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# Black Hops: The brewery turning beer drinkers into investors

By **Liz Main**

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Turning loyal customers into investors through equity crowdfunding is an enticing prospect for small businesses, but experts warn it can burn customer relationships if things go belly up.

That's why, when craft beer producer Black Hops decided to turn its beer lovers into investors, transparency was a top priority for ensuring customers understood what they were getting into, said Dan Norris, co-founder and chief executive of the brewery.

"We've been really honest about the process. If you look through the [funding offer document] ... it's really really clear about what investors can expect and it's got every detail about our financial history, and the way the business is going," Mr Norris said.





Co-founders of Black Hops brewery, Michael McGovern, Eddie Oldfield and Dan Norris are inviting customers to buy a slice of the business through equity crowdfunding. **Paul Harris**

Black Hops, located on the Gold Coast, aims to raise \$400,000 through an equity crowdfunding campaign it launched on January 18 via crowdfunding platform Birchal. The funds will be put towards building a second brewing facility and tap room due to be completed in early 2019.

"Everything from serious investors all the way to just people who are regulars like our top customers in the tap room have invested," Mr Norris said.

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## **'Double-edged sword'**

Investors can chip in as little as \$50 to own a piece of Black Hops to have voting and dividend rights, as well as enjoying perks such as being the first to sample the brewery's newest concoctions.

Although a strong customer base is an attractive source for investment, businesses should be cautious not to burn the very people they are selling products to, according to James Gerrard, founder of FinancialAdvisor.com.au.

"It's a double-edged sword. On one hand, you're bringing in a pool of investors who certainly are aligned with your business. They're customers. On the other hand, their sentiment could quickly turn out of favour if they're not happy with how things are going," Mr Gerrard said.

Crowdfunding opened up as a cash source for businesses like Black Hops in October 2018, when legislation was amended to allow proprietary companies to raise up to \$5 million each year without needing to become unlisted public companies.

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"I always thought equity crowdfunding would be perfect for a brewery and perfect for our brand so I've been waiting around for Australia to legalise it," Mr Norris said.

## Crowdfunding on course

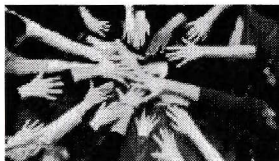
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Craft beer connoisseurs who are considering buying a slice of Black Hops should make sure they invest with their heads rather than their hearts, according to Mr Gerrard.

"What I've seen occasionally is that through the crowdfunding structure, a lot of the numbers get lost along the way, swept up in the hype of the whole thing of what you're investing into ... They should really have a look at the numbers and just make sure it makes sense financially, not just emotionally," Mr Gerrard said.

Black Hops claimed the title of the fastest equity crowdfunding campaign to hit its minimum target in Australia, reaching its minimum goal of \$150,000 in the first eight hours when the offering opened privately to friends and family on January 18, according to Mr Norris.

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The brewery will close its crowdfunding campaign once it reaches \$400,000. As of Tuesday morning, investors had contributed \$270,721.

"That's the way equity crowdfunding should be ... It should be something that's exciting and exclusive and only the really organised and passionate people get in and some people miss out," Mr Norris said.

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