

# Investment Crowdfunding Stumbled in 2022 - Investors Pull Back as more Sophisticated Companies Seek Capital Online

*A forthcoming report by Crowdfund Capital Advisors tracks how the economic, social, and geopolitical turmoil of 2022 spilled over to Investment Crowdfunding*

DENVER, CO, UNITED STATES, January 4, 2023 /EINPresswire.com/ -- In its upcoming report "[What a Wild Ride](#)," [Crowdfund Capital Advisors](#) (CCA) releases findings from its annual industry survey. Since launching in 2016, over \$1.6B has been committed to more than 5,600 startups and small businesses by 1.6M online investors. Issuers were present in over 1,600 cities across the USA, including all 50 states, with women and minority founders benefitting greatly.

"The economic, social, and geopolitical turmoil of 2022 spilled over to Investment Crowdfunding," says Sherwood Neiss, Principal at Crowdfund Capital Advisors. "This led to a bumpy road for the industry. While demand for capital remained strong among startups and small businesses, overall investments dropped for the first time, yet average check sizes rose. Despite this, we are seeing stronger companies come online as indicated by their age and the balance sheets."

Investment Crowdfunding allows startups and small businesses to raise up to \$5M online from non-traditional (both accredited and unaccredited) investors. It was one of the most fundamental changes to the securities law as it reversed the decades-old ban on general solicitation and allowed retail investors to access early-stage investment opportunities for the first time.

Investment Crowdfunding Headlines for 2022:



Cover image to CCA Annual Report

1. Demand for capital among startups and small businesses was up 1.2%, with 1,529 companies running offerings. Q4, which is historically strong, saw the first quarterly drop in demand despite 2022 having the highest percentage of post-revenue issuers seeking capital.
2. Investments into startups and small businesses dropped 12.8% from last year's record of \$578.8M, causing CCA's [Online Investment Index](#) to fall.
3. More than 320,000 investors participated in over 1,580 offerings. Investors were down from a record 543,000 in 2021. However, their average check deployed rose from \$1,065 in 2021 to \$1,578 in 2022, a record high.
4. The average raise fell from \$450K to \$365K as issuers faced 2022 headwinds. More established companies were able to raise \$1.36 for every dollar their startup counterpart raised.
5. The number of jobs supported/created among these issuers tops 250,000. Continuing to prove that Investment Crowdfunding can be a jobs engine.
6. Follow-on rounds continue to grow as issuers return to their customers/community for funding versus alternative forms of capital.
7. Average and median valuations peaked at \$29.6M and \$12.9M, respectively, in 2022, driven by 30 offerings with \$100M+ valuations.
8. The total market value of crowdfunded companies jumped from \$33B to \$54.2B, increasing the opportunity for market exits via acquisitions and IPOs.
9. 71.3% of offerings were successful and closed within five months. Offerings closed two months faster in 2022 than the prior year, indicating that issuers were eager to close faster.
10. California, New York, and Texas remained the top 3 states for Investment Crowdfunding by dollars invested, successful offerings, and the number of investors.
11. The number of \$1M+ offerings jumped to record highs, with 21 issuers (twice as many as in 2021) raising the maximum of \$5M+, continuing to prove Investment Crowdfunding a viable

“Silicon Valley-sized Seed round.”

“

Despite a turbulent 2022, startups and small businesses will need capital in 2023. We expect to see more issuers come online as Venture Capital becomes more constrained.”

*Sherwood Neiss*

12. Issuers used 52 intermediaries to raise crowdfunding-facilitated capital, up 21% over 2021. Wefunder, StartEngine, Republic, SeedInvest, and Equifund were the top five leaders, accounting for over 83.7% of all the funding.

“It is clear that as this industry grows, the application for its use expands,” says Jason Best, Principal at Crowdfund Capital Advisors. “This is signaled by the issuers with greater revenues coming online to raise capital from their

customers and communities. The capital markets face a potential recession in 2023, which will drive more of these types of issuers online.”

“Investment Crowdfunding has found its footing,” comments Neiss. “Now that we’ve experienced

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a year of volatility and seen how the industry adapts and responds, we can feel confident of the role Investment Crowdfunding will play in 2023. We also predict that as we pull out of this next recession and grow into the future, Investment Crowdfunding will scale to a \$2.5B annual industry in 2030.”

The principals of Crowdfund Capital Advisors co-authored the framework for Regulation Crowdfunding and were invited to the White House by President Obama for their work on the legislation. They created the industry’s first data aggregator that collects information on all Investment Crowdfunding offerings. This data is currently available via the Bloomberg terminal. They serve institutional clients, nongovernment organizations, multilateral organizations, investors, and entrepreneurs in the understanding and expansion of Investment Crowdfunding.

For more information, please visit [CrowdfundCapitalAdvisors.com](https://www.crowdfundcapitaladvisors.com).

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