

# Investment Research for Crowdfunding

In depth. Un-biased. Independent

How does the crowd gets its knowledge ?

Does the crowd know best ?

ALL<sup>ST</sup>

“I will tell you the secret to getting rich...  
You try to be greedy when others are  
fearful. And you try to be fearful when  
others are greedy”

**WARREN BUFFETT**



# Sources of Information



## THE INTERNET



## PERSONAL NETWORK



## ISSUERS



## PLATFORMS



FINANCE FOR THE REST OF US

*for all*

## EQUITY REPORT

**BREWDOG** 11.05.2015

Overview	Key Facts	Funding Needs	Return
Assessment	Specific Risks	Platform	Company & Team
Business Idea	Revenue Model	Competition	Market
Financials	Contributors	News	Risks Disclaimer

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# Platform Analysis

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Abundance Generation is a crowdfunding platform facilitating investments into UK ethical and sustainable energy projects.

**Established:** 2012

**Location:** UK

**Investments:** Residents of the UK, the EEA (European Economic Area) or Switzerland

**Regulation:** FCA, Abundance NRG Ltd is authorised and regulated by the FCA (registration number 525432)

**Trust Account Operator:** Walker Crips Stockbrokers Ltd

**Trust Account:** HSBC

## FEES

**Annual fee** of 1.5% of the amount invested for the first 5 years (1% thereafter) paid by the issuer

**One-off set up fee** of 4% of the amount raised (paid by the issuer)

**No charge for buying or selling existing debentures**

## HOW IT WORKS

Anyone over the age of 18 and who is a resident of the UK, the EEA (European Economic Area) or Switzerland can become a member of Abundance and invest. Investors set up an account with Abundance in order to invest in and trade the debentures. Abundance acts as registrar, arranges payment of cash returns to debenture holders and provides regular information on the issuer and the project.

## WHAT HAPPENS IF THE PLATFORM FAILS?

Any funds you deposit are held, in accordance with FCA rules, under statutory trust in a cash account provided by Walker Crips Stockbrokers (WCS) who acts as an agent. Your funds are kept entirely separated from Abundance or WCS accounts and are covered by the Financial Services Compensation Scheme. In case of the insolvency of Abundance or WCS, their creditors cannot claim those funds.

Once you buy a debenture with the funds held in a cash account, it is an agreement between you and Ecosol PV Plc. Abundance will only facilitate the transaction and administer the distribution of cash returns. In case Abundance is unable to operate this service, due to insolvency or any other reason, they have appointed a back-up service provider, which currently is also WCS. The back-up service provider would act on Abundance behalf in respect of any outstanding debentures.



# Key Investment Information

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## Business Assessment

**Business and Operational Model**  
**Product and / or Service**  
**Management Team**

Our reports begin with an high level overview of the company or project. What is the business opportunity? Who are the people behind the business? What is the product life cycle and development stage?

## Financial Analysis

**Financial Projections**  
**Profitability**  
**Return Profile and Social Impact**

We assess the historical and projected financials of the company .We analyse the company's funding needs and cash flow, the required capital and the return profile including the social impact of the business.

## Market Overview

**Industry trends**  
**Market Size**  
**Competition**

The size of the market and the market growth rates are other important factors that are analyzed. We also include the structure of the industry, main opportunities and threats together with a competition assessment.

## Risk Analysis

**Corporate risk**  
**Market Risk**

What are the risks of the business? Some are specific to the investment, such as financial, operational and regulatory risks. Other risks are related to the overall market.

# Financial Commentary

SALES	ASSUMPTIONS / COMMENTS	2013	2014	2015	2016	2017	
	The sales assumptions factor in considerable growth in online sales, which is understood to be predominantly forecasted GynaeCheck sales as well as to a lesser degree from the BowelCheck service.						
		<b>Online Sales (£1,000)</b>	141	148	400	2,199	4,067
		<b>YoY Growth (%)</b>	-	5	170	450	85
		<b>Corporate/Other Sales</b>	740	518	869	1,679	2,885
		<b>YoY Growth %</b>	-	-30	68	93	72
COSTS		2013	2014	2015	2016	2017	
	As the business expands in the near term, cost flexibility is retained given that nurses are contracted to run the relevant clinics part-time. With the need for more permanent nurses, there is potential for reducing labour cost per hour.						
		<b>Cost of Sale (1%)</b>	60	46	43	40	39
		<b>Admin Costs (£1,000)</b>	709	658	868	1,393	2,062
		<b>Admin Costs (%)</b>	80	99	68	36	30
KEY FINANCIALS		2013	2014	2015	2016	2017	
	Current debt facilities amounts to £25k provided by FE Loan Management, which is guaranteed by the CEO Troels Jordansen. This is due for repayment in the next few months, with cash/cashflow available to cover this without further capital injection.						
	A fully drawn loan of £100,000 has been provided by the Directors carrying a 10% p.a. interest. The company has confirmed that no further credit facilities are available.						
	However, All Street understands that a further legacy debt from International HealthScreen Technologies of less than £150k still sits on Check4Cancer's balance sheet. No further detail of this has been provided.						
	The online part of the business should provide attractive upfront payment, enabling the business to finance other activities requiring working capital as the business expands (e.g. delayed payments from corporate sales).						
		<b>Total Sales (£1,000)</b>	881	666	1,269	3,878	6,953
		<b>YoY Growth (%)</b>	-	-24	91	206	79
		<b>Gross Profit (£1,000)</b>	349	359	718	2,318	4,236
		<b>GP % of Sales</b>	40	54	57	60	61
		<b>Total Costs (£1,000)</b>	1,241	965	1,419	2,953	4,779
		<b>Operating Profit (£1,000)</b>	-360	-299	-150	925	2,174
		<b>Operating Profit Margin (%)</b>	-41	-45	-12	24	31

# Risk Analysis

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## MARKET RISK

In an economic downturn, corporate budgets may be cut and therefore company paid for early detection services to help employees may suffer.

## OPERATIONAL RISK

Data containing private or confidential information requires proper safeguards to prevent disclosure, compromise and misuse. Healthcare companies are frequently targeted by hackers. Any loss of sensitive patient data could be detrimental to companies like Check4Cancer.

The company operates a paperless workflow which minimises errors and their servers are located at secure locations.

## PRODUCT RISK

Launch of new service GynaeCheck online involves a degree of execution risk. Check4Cancer is generally exposed to risk of new superior and more cost effective methods for early detection of cancer early developed without Check4Cancer being able to in-licence such new tests/methods.

With new more cost-effective detection methods and the treatment cost savings of early detection, although unlikely in the short term, the NHS could elect to take a more active approach, offering more free or low-cost services on a large scale for specific groups/age groups.

## COMMENTS

[more comments](#)

- Current reliance on corporate sales is high, however the strategy is, sensibly, to diversify revenue streams.
- Reliance on a few large corporate clients should also be avoided, as exemplified by the client Hewlett Packard, which is conducting a large restructuring of its operations.
- Biotech is now advancing at an increasing pace, potentially leading to near future alternatives and lower cost methods for large scale early detection of the most common cancer types.
- Should a scenario with significantly lower cost of early detection methods and increasing cost for the NHS of cancer treatment play out, Check4Cancer's services may be materially impacted should the NHS elect to roll out large-scale free of charge programmes for early detection.
- Foreign expansion could potentially induce higher costs than anticipated in the business plan given national approvals required – involving an administrative hurdle/ cost for the company – although this would be the same for potential competitors both in the UK and abroad.
- As the sales expands in Europe and the USA, there will be an element of currency risk potentially affecting profitability given cost base incurred in GBP.



# Industry Experts

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# Deal Assessment

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## WHAT WE LIKE

**Growth story:** 2014 was the company's 6th consecutive year of growth, with annual turnover climbing by 64% to £29.6m from £18m in 2013.

**Marketing:** Excellent marketing strategy building significant brand equity for the company. They appeal strongly to craft beer lovers due to their anti-establishment image. They have a passionate follow base with a large social media presence. Their TV show gives them global marketing exposure. Being owned by thousands in a closed community creates a strong, loyal customer base.

**Rewards Structure:** Everyone who invests and holds class B shares, gets discounts online and in BrewDog bars, helping to build a loyal customer base incentivised to buy BrewDog beer. Someone who buys 2 shares (£95), for example, and spends £15 twice a month in a BrewDog pub, will make back their original investment in 5 years.

**Distribution Coverage:** The company sells to clients across a diverse set of geographies including 50 countries. Exports account for approx 60% of sales.

**Environmental Impact:** BrewDog's existing plant has a progressive heat recovery system reducing energy consumption, helping the company to keep costs down. Local farmers are using BrewDog's brewing by-products.

**Key Supplier Contracts:** The company currently has hops contracts in place to supply the required volume until 2017. Forecasted growth factored in.

## POINTS FOR FURTHER INVESTIGATION

**Valuation:** At this valuation it is challenging to see financial upside for investors. No financial forecast has been disclosed, and there is very little clarity as to how the company will hit the revenue targets required to support a high valuation at exit. That being said, many investors in crowdfunding deals invest small amounts of money just to be part of the user journey of new cutting edge brands.

**Use of funds:** The company plans to use the funds for a diverse range of activities, with aggressive growth plans, some of which will be new to the company and outside their core area of expertise, for example a craft beer focussed hotel. This raises questions about the company's future growth strategy and key strategic objectives required to support the next development stage.

**Operational Capacity:** The company plans to establish a second plant and undertake improvements resulting in a 5 times capacity increase. They will need to capture additional market demand and manage a significantly larger operation. Limited information is known about BrewDog's processes, however in 2011 the move to a larger plant placed strain on BrewDog's resources and created delays in order fulfilment<sup>1</sup>.

**Competition:** BrewDog will face increased competition from other craft breweries, which might follow their footsteps as well as from established large breweries that might enter the market with "craft-beer-like" brands.

Thank You

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“The stock investor is neither right or wrong because others agreed or disagreed with him; he is right because his facts and analysis are right.”

**BEN GRAHAM**

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