



## The Emergence of Alternative Financing

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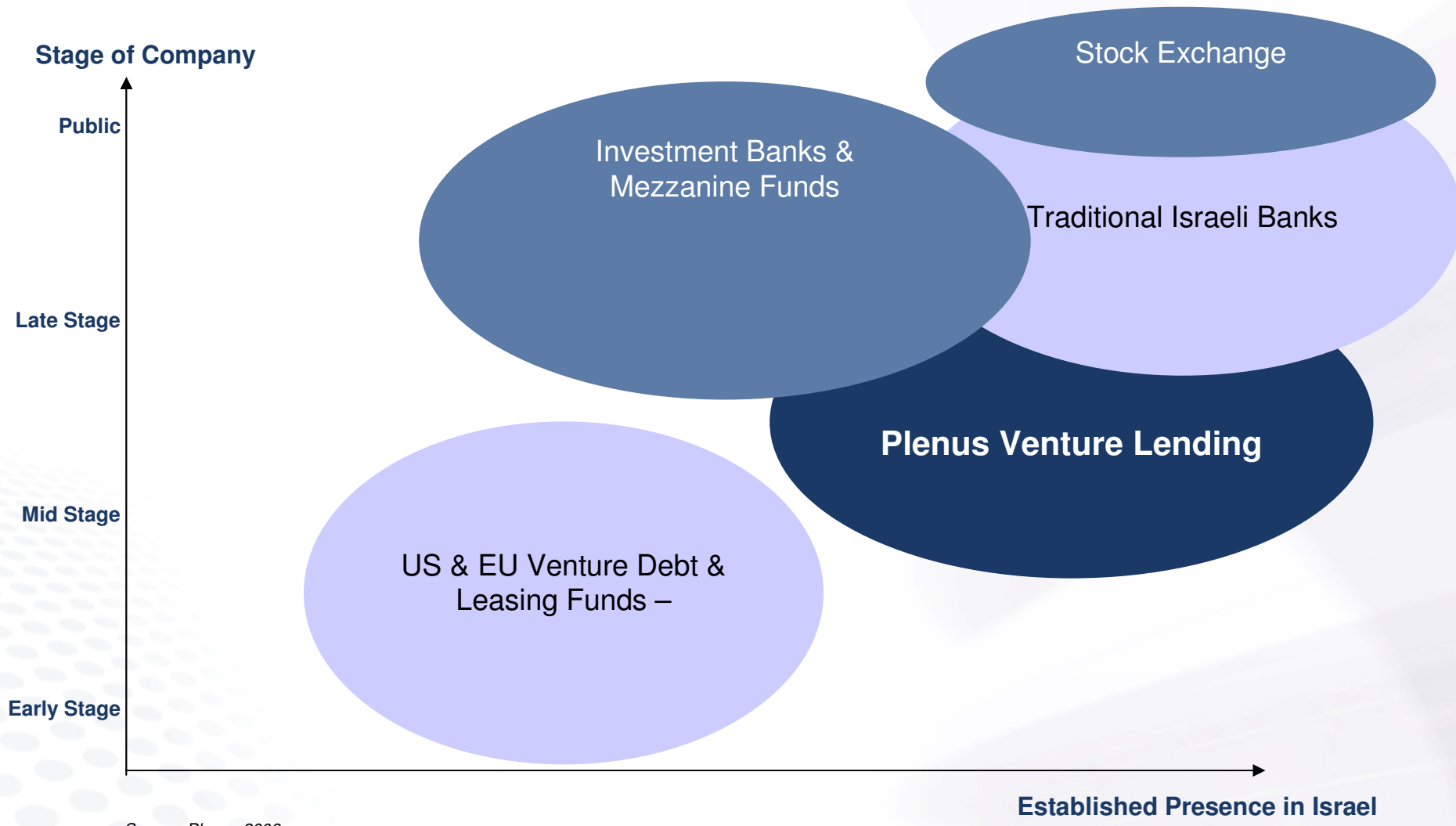
## Advice to CFOs

- Do not leave it for later
- Too much is always better than too little ...
- Customers want to see healthy cash flow
- Learn how to handle debt
- Protect your portion of equity
- Check all financing options

## Why Corporations & Private Equity funds choose debt financing?

- **Enhancements to existing funding round**
  - minimal equity dilution
- **Bridging**
  - time extension to the next financing round, allows for terms improvement
- **Financing M&As**
- **Financing domestic/ international growth & expansion**
- **Financial “Buffering”**
- **Financial credibility**

# The Israeli debt financing landscape



Source: Plenus 2008

## Traditional debt financing

### ● Banks

- Subject to Central Bank's regulations
- May require rating
- Require first rank & strong collaterals
- Offer other financial services
- Provide relatively inexpensive financing
- Relatively fast procedure

### ● Stock Exchange (tradable bonds)

- Subject to SEC regulations
- May require rating
- Require public disclosure
- Require relatively weak collaterals
- Non flexible debt structure
- Provide relatively inexpensive financing
- Result in dilution in case of conversion
- Highly dependant on market conditions

## Alternative debt financing

- **Venture Leasing**
- **Venture Lending**
- **Mezzanine**

## Venture Leasing

### Definition

Venture Leasing provides equipment financing in return for lease payments

### Business Model

- **Amount:** According to the fixed assets requirement of the company
- **Repayment**
  - Spitzer Model - up to \$5m
  - Interest - 10-15% (USD)
  - Repayment 3-4 years
- **Equity Kicker:**
  - 10-20% warrant coverage of loan
  - Exercise Price tied to recent or approaching equity round
  - Exercise Period: Up to 10 years
- **Collateral:**
  - Fixed charge of the companies equipment

## Venture Lending

### Definition

Venture Lending is an alternative fully secured Credit Facility

### Business Model

- **Credit Line or loan:**
  - \$5 - \$15 Million
  - LIBOR +4-6% (undrawn capital fee of up to 2%)
  - Period of up to 3 years
- **Equity Kicker:**
  - 20-35% warrant coverage of the total credit amount
  - Exercise Price tied to recent or approaching equity round
  - Exercise Period: Earliest of up to 9 years or exit (public companies; 5 years)
  - No leverage
  - Reinvestment of 3 times the capital
- **Collateral:**
  - Floating charge and specific fixed charges (IP, receivables)



## Mezzanine

### Definition

Late stage financing of pre-IPO and pre-Exit companies, or M&A

### Business Model (In Israel)

- **Financing:**
  - \$10-\$30 Million
  - Interest rate -slightly higher than bank
  - Period of 3-5 years
  - Reinvestment of 2 times the capital - delete
- **Equity Kicker**
  - Loan can be converted into equity
  - Warrant coverage
- **Collateral:**
  - 2nd rank security
  - Stock of acquired company

## Mezzanine Financing

### Target Companies

- Mid to late stage mid market companies
- Cash generative business
- Significant revenues
- Profitable track record
- Visible exit
- Experienced & committed management and shareholder team

### Required expertise for successful Mezzanine financing

- Understanding of large operations
- Knowledge of buy-outs
- Exit management experience

## Plenus: Israel's leading equity-based debt fund

- Founded in September 2000
- Managing over \$300mm:
  - Venture Lending: \$230mm
  - Mezzanine Funds: \$96mm
- **Investors:** Foreign and Israeli financial institutions
- **Exits:** EZchip (NASDAQ: LNOP), Followap (NYSE: NSR), Identify (NYSE: BMC), Whale (Nasdaq: MSFT), Insureworx (Nasdaq: FISV), XMPie (NYSE: XRX), StoreAge (NYSE: LSI), PowerDsine (Nasdaq: PDSN), and Cyota (Nasdaq: RSAS)
- Over 70 deals, over \$300mm transactions

# Plenus is Affiliated with the Viola Group



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Viola Group has Over \$1.7B in Assets Under Management

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# Questions?

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