

Interview at MyMicroInvest, the leading equity crowdfunding platform in Belgium.

We had the pleasure to meet **Peter De Decker, Senior Investment Analyst at MyMicroInvest**, and to talk with him about his company's business model, strategy and future challenges.

Could you introduce MyMicroInvest in a nutshell? What are the key facts and key numbers of the company?

[MyMicroInvest](#) was incorporated in 2011. It took about two years to set up the legal framework for our modus operandi. The reason for this is that we wanted to be totally in line with the applicable law by following the rules of the [FSMA](#). It was essential for us to be fully aware of the legislation and to act upon it. The first campaign only occurred in 2012. Since then, we have hosted more than 80 successful campaigns. There are a couple of companies who did two or three campaigns already since they needed to refinance themselves. With all of these campaigns, we raised around €45m in total, including investments of professional investors.

Concerning other facts, we are the biggest platform engaging in equity crowdfunding in Belgium. MyMicroInvest has launched the highest number of equity crowdfunding campaigns in Belgium and is as a consequence the market leader in this segment.

Did MyMicroInvest immediately start to offer both equity and lending-based crowdfunding? Or did the company originally focus on one type of crowdfunding only?

We began by focusing on equity crowdfunding, only launching the first debt project in 2015. We took the decision to offer both of them because there was a growing demand from the investors to take part in debt campaigns in order to diversify their risks, but also from entrepreneurs who wanted to avoid dilution. As we are operating in a growing market, there was room for it. If a company wants to launch a debt campaign, it will need sufficient reimbursement capacity, which start-ups definitely do not have in the beginning. We have internal procedures in place to evaluate the credit risks of these projects.

On your website, we can see that lending is free as far as the investors are concerned. If you expand in debt crowdfunding, would you consider charging investors a percentage of their investment?

It is not the revenue model that we have right now. Typically, debt campaigns are easier to prepare since you do not have to look into all the legal aspects regarding e.g. shareholder structure and there is less administration involved in closing the transaction. We just base ourselves on the financial plan and the historical accounts to see if the company is eligible or not. For equity crowdfunding on the other hand, we need to evaluate various other details such as the shareholders structure, the shareholders' agreement, etc. Our costs for debt campaigns are therefore lower, which is the reason why we only choose to remunerate ourselves by charging the entrepreneur a success fee. There is no reason to add fees on the side of investors at this stage.

Now, you said that more than 80 projects succeeded in their funding campaigns. What proportion is that out of the total amount of projects that apply for funding at MyMicroInvest?

We have been financing 3 to 4% of the companies that applied on the platform over time and received more than 4000 applications since the launch of the platform. The first reason why this proportion is so small is that part of the projects doesn't qualify for the type of financing we offer (e.g. ngo's, small amounts, ...). The nature of the project and the amount needed are what we call the "hard criteria", which represent the first filter. Afterwards, 20 to 30% of the projects stay in the race. Then, we have our internal criteria that will tell us more about the quality of the business.

For this internal qualitative selection, we ask ourselves the question if we believe that the business can become profitable or not. If the answer is affirmative, we get to the second step where we perform a fact check and investigate if any blocking points are present. This is rarely the case, but it already happened, for instance due to legal structures that are simply too complex.

Are there some common criteria that we can often find that make companies ineligible concerning "soft" criteria?

I think there is one common thing for companies that get stuck: it is that the entrepreneurs are not always well-organized, which prevents projects to go through the whole process. It sometimes happens that they have not gathered the basic information or that they take time providing us additional information about their project, which eventually makes them give up on the process without any kind of rejection from our side. As a matter of fact, it occurs quite frequently during the process. It is some kind of a self-selective process: only the best ones get through it. We try to make things as simple as possible for entrepreneurs, but some of them are not properly organised from an administrative point of view. Therefore, conducting a process where they need some discipline is something they struggle with.

We read on your website that you would accept projects coming from other European countries. The question is then: how often do projects from other countries apply to get funded through MyMicroInvest? Are you planning to increase this number in the near future? How would you do this?

At the beginning of 2016, MyMicroInvest raised 5M EUR to grow, both in Belgium and internationally. The initial idea was to expand rapidly into several countries at once, via international roadshows, but this proved to be more challenging than anticipated. We therefore limit for the moment the number of countries to the ones where we have market access and where we know the startup landscape: France, The Netherlands, Luxembourg and the United Kingdom. We have some deal flow coming from these countries, with France being the most active one.

To what extent is the success of a project due to the business angels and the professional investors? When we look at the website, we see that for each project, there are professional investments besides investments from the crowd. Do people of the crowd outsource the due diligence and their trust in the product to professionals? Is this one of the main selling factors in crowdfunding?

Professional investors definitely have their fair share in the success of start-ups for two reasons: they complement the financing round (we don't want to finance only part of the needs of a company obviously) and they provide advice and expertise to entrepreneurs, and help them not to lose track of their long-term strategy. Professional investors are also important for a crowdfunding campaign: it gives some credibility to projects if they are backed by professional investors.

We did an analysis on the most successful campaigns notably in order to find the common points between them. We have identified four, which we call internally the 'sexy touches':

1. Is there a professional investor investing in the company?

2. Has the entrepreneur proven track record? Have they already realised some business in the past?
3. What was the growth curve for the past couple of years?
4. Did the company receive some awards from start-up competitions or similar events?

These are the four items that really convince people to invest.

Did MyMicroInvest obtain an accreditation as a crowdfunding platform from the FSMA by now?

Yes, we received the accreditation on the 24th April; we were the first in Belgium. This means that the MyMicroInvest has been deemed organized in a proper way considering its activities and that the investors can benefit from the start-up tax shelter when investing in start-ups through our crowdfunding platform. MyMicroInvest was the first platform to have received the accreditation by means of the FSMA procedure of scrutiny.

Do you think it would be a good idea for crowdfunding platforms to launch a secondary market? Would it be profitable? Indeed, if investors want to sell their notes, they need to find someone on their own. Are there other companies that already experienced it?

We did one trade of equity-linked notes through the Euronext Expert Market once, to show that it was possible. I think that if the market grows, it is certainly something that can become a possibility or an option that we could add to our platform. However, for the moment there is not enough liquidity in the market. Some noteholders are willing to sell, but the volume is very small so, at present, it is not worth the effort.

Don't you think that it scares people away from investing, knowing that the exit is not obvious in the long term?

Yes, of course. It is indeed so that, as an investor, you do not know if the exit is going to be 5 years away, 10 years away or will never occur. Therefore, you should only invest money that you are sure you do not need for the next 10 years. This is also a reason for investors to diversify their investments, in different asset classes but also in different investment opportunities in those classes. Ideally, investors should invest in at least 10 start-up opportunities to be really diversified.

Has there already been an exit for the crowd?

We had two so far. The first one was Newsmonkey, where the investors recuperated the amount invested with a capital gain of 10%, which resulted, net of the initial investment fees in a loss 3%. The second one is Yoga Room and happened quite recently, in September 2017. Yoga Room aims at opening several yoga studios in Belgium, and their first one in Ixelles was a direct hit: after 20 months, they welcome 10,000 people per month for their different yoga classes. Yoga Room used crowdfunding for visibility when launching their first studio, and after 20 months the shares of the crowd were bought back to consolidate the shareholder structure. The investors received twice the amount they invested, net of costs. This was a very nice exit and we obviously hope it will not end there.

Can you tell us a bit more about the fund Inventures II?

Inventures is actually intended to be a series of funds, at present we have Inventures I and Inventures II. Inventures I is a fund that was created in 2011, at the same time as MyMicroInvest.

Inventures I has been created as a fund to co-invest with the crowd. The fund only invested in projects solving societal challenges in five domains: health care, environment, education, sharing economy and society. This first fund, amounting to 15 million euro, was closed mid-2016. There are 15 investments and all the money is allocated to the various projects.

Inventures II is a new fund, currently amounting to 15 million euro as well but with the objective to increase that figure. It has the same co-investment philosophy as Inventures I. The societal impact criterion has been maintained and has even been formalised to enable adequate monitoring of the actual impact realised: we now use the 17 Sustainable Development Goals of the United Nations as framework for our impact measurement.

Do you think new entrants could represent a threat to MyMicroInvest? What about banks with platforms such as e.g. Bolero?

I think that at this stage these can be seen as a threat but also as a benefit, in the sense that the market is relatively young and still growing. There are therefore multiple players advocating crowdfunding and evangelising the market, reducing the need to take on such efforts from our side. I think this is good for us as it reinforces the message as it comes from different parties.

Some entrepreneurs compare us with the competition. Whether they choose us, or another platform really depends on the feeling they have. It is key to continue working hard and to keep on shaping the market. As a conclusion, I do not see the arrival of new actors as a substantial threat for the moment.

Can you give an example of how MyMicroInvest is innovating?

We have recently launched our Tracer service. A Tracer is a tool helping investors build a diversified portfolio of start-ups. Thanks to the Tracers, investors are able to invest in a predefined number of businesses that fit a set of objective criteria. It is an automated, hassle-free way of investing with an opt-out option if the proposed start-up is of no interest to an investor for one reason or another.

In concreto, we propose two Tracers at the moment: a Tax Shelter Tracer, investing in 10 tax shelter eligible start-ups as of 2018 and an Impact Venture Capital Tracer, which invests in 10 companies generating positive societal impact in co-investment with Inventures II. More information can be found on our [website](#).

How do you explain that MyMicroInvest became one of the largest crowdfunding platforms in Belgium (the largest one in equity crowdfunding)? In which way does MyMicroInvest differ from other platforms? How do you see the future for the company?

I think the fact that we are quite strong is because MyMicroInvest was founded by entrepreneurs themselves, and not by banks. What entrepreneurs like is the fact that we are entrepreneurs for entrepreneurs, that we talk the same language. If they talk about problems, we know better how to handle them since we have quite a significant experience in entrepreneurship. Thanks to the fact that some of the founders came from start-ups, it was for us rather easy to attract projects, which gave us a kick-start in the beginning, as soon as we launched our activities. We directly heard about interesting projects with owners who wanted to work with us and be innovative.

Were all of the projects that you put on your website successful?

I would say around 80% were. There is a minimum amount to reach, which usually is around 50.000 euro. If the campaign does not reach the minimum, it means that the crowd did not believe enough

in the project and we therefore terminate the campaign. All investors simply get reimbursed in that case.

Where exactly do MMI's revenues come from? For equity and for debt crowdfunding?

For equity, we ask 5% in fees from investors and 5% from entrepreneurs, so 10% in total. For the debt, it is a 5% fee for the entrepreneurs and none for the investors.

Something that might be interesting to add is that for premium investors (people investing more than 25.000 euro a year), we have a regressive pricing offer. It starts with 5%, but if you invest more the percentage diminishes until 1%. You will find more information about that on our website by navigating towards the 'Premium Programme'.
