrepreneurship by expanding the pool of investors beyond the traditional circle of owners, relatives and VCs.
- Types of Crowdfunding: several types of crowdfunding continue to emerge as the industry grows. However, there are three broad categories:
 - Peer-to-peer lending: securing a loan without a financial institution;
 - Rewards and donations: raising funds through donation in exchange for discounts on goods produced by the project.
 - Equity crowdfunding: capital raise by small businesses without an IPO.
- The market is generally fragmented along the lines of Crowdfunding types.
- Crowdfunding Portal: A website, portal, intermediary portal, application, or other similar module that facilitates interaction between fundraisers and the investing public (SEC).
- Retail Investor: Any investor other than a High Net worth, Sophisticated Investor or Qualified Institutional Investor (SEC).
- Eligibility: All MSMEs incorporated as a company in Nigeria with a minimum of two-years operating track record shall be eligible to raise funds through a Crowdfunding Portal registered by the Commission, in exchange for the issuance of shares, debentures, or such other investment instrument as the Commission may determine from time to time. (SEC)

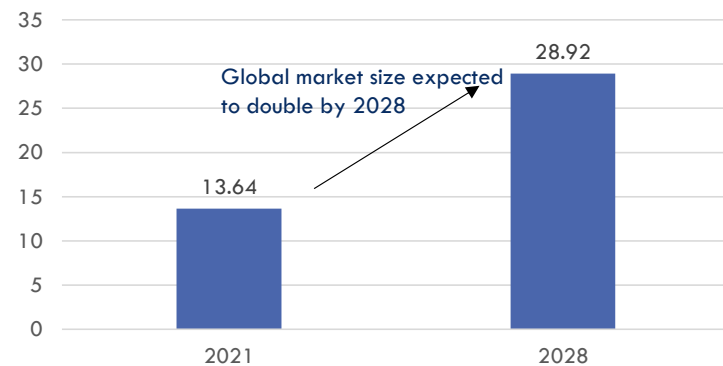
GLOBAL PERSPECTIVES – CROWDFUNDING MARKET SIZE & GROWTH



Global fundraising trend through crowdfunding (\$ Million)



Global Market Size and forecast of Crowdfunding (US\$ Bn)



Source: Statista

Global market size:

- The global market size is inconclusive as various data quote diverse figures; Statista estimates that the global market size will exceed \$28 billion by 2028. However, Cambridge Centre for Alternative Finance estimates a global market size of \$305 billion as of 2018.
- Nonetheless, all data sources point to the growth and increased recognition of crowdfunding as a source of corporate and project finance.
 - According to Statista, crowdfunding is growing at a compound annual growth rate (CAGR) of 11.2% and expected to more than double by 2028.
 - Technavio projected that the global crowdfunding market will grow at a CAGR of 16.81% over 2021-2026.
- An estimated 63% of growth will originate from the Asia-Pacific region (Technavio).

Growth drivers include

- Increase in internet and smartphone penetration.
- Social media influence as a source of free-of-cost promotion.
- Rising population of peer-to-peer (P2P) business model.
- Introduction of regulation has been observed to curtail growth.
- Of particular mention is the JOBS Act of 2012 in the USA

BENEFITS AND RISKS



Some of the Benefits of raising capital through Crowdfunding include:

- The project promoter gains access to diverse types of investors/funders.
- Company founders can retain ownership since investments are not concentrated as is the case with VC or PE.
- Project promoters use the capital raising campaign as a marketing campaign to assess the acceptability of their concepts.
- Investors can be part owners of an enterprise by investing a minute amount of capital – Risk reduction.

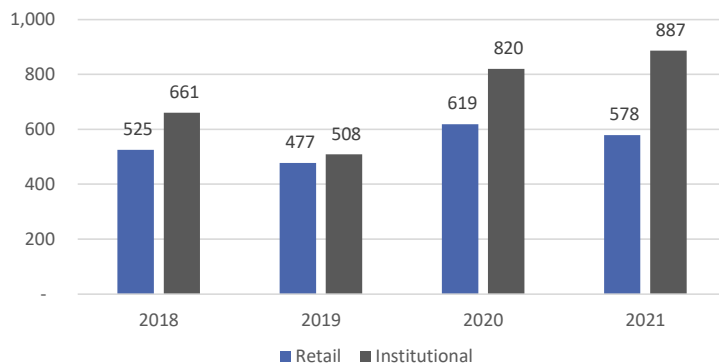
Inherent risks vary according to the type of Crowdfunding but some of the more general Risks with raising funds through Crowdfunding include:

- Scam and other forms of Ponzi schemes.
- Money laundering.
- Possible reputational damage if the funding goal is not reached.
- Project delays and limited accountability for the use of funds.
- Inadequate information to undertake appropriate due diligence of the project prospect.
- High rate of failure of crowdfunded projects, particularly agriculture crowdfunding in Nigeria.

CROWDFUNDING AS ALTERNATIVE TO TRADITIONAL INVESTMENT

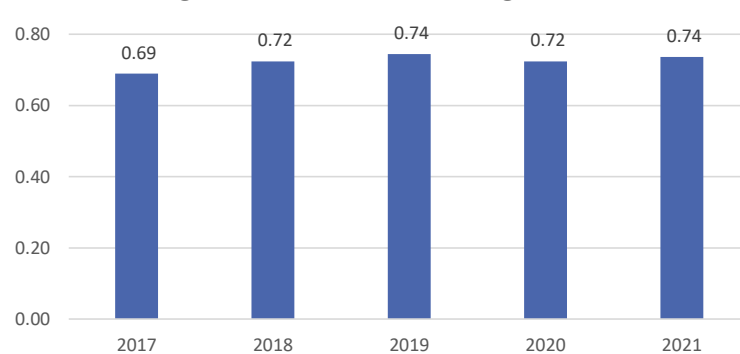


Domestic Portfolio Investments on the NGX (N Billion)



Source: Nigerian Exchange

Crowdfunding Transaction Value in Nigeria (N Billion)



Source: Statista, *CBN I&E Rate: N425.55:\$1.00

- The gap between domestic retail and institutional investments is widening. Retail participation accounted for 39% of domestic portfolio investments in 2021, down from 48% in 2019.
- According to data from Statista, crowdfunding in Nigeria is still less than a billion naira per annum but projected to maintain an upward trajectory in the coming years.
- Although crowdfunding is significantly less than retail equity investment, it can serve as an alternative entry or form of participation in the capital market, thus providing the needed growth of retail participation in the capital market.
- Crowdfunding further democratizes the capital formation process by making “closet” entrepreneurial ideas available, informally to otherwise remote investors in a fairly structured way.

SECTOR SAMPLES



Crowdfunding has been used to raise capital for projects in Nigeria in the value chain of key sectors that include, but not limited to:

Arts & Entertainment



Food & Agriculture value chain



Fashion and Creative Art



Education projects/ventures

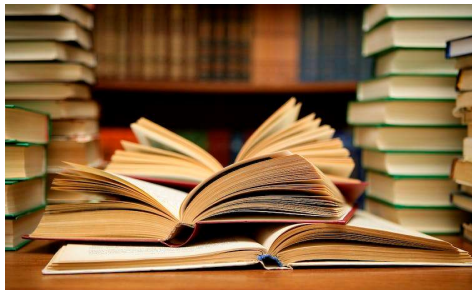


Image sources: internet

Digital; Fintech, Insurtech, AI, etc.



Social projects



SOME NOTABLE CROWDFUNDING SUCCESSES IN NIGERIA



- PiggyVest is the first online “Savings & Investment” app in West Africa. It was first launched as “Piggybank.ng” on the 7th of January 2016 as a savings-only platform.
- For 3 years, the Company offered only savings options to its users. In April of 2019, it was rebranded to “PiggyVest” and began offering direct investment opportunities to users in addition to savings.
- 5 years on, the Company has continued to deliver excellent service to its 1,000,000 users and counting, helping them manage their finances with simplicity and transparency. Combined, PiggyVest users save & invest billions of Naira every month that they would have instead spent.
- PiggyVest posits that it is on a mission 'to give everyone the power to better manage & grow their finances'.
- Although not an outright traditional crowdfunding platform, PiggyVest’s origins were from a Crowdfunding base and the Company continues to be a spur to small and medium ventures to which it deploys the considerable savings accumulated from its subscribers.

SOME NOTABLE CROWDFUNDING SUCCESSES IN NIGERIA



- **NaijaFund** is a crowdfunding platform that empowers everyone and enables people to raise funds for anything including business. NaijaFund removes the physical barriers traditionally associated with receiving financial support from close associates or those that wish to support.
- The platform allows users to connect their account with social media networks where they can easily ask for funds from friends, family, friends of friends, community leaders, pastors, and others.

VENTURERAMP BY NASD PLC



- In line with NASD PLC's mandate to create liquidity transparently, the NASD VentureRamp was established as a donor crowdfunding platform that is approved by the Securities and Exchange Commission (SEC), Nigeria.
- VentureRamp provides a structured and organized way for individuals with a homogenous objective to fund identified projects. NASD helps with the coordination of the parties and the distillation of the project steps to better assure successful outcomes.
- NASD VentureRamp supports the different types of crowdfunding and serves a connecting link between project sponsors and project executors, helping them realize the objective of their joint endeavour.
- NASD VentureRamp is very suitable to host and coordinate endowments for small and large scale projects. Old school associations and community groups find NASD VentureRamp very functional to realise their endowment objectives.
- How it works: the platform enables the project sponsors and donor to accumulate funds in very simple steps:

Issuer (Project promoter)	Donor
▪ Registers the project on the platform	▪ Registers on the platform
▪ Project is verified	▪ View verified projects
▪ Connect with donors	▪ Contribute

Website: www.ventureramp.com.ng

NASD PLATFORMS



Other platforms of NASD PLC include:



NASD OTC Securities Exchange is the SEC approved market for unquoted public securities in Nigeria with the mission is to provide liquidity and transparency for Investors; and to create new investment opportunities for Investors using technology, information and innovative ideas.

Website: www.nasdng.com



The NASD Enterprise Portal (NASDeP) is designed for scale-up companies seeking long-term funds. NASDeP provides a channel for innovative private enterprises seeking equitable investments, as well as offer accredited Investors' unparalleled access to high yield potential investments.

Website: www.nasdep.com



Thank you

