



SEEING DOLLAR SIGNS

MENA art platform Artscoops gets funded through equity crowdfunding on Eureka. *By Pamela de Leon*

Instead of going for the usual funding route taken by startups in the Middle East region, Artscoops chose another option to grow its business: crowdfunding. The MENA art platform specializing in buying and selling art from MENA artists and commercial galleries has raised funds through equity crowdfunding platform Eureka. Commenting on the raise, co-founder Raya Mamarbachi says, "We raised US\$150,000, although we have yet to receive anything as we are still in the process of finalizing the shareholder agreements and issuing the shares, but after Eureka's fees are given, I think it will be around \$135-140,000." Mamarbachi decided to opt for the equity crowdfunding route than traditional means of raising capital after reasoning that it might be

easier to gain seed money from various smaller investors, instead of targeting just one or two high-net-worth individuals, or an institution. Among the factors that influenced her choice were the benefits of Artscoops getting validated by the "crowd," as well as the ability to include her family and friends who wished to "participate in [their business] journey." The process also allowed Mamarbachi to learn how to evaluate a business, presenting it in a one-minute pitch, defending its financial projections, and pitching in front of total strangers, while being ready to answer potential questions on the site's live Q&A feature.

THE PROCESS

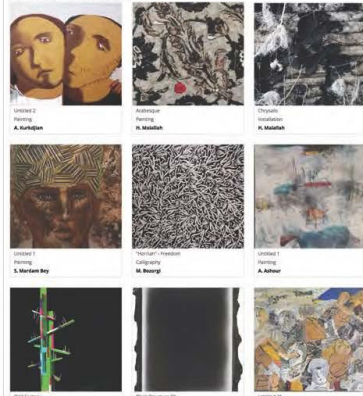
The process began with Mamarbachi submitting her business plan with a five-year projection to an investment committee, which determines the proposal's eligibility to be on the website or not, checking "if it is viable, an interesting business or already has proof of concept." In this stage, Mamarbachi recalls an account manager was available "during what's called an 'onboarding' consultancy visit." "I look approximately one month to prepare a requirements such as its executive summary, business plan and creating offshore company, followed by a three-month planning for the launch. The Eureka team trained them

on questions that may arise from prospective investors, while the Artscoops team then given the opportunity to pitch to a room full of potential financial backers in Dubai.

WHAT HAPPENS NEXT

Mamarbachi has planned the funds to be divided into two broad areas: 75% of it will go into operations and IT development, and 25% in marketing and advertising. On Artscoops' agenda is creating an online auction feature, a mobile application, a design platform, and a responsive website, alongside goals to hold a live auction in Beirut and further work in marketing, SEO and gallery expansion in the GCC.

Featured artworks on Artscoops' website



EQUITY CROWD INVESTING.

WHAT YOU NEED TO KNOW
EUREKA MANAGING DIRECTOR AND CO-FOUNDER SAM QUAWSMI

According to Eureka co-founder and Managing Director Sam Quawsmi, Artscoops' campaign on the equity crowdfunding platform saw a total of 49 investors from its network (incidentally, it's a Eureka record) contributing to funding the enterprise, which specializes in buying and selling art from MENA artists and commercial galleries. Being a scalable business in the emerging art market of the MENA region made Artscoops an attractive enterprise on Eureka, gives the potential for it to be acquired by a larger online marketplace in the future. For startups hoping to replicate Artscoops' success on Eureka, here are a few of Quawsmi's pointers on what to keep in mind when considering equity crowdfunding as a funding option.

1. EQUITY CROWD INVESTING REQUIRES EFFORT: A LOT OF IT. "Entrepreneurs who think they can launch a campaign, and then check back in a few weeks to find that they have \$300,000 in the bank, are mistaken. A lot of effort is required in the preparation of the proposal and engaging with investors during the campaign. If raising money offline is a full-time job, equity crowdfunding makes it a part-time job."

2. DOES YOUR STARTUP MAKE THE CUT? According to Quawsmi, only businesses with two to three years of operation and ideally generating revenue should consider crowdfunding as a

funding option. For a business to succeed on a platform like Eureka, it needs to be scalable and also have a feasible future exit opportunity to attract potential investors.

3. BEWARE OF OVERVALUATION

"Another pitfall is for businesses to overvalue themselves. It is natural for entrepreneurs to seek the highest valuation possible, but they must be wary of overbidding. Over-valued businesses won't get funded and entrepreneurs need to ask themselves if they are willing to greatly delay the capitalization process over their valuation."

4. USE YOUR NETWORK EFFECTIVELY.

"Generate early momentum in a campaign is important for it to be successful, and the best way for entrepreneurs to do this is to tap into their personal networks for investment. People who know you and your business are most likely to invest first. Once they do so, and thereby validate your proposal, the crowd will have more confidence to follow suit and invest. Do not tap into your networks is risky, Eureka works with all businesses on the platform to build out their contact lists. You know a lot more people than you think!"

5. THE INVESTORS' ADVANTAGE

For investors hesitant on the ROI of equity crowdfunding as compared to traditional channels, Quawsmi points out that SME private equity, the asset class offered on Eureka, has the potential to generate large returns for investors when liquidity occurs. "We

Sam Quawsmi, Co-founder and Managing Director Eureka



are talking about 10, 20, 50, even 100x multiples," he says, adding that equity crowdfunding has made the asset class more accessible and not just limited to angel investors. "Now pretty much anyone can tap into the asset class and invest in deals that can potentially yield this kind of return."

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Artscoops co-founder Raya Mamarbachi and Maja Badri Mamarbachi

TIPS FOR MENA STARTUPS WHEN PITCHING FROM AN EQUITY CROWDFUNDING PLATFORM

ARTSCOOPS CO-FOUNDER RAYA MAMARBACHI

1. Be realistic. "Set a realistic goal if you don't reach 100% proceeds. It's better to raise smaller amounts and use it wisely. Then, in the following year, raise more, [instead of] trying to raise too much at once. It sets a standard."

2. Have a viable business model. "It's better to already have proven sales or concept [than] just an idea on paper, as it's an easier sell; even better [if the startup] is [already] at growth stage."

3. Be willing to ask and accept help. "Seek the advice of the [platform's] investment committee on one's evaluation, as they have more knowledge of the startup world."