

Growth Funding: What is your next step?



SEPTEMBER 2017

Paddington St Finance

2 Paddington St, Paddington NSW
<https://www.paddingtonfinance.com.au/>
 Tel: +61 2 9357 0777

Ted.Dow@paddingtonfinance.com.au
 Mob. +61 414 682 750

Barry.Sechos@paddingtonfinance.com.au
 Mob. +61 418 222 666

Simon.Mead@paddingtonfinance.com.au
 Mob: +61 413 210 220

Paddington Street Finance (PSF) is a private credit asset manager focused on R&D Tax Offset Finance and Mid-Market Corporate Loans.

We invest committed capital as principals on behalf of superannuation and HNW investors.

We focus exclusively on two target markets overlooked by traditional financiers:

- R&D Tax Incentive Receivable backed loans of \$500k-\$5m
- Mid-Market Corporate Loans of \$2m-\$15m

Our principals have combined experience of 80 years in private credit, funds management, banking and tax.

First year highlights:

- 9 private credit transactions closed
- +\$20m of capital invested
- All investments in senior secured private debt

Since officially launching in February 2017, we have had a very busy – and highly productive - seven months in our chosen sectors of R&D Tax Offset Finance and Mid-Market Corporate Loans.

R&D Tax Offset Finance

Our core objective for 2017 was to establish a presence in R&D Tax Offset Receivable Finance which involves advancing funds against the Federal Government's Refundable Tax Offset for eligible R&D. Payments under this incentive program are often received 15-18 months after the expenditure is incurred. For a venture capital stage entity, this presents a funding dilemma Paddington Street Finance can readily solve.

Our core objective has certainly been achieved noting we have **closed 7 transactions** over 7 months with a variety of different venture capital stage corporates in technology areas including:

- Fintech (mortgage processing), Clean Energy (retailing / storage),
- Clean Energy (biofuels), Modular Datacentre technology
- Animal Pharmaceuticals / Nutraceuticals
- Digital health diagnostics, Online digital marketplace technology

Mid-Market Corporate Loans

Despite a core focus on R&D Finance, through the course of the year we observed a clear gap in the financing market for smaller corporate borrowers (EBITDA of \$1m-\$5m) which are simply not well served by the traditional business banking sector.

While profitable, these entities are often deemed unbankable in the absence of tangible assets (eg. property) to pledge as security or directors personally guaranteeing the loan. Even then, loan approval processes are often devoid of any reasonable degree of expedience, transparency and, frankly, logic.

Paddington Street has opportunistically **closed 2 transactions** falling into this category in equipment leasing (purpose: acquisition funding) and retail (purpose: store expansion finance). This will be a key area of expanded focus in 2018.