

Is debt the new equity?

How SaaS founders use credit
to maximize shareholder value





The purpose of a start-up is growth



Growth requires investment

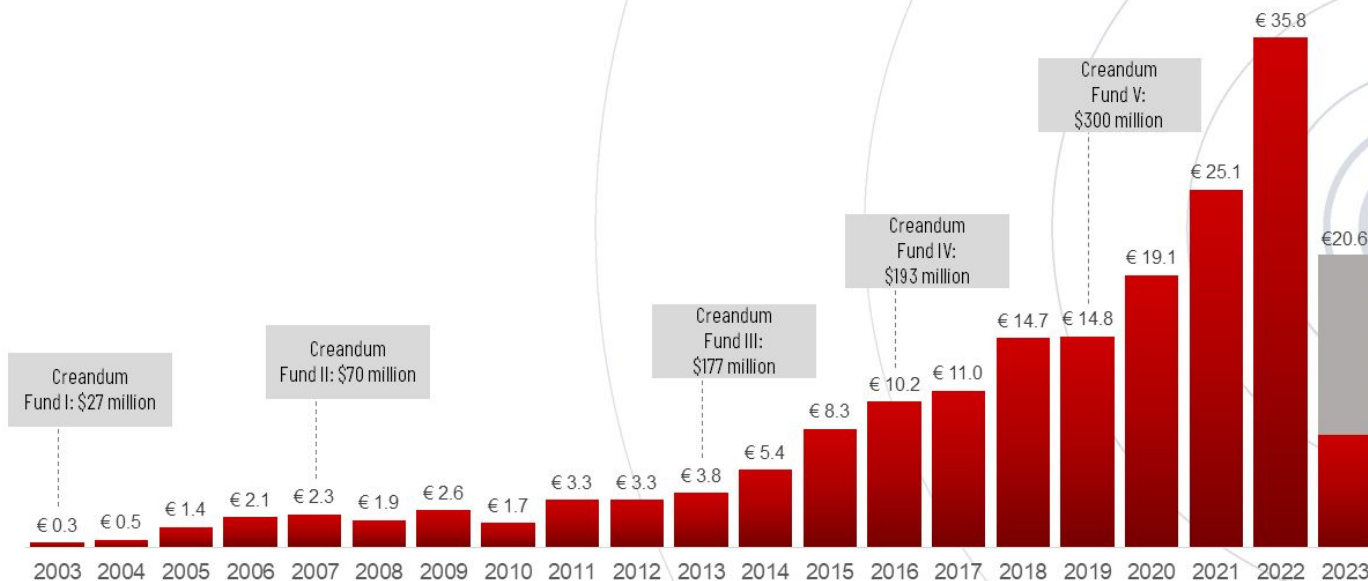


Venture capital has been booming



VC funds raised by European investors (in billions)

tech
eu



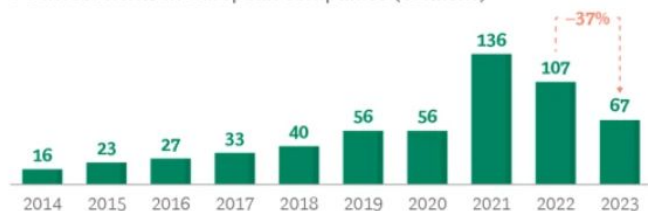
Source: European tech ascendancy - Unlocking a continent's innovation potential, Creandum Report

... until 2022

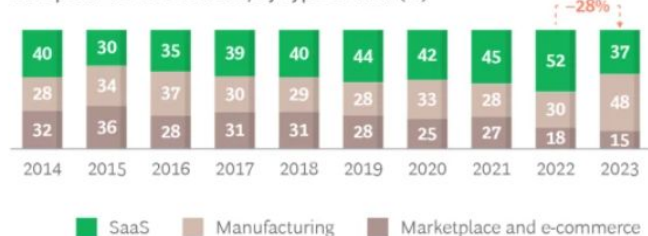


Exhibit 2 - European SaaS Funding Decreased in 2023, as VC Capital Has Become Harder to Source Across All Industries

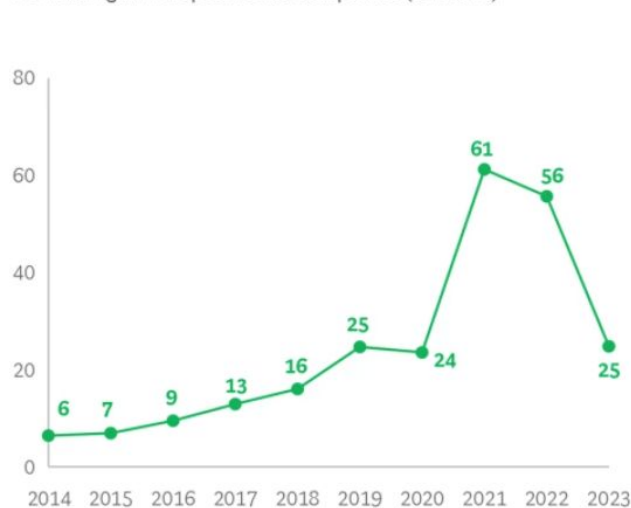
VC investments in European companies (€billions)



European VC investment, by type of firm (%)



VC funding in European SaaS companies (€billions)



Sources: Dealroom; BCG X analysis.

Venture capital is quite a recent phenomenon: 1970s

SAND HILL ROAD
TECHNOLOGIES FUND

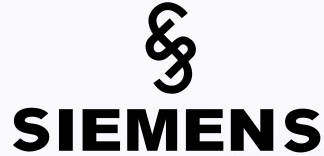


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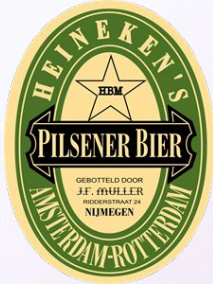


How were startups funded before?

Credit used to be common for venture financing



- Founded in 1847 with some equity and borrowed funds
 - Significant debt to finance Russia expansion in 1855
-



- Founded in 1864
 - Loan of 150,000 guilders to finance the second factory in 1873
-



- Founded in 1891
- Loan of 23,000 guilders already in 1895 to finance the expansion



1. How can I make best use of credit
2. In which situations is it wise to use debt

Not every business is a VC case



VC case

Uncharted territory

Net burn >100% of MRR

Multi-billion TAM

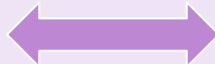
Horizontal software

Exponential growth

Winner-takes-it-all market

“Fund returner”

Big board meetings



Credit case

Well-working business

Net burn <50% of MRR

Limited TAM

Vertical software

High growth

Capital-efficient business

“Life changer”

Staying in charge

Three main uses cases for credit in SaaS



Boost your growth

Invest in product, marketing & hiring to grow faster



Build a bridge

Close a temporary liquidity gap



Extend your runway

Defer your next fundraising to achieve a higher valuation

1. Boost your growth: Increasing company value without dilution



What:

- Sales people
- Marketing push
- Develop the product

How:

- Know your numbers
- CAC payback < 12 months
- Project-based, 12-15 months
- Repeatable for each cohort

1. Boost your growth – client example



Financial Planning FiRu (float) 2024-2026

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100% € % 123 Default...

	AD	AE	AF	AG	AH	AI	AJ	AK	AL
	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
1 Marketing									
2									
3 Month	June 2024	July 2024	Aug. 2024	Sept. 2024	Oct. 2024	Nov. 2024	Dez. 2024	2024	Jan. 2025
4 MRR/Customer	80.00 €	80.00 €	80.00 €	80.00 €	80.00 €	80.00 €	80.00 €	45.96 €	42.00 €
5 MRR/User	7.16 €	7.16 €	7.16 €	7.16 €	7.16 €	7.16 €	7.16 €	4.77 €	4.77 €
6 CAC per new customer	900.00 €	900.00 €	900.00 €	825.00 €	750.00 €	750.00 €	750.00 €	475.00 €	750.00 €
7									
8 Upfront-Payments of long-term fees									
9 % of new subscriptions pay for 12/24 months upfront	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
10 Avg. Upfront payment of subscription	900.00 €	900.00 €	900.00 €	900.00 €	900.00 €	900.00 €	900.00 €	600.00 €	615.00 €
11 avg. upfront payment period (months) of subscription	16	16	16	16	16	16	16	16	16
12									
13 Additional Service-Fees									
14 Service-Fee in % of customers additionally booked to subscription	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	11.00%
15 Service-Fee avg. amount per customer	160.00 €	240.00 €	160.00 €	170.00 €	170.00 €	170.00 €	170.00 €	170.00 €	185.00 €
16									
17 NDR, Churn, Outstanding Invoices									
18 Net-Dollar-Retention Rate (in % of MRR) (NDR)	99.47%	99.47%	99.47%	99.47%	99.47%	99.47%	99.47%	99.47%	99.47%
19 Customer Churn-Rate (% of customers-churn/month)	1.92%	1.92%	1.92%	1.92%	1.92%	1.92%	1.92%	1.92%	1.50%
20 User Churn-Rate (% of user-churn/month)	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
21 User per Customer	10	10	10	10	10	10	10	10.00	10.6
22 Outstanding Invoices Rate (in % of total invoices-amount)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
23 recovery rate of outstanding invoices per month (in %)	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	42.50%	35.00%
24									
25 Month	June 2024	July 2024	Aug. 2024	Sept. 2024	Oct. 2024	Nov. 2024	Dez. 2024	2024	Jan. 2025
26 Marketing-Budget	87.750.00 €	90.000.00 €	187.500.00 €	225.000.00 €	225.000.00 €	225.000.00 €	375.000.00 €	2.288.630.00 €	400.000.00 €
27 Marketing Budget paid by Equity	0.00 €	7.500.00 €	187.500.00 €	0.00 €	0.00 €	0.00 €	0.00 €	195.000.00 €	200.000.00 €
28 Marketing Budget paid by Debt/Loans	87.750.00 €	82.500.00 €	0.00 €	225.000.00 €	225.000.00 €	225.000.00 €	375.000.00 €	1.220.250.00 €	200.000.00 €
29									
30 Customer Development									
31 New Customers (Online-Channels)	98	100	208	273	300	300	500	3710	533
32 Partner- & Whitelabel Sales Customer (Assumption)	7	10	12	15	18	25	30	117	35
33 New Customers	105	110	220	288	318	325	530	3828	568
34 Total customers (churn excl.)	3.300	3.410	3.630	3.918	4.236	4.561	5.091	5.091	5.659
35 Customer Churn this month	61	63	65	70	75	81	88	878	76

+ P&L Business Case HR Other expenditures Loan planning Liquidity Planning

- German SMB software
- Performance marketing invest
- Monthly draw-downs
- Detailed RoAS analysis
- Constant measurement & adjustment

CAC cash flow payback period (=CAC/ACFPA)	10,79	10,90	10,09	8,22	7,98	8,11	6,89
CAC fully loaded cash flow payback period (=CAC fully loaded/ACFPA)	17,47	18,61	13,88	11,34	11,01	11,45	8,46
CAC revenue payback periode (=CAC/ARPA)	12,92	12,94	13,03	12,05	11,05	11,13	11,26
CAC fully loaded revenue payback periode (=CAC fully loaded/ARPA)	20,92	22,09	17,93	16,63	15,25	15,73	13,83

2. Build a bridge:

Getting unstuck from short-term liquidity gaps



What:

- Seasonal sales with annual contracts
- Big client onboarding
- Supplier pre-financing

How:

- Short-term funding of 6 months

3. Extend your runway:

Boosting company value before raising equity



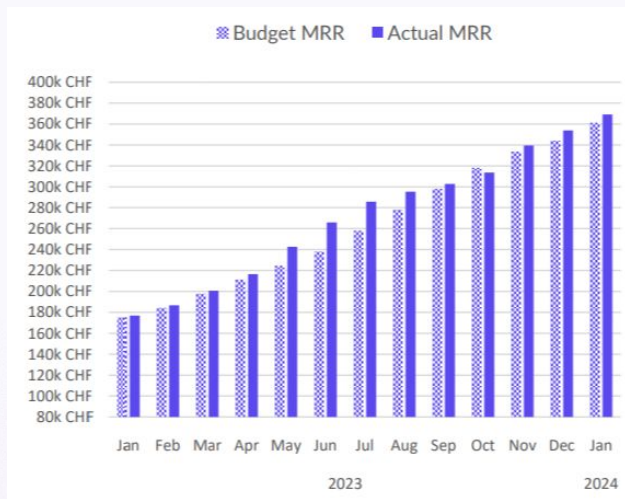
What:

- Buy time to reach profitability
- Reach next milestones for the upcoming round
- Prevent time pressure in negotiations

How:

- Make a good liquidity plan
- Define clear goals & milestones
- Take flexible credit line with multiple draw-downs (cheaper)

3. Extend your runway – example



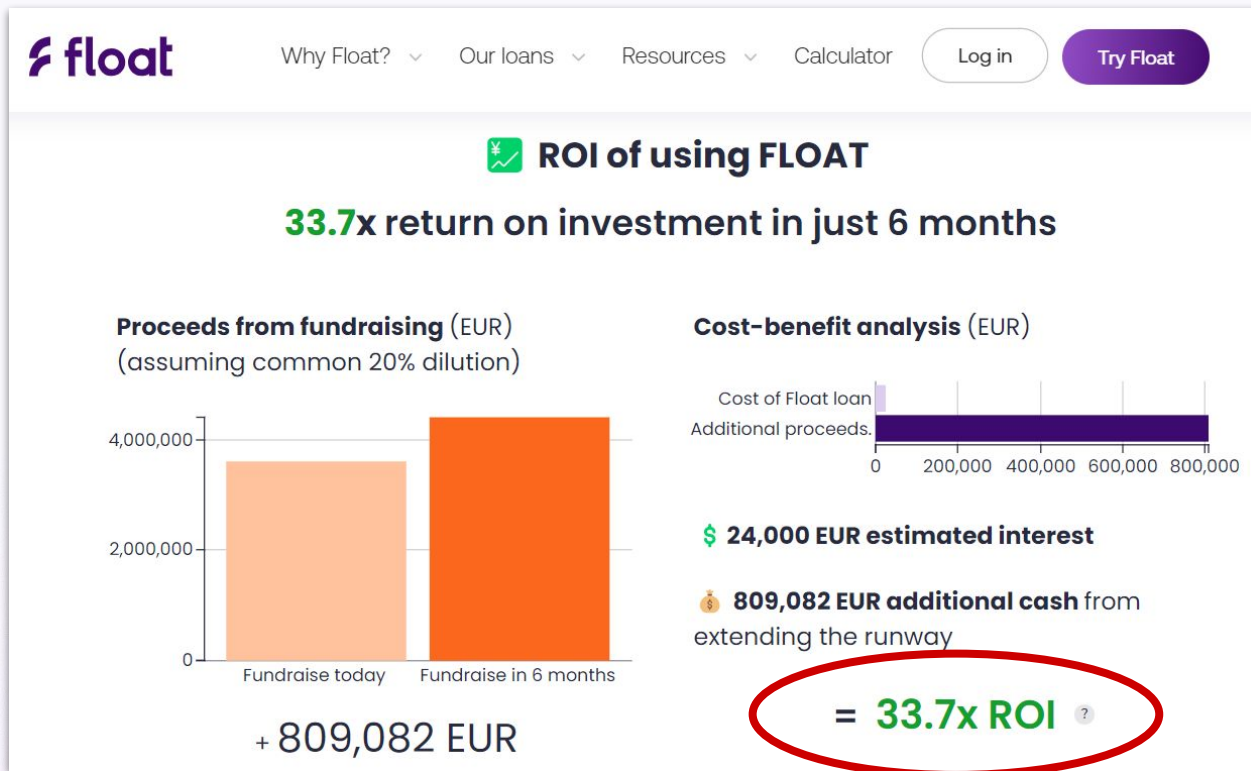
- Swiss client
- Company growing like a clockwork
- Profitability 9 months away
- Founder uses credit line to finance declining losses until profitability



- Dutch client
- Series A term sheets
- VC negotiations and DD dragging on
- Money running out
- Founder uses credit to take time pressure out



3. Extend your runway – ROI calculator



- www.gofloat.io/roi-calculator
- Comparison: Additional proceeds from a fundraise vs. the interest cost

Takeaways



1. **There is no good or bad capital – it depends on the situation**
2. **Growth acceleration and runway extension are common use cases for credit**
3. **Debt should be part of each founder's or CFO's toolkit**
4. **Credit can differ greatly in features, ease of access, flexibility**



SaaSiest
2024

Thank you!



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