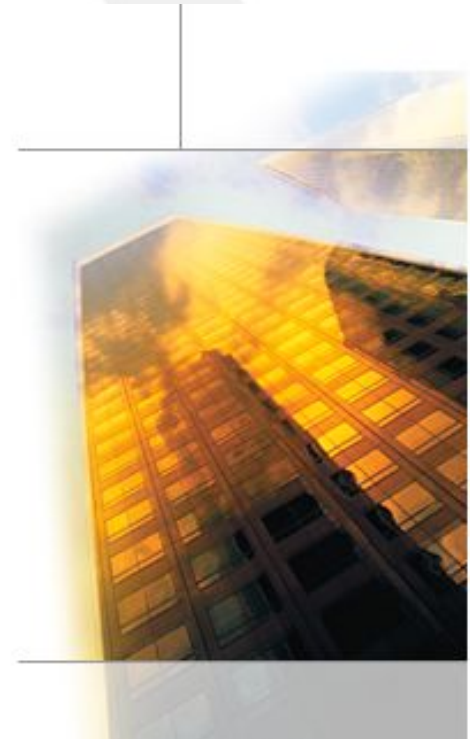




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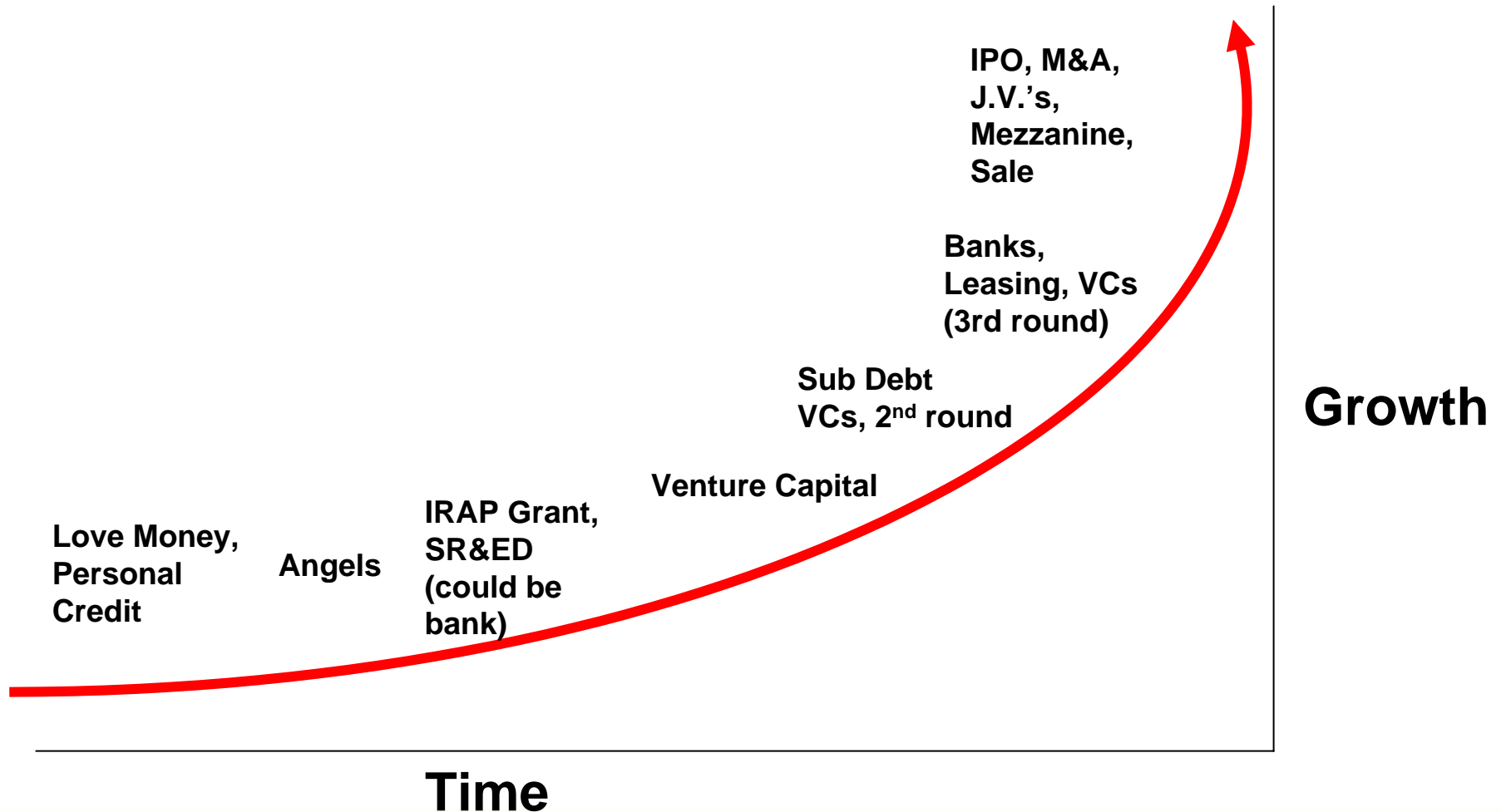
FINANCING HIGH-GROWTH BUSINESSES: THE BANK'S ROLE

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SOURCES OF FUNDING At Each Stage of Growth





The banks role in the financing game

- Equity funds R&D, marketing, sales, & other operating costs
 - Biggest risk in the company's success, therefore biggest return
- Once profit nears, banks can finance profitable growth and longer term financing (lower risk & lower cost to company)



We're cheap but not easy

- Bank costs are prime-prime +3%
 - Vs. cost for sub debt of 10%-15% coupon plus kicker
 - Vs. cost of equity of 30%+
- To get our cheap \$
 - Financial Covenants
 - Min Current Ratio (liquidity)
 - Min Tangible Net Worth Equity (losses and increase of intangible assets)
 - Debt/Tangible Net Worth (right mix of patient & impatient capital)
 - Funded Debt/EBITDA (interest bearing debt can be serviced by historical EBITDA)



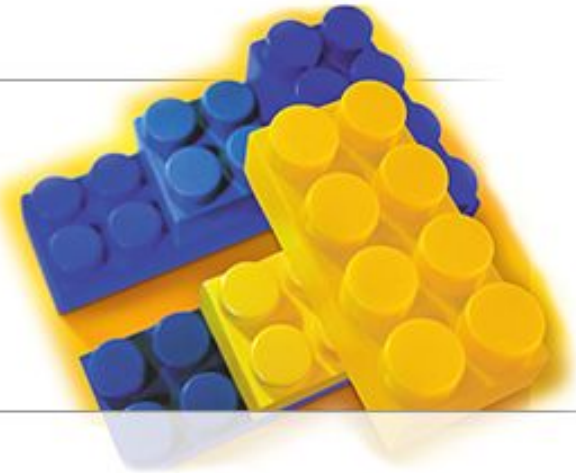
We're cheap but not easy (con't)

- Security
 - Charge over all companies assets including IP
 - Shareholder loans rank behind ours
 - Personal guarantees in extreme cases
- Availability
 - Tied to borrowing base for operating lines
 - Term \$
 - Good track record of cash flow
- Reporting
 - Monthly/quarterly financials and margin report
 - Annually – 3rd party reviewed statements & business plan



Bank Financing Products for High Growth Companies

- Working Capital Financing
- R&D tax claim financing
- CCC – PP Program
- Small Business Loans
- Trade Finance
- Asset-Based Finance
- Acquisition Financing
- Capital Asset Purchases





The Bank's Role: Not just about \$

- Foreign Exchange (risk management)
- Cash Management
 - building efficiencies in your business
 - reducing costs
- Investing treasury funds
- Referrals to qualified professionals (ie. VC, lawyers, accountants etc)
- Open doors to sell into the bank
- Employee benefits
- Risk Management



What a banker looks for in financing a high-growth company

- Professional Management
- Proprietary product/technology (scalable business model)
- Equity investment - “Skin in the game”
- Board of Directors or informal Board of Advisors
- Export oriented
- Business Plan



Finding a Good Banker



- A referral is the best way to screen
- Do they understand your industry?
- Do they have experience working with companies like yours?
- Are they plugged into the networks that support your industry?
- Approach them before you need them
 - Establish a relationship and develop a track record