



2015CF

THE CROWDFUNDING INDUSTRY REPORT

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GoFundMe Tops Kickstarter as World's #1 Crowdfunding Platform



2014 Year in Review

GoFundMe

\$156M Q4 2014 Amount Raised	\$470M 2014 Amount Raised	+268% 2014 Growth	6,000,000 Donors in 2014
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Kickstarter

\$136M Q4 2014 Total Pledges	\$444M 2014 Successful Pledges	+10% 2014 Growth	3,300,000 Backers in 2014
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Annual Growth Rate

409%

2011-2012

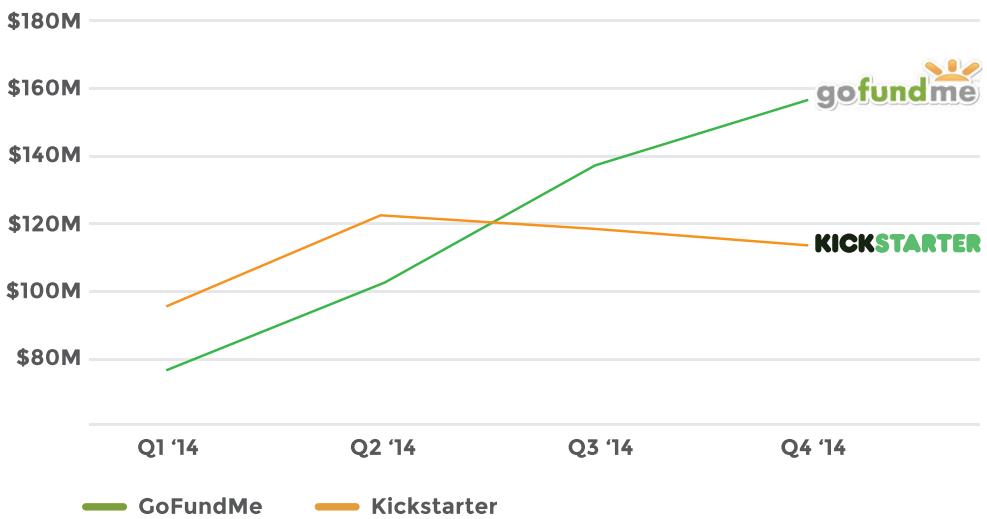
345%

2012-2013

268%

2013-2014

2014 Quarterly Volume



GoFundMe - A 2015CF Research Sponsor



Ellenoff Grossman & Schole is the leading law firm serving the security crowdfunding industry. Recognized as a thought leader and expert on the nuanced legalities of the JOBS Act, Douglas S. Ellenoff, a member of the firm, speaks prolifically at conferences and events. He's been a key representative and advocate for the industry and has actively engaged with the SEC to discuss many aspects of the proposed new law. Additionally, EG&S is working with securities professionals internationally to assist them with shaping smart legislation to foster investment crowdfunding in their jurisdictions. EG&S is actively engaged with clients in the crowdfunding industry, including funding portals, broker-dealers, technology solution providers, software developers, investors and entrepreneurs.

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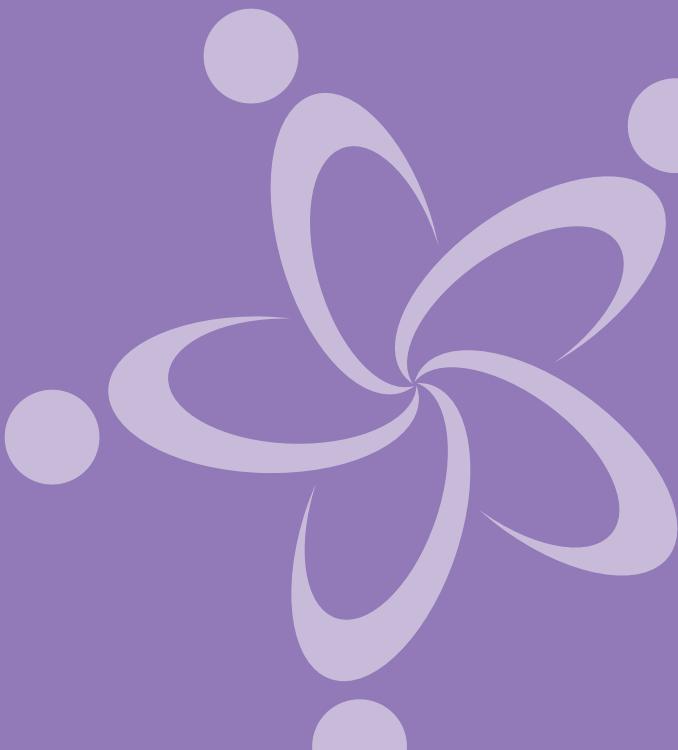
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FOREWORD

KEY FINDINGS

ABOUT THIS RESEARCH

CROWDFUNDING DEFINED



**“ TOTAL GLOBAL
FUNDING VOLUME IN
2013 REACHED \$6.1BN,
REPRESENTING 125%
ANNUAL GROWTH
OVER 2012.**



Introduction

FOREWORD

GLOBAL CROWDFUNDING: ADOPTION, EVOLUTION AND GROWTH

The growth of the global crowdfunding industry has continued with annual growth rates exceeding prior years in each of 2012, 2013 and 2014. In our 2013CF Crowdfunding Industry Report, we reported that crowdfunding platforms raised a total of \$2.7bn in 2012, compared with \$1.47bn in 2011, and we forecasted that total funding volumes would reach \$5.1bn in 2013. We can now confirm that global crowdfunding volumes in 2013 in fact reached a shade under \$6.1bn. This represents market acceleration from an 83.7% annual growth rate¹ in 2012 to an annual growth rate in 2013 of 125%. The delta between our forecast and our confirmed 2013 numbers can be attributed to faster than anticipated gains made in the new high growth category of real estate crowdfunding (see Massolution's new report [2015CF-RE Crowdfunding for Real Estate](#)) and further insight we have gained into rapidly expanding markets, in particular in Asia and in Europe. In part, this resulted from increased survey participation from Asian crowdfunding platforms (CFPs), and more Asian CFPs directly publishing their numbers. As we will present in this report, market growth continued accelerating in 2014 and we are forecasting a further doubling of the market in 2015.

We have witnessed additional platforms coming online across asset classes and methodologies. Real estate and small to medium sized enterprise (SME) financing platforms are drawing a lot of attention; crowdfunding for startups is on the rise; and crowdfunding for social impact causes is as relevant as ever. Lending-based crowdfunding continues its upward climb as both Prosper and LendingClub have surpassed, in 2014 alone, the \$2bn and \$4bn mark, respectively, in originations. This year we surveyed approximately 1,250 CFPs, up from 813 CFPs in 2012. The number of new platforms and their distribution are supporting crowdfunding's development as a truly global phenomena.

[1] Massolution uses “annual growth rate” as a measure of year-over-year change using the prior year as a base for expressing percentage change from one year to the next.

“ NO FINANCIAL INSTITUTION CAN BE MISINFORMED ABOUT CROWDFUNDING, AS IT PROVIDES BOTH COMPETITIVE AND PROMISING NEW OPPORTUNITIES.



Introduction

FOREWORD

GLOBAL CROWDFUNDING: ADOPTION, EVOLUTION AND GROWTH (CONT.)

Impact crowdfunding continues to develop, both at the micro and (importantly) at the macro levels, as part of government policy. In other words, crowdfunding is being embraced by nations around the world to frame economic development programs.

Broader access to investment opportunities globally may have direct benefits in parties seeking to ascend the economic ladder. Whether referencing the annual World Economic Forum in Davos Switzerland, or quoting from economists Thomas Piketty or Louis Kelso on the importance of asset/wealth building strategies, the crowdfunding mechanism may serve as a productive vehicle. For example, Wealth Migrate, a global real estate crowdfunding platform, has launched an initiative with key partners, [The Wealth Movement](#), to advocate the importance of economic empowerment, in this case, seeing real estate investing via crowdfunding as a fundamental rung of such a ladder.

Large enterprises are now pursuing a crowdfunding agenda to market-test innovation portfolios and validate R&D outputs. Our observations point to major global companies seeing crowdfunding models as a digital incubators to encourage new ideas, intellectual property, and human capital, as well as to form meaningful customer relationships. We are also starting to see major corporations taking positions to enter the market as providers and operators.

And in the US, SEC commissioners unanimously voted on March 25, 2015, to implement the proposed Regulation A rule changes commonly referred to as Regulation A+, allowing issuers to sell securities over the internet to accredited as well as unaccredited investors, subject to unaccredited investors looking to purchase securities of firms making a Tier 2 offering being limited to investing ten percent of their annual income or net worth, whichever is greater. However, Title III of the JOBS Act, which allows for unaccredited investors to participate

Introduction

FOREWORD

GLOBAL CROWDFUNDING: ADOPTION, EVOLUTION AND GROWTH (CONT.)

in crowd securities offerings, has not been released from the SEC. This has led many states to introduce intrastate protocols to further broaden the reach of this form of capital formation. No financial institution can be misinformed about crowdfunding, as it now provides both competitive and promising new opportunities for banks, investment houses, and financial intermediaries.

Further, we observed that venture investors are becoming increasingly supportive of the crowdfunding model, as venture funding into platforms in 2014 exceeding well over \$250 million. And of the venture funded platforms, we observed one of the larger ones, Lending Club, whose "crowd" is made up of both individual investors as well as institutional investors, make their initial public offering at a pretty lofty valuation.

Also, with ReWalk's IPO on Nasdaq rasing \$36m in September 2014, having raised crowdfunded capital in May 2013 and June 2014 on the Israeli equity-based platform, OurCrowd, we saw, what we believe to be, the first IPO for a company that had received crowdfunded capital as a component of its early stage and subsequent growth funding.

In this report, we will explore the various models of crowdfunding, the asset classes they are pursuing, and their efficacy. We have also included a detailed segmentation of funding volume by region, including new breakdowns for Asia, Oceania², South America, and Africa.

Additionally, we have provided new insights reflecting differences in the concentration of worldwide funding volume held between the top 5 and top 10 largest crowdfunding platforms globally. We also look at how much of North

[2] Oceania includes Australia and New Zealand. For a complete list of Oceania territories see:
http://en.wikipedia.org/wiki/List_of_sovereign_states_and_dependent_territories_in_Oceania

Introduction

FOREWORD

GLOBAL CROWDFUNDING: ADOPTION, EVOLUTION AND GROWTH (CONT.)

America's funding volume is held by the largest North American CFPs and the same for Europe. This highlights interesting differences regionally to how the market is taking shape and how the market may, or may not, be consolidating. We reported in our 2013CF report that the industry had shown an 80/20 principle funding distribution, where a few platforms are conducting the preponderance of funding activity. In 2015CF, we examine whether or not this still true.

Our goal is to study and advise on how crowd-based models are emerging in different parts of the world, challenging traditional models for raising capital from financial institutions, informing enterprise innovation, and impacting government policy as new models for digital job creation. Furthermore, such models are providing investors, both large and small, the opportunity for expanding their portfolios with asset classes for which they have had limited prior participation.

We hope you find 2015CF Crowdfunding Industry Report insightful and that you embrace the way crowdfunding is changing how markets interact, how capabilities are deployed, and how companies do business in the digital age.



Carl Esposti
CEO/Founder
Massolution and Crowdsourcing.org

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158 Pages of insight, information and data on crowdfunding and real estate crowdfunding.

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In addition to specific content on real estate crowdfunding, content on crowdfunding in general includes:

- Industry macro and micro movements
- Crowdfunding's viability and direction
- Market drivers, investor/issuer types and motivations
- Crowdfunding platforms: business and revenue models, differentiation strategies, venture investment and CPF valuations

- Market outlook and trends
- Debt and equity investment structures/comparisons
- Existing securities environments (US and International)
- START-UP ACT 3.0 and JOBS ACT 2.0
- Prognostications – black swans and butterflies

Introduction

KEY FINDINGS

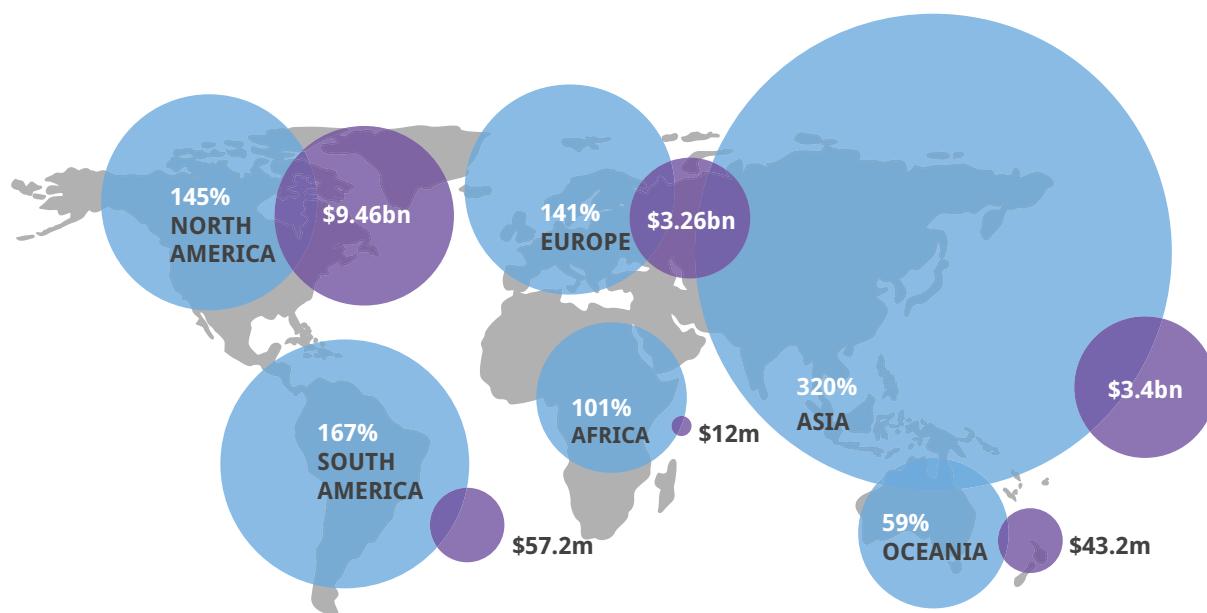
“ IN 2014, WORLDWIDE CROWDFUNDING VOLUME REACHED \$16.2BN.



WORLDWIDE FUNDING VOLUMES

In 2014, the worldwide crowdfunding volume reached \$16.2bn, reflecting an annual percentage growth rate of 167%, which is an acceleration on the 125% growth experienced in 2013 on a funding volume of \$6.1bn. As the number of platforms increase and the size of campaigns and the diversity of asset classes become greater, we expect high growth to continue through 2015.

The annual 2014 percentage growth rates and funding volume by region were:



■ 2014 Percentage Annual Growth Rate ■ 2014 Funding Volume

Source: Massolution 2015CF

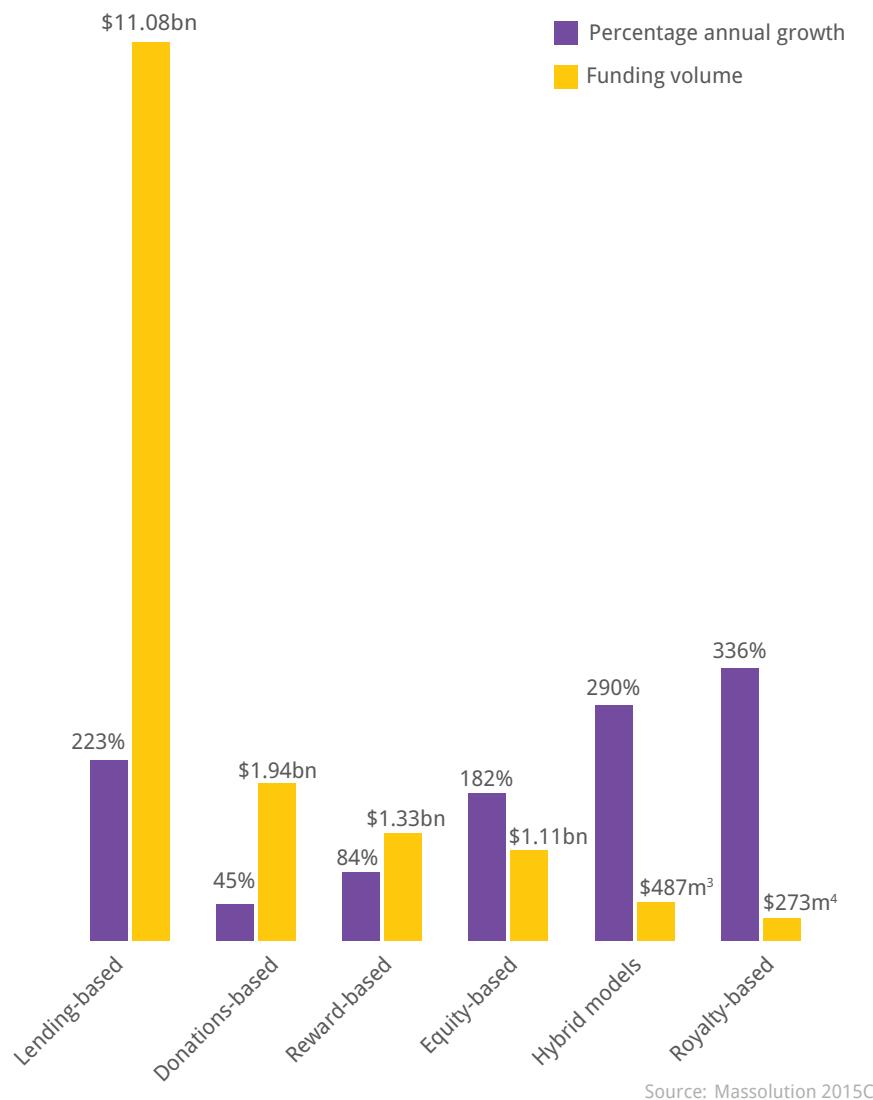
Annual 2014 percentage growth rates and funding volume by region in USD

Introduction

KEY FINDINGS

WORLDWIDE FUNDING VOLUMES (CONT.)

The 2014 percentage annual growth rates and funding volume by crowdfunding model were:



2014 percentage annual growth rates and funding volume by model in USD

[3] Hybrid represents CFPs that offer one or more crowdfunding models on a single platform that can be selected by the campaign owner individually (i.e. a campaign owner can select an equity-based form of crowdfunding) or can be combined with other crowdfunding models (i.e. a campaign owner could raise capital for a campaign via both equity and debt).

[4] Royalty-based crowdfunding numbers reflect niche focused CFPs specializing in royalty-based models or the funding volume of royalty-based campaigns that were funded by CFPs that offer a variety of crowdfunding models (i.e. they are hybrid CFPs).

Introduction

KEY FINDINGS

“ IN 2014, THE AVERAGE SIZE OF SUCCESSFULLY FUNDED DONATION-, REWARD- AND LENDING-BASED CONSUMER LOANS WERE COMPARABLE, ALL IN THE REGION OF \$3,300.



AVERAGE FUNDED CAMPAIGN SIZE

Between 2011 and 2012, we reported that funding volumes nearly doubled while the number of campaigns were largely flat, signifying a marked increase during this period of average campaign size across all crowdfunding models. However, during 2013 and 2014, while worldwide crowdfunding volumes increased dramatically, average funded campaign size did not continue the 100%-plus annual growth rate that had been recorded in the prior period.

From a worldwide perspective, in 2014, donation-based campaigns averaged \$3,363, reward-based \$3,189 and consumer-based lending campaigns \$3,999. In 2014, the average size of a SME crowdfunded loan was \$103,618. The average size of an equity-based campaign in 2014 differed by region with averages ranging from \$175,000 in North America to as much as an average of \$342,260 in Asia, where China dominates the crowdfunding market via P2P lending, and \$307,474 in Oceania. In fact, regional differences between North American and European campaigns were identified across most models of crowdfunding with North America being approximately 35% to 45% lower on average than successfully funded European campaigns. This is explained further in our chapter on campaign statistics. It is worth noting that crowdfunded real estate transactions are generally larger than other funding levels at a median across all sub-classes of real estate of approximately \$667k for lending- and equity-based crowdfunded transactions with some of the CFP's, like Wealth Migrate that focus on crowdfunding large residential portfolios of multiple single family homes and large commercial buildings (e.g. medical-building complexes), raising on average \$3m-\$5m per investment deal. This would have the effect of increasing the average campaign size for the lending-based category overall, so we have excluded real estate from the calculation of the average campaign size by model. Given the emergence and growing interest in crowdfunding for

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KEY FINDINGS

**“ WHILE THE
TOTAL NUMBER
OF SUCCESSFUL
CAMPAIGNS IS ON
THE RISE, AVERAGE
FUNDS RAISED PER
CROWDFUNDING
MODEL REMAINS
RELATIVELY FLAT,
SHOWING JUST
MARGINAL ANNUAL
INCREASE.**



AVERAGE FUNDED CAMPAIGN SIZE (CONT.)

real estate, Massolution's recently published report [2015CF-RE Crowdfunding for Real Estate](#), presents a deep dive into this emerging category.

A significant increase in average funded campaign size during the 2011–2012 period supported the notion of the development of the industry as a function of an increase in campaign owner and crowdfunder confidence. However, between 2013 and 2014, there were less gains made in the average size of funded campaigns; the number of campaigns during the period, however, increased significantly. While increased participation in crowdfunding during this period was not reflected in a material increase in the average funded campaign size, it has resulted in a substantial increase in the number of successfully funded campaigns

Introduction

KEY FINDINGS

“ FIFTEEN MAJOR DEVELOPMENTS WILL FURTHER DEFINE CROWDFUNDING.



OBSERVATIONS AND TRENDS

Massolution has observed new trends within the crowdfunding market.
Here we identify the fifteen major developments.

The “Crowd” is Changing in Composition - The US SEC commissioners has just voted unanimously to implement the proposed Regulation A rule changes allowing issuers to sell securities over the internet to accredited as well as unaccredited investors, subject to certain rules, and Title III of the JOBS Act will allow, if implemented, an even broader level of participation by unaccredited investors in crowd securities offerings. Other markets are implementing exemptions or regulatory changes to permit qualified investors a greater level of participation in crowdfunded ventures. Whether seeking exposure to early stage opportunities or capturing yield from income earning asset classes or P2P lending, we are noting that the composition of investor networks is changing.

Vertical Platforms Emerge - Early platforms were generally quite diverse in terms of offerings from different industries, mixed genres, and varied interests. We are now seeing platforms focused on distinct industries such as consumer products or health care.

Investor Driven - It seems that platforms are listening to the objectives of the investor, much like the greater investment market. Investors' search for yield has led to increasing interest in P2P and SME lending.

Social Impact Becoming an Investment Tenet - Particularly within the demographics of the Gen. Xers and the Millennials, investment returns are not the sole motivation for deploying capital. Social impact investing, or double bottom line, has become a growth area, a positive reflection of sentiment.

Corporate Crowdfunding (or, it's not just about the money!) - Large

Introduction

KEY FINDINGS

“CROWDFUNDING ALLOWS SMALLER COMPANIES TO LAUNCH GAMES AND DEVICE PROJECTS ON PLATFORMS LIKE KICKSTARTER AND FUNDING FOR PERSONAL CAUSES AND LIFE-EVENTS ON GOFUNDME.

HOWEVER, CROWDFUNDING HAS ALSO EMERGED AS A Viable, SCALABLE ALTERNATIVE TO PUBLIC AND PRIVATE FINANCE.



OBSERVATIONS AND TRENDS (CONT.)

organizations, like CocaCola, Nike, ABN Amro, P&G, General Mills, and Chrysler, to name a few, have deployed crowdfunding and crowdsourcing strategies to garner closer relationships, leverage their R&D portfolios, and capture intelligence from their end users. Not driven by the capital that can be raised, the engagement with the consumer adds to insights and reduces misaligned product development efforts. Considered “co-creation” or the “bottom up economy,” corporations will advance crowd engagement as a fundamental strategy.

Major Enterprises Entering the Market as Operators or Service Providers - Major corporate players are also looking for a stake in the game considering how to leverage their existing portfolios or through the creation of new offerings to address the needs of this new segment and to capitalize on a significant market opportunity. Examples come to mind like in the case of [DST Systems](#) who are looking to leverage their transfer agent technology and operation to service this emerging alternative investment class.

Investment in Platforms Will Continue - In 2014, there was well over \$250 million invested in crowd platforms by venture capitalist and strategic investors. While many such investors claim the approach is disruptive, we are still suspect of sustainable business and revenue models to create enterprise value. Nonetheless, investment should continue to accelerate in the wake of the IPO of Lending Club.

Market Consolidation - We have been anticipating some level of market consolidation with the more established CFPs, seeking to expand geographically or within a target category, beginning to acquire CFPs that have a foothold in a particular geography or segment. As the number of CFPs continues to grow, the rise of aggregator marketplaces, such as [investUP](#), clearly offers CFPs a solution

Introduction

KEY FINDINGS

OBSERVATIONS AND TRENDS (CONT.)

to their need to attract a balance of both retail and institutional investment. The number one inhibitor to CFPs growth is uncertainty around the supply of capital – of course deal origination plays a factor too. With [investUP's](#) play, heralding this new “crowdfunding supermarket” model, CFPs are freed up to focus more heavily on origination. Life for investors is also simplified; they gain access to the widest range of CFPs, but retain the ease of one account and portfolio – especially useful for tax and investment administration. This move by investUP potentially signals another trend that may develop further, supporting consolidation via the creation of super-marketplaces that aggregate dealflow from multiple partner platforms.

Infrastructure Models Advance - While there are well over a thousand platforms in operation globally (1,250 identified by Massolution's annual survey at the time of this research), such a universe breeds infrastructure needs. There are increasing numbers of white-label platform providers (e.g. [CommunityLeader](#)), services to confirm accredited investor attestation and data and analytic firms to provide thoughtful and factual perspective on the happenings of the industry.

Network Effect - In North America, there seems to be a clear gravitation toward the bigger platforms in most of the asset classes. For example, in 2014, the top two North American P2P lenders control almost 95% of their respective market, while the top ten largest North American CFPs across all models transacted 88% of the total North American funding volume. In Europe, however, the market share held by the top ten European CFPs has fallen 22% over the last four years.

Economic Development – Major development banks, NGOs, and similar institutions are seeking to leverage crowdfunding for economic development. Crowdfunding's social profile and its strong connection to micro-finance, along with the narrative on wealth disparity, are the main drivers.

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KEY FINDINGS

OBSERVATIONS AND TRENDS (CONT.)

A tidal wave of regulatory reform - With the need to address market issues limiting both access to capital and the availability of capital, many countries are now no longer simply observing but are acting. Driving forward with reviews of local market and regulatory issues and forming or implementing the required regulatory changes to free up and provide entrepreneurs with access to affordable equity- and debt-based capital. We have observed this transition over the past 12-18 months and the change from a "wait and see" mentality to an "act now" approach. The floodgates have been opened!

States Take Initiative - While the proposed Regulation A rule changes have just been voted in, with the delays in the promulgation of Title III of the JOBS Act, many states in the US have taken initiative and have laid out intrastate programs to broaden participation in crowd financing, i.e., allowing for non-accredited investors to participate in unregistered offering, but subject to limits. Will the states end up forcing the federal government and the SEC expedite the process on the national level? That remains an open issue.

International Expansion - Crowdfunding is quickly become a global financing methodology. Many countries in the Eurozone, Asia, South America, and elsewhere have witnessed increasing numbers of platforms intermediating all types of crowdfunding. Additionally, while the JOBS Act was highly profiled in the US, other countries, understanding the economic importance of SME finance to their local economies, have moved ahead swiftly (while the US has moved slower) from a legal and securities perspective to enable crowdfunding indigenously.

Cross Border Deals - As the CFPs are designed to "democratize" capital and investment through online engagement, the flow of capital is no longer contained in the local community. While many crowdfunded projects are

Introduction

KEY FINDINGS

OBSERVATIONS AND TRENDS (CONT.)

still promoted to a local audience, a number of CFPs (e.g. global real estate crowdfunding CFP Wealth Migrate) are successfully closing cross border deals validating crowdfunding's potential to bring dealflow to market and to syndicate investment opportunities to a broad investor base irrespective of the location of the offering or where investors are domiciled. For CFPs like Wealth Migrate and OurCrowd, who have built international investor communities, the fact of having global reach to both investors and investment opportunities may be a game changer, within their respective target categories and markets. Wealth Migrate has built an investor community of 66,000 representing participants in a dozen countries and has deployed capital in four markets. OurCrowd's global investment platform has investors registered from over 100 countries and active investors (people who have deployed real capital) from over 30 countries. While Israel is OurCrowd's primary focus, OurCrowd has successfully deployed investment capital in the US, Australia, and New Zealand.

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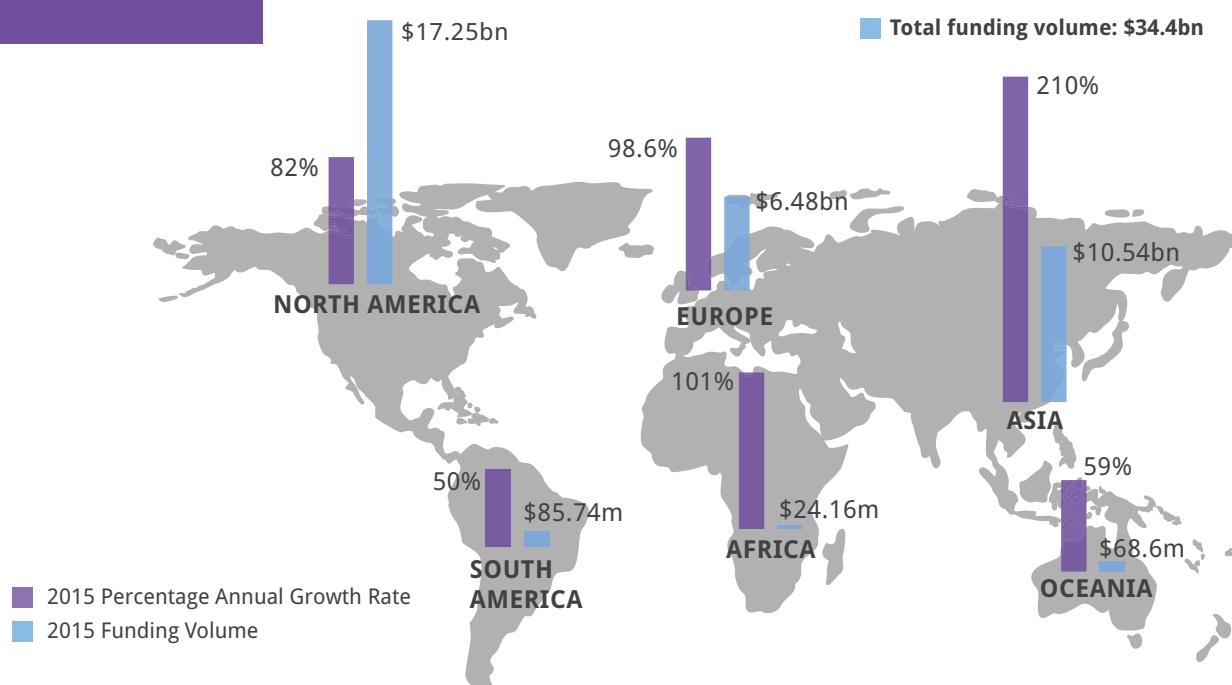
“ WE ARE
FORECASTING
\$34.4BN WILL
BE RAISED VIA
CROWDFUNDING
PLATFORMS IN 2015,
REPRESENTING 112%
ANNUAL GROWTH
OVER 2014.



PREDICTIONS

North America will remain the largest market in 2015, but with continued explosive growth in Asia, Asia will remain the second largest crowdfunding region.

Our projection for 2015 for regional crowdfunding volumes and annual growth by region is as follows:



Source: Massolution 2015CF

Growth by crowdfunding region prediction for 2015 in millions of USD (research based estimate)

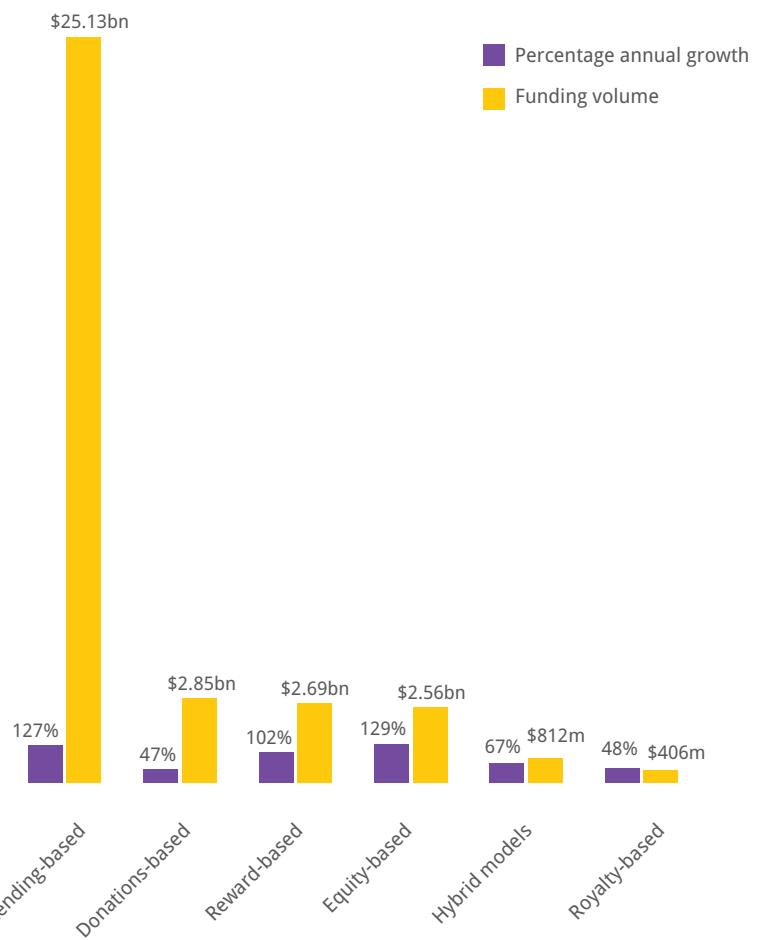
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KEY FINDINGS

PREDICTIONS (CONT.)

Global lending-based crowdfunding will reach \$25.13bn in 2015, while equity-based will reach \$2.56bn and reward-based will reach \$2.69bn.

Our prediction for 2015 for crowdfunding volumes by model and annual growth is as follows:



Source: Massolution 2015CF
Prediction for 2015 for crowdfunding volumes by model and annual growth in USD

Introduction

KEY FINDINGS

PREDICTIONS (CONT.)

Other qualitative predictions include:

- There will be increasing numbers of vertical, or industry specific, platforms;
- Real estate will be a \$2.5bn crowdfunding category by the end of 2015 and will increasingly become a larger part of the industry;
- International expansion will accelerate, both in terms of indigenous platforms and cross-border transactions;
- The larger and scaled platforms will garner an increasing market share, as many smaller platforms will not have staying power to compete;
- More venture and strategic capital will find its way into the industry, being pleased by public market access to LendingClub; and lastly,
- In the US, Title III's debate will continue past the end of the year, disallowing the non-accredited investor to play much of the game, beyond their ability to participate alongside accredited investors in Reg. A+ Tier 2 offerings. Title III therefore may end up being supplanted by intrastate initiatives.

Introduction

ABOUT THIS RESEARCH

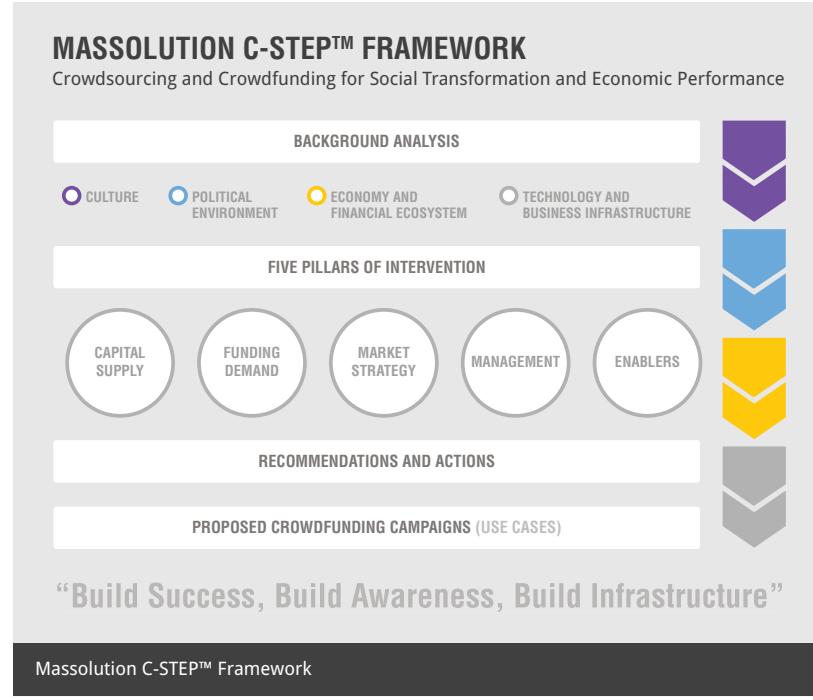
“ THE 2015CF CROWDFUNDING INDUSTRY REPORT PROVIDES A UNIQUE AND IN-DEPTH ANALYSIS OF THE WORLDWIDE CROWDFUNDING MARKET TRENDS AND COMPOSITION.



THE 2015CF CROWDFUNDING INDUSTRY REPORT

The 2015CF Crowdfunding Industry Report⁵ provides a unique and in-depth analysis of the worldwide crowdfunding market trends and composition. The research is guided following Massolution's proprietary research methodology C-STEP™ and informed by several sources of data and, primary and secondary research.

Massolution's proprietary research methodology, C-STEP™⁶, crowdfunding industry taxonomy, and the application of standardized metrics used throughout this report have been developed over the course of five years of research and advisory engagements. C-STEP™ is a research methodology that facilitates analyses and assessments of crowdfunding's applicability across regions and verticals. It provides a unifying framework for strategizing, mechanism design, implementation, and execution against any goal.



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[5] Massolution's 2015CF Crowdfunding Industry Report includes data and analysis through 31 December 2014, and forecasts for 2015.

[6] C-STEP™ Crowdsourcing and Crowdfunding for Social Transformation and Economic Performance

Introduction

ABOUT THIS RESEARCH

“ ALTERNATIVE
FINANCE PLATFORMS
ARE CONTRIBUTING
TO THE SHADOW
BANKING MARKET.



THE 2015CF CROWDFUNDING INDUSTRY REPORT (CONT.)

In compiling this research, Massolution received submissions, via The Industry Website™ Crowdsourcing.org, to our annual global industry survey from 463 active CFPs out of an estimated total globally of 1,250, a response rate of 37%. We also received submissions from 67 pre-launched CFPs. We augment survey data with data sourced directly from CFPs' websites, and from other sources. Further, we develop extrapolation models to estimate funding volumes for smaller CFPs that did not submit data and that do not publish their funding volumes. Given the extensivity of our tracking of the industry and the far-reaching nature of our annual industry survey, we feel that our data set is a representative sample of the industry in terms of both launched and pre-launch CFPs.

Massolution's annual global industry survey was conducted during the fourth quarter of 2014 and resulted in the most comprehensive data collection on the worldwide crowdfunding market to date. Submissions provided extensive data related to the analysis presented in this report.

The survey was divided into separate sections, depending on whether the responder represented an active or a pre-launch CFP. Our prior annual report, 2013CF Crowdfunding Industry Report⁷, which analyzed market data through December 2012, showed a pre-launch to launched CFP ratio of 28%. This reflected a market in an early high growth period, exhibiting a relatively high ratio of new CFPs being launched (as a percentage of overall market volume). As the market has continued to develop over the 2013 – 2014 period, we observed a marked percentage decrease in the number of pre-launch versus launched CFPs, noted by our continuous monitoring of the industry as a whole and by a reduction in survey responses regarding the pre-launched to launched ratio. This fell to 14% in 2014.

[7] Massolution's 2013CF Industry Report was published in April 2013 and included data and analysis through 31 December 2012, and forecasts for 2013.

Introduction

ABOUT THIS RESEARCH

“ NEW GLOBAL CROWDFUNDING PLAYERS, ABLE TO REACH INVESTORS AND INVESTMENT OPPORTUNITIES WORLDWIDE, MAY BE A GAME CHANGER.



THE 2015CF CROWDFUNDING INDUSTRY REPORT (CONT.)

Massolution conducts significant follow-up research via other reliable channels to complete the profiling of the global crowdfunding industry. Our primary and secondary research accounts for 95% of the total market estimate. The remaining 5% is extrapolated taking regional and model distributions into account.

The 2015CF Crowdfunding Industry Report continues to build upon the scope of industry snapshots and trend assessments of our 2013CF report with a deeper dive into crowdfunding by region and the concentration of funding volume.

Please contact Massolution at research@crowdsourcing.org for further information.

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THE RESEARCH TEAM

Massolution conducts its research by deploying a combined team of dedicated full time staff and Massolution Research Associates who are respected thought leaders within the crowdfunding industry. Massolution's Research Associates are engaged to provide specific and deep subject matter expertise in areas addressed by our different research initiatives and reports.

This 2015CF Crowdfunding Industry Report was made possible through the efforts of the following research leads:



Carl Esposti, Research Director

Carl is Massolution's Founder and CEO, and the Publisher of [Crowdsourcing.org](#), two of the leading properties in the crowdsourcing and crowdfunding area. Carl is also the creator of the CAPS program (Crowdfunding Accreditation for Platform Standards).

Over the past five years, Carl has played a central role in pioneering and developing crowdsourcing and crowdfunding internationally, putting [Crowdsourcing.org](#) at the center of the nascent industry and, developing Massolution as an industry Think Tank, helping to develop standards, accountability, and implementation models for crowdsourcing and crowdfunding. Carl's primary advisory and research interests include crowdsourcing and crowdfunding business models for social and economic impact within nations, and the design and deployment of models for competitive advantage within large enterprises and service providers.
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Steven Cinelli, Researcher and Crowdfunding Domain Expert

In addition to Steve's work as a Massolution Research Associate on Crowdfunding Infrastructural Architecture, 2015CF Crowdfunding for Real Estate and 2015CF Crowdfunding Industry Report, Steve is the Founder and CEO of PRIMARQ, an innovative platform furthering new forms of equity-based real

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THE RESEARCH TEAM (CONT.)

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Dr. Kristof Kristof De Buysere, Lecturer, Research Analyst

In addition to Kristof's work as a Massolution Research Analyst on Massolution's 2013CF and 2015CF Crowdfunding Industry Reports, and 2015CF Crowdfunding for Real Estate, Kristof is a lecturer and researcher at the department of Business Law at Tilburg University (The Netherlands) where he is currently completing his doctorate. Kristof has been trained in law, engineering (applied computer science), and finance and he provides freelance consultancy to a tech companies, financial market infrastructure providers, and boutique consulting firms.
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Mayra supports Massolution's market research initiatives and has worked on all of Massolution's industry research reports over the last three years. She is responsible for research program set-up, planning, and project administration, including the maintenance of Massolution's CSP and CFP databases, supporting research communications, and survey management.

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Archenette Remolador Evangelio, Researcher and Market Outreach Specialist

Archenette has supported each of Massolution's industry research reports over the last four years. She is responsible for building and maintaining Massolution's CSP and CFP directories, the largest industry

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directories consisting of over 2,800 active crowdsourcing and crowdfunding sites, supporting survey participant outreach, and report publication and distribution.

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Craig Asano, Regional Data Collection Lead - Canada

Craig is the founder and executive director of National Crowdfunding Association of Canada (NCFA). He advocates for the collaborative and dynamic growth of Canada's crowdfunding industry. Aside from his responsibilities at NCFA, he is also highly experienced in marketing, software technology, startups, finance, manufacturing and real estate sectors.

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Pepe Villatoro, Regional Data Collection Lead - South America

For two years, Pepe has served as CEO of the crowdfund investing platform, CrowdFunder LatAm. Presently, he is one of the organization's Board Members. He also co-founded the Mexican Crowdfunding Association, which provides wider opportunities to foster the development of crowdfunding in Mexico.

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Kwek Hong Sin, Regional Data Collection Lead - Asia

Kwek Hong Sin is the CEO and founder of crowd wisdom advisory and events firm, Phoenixict, as well as Sinwattana, a Thailand-based crowdfunding platform. In addition to these roles, she's also an International Liaison Officer at CIO16, a specialized group of IT executives from different government agencies. Her other specialties include cyber security and forensics.

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Abhishek is one of the co-founders of the National Crowdfunding Association of India (NCFA India). He's currently representing India as a Board Member of the World Crowdfunding Federation. Furthermore, he's highly skilled in both the IT and finance sectors.



Karsten Wenzlaff, Regional Data Collection Lead - Europe

Karsten is the founder and CEO of the Institute of Communications for Social Media (Ikosom). He's a member of the European Crowdfunding Stakeholder Forum (ECSF) and Coordinator of the German Crowdfunding Network. His initiatives have included the European Crowdfunding-Survey, Crowdfunding surveys in Germany and the German Crowdsourcing Report.

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Alessandro Maria Lerro, Regional Data Collection Lead - Europe

Aside from being a law expert and founder of the legal firm, Lerro & Partners, Alessandro is also a well accomplished international crowdfunding expert. Currently, he takes on the role of the European Equity Crowdfunding Association's (EECA) General Counsel and Manager. He authored two books and various articles on equity crowdfunding and has had speaking engagements in different conferences around the globe.

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Gijsbert, co-founder of Douw&Koren

Gijsbert is a trusted crowdfunding consultant to various organizations including governments, banks, businesses, NGO's and startups. In the crowdfunding industry, his areas of expertise are focused on market research, strategies and campaign development. Gijsbert is

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THE RESEARCH TEAM (CONT.)

frequently invited to various speaking engagements and workshops.

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Baruch Levanon, Regional Data Collection Lead - Asia

For thirty years, Baruch has been leading technology companies in sectors including aviation, healthcare, security, RFID and mobile telecommunications. He is the co-founder and chairman of the Israel Crowdfunding Association (ISCA), an organization designed to promote the crowdfunding industry in Israel and to the rest of the world. He owns Business & Technologies Ltd and is also the co-founder and chairman of HeliXator.

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Valentí Accocia, Regional Data Collection Lead - Europe

As a crowdfunding expert, Valentí has co-founded crowdfunding platforms such as Projeggt, Juntalia, and Crowdacy. In addition, he's also a speaker and a freelance crowdfunding consultant who has managed to help both entrepreneurs and creators in reaching their crowdfunding goals. He's also the co-founder and Chief Business Officer (CBO) of the Artee Project.

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Julia Groves, Regional Data Collection Lead - Europe

With her strong leadership skills, Julia has been Trillion Fund's CEO for over three years. In addition to this executive role, she also leads the UK Crowdfunding Association (UKCFA). Her co-founders and members have widely recognized her as prime mover of the association's existence in UK. She also earned an Entrepreneur of the Year award in July 2014.

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Introduction **BACKGROUND**

CROWDSOURCING, LLC

Crowdsourcing, LLC operates two business units, Massolution (Research and Advisory) and Crowdsourcing.org (Publishing and Events), and is headquartered in Los Angeles, California at:

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ABOUT MASSOLUTION

There is a revolution in how we work and how we fund business and Massolution is at the heart of it.

Massolution is a unique research and advisory firm that is pioneering the use of crowd-solutions in government, institutions and in enterprises.

Massolution's pioneering work includes:

- Consulting to enterprises on the adoption of crowdsourcing and crowdfunding to leverage enterprise innovation portfolios
- Supporting enterprises in the design and delivery of new work processes that enable crowd labor solutions
- Advisory work to governments and institutions on national crowdsourcing and crowdfunding strategies that drive social and economic impact
- Advising nations on the design and build of future digital workforce strategies to create new high-income digital jobs
- Agency advisory on the use of the crowd to improve public sector processes and drive new forms of capital formation.

Massolution is helping to write the guidelines for a new way to do and fund business.

To learn about Massolution's capabilities and experience working with governments, institutions, enterprises and providers (BPO and CSP/CFP), please contact carl@crowdsourcing.org.

**“ CROWDFUNDING
REFERS TO ANY
KIND OF CAPITAL
FORMATION WHERE
BOTH FUNDING
NEEDS AND FUNDING
PURPOSES ARE
COMMUNICATED
BROADLY VIA AN
OPEN CALL IN A
FORUM WHERE
THE CALL CAN BE
EVALUATED BY A
LARGE GROUP OF
INDIVIDUALS, THE
CROWD, GENERALLY
TAKING PLACE ON
THE INTERNET.**



Introduction

CROWDFUNDING DEFINED

DEFINITIONS

Crowdfunding refers to any kind of capital formation where both funding needs and funding purposes are communicated broadly, via an open call, in a forum where the call can be evaluated by a large group of individuals, the crowd, generally taking place on the Internet.

Crowdfunding Models

Crowdfunding models refers to the non-financial return forms of donation- (i.e. philanthropic gestures) and reward-based crowdfunding (i.e. capital for perquisites), as well as the financial return crowdfunding models: lending- (or debt-), equity-, and royalty-based crowdfunding, which is also sometimes known as securities-based crowdfunding.

Crowdfunding Campaign

We refer to the outreach, the open call, as a crowdfunding campaign (or simply a campaign). We use it as a general term to include, in the case of non-financial crowdfunding, an individual or group posting a fundraising project; in the case of financial crowdfunding, ‘campaign’ refers to a securities offering.

Campaign Owners

The person or company who is in charge of the campaign is referred to as the campaign owner. In the case of financial crowdfunding, this is the issuer.

Crowdfunder

We refer to a crowdfunder as the individual that supports or invests in crowdfunding campaigns. Crowdfunders can be philanthropic supporters for non-financial return crowdfunding campaigns, or investors in the case of crowdfunding for financial return.

Introduction

CROWDFUNDING DEFINED

DEFINITIONS (CONT.)

Open Calls

An open call in the context of crowdfunding (and crowdsourcing in general) is understood as a call-to-action (e.g. a call for support or capital in crowdfunding, or the posting of a job or task in crowdsourcing), where the message is not targeted at any specific intended recipient. However, recipients can be filtered and targeted. For instance, issuers can target only accredited investors, as is the case under Title II of the JOBS Act in the US. This line of communication serves as a “many-to-one” form of indirect stakeholder screening, since the communication is established via the interested recipients’ feedback, as opposed to direct communication established by the sender.

Crowdfunding Platforms (CFPs)

In a crowdfunding context, the sender is the campaign owner, the recipient is any member of the crowd that decides to support the campaign, and the communication is predominantly established via a crowdfunding platform (CFP), supported by the campaign owner’s personal means of communication and outreach. In a modern context, the availability of personal communication channels have accelerated rapidly, which has fundamentally changed the nature of open calls, and thus the nature of crowdfunding. With the emergence of Web 2.0, open calls transcend into open communication, and a request for financial support or an investment proposal therefore turns into collaborative social network activities. But this is evolving into a Web 3.0 environment, with access to portable devices, personalized search, and some level of analytical support and preferencing. Sometimes in the case of crowdfunding for financial return, the term “platform” is used within the industry to indicate a more limited role of a CFP, to simply market and intermediate a campaign, while the term “portal” is used to indicate a CFP with greater accountability for completing the sale of the security. In this report, we do not distinguish between the two, and refer to a CFP as any web-based platform that facilitates crowdfunding.

Introduction

CROWDFUNDING DEFINED

DEFINITIONS (CONT.)

In order to meet Massolution's classification as a CFP, and to be included in our research sample, a crowdfunding platform must allow individual crowdfunders to direct their contributions to specific campaigns. For example an investor is able to determine which entrepreneurs and ventures they invest in. We do not classify platforms that deploy institutional capital exclusively as crowdfunding nor the web portal facilitating or intermediating the transaction as a CFP. Massolution defines crowdfunding as a "many-to-one" model not a "one-to-one" model. While it is easier to make a determination to include or not include a platform, it becomes harder to identify the institutional investment component of a platform that supports individual crowdfunders as well as institutional investors. Based on the growing interest in the asset classes and return profile many investments, as into P2P lending, we are seeing growing institutional participation. In some cases, it is likely that nearly half of the capital deployed is coming from larger investors, with the individual investors from the "crowd" participating in both in the institutional funds themselves as well as participating directly in the investments.

Introduction

CROWDFUNDING DEFINED

OVERVIEW AND TAXONOMY

Although it is only recently starting to capture global interest as an alternative investment vehicle, crowdfunding has been around in less conspicuous forms for hundreds of years. Whenever we put a few dollars in the offering plate at church, chip in to fund a Christmas party for neighborhood children, or give to a charitable organization, we are effectively participating in crowdfunding. Notable examples of veritable crowd campaigns were the funding of the pedestal of the Statue of Liberty⁸ and the Empire State Building⁹. Modern day crowdfunding assumes that technology, including online payments and social media, is used to at least support the marketing of a campaign. It can include the adoption of offline activities that support either the marketing of campaigns, the solicitation of crowdfunders, or the execution of the financial transaction (i.e. the transfer of funds to the campaign owner or the sale of a security to an investor).

Crowdfunding refers to any kind of capital formation where funding needs are communicated via an open call to a large group of individuals, generally in online fashion. As such, the merits of these needs and the purposes for which funds will be used can be evaluated by the "crowd." This aggregation of individuals may decide whether to contribute to a campaign, resulting in the pooling of capital from a multitude of independent sources directed to these efforts. The person or organization promoting or managing the campaign is known as the "campaign owner".

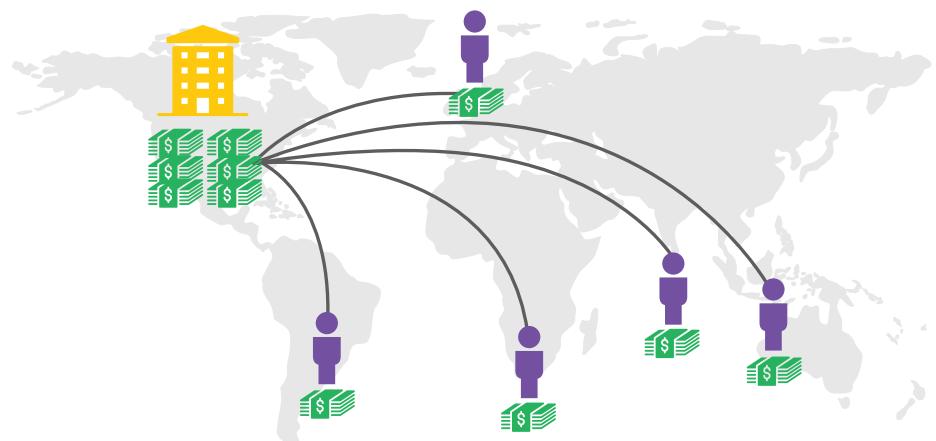
[8] Paid for by the government of France, the statue was a diplomatic gift to the US. However, the US had been unable to raise \$250,000 for a granite plinth for the statue - around \$6.3m (£4.1m) at today's prices. Joseph Pulitzer via a fundraising campaign in his newspaper The New York World raised money from more than 160,000 donors, including young children, businessmen, street cleaners and politicians, with more than three-quarters of the donations amounting to less than a dollar. The World raised \$101,091 - enough to cover the last \$100,000 to complete the pedestal and have money leftover for a gift for the sculptor.
Source: <http://www.bbc.com/news/magazine-21932675>

[9] In 1961 investors working on buying the Empire State building raised capital by selling approximately 3,300 units at \$10,000 each to the public who wished to own a stake in one of the most iconic buildings in the world.

Introduction

CROWDFUNDING DEFINED

OVERVIEW AND TAXONOMY (CONT.)



How Crowdfunding Works: Many small contributions support a single initiative.

In the past, however, crowdfunding was largely limited to personal, face-to-face campaigning: people donated at church on Sunday, or when someone knocked on their door to ask for contributions. Today, new technologies have revolutionized the nature of the open call. The Internet allows a campaign owner to present a single pitch that can instantly be disseminated to and accessed by users around the world. The flow of information across the Internet means that an exponentially larger number of potential donors and investors can be reached via CFPs.

CFPs are online platforms that provide access to campaign information and draw attention to social and economic impact investment opportunities. Innovations in online and mobile banking technologies allow these platforms to channel individuals' funds from the crowd to the campaigns they wish to support or invest in. They provide a digital forum where crowdfunders can comment on campaigns, request information, and track the progress of the crowdfunding

Introduction

CROWDFUNDING DEFINED

OVERVIEW AND TAXONOMY (CONT.)

raise, allowing the crowd to independently monitor and vet campaigns. In addition to its philanthropic utility, online crowdfunding is now gaining attention around the world as a model to form entrepreneurial capital that provides opportunities for small investors who are excluded from traditional investment mechanisms.

Introduction

CROWDFUNDING DEFINED

“ CROWDFUNDING MODELS

All crowdfunding models have different features to match the different needs of campaign owners.

DONATIONS

Crowdfunders donate money to campaign owners and do not expect to receive a tangible benefit from the transaction.



CROWDFUNDING MODELS

There are two overarching types of crowdfunding, which are defined by the relationship between the individual providing the financial resource (the crowdfunder) and the recipient (the campaign owner). Non-financial crowdfunding and financial crowdfunding differ primarily in the association of individuals' contributions to expectations of a financial return at some point in the future. Each type of crowdfunding has distinct implications for campaign promotion and engagement with investors or donors, and the institutions, infrastructure, and regulations needed to support the various crowdfunding models.



Massolution's crowdfunding model taxonomy is determined by the proposed exchange between campaign owner and crowdfunder. Other taxonomies attempt to analyze the crowdfunding market based on the variety in types of campaign owners, the different incentives the crowdfunders may have to support a project, and even a raw division into which regions the crowdfunding activity takes place in.

Although these approaches may be well-motivated, the aggregation of fundamentally different exchanges makes for a myopic analysis and renders

Introduction

CROWDFUNDING DEFINED

“ REWARDS

Crowdfunders support campaign owners and receive some kind of reward in return for their contribution.

EQUITY

Crowdfunders invest in campaign owners and receive equity or equity-like shares in return for their investment.



CROWDFUNDING MODELS (CONT.)

the reader uninformed about the economic reality underlying the aggregation, as well as the incentives for crowdfunders to engage and campaign owners to propose specific exchanges.

One immediate benefit of the exchange-based taxonomy is that it allows the researcher to investigate how the different crowdfunding models apply to different funding scenarios; for example, based on a categorization of campaign owners, the maturity of the campaign owner (or crowdfunder), the economic outlook of the campaign owner, etc.

NON-FINANCIAL CROWDFUNDING: DONATION- AND REWARDS-BASED CROWDFUNDING

Crowdfunding has its roots in open calls for charitable causes where donations are given without the expectation of a financial return. Owners of non-financial crowdfunding campaigns typically solicit funds for independent projects or initiatives that appeal to others with similar interests. For example, an NGO may launch a campaign to build a school for children in a rural district. As long as there is no expectation or legal obligation of a return for the money provided, the transfer is considered a donation or a gift, and is thus referred to as donation-based crowdfunding.

Another model of non-financial crowdfunding is known as rewards-based crowdfunding. In a reward-based campaign, crowdfunders provide capital to support a campaign in return for some kind of benefit or reward, including the product that will be produced with the help of the funds collected during the campaign. A group of artists who want to record an album, for example, may solicit funding for studio time by offering an advanced or signed copy of the album to individuals who contribute to the campaign. A strategy that is often employed for rewards-based crowdfunding is to

Introduction

CROWDFUNDING DEFINED

“ LENDING

Crowdfunders lend money to campaign owners and get compensated by interest earnings (sometimes forgone in philanthropic models), and expect principal repayment.

ROYALTY

Crowdfunders invest in campaign owners and receive a share of revenue earned in return for their investment.



CROWDFUNDING MODELS (CONT.)

offer better rewards for bigger contributions: a \$25 contribution might be rewarded with an advanced copy of the recording, but a \$250 contribution might result in a pair of concert tickets to see the band play at a local venue.



Businesses may also use rewards-based crowdfunding as a tool to gauge demand for new products and services in the market before rolling out production en masse. By launching a funding campaign for a new product, entrepreneurs can make a limited set of said products and reward investors with the initial model. At the same time, this allows businesses to garner feedback on product design, functionality, and overall quality. They may also gain a better sense of optimal pricing and avoid serious problems before starting production on a larger scale. Improved understanding of market demand can serve to increase customer satisfaction and profitability while hedging exposure to reputational damages resulting from a defective product launch.

Donation- and reward-based crowdfunding present fewer risks than financial crowdfunding. As with all types of crowdfunding, crowdfunders are exposed to

Introduction

CROWDFUNDING DEFINED

“ HYBRID
For some more creative campaigns, there may be a combination of the above models, as evident in a few hospitality (hotel) investments, wherein the crowdfunding receive both an equity interest as well as selected perquisites, such as a complimentary stay.



CROWDFUNDING MODELS (CONT.)

the risk of fraudulent campaigns and, as any ecommerce systems, include risks of cyber security. For reward-based campaigns, crowdfunders are also exposed to fulfillment risk (the campaign owner may not fulfill the promise to deliver a reward).

FINANCIAL CROWDFUNDING: LENDING-, EQUITY- AND ROYALTY-BASED CROWDFUNDING

Financial crowdfunding models are typically based on an investor's capital contribution to an individual, business, or entrepreneur who offers investors a financial return at a specific point in the future. Under financial crowdfunding, there are two primary models that have gained recognition as funding and investment mechanisms that provide viable alternatives to traditional (commercial) sources of financing: lending- and equity-based crowdfunding. The inclusion of expectations to provide financial returns to investors in these models effectively constitutes the sale of securities. As we reported in our 2013CF report, a third model continues to emerge: royalty-based crowdfunding, which has gained more traction in 2013 and 2014. This method, generally involves investors receiving a percentage of revenue derived from a license or a usage-based fee for the other parties' right to the ongoing use of an asset, rather than interest on a loan or appreciation in capital stock (equity).

With lending-based crowdfunding, investors receive a debt instrument that specifies the terms of future repayment. This is essentially an obligation of the campaign owner to repay the funds provided by the investor, which typically consists of the principal plus a fixed rate of interest. Interest is not always included in lending-based crowdfunding contracts, leaving room for impact investors to support budding entrepreneurs and businesses that require patient, low-cost capital to get started. Lending-based crowdfunding can include peer-to-peer (P2P) and peer to business (P2B) lending (also referred to in this report as SME lending).

Introduction

CROWDFUNDING DEFINED

CROWDFUNDING MODELS (CONT.)

Equity-based crowdfunding provides investors with an equity instrument that confers a share of ownership or a share of future earnings. Under this model, a crowdfunder's return is tied to the future success of the business they invest in. Equity-based crowdfunding therefore presents the potential for greater rewards, as the value of their equity increases in accordance with the business's success. However, it also presents greater risk to equity holders; in the event that the venture fails, investors tend to be subordinate to creditors in line for repayment. This additional risk borne by equity investors places increased significance on the domestic legal environment, regulatory structures, and institutional capacities for the viability of these crowdfunding mechanisms. Legislation was passed in the United States (specifically, under the JOBS Act) and other developed markets that is designed to provide this type of support to the equity-based crowdfunding industry. In the case of the implementation of Title II, Title III and Title IV crowdfunding in the US, Title II, permitting generally solicited open calls to be made to accredited investors, has been implemented, as has Title IV, allowing unaccredited investors to invest up to the greater of either ten percent of their annual income or net worth in a Tier 2 offering. Title III however, intended to permit non-accredited investors to buy securities via CFPs, appears to be on hold until late 2015, if not longer.

Equity (or Share Purchase) Agreements, delineate how much of the company's ownership is acquired with the crowdfunders' investment. Furthermore, there are, typically, rights associated with such agreements, such as right to ongoing information, rights to purchase additional shares, and certain governance rights. Many of the CFPs, acknowledging the challenge for issuers that would result in the need for direct communications with hundreds or even thousands of investors, typically raise funds in a Special Purpose Vehicle (SPV), which become the nominal shareholder of the entire issue and places a single party to represent the interest of the crowdfunding contingent. One area of concern

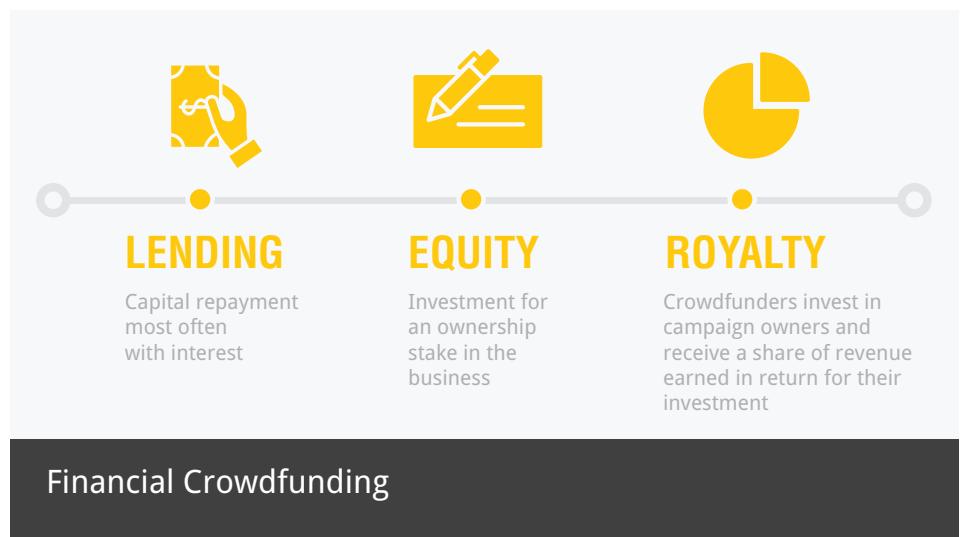
Introduction

CROWDFUNDING DEFINED

CROWDFUNDING MODELS (CONT.)

lies in the potential exclusion of dilution provisions — i.e., the adjustment of ownership with future equity financings at a price below what was paid by the crowdfunding. Typically in financings conducted by venture capital firms, there exist protective provisions to address highly dilutive financings; the same is not true of many crowdfunding campaigns and potential crowdfunding's need to become familiar with the terms of their equity agreement, to ensure they are aware if there is a likelihood that their stake could become significantly diluted.

As the market matures, additional securities are also being explored for sale through online crowdfunding platforms. Royalty-based crowdfunding, for example, provides a crowdfunding with a contract that guarantees the crowdfunding a percentage or a fixed amount of the revenue stream. This is generally associated with a royalty interest in a company's intellectual property and the revenues it generates. The gains here are potentially unlimited at the established interest rate, but companies may stop operating with the intellectual property that was originally funded, or sell it to a competing or acquiring firm. This makes the royalty-based models somewhat more complex and less commonly used; nonetheless, the model provides an interesting example of emerging innovations in the crowdfunding market.



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CROWDFUNDING MARKET GROWTH AND COMPOSITION

INTRODUCTION

**CROWDFUNDING WORLD MAP:
FUNDING VOLUME**

GROWTH BY CROWDFUNDING MODEL

GROWTH BY CROWDFUNDING REGION

CAMPAIGN STATISTICS

CAMPAIGN SUCCESS RATES

MOST ACTIVE CATEGORIES

FUNDING CONCENTRATION

**CROWDFUNDING PLATFORM
DISTRIBUTION**

“ CROWDFUNDING
SAW TREMENDOUS
GROWTH IN 2013 IN
TERMS OF DOLLARS
RAISED, EXCEEDING
GROWTH IN 2012,
BUT THE MARKET
GREW EVEN FASTER
IN 2014.



Crowdfunding Market Growth and Composition

INTRODUCTION

MARKET ANALYSIS

Available data on crowdfunding is limited yet improving, and extremely important for all market constituents to inform market strategies and identify which crowdfunding regions and categories are expanding rapidly.

In terms of total paid-out funding volume, crowdfunding saw tremendous growth in 2013, exceeding growth in 2012, and accelerating further in 2014. In this section, we examine and analyze this development, looking at total worldwide funding volume, at specific regions, and breaking down the funding by CFP models. We address which models and regions have seen the greatest growth from 2012 through 2014. This chapter also addresses campaign volumes and funding probability. We look at the level of activity within each of the major categories (e.g., Films and Performing Arts) and whether they are growing or in decline. Picking up again on a topic we addressed our 2012CF report, we look at the concentration of funding volume among the top 5 and top 10 largest CFPs globally and, in North America and Europe. This draws out some interesting observations over the last four years as the industry has developed. Finally, we take a look at the number of CFPs globally, how they are distributed and, we present CFP leader boards by region and model, from the perspective of total funds paid-out in 2014.

Crowdfunding Market Growth and Composition

CROWDFUNDING WORLD MAP: FUNDING VOLUME

“ THE WORLDWIDE CROWDFUNDING MARKET SAW ANNUAL GROWTH OF 167% IN 2014, INCREASING FROM \$6.1BN IN 2013 TO \$16.2BN IN 2014.



TOTAL FUNDS RAISED

As we've reported, worldwide crowdfunding volumes continue to increase from \$2.7bn in 2012, an increase of 84% over 2011, to \$6.1bn in 2013 representing a 125% year over year growth.

The delta between our forecast and our confirmed 2013 numbers can be attributed to faster than anticipated gains made in the new high growth category of real estate crowdfunding and further insight we have gained into rapidly expanding markets, in particular in Asia and in Europe. In part, this resulted from increased survey participation from Asian crowdfunding platforms (CFPs), and more Asian CFPs directly publishing their numbers.

In 2014, there was an impressive year-over-year jump of 167% to reach a worldwide funding volume of \$16.2bn. Annual growth rates over the last four years are therefore accelerating year-over-year, also considering the 72% annual growth rate in 2011 over 2010, as reported in Massolution's 2012CF Industry Report¹⁰.

Whereas in 2012 North America's and Europe's annual growth rate was 92% (\$1.6bn) and 62% (\$945m) respectively, in 2013 total funding volumes in North America increased by a factor of just over three compared to Europe with 140% annual growth in North America and 43% in Europe. This equated to 2013 funding volumes of \$3.86bn in North America and \$1.35bn in Europe. However, in 2014, Europe's annual growth rate of 141% was again close to that of North America, which came in at a 145% annual growth rate. Funding volumes in Europe in 2014 stood at \$3.26bn and, in North America, at \$9.46bn.

Emerging from our 2015CF research, due to increased participation in our annual survey from the region and increased access to publicly reported data, greater insight was gained about crowdfunding's development in Asia. Substantial

[10] Massolution's 2012CF Industry Report analyzed data through 31 December 2011.

“ IN 2014 ASIA
TOPPED EUROPE
TO BECOME THE
SECOND LARGEST
CROWDFUNDING
REGION BY A LEAD OF
\$138M.



Crowdfunding Market Growth and Composition

CROWDFUNDING WORLD MAP: FUNDING VOLUME

TOTAL FUNDS RAISED (CONT.)

growth in this market was driven by the popularity of lending-based platforms and the resulting increase in number of CFPs and associated crowdfunding volumes. China saw most of this growth.

For 2013, we identified \$809.8m of total funding volume in Asia, whereas by 2014 this number had increased to \$3.4bn, representing a growth between 2013 and 2014 of 320%. In 2014, therefore, Asia topped Europe to become the second largest crowdfunding region by a lead of \$138m.

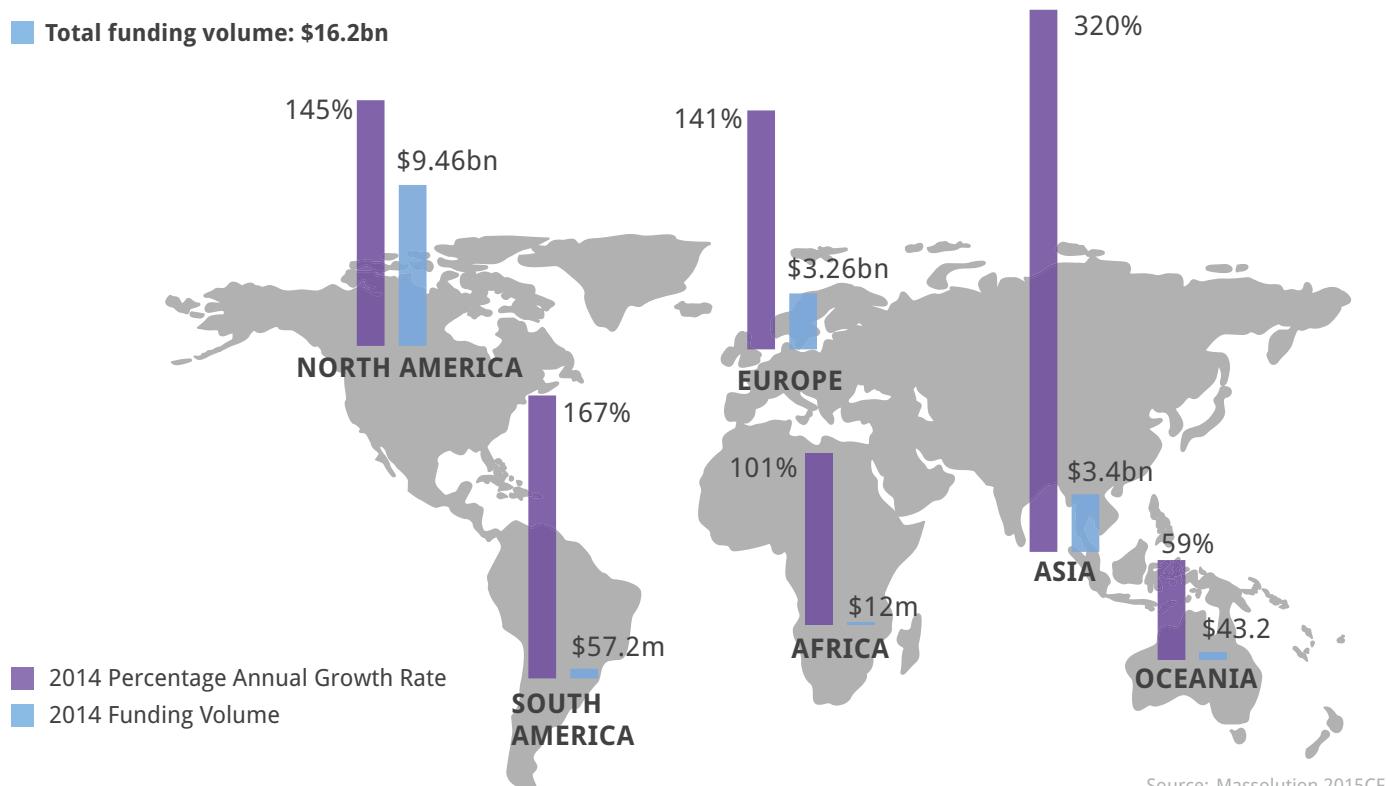
While in 2013, 86% of worldwide crowdfunding volume stemmed from North America and Europe, in 2014 this number had reduced to 78%, with 21% now originating in Asia. In 2014, Oceania, South America, and Africa still account for less than 1% of total funding volume. While currently the total contribution to worldwide funding remains small in these less established regions, it should be noted that while in aggregate the numbers in themselves are not material, each market is experiencing high growth, albeit from a much smaller base.

Crowdfunding Market Growth and Composition

CROWDFUNDING WORLD MAP: FUNDING VOLUME

TOTAL FUNDS RAISED (CONT.)

In 2014, Oceania accounted for just over \$43m in total funding volume (59% growth), South America for just over \$57m (167% growth), while Africa stood at \$12m (101% growth).



2014 Crowdfunding Volume Worldwide By Region in USD

Crowdfunding Market Growth and Composition

GROWTH BY CROWDFUNDING MODEL

“ LENDING-BASED CROWDFUNDING CONTINUES TO DOMINATE, GROWING 223% IN 2014 TO REACH \$11.09BN.



FUNDING VOLUME DISTRIBUTION BY MODEL

Since we began tracking of the composition and growth of the global crowdfunding industry in 2010, lending-based crowdfunding has led the market as the model generating the highest annual funding volume.

In 2012, we reported that the growth in funding volumes was primarily driven by lending-based and donation-based crowdfunding. While lending-based crowdfunding continued to contribute both the largest amount of total crowdfunding volume in 2013 at \$3.44bn and exhibited one of the fastest annual growth rates at 188%, donation-based crowdfunding's percentage contribution fell slightly to a 34% annual growth rate, a contribution of \$1.34bn, down from a 38.6% annual growth rate in 2012. In 2013, growth from reward-based crowdfunding at 86% contributed \$726m and an annual growth rate in equity-based crowdfunding of 235% resulted in a more significant impact for this category with a contribution of \$395m. Furthermore, in 2013, crowdfunding models began to morph with established CFPs and new market entrants offering hybrid models. This presented the campaign owner the opportunity for crowdfunders to select one or more approaches for their campaign (e.g. part equity and part debt). In 2013, total worldwide crowdfunding volume from the emerging royalty-based and hybrid crowdfunding models, in aggregate, contributed \$176m.

In 2014, the balance between the various crowdfunding models continued to change. In 2014, lending-based crowdfunding's annual growth was 223% to reach a contribution to total worldwide funding volume of \$11.09bn, representing 68% market share compared to 57% in 2013. This growth is primarily attributed to substantial growth in a number of very significant lending-based CFPs. For example, US platforms LendingClub and Prosper, UK platforms FundingCircle, RateSetters, and Zopa, and exponential growth from the Chinese lending-based crowdfunding market in general. Large Chinese lending CFPs include Renrendai, Ppdai, my089.com, and Dianrong. If one considers the period 2011-2013, annual

Crowdfunding Market Growth and Composition

GROWTH BY CROWDFUNDING MODEL

FUNDING VOLUME DISTRIBUTION BY MODEL (CONT.)

growth in lending-based crowdfunding, over the last four years, has therefore been tracking annually at an accelerated year-over-year growth rate of 86% in 2011, 103% in 2011, 103% in 2012 and 188% in 2013.

Donation-based crowdfunding in 2014 remained significant at a funding volume of \$1.94bn resulting from a consistent annual growth rate in 2014 of 45% compared to 34% in 2013 (\$1.34bn). However, as a percentage of total worldwide crowdfunding volume, dropped 10% over 2013 to contribute just below 12% in 2014, showing a steady annual decline as a percentage of the whole over the last three year period. Within this category, North America was the highest performing region increasing 81% in 2014 to reach \$959m, with Europe as the second largest region at \$707m in total funding volume, resulting from an annual growth rate of just over 40%.

Reward-based crowdfunding continued to grow in 2014 by 84% annual growth to reach a total worldwide funding volume of \$1.33bn, anchored in a strong US market, which hosts the top 5 reward-based crowdfunding platforms. The North American market grew 80.5% in 2014 to reach \$1.23bn in funding volume while Europe, albeit from a smaller base, grew 166% to reach \$75.7m.

In 2014, worldwide equity-based crowdfunding volume nearly tripled compared to 2013, with an annual growth rate of 182% to reach \$1.11bn. However, the two largest markets, North America (\$787.5m) and Europe (\$177.5m) grew differently with respective annual growth rates of 301% and 145%.

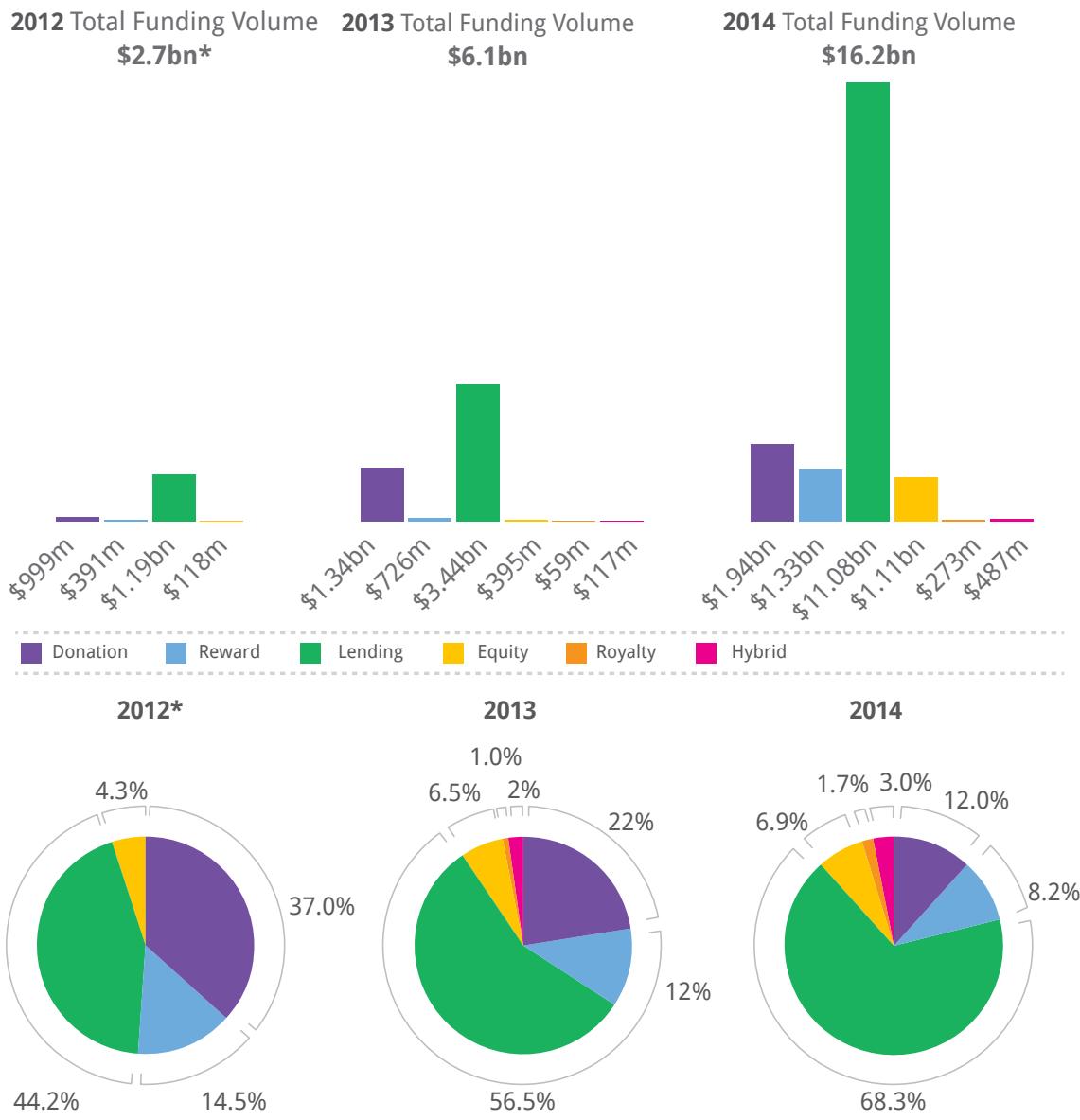
In Massolution's 2013CF Industry report, we added royalty-based crowdfunding as a distinct fifth crowdfunding model that had emerged. In 2014, royalty-based crowdfunding increased by 336.5% over 2013 and accounted for \$273.2m of funding volume.

Crowdfunding Market Growth and Composition

GROWTH BY CROWDFUNDING MODEL

FUNDING VOLUME DISTRIBUTION BY MODEL (CONT.)

As mentioned earlier, and as we predicted in the Outlook section of Massolution's 2013CF Industry Report, there is evidence to support our forecast of an increase in the adoption of hybrid crowdfunding models. In 2014, we attribute \$487m to this category, representing a 290% annual growth rate over 2013.



*Please note Royalty- and Hybrid-based crowdfunding were not identified by Massolution in 2012 as distinct models.

Source: Massolution 2015CF

Crowdfunding Market Growth and Composition

GROWTH BY CROWDFUNDING REGION

“ CROWDFUNDING IN ASIA IN 2014 SAW THE GREATEST ANNUAL GROWTH ACROSS ALL REGIONS, GROWING 320% TO REACH \$3.4BN.



FUNDING VOLUME DISTRIBUTION BY REGION

In the last section, we touched on the distribution of funding by model, attributable to the major markets. In this section we include a further breakdown of worldwide funding volume by region.

In 2014, North America remained the region with the largest total funding volume across all models at \$9.46bn resulting from an annual growth rate of 145%. Since 2011, the annual growth in crowdfunding in North America has been accelerating from 89% in 2011 (\$837m), 92% in 2012 (\$1.6bn) and 140% in 2013 (\$3.86bn).

In 2014, however, North American's high annual growth rate was challenged by three other regions. Europe grew at a very similar rate (141%), more than three times its 2013 annual growth rate (43%), to a total funding volume of \$3.26bn. South America, albeit from a much smaller base, grew at 167% to reach \$57.2m. The big gain was made in Asia, where the market grew 320% to reach \$3.4bn in funding volume. Oceania grew 59% to \$43.2m, while African crowdfunding volumes doubled its 2013 number to reach \$12m.

Crowdfunding Market Growth and Composition

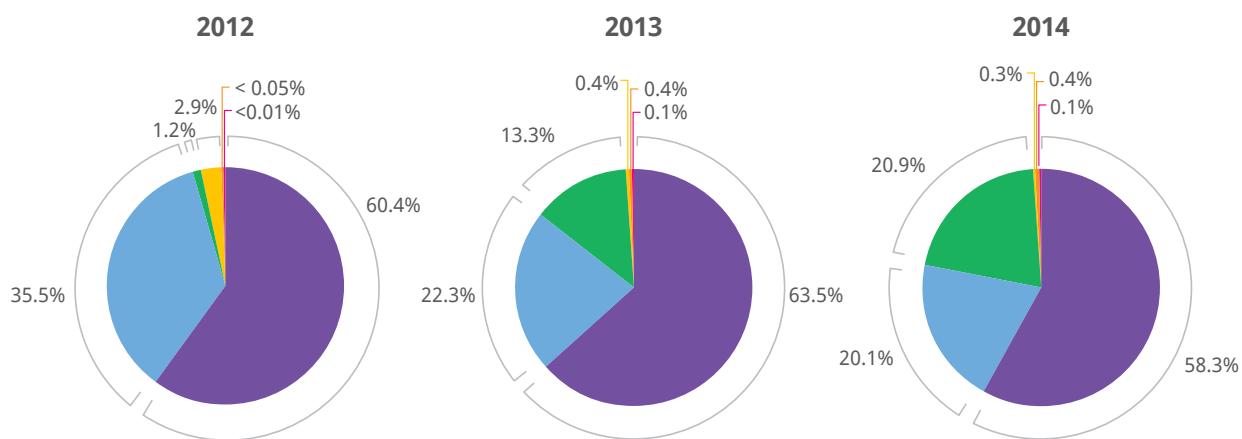
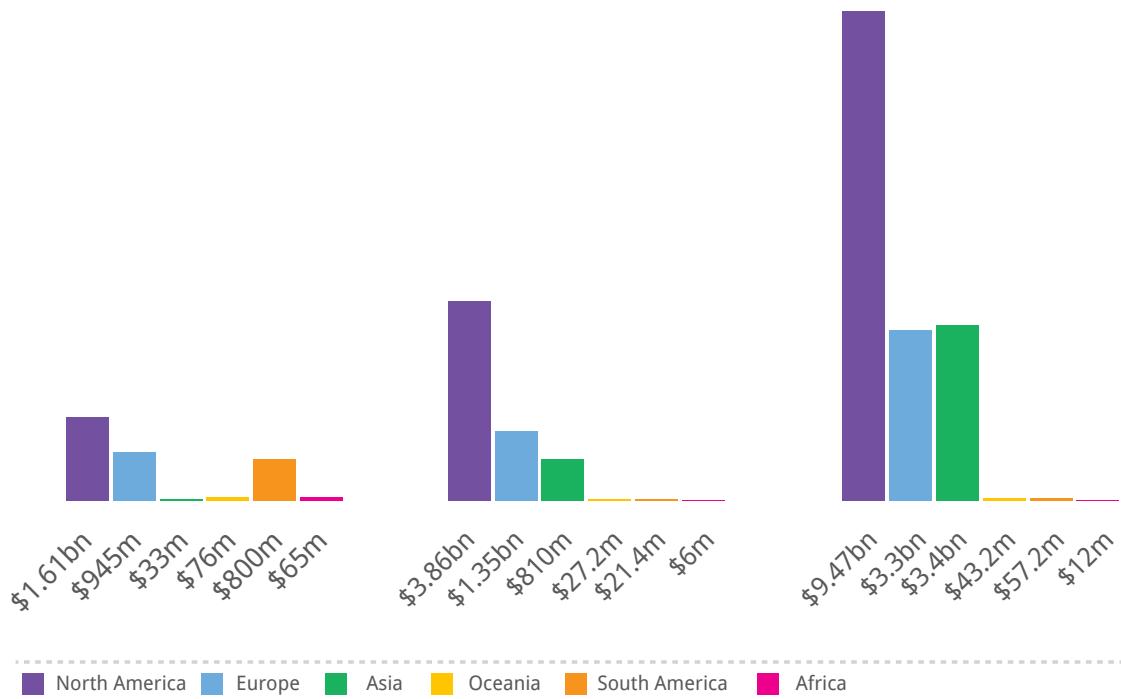
GROWTH BY CROWDFUNDING REGION

FUNDING VOLUME DISTRIBUTION BY REGION (CONT.)

2012 Total Funding Volume
\$2.7bn

2013 Total Funding Volume
\$6.1bn

2014 Total Funding Volume
\$16.2bn



Source: Massolution 2015CF

Global crowdfunding volume and annual growth rates by region 2012-2014 in USD

Crowdfunding Market Growth and Composition

CAMPAIGN STATISTICS

“ THE AVERAGE SIZE OF A NORTH AMERICAN CAMPAIGN FOR DONATION-, REWARD- AND EQUITY-BASED CAMPAIGNS IS ON AVERAGE 45% LESS THAN IN EUROPE.



AVERAGE CAMPAIGN SIZE

In this section, we take a closer look at the average crowdfunding campaign statistics size across different models. This information should serve as a great starting point for entrepreneurs looking to crowdfund an idea. The section provides details of average crowdfunding campaign sizes of successful campaigns across each model. For certain models, we also offer a comparison of the average successful campaign sizes between North America and Europe.

We mentioned earlier in this report that between 2011 and 2012, total crowdfunding volume increased from \$1.47bn in 2011 to \$2.7bn in 2013, while the total number of funded campaigns stayed roughly flat at just over a million campaigns. Our research showed that within this period, the worldwide average funding amount per campaign increased for both donation-based and reward-based crowdfunding models. In 2011, for example, the average size of a donation-based campaign was \$664; but in 2012, this had increased to \$1,400, a 111% increase. The average size of an equity-based crowdfunding campaign, taking all regions into account, also increased during this period by an annual growth rate of 125%, from \$84,597 in 2011 to \$190,000 in 2012.

During 2013 and 2014, however, average funded campaign size showed some year-over-year change for each crowdfunding model and for each region, but it was more marginal than in prior years. In 2013 and 2014, average campaign sizes across lending- (consumer lending, not SME lending), reward-, and donation-based crowdfunding models were all under \$4,000. The size of crowdfunded SME loans and successfully funded equity-based campaigns, however, were substantially higher at a two-year (2013-2014) worldwide average, for each category, of \$93,354 and \$261,748 respectively.

The average size of a donation-based campaign did grow year-over-year with a 69% increase in 2013 over 2012 to reach \$2,360 and a further 42.5% increase

Crowdfunding Market Growth and Composition **CAMPAIGN STATISTICS**

“ THE AVERAGE SIZE
WORLDWIDE OF
EQUITY-BASED
CAMPAIGNS IN
2014 WAS JUST
OVER \$275.5M, AN
INCREASE OF 145%
OVER A THREE YEAR
PERIOD.



AVERAGE CAMPAIGN SIZE (CONT.)

in 2014 to \$3,363. An interesting observation was that the average size of a donation-based crowdfunding in North America in 2014 was just 56% of the average size of a European campaign.

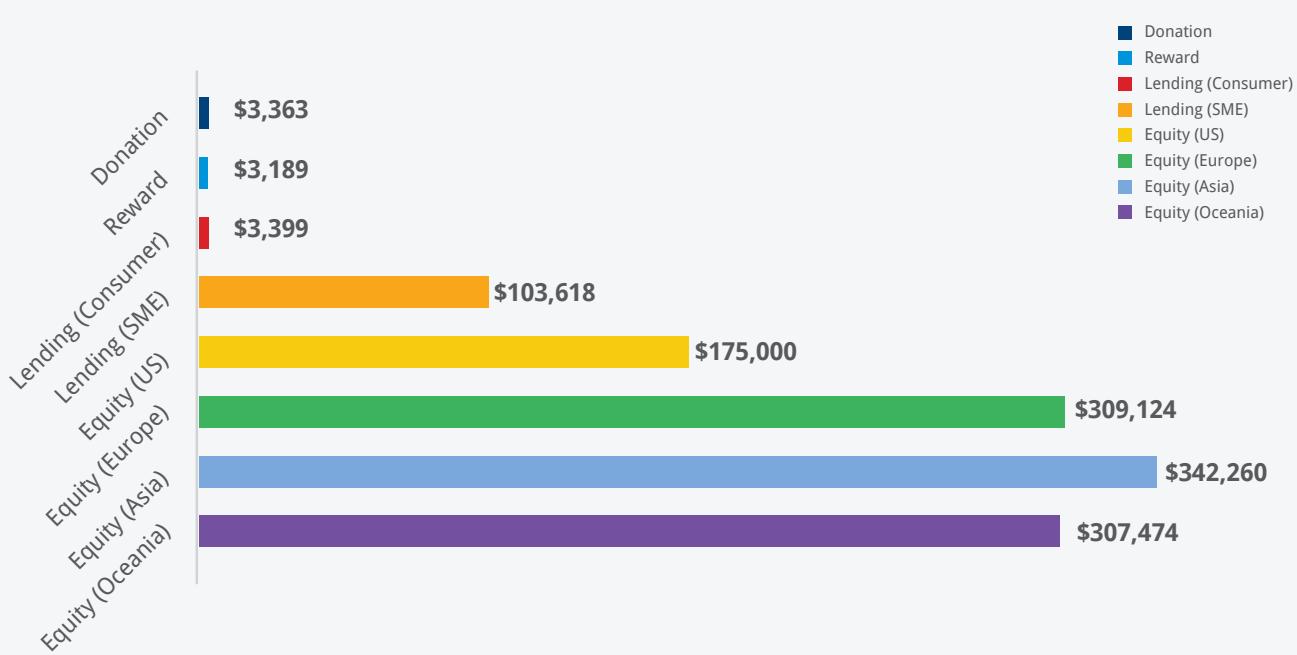
The average size of successful reward-based crowdfunding campaigns in 2013 was up 57% from the 2012 average of \$2,300 to reach \$3,601 but declined 11% in 2014 to \$3,189. Again, there was a marked difference between North America and Europe, with North American campaigns averaging just 54% of the average funded campaign size when compared to their European counterparts.

The average size of an equity-based crowdfunding campaigns differs significantly by region. In 2014, in North America the average campaign size was \$175,000, 57% of the average campaign size in Europe, where the average was \$309,124. The highest regional averages, however, were in Asia (where China dominates the crowdfunding market) and Oceania (where Australia is the leading crowdfunding player) with average campaign sizes of \$342,260 and \$307,474 respectively. From a worldwide perspective, average equity-based campaign size has increased on average by 30.5% in 2013 to reach \$248,035 and a further 11.06% in 2014 to reach \$275,461. This increase in the average size indicates that the average size of a successfully funded equity-based campaign has increased by 145% since 2011.

Regarding lending-based crowdfunding, it became clear in our research that it was necessary to distinguish, the difference in the campaign statistics between consumer loans (P2P) and SME loans (P2B). Crowdfunded consumer loans worldwide averaged close to \$3,297 in 2013 and \$3,399 in 2014. As an average this is significantly lower than the two largest lending-based CFPs, Prosper and LendingClub, who report average loan sizes in 2014 of \$11,000 and \$13,000 respectively. For larger SME loans, the average size of crowdfunded debt was significantly higher, at \$83,089 in 2013 and \$103,618 in 2014.

Crowdfunding Market Growth and Composition **CAMPAIGN STATISTICS**

AVERAGE CAMPAIGN SIZE (CONT.)



Source: Massolution 2015CF

Average campaign size in 2014 in USD across crowdfunding models

Crowdfunding Market Growth and Composition

CAMPAIGN STATISTICS

“CAMPAIGN
SUCCESS RATES
ARE DETERMINED
BY CONSIDERING
FUNDING
PROBABILITY AND
PAID OUT VS. PLEDGE
RATIOS



FUNDING PROBABILITY

One of the most important data points to analyze when it comes to crowdfunding are the actual success rates of crowdfunding campaigns. Success rates are analyzed via funding probabilities and pay out vs. pledge ratios.

While every campaign owner reflects confidence in his/her campaign, striving for above-targeted funding, the actual percentages of successful campaigns is somewhat muted. Success rates differ by type of model, campaign size, unique attributes or genre, and platform itself.

From a model perspective, lending-based campaigns have the highest probability of succeeding, largely due to the popularity of micro-loans, which have the highest funding probability across all types of campaigns. From a regional perspective, campaigns in North America succeed more frequently than all other regions. In the general P2P lending space, there is also the high probability of funding, due to the credit review process, pricing and size of transaction, as well as the fact that more institutional investors are building diversified portfolios in consumer loans. While hungry for yield, with most (90%+) of the loan requests getting funded as unsecured 3-5 year loans, there is default risk. Five years ago, default rates were in the mid-teens, somewhat offset with higher yields. With improved risk management and underwriting, the largest of the P2P lending platforms have reduced losses to less than 5% annually.

Subsets of the consumer loan segment are the student loan platforms, led by Social Finance, Inc. (SoFi) and CommonBond. Self underwriting and typically enjoying funding partners, and in the case of SoFi, the ability to securitize its loans, these firms generally can dictate the approval outcome.

With respect to the reward-based and donation-based platforms, the volume of campaigns can be daunting. With dozens of categories and hundreds of

Crowdfunding Market Growth and Composition **CAMPAIGN STATISTICS**

**“ HIGH PROFILE
CAMPAIGN
SUCCESSES INCLUDE
CROWDCUBE’S OWN
RAISE OF \$1.8M
OF CROWDFUNDED
EQUITY CAPITAL IN
JUST 16 MINUTES,
THE RECORD
BREAKING \$20M
ON KICKSTARTER
FOR THE NEW
PEBBLE TIME AND
GOFUNDME’S \$1.8M
RAISE BY 33.7K
DONORS TO HELP
SEEK TREATMENT
FOR ELIZA, A YOUNG
CHILD SUFFERING
FROM A RARE
DEGENERATIVE
CONDITION.**



FUNDING PROBABILITY (CONT.)

campaigns per category, it has become critically important to establish some level of pre-marketing campaign, generally using social media before a launch. Somewhat anecdotal, but it appears on the reward-based platforms, once the campaign achieves approximately 25%-30% of the targeted amount within the first week, it has a success rate of over 80%. This figure assumes an “all or nothing” campaign. When considering “flex campaigns”, there is typically a payout, but some of such campaigns may undermine success as the campaign owner may not have raised the necessary funds to execute on the project.

The reward-based crowdfunding space reflects success rates of low single digits to upward of 40%. Stalwarts GoFundMe, Kickstarter and Indiegogo seem to have varying levels of successful fundings. According to the Kickstarter website¹¹, its success rate is 38.9%, while Indiegogo, through online reports (not attributed to Indiegogo which doesn’t make its data publically available), achieves about a 33% overall success rate. Many of the more nascent reward-based platforms seem to be logging in the range of 5%-12% in success rates. Again, the rate improves dramatically with a quick “first 25%”, proffering the importance of pre-marketing by the campaign owner.

Yet while a campaign is not guaranteed success, reward-based crowdfunding has demonstrated the ability to attract significant funds, as evident by Coolest Cooler at \$13.3m, Ouya game console at \$8.6m and Pono Music at \$6.2m, all on the Kickstarter platform during 2014. A year earlier, Ubuntu Edge ambitiously aiming at raising \$32m on Indiegogo, failed to reach its target but secured a respectable \$12.8 million in pledges. At the time of this writing, Kickstarter’s record for the most funded campaign has for the second time been broken by Pebble. Pebble broke the then record in May 2012 raising \$10.26m and has already skyrocketed through the number one leader board position, previously

[11] <https://www.kickstarter.com/help/stats>

Crowdfunding Market Growth and Composition **CAMPAIGN STATISTICS**

**“ SUCCESSFUL REAL
ESTATE CAMPAIGNS
ARE ON AVERAGE,
LARGER THAN THE
AVERAGE DEAL
SIZE FOR OTHER
CATEGORIES. THE
AVERAGE FUNDRAISE
FOR RECF IN 2014
WAS \$906K WHILE
THE MEDIAN
CAMPAIGN SIZE WAS
\$667K.**



FUNDING PROBABILITY (CONT.)

secured by Coolest Cooler in August 2015. Pebble's newest campaign "Pebble Time" secured \$20,338,986 in funding from 78,471 backers. Illustrating how the crowd is embracing crowdfunding to help people in need, two of GoFundMe's campaigns, the Saving Eliza¹² campaign and the Love for Liza campaign stand out. Saving Eliza raised \$1,84m for a young child suffering from a rare degenerative condition called Sanfilippo Syndrome. Her parents raised money to pay for a clinical trial for Eliza, as well as other children suffering from the same disease. Love for Liza¹³ raised \$561k from 3.5k donors to help a young woman battling cancer was given a month to live.

In securities-based crowdfunding, the spread between achievement and not is more varied. The SME (small to medium size enterprises) debt-crowdfunding space involved different models. Will CFP's model their approach on examples like OnDeck Capital, a large corporate lender who underwrites and funds its loans directly after their own credit analysis? Other SME debt platforms, such as UK based FundingCircle, do fund via an investor crowd, but given its own underwriting, it is confident in the placement of the loan within its market. Other SME debt platforms are generally smaller in size, and performance is limited.

Real estate crowdfunding makes active use of secured debt crowd financing. As discussed in Massolution's [2015CF-RE](#) Crowdfunding for Real Estate report, nearly \$768.1 million of debt was extended in 2014 largely through the top twenty lending-based real estate CFPs. Depending on the real estate being financed, e.g., commercial property vs. personal residence, the approach and success rates are different, such as in SME lending. Real estate equity crowdfunding, particularly when a current yield or distribution is made, parallels the real estate debt success at approximately 45%. Typically, most real

[13] www.gofundme.com/ElizaONeill
[14] www.gofundme.com/loveforliza

Crowdfunding Market Growth and Composition

CAMPAIGN STATISTICS

FUNDING PROBABILITY (CONT.)

estate crowdfunding, debt or equity, has some type of current payment, even a preferred distribution over the sponsor. Many of the residential mortgage providers underwrite the loans and many have direct funding sources, so as not to offer the opportunity to a broad crowd to invest. On the commercial property loans, whether a short term (less than one year) to intermediate term loans, it appears that the success rate is about the same as the overall average for this category at approximately 45%, with a few platforms reaching 70% completion. As to mix, real estate crowdfunding is split between 75% debt compared to 25% equity.

When reviewing equity crowdfunding, the success rates are a bit closer to the reward-based platforms. With the larger corporate equity platforms averaging about a 24% success rate. Many of the newer and smaller platforms seem to believe there is benefit in the number of offerings, yet have not established strong investor followings, and success is somewhat anemic.

Crowdfunding Market Growth and Composition

CAMPAIGN STATISTICS

“ CERTAIN CFPS PAY OUT ANY AMOUNTS RAISED, OFTEN KNOWN AS “FLEX FUNDING”, AND SOME CFPS REQUIRE A FUNDING THRESHOLD TO BE REACHED, FREQUENTLY REFERRED TO AS “ALL OR NOTHING” ”



PLEDGED VS. PAID OUT RATIO

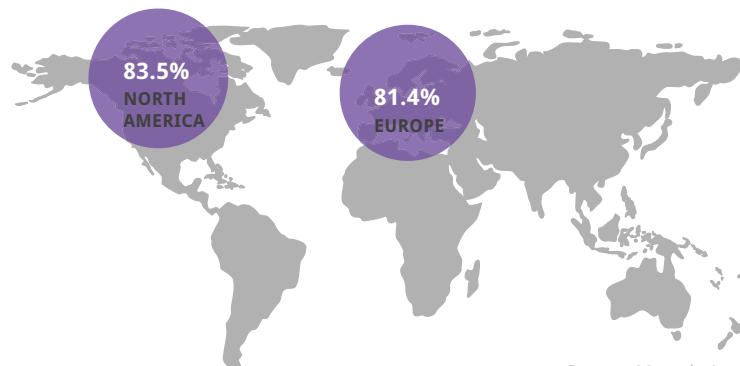
We finish the section by looking at the pledged vs. paid-out ratio; if the ratio is high, individual pledges are more likely to be allocated to the campaign owners as intended, rather than being returned to the crowdfunder. We do note that certain platforms distribute the level of proceeds raised, even it not to the targeted amount (certain platforms call this “flex funding”), whereas other platforms require targeted amount to be fully reached (“all or nothing”).

Besides funding probabilities, the pledged vs. paid-out ratio informs us about what percentage of funds pledged on a crowdfunding campaign was paid out to campaign owners. Funds that are not paid-out to a campaign owner are simply returned to the crowdfunder, having not created any economic value, and thus the pledged vs. paid-out ratio is a partial measure of crowdfunding’s efficiency in terms of individuals’ investment preferences. Modern crowdfunding approaches embrace new technology, provide access to large online communities, and leverage social media. This supports faster and broader outreach, which allows traditional offline approaches for the solicitation of financial contributions to be moved online.

PLEDGED TO PAID-OUT RATIO BY MODEL

Donations	84.6%
Rewards	81.5%
Lending	89.8%
Equity	74.5%

PLEDGED TO PAID-OUT RATIO BY REGION



Source: Massolution 2015CF

The pledge vs. pay out ratio for crowdfunding campaigns by model and by region

“ BUSINESS &
ENTREPRENEURSHIP
IS NOW THE LEAD
CROWDFUNDING
CATEGORY,
OVERTAKING SOCIAL
CAUSES, WITH 30.7%
OF FUNDING VOLUME
IN 2013 AND 41.3%
IN 2014



Crowdfunding Market Growth and Composition

MOST ACTIVE CATEGORIES

TOP PERFORMERS

Crowdfunding first gained popularity as a non-financial return model: the earliest campaigns were donation-based, a way to fund philanthropic and social. Modern crowdfunding approaches embrace new technology, provide access to large online communities, and leverage social media. This supports faster and broader outreach, which allows traditional offline approaches for the solicitation of financial contributions to be moved online.

From the early 2000's, we saw reward-based crowdfunding emerging as an entirely new business model to support artists' creative endeavors. The likes of the well known CFPs Indiegogo and Kickstarter were launched during the 2007-2009 period and 2010 saw the launch of GoFundMe, now the world's largest donation and reward-based crowdfunding platform, but these platforms only really caught the attention of the masses in the last two to three years. It's however still a lesser well known fact that in 2014 GoFundMe surpassed Kickstarter's paid-out funding volume achieving \$470m in 2014 for funds raised as compared to Kickstarter's \$444m¹⁴.

The very first reward-based CFPs, however, emerged many years before. ArtistShare, for example, was founded by Brian Camelio in 2000 with the idea that fans would finance production costs for albums sold only on the Internet and artists also would enjoy much more favorable contract terms. Other reward-based platforms continued to emerge. A well known and heralded example was Sellaband, founded by Holland's Pim Betist in 2005. Sellaband's model allowed artists to build a fan base, receive contributions under a product presale model (in this case, a record album), and if the contribution level reached the target threshold, produce, market, and distribute albums.

[14] www.gofundme.com/2015/01/13/gofundme-tops-kickstarter-as-worlds-1-crowdfunding-platform/

Crowdfunding Market Growth and Composition

MOST ACTIVE CATEGORIES

“ REAL ESTATE CAMPAIGNS FOR FINANCIAL RETURN ARE EXPECTED TO CONTINUE TO GROW RAPIDLY FROM A FUNDING VOLUME OF JUST OVER \$1BN IN 2014 TO REACH \$2.57BN IN 2015 AND TO CONTINUE AS A TOP PERFORMING CATEGORY OVER THE NEXT 2-3 YEARS.



TOP PERFORMERS (CONT.)

This popularity for non-financial crowdfunding (donation- and reward-based crowdfunding) prevails, but crowdfunding's application for entrepreneurial ventures began to gain significant traction over the last few years — especially crowdfunding models that offered crowdfunders a financial return. In our 2013CF Industry Report, which reflected crowdfunding data through the end of 2012, we highlighted that across all models of crowdfunding, crowdfunding for Business and Entrepreneurship was gaining traction as the second most active category, behind Social Causes, in non-financial crowdfunding, at 16.9%. In the financial return crowdfunding categories (lending-, equity-, and royalty-based crowdfunding), Business and Entrepreneurship had become the lead category by 2012 at 27.4% of total crowdfunding volume, with Social Causes second at 24%.

In this section, we provide an update on changes in crowdfunding's popularity and success during 2013 and 2014. We address funding distribution across crowdfunding's top ten categories included in our 2013CF report, and we have also added an eleventh category, Real Estate (property), which has shown significant growth over the last two years. Massolution measures CFP activity within individual categories considering two parameters: the number of successful campaigns and total funding volumes. The presentation and analysis in this section is informed by comprehensive survey data from 28 representative CFPs.

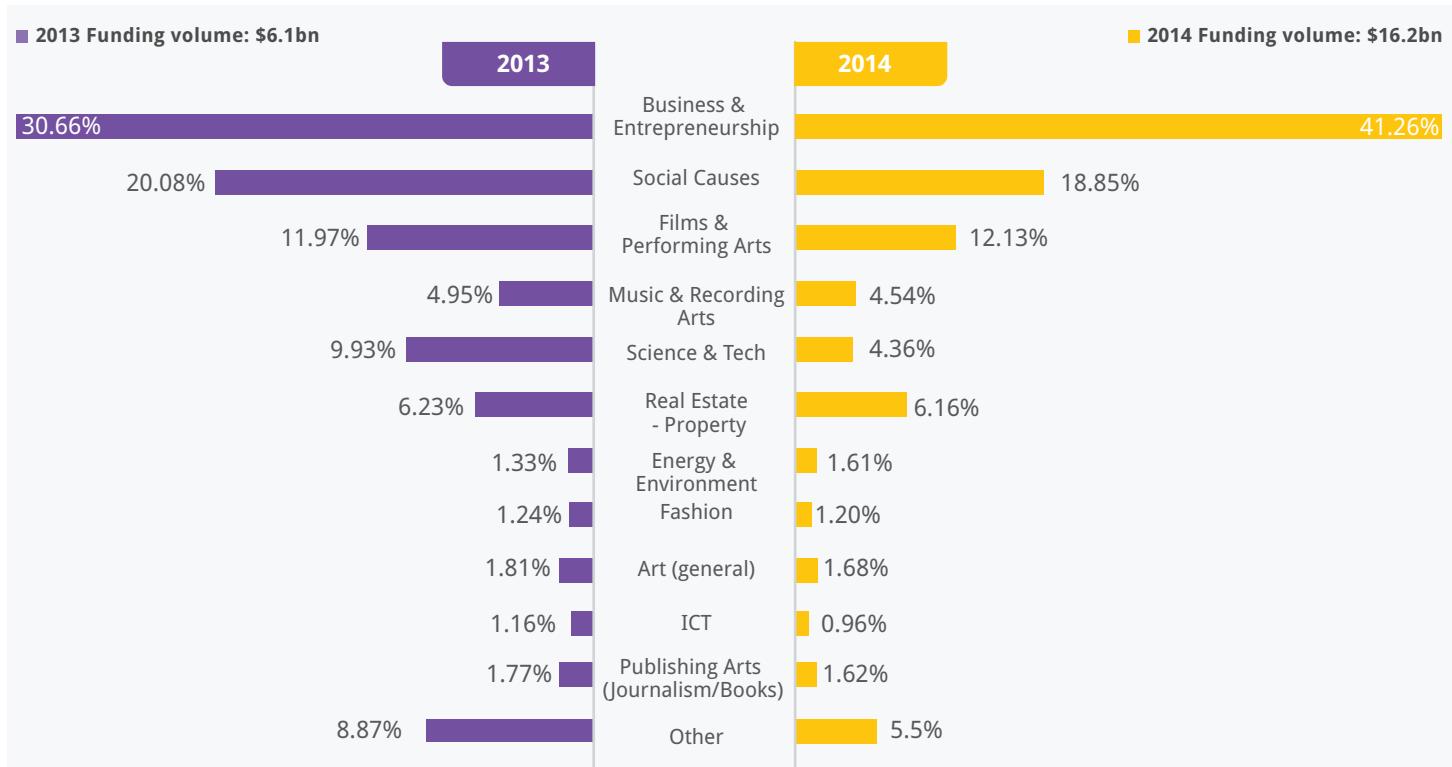
Taking aggregated crowdfunding volume across all models into account, Business & Entrepreneurship is now the lead category with 30.7% of funding volume in 2013 (\$1.86bn) and 41.3% in 2014 (\$6.7bn). Social Causes is now the second the most active category at 20.8% in 2013 (\$1.2bn) and 18.9% in 2014 (\$3.06bn), followed by Films & Performing Arts coming in at 11.97% in 2013 (\$727m) and

Crowdfunding Market Growth and Composition

MOST ACTIVE CATEGORIES

TOP PERFORMERS (CONT.)

12.13% in 2014 (\$1.97bn). With respect to the other categories, there have been changes in ranking between 2013 and 2014. In 2013, Science and Technology was the fourth best performing category, with a funding volume share of 9.93% (\$603m) but declined in 2014 to 4.36% (\$708m), now placing it in sixth place. Above Science and Technology in 2014 was Real Estate, which emerged as the fourth largest category; Music and Recording Arts placed fifth. Real Estate, an interesting new high-growth category, took 6.53% of funding volume share during 2013 (\$396m) and 6.25% (\$1.01bn) in 2014. Music and Recording Arts is still, by a small margin, the fifth largest category dropping slightly from 4.95% in 2013 (\$301m) to 4.54% in 2014 (\$736m). All other categories performed in the 1%-2% of market share range.



Source: Massolution 2015CF

Percentage of funding volume across the eleven most active categories in 2013 and 2014 in USD

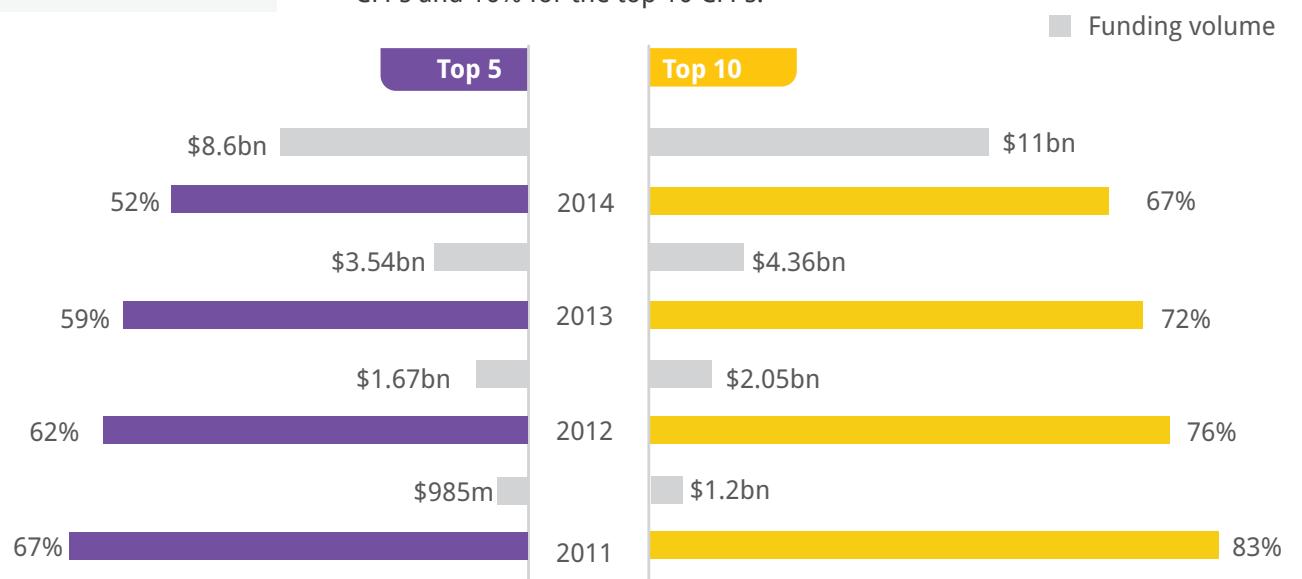
Crowdfunding Market Growth and Composition

FUNDING CONCENTRATION

GLOBAL MARKET SHARE OF LEADING CFPs

In Massolution's 2012CF Industry Report, we included commentary and data on the distribution of total worldwide funding volume between the largest CFPs and the rest. In 2012CF, which analyzed crowdfunding market data through December 2011, we reported that 67% of worldwide volume (\$985m) could be attributed to the top 5 largest CFPs and 83% of worldwide crowdfunding volume could be attributed to the top 10 largest CFPs (\$1.22bn).

Our research showed that in 2013, when compared to 2011, market share held by the top 5 CFPs globally had slipped by approximately 8% to just under 59% of total worldwide funding volume (\$3.54bn). Market share held by the top 10 CFPs had slipped by approximately 11% to 72% of worldwide funding volume (\$4.36bn). In 2014, at a worldwide level, market share by the top 5 and top 10 had reduced further. In 2014 the top 5 contributed 52% of total worldwide funding volume (\$8.6bn) and 67% by the top 10 CFPs (\$11bn). This equates to a total drop in market share over three years of approximately 15% for the top 5 CFPs and 16% for the top 10 CFPs.



Source: Massolution 2015CF

Global concentration of funds raised in USD on leading CFPs by funding volume

Crowdfunding Market Growth and Composition **FUNDING CONCENTRATION**

“ THE TOP 5 NORTH AMERICAN CFPs IN 2014 HELD 6.5% MORE OF NORTH AMERICAN FUNDING VOLUME THAT THE TOP 5 HELD IN 2011



GLOBAL MARKET SHARE OF LEADING CFPs (CONT.)

Crowdfunding is a phenomenon that is very much rooted in community- or geo-based participation. When one looks at the data at a regional level for North America and Europe, it paints a very different picture, exposing the fact that there may be very different market structures developing in each of these two regions. In North America, the market is increasingly dominated by a small number of very large players, while in Europe, we are seeing a steady dilution of market share held by the largest players. This points to further consolidation in North America, while the development over the next few years of a more diverse market in Europe with a higher level of funding distribution outside the lead CFP group.

When we look at the regional distribution of funding concentration, in North America in 2011, the top 5 held 73% of the market share, and the top 10 held 89%. By 2013, this had increased to 81% (\$3.13bn) of funding volume for the top 5 and 90% (\$3.47bn) for the top 10. In 2014, 79.5% was shared between the top 5 (\$7.58bn) and 88% by the top 10 (\$8.38bn).

In North America, the data shows that funding volume continued to consolidate among the leading CFPs during 2012-2013. The top platforms increased their share of the market by approximately 8% for the top 5 CFPs and 1% for the top 10 CFPs.

Given the market dominance in North America, home to the top 5 largest reward-based CFPs, the two largest lending- and equity-based CFPs, and four of the top 5 donation-based CFPs, it looked like, as a percentage of market share, the big would continue to get bigger. However, 2014 saw a slight decrease in the dominance of North America's leading CFPs, with close to a 1.5% drop in market share held by the top 5, and close to a 2% drop by the top 10.

Crowdfunding Market Growth and Composition

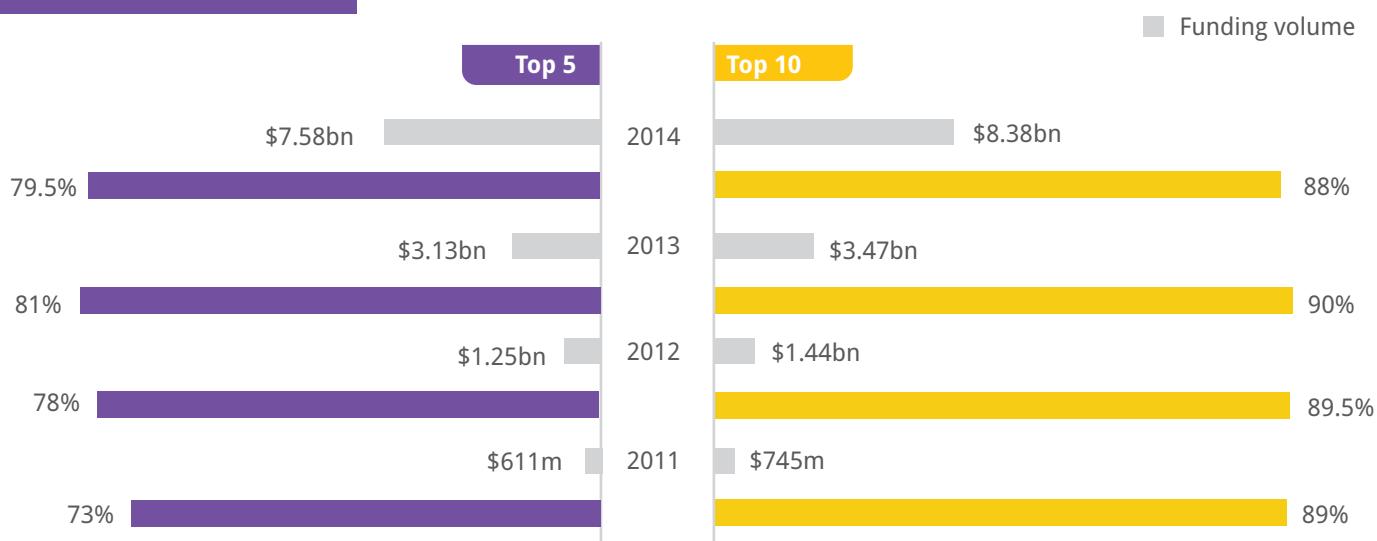
FUNDING CONCENTRATION

“ FOR NOW AT LEAST, IN PERCENTAGE TERMS, THERE WILL BE A TAILING OFF IN THE NUMBER OF NEW CFPs LAUNCHING IN NORTH AMERICA.



GLOBAL MARKET SHARE OF LEADING CFPs (CONT.)

In North America, the concentration of funding volume towards the largest CFPs is making it harder for new entrants in this region to make an impact and operate sustainable businesses. Given the percentage of pre-launched CFPs to launched ones, we feel it is reasonable to conclude that, at least for now, we have begun to experience a tailing off in the percentage of new CFPs launching within North America.



Regional concentration of funds raised in USD on leading North American CFPs by funding volume

Crowdfunding Market Growth and Composition

FUNDING CONCENTRATION

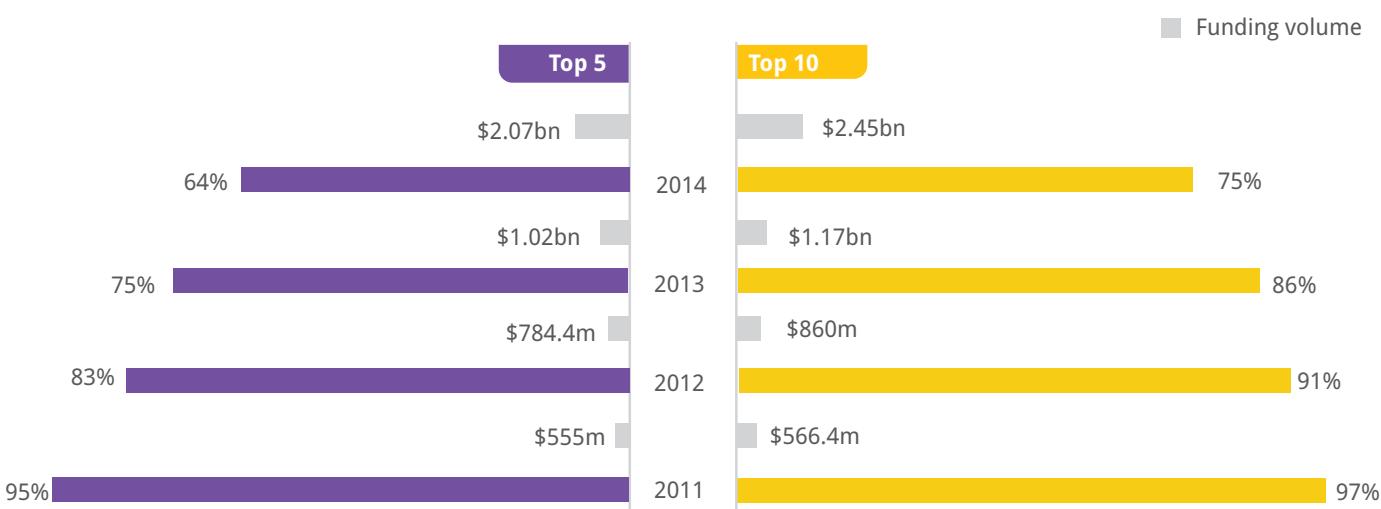
“ THE TOP 5 LARGEST CFPs IN EUROPE IN 2014 HELD 31% LESS MARKET SHARE OF EUROPEAN FUNDING VOLUME THAN THE TOP 5 HELD IN 2011



GLOBAL MARKET SHARE OF LEADING CFPs (CONT.)

In Europe in 2011, the top 5 held 95% of European market share and the top 10 held 97%. By 2013, this had decreased to 75% (\$1.02bn) for the top 5 and 86% (\$1.17bn) for the top 10. By 2014, the top 5 European platforms' hold had decreased further, with the top 5 responsible for 64% (\$2.07bn) and the top 10 for 75% (\$2.45bn).

In Europe, therefore, the percentage of market share held by the top 5 and top 10 CFPs has fallen each year over the last four years by 31% for the top 5 and 22% for the top 10. This suggests a greater opportunity exists for newer CFPs launching in Europe, where it appears there is less likelihood of the emergence of dominant Pan-European players that would make it harder for new market entrants to succeed. We believe that the factor at play here is that there are fewer CFPs in Europe that operate across country boundaries, most being nationally focused. The regions geographic fragmentation together with parochial preferences within markets for national players is allowing for a greater level of funding distribution among a large number of CFPs.



Regional concentration of funds raised in USD on leading European CFPs by funding volume

Crowdfunding Market Growth and Composition **FUNDING CONCENTRATION**

“ IN 2013, 73% OF FUNDING VOLUME WAS ATTRIBUTABLE TO CFPs THAT WERE ESTABLISHED BEFORE 2010 AND IN 2014 THIS PERCENTAGE HAD DROPPED TO 58.5%.



GLOBAL MARKET SHARE OF LEADING CFPs (CONT.)

To further calibrate this insight, we also analyzed the concentration of funding, taking into account the age of platforms to test whether the larger platforms were also likely to be the CFPs that were formed the earliest. In 2013, 73% of funding volume was attributable to CFPs that were established before 2010 and in 2014 this percentage had dropped to 58.5%. This reduction in concentration away from earlier established CFPs between 2013 and 2014 shows some promise that new market entrants are still able to capture market share from the more mature CFPs.

We have however been anticipating some level of market consolidation with the more established CFPs, seeking to expand geographically or within a target category, beginning to acquire CFPs that have a foothold in a particular geography or segment. An interesting observation is the recognition that with over 1,000 active CFPs, crowdfunders’ can be overwhelmed with options. To address this market development, we see one of the first plays by investUP, a market aggregator, to create a “crowdfunding supermarket” where investors can access deals from all the leading CFPs under one hub. Uniquely the investor can then lend or invest in these deals, without leaving the portal. investUP has already signed up an impressive list of leading CFPs, such as ThinCats, Assetz Capital and Angelist, joining the twelve CFPs that are already participating on the site.

Crowdfunding Market Growth and Composition

FUNDING CONCENTRATION

“ THE CFPs THAT ARE GENERATING THE LARGER VOLUMES ARE GENERALLY LENDING-BASED CFPs BUT THREE NON-FINANCIAL RETURN CFPs AND ONE EQUITY-BASED CFP THAT RANKS IN THE 2014 TOP 15 LARGEST CFPs WORLDWIDE.



LEADERBOARDS: BY REGION, BY MODEL

For securities-based crowdfunding (lending-, equity- and royalty-based), when we compare the nature of the participants in the market, the data shows that the CFPs that are generating the larger volumes are generally lending-based CFPs availing debt investments, rather than equity. Three non-financial CFPs however, with funding volume on par with the larger lending-based CFPs, make the 2014 worldwide top 15 leaderboard. In 2014, the top 5 lending-based CFPs raised from \$326m at number 5 (Zopa) to \$4.15bn at number 1 (LendingClub) whereas the leading equity-based CFP, EquityNet, in 2014, raised a very respectable \$278m for the year. Also included in the top 15 largest CFPs worldwide, are five Chinese (“CN”) lending-based CFPs.

A large securities-based CFP that continues to find the spotlight that has just surpassed the \$100m mark in raised equity capital, is Israeli based [OurCrowd](#). OurCrowd deploys an interesting VC equity–crowdfunding hybrid model which is analogous to a principal investor coupled with a just-in-time fund, where as principal, OurCrowd serves as a lead investor and then fills out the round with a collective of crowd funds. There are no management fees for uncommitted capital, but a “2 and 20” arrangement is set on deals funded. Testament to OurCrowd’s model is the notable claim that with ReWalk’s IPO on Nasdaq raising \$36m in September 2014, having raised crowdfunded capital in May 2013 and June 2014 on OurCrowd’s platform, we saw, what we believe to be, the first IPO for a company that had received crowdfunded capital as a component of its early stage and subsequent growth funding.

On the lending-based CFP front, there was a notable event in 2014 when we witnessed, LendingClub successfully tap the public equity markets. There appears to be growing legitimacy in the online capital formation model, as professional investor funding in support of these platforms continues to increase. LendingClub, with its IPO market cap settling at \$8bn, serves as a

Crowdfunding Market Growth and Composition

FUNDING CONCENTRATION

“ WILL CFPs BE
VALUED BY
THE VENTURE
COMMUNITY AS
TECH BUSINESSES,
FINTECHS OR
ULTIMATELY, ALONG
THE SAME LINES AS
A WELLS FARGO OR
VISA?



LEADERBOARDS: BY REGION, BY MODEL (CONT.)

beacon and litmus test as to value creation of crowdfunding platforms. The marriage of technology and capital formation has become an accepted axiom, and institutional investors are entering the market significantly via numerous platforms, recognizing that online access and information provides for wider ranges of opportunities.

While Prosper and LendingClub have surpassed, in 2014 alone, \$2bn and \$4bn in origination volume respectively, given the size of their target market (i.e., the top 10% of \$850bn of bank card outstandings), they hardly register in terms of market share, with the conventional banking market paying limited attention, at least up until now. One has to decide whether these are 21st century models that will command the attention of the professional investment community, or we will see a reprise of the dot.bomb model. If such is the case, certainly with the litmus test, LendingClub, we shall see whether it settles as a tech, a fintech or ultimately, along the same line as Wells Fargo or Visa. As the largest of the crowdfunding players, and most profiled, what happens to the investment community, (i.e., the VC and angel support for CFPs) if it convenes to the value of the financials not the techs. Estimated value as a financial is about 10% of the price, given the typical metrics used in financial services. LendingClub was priced and oversubscribed, and traded up over 50% above the offering price. But since the fanfare, the price now settled around the offering price, possibly suggesting that the market sees this as a high powered consumer finance company, but a finance company nonetheless.

While not yet at the same scale as the two largest lending-based platforms, technology enables platforms to intermediate faster, enabling both financial and non-financial based CFPs to make a profit with smaller sized transactions. The lending platforms continued growth largely due to upward trend in deal size as well as scaling the origination numbers. Further, their models are scalable

Crowdfunding Market Growth and Composition

FUNDING CONCENTRATION

LEADERBOARDS: BY REGION, BY MODEL (CONT.)

due to the review of consumer loans tending to be more consistent from deal to deal. Donation- and reward-based CFPs however have less consistency in regards to campaign profiles however, the larger non-financial platforms are making headway towards the \$1bn threshold in annual paid-out funding. In 2014, the largest donation-based platform, Justgiving, reported a funding volume of \$866m, GoFundMe, the largest hybrid donation-/reward-based CFP with a reported \$470m¹⁵ and Kickstarter, now the third largest non-financial CFP focused on reward-based crowdfunding, at a reported \$444m¹⁶.

It might surprise the reader that Kickstarter, given what seems to be a weekly reference to record breaking campaigns, is no longer the largest reward-based CFP. 2014 saw GoFundMe, a hybrid platform, rise to the ranks of the largest CFP globally offering reward- and donation-based crowdfunding. While Kickstarter helped popularize crowdfunding in the areas of creative projects, music and film, GoFundMe's personal fundraising platform is focused on enabling people to raise money for personal causes and life events. While others in the Tier 1 group have taken tens of millions of dollars in venture capital, GoFundMe has not taken any outside capital, it has kept its organization lean (a dedication team of 40) and it has put high customer service at the heart of its value proposition. The site's most popular categories are Medical, Education, Emergencies, Volunteerism, Memorials, and Sports.

The individual performance of CFPs relative to other players can be assessed across many dimensions. A selection of some of the measurement dimensions could include, for example; impact (lives changed / jobs created), crowdfunders' and campaign owners' level of satisfaction with their experience on a platform, percentage of market share for their targeted area and, total paid-out funding volume.

[15] www.gofundme.com/2015/01/13/gofundme-tops-kickstarter-as-worlds-1-crowdfunding-platform/
[16] www.techcrunch.com/2015/01/06/kickstarter-2014-numbers/

Crowdfunding Market Growth and Composition

FUNDING CONCENTRATION

LEADERBOARDS: BY REGION, BY MODEL (CONT.)

Without attempting to assess and rank individual CFPs on aspects other than self-reported funding volume, for the first time we are including leaderboards that rank the highest performing CFPs based on this metric. We have included ranking tables that present the top 15 CFPs worldwide across all forms of crowdfunding, the top 5 CFPs across all models for the US and Europe and, the top 5 CFPs for each of four crowdfunding models (equity-, lending-, donation- and reward-based crowdfunding models). In a couple of instances we have included more than the top 5, as we explain.

Leading CFPs worldwide in 2014 by total funding volume (paid-out)				
Leading CFPs Worldwide	CFP	Funding Volume Range	Model Type	Country (HQ)
1	LendingClub	> \$4bn	Lending	US
2	Prosper	> \$2bn	Lending	US
3	Justgiving	\$750m-\$1bn	Donation	UK
4	Yooli	\$750m-\$1bn	Lending	CN
5	Jimubox	~\$500m	Lending	CN
6	Renrendai	~\$500m	Lending	CN
7	Itouzi	\$450m-\$500m	Lending	CN
8	Tuandai	\$450m-\$500m	Lending	CN
9	GoFundMe	\$450m-\$500m	Reward	US
10	Kickstarter	\$400m-\$450m	Reward	US
11	Ratesetter	\$300m-\$350m	Lending	UK
12	Zopa	\$300m-\$350m	Lending	UK
13	FundingCircle	\$300m-\$350m	Lending	UK
14	Equitynet	\$250m-\$300m	Equity	US
15	Lendinvest	\$250m-\$300m	Lending	UK

Source: Massolution 2015CF

2015CF MASSOLUTION.COM

Crowdfunding Market Growth and Composition

FUNDING CONCENTRATION

LEADERBOARDS: BY REGION, BY MODEL (CONT.)

Leading North American CFPs in 2014 by total funding volume (paid-out)

Leading North American CFPs	CFP	Funding Volume Range	Model Type	Country (HQ)
1	LendingClub	> \$4bn	Lending	US
2	Prosper	> \$2bn	Lending	US
3	GoFundMe	\$450m-\$500m	Reward/Donation	US
4	Kickstarter	\$400m-\$500m	Reward	US
5	EquityNet	\$250m-\$300m	Equity	US

Source: Massolution 2015CF

Leading European CFPs in 2014 by total funding volume (paid-out)

Leading European CFPs	CFP	Funding Volume Range	Model Type	Country (HQ)
1	Justgiving	\$750m-\$1bn	Donation	UK
2	Ratesetter	\$300m-\$350m	Lending	UK
3	Zopa	\$300m-\$350m	Lending	UK
4	FundingCircle	\$300m-\$350m	Lending	UK
5	Lendinvest	\$250m-\$300m	Lending	UK

Source: Massolution 2015CF

Crowdfunding Market Growth and Composition

FUNDING CONCENTRATION

LEADERBOARDS: BY REGION, BY MODEL (CONT.)

Leading Donation CFPs in 2014 by total funding volume (paid-out)				
Leading Donation CFPs	CFP	Funding Volume Range	Model Type	Country (HQ)
1	Justgiving	\$750m-\$1bn	Donation	UK
2	GoFundMe*	\$450m-\$500m	Donation/Reward	US
3	Indiegogo*	\$200m-\$250m	Donation/Reward	US
4	Youcaring	\$150m-\$200m	Donation	US
5	Fundly	\$100m-\$150m	Donation	US
6	Giveforward*	\$100m-\$150m	Donation	US

Source: Massolution 2015CF

*We have included Giveforward ranked 6, slightly under Fundly in terms of total funding volume but a significant platform we felt should be on the list. We have also chosen to include both GoFundMe and Indiegogo in both the Top 5 Donation model and Reward model lists as they offer campaign owners a choice of models.

Leading Reward CFPs in 2014 by total funding volume (paid-out)				
Leading Reward CFPs	CFP	Funding Volume Range	Model Type	Country (HQ)
1	GoFundMe	\$450m-\$500m	Reward/Donation	US
2	Kickstarter	\$400m-\$450m	Reward	US
3	Indiegogo	\$200m-\$250m	Reward/Donation	US
4	Ulule	~\$25m	Reward	FR
5	Fundrazer	<\$25m	Reward	CA

Source: Massolution 2015CF

Crowdfunding Market Growth and Composition

FUNDING CONCENTRATION

LEADERBOARDS: BY REGION, BY MODEL (CONT.)

Leading Lending CFPs in 2014 by total funding volume (paid-out)

Leading Lending CFPs	CFP	Funding Volume Range	Model Type	Country (HQ)
1	LendingClub	> \$4bn	Lending	US
2	Prosper	> \$2bn	Lending	US
3	Ratesetter	\$300m-\$350m	Lending	UK
4	Zopa	\$300m-\$350m	Lending	UK
5	Lendinvest	\$250m-\$300m	Lending	UK

Source: Massolution 2015CF

Leading Equity CFPs in 2014 by total funding volume (paid-out)

Leading Equity CFPs	CFP	Funding Volume Range	Model Type	Country (HQ)
1	EquityNet	\$250m-\$300m	Equity	US
2	Fundable	~\$150m	Equity	US
3	Angelist	~\$100m	Equity	US
4	Crowdfunder	\$75m-\$100m	Equity	US
5	CrowdCube	\$75m-\$100m	Equity	UK
6	WeAreCrowdfunding	\$50m-\$75m	Equity	US
7	OurCrowd	\$50m-\$75m	Equity	IL

Source: Massolution 2015CF

Due to four of the top performing equity CFP's having very respectable numbers within the \$50m-\$100m range, we have chosen to include seven in our list of leading equity CFPs

Crowdfunding Market Growth and Composition

CROWDFUNDING PLATFORM DISTRIBUTION

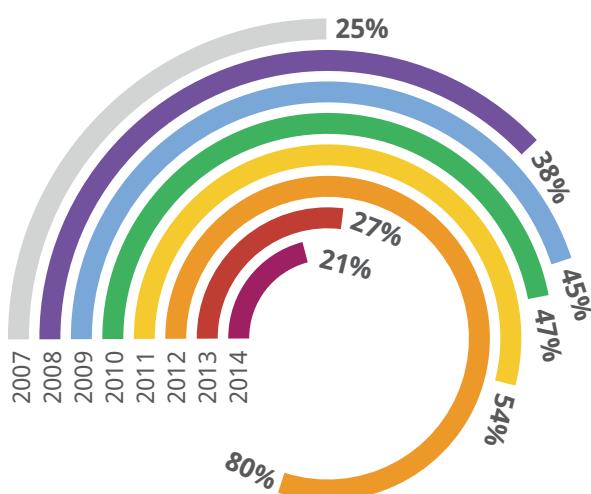
ANNUAL GROWTH IN THE NUMBER OF CFPs BETWEEN 2007 AND 2012 AVERAGED 44% OVER THE SIX YEAR PERIOD BUT TAILED OFF IN 2013 AND 2014 WITH AVERAGE GROWTH FALLING OVER THIS PERIOD TO 24%



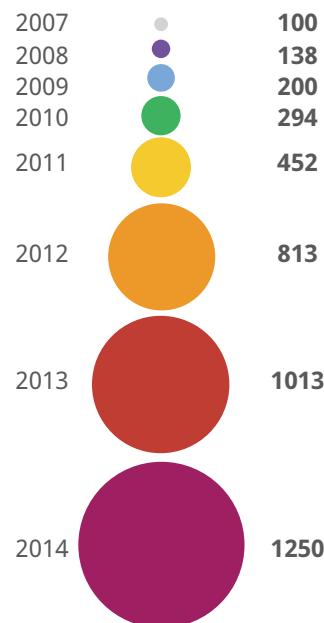
GROWTH IN NUMBER OF CFPs WORLDWIDE

We continue to see new CFPs launching on almost a weekly basis, joining the ranks of the 1,250 or so CFPs already in operation across the globe. However, the growth in the number of new CFP launched as a percentage of the whole is slowing, which we attribute primarily as a function of the perception by potential CFPs that the more established markets are, for now, approaching capacity. The observation that the challenge of operating a sustainable model is not lost. It's clear that many platforms are failing to gain traction as the larger CFPs, in many regions, continue to dominate and grow in strength.

Percentage Growth



Number of CFPs



Source: Massolution 2015CF

Growth in global number of CFPs

Crowdfunding Market Growth and Composition

CROWDFUNDING PLATFORM DISTRIBUTION

“ EUROPE LEADS NORTH AMERICA IN THE NUMBER OF CFPs AT 48% OF THE TOTAL WORLDWIDE COMPARED TO 30%, BUT THERE ARE TWICE AS MANY PRE-LAUNCH CFPs IN NORTH AMERICA, PREPARING TO GO LIVE.



CFP WORLD MAP

A breakdown of active CFPs, by geography and model, is telling regarding the direction in which crowdfunding is headed. Not surprisingly, the most significant growth factor in emerging CFPs relates to business/investment-oriented crowdfunding.

We also see changes, however, in other modalities, for example, in the geographical distribution of platforms, with new market entrants being first movers in countries like UAE and Turkey. We are also seeing the emergence of significant niche platforms such as the growth in specific categories such as real estate crowdfunding where there are, according to our data, over 90 RE-CFPs currently in operation, with examples of global RE-CFP's like Wealth Migrate and regional RE-CFPs like CrowdFundUp, in Perth, Australia.

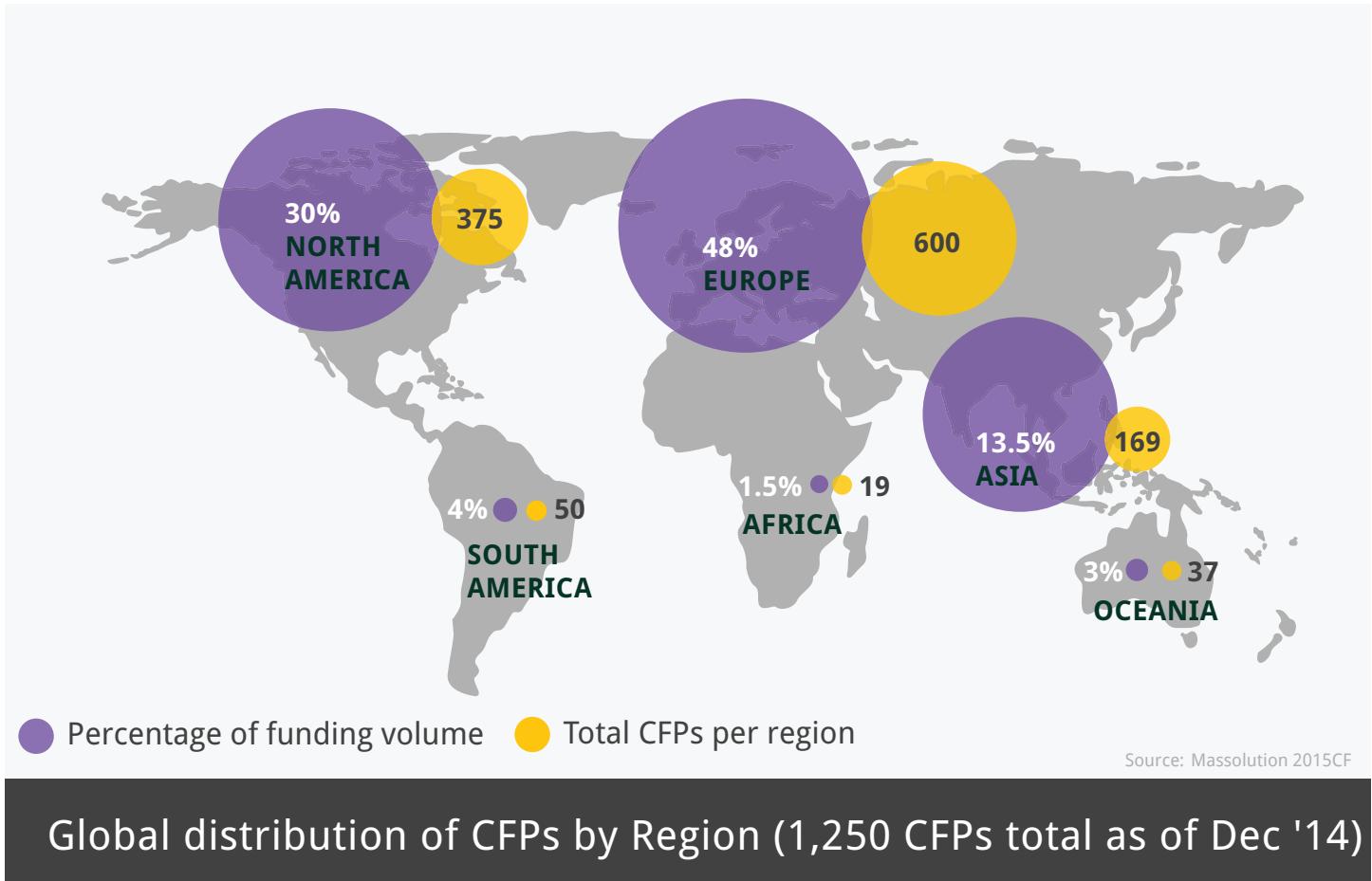
Based on this evidence, we can see that new platform launches in both securities-based business oriented crowdfunding, geo-specific and within targeted categories will continue to alter the crowdfunding landscape within a short period of time.

Not surprisingly, North America (30%) and Europe (48%) account for the majority of pre-launched CFPs. Asia and South America are represented with 13.5% and 4% of active CFPs respectively, while Oceania accounts for 3.2% and Africa 1.2%. Pre-launch CFPs breakdown shows North America (51.9%), Europe (26%), Asia (10.4%), Oceania (1.3%), and Africa (1.2%).

Crowdfunding Market Growth and Composition

CROWDFUNDING PLATFORM DISTRIBUTION

CFP WORLD MAP



Crowdfunding Market Growth and Composition

CROWDFUNDING PLATFORM DISTRIBUTION

“ ONE MEASURE OF THE MATURITY OF REGIONAL CROWDFUNDING MARKETS IS DETERMINED BY THE RELATIVE NUMBER OF NEW MARKET ENTRANTS.



CFP DISTRIBUTION BY MODEL

The difference between the percentage of launched CFPs and the percentage of pre-launched CFPs can be interpreted as a maturity metric in a given region.

In regards to equity-based crowdfunding in North America, while progress has been made inviting a greater number of accredited investors into play, North America can still in fact be considered a young market because the regulatory frameworks around crowdfunding with financial returns for the broader population have yet to be determined (in both USA and Canada).

In Europe, on the other hand, and in some parts of Asia (e.g. Malaysia), the regulatory frameworks are not surrounded by the same uncertainty, which means that market entrance is determined by the competitive advantages identified and fashioned by individual CFPs. Many of these jurisdictions have made greater progress than the US opening up securities-based crowdfunding to the masses. While there are few barriers to entry governing the launch of a non-financial return CFP (donation- or reward-based), the launch and operation of a financial-return based CFP requires many more considerations, and a much higher level of investment and risk!

The overarching goal of the crowdfunding platforms is to facilitate the raising of capital through sharing an investment opportunity to a broad investor community, accessed online. Depending on the role that the securities-based CFP plays, i.e., raising capital for its own principal transactions or servicing as an intermediary service for third party issuers, there are different features that the CFPs offer. Core elements of these platforms include the following:

- Introductory proposition of the CFP to its investor audience regarding the nature of investments to be marketed on the platform, investment objective

Crowdfunding Market Growth and Composition

CROWDFUNDING PLATFORM DISTRIBUTION

CFP DISTRIBUTION BY MODEL

(i.e., income, capital appreciation, or both), holding periods (e.g., less than a year, 3+ years), and potential exit or monetization strategy (i.e., when and how do I receive a return of capital). Some CFPs reference their unique approach to deal generation and underwriting processes.

- General and specific discussions (either delineated in Education sections or Frequently Asked Questions – FAQs) regarding investing, including type of return, risk factors, liabilities, tax treatments, legal structures, investment governance, and the role of the platform, either as a principal (which shares in the economics of the investment performance) or an intermediary (which is compensated on a transactional basis to facilitate the successful funding)
- Investor Registration, which enables investors to sign up to see, analyze and ultimately invest in the offerings. As the capital formation process entails the sale of securities, in the US, most of the CFPs operate under an exemption of a public registration as mandated by the Securities Act of 1933 ('33 Act), as espoused by the Securities and Exchange Commission. With the exception of a few platforms, most offerings claim exemption under Regulation D of the '33 Act, which allows the sale of securities to "accredited investors", which is generally a classification of investors with a level of financial means (minimum net worth and income levels), who purportedly can absorb a loss and/or have the financial ability to conduct sufficient due diligence to make an informed decision. Prior to 2013 in this region, intermediaries and issuers should have had a preexisting relationship with such "accredited investors" and such investors could self-attest to their accredited status. With the adoption of Title II and Title IV of the JOBS Act, intermediaries and principals now can "generally solicit" the public with marketing and advertising to such investors, raising their awareness of a proposed offering, but the legislation has put the burden on the intermediary to assess and

Crowdfunding Market Growth and Composition

CROWDFUNDING PLATFORM DISTRIBUTION

CFP DISTRIBUTION BY MODEL

confirm the accredited, or financial means, status of the investor. For those CFPs which “generally solicit”, they are required to confirm and document the financial status, with many using outside service firms to conduct such diligence.

- Offering materials, which describe the investment opportunity, including a description of the offering and the issuer, the structure, terms and conditions of the investment opportunity, the capital structure of the investment, financial performance (historical and projected) of the business and the investment, risk factors, and compensation of the intermediary/ platform, issuer and others that will participate economically in the transaction and its performance.
- Transaction management, which enables the investor to submit a bid or indication of interest for such investment, including dollar amount or number of investment units being requested, instructions and means to transfer the appropriate funding, access to and means to review the transaction documentation, instructions and means to execute the appropriate investment documentation. Post transaction or portfolio reporting, which provides the investor periodic financial and operating reports on the venture and the investment
- Investment servicing, which entails the periodic payment required under the investment (i.e., interest or distributions), and facilitating the required regulatory and tax reporting for such investment on behalf of the investor.

Certain CFPs have added a few unique features, such as outside research, sensitivity and portfolio management tools, all to further engage their investor audience.

Crowdfunding Market Growth and Composition

CROWDFUNDING PLATFORM DISTRIBUTION

CFP DISTRIBUTION BY MODEL

Overall, in our opinion, “best practice” CFPs offering securities-based crowdfunding would offer the following elements:

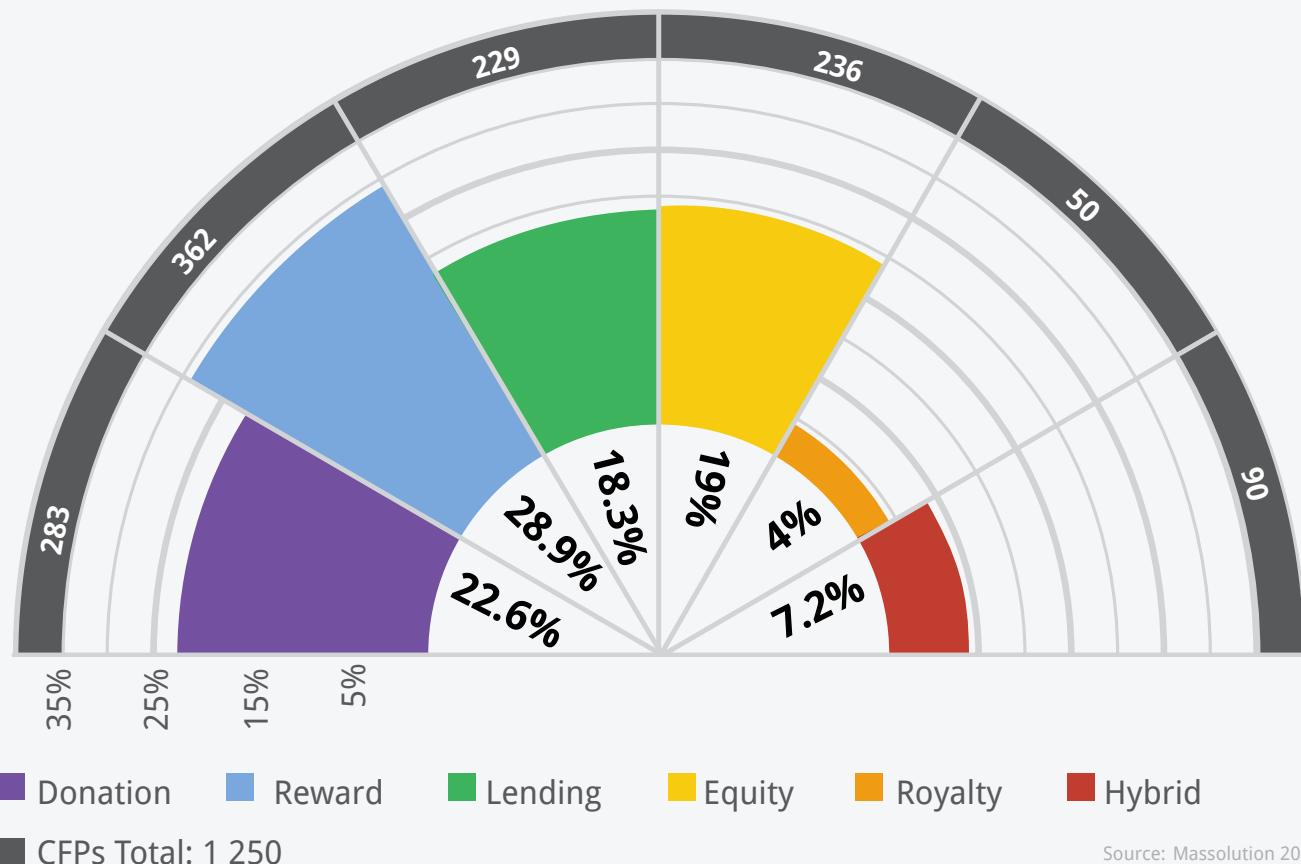
- Clean description of both the venture being financed and investment structure
- Ease of access, accreditation process, and level of inquiry as to investing posture
- Bilateral online/offline communication and understandable investment education
- Investment forums, allowing investors to communicate amongst themselves
- Third party supported investment thesis on the venture and issuer
- Engaging and “semantic” UX (user experience)
- Sensitivity analyses on overall venture performance
- Description of Risk Factors
- Analysis of All in Return, Issuer Fees and Platform Fees, Net Return
- Periodic venture valuation or investment update
- Comprehensible portfolio management/reporting, with comparative analysis

Crowdfunding Market Growth and Composition

CROWDFUNDING PLATFORM DISTRIBUTION

CFP DISTRIBUTION BY MODEL (CONT.)

Given these market conditions and considerations, it's interesting to also look at the distribution of CFPs by crowdfunding model.



Global distribution of CFPs by Model (1,250 CFPs total as of Dec '14)



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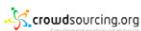
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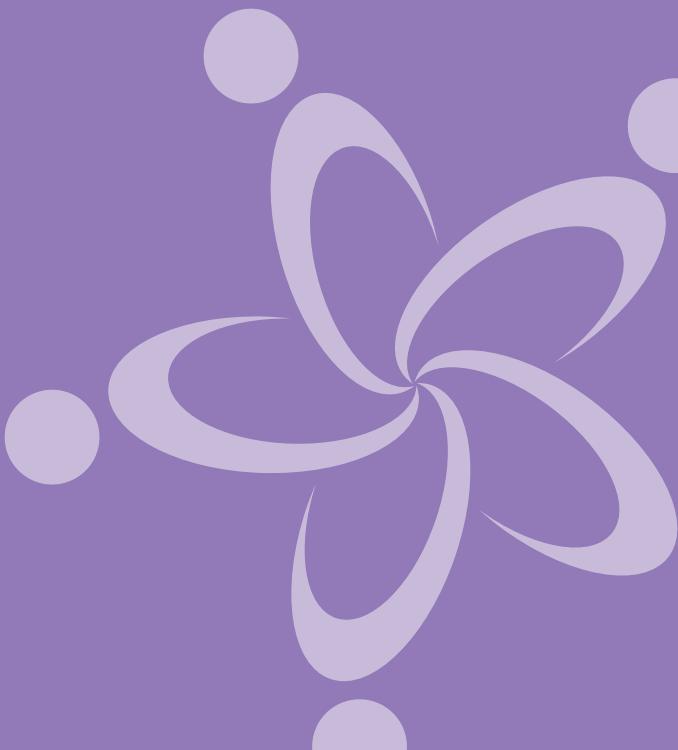


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CROWDFUNDING MARKET PREDICTIONS 2015

MARKET GROWTH AND COMPOSITION



Crowdfunding Market Predictions 2015

MARKET GROWTH AND COMPOSITION

“ WE PREDICT THAT CROWDFUNDING VOLUMES IN 2015 WILL REACH \$34.4BN.

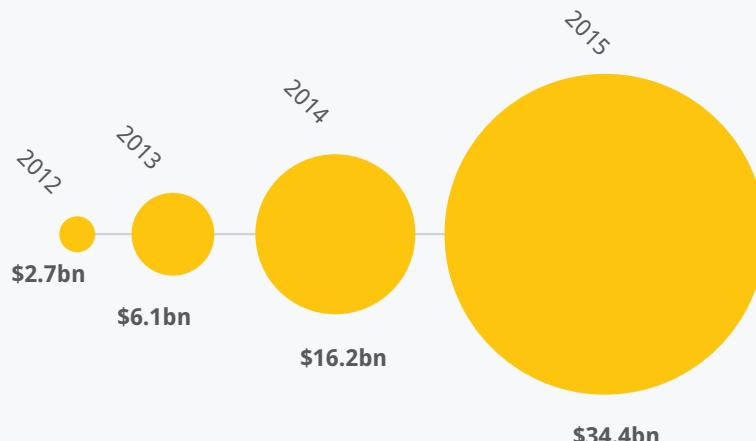


PREDICTIONS: REGIONS

Massolution's forecasts in prior reports have been accurate to within within a reasonable margin of error. This year, we are predicting that worldwide total crowdfunding volume in 2015 will be close to \$34.4bn (112% annual growth over 2014).

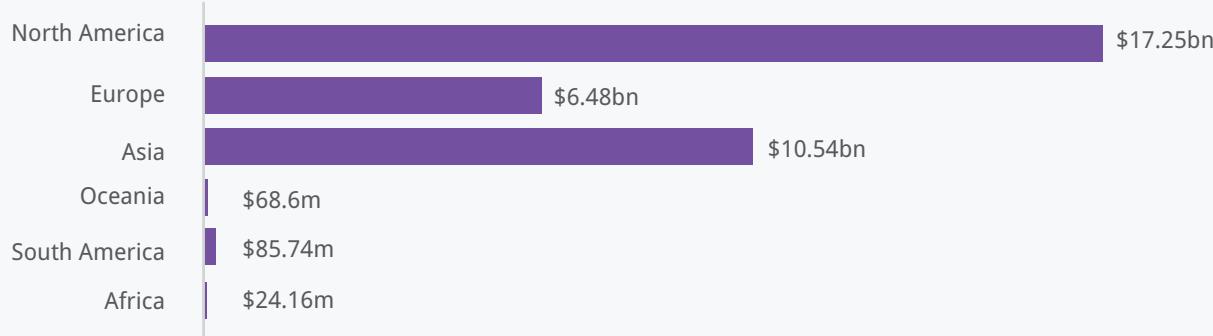
The predictions in this section are derived from a multi-period lagged regression of total funding volumes using subsamples of all combinations of regions and crowdfunding models.

Total Funding Volume



Total Funding Volume: 2015

\$34.44bn



Source: Massolution 2015CF

Growth by crowdfunding region prediction for 2015 in millions of USD (research based estimate).

Crowdfunding Market Predictions 2015

MARKET GROWTH AND COMPOSITION

“ AT \$17.25BN
**TOTAL FUNDING
VOLUME IN 2015,
NORTH AMERICA
WILL MAINTAIN
ITS POSITION AS
THE LARGEST
CROWDFUNDING
MARKET WITH ASIA
IN SECOND PLACE AT
\$10.54BN.**



PREDICTIONS: REGIONS (CONT.)

Extrapolations were made based on 338 survey responses from the survey supporting our 2015CF research; 204 survey responses from the 2013CF research; and 135 survey responses from our 2012CF research. The responses were supplemented by data collected via Massolution's on-going tracking of the crowdfunding market.

We expect North American crowdfunding to maintain its lead in terms of aggregate funding volume in 2015 with a significant lead of just under \$7bn when compared to the second largest market, Asia. North America will generate \$17.25bn of worldwide funding volume representing 82% annual growth and 50.1% market share. We expect Asia to retain its place as the second largest crowdfunding region, which it achieved in 2014. In 2015, we predict that Asia will account for 31% of market share with a 210% market growth over 2014 to achieve a funding volume of \$10.54bn. Growth in Asia is primarily being driven by substantial growth in lending-based crowdfunding (P2P and P2B) in China.

We also expect crowdfunding in Europe grow 97% over 2014 to reach \$6.48bn in total funding volume, representing a 19% market share. While crowdfunding's annual growth rate in 2015 in Oceania (59%), South America (50%) and Africa (101%) will continue with respectable percentages, we predict that these regions combined will remain accountable for less than 1% of the total worldwide market, increasing their share of the market to \$178.5m in aggregate. While impactful in their regions and promising in providing greater access to affordable crowdfunded capital, there are specific constraints that will impact the overall size of these markets over the long-term. In Oceania, the constraints are related to potential market size; in South America there are issues related to market confidence and market fragmentation; in parts of Africa, the constraints are related to market confidence, less well established capital markets, and in many parts of Africa, but by no means in all parts, a more limited entrepreneurial culture.

Crowdfunding Market Predictions 2015

MARKET GROWTH AND COMPOSITION

“ LENDING-BASED CROWDFUNDING, AT \$25.1BN, WILL RETAIN A SIGNIFICANT LEAD OF OVER FIVE TIMES THE SIZE OF THE SECOND CATEGORY, EQUITY-BASED CROWDFUNDING, WHICH WILL SURPASS DONATION- AND REWARD-BASED CROWDFUNDING IN 2015.



PREDICTIONS: CROWDFUNDING MODELS

Lending-based crowdfunding is expected to remain the most popular crowdfunding model in 2015, and we predict that total funding volumes for donation-, reward- and equity-based models will all group in the \$2.5bn to \$2.9bn range. In 2015, donation-based crowdfunding, will remain the second largest category of crowdfunded capital followed by reward and then equity. However, the gap will close with the spread between these three categories being reduced to a delta of just under \$300m.

Lending-based crowdfunding is expected to see annual growth of 127% to reach a total of \$25.1bn, accounting for 73% of the total 2015 funding volume. This model will continue to grow in popularity for micro-loans (personal and commercial) and for SME loans.

Donation-based crowdfunding is expected to grow 47% to a total of \$2.85bn, accounting for 8.3% of the total 2015 funding volume. Donations will remain popular for social and personal causes, but will continue to lose traction for commercial ventures as financial-return forms of crowdfunding continue to develop.

Reward-based crowdfunding has continued to gain popularity, doubling total funding volume between 2014 and 2015 (102% annual growth). We predict that as reward structures keep evolving and as the market gains further trust in reward-based models, 2015 will be the year where \$2.68bn will be raised via reward-based crowdfunding, equating to 7.8% market share.

With an annual growth rate between 2014 and 2015 of 129%, equity-based crowdfunding will be the fourth largest crowdfunding category worldwide in 2015, just \$128m behind the rewards-based category. In 2015, donation-based crowdfunding, will remain the second largest category of crowdfunded capital

Crowdfunding Market Predictions 2015

MARKET GROWTH AND COMPOSITION

“ \$2.56BN WILL BE
RAISED VIA EQUITY-
BASED CROWDFUNDING
IN 2015.

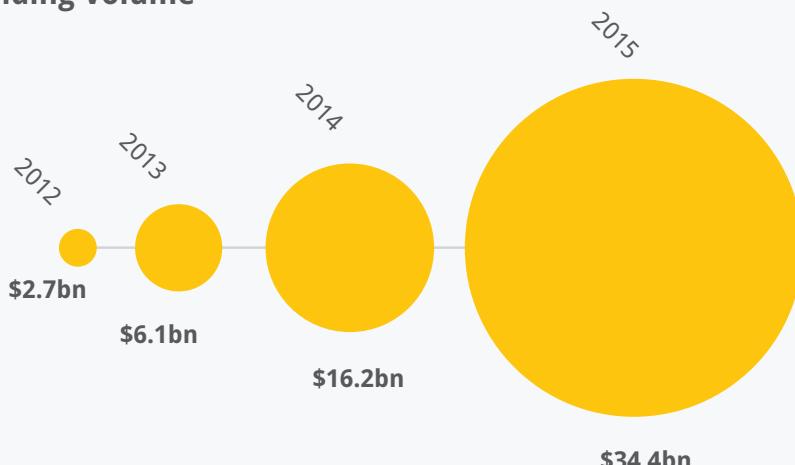


PREDICTIONS: CROWDFUNDING MODELS (CONT.)

followed by reward and then equity. However, the gap will close with the spread between these three categories narrowing to a delta of just under \$300m.

In 2015, royalty-based and hybrid crowdfunding, will continue to develop and will account for \$405m (1.2%) and \$811m (2.4%) of total worldwide crowdfunding volume respectively.

Total Funding Volume



Total Funding Volume: 2015

\$34.44bn

Donation		\$2.85bn
Reward		\$2.68bn
Lending		\$25.1bn
Equity		\$2.56bn
Royalty		\$405m
Hybrid		\$811m

Source: Massolution 2015CF

Growth by crowdfunding model prediction for 2015 in millions of USD (research based estimate).



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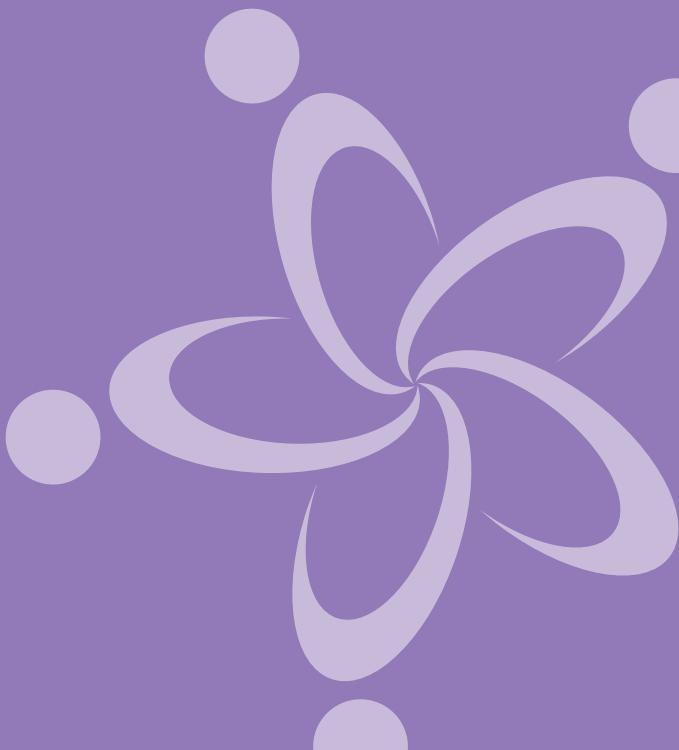
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OBSERVATIONS AND TRENDS

PROGNOSTICATIONS



Observations and Trends

PROGNOSTICATIONS

AN EVOLVING LANDSCAPE

Modern crowdfunding as an online many-to-one model, enabled by technology and social media, began forming in 2000. As a democratized form of capital formation, it was yet another category, alongside journalism, ecommerce, R&D, publishing, etc., that was being impacted by individuals' ability to take more control and increase participation in producing what they wanted to consume. However, events like the 2008 financial crisis further fueled crowdfunding a societal response to a lack of access to affordable capital.

Crowdfunding is now becoming an industry in and of itself. In the US, resulting from the crisis, banks and other funding sources regressing from the market, licking their wounds and lastly being subjugated to the Dodd-Frank Wall Street Reform and Consumer Protection Act.

As much of business activity has been impacted by technology, new methods of finance mirrored changes in commerce. The "sharing economy," manifested in likes of Uber and Airbnb, took hold in the way artists, entrepreneurs, and individuals financed themselves. While financial services heretofore has been a particularly personal business, and in many respects difficult to innovate due to customer lack of financial education, the approach of crowd methodology has gained both support and integrity, as we witness more platforms finding more participants, raising a comfort level in online finance.

With 2014 being a banner year, 2015 is expected to accelerate the use of e-finance. We have noted a number of trends that began over the last 12-24 months; they will continue at breakneck speeds. Among them:

- At least in the major markets in the US, Europe, and now China, the "crowd" is growing as institutional investors and large enterprises are signing-up to

Observations and Trends

PROGNOSTICATIONS

AN EVOLVING LANDSCAPE (CONT.)

join the “crowd.” In the US, for example, while the spirit of the JOBS Act (specifically of Title III that’s still held in abeyance) was to enable smaller investors to participate in more investment opportunities, we are now seeing a large influx of capital into the securities-based crowdfunding space coming from institutional investors. The same is occurring in Europe and Asia. In a review of the overall investment market, there is a desire for yield, and the CFPs are bringing to market products to address that desire. Whether participating in P2P lending through Prosper or Lending Club, small business loans via OnDeck, student loans offered by SoFi, or real estate loans through LendInvest, there is a growing comfort in allocations to these subclasses.

- We see an increasing interest, certainly by the millennials and Gen Xers in social impact investing, whereby a financial return is blended with a societal benefit. And in overall participation, it appears that these generations are the most active investors or patrons to crowdfunding campaigns.
- More CFPs, understanding the ubiquity of the Internet, are broadening their reach beyond sovereign borders. Platforms such as OurCrowd, Wealth Migrate, and Funding Circle are originating investment opportunities in varied domiciles, and attracting investors internationally. As easily as it is for someone from New York to see an offering, the same offering can be reviewed simultaneously in Tokyo, London, and Tel Aviv. The world has shrunk because of new communication tools, and that has created opportunities for small business finance.
- Repackaged and new asset classes are being introduced, to be funded by the crowd. Student loans, consumer loans, real estate debt and equity, as well as hybrid structures are well received. Further, with the ability to generate

Observations and Trends

PROGNOSTICATIONS

AN EVOLVING LANDSCAPE (CONT.)

volume, players like SoFi, have successfully entered the securitization market with pools of student loans, furthering the reach of crowd-based models.

- With respect to both non-financial and financial crowdfunding, we see a continued and increasing use of social media to get the word out on crowd opportunities. While Twitter has been the preferred means to inform a particular crowd, LinkedIn, and in some respects Facebook, have been utilized to build awareness. That said, we also note that successful campaigns, i.e., those that raise a threshold funding level, typically have used social media to immediately target the initial 25%-30% of a raise, as that level seems to cast the die whether a campaign will get to its finish line. Certainly, this effort has been benefited in the US by Title II of the JOBS Act, which allowed the general solicitation of accredited investors, and we shall see what happens in the near future now that Title IV is in the running.
- As asset classes are broadening, there is an undertow of going “vertical” in a platform’s offerings. Industry focused platforms, like CircleUp in consumer products, or MedStartr in healthcare, are bringing both capital and partner expertise to the table, in some ways much like building an ad hoc advisory board in typical venture capital fashion.
- And while the “crowd” may be shifting in its composition, platform operators are also changing colors. We have seen multinational corporations begin to use the crowd methodology to reach their end consumer in a more intimate fashion. Companies like Dell, Chrysler, Nike, Coca Cola, and Honda have taken up crowdfinance and crowdsourcing to improve customer feedback and participation on a direct basis, rather than waiting for slower and less acute commentary from layers of distribution. In many ways, this is

Observations and Trends

PROGNOSTICATIONS

AN EVOLVING LANDSCAPE (CONT.)

considered “co-creation” or the “bottom-up economy” where end customers can provide iterative reactions early on in product development, which makes for better efficiency and uptake for product manufacturers.

This is an industry in transition, probably better stated as evolution. A subset of shadow banking, funding on a direct basis will offer both opportunities and challenges to the regulated banking community. It is doubtless that growth and variation will continue, and hopefully will address the shortcomings and lack of foresight of the existing financial services construct. Stay tuned for 2016 and beyond.

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Crowdsourcing Programme



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