

# Appendices

## Appendix A – SBA profile (relating to Chapter 1)

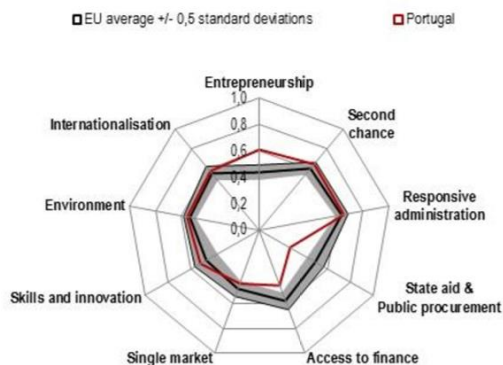


Figure 1: SBA profile

The figure above shows Portugal's Small Business Act for Europe (SBA) profile. It can be seen that it is balanced and its performance on most of the principles is in line with the EU average. What is striking is that its score on entrepreneurship is the second best in the EU, but on state aid & public procurement and access to finance it is below the average.

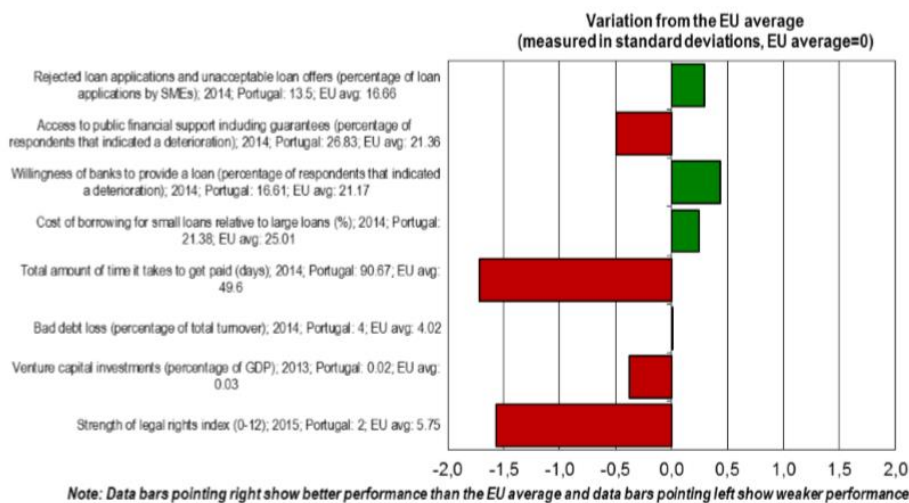


Figure 2: Access to finance

Various new programmes are providing support for business creation by unemployed young people, stimulating social entrepreneurship and the inclusion of disadvantaged population groups. Significant public funding is available, but the lack of private investment and venture capital is still a key issue. This is partly due to SMEs' high level of indebtedness. Business liquidity continues to be hampered by long delays in payments. Access to finance remains costly and difficult for most SMEs, even though credit conditions have gradually improved over the past two years.

Source: European Commission 2015

## **Appendix B – Crowdsourcing definition (relating to Chapter 2.1)**

García & Estellés-Arolas analyzed existing definitions of crowdsourcing to extract common elements and to establish the basic characteristics of any crowdsourcing initiative. Based on these existing definitions, they created one exhaustive and consistent definition:

“Crowdsourcing is a type of participative online activity in which an individual, an institution, a non-profit organization, or company proposes to a group of individuals of varying knowledge, heterogeneity, and number, via a flexible open call, the voluntary undertaking of a task. The undertaking of the task, of variable complexity and modularity, and in which the crowd should participate bringing their work, money, knowledge and/or experience, always entails mutual benefit. The user will receive the satisfaction of a given type of need, be it economic, social recognition, self-esteem, or the development of individual skills, while the crowdsourcer will obtain and utilize to their advantage that what the user has brought to the venture, whose form will depend on the type of activity undertaken.”

*Source: García and Estellés-Arolas 2015*

## **Appendix C – Interview Transcripts (relating to Chapter 4)**

### **1. Interview with Claudia Sousa from Novo Banco on the 6<sup>th</sup> of April 2016**

*JT: What is your relationship with CF?*

CS: I am working in the Communication Department here at Novo Banco and also in the Sustainability Office. We have a Social Corporate strategy and normally we have a lot of institutions that ask us for money for their projects. So we had the financial crisis here in Portugal, as you know, and received a lot of letters during and after that time and it was impossible to say ‘yes’ to all of them. The institutions need more money, because there is more unemployment etc. so they have to help more people. So we started to look what could we do, because we could not say yes to all of them. So we looked what was happening and we found PPL in Portugal and Crowdfunding. So what could we do? We created a CF platform with the name of the bank, it was not with the name of Novo Banco but at the time Banco Espirito Santo. And we could have a platform where we could put some projects of the institutions so we don’t have to say no to them. To give you an idea, we received in one month more than 200 letters. Nowadays not so many, but before a lot.

*JT: And these were institutions that needed funding, no private persons, right?*

CS: Yeah, exactly, they needed fundraising for their projects. So as we have a budget for donations ourselves we couldn’t say yes to all of them. And sometimes it is not easy, because we know it is very difficult to realize a project and to help the people after this crisis. So we

decided to make this platform with the name of the bank because we thought it was a good thing to publish what they are doing. Also, because sometimes these are small organizations that nobody knows, so it is more difficult for them to get fundraising. Portugal is a small country, and normally the institutions that are in Lisbon and Porto, everybody knows them, but in the inside of the country not so much.

*JT: Yes, true. So how exactly does your platform work?*

CS: So we put the projects on the platform and if they can raise 100% of the value that they ask for, the bank gives 10%. Actually, it is like that: in the beginning when we publish the project, the bank gives the first 10% of the value to show the other people we believe in the project and trust them. So if they can raise the other 90%, we will actually give the 10%. If they cannot raise the rest of the money, we will not give it.

*JT: And are there any costs for the institutions to use the platform if they do not succeed?*

CS: No.

*JT: And if they succeed?*

CS: Neither, but our platform works a little bit different than other kinds of CF where you use it for a business. If someone wants to make a donation, there are three possibilities. First, I will donate my money even if they don't raise the 100%. Second, if they don't raise the 100% I want my money back or another possibility is that I leave my money in the platform and give it to another project. So normally with CF, if the project doesn't succeed you get your money back. But it is solidarity, we think it is nicer to have a possibility to leave the money there.

*JT: So people only give a donation, right? There are no rewards included?*

CS: Yes, it is a donation. They will get an invoice if they want and normally they receive an email saying thank you. And if it is a higher amount, they can visit the institution or receive a little gift. They always get something back.

*JT: So you were saying before that your platform resulted out of the financial crisis?*

CS: Yes, it was not the only motivation, but an important one. The bank wanted to do something new and different and we looked in Europe and there was not one bank that existed doing something like that. So in November 2013 we decided to do this social CF platform.

*JT: Okay, so you picked up a trend that can also be seen as a competition for banks, right?*

*CF in another form is also being used by companies as an alternative to banks.*

CS: We actually also had a platform for businesses, for unemployed people who have a business idea. But unfortunately, it was not successful, the people did not raise the money.

We did this in cooperation with another company and it was a ‘normal’ CF, not a social one, and we gave the first 5%. But it didn’t work. So we stayed with this one and it is resulting.

*JT: Yes, I read you already financed 55 projects? Is this up do date?*

CS: This month’s figures show we financed 71 projects with 6.545 donators involved.

*JT: Do you know about the type of people who are making donations?*

CS: No, we don’t. But, the people who want to make a donation need to submit their names, contacts and e-mail. And the name will always appear on the platform. And sometimes when they make a contribution they leave a comment. So it can be the case that it is a person working in that institution, but there are also friends, suppliers and random persons making contributions.

*JT: And do you know the average amount donated?*

CS: Yes, the average is 35€, the minimum is 1€ and there is a maximum value for the projects which is 5.000€.

*JT: And for how long are the projects published on your platform?*

CS: Again, there are three possibilities. If the value of the project is up to 2500€ it will be 60 days on the platform, if they raise 2500-5000€ it can be 90 days on the platform. And another possibility is that as soon as the money is raised, they will withdraw the project from the platform. Because for some it is very urgent to have the money in order to finance.

*JT: Ah okay. And they are only financing particular projects, right, not the general organization?*

CS: Yes, they have to have a project. We also have to see the calculations that they made, if they want to buy something we need to know from the supplier the actual value of it. And after that, we have a newsletter of the platform where we publish the outcome of the projects. And it is being sent to all of the donators for them to see how the projects are doing.

*JT: Okay. Do you think there are some key factors to make a project successful?*

CS: Yes, communication. Normally, people say 40% of the success is communication. But I would go further and say 90% of success is communication. Because if they don’t communicate well, they will not raise the money. Not only online, but also offline, involving all the stakeholders existing.

*JT: So what part of communication exactly?*

CS: The most important thing is that the projects are not touchable. So it is not like you have a product, like an Iphone which you can see and feel and try it out. With a project it is not like this. So you have to communicate the project as something real, they have to show how good it is, how the effort can make the life of some people better. So how they speak of it and the

difference that it will make in the life of this institution or the life of the person who benefits from it is very important to the success of the project. What is also important is to publish a film. Photos are mandatory, but videos are not, but it is very important.

*JT: Anything else apart from communication?*

CS: Never communicate a value you do not need. Normally, the projects with less value are easier to fund.

*JT: So what would you say are the advantages of CF?*

CS: Nowadays everyone is using the internet, so maybe if this kind of platform didn't exist, I wouldn't be a donator. It is a way to contact more people, a new way of fundraising. You have the possibility to contact a lot of people and can be known for it. And the effect of the crowd is amazing. With one Euro of one person you cannot do anything, but with one Euro from many people you can do a lot.

*JT: And compared to traditional ways of financing could you say what the advantage is?*

CS: In Novo Banco we can also help to communicate the good work that the institution does, so it helps to publish and promote the institutions. Because nobody knows the institutions before, so today more people know them and know what they do.

*JT: So your role as a platform is to give a medium of communication and promotion, anything else?*

CS: We also support them. For example if we receive project proposals, we help them to communicate the projects better, e.g. can you explain it better, you need to have a better title at the beginning, etc. We also help out with knowledge. For example, many times the organization lack business knowledge. Then they want to give away a t-shirt for a donation of 25€. But the problem is, you have a t-shirt that costs you money, you need to send it that costs you money, so the question is: is it enough for the donation the person made? So we try to inform them better. Sometimes they are so happy to receive the money, so they want to give something back. But we are a bank so we help them to focus on how to spend money and how to spend it better and how to invest it. So we give them as much advice as possible.

*JT: Okay. And do you think there are also some disadvantages to CF?*

CS: For us, it is challenging because we can only present 6 projects at a time. So if the institutions have the projects online for 3 months and they don't communicate well, we already see they are not raising the money. And then they occupy a place another project would need. So scalability is an issue for us.

*JT: And why do you only present 6?*

CS: Because of visibility reasons. And also because of internal budgets, as we give the first 10% to each project.

*JT: And for institutions, is there anything where you see a disadvantage for them?*

CS: CF is not a last resort solution. Sometimes organizations come and they need money to pay the electricity bills or the salaries, but then CF is not a solution. Because they can raise money for something, but not forever. CF is not a solution to survive, you have to sell a particular project.

*JT: And in these cases, do the institutions have access to other means of financing?*

CS: Here at Novo Banco, we have a specific department which only works with these institutions. They have special products with some advantages that we don't give to other enterprises. Because the institutions in Portugal, they work with very good people, but management is not one of the knowledges of the people who work there. So this department gives information to these institutions. And we also give away microcredits.

*JT: Okay. Taking into account other forms of CF, why do you think equity based CF is not happening in Portugal yet? Only legislation difficulties?*

CS: Legislation difficulties, yes. But also the people are ...I don't want to say afraid, but they don't trust enough to invest their money in something that they don't believe. CF is successful in the US, Brazil, etc. but here it is new and there is no mass motivation yet for this kind of investment. And this is one of the reasons why our project with businesses did not result.

*JT: So you think in Portugal people are rather willing to support social causes?*

CS: Yes, because it is an organization and not just one person.

*JT: But could you imagine that in the future, once the term CF will become more familiar, this will change?*

CS: Yes, I believe it. We are working a lot here in Portugal for another kind of donation of the companies in the institutions. Until a few years ago, or even until today, companies made a donation to institutions and that's it. But now they are changing, so they are giving the money but also want some kind of compensation. It's not a donation, it is an investment. So because you believe the institution can do other things, we could be part of the board. Everything is changing, not as quickly as we would like it to be, but still. So when the institutions have people looking through them and understand the institution like a company, this is when CF will be successful.

*JT: So what needs to change is that companies need to see institutions as companies?*

CS: Yes.

*JT: And in who's hand is it to change this?*

CS: The companies, for sure. But also legislation is not very clear and it has to change.

*JT: So, concluding, do you think CF will be there in 5 or 10 years from now? Is it a long-lasting tool that will sustain in the market?*

CS: Yes, internationally of course. In Portugal I see it as well. But I think it will not be a place for many companies. Social CF platforms we have Novo Banco and Emerge Salvador and I don't think we have enough place for more platforms. For other platforms, like PPL, I am not sure, we had three, now we only have one. There is a lot of opportunity, CF is a fantastic way to create new businesses, so if we have a change in the mind-set, I believe it. Not all the people will understand it, but younger people will. So, yes, I think in some years there will be place for more platforms, at the moment not.

## 2. Interview with Frederico Castro from Sonder on the 3<sup>rd</sup> of May 2016

*JT: Could you tell me a little bit about yourself, your background and since when Sonder exists?*

FC: I studied Management at Nova and then I dropped out of college because I had a class in which studied the advertising market and I found out that they were lacking real people and they needed them but nobody was supplying. So that's how I started Sonder two years ago, I'm the founder and CEO.

*JT: Was there a time you needed external capital to push Sonder forward? What ways of financing did you consider? Where there any barriers for you?*

FC: Regarding money I started with a 20.000€ investment from family. We started on the 14<sup>th</sup> of May, that's when legally the company was founded and then we launched the business on the 7<sup>th</sup> of December. So we started with 20.000€, I didn't want to go to banks or to investors because I was just a kid that dropped out of college and this is actually a business that is not so big so you don't need angel investment or something like that. So I had the chance to get the money from my family and I started with it and very soon we were breaking-even, we invested everything again and broke-even again and it keeps going like this, now we are much more stable in terms of financing. I never had the necessity to loan more money for more investment to the company, because we are very profitable in our scale and it has been enough to maintain and grow the business which has actually been growing very very fast.

*JT: Do you know about CF? Did you know about it at the time?*

FC: Actually I never thought about CF, maybe because I was 20 years old and at the time I didn't have the expertise or knowledge of investment so I was a little bit afraid and I didn't

want to lose percentage of the company. So I was lucky to get the money from my family and so I didn't consider crowdfunding. So for these two reasons I didn't consider it, first because I didn't need it and second because I actually didn't know what I was doing and I didn't want to lose equity from the company.

*JT: Would crowdfunding be interesting for you now?*

FC: Like I told you, right now Sonder is profitable so I would only need an investment if I wanted to grow the company to somewhere else, internationally or to another city in Portugal, like Oporto. That is actually in my mind but to sustain the business and grow it here in Lisbon our own revenues are more than enough. But if I want one day, that I don't know yet, to make this an international or worldwide concept, there I will need financing and I'm going to be honest with you, I've never explored CF enough to make a judgement.

*JT: Could you think of some advantages of crowdfunding compared to traditional ways of financing?*

FC: The ability to get investment from a bunch of people that are not VCs or used to be on that kind of thing. So instead of going to the regular places and getting big investments you can get investments from a lot of people that you would never get the ability to have because of the platform, people that believe in your vision and your product. Also, the ability to do pre-sales and get awareness of the product even before it is already on the shelves. So instead of just waiting for the product is completed and then start wondering about the market you can use the platform as a tool for your marketing and to do pre-sales and get awareness for the product.

*JT: Are there also some disadvantages?*

FC: It is a problem in the reverse situation, because maybe you don't want to expose your product before you go to the market. Maybe you have some kind of product that needs to have a first mover advantage and then you don't want to see your product exposed to public so on these types of things, CF will be a disadvantage. Another disadvantage could be that you can get investment from a lot of people and if you have 5000 investors in the company and everyone has a minor stake in the company I don't know how easy this is to manage. It is almost as if you are in the stock market.

### 3. Interview with Filipe Portela from Seedrs on the 26<sup>th</sup> of April 2016

*JT: Can you tell me something about the legal situation of equity based CF in Portugal?*

FP: Basically, it was on public discussion at the end of last year. So it is somewhat approved, but it is not legal until it is written on the republic diary, an official publication, only when it comes out there it is official and legal.

*JT: And in order to start an ECF platform this document needs to be there, otherwise it is not legal, right? It cannot be the other way round, that you start the platform first?*

FP: You can do it, but you will possibly face some charges, because it is not legal to do it. But also the legislation that is intended to come out, at least if it comes out as it is planned, is not going to be that good. It is going to be something like: you can only invest 3.000€ if you are not a qualified investor. Because that's the real advantage of Seedrs. What Seedrs managed to do is that it is financed with the English FCA, so the English regulator. And what they managed is that everyone after answering a short questionnaire of about 6 questions, can be a qualified investor. But the questions are really easy, it is basically just to make sure everyone knows what they are doing, that you are investing with a high risk of losing all your money.

*JT: Seedrs was one of the first to do this, right?*

FP: It was the first one. And it was the first ECF platform to be regulated by the FCA.

*JT: And then the others followed, right?*

FP: Yes, Crowdcube, Syndicate and some more appearing north of Europe. But Seedrs was the first one. But here in Portugal what is going to happen is that if you are not a qualified investor, so if you don't have more than €1 million in assets or a net income higher than €200.000 per year you can only invest €3.000 per campaign and a total maximum of €10.000 per year. Not more than this. So it is going to be somewhat limited.

*JT: And if you are a qualified investor there is no limit to it?*

FP: Right, you are a professional investor and you know what you are doing so you don't need protection.

*JT: So this is done to protect the investor?*

FP: Well, their explanation is that it is done to protect the investor. But we see it in a different way, we see it more as a protection of the traditional market, of the established market. They are afraid that equity CF could be a competition so they have these high barriers to enter. So you enter, but only at these limits.

*JT: And if you say it would be a competition towards whom are you thinking, banks?*

FP: No, I don't feel it will be a competition to banks, because they work in a different way, they usually make money by credits, at least commercial banks and investment banks they

make money by investments. The competition would be more for business angels, not to VCs also, but more to business angels.

*JT: Because they would engage in the same stage than CF?*

FP: More or less, yes. So you have CF with a limit of 10k and BAs that usually invest with a volume of 50k then you have VCs that usually invest around 100-200k.

*JT: Okay. So the public discussion was at the end of last year, is there any outcome planned for this year?*

FP: Yeah, we expect this to come out every day now. They are not in a hurry, these are things that just take time, we had a new government elected last year and it is not one of the urgencies. Eventually it will happen, probably in summer. But honestly, I don't think it will be a business.

*JT: Here in Portugal?*

FP: Yes, honestly. Because, you have some other platforms out there in Europe that are across countries, mainly in the UK. And there you have a high liquidity market. Not Portugal. You have PPL, that is our biggest one in rewards and they are in operation for the last 3, 4 years and they just raised €1.3 million. You don't make money with that, they just make money because they have a side company that makes money for them. So if some equity CF platform appears, it will be more or less like this: either they don't know what they are doing and think 'oh this is a big market, let's do it, let's make some money here', or they have something on the side which they are doing. So I don't think it will be a business.

*JT: So for Seedrs it is not an option? Because you do everything from the UK anyway, right?*

FP: Right, everything is in the UK. In the beginning, the companies had to register in the UK, but that is also very easy to do, Seedrs even does that for you, free of charge, because it's that easy and that cheap. But nowadays Seedrs doesn't even need to do that as long as the company is based in the US or a country of the EU. We can accept companies from other countries, but if it is the first time we are doing a campaign from this country it will take some due diligence. So it really has to be a good campaign with a potential profit for us.

*JT: But you also went to the US with Seedrs as well, right?*

FP: Yes, we plan to open, we did not open yet. We bought a CF company there and we plan to open operations in the next 6-10 months. We did not open operations yet also because of legal questions. But in the US, curiously, it is going to happen the same way than here in Portugal. In the rest of Europe you can invest a minimum of €10, so it is easy to become a qualified investor. In the US, like in Portugal it is not going to be like that, so you really have

to be a qualified investor. And you have a minimum amount of investment of around \$1000. But the idea is to grow worldwide, mainly in Europe.

*JT: And did you already have some projects from Portugal?*

FP: Yes. Not many, from 340 campaigns already financed, about 6 were Portuguese. But that's my job also, to increase this number.

*JT: And what is your experience so far, how is it going with Portugal?*

FP: Well, the thing is that we are very innovative here in Portugal, but we still need some time to have more start-ups ready to be in the phase of Seedrs. So the best time to go to Seedrs is after Family, Friends and Fools and alongside BAs or VCs.

*JT: Because is it like this, that you have to come up with a particular percentage of capital already financed?*

FP: It is not obligatory, but it is recommended. So in our experience the best campaigns are the ones that at least 30-40% of the amount that you intend to raise, come from your own community. Your own community can be your partners, clients, suppliers, friends, etc. If you have this, at least 30-40% committed, for our experience these are campaigns that are going to run really well. If you are depending 100% on Seedrs it doesn't mean that you are going to fail, but for our experience they won't go so well or at least take longer to achieve their goal. That's why we always recommend to have at least this percentage.

*JT: Ok. And this percentage is already raised through your platform as well?*

FP: Yes, the campaigns always have 2 weeks of private launch and that's the time when you share with your community, when you give preference to your community. It happens, and it happens a lot more now, that the firms don't even get out of private launch now, they get fully funded within the two weeks and within their own community. If the project wants to go overfunding or if they did not get 100% get, they will go for public.

*JT: And it's up to the company to decide if they want to overfund?*

FP: Yes.

*JT: Because isn't it actually the goal to make a calculation beforehand and then to fund exactly that amount you need?*

FP: Well, it all depends on the amount of equity that you are willing to give away, because the more you overfund, the more equity you have to give. For example, we have companies that go out of the private launch with 200% overfunded already and they are now almost reaching 300% in the public phase. But they are cool with it, because they don't mind giving extra equity away to have more funding. That's a decision of the company

*JT: But isn't it weird to make a calculation and then suddenly you take much more than that?*

FP: But that's good for you also, because you get more flexibility. Again, it all depends on the amount of equity you are willing to give away. Because you could also give it away to a BA or VC that is going to ask you for much more equity probably, or you can give it away in crowdfunding. Because they are accepting that valuation. You can give 5% to CF for 100k and then another 5% for 50k to BA or VS or 10% for 200k all to crowdfunding.

*JT: So would you say one of the main advantages is that you get more funding by giving away less equity?*

FP: I wouldn't say it's one of the main, but it can be if the campaign really goes well. But many times we work alongside with BAs and VCs. So for example we do a 1 mio. Valuation on a company and the VCs want to invest for 10% but they don't want to put 100k, they just want to put 50k. So they don't mind to just give 50k and the company goes to Seedrs to get the remaining 50k to reach the 100k.

*JT: And then the BAs or VCs give the money beforehand or they invest via your platform?*

FP: It can happen both way, they can invest through Seedrs and then Seedrs will be the nominee for that BA. Or they can invest outside Seedrs, which is what usually happens. But there are also some that like to invest through Seedrs, because Seedrs is really good on what it does, so due diligence, etc. The thing is that if they invest through Seedrs, the company will represent them but they will also charge a fee on that investment. If they invest outside Seedrs, Seedrs will not represent them and they will also not take a fee on that. I would say that one of the big advantages of CF, at least on Seedrs, is the access to community. More and more companies are doing it just for Marketing and PR reasons. Because suddenly you are talked to 100k people worldwide, mainly Europe but also worldwide. And that's interesting if you intend to grow or especially in the UK where we have a strong community. That's a very good advantage on Seedrs, PR, community and the smart capital, so inside this community of 100k people there will always be someone that can help you with something, a connection, a partnership, etc.

*JT: Okay. And what would you say is important during a campaign to make it successful?*

FP: Communication. Basically, in reward-based campaigns you have to communicate how good your project is and in equity-based campaigns you have to communicate where you are, where you plan to be and how you get there, which is what you need investment for, to get there. So you need to communicate what is happening, new things, new awards, new communication on the press and media, to keep it alive. You cannot put the campaign and check it again in one month. At least our community asks a lot of questions so with Seedrs they have to have one person fully responsible to go to the platform every day and answer the

questions. The idea is to centralize it for the companies and investors. We prefer to do that because if someone asks something it is visible and it doesn't need to be asked again and again.

*JT: Sure. So what do you think is the current attitude of Portuguese people towards CF?*

FP: There is a lot of money and Portuguese people are very solidary so they give a lot. But usually they give it to people or projects they know not through platforms. For instance, I was also involved in a donation based platform ([raisyourcourse.org](http://raisyourcourse.org)) and we managed to get 18.000€ in about a year, a year and a half for half a dozen projects every time. It is not easy to get people to give money to persons they don't know. If they know them they will give a lot, but not to strangers. Novo Banco works because they put 10% upfront.

*JT: So for Portugal you think there will not be an equity based CF?*

FP: I think there will appear a platform or two, but I hope there won't. As I said I don't think it will be a business if you don't have another business aside. Especially if you have the competition from Seedrs where you can invest from 10€ and in Portuguese companies also. What's the advantage of having a Portuguese one?

*JT: Maybe that it is more local so if you build a good brand people will trust it more?*

FP: But to have a big enough community to have a business there, I don't know. Lisbon is planning to launch a CF platform to invest in local projects from Lisbon. Honestly, I don't see any added value on that. For me that's just marketing for them, it is not a need of the market.

*JT: And which type to they plan to do?*

FP: Donation and reward-based, they also talked about possibly equity based. So we were talking about fees. Usually at Seedrs the fees are around 5%, but we have a level fee, so for the first 150k the fee is 7.5% from 150-500k the fee is 5% and above 500k is 2%. This is cumulative, so if you do the first campaign with 150k you will pay 7.5% then if you do a second round with 50k, you would only pay 5% because you already filled up the first lesson.

*JT: So it is an incentive for companies to come back and fund through Seedrs again?*

FP: Yes, because we have a lot of companies doing second and third rounds, so this is a way to reward them. And to have higher projects, because now Seedrs goes from minimum 50k to 4 million, the highest one was around 4 million pounds.

*JT: So that's the fees for the projects, what about the fees for investors?*

FP: In both cases it's a success fee. So companies only pay if they get funded and on the investor's side the fee is fixed at 7.5%, but only when they sell their shares or when they have profit on their shares. So let's say I invest in a company A now with 100€, in five years the company closes down and they sell all their assets and instead of getting 100€ back I only get

back 80€, in that case I don't pay anything to Seedrs because I didn't get any profit. But if during that 5 years the company is bought by a bigger company and they want to buy my shares and I sell them for 200€ so I get 100% return, Seedrs gets 7.5% from this return, from the profit.

*JT: Do you know the success rate for the projects?*

FP: Yes, but that's something we don't disclose, it is not 100% of course, but it is higher than the competition. That's because we only accept about 20% of the campaigns submitted. So 80% are not accepted due to several reasons. Many of them it is just poorly written campaigns. Because CF is being communicated as an easy thing so people think it is easy money, they just write something over there and get funded. Many times it also happens that it is not the right time for it, Seedrs never evaluates the quality of the business, we only evaluate if it is a good or bad business. We only evaluate if it is a good or bad campaign and if we think our community is going to like it or not.

*JT: And if you decide they can launch the project, do you support them somehow? How close is the relationship there?*

FP: It is getting closer. As the Seedrs team grows our relationship with the companies also gets closer. We have teams that support the community, which make the connection between the entrepreneurial community and Seedrs so we help them and that's more or less my work. So I help them talk about advantages and disadvantages of Seedrs, what they should write, what they should and shouldn't expect and whenever they submit a campaign and it gets approved they get supported by three different teams inside Seedrs. The investment team is the team that goes and looks at the valuation, at what's written, if what is written is true and if the company gave prove of that. Because everything that appears on the Seedrs side is considered financial information so the investment team goes line by line and checks if what is written there is true and if they gave prove of that. And if there is no prove they have to provide it or take the information out. Then the company has the support from the campaigns team that will support them with the campaign, the communication, events, what to communicate, when to communicate. And the business development team that was there in the beginning and will stay with the campaign to fill some gaps for the other teams and to continue to do the bridge between the company, the investors and the campaign. So they get a lot of support, but there are some things that Seedrs doesn't do, so we don't give specific communication to any campaign so we do not advise any specific campaign. What we do is that we make bridges between the campaigns and PR or media, for instance if we know that a media partner is looking for a specific news or article about agrotech e.g. and we have an

agrotech company in our portfolio we just out a bridge. We also do some events where we get half a dozen companies that are raising at that moment and they pitch there. We never communicate for them or do things for them but we help them do their own.

*JT: Okay, and how many campaigns do you have online?*

FP: We have more or less 60 live campaigns.

*JT: And the maximum amount of time they stay on your side is 60 days?*

FP: The times are like this: two weeks private launch, it can be longer if the company wants it, but we don't recommend it, because the information you give in the beginning after 1 month that information will get old. After that they have 60 days going public. They can get an extension of one more month but only in special situation for example if they have a very big event just the week after or they are in talk with a big investor where they expect an outcome soon. In those occasions we can extend otherwise not. It can be 97% but if there is nothing going on, it is closing. But most of the successful campaign get funded within one month after going public. If they take longer than that, if after one month they are at 50%, 60%, that's a red flag and usually we take some special attention on them and talk to them to see what is going if they have problems and how we can help.

*JT: And is it a problem for you because these campaigns take space on the platform?*

FP: It is a problem for us because we invest time and resources and we don't get paid. That's never a good thing to happen but it is part of the business. We cannot guess which campaigns are going to be funded and which not. Sometimes we get some really good surprises. And also we have to keep the platform as diverse as possible so we need to have a little bit of everything, services, products, tech, agrotech, fintech, creative, food, etc.

*JT: Okay. And how much information do you have about your investors?*

FP: The information we have about them is the information from their investments. We are also giving them the signal with rewards as well. So the investors with a higher number of investments and a higher amount of investment they are getting the 'leader investors'. Some numbers are: Our average campaign is about 200.000 pounds with about 200 investors with 1000 pounds investment. We have some investments of 50k from individuals but also 10€. The amount of investment per investor is increasing and the number of investors is also increasing. So they invest more or less the same but there are more investors, which makes sense because our community is increasing.

*JT: And do you know whether there are Portuguese investors funding campaigns?*

FP: Yes, they are increasing every day.

*JT: So what is the difference between Seedrs and other equity based CF platforms?*

FP: Seedrs represents the investors in the company. Crowdcube for example they don't do anything like that. They only pledge. For example I pledge that I will give 100€ to this company but I don't give it, so I can give up any time. And with Seedrs no, it only counts the money that is on Seedrs possession, because Seedrs takes possession of the funds and then either transfers them to the company or to the investors again if the campaign is not funded. So the amounts on Seedrs are always real. That's why appearing on Seedrs is a stamp of quality, because we are very demanding. We are trying to put some quality and good word on CF because there were already some bad cases with other platforms where they didn't do good due diligence.

*JT: So do you think that in Portugal something needs to change so that CF becomes bigger?*

FP: We have a problem that we don't have high liquidity which will always be a problem. It will be much more interesting if the Portuguese legislation will be more open like the English one, so if you could invest with 10, 15€, because then it will be a true democratization of investment. The way it is going to be is just for the people who have money. And that's not the power of the crowd. Because if it is a little bit of money, the Portuguese can do it, if it is 1000€, they cannot.

*JT: But do you think it is also connected to the mind-set of the people, that they are sceptical?*

FP: I don't think that's the main problem, I think the main problem is financing. The average salary in Portugal is around 800€, so people have no money. So with this legislation coming out I don't see anything relevant happening. I'm sure that some equity-based CF platform will appear, although I hope they will be smarter than that. They will just lose money.

*JT: But wouldn't it be good for you because in general there will be more buzz around CF?*

FP: Yes, sure! I'm talking in a personal sense because I know they will lose money. From Seedrs side, yeah sure, unless they will spoil the market giving bad word to CF it is good for us. One thing that I see happening in Portugal is Crowdlending, you have raiz.pt, so it is individuals lending money businesses, so peer-to-business. It's interesting because you can start with 50€, but it is really hard to get approved by the regulator, they are already in talks since 3 years. Raiz goes until a maximum of 50k within 24 months and they are always loans with interest rates. And also in Porto there is a new company with lending up to 200k, which is business-to-business and it is more on long-term loans for the company. So businesses that already have some cashflow instead of putting their money in the bank they just lend it to other companies. So that's the democratization of the economy. Before, everything happened through the banks and now it is changing. We are actually talking with a bank and might have something happen between them.

4. Interview with Goncalo Fernandes from Smart Equity on the 25<sup>th</sup> of March 2016

*JT: Could you tell me about yourself and what your relationship with CF is?*

GF: I myself am a business angel (BA), I'm a partner with other business angels in an investment vehicle called *Smart Equity*, so we invest in early stage phases our ticket, our average ticket is around 200.000-250.000€. I, personally, do not have any connection to CF, meaning I am not a partner at any CF platform, but I obviously know the CF theme because I am involved in this kind of venture world. It's pretty much this.

*JT: So what is your approach of investment in the projects within Smart Equity?*

GF: Well, our approach is different in the sense that we invest - obviously cash - but we only invest in companies where we understand that we can also create value in terms of growing the business. And it has to be a scalable business and we need to understand that, independent of the vertical of the company or where the project is, besides the money we can create, via networking, via our own knowledge, value besides just the money part. In that sense we as an investor are typically different from CF investment. It's two different approaches. Maybe our investment comes in a stage for a project that was already funded initially in a pre-seed stage or very early stage by CF and then they proved the concept and have attraction in terms of numbers and growth and then we come in and invest at a later stage. That would be our place in the value chain.

*JT: Okay, so that has already happened, that you invested in companies that have been funded before through CF?*

GF: Well, actually no, we checked some of them but we never actually did an investment for several reasons. But we had several opportunities where the companies had initially been funded by CF.

*JT: Okay, but could you imagine that CF could be in the place where you are right now or do you see it rather as a method to start a project or business?*

GF: With CF as I see it, you have a couple of models. The most recent ECF like *seedrs* and other ones which are doing that, then you have the CF platforms like *PPL* and others which are not equity based CF, but reward based where you invest something and then you receive a record or some gift from the company. So, I would say that CF for me, where I see the value, is more in terms of proving the concept, because if you are in a good platform with lots of visibility and you have several people which are potential buyers of your product or your idea, investing even in small quantities is a good feedback in terms of what you can expect from the market itself. From an investor's point of view, I would say it's not that interesting as I see it. Cause you know, people are just investing small amounts of money, so they don't have

what we call 'skin in the game' so for them it's something that if it goes okay, it goes okay, if it does not go okay, I already have written off this company. I would say it's not smart money. It's just, in brackets, money.

*JT: But do you also see this for equity based CF?*

GF: Well it depends then. You have institutional investors, companies like our own, also *seedrs* for instance, which is an equity based CF platform. So I know that some companies are investing through *seedrs* and what happens is that you have companies investing for shanks of equity, like put your 25% at the time and then you have a lot of minority interest guys which have 1000€, 500€, etc. If basically the ECF platform allows an investor to have not the majority stake but a stake that can imply some level of control of the business, then it's basically almost the same thing as investing directly without being via an ECF platform. So, I mean, if there is an opportunity that you see in an ECF platform, and you see that it's a good opportunity, you invest through the CF platform. But the model needs to be the same at least in my view, which is: I am a minority shareholder, I have 20% or 25% of the business, but then I have a term sheet that gives me a certain level of control over the company and over the decisions, etc. and all the other minority shareholders are just that, just money in small quantities that it is what it is.

*JT: Yeah, I see that. Okay, but could you still say there are some advantages to CF?*

GF: From the company point of view, or the start-up point of view, I think it is market validation. Depending also on the product, but if you're talking about a start-up which has a B2C product, which is bedding on scale and getting to the masses, I think CF is a good market validation process because you have the live feedback from the potential customers of the project or product you are trying to get invested in. Also from a start-up point of view, I would say that it's just money, unless you have a company, an institutional investor coming in, through the CF platform, having a real stake in the company and adding more than just the cash. Cause if you raise 50.000€ of cash in a CF platform with several thousands of people that you have never heard of before and you will never contact them, you don't know what they are doing or if they know anything about your business at all, then you just have the 50.000€. Period. You don't have any intelligence or networking capabilities or seniority to help you as a start-up to grow to the next level. So again, I see market validation and seed money so you can then go to an investor saying that your campaign was a success and that's also market validation. With those 50.000€ you got from zero to Point A, and then you prove the concept and then you will say to the investor: with my 50.000€ I did this, I had distraction,

I've proven that the model works, so now I need not 50.000€, but 500.000€ to get this to the next level. It's pretty much what I see as an advantage of CF.

*JT: Okay, great. And from an investor's side?*

GF: Again, what I see is if you invest in the same way that you would invest if the company was not in the platform which is a business, an institutional investor like ourselves, we need to have some level of control. So I don't see that many advantages.

*JT: Yes, at least from a financial perspective. Because you can benefit from the fact that you foster innovation or support entrepreneurship, these could also be advantages?*

GF: Yes, obviously you foster innovation, you do a lot of stuff. But again, from my point of view, you can do that without going through a CF platform. What I'm saying is, I'm not against CF, but I think it's something that is on a very early stage in terms of initiating the process and getting attention from investors coming in later on.

*JT: Okay, I understand that. If you say it is still at an early stage, what do you think there needs to be changed to bring it to a next stage. Do you see some challenges that would need to be overcome so that it becomes bigger or do you think that's just in the nature of the concept and that it won't change?*

GF: I would say, yes it's in the nature of the concept. I mean CF is an excellent concept, it's a very nice idea, but I don't see it scaling in the value chain, again in terms of the investment value chain, I see it as being on the companies wanting to have an early stage funding. They know it's still very early so they are not able to take that into an investment institution yet, but they want to test it through a CF platform. And then if it has market validation it's something more that they can take as the pitch to get real (...), an institutional investor later on.

*JT: So you see it as a complementary tool? If you look into the future, do you think it will exist next to traditional ways of financing?*

GF: Yeah, you have first family, friends and fools and you get the first money just to check something out. Then you go to CF and then BA then probably you go to private equity. You know, through the value chain in terms of the types of investors and the timings were they normally come in. So I would say CF would be in an early stage in terms of value chain. But again, maybe I'm wrong, it's just my opinion.

*JT: And that's what I'm trying to figure out, so that's perfectly okay. So do you think it is a concept that will continue to exist?*

GF: Ufff, that's a tough question.

*JT: So far I only spoke to people from the platform's side and for them it wasn't a tough question, they agreed very strongly that it will continue to exist.*

GF: Yeah, I would find it strange if they wouldn't say so. I would say it will probably continue to exist but my feeling is that there was a very strong hype about CF at a certain point in time and I think that one or two big platforms will continue to exist, I suggest the ECF ones, the other ones I think they are something which is nice it's kind of sexy to have people investing just because they want to help a guy which is trying to have a business but it's not sustainable from an investments point of view. Just something that's a novelty and that will, as other novelties wear down.

5. Interview with Marco Barbosa from esolidar on the 11<sup>th</sup> of May 2016

*JT: Could you tell me about the background of esolidar?*

MB: I started a company that was an e-commerce marketplace inside facebook in 2012 which then became esolidar.

*JT: Before the upcoming campaign on Seedrs, did you get funding elsewhere?*

MB: We went to Silicon Valley for several months in an incubation program and we were also selected by the MIT so I went to Boston to understand better how we can put together the non-profit and for-profit markets within the same ecosystem or one platform. After coming from Silicon Valley we received an investment proposal from a BA firm in Portugal and together we decided that we should put more social impact within e-commerce and try to have the best of both worlds. So we received that investment and launched the platform in May 2014. Then we received an investment round from Portugal Ventures to start operations in the UK and recently I was selected by Forbes30under30 for social entrepreneurship in Europe. And now we are growing in Portugal, Brazil and UK.

*JT: So you received external funding right at the beginning of launching the business?*

MB: Yes, we first had a BA then VC and now ECF. Usually, start-ups will first go to CF and then to Angels, but we did a little bit of a different approach.

*JT: Any why?*

MB: In the first round it was because we were looking to raise funds and we got an offer. These kinds of ECF campaigns were not so traditional or we didn't know so much about them. In the second round we were about to start an ECF, but then we received the investment so we stopped. Now, there were some people interested in investing in our company from our community. And also as a strategic way it is marketing so we decided that now, as a bridge round, or to get more people involved within our company going to ECF would be the best solution. Also because we can have kind of ambassadors that can promote the company and then we can validate more our valuation. So it is a kind of strategy but also a way to grow our business and also to do some marketing. It is kind of a triple win situation for us going to

ECF. And also because we are in the UK market and it is a very natural thing here to have these campaigns.

*JT: So would you say marketing was the main reason?*

MB: Yeah. I'll say that. Well, the funds of course, but giving our community the option to become part of our family or become stakeholders is a very powerful value proposition. Because they will try to make us grow because they own part of the company and that's strategically a huge value proposition for us. So we will make sure that they will share the platform, they will communicate with their friends and do everything they can to make us successful. And also it is a way to provide an opportunity for everyone who wants to invest but is not an investor, they can put at least 10 pounds, everyone can be part of a project and you never know which kind of people will invest, they can become big advisors or strategic people or open some doors for us, so it is also a way for us to grow our network and open new possibilities.

*JT: How far in the process are you, because you haven't launched the campaign yet, right?*

MB: No, we are hoping to have it live this week in private mode and we are aiming to have it public live on the 21<sup>st</sup> of May.

*JT: And can you already say what your experience is, how much work is it?*

MB: It is not just providing some information and pictures and that's it. Basically, I had to speak with a lot of investors first, to see if they are committed to join the campaign so we can have almost sure that at least 30% of the campaign is funded when we go live. Another thing is about having the right support on that, preparing everything about the marketing with the different steps, not just at the launch but in the middle and after. We are organising also events where investors can come and meet the founders. There is also a lot about media, write the story, try different channels. Also talk with other people that are very well connected with potential investors. So there is a lot of work to do. In the case of Seedrs they validate everything about us, so if we say we have that amount of users, they need to verify that we actually have that. So it is a long process. Also to record the video, they have to validate the video and everything we say in the video. Also, we need to decide how much money we are raising and how much equity and why. Also in the UK there is a tax incentive for investors, so as we are a Portuguese and also UK company it is a little bit difficult to see if we are a good fit, because UK investors really want to see that kind of tax benefit. So we are trying to make it available for the investors. So it is not so simple, probably it is easier than approaching a VC or several VCs and go through the process, but it is not so easy as it looks like, it takes 2-3 months.

*JT: In which way do you think it is easier?*

MB: The DD process (the validation Seedrs makes) has to happen, there is no way around that, they need to do it for the investors. We are starting this campaign but we don't have the expertise or knowledge to move forward with a successful CF campaign, so that's why we have a company that is supporting us on everything, from the tax validation, how we sell the business to the market, create a plan what we put on the website, etc. If there was a standard plan for every company that wants to start a CF campaign it would be easier. Because we don't know everything we have to do along the way to make it successful, so at the beginning approaching different investors so we make sure that some investment is already confirmed. But also when we should go to the media, with what kind of story, if it is more important to talk about the founder or the company or which approach we should follow. That kind of plan is where we are working most of our time, to set up this plan. That's why we hired a company that has some experience on helping other companies. And the good thing about this company is that they charge a success fee, so if the company succeeds they charge a fee, if not we only pay a small amount. That's a good thing, because they will try to make it successful and they will also invest in the company because they only select the companies they believe in.

*JT: Did you consider CF opportunities in Portugal or was it clear for you that because there is no ECF platform available you would use a platform outside Portugal?*

MB: It has to be ECF, we are not a typical product company so we cannot offer that kind of rewards when you invest. And even if there was an ECF platform in Portugal we would not have chosen it. Most of the investors are in the UK and Seedrs is worldwide, they have a big database of investors that already invested in others. Well, Seedrs started in Portugal and I know one of the co-founders, but it was a natural choice, it was a no-brainer.

*JT: So in the future, if there was an ECF platform in Portugal, would you still not chose it?*

MB: Yeah, but if you start an ECF platform in Portugal you have to expand to a country where the law makes it easier, where the market is bigger, where investing in CF is usual, where there is a lot of money available for that, where there is tax incentives and where the law allows you to do that kind of things easily.

*JT: And what do you think would need to change to make CF bigger in Portugal?*

MB: Well, people have to know more, it is a different mind-set that people need to understand and we need to communicate that. About the investors, there are not a lot of investors in Portugal, there are a few that already invested through Seedrs and some VCs that invest through CF. So on that part investors know about that kind of opportunities. If they don't invest it is because they prefer to make the deal directly with the founders or because they

have access to the public funds and there is some limitations on how they can invest and in which companies. For example in Seedrs, the investors will be investing in a company that Seedrs will create, like a nominee company. So for a traditional Portuguese BA that needs some public funds and usually those funds say that they need to invest this money in Portuguese companies, but if they go through Seedrs the money will be applied through a UK company, so there are some limitations on that and it is a little complex so sometimes it is easier to make the deal directly with the start-up instead of going through the platform.

*JT: And for start-ups what has to change to make CF grow?*

MB: First, it is easier than approaching VC. Usually, it is a way to validate your business. Also, if you go to a VCs and you were successful on a CF campaign you have a very strong validation from the community and other investors that say there is some people that put money on our company, so they see value. Another thing is marketing of course and having that kind of network and people helping you to grow. And usually the kind of money you raise from ECF is to start or to show that the product works and that you can grow in that. I don't see a downside of going to ECF campaigns. Maybe the only downside is that you have a lot of stakeholders and to deal with all of them.

*JT: But Seedr acts as the lead investor, right?*

MB: Yeah, they will be the nominee and through them we contact the others. But anyway, if you can get a big VC that knows how to build a start-up and had some previous, successful ones probably in the later stages it is better to go to a VC if you can, if you have the traction for that. We don't have that kind of traction, we have good traction, but it is not massive to go in this stage for another investment round. So that's also why we are going to an ECF campaign, so we can make our value proposition stronger.

*JT: Do you think CF will continue to exist?*

MB: In the future there is no doubt. It is a kind of sharing economy for investment. So as you have Airbnb and Uber and all those companies that are doing different approaches from bottom up, to be more user centred and provide the tools for someone to make a task more easily even if they are not a 'professional' in the field. So like Airbnb you allow any person to be a host even if they don't have a hotel and at Uber everyone can become a driver. And in ECF you allow anyone to be an investor through a very easy process. So I think it is the future, there is no doubt about that. And I think it will continue to grow and also some big VCs are already using CF in a way to invest alongside with the community. It will be a massive part on the start-up ecosystem in the future.

6. Interview with Mario Mouraz from Climber Hotel on the 3<sup>rd</sup> of May 2016

*JT: Could you tell me a little bit about yourself and your background?*

MM: I'm 28, I launched my first company when I was 25. I have been running Climber for 14 months now, it was launched in January 2015.

*JT: Before you did the campaign on Seedrs, did you try to get funding elsewhere or was this your first round of receiving external capital?*

MM: We finalized the CF campaign in April and it was the first round of funding on Seedrs and anywhere else. It was the first time we received external capital.

*JT: When you came to the point of needed capital, which ways of financing did you consider?*

We considered everything and analysed the different options we had. And then we decided the best way would be to go through private investment. So we initiated the preparations and talks with investors in November 2015 and by that time we didn't think we were going through Seedrs, we thought we were going to establish a direct agreement with an investor and he would invest in exchange for X percent of the company. Like 100.000€ for 10% of the company. But then it was so difficult, we couldn't bring to the table investors that would agree in the same valuation and terms. So finally we said we will go through Seedrs and we give the same conditions to everyone and the ones who accept will come. So we studied different platforms, but in the end all factors considered we opted for Seedrs.

*JT: Was it immediately clear for you that you wanted private investment or did you also consider approaching a bank?*

MM: Not bank loans, we always said that we don't want bank loans in the first round, because it is too risky, the business did not yet give any guarantee that we will make it. But we tried other possibilities like Portugal2020 which is money that comes from the EU and we applied but it was refused. So we said let's go through private investment, the risk is low, if we lose the money, it's their money. Of course, let's try not to lose it.

*JT: And you think you would have had access to a loan from the bank?*

MM: I think until a certain amount we could possibly make it relatively easy, but after that amount, I don't know exactly how much, but let's say 50.000€ then it would be difficult, then we would probably have to put some warranties, like a house or a car and that would be too risky. But I know there is a few products from banks that are especially for start-ups. And these lines of funding or investment have increased a bit, but we are not so keen in exploring the banks.

*JT: Okay, so why did you decide to go for CF in the end?*

MM: One of the reasons why companies go through CF is because it is difficult to deal with investors, it takes a lot of time eventually if the company finds 5 investors, then it has to sign 5 different investment agreements which means you need a lawyer to write 5 different contract. And the money you spend on that is equivalent or more than what you have to pay in commissions to Seedrs. So all costs considered, it is better to have Seedrs manage everything. Besides, your cap table (shows the percentages that different shareholders have in your company) tends to become more complex (some investors come in in the 1<sup>st</sup> round, some in the 2<sup>nd</sup>,...), but you want to have a lean cap table as possible. And by going through Seedrs it means Seedrs will become the primary investor, the lead investor that will represent all the other investors, so only Seedrs will be represented in the cap table. So if you need to make a big strategic decision it means you need the approval of all the shareholders so imagine I have 150 shareholders and I need to send my contract to an investor in France so he can sign it and send it back to me, etc. it would be stupid. So all things considered we thought it would be easier just to have one investor, Seedrs, represents all the others, they understand start-ups and the majority of investors in Portugal they don't understand start-ups. So even if they are not in your cap table they still call me and ask me how was your week,...

*JT: So if Seedrs represents them as the lead investors, are you anyhow in contact with the individual investors?*

MM: Yes, we can do it. Seedrs provides a dashboard where we can exchange information with the investors. I still don't have access to them because we are still in DD process and they need to check that companies are registered in Portugal, we haven't sign the papers, but I think after we sign all that we will have access and we can contact the investors . Because the point is to open new stores in the future, so if I want to expand to Singapore and one of the investors is from Singapore I want to contact with that person because she can open a door.

*JT: Could you maybe say again what the advantages were for you with using CF?*

MM: Yes. For example what allowed us it was to raise a first round that it would be very hard to raise in Portugal because we don't have a completed product yet and there is no proven traction in the market yet. And what CF allows is that you find like-minded people or people that believe in your project, believe in your team and they just take the decision of investing based on that. The investors in Portugal are very conservative so they don't put the money only because they invest on people. Even though they say investors invest in people, it's bullshit in Portugal. They invest on people that have a project that has traction. I see CF as a democratized way for everyone that has an idea to expose it to the global community, to everyone and if this everyone likes it they put the money. So you don't need to put money of

your own and for like 6 months or 1 year develop a prototype and see if it works or not. You have the help of the crowd to make it happen. And I believe that CF will help many other businesses to be born. Like for example I suggest a lot of people that have ideas just to put them on CF and see what the crowd says. If they like it, if the reaction is good, if they put the money that is a test to the market, it's the market reaction saying the project is good, the team is good, the product is good. It lowers the risk to the entrepreneur because at least in my two other companies if I had done CF I wouldn't have spend a lot of money myself.

CF also opens doors everywhere because you have investors contacting you from everywhere. In our case it was Singapore, a Singaporean girl who wants us to go there and she has the contacts. On our own it would be very difficult to go directly, I would have to make a trip, paying a flight, I don't know anyone there, so I would need to spend a lot of money and time researching So it is easier to expand I guess. We had other opportunities that opened to us, a British guys saying he wanted to be Sales representative for Climber in the UK and we would have never found this guy on our own.

CF also gives you validation. We had many people telling us that we would never be invested. Because it was a convertible equity in the first round, which was never seen before. So we've done something that no other project in Portugal has done and I believe not many in the world have done it. Because convertible is to establish a bridge between one round and the other so there is already a first valuation. We didn't have this first valuation so we had investors saying it was the most stupid idea they had heard in 10 years. But then when we proved that it worked it was a validation and now we have Portuguese investors contacting us and saying "Why didn't you come and talk to us?" and we are saying "Before you told us that we need to have traction" and they are saying "But now you are already going abroad." So you need a recognition from abroad so you are recognized in Portugal.

*JT: Okay and were there any advantages you thought you would have through CF and which ones did you actually have?*

MM: Not really I think.

*JT: Because there are some prejudices like CF is easy money and cheap money, etc.*

MM: Ah, yeah actually. We knew it was not going to be easy and actually it was very very hard. It was not just putting the campaign there and see and wait for the investors to come. It was the opposite, every day we were reaching out to different investors, people we didn't know, building mailing lists and sending them updates, having skype calls every day, people that some of them invested but the majority didn't. So we really pushed hard even going to other platforms, contacting investors that invested there in similar projects to ours. So yes, we

knew it was going to be difficult, because we spoke to other Portuguese companies that fundraised on Seedrs before and they told us, but not that it would be so difficult. Not that I would spend 3 months every day working for it, I thought I would have more time for the team and the project and the business itself. It is very time consuming and you need to be proactive.

*JT: And do you feel you got the support you needed from the platform?*

MM: Yes, they were always very helpful. Sometimes they took very long to respond, we are still waiting for the contracts but we understand they are also a start-up.

*JT: Do you think there is also a disadvantage to the CF approach?*

MM: I'm really satisfied with the goal that we established and the results that we got. I think CF in the end saved us less dilution. We will have to give less equity to investors than if we would have gone through private investment.

*JT: Do you think in order to grow CF in Portugal some things need to be changed?*

MM: Yes, there is a lot of work to do to promote CF in Portugal. The government is doing it now, they are about to launch another CF platform and I think it will help promote the concretization of projects through CF. I also think the investors should be taught how to invest on CF, the benefits, the risks, etc. because I had to do it by myself one on one and that was very time consuming. There should be an education for investors, what is the difference between ECF, equity convertible, and there is no regulation for convertibles in Portugal. It is now allowed in the UK, but there is no regulation about it.

I think in general what motivates people is that they know it is possible, so if my story and other successful stories are shared, it will convince more people to do it. Basically more information and more training is what would be needed.

*JT: As a Portuguese entrepreneur, if you had a Portuguese platform offering equity-based CF, would you use this one instead of the UK one?*

MM: Right now, I would use outside Portugal, because I don't think the market is ready. In the UK there are tax benefits which allow investors to put their money and pay less taxes on their businesses, it is called SAS and SASS. And in the Portuguese government is already implementing it, but it is not yet implemented. And I know the Portuguese market so it will take at least 1 year. So I would not do it until this is finally working.

*JT: Do you see crowdfunding as a long lasting financing tool?*

MM: Unless the rules of the markets change it will be there for many years. Because it is the democratization of services, it lasts long and that is what CF is doing, it is democratizing the access to funding. So for sure it will last.

*JT: And do you think it will be next to the traditional ways of funding or do you think it will push out a traditional way of financing?*

MM: I think the new means will always appear, like convertible notes didn't exist 4 years ago, convertible equity didn't exist one year ago and now they already exist in the UK, these small variations they will appear, but I think the traditional way of doing business through private investment which is an private investor coming to you investing in exchange for a percentage will tend to reduce. I think convertibles will be used more and more. Because these deals are actually destroying many companies, the deals that are made through direct investment, so equity for money. Because investors are stupid, they don't know, they want to assume 50% of the company, they want control, so they think for that they need to have 50% of the shares and then it becomes unattractive for the founder after the second or third round to keep running the business, because he knows that even if the business has an exit, this percentage is so small that it doesn't pay off. So I think these traditional ways of making business will disappear.

#### 7. Interview with Pedro Domingos from PPL on the 7<sup>th</sup> of March 2016

*JT: What other CF platforms exist in Portugal apart from yours?*

PD: We had about 6 of them in the past but nowadays it is mostly only ours. It's strange. We know why, we know the reasons, it's because CF is not a very lucrative business. So we take a 5% fee on successful projects and there is not enough volume yet in Portugal. Any other countries, so you have Kickstarter and Indiegogo they take the lion share of the CF and then you have the thousands platforms across the world that their volume is very small.

*JT: Are the big platforms also used in Portugal, like Kickstarter and Indiegogo?*

PD: The most similar is PPL. Then you have a new platform called 'Raised', raised.pt, but it's for lending. So you lend to companies, businesses that are already running. And you lend and then you get an interest rate on your capital.

*JT: Okay, so I have some questions prepared here, but they are very broad, so what I would like to know first is: What is your personal definition of CF?*

PD: So my personal definition?

*JT: Yes, because as the topic is very recent there are various approaches of defining CF, but there is not this one big definition yet? So I would be curious to know what it means to you.*

PD: Well, we see CF as a way to raise funds mostly across or over the internet. So that's the main difference that we see to other traditional fundraising techniques. But it's not really something new. It's only taking advantage of the online tools that we have like social media, facebook and whatever so your message can have a higher weight. So that's our take on CF. It's a traditional fundraising but it's mostly online.

*JT: So the technology is the part that makes it different?*

PD: Yes, yes, it's more agile. You can start a campaign really quickly and it's cheap. If you don't get the money you also usually don't have costs associated. You have the time spent, obviously, but other than that it is cheap.

*JT: Ok, true. And which role do you think is the community aspect playing in this?*

PD: Ok, so this complements my answer to the previous question. Because that's an interesting point, we also see CF as a way to test new products. So instead of putting your own money and risk it on a new business and then after making an investment you are going to see the market and if the market wants this product or not, we change the order. So first we go to the market and if people want it they make an advanced payment and then you get the money. And that's a very important difference between CF and other ways of raising capital. The main difference is the crowd, so it's the community, they play a very important role in the process. Because they validate, they are the market and they validate if the product makes sense or not, if the pricing is okay, if the features are there. And even if the product doesn't get funded, most campaign owners get feedback from the community.

*JT: Yeah, and then at least they can use this feedback to make a change in the product. And what I was wondering at this point, if the project is not successful, can the initiators turn to the platform again?*

PD: Sure, well not with the exact same project, but with an adopted form. We actually incentivize them to do that. They can fail, it is normal to fail in an early stage. If they can learn from it and then make a better project next time it's really nice.

*JT: Because sometimes it might even be the case that the timing is just not right or any other circumstances.*

PD: Yes, exactly, the timing or many other factors. There is an interesting campaign in Kickstarter where you can see that, the cooler I think is, it's a cooler, you take out for camping, it charges your phone, it can make fire. In the first campaign it failed – miserably, but it got feedback from the public and the second time it raised more than \$10 Mil. And it's not a very innovative project, it's a stupid project (laughs). If it went to the bank or other traditional places for funding it wouldn't get funded probably.

*JT: Could you define some key factors that make a successful CF projects. I know that on your platform you give some advices to the initiators, could you say which are the most important ones?*

PD: It is mostly communication. So you have to have a short and nice video, by short I mean like a 2 minutes video. The presentation should also be very clear and entertaining. Also the objective that you set in the campaign should be feasible. And then you have to offer some appealing rewards, creative rewards. So it's the way you present, the rewards, and also the network and the effort you make communicating it through your friends, family, peers.

*JT: About the network, it has been increasing a lot of over the past year. Is it like people are active in the network and then they look at the project or is it also that the initiators communicate the project and then new people join the network only to support this project?*

PD: Ok, so we have some backers, that invested in a project previously and they get a pitch from other new projects. That's a way to get new backers. But we like to say that most of them and especially in an early phase come from close friends, families of the project owner. Without those initial 3 F's friends, family and fools (laughs) there is no way that the community in general will support a project that is that new. So the project owner should bring its own network, especially in the beginning.

*JT: So in the process, what role does PPL as a platform play?*

PD: So there's a couple of items: first, it is the reputation, so people are more willing to make a payment and go through the process if it is on a reliable, not reliable, but proper platform, if they are familiar and they trust it. Secondly, there is the network the platform brings and the communication. So we promote all the projects in facebook, by weekly newsletters, we send the campaigns to media as well.

*JT: What type of media?*

PD: It depends on the project. It can be an environment magazine or something else.

*JT: So it depends on the cause of the project?*

PD: Yes. Oh and we also send suggestions to previous backers that backed similar projects.

*JT: Okay, so that is done through an internal matching where you see what kind of projects backers have invested in before and then you give them the suggestion?*

PD: Yes, a bit like amazon, but not so sophisticated (laughs).

*JT: So we talked a little bit about this before, but could you tell me again what the main advantages are that CF has compared to traditional ways of financing?*

PD: It is more agile so you can start a campaign really quickly. It is more structured. Since all the campaigns follow the same process, the same presentation, the same payment methods,

etc. it is easier for backers to do a repeated process. Cause any entrepreneur can open a webpage and have a donation on paypal, but by offering a streamline and replicable process, I think it is more straight forward.

*JT: Maybe it makes sense to differentiate here, because having an agile method that is easy to use is an advantage for the ones initiating the project. And to have it more structured is an advantage for the backers.*

PD: Yes, true. So in the perspective of campaign owners, you also have access to a larger community and leverage your own network. So on top of your own network you also have the platform.

*JT: And speaking here about the success rate. On your page you say there is a 50% success rate. Does this figure mean 50% of the projects get financed or 50% of the project that get financed succeed?*

PD: It means that 50% of the published campaigns get funded. But not all of the campaigns get published. We have around 20% of the submitted campaigns that do get published.

*JT: 20% only?*

PD: Yeah, only 20%. And of them, 50% get funded.

*JT: Okay and do you also have a figure of how many of these actually complete their goal?*

PD: As far as we know all of them did. So we didn't have any campaign where we got alerts from the backers that didn't fulfil the projects. They all fulfil their rewards.

*JT: Concerning the type of projects on your platforms, are they start-ups or rather personal projects?*

PD: Our motivation in the beginning was that this would be nice for entrepreneurs, for companies or start-ups. But actually the market reveals that there is more demand for social projects, volunteer, personal campaigns. So music and cultural projects are the most common. We don't have many companies unfortunately.

*JT: Could you imagine a reason why this so?*

PD: There are many start-ups in Portugal that have a really nice product and design and those that do have they get funds through other means. You have entrepreneurship contests where they win like 50.000€ and they go to Silicon Valley for a week or a month. So I think that's the primary way for start-ups to receive financing.

*JT: But in the current situation in Portugal it is not that easy to receive traditional funding, right?*

PD: No it's not. But on the other hand you can start a technological business without much money. With only 2 or 3 people getting together, they have their own laptop, they start

programming and they make a product and they are selling it worldwide. So there is not a lot of initial capital required. I think that's the main reason. So most of them are techbased so they don't need crowdfunding so much.

*JT: But it could be interesting for them at a later stage, right? When they come to a phase that is more capital intensive.*

PD: Yes there is, but probably they go to other means. And we also see that the people in general are not so willing to invest in these types of projects. So we did have some campaigns for start-ups, but they didn't have much success. It's mainly a cultural thing.

*JT: Yeah, that's interesting to see. So another question is, what do you think are the challenges related to CF, in particular for your platform and in Portugal?*

PD: I think the culture is one of the challenges. So people are more willing to back someone that needs medical surgery and needs to go to Germany or the UK than a start-up right now for example. The second one is that it's online payment. So people are still a bit worried of making online payments...but it's improving. So that's a challenge. Then there is also the way people deal with internet and email etc. There are some people that don't read their emails or forget. So the access to those tools is not that wide-spread as we would like, so probably as in the US. And still regarding the payments, in the US you have mostly credit cards where you can pre-charge the investor and only take the funds out if and when the campaign closes. Since people in Portugal do not rely that much on credit cards, we have to resort to debit cards. And we have to charge people when they make a pledge and if the project fails we have to refund them. And that process is a little tricky and if you add this complication with people not reading their emails and so on, that's a challenge. From the campaign owner side we also have some challenges. So for example the campaigns need a lot of work from our side to make it more understandable and appealing, so they lack some communication skills.

*JT: And this is where you take over? Do you make the changes or do you advise the campaign owners?*

PD: Yeah, before publishing we talk to them and make suggestions and improvements. We have to. There are very few campaigns that come to us and are ready to be published. And if we start publishing everything it would be a mess.

*JT: Do you feel there are some disadvantages in the approach of CF itself?*

Since the payment has to be done online, this is a challenge but also a disadvantage. Because for example with music bands we see it. They know them, they have the 5€ in their hands and they simply want to give the money to the bands. And we say 'no, no' you to go through the

platform and through the platform. So our challenge is how we can mix the online process with offline payments. So we have to adapt to the market that we are in.

*JT: Because it does not seem like the market is going to change soon, right?*

PD: Yeah, it takes time. And especially in Portugal things take even more time. So that's a disadvantage. It's not bureaucratic, but it adds some complexity that some people don't want.

*JT: Is it still true that the average amount of money that is being paid by the backers is 34€?*

PD: On average it is. But you have very wide or large standard deviation. Most payments are around 5-20€ but then you have some outliers with 500€ that do raise the average.

*JT: And is there a minimum or maximum rate?*

PD: The minimum is 1€ and the maximum I think is 2000€. And the average campaign is 3500€ and 18 backers. Actually this is not very far from where Kickstarter is in average.

*JT: Ah, really?*

PD: Yeah, really! But Kickstarter has some really big outliers.

*JT: And they are the ones you hear about...*

PD: Yeah, exactly, but yeah the average is not very far. So probably what we need here is also a very spectacular case, an exception.

*JT: True, I actually read about this movie that was seeking financing through PPL but failed but then got so much attention that it was still produced?*

PD: Yeah, it was our biggest campaign ever, but it failed. It raised 40.000€ from the target of 100.000€.

*JT: But they continued the project right?*

PD: Yeah, last time I spoke to them they were going to go forward with it.

*JT: Ok so I just have one last question: Do you see CF more as a recent trend that has been emerging in the past years but will disappear soon or do you think it will continue to exist?*

PD: I think it will continue. Maybe not with all the same buzz around it, but it will continue as a mainstream option, just like the other ones. I think that especially in Portugal we still have a lot to do. Because most people know about it, but they don't know how to use it, it's not a mainstream option yet. But I see no reason why it shouldn't be staying for long.

*JT: And do you think you as a platform can make a change there?*

PD: Yes. It is our responsibility as a platform to create awareness. And that's why it is actually bad that there are few other platforms in Portugal. Cause they also helped raising the awareness around CF if they do it well. And we had Massivemove which was the most active platform, but it now stopped. It didn't close, but they are not working either. We tried to communicate with them, but they basically don't respond to our calls.

*JT: So you don't have any competitors?*

PD: No in this reward-based area not.

#### 8. Interview with Paulo Oliveira from LandingJobs on the 19<sup>th</sup> of April 2016

*JT: So Paulo, you are the founder of Landing Jobs, right?*

PO: Yes, I am.

*JT: And it was founded when?*

PO: We launched roughly two years ago, in March 2014.

*JT: Okay, and at that time when it came to the point of moving the project forward, was there a point where you were in need of financing?*

PO: Alright, so in the beginning I was putting all the efforts in it. Funding was strapped by me and my co-founder. He actually put more money than me, but I put more hours so it kind of compensated. In the beginning we didn't want investment. Plain and simple. We didn't want to give up equity, we didn't want to get investment. That was in the beginning.

*JT: Can you say why you didn't want to give up equity? Did you not want to give up control?*

PO: We knew if we wanted to take the company all the way to the top, it would take more time. It might have also been lack of knowledge. Basically we didn't want to involve more people. So we found that we didn't need investment to grow.

*JT: Ok, and did you come to a point when you needed financing?*

PO: We came to the conclusion that in our business in order to grow we would need investment – at least to kick-off things.

*JT: Can you say when this was?*

PO: In March 2015 that we got investment, so after one year of launching the platform.

*JT: So at that time, what means of financing did you consider?*

PO: Well, we just went to early stage VC, that's the only one we considered. We looked at other options, but this was the most interesting one.

*JT: And why did you not find them interesting?*

PO: For instance, banks or any other investors that are not VC, they would look at our business model and our numbers and, well, probably they would laugh. They would say 'guys, you don't have a business here'.

*JT: So you think a bank would not have given you a loan?*

PO: Yes, even today to receive a loan you need a structured business and a structured business plan. And as a start-up you don't have that. You don't have a sound business, you

are trying to get there. It's not that banks are wrong, it's just they are unprepared. The same way start-ups are not prepared for banks.

*JT: Did you ever try to go to a bank or is this your personal perception?*

PO: It's my personal perception. We also went to talk with a bank this year so it's based on that as well.

*JT: Did you consider anything else like PE or CF?*

PO: We talked about CF on Seedrs and considered that. It is still a possibility, but at that moment we didn't come forward with it. In 2014, it was just getting started so it was not available in Portugal.

*JT: So at the time you knew about CF and were considering it within your choice?*

PO: Yes, we considered it, but we couldn't do it, so that's it.

*JT: So the only reason you didn't use it was because it was not available in Portugal yet?*

PO: Yes. If it was an option we might have gone with it. Because for example on Seedrs you still need a VC or an investor to come up with 30% of the cash. So even then if we opted to go with CF, we would still need someone to put the money upfront.

*JT: But by now, if you need a next round of funding you would consider it?*

PO: Right now we are not talking with them. Right now we are taking a step back, we want to break even and all the ships are in that. We are preparing for a future round. We want to talk with the banks if they can finance. Now we are open to other forms of investments, VCs, banks or PE or whatever.

*JT: Thinking again of CF, can you say why you would use CF?*

PO: I would use it as a marketing purpose, definitely. I think it is great to get your name out there. They basically market it for you. It is access to capital as well that might be faster than the normal VC processes.

*JT: And anything that would make you not use it, like a disadvantage?*

PO: The only disadvantage I see, and I'm not sure it is one at all, is that you have to be completely transparent and put all the information upfront. So everybody knows how much you are asking, how much you get. But for me that wouldn't be a problem.

*JT: And do you think there would be a need of change in CF so you would rather consider it?*

PO: The only thing would be for me to know what the success rate of CF campaigns is. When I speak about CF campaigns I mean like Seedrs, Crowdcube, etc. not the whole type, so only equity-based. It's quite a recent thing so you don't have history about it, it's a weird thing to ask, but it would be interesting for me.

*JT: If you speak about success rate do you mean the rate of projects that are successfully financed through the platform or the success of the projects afterwards?*

PO: I would like to know it for all stages.

*JT: One last question, do you see CF as a long lasting tool that will be there in the future?*

PO: That's a tough one. If you ask me about the future of banks, I don't even know, some things are going to change and it's already happening, by now I can download an app and open a bank account in less than five minutes, at least here in London. So I don't know the answer to that. I certainly hope so, it's a funding alternative and I think it's good, so I hope so. But really it's more a hope than that I'm sure. I'm sure that it will continue for a while but in 10 years, I'm not sure it will be there.

#### 9. Interview with Paulo Pereira from PPL on the 14<sup>th</sup> of March 2016

*JT: Could you tell me what your background with CF is? As far as I know you are also involved in the PPL platform?*

PP: Yes.

*JT: You are also a co-founder at PPL?*

PP: Yes, right.

*JT: So this is the experience you have with CF or could you tell me a bit more about it?*

PP: Well, you know, I was taking an MBA with some colleges in 2011 and we decided to launch a CF company while we were studying. So we did that and it's got in the (...) and it's a reward-based crowdfunding company. The main reason for that is that at the time legislation didn't let us do any other type of CF in Portugal. And so we set up a reward-based CF company hoping to take it further in the future. And that's what it is. It is reward-based, it's in operation since 2011.

*JT: And the form didn't change so far, right? It is still reward-based?*

PP: That's correct, yes.

*JT: And could you tell me why this is the case. Because from a legal perspective now it would be possible to have an equity based platform for example, right?*

PP: Yes. Well at the moment it's just the case that it became a brand and we are considering other types of projects but we will not use the same brand. So that brand has been associated with reward-based CF in Portugal and it's the leading platform so it's just opted to leave it as it is. So we may consider equity or P2P loan CF, but then they are different brands.

*JT: Okay, so I have some questions prepared here which are rather broad. So what I would like to know first is: What is your personal definition of CF?*

PP: I think CF is really the pooling of financial resources from the public, from the crowd, from people. And so the main idea is that you can obtain funding by leveraging small contributions out of a large group of people. Perhaps in an easier way and with more benefits than if you get a larger amount of funding from one institution or a smaller group of people.

*JT: And you were just saying there are some benefits?*

PP: Well, I've highlighted that quite extensively in the thesis so I would revert back to that. There are a lot of things, from pre-sales over involving the donor or funder as a participant in the value chain and determining the design and testing the concept, a cheap way to fail often and fail early, so there are several benefits where you don't need to give up all of your control over your start-up, etc. many benefits with this type of funding method. Complemented with other benefits. I think it has its own place and time to be used and then it can be complemented with different options of funding.

*JT: And what do you think are the reasons why CF is not used by start-ups to a great extent in Portugal then?*

PP: Because it is just being legislated now. So it is going to start showing.

*JT: So you think it is only a matter of legislation?*

PP: Until now yes. Because it just wasn't legal, so you couldn't use equity based CF. So what you could have is these companies could participate in equity based CF in other countries. But equity CF is very recent, the oldest operations of equity CF are in the UK with *Crowdcube*, *Seedrs*, in Holland with *Symbid*. And then you have got P2P loans that are all there in the market, they exist for some time now, but this is a condition for the start-ups to benefit from and make use from these instruments. They need to be not just legal, but they also need to be regulated. So for example in Portugal it's being approved so it's now legal, ECF, but it is not regulated yet. So you don't have the rules. You still don't know what are the rules to use it. So this is a barrier to the use of ECF.

*JT: So this would be something that needs to be overcome so that in the future this type of CF will increase. Could you think of any other challenges?*

PP: I think regulation is really the main thing. Then the rest is about education, investment education. Both from an investment perspective, from a theoretical perspective, but also from a technological perspective. So people understanding how they participate, the risks and benefits of being an investor in CF.

*JT: Yes. I spoke to Pedro Domingos already and he also told me that for example credit cards are not used in Portugal very frequently. So this would also be a technological restriction.*

PP: Yeah, I agree.

*JT: You wrote your thesis in 2012 as far as I remember, do you think there is something that has changed since then apart from the legislation part that we already spoke about?*

PP: Globally, it just had an incredible growth both in the number of platforms doing CF but also in the market itself. So the number of projects that have been funded using CF, the volume of funding, everything is just growing exponentially. So it is becoming a very relevant source of financing. I think that's the major change along with regulation that now allows financial returns on CF, so like P2P loans or ECF, in some countries of course, UK, US, Portugal, Holland, Germany I believe is now regulated as well. There is still no ECF platform in Germany as far as I understand?

*JT: There is Seedmatch that is ECF. And it is working very well, there is a lot of buzz around it in Germany because the sums they gather are quite high. So you were saying there has been an immense growth over the past years. Do you think it will continue like this over the next years or do you think the buzz will decrease?*

PP: I think from the supply side there is going to be an obvious concentration. There should be some mergers, acquisitions. There has been an explosion of platforms which doesn't make sense. It follows the natural trend of innovation. So I believe there will be consolidations in the future and we should have this room for a few major operators and then beyond that it would be niche players. And on the demand side I think it is just about going mainstream. It's becoming a very standard way of gaining access to funds. So this could be for start-ups to develop or launch their products and ideas, but it could also be for SME to finance the working capital, to finance their exports, to finance projects. So I think it's just an alternative way of financing that is going to become mainstream.

*JT: Okay, so you definitely see CF in the future, right?*

PP: Sure, sure. If anything it will be just complemented with other instruments. As a SME I could ask the crowd to finance my working capital against some invoices that I have to receive but I could ask a venture capitalist to invest in my moving abroad project of my company and I could ask for a bank loan to buy some equipment to produce abroad. So I mean you could use different types of financing instruments and mix them together.

*JT: Okay. Related to what you were saying earlier, if the platforms merge together, how do you think this will happen? According to the return type or how would you say they will concentrate?*

PP: I think the return type is definitely critical, because there are very different logics and very different targets and operating models for RB vs. financial returns platform. But also within financial returns it's very different to talk about equity or factoring or P2P loans, these

are very very different markets. So I think what you will see is on the one hand some platforms merging together within one area, a type of return, but you will also see mergers across the value chain. So you will see platforms being set up for VC, platforms in partnerships or belonging to banks. So I think you will see a lot of merging around. Both upstream and downstream and across different platforms.

*JT: That sounds very interesting. For Portugal PPL is the only platform existing though right?*

PP: I don't know what the current status in terms of development of the other platforms is. There were other platforms coming in and out but none came close to the volume of PPL. There may still be another platform working but it is very residual. I think PPL took the market.

*JT: But then for you in the future, with whom could you imagine to merge or cooperate, internationally?*

PP: Absolutely, yes. And I think it makes sense. Basically the biggest asset PPL has is the language so it's a platform that is able to operate in any of the Portuguese speaking countries. And that's a large population.

*JT: Yes, true. So from the questions I had we are done, it was really*

PP: Yes, what is your research question?

*JT: So the topic started off very broad just about CF and right now I have decided to concentrate on the Portuguese market and see from all three perspectives, investors, initiators and platforms weather there are gaps.*

PP: Okay, sounds very interesting.

## Appendix D – Interview Analysis

Topic	Citation	By
<b>Key factors for successful projects</b>	...mostly <u>communication</u> . So you have to have a short and nice video (2 min.), the presentation should also be very clear and entertaining, the <u>objective</u> that you set in the campaign should be feasible, offer some <u>appealing rewards</u> , creative rewards, also the <u>network</u> and the effort you make communicating it through your friends, family, peers. (...) Without those initial 3 F's friends, family and fools there is no way that the community in general will support a project that is that new. So the project owner should bring its own network, especially in the beginning.	PD
	<u>Communication</u> . Normally, people say 40% of the success is communication, but I would go further and say 90% of success is communication. Because if they don't communicate well, they will not raise the money. Not only online, but also offline, involving all the stakeholders existing. (...)The most important thing is that the <u>projects are not touchable</u> . So it is not like you have a product, like an Iphone which you can see and feel and try it out. With a project it is not like this. So you have to communicate the project as something real, they have to show how good it is, how the effort can make the life of some people better. Also: never communicate a <u>value</u> you do not need. Normally, the projects with less value are easier to fund.	CS
	<u>Communication</u> . Basically, in reward-based campaigns you have to communicate how good your project is and in equity-based campaigns you have to communicate where you are, where you plan to be and how you get there, which is what you need investment for, to get there. So you need to communicate what is happening, new things, new awards, new communication on the press and media, to keep it alive. You cannot put the campaign and check it again in one month. At least our community asks a lot of questions so with Seedrs they have to have <u>one person fully responsible</u> to go to the platform every day and answer the questions. The idea is to centralize it for the companies and investors. We prefer to do that because if someone asks something it is visible and it doesn't need to be asked again.	FP
<b>Role of the platform</b>	<u>Reputation</u> , so people are more willing to make a payment and go through the process if it is on a reliable, not reliable, but proper platform, if they are familiar and they trust it. Secondly, there is the <u>network</u> the platform brings and the communication (promote all the projects in facebook, by weekly newsletters, we send the campaigns to media as well), (...), we also send suggestions to previous backers that backed similar projects before, (...) also, before publishing we talk to them and make <u>suggestions and improvements</u> . We have to. There are very few campaigns that come to us and are ready to be published. And if we start publishing everything it would be a mess.	PD
	In Novo Banco we can also help to communicate the good work that the institution does, so it helps to <u>publish and promote the institutions</u> . We also <u>support</u> them. For example if we receive project proposals, we help them to communicate the projects better, e.g. can you explain it better, you need to have a better title at the beginning, etc. We also help out with knowledge. For example, many times the organization lack	CS

	<p><u>business knowledge</u>. Then they want to give away a t-shirt for a donation of 25€. But the problem is, you have a t-shirt that costs you money, you need to send it that costs you money, so the question is: is it enough for the donation the person made? So we try to inform them better. Sometimes they are so happy to receive the money, so they want to give something back. But we are a bank so we help them to focus on how to spend money and how to spend it better and how to invest it. So we give them as much advice as possible.</p>	
	<p>As the Seedrs team grows our relationship with the companies also gets closer. We have teams that <u>support the community</u>, which make the connection between the entrepreneurial community and Seedrs so we help them and that's more or less my work. So I help them talk about advantages and disadvantages of Seedrs, what they should write, what they should and shouldn't expect and whenever they submit a campaign and it gets approved they get supported by three different teams inside Seedrs. The investment team is the team that goes and looks at the valuation, at what's written, if what is written is true and if the company gave prove of that. Because everything that appears on the Seedrs side is considered financial information so the investment team goes line by line and checks if what is written there is true and if they gave prove of that. And if there is no prove they have to provide it or take the information out. Then the company has the support from the campaigns team that will support them with the campaign, the communication, events, what to communicate, when to communicate. And the business development team that was there in the beginning and will stay with the campaign to fill some gaps for the other teams and to continue to do the bridge between the company, the investors and the campaign. So they get a lot of support, but there are some things that Seedrs doesn't do, so we don't give specific communication to any campaign so we do not advise any specific campaign. What we do is that we make <u>bridges between the campaigns and PR or media</u>, for instance if we know that a media partner is looking for a specific news or article about agrotech e.g. and we have an agrotech company in our portfolio we just out a bridge. We also do some events where we get half a dozen companies that are raising at that moment and they pitch there. We never communicate for them or do things for them but we help them do their own. (...)</p> <p>We cannot guess which campaigns are going to be funded and which not. Sometimes we get really good surprises. We also have to keep the platform as diverse as possible so we need to have a little bit of everything, services, products, agrotech, fintech, creative, food, etc.</p>	FP
<b>Access to capital for start-ups</b>	<p>Not <u>bank loans</u>, we always said that we don't want bank loans in the first round, because it is <u>too risky</u>, the business did not yet give any guarantee that we will make it. But we tried other possibilities like <u>Portugal2020 which is money that comes from the EU and we applied but it was refused</u>. So we said let's go through private investment, the risk is low, if we lose the money, it's their money. Of course, let's try not to lose it. (...) I think until a certain amount we could possibly make it relatively easy to get a bank loan, but after that amount, I don't know exactly how much, but let's say 50.000€ then it would be difficult, then we would probably have to put some <u>warranties</u>, like a house or a car</p>	MM

	and that would be too risky. But I know there is a few products from banks that are especially for start-ups. And these lines of funding or investment have increased a bit, but we are not so keen in exploring the banks.	
	Regarding money I started with a 20.000€ <u>investment from family</u> . We started on the 14th of May, that's when legally the company was founded and we then we launched the business on the 7th of December. So we started with 20.000, I didn't want to go to banks or to investors because I was just a kid that dropped out of college and this is actually a business that is not so big so you don't need angel investment or something like that. So I had the chance to get the money from my family and I started with it and very soon we were breaking-even, we invested everything again and broke-even again and it keeps going like this, now we are much more stable in terms of financing. I <u>never had the necessity to loan more money</u> for more investment to the company, because we are very profitable in our scale and it has been enough to maintain and grow the business which has actually been growing very very fast.	FC
	We went to Silicon Valley for several months in an <u>incubation program</u> and we were also selected by the MIT so I went to Boston to understand better how we can put together the non-profit and for-profit markets within the same ecosystem or one platform. After coming from Silicon Valley we received an investment proposal from a BA firm in Portugal and together we decided that we should put more social impact within e-commerce and try to have the best of both worlds. So we received that investment and launched the platform in May 2014. Then we received an investment round from <u>Portugal Ventures</u> to start operations in the UK and recently I was selected by Forbes30under30 for social entrepreneurship in Europe. So now we are growing in Portugal, Brazil and UK. (...) We first had a BA then VC and now ECF. Usually, start-ups will first go to CF and then to Angels, but we did a little bit of a different approach.	MB
	In the beginning I was putting all the efforts in it. <u>Funding was strapped by me and my co-founder</u> . He actually put more money than me, but I put more hours so it kind of compensated. In the beginning we <u>didn't want investment</u> . Plain and simple. We <u>didn't want to give up equity</u> , we didn't want to get investment. (...) We knew if we wanted to take the company all the way to the top, it would take more time. It might have also been lack of knowledge. Basically we didn't want to involve more people. So we found that we didn't need investment to grow.	PO
<b>Advantages of CF</b>	For project initiators: It is <u>more agile</u> so you can start a campaign really quickly and it's <u>cheap</u> . If you don't get the money you also usually don't have costs associated. You have the time spent, obviously, but other than that it is cheap. Also you have <u>access to a larger community</u> and <u>leverage your own network</u> . So on top of your own network you also have the platform. We also see CF as a way to <u>test new products</u> . So instead of putting your own money and risk it on a new business and then after making an investment you are going to see the market and if the market wants this product or not, we change the order. So first we go to the market and if people want it they make an advanced payment and	PD

	<p>then you get the money. And that's a very important difference between CF and other ways of raising capital. The main difference is <u>the crowd</u>, so it's the community, they play a very important role in the process. Because they <u>validate</u>, they are the market and they validate if the product makes sense or not, if the pricing is okay, if the features are there. And even if the product doesn't get funded, most campaign owners get <u>feedback</u> from the community.</p> <p>For backers: it is more <u>structured</u> since all the campaigns follow the same process, the same presentation, the same payment methods, etc. it is easier for backers to do a repeated process. Because any entrepreneur can open a webpage and have a donation on paypal, but by offering a streamline and replicable process, I think it is more straight-forward.</p>	
	<p>There are a lot of things, from <u>pre-sales</u> over <u>involving the donor or funder</u> as a participant in the value chain and determining the design and testing the concept, a <u>cheap way to fail often and fail early</u>, so there are several benefits where you <u>don't need to give up all of your control over your start-up</u>, etc. many benefits with this type of funding method. Complemented with other benefits. I think it has its own place and time to be used and then it can be <u>complemented with different options of funding</u>.</p>	PP
	<p>Where I see the value, is more in terms of <u>proving the concept</u>, because if you are in a good platform with lots of <u>visibility</u> and you have several people which are potential buyers of your product or your idea, investing even in small quantities is a good feedback in terms of what you can <u>expect from the market</u> itself.</p> <p>From the start-up point of view, I think it is <u>market validation</u>. Depending also on the product, but if you're talking about a start-up which has a B2C product, which is bedding on scale and getting to the masses, I think CF is a good market validation process because you have the live feedback from the potential customers of the project or product you are trying to get invested in. So again, I see market validation and <u>seed money</u> so you can then go to an investor saying that your campaign was a success and that's also market validation. With those 50.000€ you got from zero to Point A, and then you prove the concept and then you will say to the investor: with my 50.000€ I did this, I had distraction, I've proven that the model works, so now I need not 50.000€, but 500.000€ to get this to the next level. It's pretty much what I see as an advantage of CF.</p> <p>I mean CF is an excellent concept, it's a very nice idea, but I don't see it scaling in the value chain, again in terms of the investment value chain, I see it as being on the companies wanting to have an <u>early stage funding</u>. They know it's still very early so they are not able to take that into an investment institution yet, but they want to test it through a CF platform. And then if it has market validation it's something more that they can take as the pitch to get real (...), an institutional investor later on.</p>	GF
	<p>I would say that one of the big advantages of CF, at least on Seedrs, is the <u>access to community</u>. More and more companies are doing it just for <u>Marketing and PR reasons</u>. Because suddenly you are talked to 100k people worldwide, mainly Europe but also worldwide. And that's interesting if you intend to grow or especially in the UK where we have</p>	FP

	a strong community. That's a very good advantage on Seedrs, <u>PR, community and the smart capital</u> , so inside this community of 100k people there will always be someone that can help you with something, a connection, a partnership, etc.	
	It is a way to <u>contact more people</u> , a new way of fundraising. You have the possibility to contact a lot of people and can be known for it. And the <u>effect of the crowd</u> is amazing. With one Euro of one person you cannot do anything, but with one Euro from many people you can do a lot.	CS
	I would use it as a <u>marketing purpose</u> , definitely. I think it is great to get your name out there. They basically market it for you. It <u>is access to capital as well that might be faster than the normal VC processes</u> .	PO
	The ability to get investment from a bunch of people that are not VCs or used to be on that kind of thing. So instead of going to the regular places and getting big investments you can get investments from a lot of people that you would never get the ability to have because of the platform, <u>people that believe in your vision and your product</u> . Also, the ability to do <u>pre-sales</u> and <u>get awareness of the product</u> even before it is already on the shelves. So instead of just waiting for the product is completed and then start wondering about the market you can use the platform as a tool for your marketing and to do pre-sales and get awareness for the product.	FC
	<p>One of the reasons why companies go through CF is because it is <u>difficult to deal with investors</u>, it takes a lot of time eventually if the company finds 5 investors, then it has to sign 5 different investment agreements which means you need a lawyer to write 5 different contract. And the money you spend on that is equivalent or more than what you have to pay in commissions to Seedrs. So all costs considered, it is better to have Seedrs manage everything. Besides, your cap table (shows the percentages that different shareholders have in your company) tends to become more complex (some investors come in in the 1st round, some in the 2nd,..), but you want to have a <u>lean cap table</u> as possible. And by going through Seedrs it means Seedrs will become the primary investor, the lead investor that will represent all the other investors, so only Seedrs will be represented in the cap table. So if you need to make a big strategic decision it means you need the approval of all the shareholders so imagine I have 150 shareholders and I need to send my contract to an investor in France so he can sign it and send it back to me, etc. it would be stupid. So all things considered we thought it would be easier just to have one investor, Seedrs, represents all the others, they understand start-ups and the majority of investors in Portugal they don't understand start-ups. (.)</p> <p>For example what allowed us it was to raise <u>a first round that it would be very hard to raise in Portugal</u> because we don't have a completed product yet and there is no proven traction in the market yet. And what CF allows is that you <u>find like-minded people</u> or people that believe in your project, believe in your team and they just take the decision of investing based on that. The investors in Portugal are very conservative so they don't put the money only because they invest on people. Even though they say investors invest in people, it's bullshit in Portugal. They invest on people that have a project that has traction. I see CF as a</p>	MM

	<p>democratized way for everyone that has an idea to expose it to the global community, to everyone and if this everyone likes it they put the money. So you don't need to put money of your own and for like 6 months or 1 year develop a prototype and see if it works or not. You have the help of the crowd to make it happen. And I believe that CF will help many other businesses to be born. Like for example I suggest a lot of people that have ideas just to put them on CF and see what the crowd says. If they like it, if the reaction is good, if they put the money that is a <u>test to the market</u>, it's the market reaction saying the project is good, the team is good, the product is good. It lowers the risk to the entrepreneur because at least in my two other companies if I had done CF I wouldn't have spent a lot of money myself. (...)</p> <p>CF also <u>opens doors</u> everywhere because you have investors contacting you from everywhere. In our case it was Singapore, a Singaporean girl who wants us to go there and she has the contacts. On our own it would be very difficult to go directly, I would have to make a trip, paying a flight, I don't know anyone there, so I would need to spend a lot of money and time researching So it is easier to expand I guess. We had other opportunities that opened to us, a British guys saying he wanted to be Sales representative for Climber in the UK and we would have never found this guy on our own.</p> <p>CF also gives you <u>validation</u>. We had many people telling us that we would never be invested. Because it was a convertible equity in the first round, which was never seen before. So we've done something that no other project in Portugal has done and I believe not many in the world have done it. Because convertible is to establish a bridge between one round and the other so there is already a first valuation. We didn't have this first valuation so we had investors saying it was the most stupid idea they had heard in 10 years. But then when we proved that it worked it was a validation and now we have Portuguese investors contacting us and saying "Why didn't you come and talk to us?" and we are saying "Before you told us that we need to have traction" and they are saying "But now you are already going abroad." So you need a recognition from abroad so you are recognized in Portugal. (...)</p> <p>I think CF in the end saved us less dilution. We will have to give less equity to investors than if we had gone through private investment.</p>	
<b>Disadvantages of CF</b>	Online payment	PD
	<p><b>From an investor's point of view:</b> it's <u>not that interesting</u> as I see it. Cause you know, people are just investing small amounts of money, so they don't have what we call 'skin in the game' so for them it's something that if it goes okay, it goes okay, if it does not go okay, I already have written off this company. I would say it's <u>not smart money</u>. It's just, in brackets, money. (...) If you invest in the same way that you would invest if the company was not in the platform which is a business, an institutional investor like ourselves, we need to have some level of control. So I don't see that many advantages.</p> <p><b>From a start-up point of view:</b> it's just money, unless you have a company, an institutional investor coming in, through the CF platform, having a real stake in the company and adding more than just the cash.</p>	GF

	<p>Cause if you raise 50.000€ of cash in a CF platform with several thousands of people that you have never heard of before and you will never contact them, you don't know what they are doing or if they know anything about your business at all, then you just have the 50.000€. Period. You don't have any intelligence or networking capabilities or seniority to help you as a start-up to grow to the next level.</p>	
	<p>For us, it is challenging because we can only present 6 projects at a time. So if the institutions have the projects online for 3 months and they don't communicate well, we already see they are not raising the money. And then they occupy a place another project would need. So scalability is an issue for us. (..) Also, CF is not a last resort solution. Sometimes organizations come and they need money to pay the electricity bills or the salaries, but then CF is not a solution. Because they can raise money for something, but not forever. CF is not a solution to survive, you have to sell a particular project.</p>	CS
	<p>It is a problem in the reverse situation, because maybe you don't want to expose your product before you go to the market. Maybe you have some kind of product that needs to have a first mover advantage and then you don't want to see your product exposed to public so on these types of things, CF will be a disadvantage. Another disadvantage could be that you can get investment from a lot of people and if you have 5000 investors in the company and everyone has a minor stake in the company I don't know how easy this is to manage. It is almost as if you are in the stock market.</p>	FC
	<p>We knew it was not going to be easy and actually it was very very hard. It was not just putting the campaign there and see and wait for the investors to come. It was the opposite, every day we were reaching out to different investors, people we didn't know, building mailing lists and sending them updates, having skype calls every day, people that some of them invested but the majority didn't. So we really pushed hard even going to other platforms, contacting investors that invested there in similar projects to ours. So yes, we knew it was going to be difficult, because we spoke to other Portuguese companies that fundraised on Seedrs before and they told us, but not that it would be so difficult. Not that I would spend 3 months every day working for it, I thought I would have more time for the team and the project and the business itself. It is very time consuming and you need to be proactive.</p>	MM
	<p>The only disadvantage I see, and I'm not sure it is one at all, is that you have to be completely transparent and put all the information upfront. So everybody knows how much you are asking, how much you get. But for me that wouldn't be a problem.</p>	PO
<b>Current state of start-ups using CF</b>	<p>Our motivation in the beginning was that this would be nice for entrepreneurs, for companies or start-ups. But actually the <u>market reveals</u> that there is <u>more demand for social projects</u>, volunteer, personal campaigns. So music and cultural projects are the most common. We don't have many companies unfortunately. There are many start-ups in Portugal that have a really nice product and design and those that do have they <u>get funds through other means</u>. You have entrepreneurship contests where they win like 50.000€ and they go to Silicon Valley for a week or a month. So I think that's the primary way for start-ups to</p>	PD

	<p>receive financing. It is not that easy to get traditional funding, but on the other hand you can <u>start a technological business without much money</u>. With only 2 or 3 people getting together, they have their own laptop, they start programming and they make a product and they are selling it worldwide. So there is not a lot of initial capital required. So most of them are tech-based so they don't need crowdfunding so much. It could be interesting for them at a later stage when they come to a phase that is more capital intensive, but probably they go to other means. And we also see that the people in general are not so willing to invest in these types of projects. So we did have some campaigns for start-ups, but they didn't have much success. It's mainly a cultural thing.</p>	
	<p>CF is not used by start-ups yet, because it is just being <u>legislated now</u>. So it is going to start showing. Until now yes. Because it just wasn't legal, so you couldn't use ECF. So what you could have is these companies could participate in ECF in other countries. But equity CF is very recent, the oldest operations of equity CF are in the UK with Crowdcube, Seedrs, in Holland with Symbid. And then you have got P2P loans that are all there in the market, they exist for some time now, but this is a condition for the start-ups to benefit from and make use from these instruments. They need to be not just legal, but they also need to be regulated. So for example in Portugal it's being approved so it's now legal, ECF, but it is not regulated yet. So you don't have the rules. You still don't know what the rules are to use it. So this is a barrier to the use of ECF.</p>	PP
	<p>We actually also had a platform for businesses, for unemployed people who have a business idea. But unfortunately, it was not successful, the people did not raise the money. We did this in cooperation with another company and it was a 'normal' CF, not a social one, and we gave the first 5%. But it didn't work. So we stayed with this one and it is resulting.</p>	CS
	<p>What I'm saying is, I'm not against CF, but I think it's something that is on a very early stage in terms of initiating the process and getting attention from investors coming in later on.</p>	GF
<b>Challenges</b>	<p>From the investor's side: I think the <u>culture</u> is one of the challenges. So people are more willing to back someone that needs medical surgery and needs to go to Germany or the UK than a start-up right now for example. The second one is that it's <u>online payment</u>. So people are still a bit worried of making online payments...but it's improving. So that's a challenge. (...) Since the payment has to be done online, this is a challenge but also a disadvantage. Because for example with music bands we see it. They know them, they have the 5€ in their hands and they simply want to give the money to the bands. And we say 'no, no' you to go through the platform and through the platform. So our challenge is how we can <u>mix the online process with offline payments</u>. So we have to adapt to the market that we are in. And especially in Portugal things take even more time (...) Then there is also the way <u>people deal with internet and email</u> etc. There are some people that don't read their emails or forget. So the access to those tools is not that wide-spread as we would like, so probably as in the US. And still regarding the payments, in the US you have mostly credit cards where you can</p>	PD

	<p>pre-charge the investor and only take the funds out if and when the campaign closes. Since people in Portugal do not rely that much on <u>credit cards</u>, we have to resort to debit cards. And we have to charge people when they make a pledge and if the project fails we have to refund them. And that process is a little tricky and if you add this complication with people not reading their emails and so on, that's a challenge.</p> <p>From the campaign owner side: the campaigns need a lot of work from our side to make it more understandable and appealing, so they <u>lack some communication skills</u>.</p>	
	<p>They need to be not just legal, but they also need to be <u>regulated</u>. So for example in Portugal it's being approved so it's now legal, ECF, but it is not regulated yet. So you don't have the rules. You still don't know what the rules are to use it. So this is a barrier to the use of ECF.</p>	PP
	<p><u>Legislation</u> difficulties. But also the people are, I don't want to say afraid, but they <u>don't trust enough</u> to invest their money in something that they don't believe. CF is successful in the US, Brazil, etc. but here it is new and there is no mass motivation yet for this kind of investment. And this is one of the reasons why our project with businesses did not result.</p>	CS
	<p>You have some other platforms out there in Europe that are across countries, mainly in the UK. And there you have a high liquidity market. Not Portugal. You have PPL, that is our biggest one in rewards and they are in operation for the last 3, 4 years and they just raised €1.3 million. You don't make money with that, they just make money because they have a side company that makes money for them. So if some equity CF platform appears, it will be more or less like this: either they don't know what they are doing and think 'oh this is a big market, let's do it, let's make some money here', or they have something on the side which they are doing. So I don't think it will be a business.</p> <p>(...) The thing is that we are very innovative here in Portugal, but we still need some time to have <u>more start-ups ready to be in the phase</u> of Seedrs. So the best time to go to Seedrs is after Family, Friends and Fools and alongside BAs or VCs.</p>	FP
	<p>There is a lot of money and Portuguese people are very solidary so they give a lot. But usually they give it to people or projects they know not through platforms. For instance, I was also involved in a donation based platform (raiseyourcourse.org) and we managed to get 18.000€ in about a year, a year and a half for half a dozen projects every time. It is not easy to get people to give money to persons they don't know. If they know them they will give a lot, but not to strangers. Novo Banco works because they put 10% upfront.</p>	FP
<b>What needs to change</b>	<p>It is our (PPL) responsibility as a platform to create awareness. And that's why it is actually bad that there are <u>few other platforms</u> in Portugal. Because they also helped <u>raising the awareness</u> around CF if they do it well. And we had Massivemove which was the most active platform, but it now stopped. It didn't close, but they are not working either. We tried to communicate with them, but they basically don't respond to our calls.</p>	PD
	<p>I think <u>regulation</u> is really the main thing. Then the rest is about</p>	PP

	<p>education, <u>investment education</u>. Both from an investment perspective, from a theoretical perspective, but also from a technological perspective. So people understanding how they participate, the risks and benefits of being an investor in CF. (...)</p> <p>I think from the supply side there is going to be an obvious <u>concentration</u>. There should be some <u>mergers, acquisitions</u>. There has been an explosion of platforms which doesn't make sense. It follows the natural trend of innovation. So I believe there will be consolidations in the future and we should have this room for a few <u>major operators</u> and then beyond that it would be <u>niche players</u>. I think the <u>return type</u> is definitely critical, because there are very different logics and very different targets and operating models for RB vs. financial returns platform. But also within financial returns it's very different to talk about equity or factoring or P2P loans, these are very very different markets. So I think what you will see is on the one hand some platforms merging together within one area, a type of return, but you will also see mergers across the value chain. So you will see platforms being set up for VC, platforms in partnerships or belonging to banks. So I think you will see a lot of merging around. Both upstream and downstream and across different platforms. Basically the biggest asset PPL has is the language so it's a platform that is able to operate in any of the Portuguese speaking countries. And that's a large population. (...) And on the demand side I think it is just about <u>going mainstream</u>. It's becoming a very standard way of gaining access to funds. So this could be for start-ups to develop or launch their products and ideas, but it could also be for SME to finance the working capital, to finance their exports, to finance projects. So I think it's just an alternative way of financing that is going to become mainstream. (...)</p>	
	<p>We are working a lot here in Portugal for another kind of donation of the companies in the institutions. Until a few years ago, or even until today, companies made a donation to institutions and that's it. But now they are changing, so they are giving the money but also want some kind of compensation. It's <u>not a donation, it is an investment</u>. So because you believe the institution can do other things, we could be part of the board. Everything is changing, not as quickly as we would like it to be, but still. So when the institutions have people looking through them and <u>understand the institution like a company</u>, this is when CF will be successful.</p>	CS
	<p>Yeah, you have first family, friends and fools and you get the first money just to check something out. Then you go to CF and then BA then probably you go to private equity. You know, through the value chain in terms of the types of investors and the timings were they normally come in. So I would say CF would be in an early stage in terms of value chain. But again, maybe I'm wrong, it's just my opinion.</p>	GF
	<p>We have a problem that we don't have high liquidity which will always be a problem. It will be much more interesting if the Portuguese legislation will be more open like the English one, so if you could invest with 10, 15€, because then it will be a true democratization of investment. The way it is going to be is just for the people who have money. And that's not the power of the crowd. Because if it is a little bit</p>	FP

	<p>of money, the Portuguese can do it, if it is 1000€, they cannot. But do you think it is also connected to the mind-set of the people, that they are sceptical to use CF?</p> <p>FP: I don't think that's the main problem, I think the main problem is financing. The average salary in Portugal is around 800€, so people have no money. So with this legislation coming out I don't see anything relevant happening. I'm sure that some equity-based CF platform will appear, although I hope they will be smarter than that. They will just lose money</p>	
	<p>Yes, there is a lot of work to do to promote CF in Portugal. The government is doing it now, they are about to launch another CF platform and I think it will help promote the concretization of projects through CF. I also think the investors should be taught how to invest on CF, the benefits, the risks, etc. because I had to do it by myself one on one and that was very time consuming. There should be an education for investors, what is the difference between ECF, equity convertible, and there is no regulation for convertibles in Portugal. It is now allowed in the UK, but there is no regulation about it.</p> <p>I think in general what motivates people is that they know it is possible, so if my story and other successful stories are shared, it will convince more people to do it. Basically more information and more training is what would be needed.</p>	MM
<b>Future position of financing</b>	<p>I think it <u>will continue</u>. Maybe not with all the same buzz around it, but it will continue as a <u>mainstream option</u>, just like the other ones. I think that especially in Portugal we still very much to do. Because most people know about it, but they don't know how to use it, it's not a mainstream option yet. But I see no reason why it shouldn't be staying for long.</p>	PD
	<p>Sure, sure it <u>will continue</u>. If anything it will be just <u>complemented with other instruments</u>. As a SME I could ask the crowd to finance my working capital against some invoices that I have to receive but I could ask a venture capitalist to invest in my moving abroad project of my company and I could ask for a bank loan to buy some equipment to produce abroad. So I mean you could use different types of financing instruments and mix them together.</p>	PP
	<p>Yes, <u>internationally of course</u>. In <u>Portugal I see it as well</u>. But I think it will not be a place for many companies. Social CF platforms we have Novo Banco and Emerge Salvador and I don't think we have enough place for more platforms. For other platforms, like PPL, I am not sure, we had three, now we only have one. There is a lot of opportunity, CF is a fantastic way to create new businesses so if we have a <u>change in the mind-set I believe it</u>. Not all the people will understand it, but younger people will. So, yes, I think in some years there will be place for more platforms, at the moment not.</p>	CS
	<p>I would say it <u>will probably continue</u> to exist but my feeling is that there was a very strong hype about CF at a certain point in time and I think that one or two big platforms will continue to exist, I suggest the ECF ones, the other ones I think they are something which is nice it's kind of sexy to have people investing just because they want to help a guy which is trying to have a business but it's not sustainable from an</p>	GF

	investments point of view. Just something that's a novelty and that will, as other novelties wear down.	
	<p>Unless the rules of the markets change <u>it will be there for many years</u>. Because it is the democratization of services, it lasts long and that is what CF is doing, it is democratizing the access to funding. So for sure it will last.</p> <p>I think the <u>new means will always appear</u>, like convertible notes didn't exist 4 years ago, convertible equity didn't exist one year ago and now they already exist in the UK, these small variations they will appear, but I think the traditional way of doing business through private investment which is an private investor coming to you investing in exchange for a percentage will tend to reduce. I think convertibles will be used more and more. Because these deals are actually destroying many companies, the deals that are made through direct investment, so equity for money. Because investors are stupid, they don't know, they want to assume 50% of the company, they want control, so they think for that they need to have 50% of the shares and then it becomes unattractive for the founder after the second or third round to keep running the business, because he knows that even if the business has an exit, this percentage is so small that it doesn't pay off. So I think these <u>traditional ways of making business will disappear</u>.</p>	MM
	That's a tough one. If you ask me about the future of banks, I don't even know, some things are going to change and it's already happening, by now I can download an app and open a bank account in less than five minutes, at least here in London. So I don't know the answer to that. <u>I certainly hope so</u> , it's a funding alternative and I think it's good, so I hope so. But really it's <u>more a hope than that I'm sure</u> . I'm sure that it will continue for a while but in 10 years, I'm not sure it will be there.	PO

### Data

Info	Platform	Figure	Source
Publishing of campaigns	PPL	20% (of the submitted campaigns get published)	PD: 5
	Seedrs	20%	FP: 8
Success Rate	PPL	44% (of the published campaigns get successfully funded)	PD: 5
	Novo Banco	54%	
Average amount funded	PPL	34€ (normally: 5-20€)	PD: 7
	Novo Banco	35€	CS: 3
	Seedrs	1000€	FP: 10
Minimum fund	PPL	1€	PD: 7
	Novo Banco	1€	CS: 3
	Seedrs	10€/£	
Maximum fund	PPL	2000€	PD: 7
	Novo Banco	5000€	CS: 3
Average campaign goal	PPL	3500€	
	Seedrs	£200.000	
Fee for projects	PPL	Success fee: for initiators: 5%	PD: 1
	Novo Banco	No fees	CS: 1

	Seedrs	Success fee: For initiators: cumulative level fees: 150k: 7.5%, 150-500k: 5%, >500k: 2% For investors: 7.5% (when they sell their shares or have profit on their shares)	FP: 8
Duration of campaign	PPL	20-60 days	PPL
	Novo Banco	60-90 days (depending on value of the project)	CS: 3
	Seedrs	2 weeks private launch + 60 days public launch	FP: 9

### Appendix E – Legislation (relating to Chapter 4.2.5)

As translated by the European Crowdfunding Network, the parameters are as follows:

- Retail investors can invest up to €3,000 per project and a total of €10,000 per 12-month period.
- Professional investors, instead, defined by CMVM as those individuals with an annual income equal or higher than €100,000, have no limit on the amount they can invest via equity or lending crowdfunding.
- Fundraising companies and projects can raise up to €1 million in a given year, unless the offer limited to professional investors only, in which case the cap is moved up to €5 million.
- Crowdfunding platforms have to register with CMVM and are required to be endowed with a minimum capital of €50,000 or, alternatively, a liability insurance covering for that amount. In addition to that, portals have to make available various information on the fundraising projects in order to comply with transparency and anti-money laundering requirements.

Source: <http://www.crowdfundinsider.com/2015/12/78949-portugal-reveals-proposed-investment-crowdfunding-rules/>