

Growth Capital

Everything You Need to Know
About Debt vs. Equity

Founded in 2009, Espresso Capital is a premier venture lending company



250

companies funded



\$230M

in loans advanced



Up to \$10M

credit facilities

When tech companies think about raising capital, they often think about raising large equity rounds

Mercaux bags \$4.5M to help bricks-and-mortar retail tool up to sell more

Natasha Lomas @riptari / 1 day ago

JUL 2018

Customer Identity Leader LoginRadius Announces \$17M Series A Funding from ForgePoint and Microsoft's Venture Fund, M12

OneSpot Secures \$5.3 Million Series A Financing Round Led by Mohr Davidow Ventures

Anorak raises £5M Series A for its life insurance advice platform

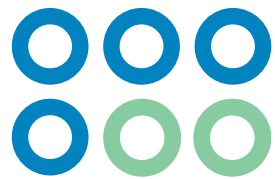
Steve O'Hear @sohear / 1 day ago

Finn AI Closes \$14 Million Series A Financing

October 22, 2018

Spyce Raises \$21 Million In Series A Financing

But raising equity can have important implications for founders, CEOs, and their companies



Dilution



Board
Seats



Valuation
Now



Time
Consuming

Venture debt offers a great alternative.

So what exactly is it?

So what exactly is it?

A form of non-dilutive financing
that complements equity

So what exactly is it?

Can be used to bridge to
an equity financing round

So what exactly is it?

Typically a term loan or line
of credit to fuel growth

So what exactly is it?

Designed for businesses that
don't have significant assets or
positive cash flows

What are the main advantages of raising venture debt?

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of raising venture debt?

It's non-dilutive

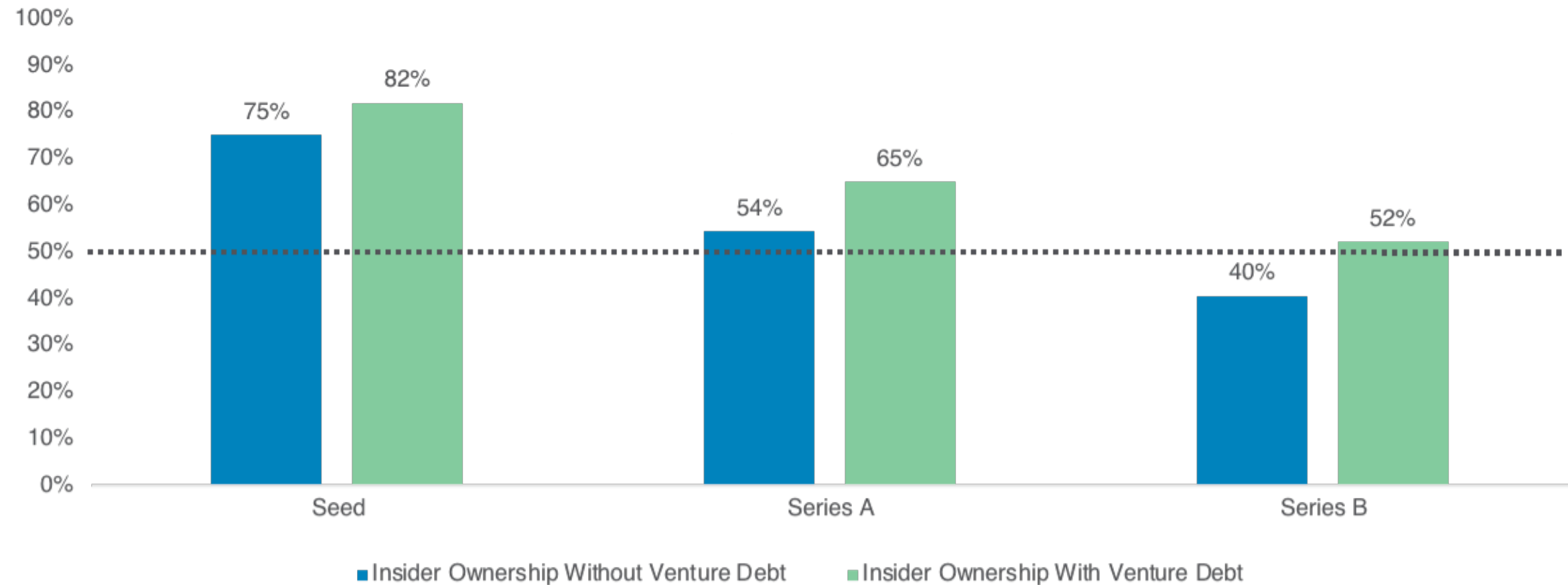
What are the main advantages
of raising venture debt?

You maintain control longer

What are the main advantages
of raising venture debt?

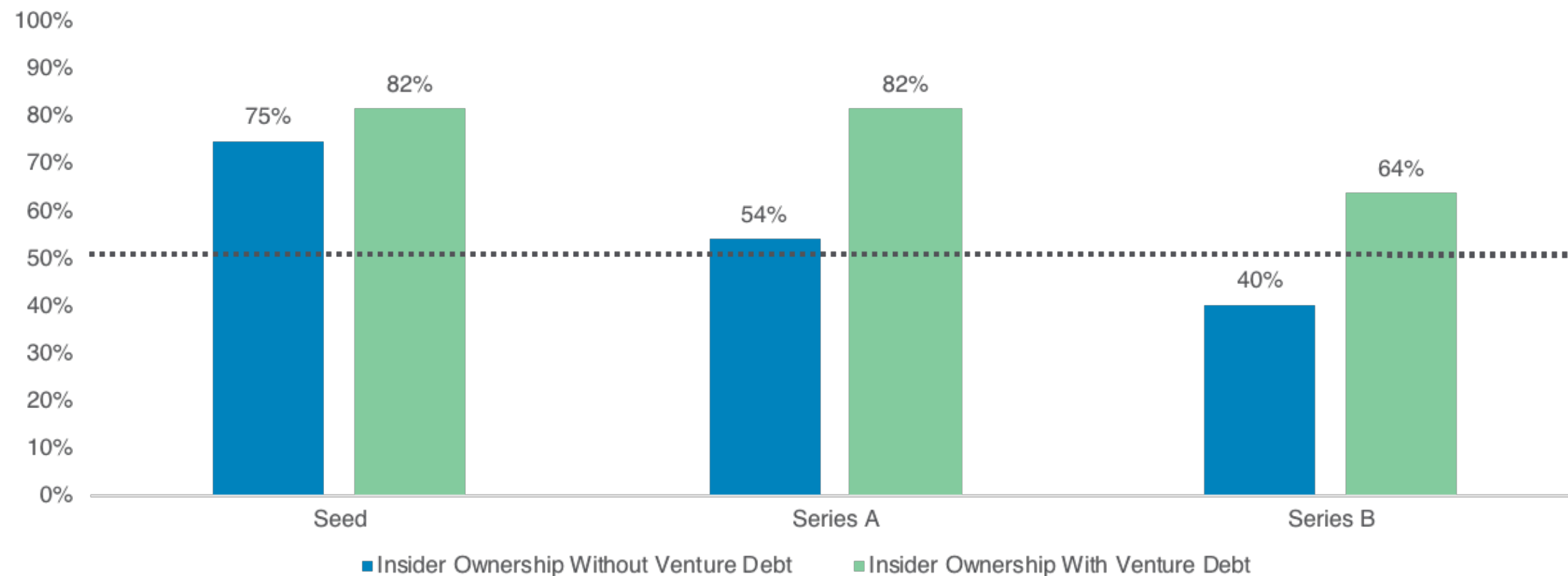
It's flexible

Insider ownership over time when you raise one-third debt, two-thirds equity



Compares an all equity raise scenario vs. raising one-third debt and two-thirds equity in each round. Data represent rounds raised in 2017 by SaaS companies.
Source: Pitchbook.

Insider ownership over time when you skip Series A



Compares an all equity raise scenario vs. raising one-third debt and two-thirds equity in the Seed round, all debt in the Series A round, and one-third debt and two-thirds equity in Series B round. Data represent rounds raised in 2017 by SaaS companies. Source: Pitchbook.

Companies across the technology sector have used venture debt to drive successful outcomes



Bootstrap to \$15 million
Series A by PeakSpan



Bootstrap to \$12 million
Series A



Bootstrap to \$15 million
Series A by Sun Life



Bootstrap to acquisition by
Angie's List



Bridge to \$20 million Series
C by Lake Bridge



Bridge to \$43 million
Series C by Napier
park

What to look for in a venture debt partner

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Offers capital efficiency

What to look for in a venture debt partner

Doesn't require rapid
amortization

What to look for in a venture debt partner

Is flexible

What to look for in a venture debt partner

Has a transparent,
all-in cost structure

What to look for in a venture debt partner

No excessive or highly
restrictive covenants

What to look for in a venture debt partner

Understands the venture
growth journey

What to look for in a venture debt partner

Has a proven appetite for risk

Is venture debt right
for your business?

Is venture debt right for your business?

Your company has figured
out its product market fit

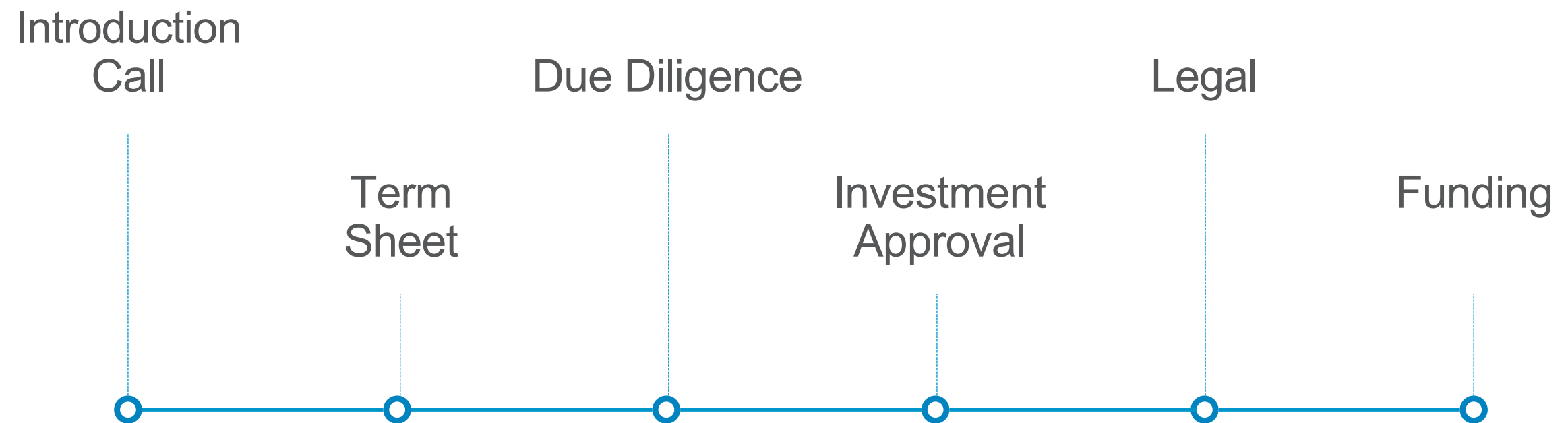
Is venture debt right for your business?

Your business is growing
quickly and efficiently

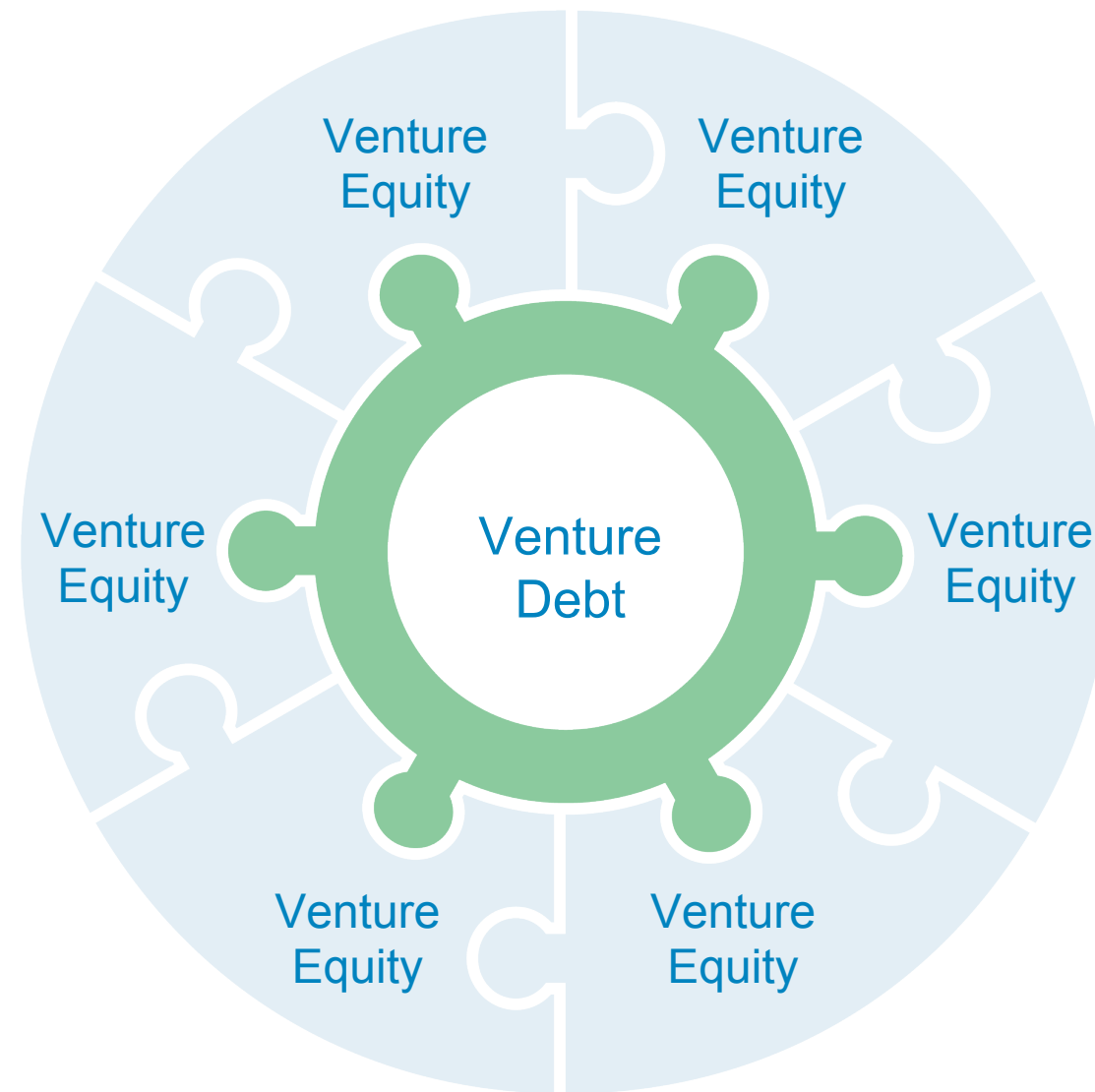
Is venture debt right for your business?

You have a clear plan in
place for using the capital

You can raise venture debt in as little as 30 days



Venture debt is an important part of a smart capital raising strategy



Espresso offers credit facilities of \$500,000 to \$10 million

SaaS

Subscription and
transaction models

Up to 24X MRR

Working Capital

A/R and contract financing

Operating lines
(not factoring)

Tax Credit

Funded in advance

Up to 100% LTV

Questions?