



**EMERGING CIRCLE**

# **Financial Instruments to Encourage Innovative Ventures**

# CROWDFUND BACKGROUND

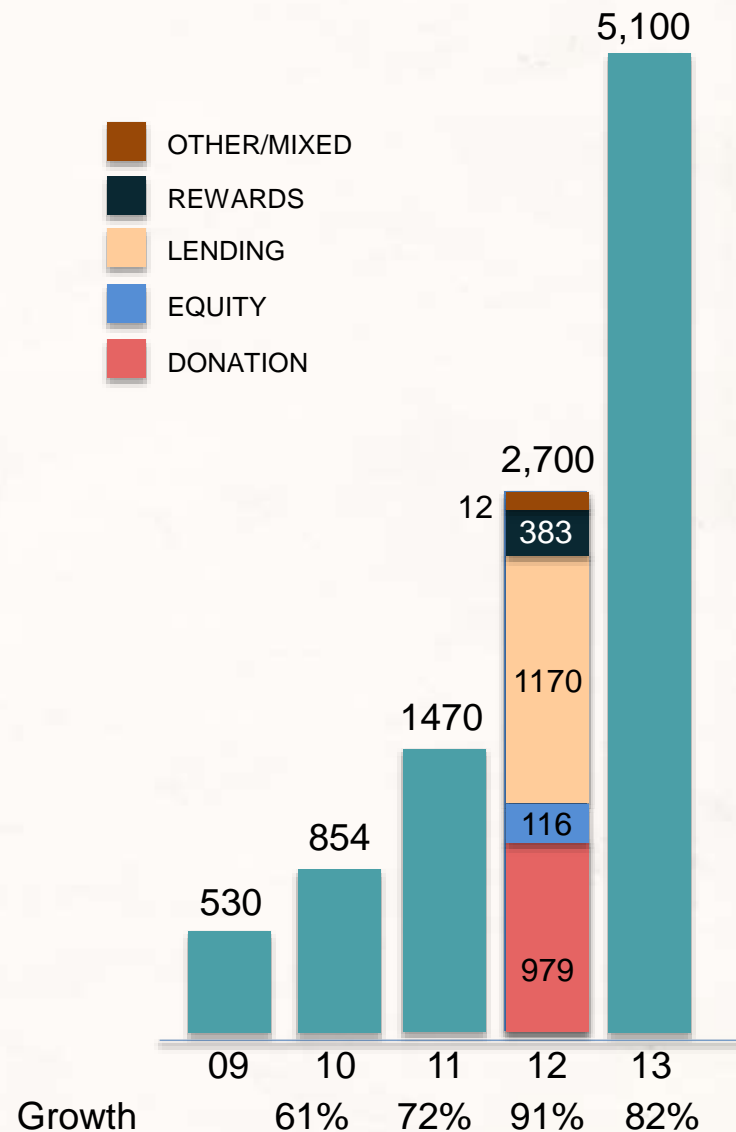
## MARKET COMPOSITION

- Crowdfund investing began in Australia with the Australian Small Stock Offering Board in 2005. Presently 45 nations have more than 670 active crowdfund platforms
- Campaigns across the globe are expected to raise over \$5bn in 2013, up from \$2.7bn in 2012 – most of this revenue is from North America and Europe
- Four major crowdfund categories: (i) Equity; (ii) Lending; (iii) Rewards; and (iv) Donations – examples on next page
- During 2012, nearly 80% of the \$2.7bn crowd source amount came from lending (mostly peer to peer lending) and donations
- With the passage of the JOBS Act, crowd sourced equity is supposed to grow significantly

## MENA MARKET / POTENTIAL

- In the MENA region there are 11 crowdfund platforms including Zoomaal (rewards), Eureeca (equity), Shekra (lending), Aflamnah (rewards)
- Based on a recent study by the World Bank, there are 240 to 344 million households in developing countries who can participate in crowdfunding activities
- By 2025, the developing markets crowdfund opportunity is projected at \$96bn
- The MENA region crowdfund opportunity is projected at \$5.5bn

## AMOUNT FACILITATED VIA CROWDFUND PLATFORMS GLOBALLY \$MM



## EQUITY BASED



Amount raised: £20,054,610  
Investors: 62,727 (105 businesses)

## REWARDS BASED



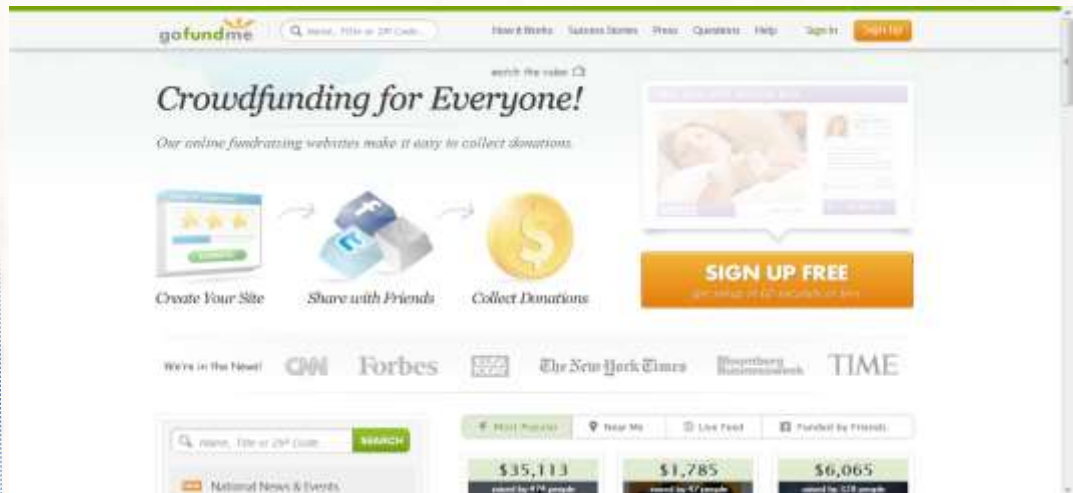
Amount raised: >\$1,000,000,000  
Investors: 5,708,578 (>55,015 Projects)

## LENDING BASED



Amount raised: £234,692,000  
Investors: 71,943 (>55,000 SMEs)

## DONATIONS BASED



Amount raised: \$210,000,000  
For: >350,000 campaigns from >1.4M donors

# GLOBAL STATISTICS

COUNTRY	PLATFORMS
USA	344
FRANCE	53
ITALY	15
UK	87
SPAIN	27
NETHERLANDS	34
GERMANY	26
BRAZIL	17
CANADA	34
AUSTRALIA	12
SOUTH AFRICA	4

GLOBALLY \$2.7B RAISED VIA CROWDFUNDING IN 2012  
(81% GROWTH)



## LINKEDIN



Democratize access to capital by enabling the community (the crowd) to determine which entrepreneurs / SMEs obtain funds. Disrupts the funding cycle. From business angels, venture capitalists, immediate friends and family to a larger set of global investors in and outside one's social network

## FACEBOOK



# SOCIAL MEDIA AND THE ERA OF THE SHARING ECONOMY

### INVESTORS

Explore industries of interest and invest in entrepreneurs within their networks. Social media provides basic diligence on SME's community standing and also funding viability/validation



## TWITTER

### CAPITAL SEEKERS

Connect with investors through their social networks and via crowd funding platforms. Benefit from word of mouth as investors, who are also customers, refer them to their own networks



## PINTEREST



## GOOGLE PLUS

## SME BANK BORROWING

- \*20% of SMEs have a loan/line of credit
- 10% of SME investments financed by banks

## SME BANK LENDING

- 3.3% of total UAE lending to SMEs
- 34bn AED unsatisfied SME lending

## PERCEIVED RISK

- 50-70% of credit applications rejected
- 78% of banks require higher collateral vs. large corporations

# STATE OF SME FUNDING

## SME NEEDS

- Access to affordable capital
- Affordable interest rates and tailored amortization
- Funding for business plan
- Business assistance

## BANKS OFFER

- Limited capital for micro/small & growth SMEs
- High interest rates and straight line amortization
- Fund historic performance
- Limited business assistance



## Internet based platform facilitating crowd sourced debt funding for high growth SMEs\*

### MICRO AND SMALL

- TARGETED TO RETAIL INVESTORS
- FINANCING: AED 100K to AED 500K+
- TENOR: 1 YEAR, OVERTIME UP TO 4 YEARS
- MONTHLY AMORTIZATION
- TRADING HISTORY + AUDIT PREFERABLE BUT NOT REQUIRED
- ZERO EQUITY PARTICIPATION

### GROWTH CAPITAL

- TARGETED TO SOPHISTICATED INVESTORS
- FINANCING: AED 2M TO AED 20M+
- TENOR: VARIABLE – FROM 2, 3 TO 4 YEARS
- TYPICALLY STRUCTURED
- INNOVATIVE COMPANIES / PLANS + AT LEAST ONE YEAR AUDIT
- EQUITY PARTICIPATION



HEALTH



MANUFACTURING



TELECOM



RETAIL



ENERGY



EDUCATION

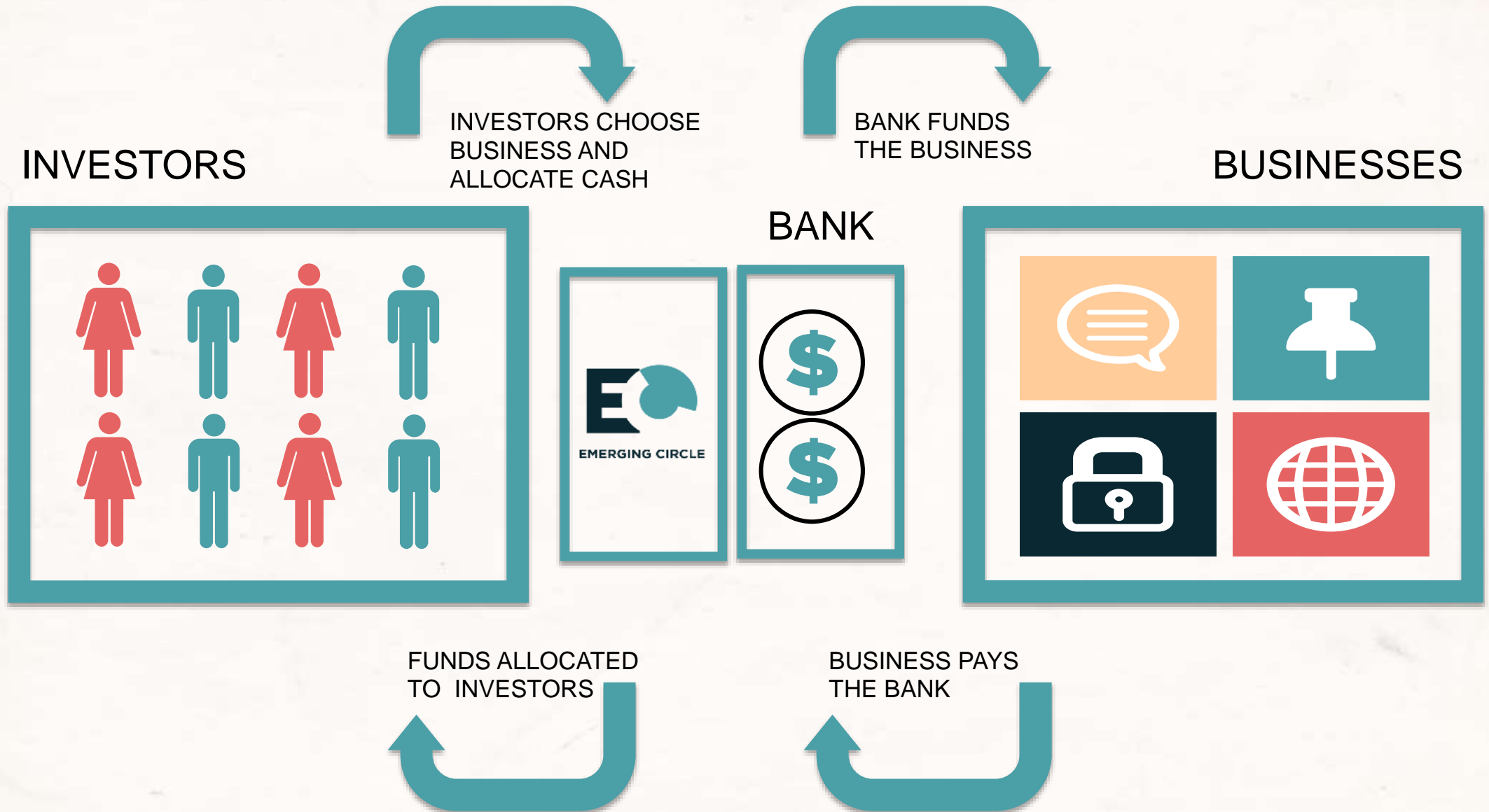


FOOD AND BEV.



TECH AND MEDIA

# PLATFORM SCHEMATIC





# RISKS AND MITIGANTS

## SME BUSINESS MODEL FAILURE

- Strong business credit assessment and evaluation
- Entrepreneur background and experience check
- Review and understand general sector trends

## SME LACK OF FINANCIAL ACUMEN

- Support programs to teach SMEs how to build a business plan and follow through with the plan once funded
- Require participation of part time accountant (if needed/ applicable)

## FRAUD ON THE PART OF SME

- Three authenticated endorsements, listed on public SME profile
- Collections via bank partner
- Post dated checks, held in escrow
- Name and shame + report to UAE central bank, SCA and on platform

## MONEY LAUNDERING BY INVESTORS

- AML and KYC conducted prior to investor registration
- Investors deposit funds directly through an electronic ACH transfer - no cash transactions. Partner with SCA regulated fund management company
- Caps on amounts that can be invested

## INVESTOR LOSS MANAGEMENT

- Educate investors about portfolio diversification; checks built within the platform
- Overtime build self insurance from portion of investor returns

## REGULATORY FRAMEWORK IN UAE

- Borrower credit analysis under taken by SCA regulated entity
- Partnership discussions with banks to enable crowd sourced SME lending

# THANK YOU



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