



# How Debt and Equity Can Work Together

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# The Role of Equity & Debt Financing in Today's Market

Venture capital is still difficult to obtain for SaaS companies, but venture debt offers strategic growth opportunities.

## Where Equity Stands in 2023

2022 saw a broad range of challenges for private equity investors, from the **impact of increased inflation** to supply chain issues lingering from the pandemic and conflicts between Russia and Ukraine. These market strains are projected to stretch into the year ahead and shape the future of equity funding in 2023.

Despite **reports** of VCs sitting on record levels of dry powder — more than \$290 billion in funds that haven't yet been deployed — SaaS companies shouldn't expect a boon of new support and deals to emerge in the year ahead. Instead, VCs are reserving their funds for companies already in their portfolio. Looming recession fears force VCs to spend cautiously and draw inward, investing in the growth of their current companies rather than taking risks with new deals.



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## How Debt Financing Helps

For SaaS companies seeking capital to continue growing, don't let the state of equity in 2023 make you uneasy. Ample alternative funding opportunities exist that can work with the equity financing you've already obtained or plan to pursue, like **venture debt financing**.

Venture debt financing is swift, secure funding that avoids the influence of the equity market and enables SaaS companies to achieve their growth goals with the funding they need, when they need it. Despite lower equity availability in the year ahead, debt financing is projected to stay steady and accessible.

With debt financing, SaaS companies can get the critical funds they need now to **mitigate the impact of an economic downturn**. This debt financing can work strategically with the equity financing you already have in place or plan to pursue so you can market environment surrounding venture capital.

In this guide, we'll explore three key ways that venture debt financing works hand-in-hand with equity financing in order to help you achieve your growth goals. We'll also break down the unique advantages debt financing offers and how your strategic financing plan can propel your business forward in the year ahead. **Let's get started.**

# Manage Dilution with Debt Financing

Maintain more ownership of your company with non-dilutive funding.

## Ownership Matters

As a SaaS founder, the **more ownership you maintain of your company**, the more you can directly shape its growth without the influence of equity investors. If you've already taken equity, you now have another voice to consider in each new decision to be made. Even simple day-to-day operations can slow down and grow more complex with the influx of investor voices that frequent equity investments bring.

Equity dilution is often seen as inevitable for **startups seeking growth**, but managing dilution is critical to maintaining maximum stake in your company. SaaS companies ready to manage and mitigate additional dilution can use alternative, non-dilutive funding options like debt financing instead of pursuing additional equity funding.

## Advantages of Debt Financing

- ✓ With debt funding, you don't have to give up more of your ownership in order to get the funds you need. This funding is non-dilutive, so you won't be required to give up shares in exchange for capital.
- ✓ The long-term financial outcome is more advantageous for you because you retain more equity. Should your company sell later, you could receive a higher payout than if you'd given up more shares for additional equity funding.
- ✓ Existing equity relationships aren't complicated by the addition of another equity partner when you choose venture debt financing. The more equity financing you pursue, the more voices and influences you must manage as you make decisions to grow your company.
- ✓ Debt capital can be used flexibly based on where your business is between raise rounds. Should you choose to pursue additional equity funding later when the equity market stabilizes, the debt funding you get now can be used as needed to scale your company and set yourself up for better funding opportunities in the future.



## Advantages of Debt Financing

Debt financing is quickly accessible, allowing you to get the money you need when you need it so you can make strategic, growth-focused moves without waiting. The debt funding you take now **works hand-in-hand** with your future equity funds, raising your valuation now to get a better equity investment later.

Debt financing swiftly enables you to hire team members who can help you grow. Whether you need more sales team members or an experienced team leader, debt financing gives you the funds to build out a high performing team.

Debt financing allows you to boost your marketing efforts in ways that make an immediate impact. Marketing is a key component in SaaS companies' growth, and venture debt funding provides you the capital you need to better market your software.



## Maximize Valuations Ahead of a Future Raise Round

Accelerate your growth now with venture debt funding so you achieve a higher valuation before your next raise round.

### Success Takes Strategy

In today's **complex economic environment**, obtaining high valuations is a key focus for SaaS founders and leaders. High evaluations offer stronger opportunities for shareholders during acquisition and enable SaaS companies to accumulate capital more easily and with less dilution in order to continue scaling. To earn a high valuation, you must be strategic with how you obtain your capital now and how you use it to grow.

Between raise rounds, focus on accelerating your growth through intentional marketing and sales efforts like inbound marketing and customer success strategies. Growing your customer base will help you achieve a higher valuation, leading to better equity investments in the future.

Venture debt financing, which is available quickly and designed to accelerate growth, easily enables you to prioritize the work where it matters most in order to raise your valuation.

Learn more about  
strategic SaaS marketing



# Manage Your Runway with Critical Funds

Get the capital you need between raise rounds to sustain and scale your business.

## Extend Your Runway

It's common that **companies require capital** between equity raise rounds in order to continue scaling upward. If you're in need of funding to make critical growth investments and stay in successful operation with ease, venture debt funding is a simple, trusted solution.

As the equity market grows soft, venture debt steps in to extend your runway between raise rounds. Venture debt funding can be combined with an existing equity arrangement to extend the amount of capital you can invest into your company's acceleration. Don't let the stretch between rounds slow down your growth efforts.

With venture debt, you can focus on your growth goals like marketing and sales efforts while also having the necessary resources available for hiring and day-to-day operating costs. This extends your runway and enables you to move forward instead of stalling due to diminished funds between rounds.

## Advantages of Debt Financing

✓ Debt financing is flexible. You can make the choices that best serve your unique company without even more influence from new shareholders who earn equity in your company when they give you the funds you need. Invest in your growth through key marketing, sales, and hiring initiatives without losing ownership of your company with dilutive options like additional equity funding.

✓ Debt financing is streamlined, requires less paperwork and legal review, and closes much faster than equity options. Within a few short weeks or months, you can secure the resources you need to make strategic growth moves. Equity takes much longer to become accessible, and the application process can be extensive and complex. Don't stall your own success with a slow capital choice.

*The more time you spend waiting to access funding, the more time you spend waiting to act.*



## Advantages of Debt Financing

The capital from venture debt can be implemented on both ends faster and sooner, enabling you to tackle both components of lowering your churn rate. Make an impact faster when you use easily available funding designed for acting when you need to.

Venture debt financing options include interest-only structures where you pay only the interest of your loan for a specified period, such as 24 months. This enables you to reinvest your current profits directly back into your business. Accelerate your growth and lower your churn rate by using your profits to continue building your new customer acquisition and retention efforts.

**Learn more about  
interest-only debt  
financing**



## Reduce Your Churn Rate

Lower your churn rate with key funding that allows you to win new customers and keep your current base satisfied.

### Fighting Your Churn Rate Takes Funding

Churn is an inevitability that all companies face, but there are strategies to lower your churn rate. In today's complex economic environment, churn rates grow higher as customers seek to reduce their expenses or consolidate their tech stacks. Venture debt funding enables you to combat the churn in two key ways that make a real impact:

#### 1 Increase Customer Acquisition

When you develop better strategies for acquiring new customers, you ensure that the amount of customers you're gaining is far higher than those you're losing. Venture debt allows you to devote time, effort, and money to enticing new customers.

#### 2 Increase Current Customer Retention

Don't neglect the customer base that's allowed you to become the success you are today. Boost your customer success so your current base is excited to return to your software again and again with intentional efforts funded by venture debt financing.

# Scale Sustainably with Strategic Funding

River SaaS Capital provides venture debt and equity financing for SaaS companies ready to accelerate their growth.

We offer convenient terms, scalable funding and repayment options, and a long-term partnership approach. With our debt financing solutions, we don't take an ownership position in the business you've worked hard to build. Whether you're looking to secure your first investment, supplement a previous investment, extend your runway, or secure a higher valuation, we serve as the strategic partner you need to grow.

## No Ownership

We don't take an ownership stake in your company or a seat on your board, ever.

## Relaxed MRR

If you're not yet within our MRR range, we'll keep in touch until you are.

## Flexibility

Previous investment and even profitability aren't required to qualify.

## Loan Options

Borrow anywhere from \$500k to \$5 million based on your funding goals.

## Funding Speed

Our application process concludes faster than other available funding options.

## Limited Risk

The repayment terms on your loan scale alongside your financial growth.

## Loan Options

A few different loan structures are available based on your goals.

## No Warrants

Most debt lenders require warrants to invest, but River SaaS Capital doesn't.

## Exit Ease

An exit strategy isn't required to qualify for our venture debt financing.

## Borrow Again

You can re-borrow any repaid principal, extending the life of your capital.

## True Partnership

We'll be here to help your company grow from the very beginning.

## Equity Options

Our equity financing serves as a strategic complement to venture debt financing.



# Get Started Now with River SaaS Capital

Accelerate your growth with our strategic funding options.



Apply: [RiverSaaSCapital.com/Apply](https://RiverSaaSCapital.com/Apply)

Call: 440-348-9695

Email: [info@riversaascapital.com](mailto:info@riversaascapital.com)

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## About the Author



### Wendy Jarchow

Wendy Jarchow is the Chief Investment Officer at River SaaS Capital. She leads our due diligence and lending activities and has more than 20 years of experience in finance, venture capital, and strategic planning at both large corporations and entrepreneurial ventures. Wendy is a Northeast Ohio native and an alumna of John Carroll University.

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