

Growth Funding: What is your next step?



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Paddington St 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-\$7m
- Mid-Market Corporate Loans of \$2m-\$15m

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

Overview of 2018:

- 20 private credit transactions closed
- +\$35m of capital invested since February 2017
- All investments in senior secured private debt

Since officially launching over a year ago, Paddington St Finance (PSF) has continued to benefit from high levels of activity in its chosen sectors of R&D Tax Offset Finance and Mid-Market Corporate Loans. Our current portfolio presently stands at \$25m across 10 investments and is generating an IRR in the high teens.

R&D Tax Offset Finance

Our core objective for 2018 was to build upon our early success in R&D Tax Offset Finance and expand our portfolio. This objective was achieved through both retaining current investees and originating 14 new relationships through our trusted referral and expanding referral network. R&D Tax Offset Receivable Finance is a niche finance market 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 St Finance has experience in addressing.

Our footprint in this market has expanded greatly and during the past 6 months PSF has closed transactions with a variety of different venture capital stage corporates in areas including:

- Clean Energy (recycling, biofuels)
- Biotech (stem cells)
- Health diagnostics
- Fintech / Software (enterprise, financial regulation, compliance)
- Artificial intelligence (dementia therapy, sports applications)
- Pharmaceuticals / Nutraceuticals

Mid-Market Corporate Loans

Despite a continued focus on R&D Finance, PSF continued to successfully target the 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.

The PSF Portfolio sub-segment of corporate debt currently consists of three transactions in office equipment leasing (purpose: acquisition funding), speciality food retail (purpose: acquisition finance) and online beauty products wholesaling (purpose: expansion capital / inventory finance). This segment will continue to be a key area of focus as PSF broadens its product suite in niche, specialist financing markets.