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Growth debt is an alternative source of funding for fast-growing small and medium-sized enterprises (SMEs). It is capital that can help your business to grow but which won’t require you to give up control of your company.

This guide is for small and medium-sized businesses that want to find out more about growth lending.
01
How to use growth debt [4]

02
Differences between growth debt and equity [6]

03
Eligibility criteria [8]

04
The terms your growth lender may offer [11]

05
A case study on a company using growth debt to develop [14]

06
What get growth lenders excited [16]

07
The process from first meeting to funding [19]

08
What to prepare before raising growth debt [22]

09
What happens after funding [26]

10
About BOOST&Co [29]
Growth debt is a financing option that requires only minimal dilution of equity ownership. It works particularly well for businesses growing fast and aiming to achieve key milestones that will trigger a higher valuation in a future equity round or help them to reach the IPO stage. In this section we discuss the benefits of using it at different stages of your business’s development.

01
How to use growth debt

The critical challenge facing pre-profit businesses is bridging the funding gap before profitability, or before the next equity round, without slowing growth or diluting owners’ equity when the business’s valuation is lower. Growth debt can be used to fund this gap and to support growth investments in areas such:

- Operations, staff, sales and marketing;
- Working capital including stock, trade debtors, or seasonal working capital;
- Capital spending, R&D, equipment or software purchase.

Use for businesses yet to break into profit

Use for growing businesses that have reached break-even point

Reaching break-even is a key achievement in the life of a business. The next challenge is to scale the company without harming its profitability. Entrepreneurs often need to delay growth initiatives or to hold back from taking on new customers because of cash constraints, even though these may offer
near-future profitability. Growth debt can be used to fund needs including:

- Investment in operations, staff, sales and marketing;
- Working capital finance including stock, trade debtors, or seasonal working capital;
- Capital spending, R&D, equipment or software purchase;
- The launch of a new product or service;
- Expansion into new locations and territories;
- Acquisitions;
- Investment in new facilities.

Established businesses may still struggle to raise debt from traditional banks even when they have scale and are generating profit. This may be because the business has not been profitable for long enough, or because it does not have enough assets on its balance sheet; it may be the bank feels uncomfortable with new markets.

Growth lenders invest earlier and in larger amounts than banks because they take into consideration the growth rate of the company rather than just looking at its history. Growth debt can be used to fund:

- Investment in growth prior to an IPO (operational spending, working capital or capital spending);
- Expansion into new countries;
- Acquisitions;
- Investment in new facilities;
- Management buy-outs.
## Differences between growth debt and equity

In this section we explain the crucial differences between using equity or debt to grow a business and the advantages and disadvantages of both options.

<table>
<thead>
<tr>
<th></th>
<th>Growth debt</th>
<th>Growth equity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equity dilution</strong></td>
<td>From 2% to 10% only realisable upon sale or IPO</td>
<td>From 10% to 50%</td>
</tr>
<tr>
<td><strong>Control</strong></td>
<td>No board seat or voting rights</td>
<td>Must agree with investors before making decisions</td>
</tr>
<tr>
<td><strong>Security</strong></td>
<td>Fixed and floating charge over all company’s assets</td>
<td>None</td>
</tr>
<tr>
<td><strong>Duration</strong></td>
<td>Capital amortising 3-5 years</td>
<td>Upon sale or IPO of the company, typically 5-8 years</td>
</tr>
<tr>
<td><strong>Guidance &amp; Advice</strong></td>
<td>Limited</td>
<td>Strong</td>
</tr>
<tr>
<td><strong>Time to raise funds</strong></td>
<td>2-3 months</td>
<td>6-12 months</td>
</tr>
</tbody>
</table>
Advantages of growth debt over equity

• You protect your equity; the dilution is minor compared to equity investment.
• Lower cost of capital. For companies growing fast and building significant equity value, the cost of debt is cheaper than the cost of equity. Have a look at our case study in chapter 5 to understand why.
• You keep full control, the lender has no role running your company, has no board seat and no voting rights.
• Quicker process – you can launch growth initiatives fast and the borrowing process should be only a minor distraction to the management team.
• Interest costs are tax deductible.

Disadvantages of growth debt over equity

• Debt must be paid back over a fixed period whereas equity investment is not repaid. This means you’ll have less cash on hand to expand the business.
• Taking on too much debt may put strains on cash-flow.
• There’s a requirement to pay back the investment if the business fails.

Most businesses use a blend of debt and equity to expand

Using a mix of equity and debt will bring your business more firepower at a reduced cost of capital.

The task is to find the right balance between equity and debt for your business. It is a matter of how much equity and control you are willing to give up and how much debt repayments your cash flow can sustain.

Equity and debt investors are usually keen to co-invest in early-stage businesses because they prefer companies to have access to various financial support sources.
03 Eligibility Criteria

Growth debt is better suited to fast-growing companies with an established business model. In this section, we explain what key criteria a company will need to meet in order to be able raise growth debt.

Five criteria for a business aiming to raise growth debt

1. **Growth, growth, growth**
   
   Growth debt is an expensive financing option; it only makes sense if it helps you build significant value in the company. In fact, the faster your business is growing the more it makes sense. This is one reason why growth debt can work well for technology companies and other innovative businesses. The following growth rates give an indication of what you will need to be eligible for growth debt:
   
   - Pre-profit businesses – above 30% annual growth;
   - Break-even businesses – above 20% annual growth;
   - Established and steadily growing businesses – above 10% annual growth.

2. **Proven business model**
   
   Growth debt is for companies with a mature business model and an established customer base, where all the fundamentals are in place to scale.
   
   - Growth lenders will typically consider a business model is
The residual value of a company is the value that can be extracted from the company in a downside scenario. Lenders prefer companies with a residual value equal to or in excess of the value of the debt they are seeking. A company with no residual value will struggle to raise debt, its risk profile is more suited to equity investment.

The assessment of a company’s residual value will rely on:
- What a third party would be willing to buy in a downside. This might include long-term contracts, blue-chip customers, a recurring revenue base, intellectual property or technology, or strong positioning in a niche market or in a country.
- Company assets that can be used as collateral to secure the loan – for example, fixed tangible assets, stock, account receivables that could be used by the Lender to get its capital back.

Growth lenders prefer to work with companies that have clean business information. This is a sign of a mature management team and will also enable a quick and smooth funding process. See chapter 8 for more details on the information you will be asked.

Straightforward governance is crucial because this ensures a fast decision-making process for all the important matters in the life of the company. A clean corporate structure makes the funding process easier and faster.
Growth debt is not suitable for early-stage start-ups

The purpose of growth debt is to help scale a proven business rather than build it from scratch or to support it while the business model is still to be determined.

Growth debt is not for businesses with a model that is still moving or unproven. That includes pre-trading and pre-revenue earning companies, as well as businesses with only a handful of customers. Most lenders will say such businesses are to raise equity.

If your business is too young for growth debt, but you’re still looking to raise non-dilutive capital other options include start-up loans, overdrafts and trade finance.

Common misconceptions about eligibility criteria

<table>
<thead>
<tr>
<th>Privately-owned are eligible</th>
<th>Many funds and banks only invest in early stage companies if they are backed by institutional equity investors. However growth debt is also suitable for privately-owned businesses and there are a few providers who will happily invest. BOOST&amp;Co is one of them.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-profit businesses are eligible</td>
<td>Businesses yet to break into profit are able to raise growth debt provided there is a clear path to achieving profitability or to a future equity fund-raising. Lenders will look for a “cash runway” of at least 18 months.</td>
</tr>
<tr>
<td>Asset-light businesses are eligible</td>
<td>Unlike bank loans, growth debt is available to businesses with no significant assets to use as collateral. Technology businesses, for example, will still be able to raise growth debt and are in fact much appreciated.</td>
</tr>
</tbody>
</table>
04
The terms your growth lender may offer

Growth debt is structured as a standard loan together with an equity kicker. The loan is the debt part of the financing. The equity kicker is a small portion of your equity that is designed to align growth lenders with your growth strategy without incurring significant dilution. Here are the key terms you should expect to find in a growth loan offer.

From £1 million to £10 million, 100% customizable

- Depending on the size and maturity of your business, as well as your funding needs, growth lenders will typically invest anywhere between £1M and £10M.
- Most growth lenders will customise the loan to meet the exact needs of your business, including the timing you require.
- For example, a company might borrow £5M but only draw down £1M initially and then draw down the balance as it achieved milestones defined together with the lender. Overall, this provides greater flexibility and lowers the cost of capital.

Costs

- Interest rate – growth debt is priced at 8% to 12% depending on the company’s maturity and its risk profile.
- Equity kicker – see below.
- Upfront fee - 1% to 2% of the loan amount, paid upfront.
- Transaction costs - legal costs of £20,000 to £30,000 depending on the complexity of the company’s corporate structure.
Equity kicker

- Equity kickers are designed to align the lender with the business’s growth strategy. It is a tool to incentivise growth lenders to grow and protect the equity value of the business - and thus to encourage you to take some risks to achieve this.
- Equity kickers are structured as warrant instruments. They give the lender an option to buy shares in the company in the future at a price agreed upfront (usually the company’s valuation at its most recent equity round).
- Warrants have a longer life than the life of the loan, typically 10 years.
- Most lenders would only exercise their warrants on an exit event such as a sale or an IPO.
- Growth lenders will ask for warrants worth 10% to 20% of the amount lent.
- See our case study in chapter 5 for an illustration.

Three to five years duration

- Debt has to be repaid over time. For growth loans, this is typically over three to five years.
- In most cases, loans will amortise through monthly or quarterly repayments.
- Growth debt is intended to help businesses grow, so lenders are keen for the capital to have a chance to work before you actually start repaying it. For this reason, they may offer a capital repayment holiday of a few months.

First charge security

- The loan will have a first charge over all the assets of the business. If the company is unable to repay the capital, lenders will be entitled to impose some measures or to seize the assets of the business to get its capital back.
- No personal guarantees are required - unlike bank loans, growth loans do not require directors of the business to provide personal guarantees.

No board seat

- Growth lenders will take no board seat. They are here to help your business to grow rather than to tell you how to run your business.
Overdraft facilities, invoice discounting, asset-based finance and leasing finance are all debt financing options that are cheaper than growth debt. It might make sense to use them alongside growth debt in order to reduce the cost of capital. However, take care not to overload your company with debt and to keep enough room in your asset base.

Lenders can find it hard to co-exist when the company is small and has limited assets. They have to share the security over the assets, which means they would be less likely to fully collect their capital in a downside situation. For example, if a company’s assets are limited to £2M of account receivables financed with £1.8M of invoice discounting, growth lenders will feel uncomfortable lending an additional £2M unless the investment case is very strong.

In some cases, growth lenders will decide not to invest because they think the company has too much debt on its balance sheet. Alternatively, they may offer to refinance your existing debt in order to have first charge on the assets.

• They might take observer seats to make sure they know what happens in the business.
• As lenders are professional investors, they can still provide guidance, mentoring and useful introductions but only if you ask for help.

**Covenant light**

• Growth debt is covenant light compared to bank loans.
• You might be required to accept one or two covenants if lenders find it useful to monitor the business, but these will be looser than bank covenants.

**Combining growth debt together with cheaper debt**

Overdraft facilities, invoice discounting, asset-based finance and leasing finance are all debt financing options that are cheaper than growth debt. It might make sense to use them alongside growth debt in order to reduce the cost of capital. However, take care not to overload your company with debt and to keep enough room in your asset base.
The following case study is a clear example of how a real company used growth debt provided by BOOST&Co instead of equity to lower the cost of capital.

This software-as-a-service (SaaS) business sells software to top-5,000 global companies. It wanted to expand into the US and to recruit additional sales people. We invested a total of £3M to support them as they worked towards achieving these ambitions.

The business was valued at four times’ revenues when we invested and the management team is aiming for a six times’ revenue multiple valuation in 2018 – this is ambitious but achievable in the SaaS marketplace.

Company’s metrics

- £4M yearly revenues,
- 40% annual growth rate,
- EBITDA breakeven

- Enterprise value at the time of investment is £16M (4 times revenues).
The terms of the financing offered by BOOST&Co

- £3M loan: £2M available upfront and £1M six months later
- Duration of four years
- Monthly repayments: six months of interest-only payments, amortising thereafter
- Pricing: 11% interest rate, 15% of the loan amount worth of warrants.

Comparing BOOST&Co debt solution to the equivalent equity investment shows the equity option is 3.5 times more expensive

<table>
<thead>
<tr>
<th></th>
<th>Option 1 £3M of Growth Debt</th>
<th>Option 2 £3M of Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest cost</td>
<td>£800K</td>
<td>None</td>
</tr>
<tr>
<td>Equity dilution</td>
<td>3% *</td>
<td>16% **</td>
</tr>
<tr>
<td>Equity cost in 2018 upon an exit at £66M</td>
<td>£1.4M</td>
<td>£7.4M</td>
</tr>
<tr>
<td>Total Cost</td>
<td>£2.2M</td>
<td>£7.4M</td>
</tr>
</tbody>
</table>

* Option 1 equity kicker is 15% of the loan amount worth of warrants. Based on a valuation of £16M, this is £450,000 warrants, representing 3% of the company.

** Option 2 shows a £3M equity investment at a £16M pre-money valuation, this represents a 16% stake of the company.
What gets growth lenders excited

Businesses with certain characteristics are likely to find that growth lenders are especially enthusiastic. None of the qualities listed below are hard criteria, but they will give you a flavour of the appetite that lenders might have for your company.

- Strong momentum
  Growth lenders like to invest in companies when they have strong momentum and can demonstrate trading is on the up. Lenders rely on the company’s future growth rather than past performance to service the debt, so strong momentum gives them confidence that company is on track to achieve this.

- Scalable business
  Growth lenders are actively seeking scalable business opportunities because they offer a risk profile that is very well matched to growth debt. A scalable opportunity is one where the business is fully proven and successful but needs additional resources to expand – for example, it needs to take on sales staff, invest in production capacity, or to replicate a service in new locations.
  
  From a growth lender’s perspective, this is an opportunity for clear growth and controlled risk, as the company is simply doing more of what it is already very good at.
Hot markets
A hot market means the company is more likely be successful. It will find it easier to scale and it will have more chance of achieving a highly valued exit because such markets will attract equity financing and M&A.

Companies active in hot markets can easily reach annual growth rates of 50% to 100%. Examples might include:

- Businesses building a leading position in an emerging market;
- Businesses offering a disruptive service in an established market.

High gross margins
High gross margin businesses are well suited to growth debt because they service fixed repayments of the debt more easily.

A high gross margin is often an indicator that a company delivers high value-added services to its customers. That is evidence of the longevity of the business model and also provides some headroom for lower margins if competition increases.

In addition, lenders like the fact that in a downside scenario, it is easier to support or save such companies because it is easier to act on overheads than on variable costs.

Recurring and predictable revenue streams
Growth lenders love business models with recurring revenues because a company scales faster when it only has to win customers once.

Also, recurring revenue streams are often predictable; this attribute gives the lender visibility on the company’s future cash-flows and its ability to service debt. Businesses in this category include:

- Software-as-a-service enterprises;
- Businesses with long term contracts - the backdrop is often long sales cycles so you will need to demonstrate a strong
Cash is king for growth lenders. A business plan showing clear cash headroom will ensure the lender is comfortable about your ability to service the debt.

<table>
<thead>
<tr>
<th>Cash headroom</th>
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<tbody>
<tr>
<td>Cash headroom will ensure the lender is comfortable about your ability to service the debt.</td>
</tr>
</tbody>
</table>

Downside protection is very important to growth lenders. It is easier to lend to companies with tangible assets - property, stock, or account receivables, for example – that the lender will rate as high-value collateral. Specific situations that growth lenders like include:

- Funding equipment or hardware that is needed to accelerate growth;
- Funding stock that is needed to increase sales;
- Funding working capital where revenues are recognised ahead of receiving payments.

<table>
<thead>
<tr>
<th>Asset-heavy business models</th>
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</thead>
<tbody>
<tr>
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A business with good customer diversification will be considered a well-proven model and less risky. For companies with long sales cycles, the expectations in terms of customer concentration tend to be lower.

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Growth lenders will challenge you to show that you have achieved what you said you would. This could prove vital for businesses that reach out to a growth lender six to 12 months ahead of actually being in a position to start the fundraising process.

<table>
<thead>
<tr>
<th>Management team who deliver their business plans</th>
</tr>
</thead>
<tbody>
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</table>

There is a large upside to delivering on your plans - or in exceeding them. Doing so is rare and lenders will give you credit for your ability to make accurate forecasts. They will feel more confident about your growth plans.
In this section, we explain the key steps involved in taking on growth debt. The process takes two to three months (as opposed to three to six months for bank debt and six to 12 months for institutional equity). Your growth initiatives can kick off fast, with management time not taken away from the job of running and growing the company.

Key steps from first meeting to funding

- First meeting
  - Explain the basics about your business and why you need funding
  - Meetings with management team and investors
  - Information gathering
  - On-site visit
- Get to know your business
- Term sheet
  - Formal offer for funding
  - Negotiation of the terms
- Due diligence and legal documentation
  - Financial due diligence
  - Legal docs drafting
- Funding
  - Happens a couple of days after signing legal docs

Have a look at chapter 8 to learn more on how to prepare properly.
Once the growth lender has got to know your business, the next stage is to issue you a term-sheet. This is a legally-binding document summarising the key terms of your agreement with it. A signed term sheet from a lender means it is on-board and keen to fund you. The likelihood of moving to funding is very high.

The lender will develop a better understanding of your business and make sure information shared is accurate. The main actions include:

- Financial due diligence: a third party looks at your historical accounts and analyses financial forecasts;
- Research into the market: growth lenders focus on this element in less detail than equity investors but still want to understand key market dynamics;
- Customer references: the lender may talk to your customers where relevant in order to better understand your product or service and how you’re positioned in the marketplace;
- Co-investors consultations: the lender will talk to your equity investors if the business is backed by other institutionals.

• Legal documentation typically includes three standard documents:
  1. The loan agreement is a standard contract between the lender and the borrower regulating the loan facility;
  2. The debenture creates and acknowledges the liability of the company to the lender;
  3. A warrant instrument lists the terms and conditions of the equity kicker.
• If you’re using multiple sources of debt, you will also need:
  1. An inter-creditor agreement to regulate the rights and ranking of two or more lenders;
  2. A subordination agreement to make the lien of a party junior or inferior to the ones of another party.
• Legal documents are drafted by the lender’s lawyers and revised by the company’s lawyers.
• Most businesses use an external lawyer to advise them on this element of the transaction.
The key people involved in the fund-raising process are typically the CEO and CFO. The process usually requires:

- For two to three months - 20% of the CEO’s or CFO’s time. That includes work on information gathering, due diligence and legal documentation.
- For a few meetings - key staff, but disruption is minimal.

Businesses with an in-house finance team may find the process easier since key financial information is likely to be ready and of a higher quality.

Most businesses don’t take specialist external advice when raising growth debt, but there is nothing to stop you doing so. It’s worth noting that growth lenders are used to dealing with young businesses and entrepreneurs that may be fund-raising with institutional investors for the first time. They will understand that the process may involve a learning curve for you.

There are three reasons why an investor can pull-out after signing a term-sheet:

- Due diligence reveals a major deviation from the information you shared - for example, if a lender discovers the business has overstated its financial performance or the market dynamics are not as it has suggested.
- There is a lack of consensus on the legal documents - legal documents are standard, mostly consist of what is agreed in the term sheet, and have been tried and tested in a number of transactions. There is still room for negotiation on the details but if these negotiations stall, investors are likely to consider excessive delays unduly cumbersome.
- There is a large deviation from the initial financial forecasts during the period of discussion – in which case, a lender might delay funding in order to make sure of the business’s growth prospects.
08
What to prepare before raising growth debt

In this section we cover how you should prepare to raise growth debt. Above all, good quality information is the key to a swift process. And the better prepared you are, the more impressed investors will be.

Lenders like to see the following basic information ahead of meeting you for the first time, so that they are well-prepared to understand your business:

- A presentation of the business model;
- Last three year’s accounts (audited or not);
- The most recent management accounts showing the current trading of the company;
- Financial forecasts for the next two to three years;
- A capitalisation table.

Ideally, financial forecasts will include separate forecasts, on a monthly basis, for profit and loss, cash-flow, and the company’s balance-sheet. The forecasts should be in an Excel file, with no hardcoded numbers, so that investors can apply their own sensitivities.

Make sure you have these ready before starting because this
will accelerate the process and it is important not to change the forecasts half-way through the process.

Growth lenders’ expectations for financial forecasts are different to those of an equity investor’s. They will expect to see:

• A fully funded business plan – no matter what your fundraising assumptions are and the mix of debt and equity, lenders want to see a fully funded business plan. Cash balances must be positive and sufficient to service the debt at all times;
• Achievable forecasts – this means a plan that the company can achieve with the funding it has available and without being over-heroic. During due-diligence and in the future, growth lenders will measure your actual performance against your business plan and it is important to demonstrate consistency and the ability to forecast properly;
• Clear assumptions on the following:
  1. funding;
  2. key performance indicators;
  3. revenue build-up;
  4. costs, operating expenses and capital spending;
  5. working capital dynamics (e.g. debtors’ days or stock).

**Key questions to prepare for**

You can expect lenders to ask you certain questions and you should have answers ready. They are likely to want to know about the following.

1. **History**
   - Where your business is coming from.

2. **Business model**
   - What you are doing and how,
   - Who your customers are,
   - What is your unique selling proposition,
   - What is your strategy for growth.
<table>
<thead>
<tr>
<th>Section</th>
<th>Details</th>
</tr>
</thead>
</table>
| 3. Market analysis                           | • Estimate the market size,  
• Identify key trends: is the market emerging, consolidating or established, for example,  
• Have a clear picture of the different segments and where your company is positioned,  
• List your competitors and explain how you compete against them,  
• Look for recent transactions in the sector.                                                                                                                                                                                                                             |
| 4. Management team                           | Talk about the key people in the business and what their roles and backgrounds are.                                                                                                                                                                                                                                                     |
| 5. Funding history                           | How much has been invested in the business and who the owners are.                                                                                                                                                                                                                                                                      |
| 6. Your funding needs                        | • How much you need,  
• How the funds will be used,  
• When you need the funds,  
• Whether your needs will be funded fully through debt or through a mix of debt and equity,  
• What you think the funding round will enable you to achieve.                                                                                                                                                                                                            |
| 7. The downside protection and residual value of the business | Think about what the levers are to ensure your business can service a debt facility in a low growth scenario, for example:  
• good visibility on future revenues,  
• ability to scale back the cost base,  
• assets that can be sold to generate cash.  
Also think about the residual value of your company i.e. the value that could be extracted from the company in a downside scenario, for example: |

The Growth Lending Guide for SMEs
• What a third party would be willing to buy in such a situation, for example long-term contracts, blue-chip customers, a recurring revenue base, intellectual property or technology, or strong positioning in a niche market or in a country.
• Company assets for example fixed tangible assets, stock, account receivables that could be used by the Lender to get its capital back.

8. Your exit strategy

Think about what the exit routes might be. Are you working towards a trade sale, a sale to a private equity house, or an IPO, and when are you aiming to achieve this?
09
What happens after funding

After closing a funding round you will be committed to working with a new partner for an extended period, so it is important to get this right. In this section we explain what to expect from the relationship in the future and we discuss how to choose a growth lender.

A three- to five-year partnership

Growth lenders are not as hands-on as equity investors but you will still report to them on a regular basis over the life of the loan, which is likely to be three to five years.

The experience of your lender may prove invaluable, as there may be some tough steps along the way, especially for smaller businesses. You are in for a long – and sometimes rocky – journey, so make sure you pick people who you enjoy working with.

Monthly monitoring

Growth lenders monitor businesses they invest in on a monthly basis. They use one-hour monthly meetings to keep up-to-date on ongoing progress of the business. They will also expect to be provided with regular information on the business with monthly management accounts and board packs.
It’s important to understand your obligations. Legally, if a business can’t make its repayments, its creditors can appoint an administrator. There will be negotiations over how the business can reorganise and whether it should continue trading. In many cases, the parties agree for the business to continue trading, but aim to reduce its costs. In others, the company and its assets may be liquidated.

In practice, growth lenders will work on a solution with management to help the business cope with its problems. Growth lenders are used to dealing with small businesses and they know the journey can be a rough ride. Also, they have an equity kicker that incentivises them to protect the equity value of the business rather than liquidating it.

Growth lenders might consider a number of steps to support a struggling business:
• The injection of additional capital to extend the cash runway if the business expects new sources of capital in the near future or to collect cash from large customers;
• A revised business plan that might imply some restructuring and staff reorganisation;
• Consent to the release of security on some assets of the business for them to be sold to raise cash;
• Help with raising equity finance;
• Rescheduling of debt by spacing out repayments, for example.

There will be a cost when a lender takes softer measures rather than enforcing security. Depending on how bad the situation is and how much credit a lender gives to the management team, this might be structured as fees, higher interest rates or additional equity. This isn’t about opportunism - growth lenders are not distressed investors - but can be an important mechanism to ensure the company is incentivised to service the debt in a timely manner.

If your business does foresee difficulties with the servicing of the debt, talk to your lenders at the earliest opportunity. Lenders will be more supportive than if you wait and say nothing – they’ll appreciate your honesty and they will have more time to develop
an action plan. Bear in mind that growth lenders are dealing with these issues regularly and have an incentive to find a solution.

Four criteria to pick your growth lender

1. **Someone who understands your business**
   
   It is crucial to work with investors who understand the upsides and the downsides of your business, and the opportunities and the threats. You should have confidence the lender has accounted for these considerations and will therefore be both supportive when opportunities arise and understanding if difficulties arise. You need a lender who will be prepared to work out the right solutions with you at such times.

   Investors who understand your business well will craft a financing solution that suits its individual circumstances. An investor who does not understand your business could set up inappropriate funding pattern or covenants that your business won’t meet – these will create difficulties in the future.

2. **A quick decision process**

   If you need to change the terms of your facility or take an action that requires the consent of your lender, you need a quick decision that will give you clarity on your options and won’t disrupt your business.

3. **Someone you like to deal with**

   Over time most businesses deviate from their initial forecasts or run into unforeseen circumstances. These may trigger tougher negotiations and harder decisions. You will find it easier to deal with these issues if you enjoy collaborating with your investors.

4. **Can introduce you to other investors**

   This is very important for businesses that are privately owned. A lender should be a valuable source of introductions in the future when you want to sell part or all your business.
BOOST&Co provides debt solutions to innovative small and medium-sized enterprises (SMEs) in Europe. We understand innovation and entrepreneurship and we create financing solutions to help SMEs develop.

At BOOST&Co we don’t have a fixed lending model. Every one of our loans is individually designed to fit each SME’s needs.

BOOST&Co is independent and thinks independently. This means we only lend where we think the situation is right. We manage our own capital and make our own decisions.

Our team is young and entrepreneurial. We’ve all left corporate jobs to work in an exciting and growing company - just like the ones we want to fund.

BOOST&Co is the creation of Lance Mysyrowicz and Andrew Webster – experienced professional investors, based in London. Between us we have backed more than 100 innovative SMEs across many sectors.

We in turn are backed by high net worth individuals, private offices and sovereign wealth funds. The current BOOST&Co funds have £200M to invest in loans to SMEs across Europe.

This is our business. We think that’s important because it helps us understand the priorities of our fellow entrepreneurs. It also helps us think clearly and carefully about which businesses to back.
Want to discuss in person?

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