Spark fired up by football and medtech

Range and sophistication of companies turning to crowdfunding site show its growing appeal, writes *Brian Carey*

It is not easy to connect League of Ireland football and treatments for vaginal atrophy and blocked arteries, yet investors can gain exposure to all three on the Spark Crowdfunding website.

ProVascTec, a University College Cork spinout, is raising €900,00 to develop cell therapies to treat blocked arteries in lower limbs. Aveta Medical, which has developed a medical device that helps blood supply in menopausal women, closed off a €1.2 million fundraising this weekend.

Bray Wanderers, meanwhile, chaired by Tony Richardson, former chief executive of Venn Life Sciences, hopes to raise €500,000 as the club seeks promotion to the top tier of Irish football and eventually European competition.

It is a broad church yet the increasing sophistication of companies looking to use the site, particularly in the life sciences sphere, reflects its emergence as a creditable source of early-stage funding.

According to Chris Burge, the Spark chief executive, it is moving away from the perception of operating as a means for friends and family to do a whipround for "mom and pop" businesses.

"We are moving up the food chain," he says.

Founded six years ago, Spark will shortly offer its 50th investment, with a further two in the pipeline. Forthcoming opportunities include its first agtech investment. "It was something our investors were interested in," Burge says.

More than €100 million has been raised and over 13,000 retail investors have ponied up money for businesses as varied as Buster Box, which sells treat boxes for pets via subscription; and Net Feasa, which has developed a low-powered tracker for shipping containers.

The platform has a 92 per cent success rate in terms of companies hitting its fundraising target.

Crowdfunding is not for widows and orphans. It involves risk equity in private companies, where shares cannot be traded, and investors must accept there is a chance they may lose all their money. While the platform is regulated by the Central Bank of Ireland, the investments are not, so they are not protected by the Investor Compensation Company.

It is pitched on its website as an "online version of *Dragons' Den*". Last year, Spark itself raised €760,000 as it met the cost of Central Bank authorisation.

"The round was oversubscribed," Burge says. "These investors have now become advocates for the business and our other campaigns, so we were happy to accommodate them."

A former energy consultant, Burge is an investor himself. The majority shareholder is Michael Foley, a Dublin businessman.

In recent years Spark has raised money for e-bike companies Moby and Zipp Mobility, and ASX, a fantasy sports venture headed by Paddy Power, former marketing guru at the bookmaker that carries his name. Power successfully mounted three campaigns to fund ASX. In its first round it raised more than €500,000 in 28 hours.

Speed and ease of use are key attractions. "You can complete a fundraising in 18 days compared with 18 weeks or even 18 months with VC firms," Burge says.

That said, Spark is now co-investing alongside venture capital. ProVascTec, for example, has already raised capital from NLC, a Dutch venture capital company. The same venture fund, which targets innovative companies across Europe, previously backed Altach Biomedical, a Trinity College Dublin spinout that also tapped Spark to develop new collagen scaffolding technology.

Spark investors participate at the same valuation as institutional investors but at 35 per cent or 50 per cent lower cost as most investments qualify for relief under Revenue's employment investment incentive scheme (EIIS).

Unlike some EIIS investments, there are no upfront fees for backers. Companies pay a success fee, 7 per cent of the amount raised, while investors are liable to an exit fee of 6 per cent if they are bought out.

Burge says the investor base is growing at about 1,500 to 2,000 a year but this is "just scratching the surface". Spark's research estimates that there are upwards of 250,000 potential dragon investors out there.

Participants are overwhelmingly Irish, though one Hong Kong investor recently put €100,000 into one fundraising. And though a number of rich investors will chip in €100,000 to €200,000 in funding calls, the average investment is a more modest €5,000 and can be as low as €100.

Availability of the EIIS tax break is an attraction. "We also provide regular updates," Burge says. "We talk to investors every day."

Of the 48 companies that have raised money on Spark, 40 are Enterprise Ireland client companies. "We would love to access to more at an earlier stage," Burge says.

He sees no shortage of opportunities. AuriGen Medical, a Galway medtech company, is its biggest fundraiser: some €3.5 million over three rounds.

Two investee companies have failed and the platform is yet to deliver an exit for investors, though Burke says a couple of deals are "imminent". Given that it supports early-stage companies, and EIIS tax relief is clawed back if investments are realised within four years, the wait for the glorious exit is understandable. Along with an appetite for risk, patience is a prerequisite.

Chris Burge, chief executive of Spark, says that crowdfunding is no longer just for "mom and pop" businesses

> **Spark claims over 250,000 dragons are out there**