Get Funded & Grow Your Business

Whether you are a shiny start-up or an established business looking to grow, we can help. Liftoff is licenced as an Equity Crowdfunding Platform by the Financial Markets Authority, with a unique approach – we work through a network of partners to support you through the whole capital raising cycle. Liftoff does all the paperwork, from ensuring fair-dealing to carrying out anti-money laundering checks.

How does it work?

Equity in this case means shares: you must be a New Zealand company and be willing to sell shares in your business. Sometimes it is sensible to do this through a nominee – this is the type of advice we can help with. Liftoff does not arrange loans, but can help with introductions as part of a funding package.

Getting Investment Ready

It all starts with a good commercial idea. Your partner will then work with you to answer some questions:

- What is the market? Why will people buy my product or service? What is the competition?
- What is my unique value? Is there any intellectual property involved? A special location? A lease? A franchise?
- How does it make money? What are the cost and price assumptions?
- What is the new thing you want to fund? Do you have a solid plan? Are the things (or people) you need available?
- Who are the founders and the people involved in the business? What is their track record?
- What is the business structure? Is there existing debt? How much of the business are you selling?
- What is the valuation?

What are the Keys to Success?

1. A great idea with a solid plan and valuation.
2. You. It must be passionately promoted by the founder.
3. Base funding. Any offer needs to open with thirty percent of funding in place.
4. Timing: Liftoff allows a sixty-day maximum raise period, but we recommend you keep it shorter.

Globally, equity crowdfunding is a new idea. In New Zealand we see a slightly lower success rate than overseas, around a quarter of offers meet their goal. But that isn't the end of it.

Tricks of the Trade

Selling equity will incur fees, typically 5 – 8% of the amount raised, but it can be more. This compares favourably with what you'd pay for your first year of interest if you borrowed the money, but there are other things to consider.

You may end up with a large number of small shareholders. All must be treated equally by law, and there are obligations to keep them informed. You will probably want to contract this out, which is another cost for your business.

The fee charged by Liftoff includes all the basic administration and processing of funds (trust accounts etc.) to carry out the capital raising transaction.

But preparing an offer is not easy (that's probably why we don't see more of them) so advice and support is required. This is where the partner comes in. The fee quoted to your will include the Liftoff & Partner fees (and may include some fixed costs).

A good valuation is crucial, and offers must comply with fair dealing rules: basically this means any claim made must be justifiable to a reasonable person.

There are a few things that make offers less likely to succeed:

- Crazy valuations: if you want to sell 10% of your business for $50,000, you are valuing the business at $5,000,000. If it was worth that, why not just sell it? You need to think about how you answer that question.
- Buying a salary: in new businesses founders typically pay themselves nothing more than a very modest income. When you invest in a business, you don't like to think founders just pay that money to themselves as salary. Some basic living expenses might be acceptable, but don't fall into the 'I will pay myself the CE salary I deserve'. This more in terms of unemployment benefit.
- Repaying founder debt: investors are very dubious if a large part (or all) of the purpose of the capital is to repay funds the founder has invested.
- Buying an asset off the founder or a related party. Liftoff will carry out thorough checks to identify what are known as related party transactions. If the capital will be used to buy an asset from someone the founders friends or relations, this will require detailed explanation.
- Reliance on a crowd. Groups of people often tell founders they would like to invest… and then this commitment evaporates when that becomes a real possibility.

All of this is why Liftoff operates with partners. We want founders to have someone they can trust to give quality advice and support, not just before and during the raise. The success of equity crowdfunding is not getting the capital: it is a successful, sustainable growing business.