



# Market Terms

## Emerging Growth / Tech

Q4 2016

**Todd Schneider**  
Partner  
ts@spintacap.com  
415-968-9772

**Austin Dean**  
Partner  
ad@spintacap.com  
415-968-9773

Securities offered through IIB Corp., a broker-dealer, member FINRA / SIPC.



# Contents

Venture Loan Cost & Availability: Key Drivers

Market Terms: Traditional Loan Types

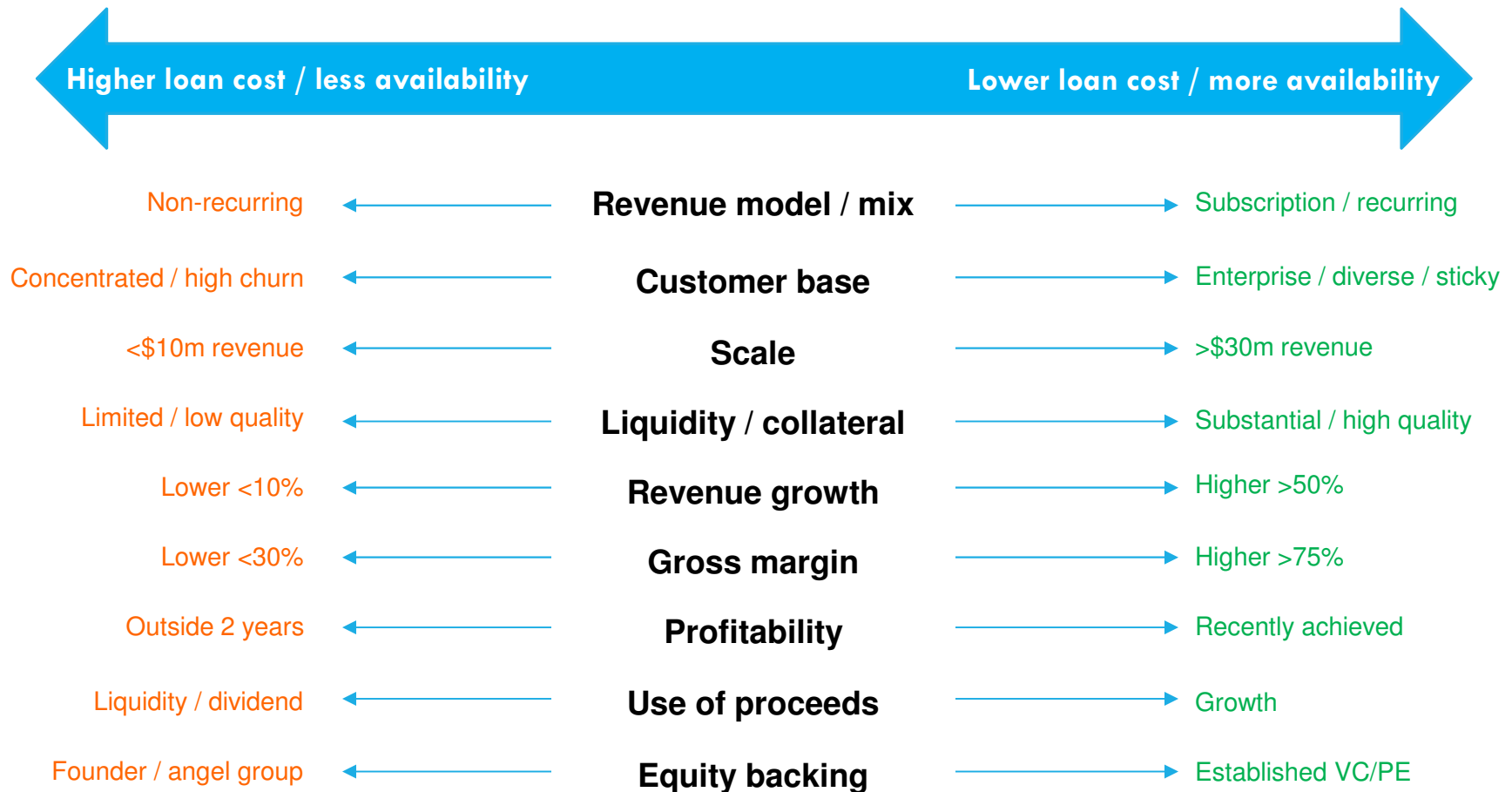
- Working capital facilities
- Senior or 2<sup>nd</sup> lien term loan
- Subordinated or mezzanine term loan

Market Terms: Alternative Structures

- Royalty-based loans
- Convertible loans
- Bridge loans

# Loan Cost / Availability: Key Company Factors

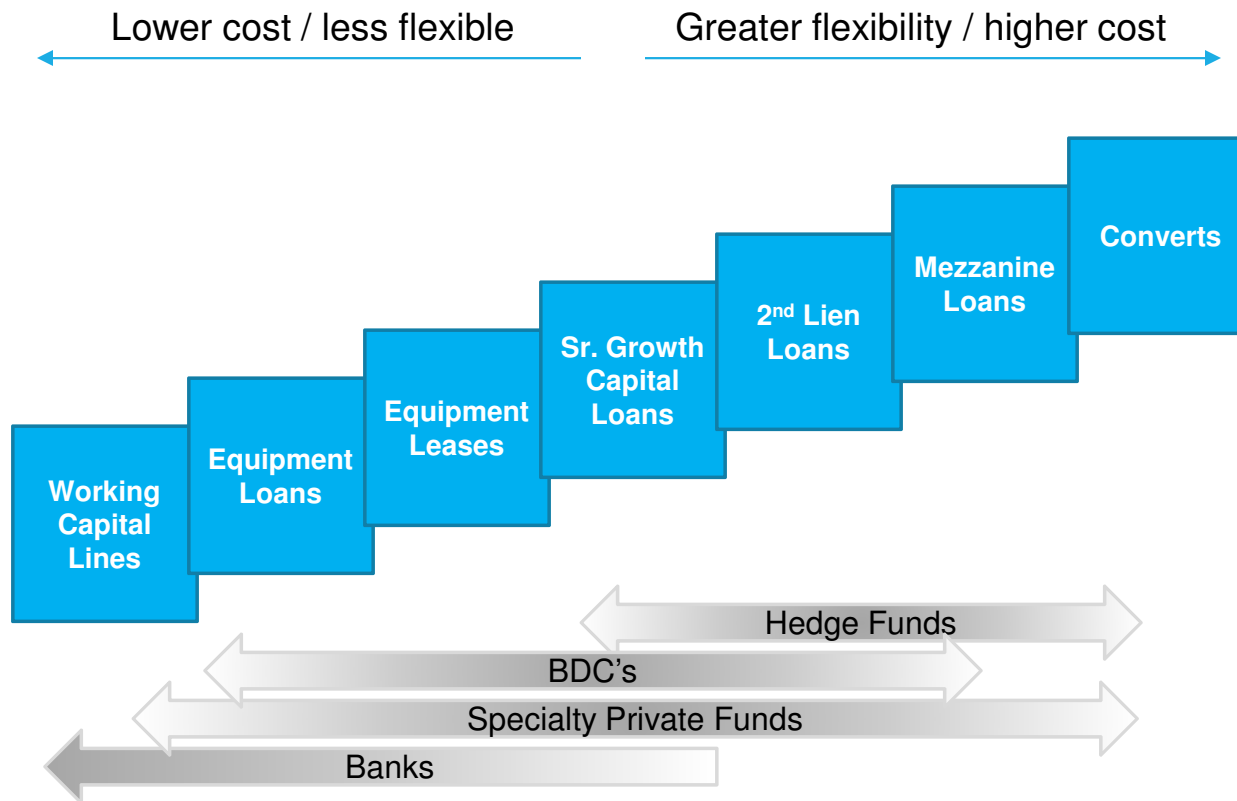
The venture debt cost continuum\*



\*Non-Recourse Loans; Emerging Growth Company Focus (excludes Life Sciences)

# Other Cost Drivers: Lender Type / Loan Type

Not all loans and lenders created equal



# Market Terms – Traditional Venture Loan Types

Emerging companies (private; pre- and emerging profit; <\$100m rev)\*

	Working Capital Facilities	Sr. or 2 <sup>nd</sup> Lien Growth Capital Loan	Mezzanine / Sub Debt
<b>Typical Participants</b>	Banks, non-bank growth lenders	Banks, non-bank growth lenders, select hedge funds	Non-bank specialty lenders, select hedge funds
<b>Availability</b>	Up to 85% of A/R Up to 50% of inventory Up to 100% of select PO's 3-6x MRR	Situation specific % of enterprise value Up to 50% of equity round 6-18x MRR % of specific asset or IP valuation	Situation specific Up to 5x forward EBITDA % of enterprise value
<b>Interest Rate</b>	4-7% floating	6-13% fixed or floating	9-15% fixed
<b>Term</b>	1-3 yrs	2-5 yrs	3-5 yrs
<b>I/O Period</b>	n/a	6-60 mos	3+ yrs
<b>Back-end Payment</b>	Typically none	0-10%	0-15%
<b>Warrant Coverage</b>	Typically none	0-15%	0-20%
<b>Collateral</b>	1 <sup>st</sup> lien on assets; negative pledge on IP	1 <sup>st</sup> or 2 <sup>nd</sup> lien on assets; negative/double-negative pledge on IP	2 <sup>nd</sup> lien on assets or unsecured
<b>Commitment fee</b>	Up to 1%	Up to 2%	Up to 2%
<b>Prepayment fee</b>	0-2%	0-5%; staircase	3-5%; staircase
<b>Liquidity/Financial Covenants</b>	Liquidity / asset coverage Sometimes NONE	Equity raise Minimum liquidity Performance to plan Sometimes NONE	Debt service Min EBITDA Performance to plan Sometimes NONE
<b>All-in Cost</b>	5-9%	9-20%	15-25%

\*Non-Recourse Loans; Emerging Growth Company Focus (excludes Life Sciences)

# Market Terms – Alternative Venture Structures

Emerging companies (private; pre- and emerging profit; <\$100m rev)\*

	Royalty Interest-Based Loan	Bridge Loan (3 <sup>rd</sup> party)	Convertible Debt
<b>Description</b>	Term loan geared to younger SaaS businesses involving repayment of 1-5% of monthly revenue, subject to a repayment cap	Event-driven financing to provide stop-gap, typically in connection with M&A, equity raise, or pending large customer orders	Unsecured term loan most commonly used by equity investors as a bridge to the next priced round of equity or other event
<b>Typical Participants</b>	Non-bank specialty lenders	Non-bank specialty lenders	Equity investors (usually as part of a bridge)
<b>Availability</b>	Up to 7x MRR Repayment cap 1.5-2.0x principal	Situation specific	Fund burn for up to 12 mos Event-driven conversion to equity at 10-20% discounted pricing and may be subject to a valuation cap
<b>Interest Rate</b>	Variable, dependent on rev growth	10-15% fixed	5-10% fixed
<b>Term</b>	3-5 yrs	3-24 mos	6-12 mos
<b>I/O Period</b>	n/a	n/a	n/a
<b>Back-end Payment</b>	n/a	Up to 30%	n/a
<b>Warrant Coverage</b>	Typically none	Up to 30%	n/a
<b>Collateral</b>	1 <sup>st</sup> or 2 <sup>nd</sup> lien on assets; Possible negative pledge on IP	1 <sup>st</sup> or 2 <sup>nd</sup> lien on assets Personal guaranty possible	Unsecured
<b>Commitment fee</b>	Up to 2%	Up to 2%	n/a
<b>Liquidity/Financial Covenants</b>	Usually none	Performance to plan / event-driven maturity	none
<b>All-in Cost</b>	15-25%	25%+	30%+ (assuming convert to equity)

\*Non-Recourse Loans; Emerging Growth Company Focus (excludes Life Sciences)