



Case Study

How Exodus raised \$75 million in 60 days directly from their customers

Exodus funded and drove growth by converting loyal customers into shareholders.

Executive Summary

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- Exodus wanted to **engage their customers** by giving them the opportunity to become shareholders and participate in the company's success, before selling shares to VC firms and Wall Street.
- Via a Mini-IPO, they raised **\$75 million** from their own customer base within 60 days, using Securitize's Transfer Agent and Investor Onboarding (Securitize ID).
- Now Exodus is providing shareholders with the potential to find **liquidity and trade in secondary markets**, using Securitize Markets' ATS (Alternative Trading System).



About Exodus

Exodus is a fintech startup that was founded in 2015 with the mission to make cryptocurrency easy for everyone. As of 2021, their crypto and digital asset wallet currently supports over 10,000 assets and is used by over **1.9 million customers**. Exodus's fast growing team currently consists of 200+ employees across the globe.



A capital raise to drive further growth

After several years of fast growth, Exodus decided to raise capital to finance and accelerate further expansion, augment software development capabilities, and fuel marketing efforts to attract additional customers.

Just as for most companies, Exodus considered raising capital to be a challenge, as it is time consuming, it distracts the founders and C-level executives from running the business, and it often implies high costs. Although Exodus would be VC ready, they considered that this traditional path to capital did not match with their vision, nor would it benefit their loyal and active customer base and fans.

A way to reward true first investors, their customers

As **success requires customer growth and loyalty**, Exodus considered their customers to be their true first investors. Their customers are a key component of the brand's success, by enabling adoption, increased revenue growth, and providing product feedback.

Common methods of raising capital leave customers and fans out of private market capital raises, and they would only be able to benefit from Exodus's success once it's public. Nowadays, the majority of **stock value growth occurs while companies are private**. Exodus wanted their true first investors - their customers and fans - to be able to participate in that potential stock value growth.



Exodus decided to reward and engage their customers and fans by giving them the opportunity to invest in Exodus and become shareholders in the brand's success, through a Mini-IPO.



Why a Mini-IPO was the most suitable solution for Exodus

With a Mini-IPO, Exodus could **raise the desired round of capital to drive the company's growth, directly from its own customers**. In turn this also was a method of rewarding customer loyalty by providing them access to become shareholders while the company is private and is seeing the majority of its potential stock-value growth.

Turning customers into shareholders has many benefits: it can drive customer growth and new revenue, as shareholders are more likely to talk positively about a brand that they are invested in and new shareholders' **average weekly spend increases by 30-40%**¹ (during 3-6 months). Besides that, 80% of retail investors agree that being a shareholder in a brand would make them **more likely to buy** from that company.

In Exodus' experience, raising capital from customers can be **less time consuming** compared to traditional methods of funding. Within **60 days** Exodus raised \$75 million from their customer base. Besides that, a Mini-IPO also represents a pathway to liquidity, as shares can be traded directly after issuance, something Exodus wanted to provide to their early shareholders.

While both a traditional IPO as well as a Mini-IPO make it possible for customers to become shareholders, a Mini-IPO allows a company to remain private, it is a **fraction of the cost**, and at a significantly reduced level of complexity and legal work of a traditional IPO.

A Mini-IPO leverages the **Reg A+ framework**, which has an exemption from the registration requirements with the SEC for public offerings. An issuer needs to file an offering circular via Form 1-A with the SEC.



The staff at the SEC will review the offering circular, which needs to be declared qualified by the SEC via a “notice of qualification”. While no official response timing is published by the SEC, it generally takes between 2 to 3 months to be reviewed for SEC qualification.

“The Mini-IPO was done with the intent and aim to empower our customers to come in and share in our success before Wall Street.”

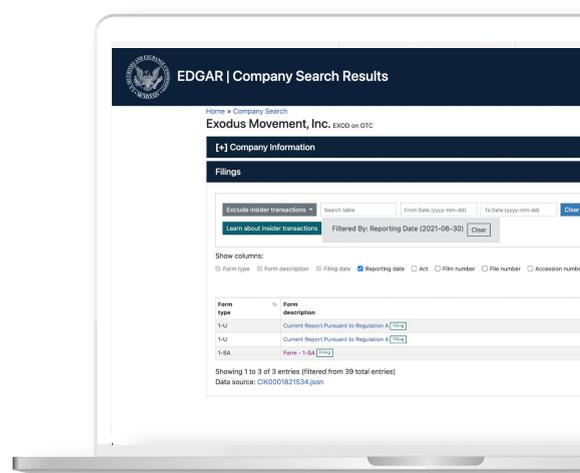
JP Richardson, CEO of Exodus

The legal framework that made the Exodus’ capital raise possible

Under the **Reg A+ (Tier 2)** framework, Exodus could raise up to \$75 million from all types of investor classes, meaning all of their customers had an opportunity to participate in the capital raise, without any regulatory barrier to trade their shares after the raise.

Other regulatory frameworks that private companies can leverage to raise capital from their customers are **Reg A / Tier 1**, which allows a business to raise up to \$20 million, and **Reg CF**, which has a funding cap of \$5 million.

Like Reg A+, these regulatory frameworks allow both accredited and retail investors to participate and require SEC filing. These filings are a fraction of the complexity, costs and legal work of the SEC filing for a traditional IPO.



How Exodus launched a Mini-IPO

Prior to initiating a Mini-IPO, Exodus wanted to measure the interest among their customers by hosting a **Test-the-Waters campaign**. Securitize enabled a button in Exodus's app through which customers could pre-subscribe for the investment round.

Once Exodus's Mini-IPO was launched, interested customers created a Securitize ID investor passport by passing a 4 step **KYC verification process** (that now has been reduced to 3-steps).



Securitize ID has nearly **400,000 registered investors** who can directly participate in Mini-IPOs, as they have already been verified.



Customers who satisfied the regulatory requirements to invest were given access to **complete their investment within Exodus's own wallet app**. Securitize's Subscription Panel was fully integrated into Exodus's product to remove friction and to make it as easy as possible for customers to invest.

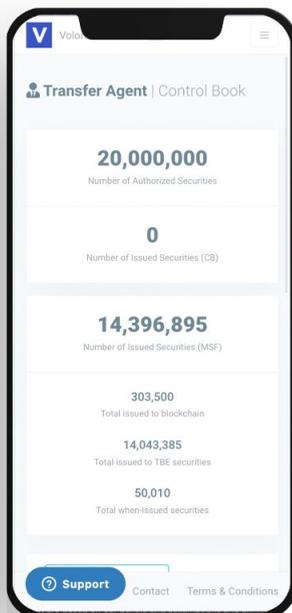


To gain extra exposure and to attract more investors, companies can additionally list their Mini-IPO on Securitize Markets, which provides **exposure to nearly 400,000 registered investors**. Attracting more individual investors is an opportunity to grow one's customer base, as 80%² of retail investors agree that being a shareholder in a brand would make them more likely to become a customer.

Exodus successfully raised **\$75 million from their own customers** via a Mini-IPO:

- Fully subscribed in 60 days
- Share price: \$27.42
- 40x in valuation
- 6827 investors, of which 39 institutional

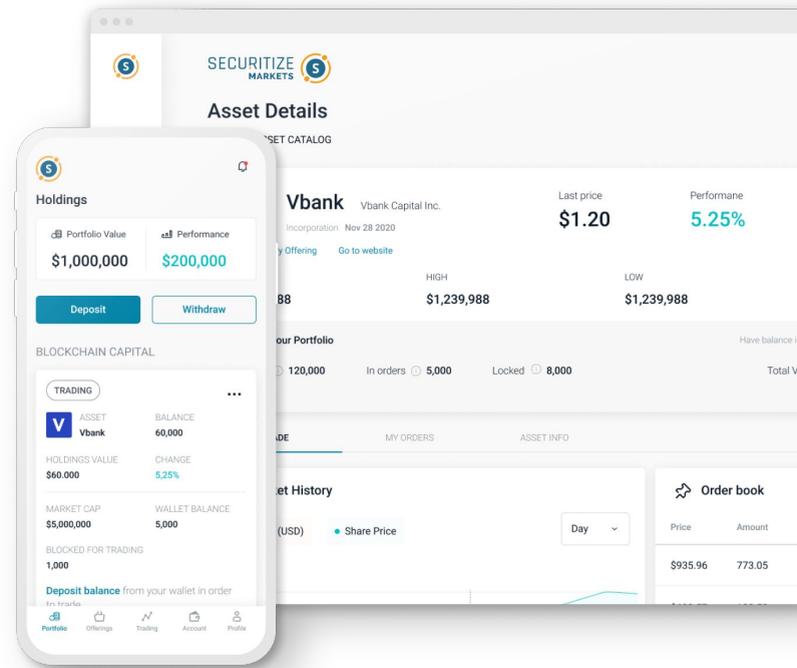
Via Securitize's Digital Transfer Agent, Exodus issued common stock in the company without voting rights. These shares were represented in the form of a **digital asset security**, or so called security tokens.



- Securitize's Digital Transfer Agent gives companies and its shareholders full flexibility to opt for **book-entry shares or digital asset securities**, or a combination of both.
- Digital Asset Securities are regulated digital representations of a security, and **provide a pathway to liquidity** as they can be traded easily and instantly after issuance, while compliance is automatically assessed via smart contracts so that only verified investors can hold the shares.



Once the Mini-IPO was finished, Exodus activated **secondary trading on Securitize Markets** to provide a pathway to liquidity for early shareholders, such as employees, which can lead to higher employee satisfaction and retention. Additionally, allowing secondary trading is an opportunity to attract new investors and let customers invest between funding cycles.



The management of Exodus' shares and shareholders

During and after the investment round, it's crucial to keep track of shareholders and their holdings. Exodus uses Securitize's Digital Transfer Agent, which comes with **real-time cap table management**, and helps navigating through the lifecycle of the security, from payouts, distribution and liquidity, to downstream investor challenges, such as death, divorce, and lost digital asset wallet keys.

“Securitize is the go-to platform for the investor-ready compliant capabilities necessary to invite, onboard and issue digital representations of shares of our Class A common stock to our investors and we look forward to growing our relationship over time.”

JP Richardson, CEO of Exodus

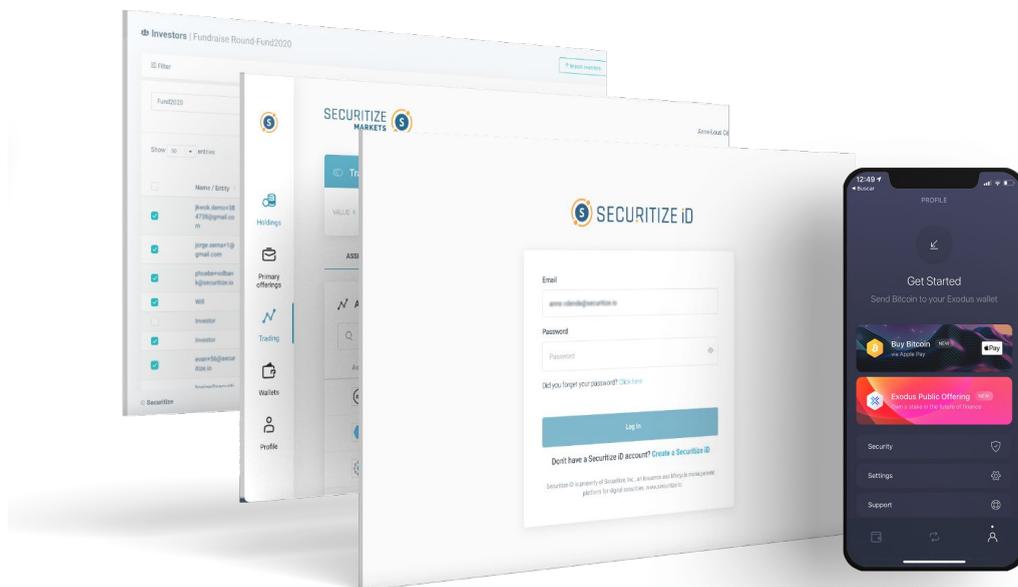


Key takeaways

A Mini-IPO makes it possible to fund and drive growth, while rewarding and engaging loyal customers.

Giving customers the opportunity to invest and participate in the success of the company has multiple benefits:

- It can **drive customer growth and sales**, as shareholders are more likely to talk positively about a brand that they are invested in, and 80% of retail investors agree that being a shareholder in a brand would make them more likely to buy from that company.
- **Less time consuming** compared to traditional ways of funding: within 60 days, Exodus raised \$75 million from their customer base.
- A Mini-IPO provides **a pathway to liquidity**, as shares can be traded directly after issuance.



An **end-to-end solution**, such as Securitize's Mini-IPO, alleviates the effort needed to bring together the many moving parts needed to successfully host a Mini-IPO, and enables a more efficient raise.





Get in touch with sales to see how you can fund and drive your growth from customers via a Mini-IPO with Securitize.

Request Demo

