Case Study

Scalable Growth Capital in a Constrained Credit Market

The Situation

The Client had outstanding amortizing debt from an incumbent venture bank and was embarking upon an accelerated growth strategy that required additional capital.

The Board decided to pursue a new equity raise subject to a new lead investor. Management's objective was to not only source the new equity capital, but also refinance the existing debt with a more flexible structure which extended cash runway in addition to securing incremental growth capital and specific CapEx financing to allow the Company to raise less equity and save dilution.

The Company had secured an upsized term sheet from the incumbent venture bank, but terms were insufficient to support growth objectives and balance sheet surety. In the broader market, many lenders were pulling back on the consumer market primarily due to uncertainties given the US tariff restructuring.

The Company's niche focus also limited the lender pool due to pre-existing concentration to the niche offering, and many lenders were apprehensive to allow for CapEx flexibility or subordinate structures. The limited lender pool was compounded by the parallel efforts of debt and equity which created a circular reference since the debt quantum was dependent upon the equity raised and the equity quantum was to be limited by the amount of debt secured.

Company Type
VC backed, direct-to-consumer subscription

Sector
Consumer staples

Stage
Series B

Engagement
Repeat; prior engagement at Series A

Cafferty & Company

The Turning Point

Cafferty & Company designed and executed a multi-lender finance strategy emphasizing the company's repeatable cohort economics and predictable subscription revenue, coupled by support of limited, new equity proceeds, enabling lenders to underwrite a future looking enterprise value despite continued cash burn.

Structure focus was to (i) refinance existing debt, (ii) secure the most availability in new debt without forcing mandatory advances on the new debt, (iii) maximize interest-only, draw period - keeping cash on the balance sheet, (iv) flexible covenant structure, (v) balance IRR with limited common stock dilution, all subject to (vi) minimal and delayed equity funding.

Successful Outcome

Cafferty & Company secured multiple term sheets which enabled the client to refine the aggregate debt appetite with an understanding of trade-offs between (i) overall cost of capital vs structure and (ii) direct CapEx financing vs lump sum growth capital allowance. Negotiations advanced across growth-capital structures, with a balancing for subordinated options with various CapEx options.

The Company ultimately closed a package of debt financing from 3 unique lenders - a customer acquisition facility which was subordinate to a venture bank senior credit facility with a meaningful carve-out for CapEx - a total debt commitment of 5x the availability than the incumbent proposal.

The final structure allowed for the immediate refinance of the incumbent lender, without any requirement for additional advances and flexibility to access capital over a 36 month period, no-covenant exposure up to an agreed outstanding threshold at a compelling cost of capital and with minimal common stock dilution.

The transaction reduced the equity raise to approximately 70% of the planned equity and the new debt construct extended cash runway ~ 36 months.

Why It Matters

The financing outcome materially improved balance-sheet flexibility, allowing the Company to pursue its growth strategy without being constrained by near-term liquidity, covenants, or forced capital deployment. By securing non-dilutive capital alongside a concurrent equity raise, the Company reduced dilution and preserved ownership for founders and existing shareholders at a critical stage of growth.

The process delivered clear trade-offs across pricing, structure, covenants, and dilution, enabling management and the Board to make informed, confident decisions in the context of a fulsome and timely market response. The engagement demonstrates how disciplined structuring and lender-agnostic execution can unlock scalable debt solutions even in constrained credit environments, delivering outcomes that are difficult to achieve without specialized advisory support.