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MEDIA RELEASE

MUM AND DAD INVESTORS TO HELP FUND NEW AUSTRALIAN DREAMS

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AUSTRALIANS will soon be able to invest as little as \$50 into early stage companies, as part of sweeping Federal Government reforms that will allow entrepreneurs and social activists to grow their own businesses from the ground up.

The legislative package, announced by Treasurer Scott Morrison today, will extend crowdsourced equity funding to private companies, effectively removing what had been the single biggest barrier to startups raising capital through crowdsourcing platforms.

Equity crowdfunding has already proven popular in the United States, United Kingdom and New Zealand as a way for entrepreneurs to succeed.

Unlike crowdfunding, which is essentially an advance payment for a product or a gift, equity crowdfunding allows investors to have an ongoing connection by owning part of the company for as little as \$50, or as much as \$10,000.

From September 29, Australian crowd sourcing platforms will be able to apply for a licence allowing them to bring every day consumers and entrepreneurs together for the first time.

OnMarket is expected to be one of the first platforms in Australia to apply. OnMarket has crowdfunded more than 70 IPOs since Prime Minister Malcolm Turnbull launched the platform shortly after becoming Prime Minister.

OnMarket founder Ben Bucknell said equity crowdfunding would allow Australians to invest in things they believed in, rather than simply looking for a financial return over substance.

“Equity crowdfunding is an innovative way to fund someone else’s dream and reap the benefits of being an early stage investor,” Mr Bucknell said.

“It might be organic macadamia nuts, or a social justice initiative that wouldn’t satisfy a bank’s strict lending criteria. Australians are increasingly looking to diversify and invest in businesses of the future.

“Equity crowdfunding brings entrepreneurs and consumer investors together for the first time.

“Australia is almost unique in the western world, with nine out of our top 10 companies established more than 100 years ago, during the horse and cart era.

“We have the opportunity to invest in established companies on the Australian Stock Exchange, but there is no comparable market place to invest in start-up ideas that could change the world.



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“Young Aussies, in particular, want to make a difference and invest in businesses they believe in. In a recent survey, 79% of millennials described themselves as impact investors seeking both financial and social return¹.

“Likewise, Australian entrepreneurs are some of the most inventive in the world, but banks won’t lend them the money to get their businesses off the ground. Equity crowdfunding solves that problem.”

It is estimated that 200,000 small and medium sized Australian businesses have difficulty growing because banks won’t lend them money.

According to Macquarie research, Australian entrepreneurs want to borrow up to \$60 billion a year more than they currently are allowed, to grow their businesses, hire new staff and innovate².

The problem is important as Australia’s 1.2 million entrepreneurs employ two thirds of the country’s 12 million workers, and contribute more than \$343 billion to the economy annually^{3,4}.

Under the new Australian Government rules, unlisted companies with less than \$25 million in assets and revenue will be able to source up to \$5 million a year through equity crowdfunding.

OnMarket will perform checks on companies and their directors, as well as offer documents, before agreeing to offer those companies to investors.

In the United States, five of the 10 biggest companies were formed in the last 40 years alone⁵. These include Microsoft (1975), Apple (1976), Amazon (1994), Google (1998) and Facebook in 2004. Apple is six times bigger than BHP.

Although equity crowdfunding was only established in the UK in 2013, it had grown to an astounding £3.2bn by last year. Some of their most successful campaigns include:

- challenger bank Monzo secured £1m in just 96 seconds. Monzo enables users to access traditional bank products and services from their smartphones. The speedy round attracted 1,861 investors for a share of 3.33% equity.
- packaged ‘cauliflower rice, made easy’, Cauli Rice more than doubled its initial funding target to raise £1.05m from 596 investors.
- dog sharing community BorrowMyDoggy secured £1.5m to develop its “dog-loving” user base. The company now has over 300,000 members in the UK and Ireland.
- green energy company Pavegen closed just short of £2m with backing from an impressive 1,474 investors in exchange for 10.64% equity. Pavegen’s technology converts footsteps into electricity to power services in high-footfall locations and provide real-time data for analytics.

¹ Toniic, Millennials Impact Investment, 2016

² Macquarie Equities Research note 10 March 2015

³ <http://fsi.gov.au/publications/interim-report/03-funding/small-med-enterprises/>

⁴ Deloitte Access Economics, 2013

⁵ The Australian newspaper 16 February 2017

www.theaustralian.com.au/business/opinion/bernard-salt-demographer/bernard-salt-us-business-daring-a-lesson-on-getting-things-done/news-story/814d22b5ee4ad8cfd0296a65311c1877



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Table 1: Australia’s top 10 companies (by market capitalisation)⁶

| Rank | Company | Year established |
|------|---|------------------|
| 1 | CBA | 1911 |
| 2 | Westpac | 1817 |
| 3 | BHP Billiton | 1885 |
| 4 | Australia and New Zealand Banking Group Ltd (ANZ) | 1835 |
| 5 | NAB | 1858 |
| 6 | Telstra Corporation | 1901 |
| 7 | CSL Limited | 1916 |
| 8 | Wesfarmers Ltd | 1914 |
| 9 | Woolworths Ltd | 1878 |
| 10 | Macquarie Group Ltd | 1969 |

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About OnMarket

OnMarket makes investing and capital raising an efficient, simple and transparent process that is accessible to everyday investors and businesses making a change in the world.

OnMarket has revolutionised the way IPOs are made available to retail investors by providing the world's first free-access portal and app for capital raisings. As a marketplace platform, OnMarket acts as the intermediary between retail investors and issuing companies. OnMarket has offered 1 in every 3 ASX IPOs to investors since launch.

Going forward, enabled by crowdfunding legislation, OnMarket will enable equity crowdfunding, which connects investors with businesses that are making a change for the better. By investing in companies offering equity via OnMarket, everyday investors can share in the upside in businesses that ultimately will make a better, smarter, more sustainable world.

For further information go to www.onmarket.com.au

⁶ Australian Stock Exchange <https://www.asx50list.com/>