LIBERTAS FUNDING

Libertas Funding, LLC is a best-in-class, technology-enabled specialty finance company that provides capital to small and medium-sized businesses and funds acquisitions.

Libertas has achieved unprecedented growth through its two product offerings, short-term Revenue-Based Financing and Term Loan*.

Today, Libertas is a market leader providing funding in excess of $50M a month to customers. To date, Libertas has funded over $1.3B since its inception in September 2016.

BBB ACCREDITED BUSINESS A+ Rating

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*Libertas Funding, LLC makes Revenue-Based Financing available through Libertas Funding, LLC and business term loans available through WebBank, Member FDIC

Libertas Funding provides fast, flexible financial solutions designed to help small and medium-sized businesses bridge the gap between financial challenges and opportunities for growth.

At Libertas, integrity and respect are key. We are committed to the transparent disclosure of information, privacy, and unwavering compliance.

Our business practices are ethical and our communications are clear and consistent.

In an industry that thrives on automation, our commitment to personal attention and individualized customer service sets us apart.

We are a team of experienced financial and credit professionals who believe in the power of leaning in. We lean in with respect, integrity, innovation, personalization, and agility.

We have a combined 100+ years of financial and credit experience.

- Agility
- Integrity & Respect
- Transparency
- Communication
- Personalization
- Innovation

Experienced Executives That Provide a Unique Perspective

Libertas founder and Executive Chairman, Gary Katcher, and Libertas CEO, Randy Saluck, are finance industry veterans, spending their entire careers on Wall Street in credit/investment businesses.

By blending their experience with our best-in-class Revenue-Based Financing underwriting expertise, Libertas possesses the ability to understand complex businesses and deliver unique solutions.

Libertas funds in all 50 states

We provide funding to meet almost any business need:

- Working Capital
- Geographic Expansion
- Surprise Cash Needs
- Bridge Financing
- New, large projects
- Increases in salesforce
- Asset or company acquisitions
- Marketing
- Equipment
- Inventory
- New product/service roll-outs
- Infrastructure needs
- New technology projects

We fund most industries including:

- Retail and wholesale trade
- E-commerce
- Software providers
- Technology
- Healthcare and Medical Practices
- Manufacturing & Distribution
- Auto repair
- Transportation and logistics
- Professional Services
- Construction
- Chemical
- Food sales & distribution

Financing options available

Revenue-Based Financing

- Terms range from 3-12 months
- Funding amounts of $25,000 to $3,000,000+
- Factor-based pricing
- Prepayment discounts available
- Fixed and variable payments based on revenue
- Daily or weekly payments from bank accounts or credit card receivables
- No collateral required
- No personal guarantee required

Term Loan*

- Terms range from 12-24 months
- Fixed factor-based pricing
- Loan amounts of up to $5 million
- Prepayment discounts available
- Weekly payments from business bank account (other repayment options available)
- Security interest required
- Personal guarantee required

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How Libertas Funding has helped companies and individuals make strategic acquisitions:

Case Study 1

Vertically-Integrated Cannabis Operator

This company is a vertically-integrated cannabis operator in the State of Colorado, which we regard from a regulatory standpoint as one of the most attractive and friendly markets for cannabis in the US.

The company's assets consist of a 25,000 sq ft greenhouse garden, five dispensaries (with a 6th location opened in 2021) and a marijuana infused product (MIP) facility. The company was founded by a successful entrepreneur who has injected a significant amount of capital ($24M) into the company. Libertas has been speaking to the merchant since November 2020. However, the funding opportunity arose recently when the Company desired to refinance a $2.2M seller's note (in connection with one of its recent acquisitions) at a pre-negotiated early payment discount.

Based on our analysis, we are assuming 2021E EBITDA for the company of $6.5M, which represents the current run-rate of the company and assumes only modest growth for the rest of the year. This represents 25% EBITDA margin based on 2021E sales of $26M, which we view as conservative given the vertically-integrated nature of the business. Our financial analysis suggests that the merchant is only levered 1.1x debt to EBITDA when including Libertas' funding.

This gives us a great deal of comfort regarding the margin of safety with respect to our financing. Lastly, the company is currently looking to secure new Senior debt facilities that will not only take out the remaining indebtedness as well as the Libertas outstanding balance, but also provide further firepower to continue executing on the merchant's roll-up strategy of purchasing additional retail dispensaries at multiples of between 3.0x and 4.0x EBITDA while preparing for an eventual exit at much higher acquisition multiples.

Summary:

Libertas was able to move quickly, providing the company with $2.5M in a matter of days to enable the company to take out the balance of the seller's note. Within a few months of our financing, the company secured cheaper senior debt to pay off Libertas early, taking advantage of our generous prepayment discount model.

Case Study 2

Regional Distributor of Fuel and Related Products

This merchant is a distributor of fuel products and lubricants in the Arizona market with strategic partnerships with large industry manufacturers such as Shell, Citgo, Chevron and Mystik. The company has been in business since 1975 and has been expanding into new geographical areas and expanding their existing product lines. We have funded this merchant four times, as a true testament to our relationship. The merchant utilized this funding to finance part of the cash portion of its $13.5 million acquisition of a well-established competitor in an adjacent geography that has been in existence for 83 years.

We like this acquisition for a few reasons. First, the target company has a relationship with Chevron whereby it purchases oil at a price 6 cents lower than its competitors in the area, which discount will now extend to the company by virtue of the acquisition. This will result in an immediate step-up in EBITDA for the combined company of almost $1.5 million per year. Accordingly, the pro-forma EBITDA for both companies will increase from $4.3 million to $5.7 million in 2021.

This leaves the combined company levered through 2.0x of traditional debt (including $10.5 million of 3.0% interest only debt secured on the company's real estate and equipment), and 2.7x through our funding, which we find conservative given the potential upside to EBITDA through revenue and further cost synergies. Additionally, based on our research, we think there is approximately $16m of net PP&E in the combined company, with substantial higher market value. We believe that the merchant's combined financial profile and the strong asset value provide Libertas with a great deal of security in connection with our financing.

Summary:

The company obtained senior secured debt for the majority of the $13.5M purchase price of it's competitor, but needed an additional $1.75M to close on the transaction. Libertas moved quickly to provide the funds so the company could opportunistically consummate the strategic acquisition of it's competitor.

Case Study 3

Multi-Location Sonic Franchisee

This company sought our funding to enable its acquisition of seven Sonic locations in the PA/NJ region. The merchant has a successful track record of buying, building and selling various businesses in the QSR and retail space and contributed half of the purchase price for this investment using its balance sheet cash. Their investment objective is to buy a collection of attractive QSR franchise locations at significantly discounted multiples (2x to 3x EBITDA), expecting that a more sizable portfolio of locations will likely be able to garner sale prices of at least 8x EBITDA upon sale of the company of the future.

The merchant's operating plan calls for improving revenue trends, consisting primarily of implementing store renovations and other initiatives that could potentially increase same store sales by up to 20%, and reducing ticket times by 50% which will bring these locations closer to the Sonic corporate average. The company is also looking to effectuate greater cost-efficiencies by focusing on more diligent sourcing of non-food related supplies and materials.

From our analysis of the financial statements, the locations that are part of this acquisition are all individually cash flow positive and profitable. All but one unit near an airport (no doubt impacted by COVID) saw revenue growth in 2020 versus 2019. Out of a total purchase price of $2.3M, Libertas is providing $1.05M of the purchase price. Based on 2020 EBITDA of $1.06M, we believe that there is a significant margin of safety in our investment as we are only modestly levered (1.0x) through our funding.

Summary:

The company needed to move quickly to close on the acquisition of 7 Sonic franchise locations. Confident in their strategy, the company contributed over half of the purchase price of $2.3M, while Libertas contributed $1.06M to close on the transaction. Libertas underwrote the target locations and determined that the revenues of these locations, which grew despite the COVID pandemic, were solid and the locations were profitable.

Case Study 4

Industry Veteran Buying Oil & Gas Services Company

This individual has over 30 years of experience in the oil and gas industry, with well-established relationships with some of the largest oil companies, including Exxon. He identified a company that he believes he can grow tremendously, with the help of his expertise and connections. The target company provides an array of services for drilling rigs, pipelines and production facilities. These services include hydrostatic testing, rig and steam wash, equipment maintenance, environmental waste handling and disposal, pump repairs etc. A key element to drive the company's future growth is a special chemical treatment that has immense environmental safety benefits, and the buyer is aware that several of his connections at large companies are keen on implementing this process. In 2021, the target company generated $11.5M in revenue with $1.5M EBITDA.

The buyer, our client, purchased the target company for $5M (3.3x EBITDA). The buyer reached out to Libertas as he needed to fill the remaining gap in the capital stack in order to complete the acquisition, and he wanted to have a little extra working capital to extend his runway as he takes over the company's operations. The capital stack consisted of $1M of his own equity, $4M from a senior mezzanine lender, and $1.5M from Libertas.

Summary:

Libertas likes this acquisition deal because the buyer is clearly an industry veteran, demonstrating in-depth knowledge of the industry, the target company, the day-to-day operations and technologies deployed. Additionally, the fact that the buyer contributed $1M of his own equity ("skin in the game") aligned our interests. Libertas moved quickly to underwrite the target company and put out an offer for $1.5M so that the buyer could secure the capital needed to complete the purchase.

Case Study 5

Telecommunication Distribution and Servicing Company

This merchant is focused on opportunities in the telecommunications sector, with significant operational experience in all aspects of the industry, from equipment design and manufacturing to consumer telecom products. For this transaction, Libertas helped fund the acquisition of a distributor/solutions provider of telecom equipment (routers, switches, antennas, and back haul equipment). The total acquisition price was $9.5M, composed of: $2M of the buyer’s equity, $2M in seller note financing, $1.5M in A/R financing, and $4M from Libertas – split between a $1.25M Term Loan and $1.75M MCA.

Libertas liked the deal for many reasons. First, we look upon the merchant contributing $2M of equity towards the acquisition price very favorably. By providing the equity component of the acquisition, the merchant has significant “skin in the game’, which provides us with a lot of comfort regarding our financing. Second, the target company has shown steady and consistent growth in both top line and profitability, with revenues growing from $26M in 2019 to $34M in 2020, and $40M in 2021, while generating $2.5M of expected EBITDA. The merchant is forecasting revenues to grow to between $45M and $50M in 2022, with improved margins based on operational changes they expect to implement upon the acquisition.

Additionally, we view the target company’s balance sheet very favorably. Specifically, the target company has more than $700k of cash on the balance sheet that will remain upon the closing of the deal, and more than $7M worth of inventory (along with accounts receivable of $1.9M and accounts payable of $3.3M). The merchant has indicated that he intends to secure an inventory financing line that will free up 70% of the inventory value to provide additional liquidity for growth and potentially pay down the debt/funding associated with the acquisition. Based on our calculations, while the headline acquisition multiple is an already attractive 3.8x EBITDA, we think that the real acquisition multiple is closer to 1.6x, after adjusting for the net cash balances on closing and the liquidity release from the inventory financing.

Summary:

Libertas moved quickly to provide a $4M financing offer to help the merchant rapidly close the acquisition. With an exceptional balance sheet, and a high degree of confidence in the deal as the buyer put up $2M of his own equity in the deal, Libertas had no problem funding this acquisition. 3 months post-financing, the buyer secured an inventory financing line which he used to payoff the Libertas balance early – a textbook example of how to take advantage of our prepayment discounts.