



Angel Capital Association – The Rise of Revenue Financing Funds
August 2019

2001



2015

February 19, 2015



a portfolio
company of



has been acquired by



a portfolio
company of



Vista Equity Partners

Arma Partners acted as exclusive financial advisor to Netchemia

Armapartners

Novel Growth Partners

Existing capital market structure does not support the majority of entrepreneurs.

“Private institutional capital – bank lending and venture capital – dominate the capital landscape and receive the greatest attention in the research. Yet **at least 83 percent of entrepreneurs do not access bank loans or venture capital.**”



Kauffman Foundation

The State of Access to Capital for Entrepreneurs
February 2019

“...the existing venture capital industry **only serves 1% of the entrepreneurs** in the country, and we need innovators like **Novel Growth Partners** to develop solutions for the other 99%.

Ross Baird

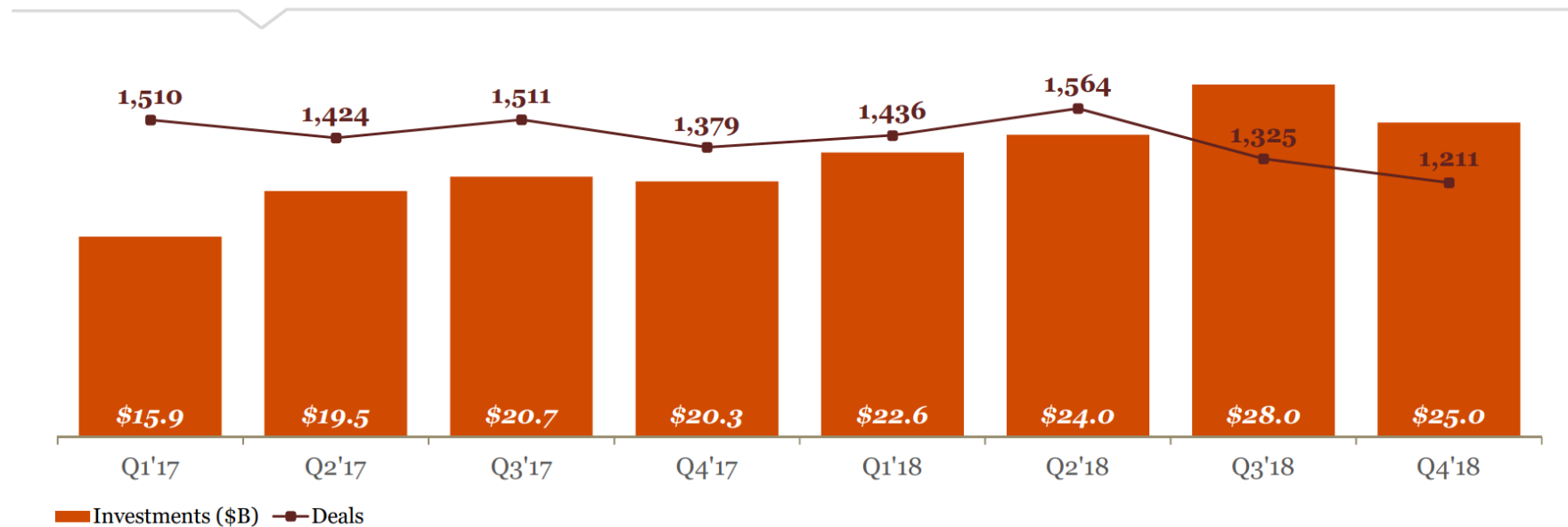
Author of “The Innovation Blind Spot”
President of Village Capital



Novel Growth Partners

The odds are against raising institutional venture capital for most entrepreneurs

In 2018 **only 5536 out of more than 500,000** new companies received VC institutional investment with only 25% of those being early stage investments



Novel Growth Partners

Early stage companies have limited options for capital and are left in “no man’s land”.

BANKS

Banks require collateral, personal guarantees or a history of profitability.



ANGELS

Angels require a lead, take a lot of effort and time to round up and have high return expectations.



VENTURE CAPITAL

Only 1% of companies exhibit growth and have model required for VC investment.



PRIVATE EQUITY

Private equity managers typically seek companies with at least \$5M in ARR.



Novel At a Glance

Transforming access to capital for underserved capital markets

2018

Launched

\$12M

Fund Size

10 Co

Portfolio

Novel, a unique Revenue Based Investing (RBI) fund driven by compelling market insights

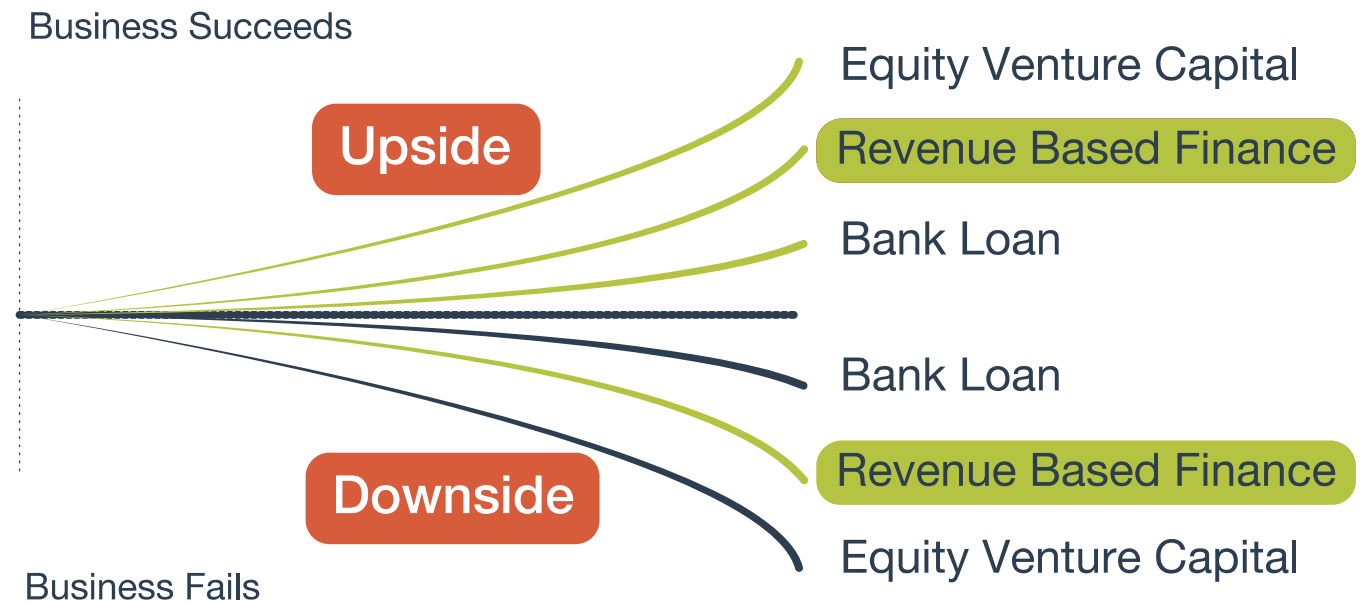
\$100K to \$1M

Check Size

An approach that works for more companies

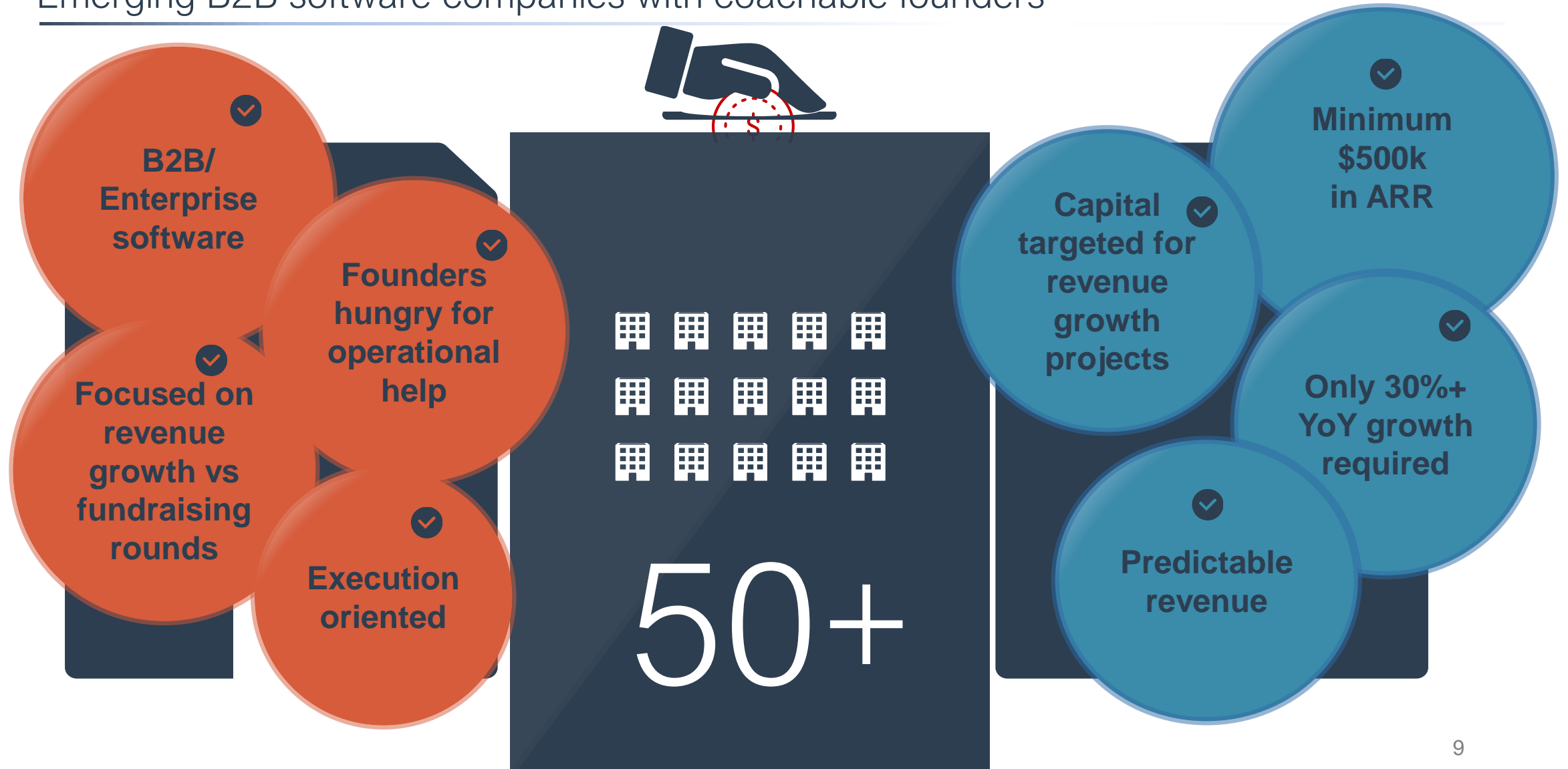
Revenue based investing (RBI) fits between equity VC and traditional debt

- Initial investment of \$100K to \$500K in entrepreneur-friendly growth capital for B2B software companies. (Max \$1M/Co)
- Investments of up to 30% of company ARR.
- Company returns capital to Novel on a set monthly royalty payment of between 4% and 8% of gross cash receipts.
- Royalties are capped at 1.5X to 2.2X the capital invested within a 3yr to 5yr timeline.
- Nominal warrants between 0.5% and 2%.
- Amount invested, royalty, cap and warrants are dependent on individual company's profile.



Who we invest in?

Emerging B2B software companies with coachable founders



Novel insights on early stage companies

Novel's Growth Bootcamp delivers proven tactical support for companies

**Lack of
Strategic Focus**



8 Hour strategic
planning session



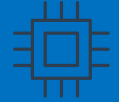
**Companies
Lack
Growth Engine**



80 Hours of customized
sales consulting



**Team and
People**



40 Hours to hire your
next sales team member



Cost of Capital - Novel Vs Other Options


Novel offers meaningful capital at a reasonable cost to early stage companies

Type	Bank	Novel	Angels	VC
Key Benefits	<ul style="list-style-type: none"> • Low Cost 	<ul style="list-style-type: none"> • Moderate cost • Payment Flexes 	<ul style="list-style-type: none"> • Low Upfront Cost • Payback at Exit 	<ul style="list-style-type: none"> • Low Upfront Cost • Large checks • Payback at Exit
Challenges & Constraints	<ul style="list-style-type: none"> ▪ Generally not available to early stage ventures ▪ Collateral required ▪ Fixed payments ▪ Limited \$ (% of Receivables) 	<ul style="list-style-type: none"> ▪ Must have revenue ▪ Needs to be close to profitability 	<ul style="list-style-type: none"> ▪ Multiple relationships/terms to negotiate (Syndicate) ▪ Soft circled money waiting for a lead ▪ Small individual checks ▪ Several months to do deal 	<ul style="list-style-type: none"> ▪ Few early stage ventures get investment ▪ 6 to 8 months average lead time ▪ 100%+ Annual growth expectations ▪ Requires a lead VC ▪ Complex Due Diligence ▪ Valuation negotiation
Expected Return	1.25X	1.5X to 2.2X	1.2X(Conv. Note) & 5.0X+(Equity)	10X+


Why entrepreneurs partner with Novel

Capital and expert operating support in a single platform


Simple and Transparent Fundraising Process

- Fast investment decision and funding in 45 to 60 days.
 - Larger investments available as you grow.
 - Fixed royalty percentage. You are not stuck to a fixed payment; it flexes with monthly cash flow.
 - We play well with others. We can invest alongside angels, equity VCs or even venture debt.
- 

Creating Entrepreneur Optionality

- Capped return. You know your total cost of capital at the beginning.
 - No board oversight required.
 - No exit required. Exit your company on your own timeline and your own terms.
 - No personal collateral required. No personal guarantees.
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More than just Capital

- We have been in your shoes. Our team has real world entrepreneurial/operational expertise.
 - Novel's Growth Bootcamp and best practices make you a more valuable company.
 - Interests are aligned with entrepreneur. No unnatural growth expectations. We both want growing, sustainable revenue.
- 

Thank You



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Founding Partners

Complementary experience. Deep operational expertise.

Keith Harrington

Founder & Managing Director



- Former Managing Director at KBA, led investments in digital health, biotech for \$591M state-sponsored fund.
- Engineering and M&A leadership roles at Birch Telecom from startup to nearly \$300M in revenue.
- Advised hundreds of entrepreneurs through work with Larta Institute, TechStars, Upstart Partners, Pipeline.
- Venture Capital Executive Program, Berkeley / MBA, Indiana University / BS, Park University.
- Kauffman Fellow.

Carlos Antequera

Founder & Managing Director



- Co-Founder and CEO of Netchemia (sold to PeopleAdmin), grew to \$15M in revenues and over 100 employees serving 3500 school districts, led three acquisitions, raised \$850K from angels and \$6.5M from institutional investors.
- Chief Product Officer/Chief, Corporate Strategy at PeopleAdmin, completed two acquisitions in collaboration with Vista Equity Partners.
- Active angel investor in ten startups, LP in VC & PE funds.
- MBA, University of Kansas / BS, Computer Science, Washburn University.
- Kauffman Fellow, Pipeline Fellow, Mentor for TechStars & Village Capital.