Rob Horgan, founder of Velo coffee roasting company

Global coffee boom spurs Velo to the next level

The Cork coffee roaster has seen its business take off as it concentrates on online and supermarket sales, writes **JJ O'Donoghue**

There's something in the beans at Velo, the boutique coffee roasters started by Rob Horgan in Cork.

Velo has been picking up awards like a Hollywood A-lister. This year it won gold medals at the Blas awards in Ireland, as well as the Great Taste awards in Britain.

"Getting those two awards was huge for us," said Horgan. "It just shows what we are doing is top-notch."

And in a year where the food service sector has been crippled by rolling lockdowns and severe restrictions, Velo has still managed to grow significantly through its slick online presence and expanding its presence in supermarkets.

Horgan said he expected Velo's range of coffee to be on shelves in Dunnes Stores this month.

Since 2018, the hand-roasted coffee, which is packed in Cork, has been available throughout all 144 Aldi Stores in Ireland thanks to a special 'Grow With Aldi' initiative offered by the German supermarket chain.

At the beginning of 2020, Horgan said he was optimistic about the year ahead, but that was before anyone had factored in a global health pandemic. However, Velo is on course to perform even better than in 2019 and has already tripled its revenue.

"It's been absolutely mad," Horgan said, outlining how its three strands – retail, food service and a strong online presence – have helped sustain and grow the business.

By way of illustrating how the online business has taken off, Horgan points out that Velo has two full-time staff working on the online operation, whereas last year "we didn't have that".

"We've shipped to 26 different countries via the website," he said. And bigger export orders are starting to come in.

The American market is next on Horgan's list, and Velo has already shipped significant orders to the United Arab Emirates and Malaysia.

It helps that worldwide we are still in the throes of a coffee boom, sometimes referred to as the "third wave", led by consumers who are more educated and also brewing a lot more good-quality coffee at home.

Globally, the worldwide coffee market was worth over $100 billion in 2019 and that is expected to rise to $155 billion by 2026.

Horgan has had a long career in the food service industry in Ireland.

In 2015, he opened Velo, a city centre café in Cork. He has since moved on to concentrate full time on the roastery. It's a move that has paid off.

"Our journey is not just fabricated to look good. It's real, it's our story," Horgan said.

Horgan's connection with cycling is authentic: he's long been an enthusiast of the sport, and Velo has even partnered with professional cyclist Nicolas Roche to launch his own line of Brazilian coffee.

In order to grow and capitalise on the global coffee boom, Velo is on a funding drive, using the Employment Investment Incentive Scheme (EIIS).

"We're just about to order another roaster this week and we're about to add more packaging facilities and scale up," Horgan said.

"If we keep growing at this rate, next year will be mega."

Before the first lockdown, Velo had sent its first shipment to Pallas Foods. Horgan predicts that market to grow right back as the food service and hospitality industry bounce back once vaccinations are rolled out.

"Food service is where the volume is at, and it gives us better buying power. People really want to get back out again to cafés and restaurants."

"We're positioned really well. We have a good strong management team, and we're really looking forward to drive on. That's why we're excited about the new roaster and our new packing facilities and to bring it to the next level again."

Going forward, Horgan is bullish. "If you look at the number of home brew kits and air presses that we are selling, you can see that people are investing in their coffee at home and that's not going to change."

"The fact that we have three strands of the business means we're set up really well. We've continually shown we can grow and that consumers appreciate our hand-roasted products and, just as importantly we're competitively priced."

What more can you ask in a cup of Joe?

EIIS a useful tool for both taxpayers and investors

The function of the Employment Investment Incentive Scheme (EIIS) is twofold, says Mary McKeogh, tax partner with McKeogh Gallagher Ryan.

"It provides eligible taxpayers with the opportunity to avail of tax relief and thus reduce their overall tax bill for the year they make the EIIS investment, and encourage sinvestment in certain sectors of the economy," she said.

As McKeogh explains, the EIIS is attractive to companies as it is unsecured and cheaper than bank finance, so they can fund their operations and know the money will not have to be repaid until the term of the investment is over.

There used to be a number of tax relief schemes available, but since the recession they have all gradually been phased out by different governments, and now the EIIS is the only scheme still open to the average taxpayer.

The scheme is highly regulated by the Revenue and is governed by EU rules on state aid. So each EIIS investment does need to be correctly structured and monitored to ensure it meets the criteria for tax relief.

What are the benefits for SMEs and start-ups of buying into the EIIS? Primarily, it is a source of unsecured financing for them. It is cheaper than bank debt and relatively low cost. Also the money does not have to be repaid until after the investment period, typically four or five years, which enables promoters to build up the funds to buy out the EIIS investors, or raise alternative finance to buy out investors when the business is established.

For investors, what makes the EIIS attractive is primarily the upfront tax relief at 40 per cent, which is the maximum available. Promoters also offer a return to investors, so this coupled with the tax relief makes it is quite a good investment opportunity. Also, the tax relief does not cost the promoter anything, as it is given as a deduction to the investor against their income tax bill.

"We have been fundraising EIIS projects since we set up McKeogh Gallagher Ryan in 2012," said McKeogh, "and before that I have been involved in other BES funds and projects throughout my 20-plus year career. Our typical investor is relatively risk averse and looking for a solid investment that will give them tax relief and a return on their investment.

"We select solid promoters, and our projects are asset backed so there is some security should the unforeseeable happen and the company not trade as profitably as expected. To date, all our EIIS projects have exited successfully (some even earlier than expected), and paid out investors' initial investment plus the agreed upside.

"The EIIS has to have an element of risk, the investment cannot be guaranteed, so investors need to be aware of that. But we do select the projects we fundraise for very carefully and monitor the investment to ensure the EIIS investors have the best chance of being exited on time and at full expected cap.

"On top of this, we do of course advise all investors to get independent financial advice."

McKeogh has a wealth of knowledge form working and advising investors in the EIIS for 20 years. Have there been many changes to the scheme, and what would she say to first time investors, or those thinking about it?

"The EIIS has been expanded in recent years so more sectors can avail of it as it is becoming increasing popular with promoters as a source of funds," she said.

"Anyone considering the EIIS needs to look at their tax liability first, and see how much tax relief they actually need. And of course they need the cash available to invest. Once they know that it's like any investment decision: they need to decide on the level of risk they are happy with versus the return.

"Our project this year in Brampton Care Home is a very solid offering. The care home is already trading and is very well received. The promoter is using EIIS funds to partly finance the expansion of the home, but doing so in managed phases. The investment term is four years and the return is €1.10 per €1.00 invested.

"I am sure there are other projects offering a higher return, but that needs to be weighed against the riskiness of the project. As mentioned, we have done a number of EIIS projects, and our objectives are always that the investors get their tax relief and, at the end of the investment term, get their money back plus the upside.

Has the most recent budget made any changes or additions to the EIIS?

"The Minister announced in the 2021 Budget that the EIIS is to be reviewed, to ensure it continues to be relevant and allow SMEs to avail of funding to grow their businesses and create employment, in light of the impact of Covid-19," said McKeogh. "Any changes coming from this review are unlikely to be included in the current Finance Act, but we would hope they will be implemented as soon as possible. EIIS funding will be a vital lifeline to SMEs seeking to rebuild their businesses post-Covid-19.

"Up to 2018, our EIIS fundraising projects had largely been in the renewable energy sector as this offered predictable cashflows and an asset backed project. There have been very few new projects in the last couple of years as the old Refit market was replaced by a new auction scheme.

"Hence we diversified in 2019 and 2020 fundraising for Brampton Care Home, as it was such a solid project, well suited to our investors' low-risk profile, and offered them exposure to a different sector.

"However, now that the auctions have commenced, we would expect there to be a number of suitable EIIS projects in the renewables sector next year, and that the EIIS will be very important to the smaller scale renewable energy projects going forward. It will require some amendments to current legislation to facilitate this."


Brampton Care Home: EIIS funds are being used to partly finance the expansion of the home


Mary McKeogh, tax partner, McKeogh Gallagher Ryan

Simple tech solutions to recycling conundrums

You're standing in front of a bin about to discard some rubbish, but instead of doing so, you're momentarily flooded with doubt: Which bin does the coffee cup go in? And the lid? And the paper wipe you've just used?

Recycling and waste disposal shouldn't be complicated, but it is.

"It's a common problem we have all experienced from time to time, and it's a problem that has huge implications for global recycling," said Nathan Misischi, co-founder of Sensibin Limited, a company he set up to make recycling and waste disposal more efficient and easy to understand.

And the solution? In a phrase: simple tech.

Cue Zero, Sensibin's artificial intelligence (AI) recycling assistant, which is capable of automatically identifying the correct waste category and the correct bin in a flash.

"It's as simple as show, throw and go," Dr Dexmont Peña, Sensibin chief technology officer and co-founder, said.

"Zero is super-fast – it takes less than a second – and much more accurate than human beings. It helps educate and nudge users towards better recycling habits," Peña said.

Sensibin is not the first to hit upon a tech solution to solve the many problems and issues of modern life, but the two products that the team at Sensibin have developed and are currently testing could prove hugely important in the fight to save our planet.

A rather damning statistic was one of the reasons Misischi set up Sensibin. In 2018, the Trinity University graduate was representing Ireland in Edinburgh at the world's largest green business ideas competition when he heard a speaker tell the audience that only 9 per cent of the world's waste is recycled.

"That's what motivated me to start. I thought there's a clear need there, as we're not recycling nearly enough," Misischi said.

"That means over 90 per cent of the waste we produce goes to landfill, incineration or pollution in our oceans."

Misischi's idea was to turn to technology. Together with co-founder Peña, an expert in AI and machine learning, the pair brainstormed how to solve this problem.

They also talked with more 80 stakeholders in the recycling industry worldwide to better understand the problems and issues around recycling and waste disposal.

"It was clear from our research that inconsistency and confusion are rife. Recycling labels, despite some genuine efforts at improvement, are a disaster," Misischi said.

"People want to do the right thing, but it's not easy, with rules varying between regions and even companies."

What happens more often than not is contamination, or rubbish going into bins it's not intended for.

As Misischi pointed out, a study by the Environmental Protection Agency in 2018 revealed that 70 per cent of the contents of a commercial bin were in the wrong bin, rendering a lot of recycling material unusable.

Sensibin decided to focus on busy public areas where bins are prominent, such as stations and airports, as well as schools and corporate offices.

"In particular, we wanted to help businesses that have publicly committed themselves to sustainability and circular economy goals such as zero waste," Misisch said.

While showing Sensibin's tech to leaders in the waste and recycling sector, Seamus Devitt was so impressed that he decided to invest and join the team as chief executive.

Devitt is a serial technology entrepreneur who has founded and sold several businesses.

"I loved the concept and the user engagement features. I saw the potential to build another global business using leading edge AI technology to solve a real pressing problem," he said.

"Beyond Zero, we have other patented concepts that will allow some really novel product derivatives that will even further broaden our offering. But for now, I'm looking forward to a successful EIIS [Employment Investment Incentive Scheme] funding round and hitting the road with our first products."

Nathan Misischi and Dr Dexmont Peña with with their AI recycling assistant Zero