CUSTOM CAPITAL ADVISORS

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CASE STUDY · BIOTECHNOLOGY

Debt instead of dilution

A young biotechnology firm hit proof of concept early and landed contracts well ahead of its own timeline.

The founders funded the growth without selling a single share.

3x

VALUATION

Tripled in the three years following the first transaction.

Zero

SHARES ISSUED

The entire growth phase was funded with debt. The cap table did not move.

Millions

FINANCED

Drawn across three years as new contracts arrived, not in one lump sum.

On their terms

THE EVENTUAL RAISE

When they did sell a piece, they chose from a wide field of VC options.

The situation

The company demonstrated proof of concept, then landed multiple contracts far sooner than anyone had modeled. The opportunity was immediate: scale delivery now, or watch the window close on work already won.

They needed substantial capital, and capital that could flex as the picture changed month to month.

The decision

The default move at that stage is to raise. Investors were available and interested.

The founders ran a different calculation. Revenue-based financing cost roughly twenty cents on the dollar, before early-payoff discounts. Selling equity at their then-current valuation meant a permanent claim on everything the company became afterward. They chose the debt.

THE BET

Twenty cents on the dollar would look cheap next to what a single percentage point of the company would be worth once the growth actually landed.

Three years later

What the founders describe as a one-time transaction did not stay that way.

01 One deal became a relationship

The transaction everyone treated as a single event turned into millions in financing, structured and drawn repeatedly as new contracts arrived.

02 The upside stayed with the founders

Valuation tripled over the same period. Because the growth was funded with debt, that increase landed on the founders' side of the cap table instead of being shared out early.

03 They raised from a position of strength

When they eventually sold a piece of the company, they negotiated with proven traction, a wide array of VC options, and no urgency forcing the terms.

Facing the same choice? Let's run the math on your file first.

Debt is not always the right answer. It was here because the revenue was contracted and the window was short. Worth knowing before you price a round.

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