FINANCE

BARCLAYS:
VENTURE DEBT FUND

ENDORSED

IMPACT FOR SCALEUPS

ACCESS TO FINANCE	AVAILABLE TO BUSINESSES	VENTURE DEBT TRANSACTIONS	BUSINESS LOANS PROVIDED
	£200m	50	£500m

"The additional funding will allow Gousto to accelerate our efforts to create the very best customer experience, and enable us to achieve our food waste mission."

TIMO BOLDT
CEO and Founder, Gousto

"The venture debt agreement means a lot for the business. Not only does it give us working capital to drive our growth, but it's a vote of confidence from Barclays for the UK SME sector in general and high-growth sector in particular."

SEAN HOBAN
CEO, Kimble

The development of the venture debt asset class is encouraging for scaleups and Barclays is offering an exemplar model, increasing the variety and depth of suitable non-equity finance in the marketplace.

VENTURE DEBT FOR FAST-GROWTH COMPANIES

Venture debt funds have commonly been available in the United States but are less available to UK businesses. Venture debt can be used to finance revenue growth, and as a bridge between equity rounds and pre-IPO financing. It can leverage equity capital in order to increase valuations between equity rounds, reduce dilution and enhance overall investor return.

Research by Oxford Saïd Business School noted that companies with venture debt raise larger equity rounds and that "venture debt is used to augment, not replace venture capital."[10] Early-stage debt funding, together with equity investment, can provide scaleups with more efficient capital structures.

Barclays is an exemplar of this: it has a £200m venture debt fund available for fast-growth companies that have increased revenue by more than 20% year-on-year and have also received external investment through post-seed funding. The Innovation Finance loans of up to £5m provide early-stage companies with an alternative method of funding than raising equity finance.

Companies that have raised venture capital are proactively sought and debt financing is offered alongside to complement this. The VC capital might be used to finance product development whilst venture debt can be useful for cash flow.

The pricing of venture debt will be dependent on various risk factors. A warrant, giving the lender the right to purchase shares or stock at a stated price at a certain point in time, will also be taken. The facilities are usually interest-only and are offered over 24 to 36 months.

The Barclays venture debt offering is available to companies registered in the UK. There is no specific sector focus but the majority of companies suited to the proposition are fast-growth technology companies with a turnover of over a million pounds and 20% year-on-year growth, and VC backers with a sector track record. Scaleup companies who use venture debt also benefit from networking events and from the provision of specially trained Account managers.

[10] Scale-Up UK: Growing Businesses, Growing our Economy (2016), a report from the business schools at the University of Cambridge and the University of Oxford, convened by Barclays.

FOR FURTHER INFORMATION

For further information about the programme: http://www.scaleupinstitute.org.uk/scale-up-programmes/

CALL TO ACTION

There are only a few venture debt players so far in the UK market and yet it is proving a form of patient capital relevant to scaling businesses and one we would encourage more funders to consider offering.