

Crowdcube founder: We're profitable for first time in our 10 year history

Crowdcube has become profitable for the first time in its 10 year history after recording a 2020 loss.

The online crowdfunding site, which makes money through taking a cut of total funds raised by startups, launched back in 2011 and has since seen campaigns held on its platform raise over £1 billion.

Crowdcube allows amateur investors to put their cash into private companies they admire and hope will become the next big thing.

Until now the company has struggled to turn a profit, however, recording a pre-tax loss of £2.6 million in 2019.

Latest accounts, due to be published in the coming days, will show Crowdcube was also loss-making in the year ended September 2020, with an operating loss of £3 million on a turnover of just under £8 million.

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Company co-founder and CEO, Darren Westlake, put this down to the dip in crowdfunding campaigns when the pandemic first

hit.

It has not been a smooth year for the company. Crowdcube abandoned plans to merge with fellow crowdfunding platform Seedrs in March after the CMA provisionally blocked the proposed tie-up, and this month Westlake's co-founder Luke Lang announced he would step down to pursue "new adventures".

But Westlake, who plans to continue running the platform with the existing leadership team, told the Standard that the company managed to turn a profit in the past three quarters, and that Lang is "leaving the company in its strongest financial position to date".

Second half revenues in 2020 were up 27% on 2019 to £5.7 million, and revenue growth reached "a record high" in the first quarter of 2021.

Westlake said: "We saw a good comeback from the pandemic impact we saw in Q2 [2020].

"We have actually been profitable since the middle of last year, and the last four months are going to be profitable, which is amazing as it is the first time we have been profitable in our 10 year history. It is a big win for us."

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The founder said Crowdcube has benefited from a trend over the past year of much bigger and later stage companies, which already have serious backing from institutional investors, holding multi-million pound crowdfunding rounds.

Last month Fintech star Curve raised £10 million from nearly 12,000 investors in Crowdcube's largest ever raise – and since

Brexit the company has been able to make significant additional revenues from such large campaigns.

Crowdfunding requires a full prospectus for any raise over €8 million. Prospectuses, required for IPOs, are expensive and many startups cannot afford the cost – part of the reason for crowdfunding over attempting a listing in the first place.

But post-Brexit UK-based startups can complete two raises simultaneously on Crowdcube – one for EU investors and one for UK investors – and raise up to €16 million in total without having to go through that process. Westlake said wryly that the ability to do this is “probably the only benefit I’ve seen out of Brexit so far”.

Going forward, he and the team plan to grow profits via its shares marketplace Cubex and a plan to offer “community IPOs” to retail investors – a challenge to the LSE-backed private investor platform Primary Bid.

In recent years some have called for greater protection for investors on crowdfunding sites. There have been a few scandals – Estate agent Emoov filed for insolvency just four months after raising £1.8 million on Crowdcube in 2019.

The founder insists the site has a “very clear charter on how we set out pitches and the information disclosed” to investors, and success stories who started out crowdfunding on the platform include challenger bank Monzo and Camden Town Brewery.

Last week the platform saw more than 2,000 retail investors who ploughed nearly £4 million into digital wealth adviser Nutmeg via Crowdcube in 2019 receive a 2.3x return when the company was bought by JP Morgan for a reported £700 million.