

ROYALTY BASED FINANCE

Flexible Payments

Retain Ownership

No Dilution

Innovative New Source of Growth Capital



Our Clients

We provide access to growth capital for growing firms that are looking for non-dilutive funding. The capital is deployed for business expansion by established companies with a proven management team.

Raising capital is a difficult and time-consuming process, especially for growing companies. We provide our clients easier access to capital at more favorable terms, so they can concentrate on running their business.

Royalty Based Finance (RBF)

\$1M to \$3.5M of growth capital is provided in exchange for 1% to 5% (royalty) of monthly top-line revenue.

No dilution, restrictive covenants, board seats or personal guarantees required.

Unlike debt, the monthly payments are flexible. If the fixed royalty is 2% and revenue for the month is \$500k, the payment is \$10k. If revenue is \$100k the following month, the payment is \$2. The term is typically 4 to 6 years.

Why (RBF)

- ◆ RETAIN 100% OWNERSHIP & CONTROL
- ◆ NO COLLATERAL
- ◆ NO PERSONAL GUARANTEES
- ◆ FLEXIBLE MONTHLY PAYMENTS
- ◆ NO RESTRICTIVE FINANCIAL COVENANTS
- ◆ NO DEFAULT PROVISIONS

GROW REVENUE

INCREASE COMPANY VALUATION

EXAMPLE - 2% Royalty:

This Month:

Monthly Revenue = \$500k

Monthly Payment = \$10k

Next Month:

Monthly Revenue = \$100k

Monthly Payment = \$2k

Interests Aligned

Unlike private equity or debt, our business interests are aligned. Our mutual goal is revenue growth. Private equity investors are seeking an exit strategy with a 10x return. Debt holders demand a structured repayment plan at all cost, including foreclosure.

Qualifying Criteria

- ⇒ **Minimum \$3M in annual revenue**
- ⇒ **3 + years of steady growth**
- ⇒ **30% + gross margins**
- ⇒ **Proven management team**
- ⇒ **Significant growth opportunity**
- ⇒ **Plan in place to hit revenue forecast**



Royalty Based Finance vs Debt & Equity

Private equity is expensive, dilutive, difficult to obtain and the focus is on an exit strategy. Debt requires restrictive financial covenants, personal guarantees and collateral. Royalty Based Finance is positioned between debt and venture capital with a focus on revenue growth.

DEBT

- Restrictive financial covenants, inflexible payment plan
- Requires personal guarantees and collateral
- Focus on debt collection at all costs, even foreclosure

ROYALTY

- Keep 100% ownership & control, no collateral or personal guarantee
- Flexible monthly payments
- Interests are aligned toward long-term revenue growth

EQUITY

- Requires board seat, active control, performance guarantees
- Dilution, focus on exit strategy
- Pre-money valuation required

