Intelligent Capital Market

Overview of Financing Terms for Private Market Credit Facilities

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We are Hum Capital

The rise of SaaS and cloud-based technologies has made it easier than ever to build a business around a brilliant idea. While barriers to entrepreneurship have been lowered, access to capital still blocks the path for many companies. That's because the fundraising process is often exclusive, inefficient and lacking in transparency. As a result, founders lose valuable time evaluating their options, courting investors, and trying to prove their value—all before they have the chance to pitch for investment.

Hum Capital connects great companies with the right capital by helping them understand the fundraising process, and the the power of their data. Hum's Intelligent Capital Market (ICM) puts companies' financial data to work, applying data analytics and AI to give companies an investor's view of the business. To learn more about the fundraising process, and all the options available to companies, please visit us at at www.humcapital.com.

Overview of Financing Vehicles and Typical Terms

Structure	Revenue-based financing	Receivables factoring	Bank line of credit	Bank term Loan	Non-bank line of credit	Non-bank term loan	Mezzanine debt
Product description	You borrow $1 and pay back $1.02-1.06. Repayments occur by the lender taking a percentage of your revenue until you are fully repaid. The faster you repay (ex: if you grow quickly), the higher your cost of capital.	You sell the contracts you have with customers to a financier. Pricing varies greatly depending on the creditworthiness of your customers whose repayment risk the lender is assuming. If you have government or Fortune 500 customers, factoring can be very efficient.	A lender gives you access to capital which you can draw on as needed. This is like an institutional credit card. The benefit is that you do not pay interest on undrawn capital (although sometimes small availability fees apply) but the downside is the money may not be there when you need it.	A lender gives you a chunk of capital up front. You pay that down with monthly or quarterly payments. Sometimes you have 6-12 months of interest-only payments before amortization kicks in.	Similar to a Bank Line of Credit but access to higher advance rates at a higher price point OR for non-bankable situations.	Similar to a Bank Term Loan but at a higher price point and typically a higher-leverage multiple OR for non-bankable situations.	A non-bank loan that sits junior to senior debt on your balance sheet. Mezzanine financing often complements bank debt delivering a larger check size and lower cost of capital than bank debt plus equity.
Cost of capital	12-36%	6-20%	2-6% pegged to LIBOR or Prime	2-6% pegged to LIBOR or Prime	6-14%	6-18%	10-22%
Warrants	No	No	No	Rarely (only for venture debt)	Rarely	Occasionally (venture term loans frequently)	Frequently
Additional fees	None	None	Typical (origination fee, collateral monitoring fee, and unused fee)	Typical (origination fee, prepayment fee)	Typical (origination fee, collateral monitoring fee, and unused fee)	Typical (origination fee, prepayment fee)	Typical (origination fee, prepayment fee)
Seniority	Other debt permitted (including senior debt)	Other debt permitted but practically this may be difficult to secure (see critiques below)	Senior	Senior	Senior	Senior	Second position

Overview of Financing Vehicles and Typical Terms, continued

Structure	Revenue-based financing	Receivables factoring	Bank line of credit	Bank term Loan	Non-bank line of credit	Non-bank term loan	Mezzanine debt
Financial covenants	Covenant-lite with no fixed repayment schedule	Covenant free other than covenants for servicer (to ensure collections on receivables are paid) and eligibility criteria for future receipts sold to Purchaser	Inherently limited by borrowing base (effectively a current asset covenant), potentially EBITDA and asset coverage covenant	Minimum liquidity, tangible net current assets, consolidated leverage ratio, debt service coverage ratio	Covenants look similar to a Bank Line of Credit but are often more flexible	Covenants are often more flexible than a Bank Term Loan	Minimum liquidity, tangible net current assets, consolidated leverage ratio, debt service coverage ratio (typically 10-20% delta between first lien covenants and second lien covenants)
Size	Small $100K - 3M (often <$1M); Ability to easily re-up if payback occurs quickly	Small to large $100K - 50M (often <$1M per purchase)	Small to large $3M+; Typical advance rates: ABL - 85% accounts receivable and 50% of inventory Cashflow - less common (up to 3x EBITDA or 0.5 - 1.0x ARR)	Small to large $3M+; Up to 3x EBITDA unless significant fixed assets	Small to large $3M - 100M; ABL - 85% accounts receivable and 50% of inventory Cashflow - Up to 4x EBITDA or 0.5-1.5x ARR	Small to large $3M - 100M; Up to 6x EBITDA and 1.5x ARR	Medium to large $5M - 100M
Payback	Typically <12 months	Typically <12 months. Repayment is tied to each receivable.	No amortization	3-5 year amortization (occasionally with initial interest-only period)	No amortization	Flexible (option for bespoke payment schedule, interest-only periods, and/or bullet payments)	Varies widely
Critiques	Extremely high cost of capital for fast-growing companies	Lenders often place a lien on the business's entire receivables base even if only financing a portion of the receivables. This often prohibits the business from working with a second lender to finance the receivables that were not financed by the first lender.	Driven by borrowing-base and complex documentation; timely to set up; need to move banking and accounts to that bank	Covenant heavy and complex documentation; timely to set up; need to move banking and accounts to that bank	Driven by borrowing-base and complex documentation	In-depth underwriting and diligence, reporting requirements and complex documentation	Covenants and complex documentation (including intercreditor agreement)

Thank you!

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