Stifel Venture Banking Guide to Venture Debt

May 2025

STIFEL | VENTURE BANKING

Get to Know the Strength of Stifel

*About Stifel Financial Corp. (NYSE: **SF**)*

FOUNDED **1890** *in St. Louis*

9,000+ ***Associates*** Globally

$31 Billion in Bank Assets

#1 in **Equity Deals Under $1 Billion** Market Cap[1]

#3 in Managed **Venture Capital-Backed IPOs**[2]

Growth via M&A: **Thomas Weisel Partners, KBW, Barclays Wealth and Investment Management, Americas,** and more

Established Commercial Bank

- Stifel Bank & Trust established in 2007, Venture Banking practice began in 2018
- **$31 billion** in assets, ~$20.0 billion loans, including ~$10 billion in credit commitments to funds and companies

Leading Global Wealth Management

- **7th largest** platform by number of financial advisors with more than 2,300 Financial Advisors in 400 Branches across U.S.
- Over $500 billion in client assets under management

Premier Middle Market Investment Bank

- Deep Industry Expertise with **600 IB Professionals** globally, built through organic recruiting and M&A
- Named **Investment Bank of the Year** 2022 by M&A Magazine

Strong **Balance Sheet**

Tier 1 Equity Capital ratio of 14.3% and short bond portfolio (ave 1.3 years)

Long-Term **Leadership**

We understand the **Innovation Economy**

Top-Ranked **Research**

More than 1,800 Global Stocks *covered by **120+** publishing analysts*

[1]Dealogic. Rank-eligible SEC registered IPOs and Follow-on offerings since 2012 as of 12/31/24

[2]Dealogic. Venture-backed IPOs ranking since 2005 as of 12/31/24.

Company data as of 12/31/2024 unless otherwise noted. Learn more at www.Stifel.com/Investor-Relations

Wealth Management for Founders

Founders are experts in their business, but often not in personal finance. Our Wealth Management[1] platform provides the advice and expertise you need to navigate your personal finances and future wealth events.

Banking

Private Banking Services

- Liquidity solutions
- Mortgage and Home Equity Lending from Stifel Bank & Trust[2]

Personal Banking & Cash Management

- Stifel Wealth Tracker
- Stifel Insured Bank Deposit Program[1] – FDIC insurance up to $1 million ($2 million for joint accounts)
- Debits Cards – No ATM fees or FX fees

Planning[1]

Your business growth impacts your personal goals and planning for you and your family

- Understanding stock considerations: Qualified Small Business Stock, Restricted Stock, Option Grants
- Wealth transfer strategies
- Trusts and serving trustees
- Charitable giving and legacy considerations

Investing[1]

Stifel Financial Advisors provide guidance to execute investment strategies today and tailored guidance for tomorrow

- Work with a Stifel Financial Advisor in your area with entrepreneurial experience
- Manage your personal investments while planning for your business growth
- Build an investment plan tailored to your needs as a Founder

Understanding Your Goals → Understanding Your Risk Tolerance → Understanding Your Motivation → Organizing Your Wealth → Investing Your Wealth → Review and Rebalance Strategies

[1] Wealth Management services provided by Stifel, Nicolaus & Company, Incorporated, Member NYSE and SIPC
[2] Residential mortgage lending services for clients of Stifel, Nicolaus & Company, Incorporated are performed exclusively by Stifel Bank & Trust, Equal Housing Lender, NMLS #375103. The financial advisors of Stifel, Nicolaus & Company, Incorporated do not offer mortgage loans, provide mortgage loan information, or accept residential mortgage loan applications. None of Stifel or Stifel Banks provide legal or tax advice.

STIFEL | Investment Banking

The power of our ***people*** *and* ***platform***

Industry-focused, full-service, global investment banking

- Full-service investment banking product portfolio, including M&A, public and private capital raising, institutional sales and trading and asset management
- Research-driven, industry-focused

Mid-market and growth industry focus

- Financing and M&A solutions across the entire corporate life-cycle from venture to public markets
- Partner to the transatlantic Private Equity and Venture Capital ecosystems

Global access with local execution

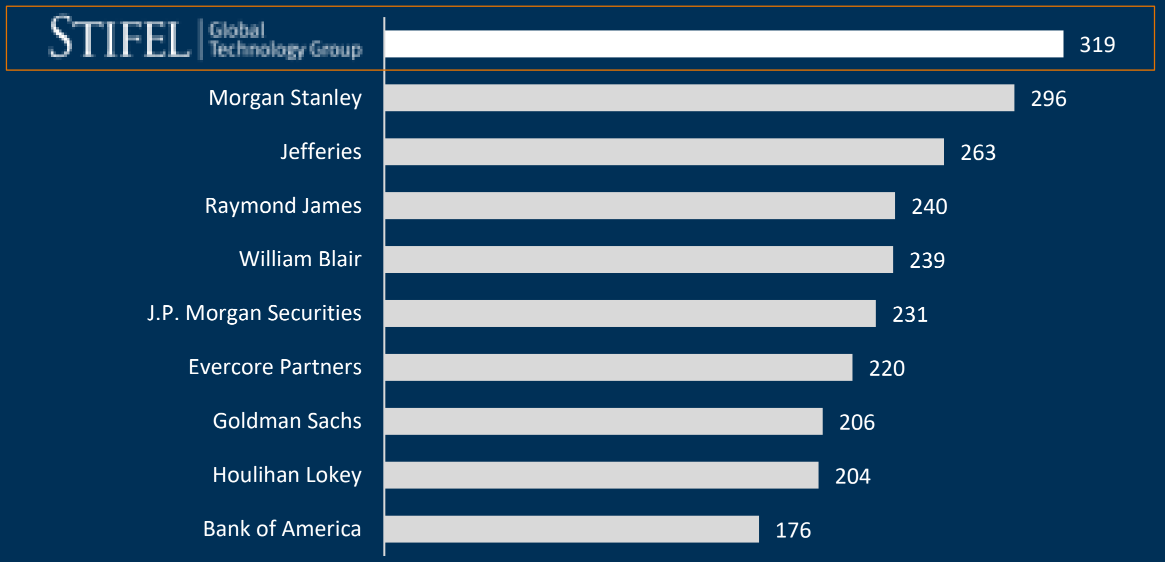
- U.S. headquartered, European network, Asian and South American access
- Access to international and local capital
- Cross-border execution

Platform	• Full-service investment bank	
History	• 20 investment banking acquisitions since 2005, including **Thomas Weisel Partners, KBW, Eaton Partners, Mooreland Partners, Legg Mason Capital Markets, Miller Buckfire,** and **Torreya Partners**. • In Canada, **GMP/First Energy** • In Europe, acquisitions of **Oriel, MainFirst, and ACXIT Capital Partners**	
Bankers	• 600+ investment banking professionals	
Sectors	• Media & Telecom • Consumer & Retail • Diversified Industries • Business Services • Aerospace, Defense & Gov't Services	• Healthcare • Energy & Power • Transportation • Real Estate • Materials • Food & Beverage
Expertise	• M&A Advisory • Equity & Convertible Capital Raising (Public & Private) • Debt Capital Raising (Public & Private)	• Restructuring Advisory • Institutional Brokerage • Private Client Services • Asset Management

STIFEL | Global Technology Group

The ***most active technology investment banking team in the world***, leveraging the firm's full resources across M&A, capital markets, and other banking teams

2013 – 2023 YTD Tech M&A Deals under $1 billion[1]



Global Tech Sectors

- Software & Applications
- Electronics & Industrial Tech
- Internet & Digital Media
- Tech-Enabled Services

Including:

- Enterprise Software
- Fintech
- Frontier Tech
- Consumer
- Healthcare
- Climate Tech

NOTABLE TRANSACTIONS

- $155,250,000 — Life360 — Initial Public Offering — Joint Bookrunning Manager — June 2024
- OrangeTree, a portfolio company of Tonka Bay — Has Been Acquired by accurate. — Advisor to Seller — May 2024
- data.ai — Has Been Acquired by Sensor Tower — Advisor to Seller — March 2024
- DISA, a portfolio company of Audax Group — Has Acquired CastleBranch — Advisor to Buyer — March 2024
- $350,000,000 — ZEROFOX — Has Agreed to be Acquired by HAVELI — Advisor to Seller — Pending
- Reblaze — Has Been Acquired by LINK11 — Advisor to Seller — January 2024
- Renu — Has Been Acquired by swell — Advisor to Seller — January 2024
- bluematrix — Has Received a Strategic Growth Investment from THOMABRAVO — Advisor to Seller — January 2024
- VAULT — Has Been Acquired by Sterling — Advisor to Seller — January 2024
- All West Communications — Has Been Acquired by NOVACAP — Advisor to Seller — December 2023
- ic! berlin, a portfolio company of PREMIUM — Has Been Acquired by MARCOLIN — Financial Advisor — November 2023
- ICEpower, a portfolio company of — Has Received an Investment from Crestline — Financial Advisor — October 2023
- Barcoding — Has Been Acquired by — Advisor to Seller — September 2023
- Kerridge, a portfolio company of AKKR — Has Been Acquired by CAPVEST — Advisor to Seller — September 2023
- flipp, a portfolio company of General Atlantic, Insight Partners — Has Been Acquired by TRUELINK CAPITAL — Advisor to Seller — August 2023
- CADENT, a portfolio company of LEE Equity — Has Been Acquired by NOVACAP — Co-Advisor to Seller — August 2023

[1] Source: Dealogics M&A Analytics and 451 Research as of 6/11/24.
Note: Includes all sell-side and buy-side strategic or sponsor-backed disclosed value deals, where the deal is announced between 6/11/14 and 6/11/24, with a U.S. target, acquirer, acquirer subsidiary or divestor, and a final stake greater than 50%

STIFEL | VENTURE BANKING

Stifel Venture Banking

The right platform for Tech Founders and Funders

Stifel Financial Corp. (NYSE: SF)

- 135-year-old Global Financial Services firm – a diversified business with local resources and international reach, ›$8.6 billion market cap (12/31/24)

Wealth Management, Investment Banking, Commercial Banking

- ICS®[1] – offering access to multi-millions in aggregate FDIC protection per account ownership category across network banks in one secure and convenient account

To view the list of banks in the IntraFi Network, visit www.intrafi.com/network-banks. Certain conditions must be satisfied for "pass-through" FDIC deposit insurance.

- Strong balance sheet:
  - ›80% of deposits are FDIC Insured
  - Short-term bond portfolio – average 1.3 years

Expertise & Unparalleled Service

- Depth of talent with **highly experienced Venture Banking Relationship Managers** as your daily point of contact
- We're not typical bankers – our organization was built to ***move at the speed of your business***. We operate with similar sense of urgency as you; accessible by phone, email, and text

[1]IntraFi and ICS are registered trademarks of IntraFi LLC. IntraFi is not an affiliate of Stifel.
Company data as of 12/31/24 unless otherwise noted. Learn more at www.Stifel.com/Investor-Relations

Deep Sector Expertise and Broad Market Coverage

Experience and Commitment to the Innovation Ecosystem

Deep **Sector Expertise** with
Coast-to-Coast Coverage

- Enterprise Software
- Fintech
- Frontier Tech
- Consumer
- Healthcare
- Climate Tech

STIFEL | VENTURE BANKING

Topics of Discussion

- What is venture debt?
- Why is it a hot topic?
- Who are the players?
- Who is a good candidate?
- How does it work?
- What to look out for?
- Ideal capital strategy in this environment
- Q&A

Stifel Venture Banking Guide to Venture Debt

What is Venture Debt?

- Non-dilutive capital in the form of debt financing that is in lieu of, or complimentary to, an equity investment
- Companies having a debt facility in place gives flexibility and additional liquidity cushion to cash burning companies
  - Maintain greater equity ownership in business
  - Extend cash runway prior to next equity round, more time to grow top line and get better valuation at next equity financing
  - Opportunistic capital readily available to capitalize on projects or M&A to add fuel to the fire
  - Insurance policy against unforeseen circumstances

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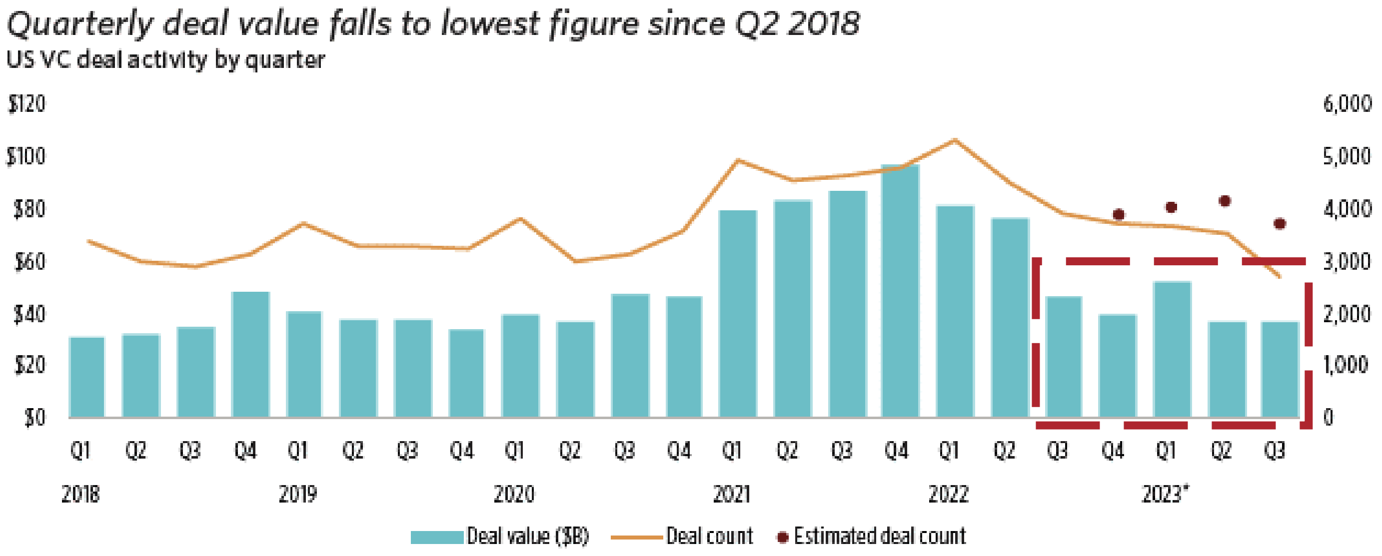
Why talk about venture debt?

- Challenging equity funding environment due to macro factors, missed plans, and valuation overhangs leaves significant demand for capital vs current supply from equity investors
- Having a facility in place allows a company to kick out equity funding, buy more time to grow into valuation, or use capital for opportunistic M&A



PitchBook-NVCA Venture Monitor
*As of September 30, 2023

Lending Universe

- Lending universe is comprised of both banks and credit funds
  - **Banks**: also want banking relationship, cheaper pricing, more structure, focused on long-term deposit opportunity
  - **Funds**: more flexible, equity-like capital. More expensive on interest and warrants.

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When should a company add venture debt?

- Concurrently or right after an equity raise
  - **Why:** Fresh diligence materials, external validation, lots of cash, and market momentum leads to best and most flexible terms and pricing
- Between equity rounds to extend runway
  - **Why:** Things are going well, waiting to raise will lead to more milestones hit and better valuation at next round
- Built in insurance policy
  - **Why:** Don't "need" any more capital but macro environment uncertainty beckons adding a line of credit for capital flexibility
- Path to profitability
  - **Why:** Bypass needing additional equity or dilution to plug gap in cash needs as business turns profitable, eliminating final equity round needs

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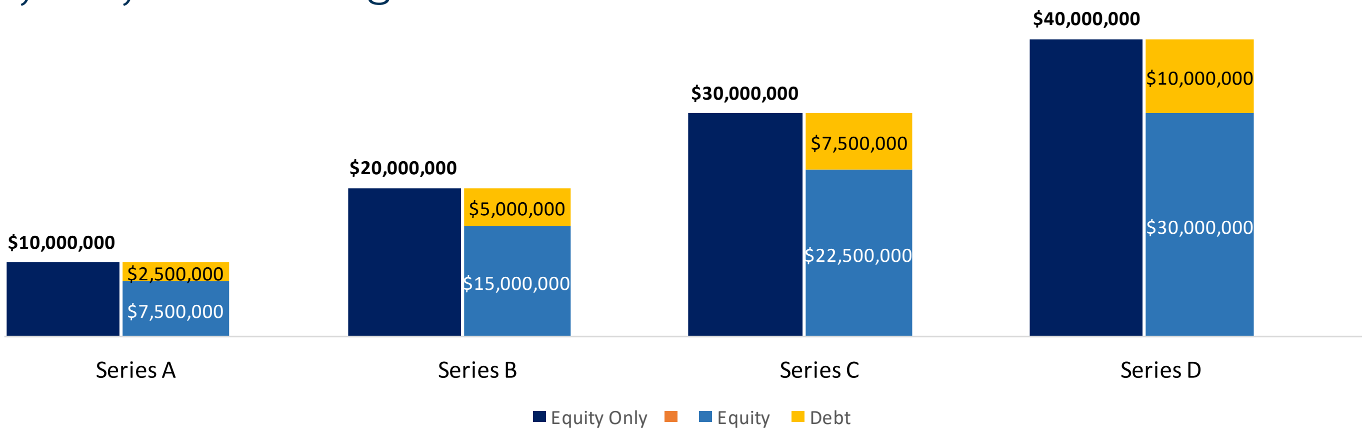
Venture Debt Paired with Equity Round Example

- Example below outlines total capital raised between (i) equity only and (ii) equity +25% venture debt at each funding round
- In comparable scenarios, early investors and management retain meaningful equity ownership vs equity only fundraising



	Series A	Series B	Series C	Series D
Post Money Valuation	$50,000,000	$100,000,000	$150,000,000	$200,000,000
Total Capital Raised	**$10,000,000**	**$20,000,000**	**$30,000,000**	**$40,000,000**
Equity Only Ownership %	*80%*	*60%*	*40%*	*20%*
Equity + Debt Ownership %	*85%*	*70%*	*55%*	*40%*

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What do lenders look for? Am I a good candidate?

- Unlike leveraged loans, venture lenders are not underwriting to cash flows of a business but instead to likelihood of companies' future ability to raise capital or maintain investor support
- Underwrite to key elements equity investors are looking for when funding into rounds

3 key pillars of venture debt investment decision:

Investor Cap Table	Financial Performance	Cash Runway without Debt
• **Well-known investor syndicate is key to venture lenders** • Did equity investors make meaningful commitments? • Do the funds involved have strong track records of success and exits? • Do equity investors have meaningful dry powder to continue to support the business? • Have these investors been good partners in downside scenarios with lenders previously	• **Evaluating the credit from a stand-alone profile:** • Does the Company display strong growth and top-line momentum? • Does the Company display favorable sector specific KPIs (retention, Lifetime Value to Customer Acquisition Cost (LTV/CAC), burn multiple, rule of 40, etc.) • Is the Company filling a market need in a growing Total Addressable Market and well positioned against competition?	• **Evaluating and sensitizing a company's cash and burn profile before needing any debt:** • Does the Company have enough runway to fully fund their forecast over next few years? • If they miss their plan by 20%, would they still have enough cash cushion? • How long can the business extend runway if needed?

Stifel Venture Banking Guide to Venture Debt

Structures of Venture Debt

Facility Type	Term Loan	Non-Formula Revolver	Recurring Revenue Revolver	Gross Profit Line of Credit	ABL Revolver
Purpose	Runway extension, M&A	Runway extension, working capital, M&A	Finance CAC/Growth Spend	Finance CAC/Growth Spend or Working Capital	Asset-based credit line secured against inventory or AR
Industry Use Case	Any	Any	Software or Recurring Contracted revenue	Consumer, DTC, subscription-based or one-time revenue	Any industry with true working capital
Advance Rate	100% available at close	100% available at close	4–6x prior month recurring revenue	2–3x Trailing 3-month Gross Profit	Advance rate subject to % of eligible accounts receivable and inventory
Draw Period	~18 months from close	Anytime through maturity			
Term/Maturity	~48 months from close	18–24 months from close			
Payment Terms	Pre-determined Interest-only period with amortization payments thereafter through maturity	Interest-only with principal due at Maturity. In practice, these normally get renewed 3–6 months prior to maturity			
Interest Rate	The greater of prime (currently 8.50%) + 0.25bps–100bps (floating rate will decrease with broader rates)				

Term Loan vs Revolver/Line of Credit

Term Loan	Revolver/Line of Credit
Benefits • Longer term capital commitment and payback period up to 48 months • Large up-front availability with no borrowing base or formula to draw • Available for opportune acquisitions at lower cost of capital vs equity • Can be utilized for runway extension prior to next funding round	**Benefits** • Flexible financing, with ability to draw up and down on facility as needed • Evergreen oriented to assist borrower in filling short-term working capital gaps, extend runway, etc. • Availability and amount of capital dictated on a "formula basis," typically tied to a multiple of monthly recurring revenue (MRR). As such, these facilities can grow over time in availability and scale up in lock-step with the business
Considerations • Less flexible. Once drawn, the Term Loan stays outstanding and cannot be paid down and drawn again during duration • After interest-only period ends, Company will be paying debt service costs of amortization + interest throughout life of the loan • For cash burning companies, that's a material cash outflow to service debt • Due to amortization, debt capacity and availability decreases over time • Draw periods expire when company might truly need to utilize debt (12–24 months post equity funding)	**Considerations** • Shorter initial term vs a Term Loan with 12- to 24-month maturity with possible auto-extension features based on positive company metrics/performance • Formula based revolver can have lower up-front availability vs Term Loans but grows over time as business grows • Given availability is tied to a formula, business performance declines will also impact revolver availability • Availability and amount of capital dictated on a "formula basis," typically tied to a multiple of MRR and often governed by churn metrics

Stifel Venture Banking Guide to Venture Debt

Key Structural Elements to Consider

- **Availability**
  - How much is available at close. Does this amount scale up as the business grows?
- **Draw period/maturity**
  - How long do I have to use the debt facility? When is the maturity date? Can this be extended?
- **Covenants**
  - Are there any financial covenants in the deal?
  - Debt structures range from fully no covenant to some form of covenant including:
    - Revenue or Annual Recurring Revenue (ARR) Covenants: Set a 70–80% of your revenue or ARR forecast.
    - Bottom line covenants: Cash burn or EBITDA loss cushion vs your plan
    - Lenders are looking to align with management for what you are solving for. If you are solving for growth, we will covenant to that, if you are solving for profitability, we will covenant to that.
- **Pricing/warrants**
  - What is the interest rate on the loan. Are there back-end fees or warrants attached?
  - Interest rate pricing range of Prime (8.50% today) + 25–100 basis points (bps) for bank debt
  - Warrants for bank debt range from 10–30bps fully diluted common

Stifel Venture Banking Guide to Venture Debt

What does a process look like?

1. **INITIAL MEETING & DUE DILIGENCE** — After Stifel Bank initial introduction to the Company the Deal Team will begin initial diligence (approx. 1 week).
2. **TERM SHEET ISSUED** — Indicative Term Sheet is issued to the Company for evaluation within 1 week of initial Due Diligence.
3. **LEGAL DOCUMENTATION** — The Deal Team will complete a full underwriting of the loan and seek credit committee approval (approx. 1 week). Legal documentation can take place in 2-4 weeks.
4. **CLOSING & TRANSFERRING OF BANKING SERVICES TO STIFEL BANK** — Deal closes and Company moves banking to Stifel Bank within 30-90 days of close.
5. **UPSIZING AND RENEWAL OF LOAN** — Loan package will likely restructure over time as the business matures and raises future equity.

Stage	Details
Initial Meeting & Diligence	• During the initial meeting, the Deal Team will discuss the short-term and long-term goals of the Company and discuss high-level capital needs. • The Company provides the lender with Diligence Items such as: Historical and Current Financial Statements, Accounts Receivable and Accounts Payable aging reports, Marketing Materials, Annual Budgets, and key performance indicators (KPIs) of the business
Term Sheet	• The Deal Team will issue an Indicative Term Sheet to the Company outlining the high-level features of the transaction, including debt size, loan type (Term Loan, ARR Line of Credit etc.), pricing, Financial Covenants, Fees or Warrants, etc.
Legal Documentation	• The lender will work with internal and external counsel to draft the Loan Service Agreement and provide the draft to Company Counsel. The Company works symbiotically with the lender to determine key points. Lenders anticipate sensitives to legal fees and preemptively negotiate business terms with client to avoid unnecessary billable hours.
Closing and Transfer of Banking	• Upon close of the transaction, the client will need to transfer primary operating banking to the lending bank. Banks usually give a 30- to 90-day window to do so.
Upsizes & Renewals	• Work closely with deal team on an ongoing basis for financial reporting, upsizes, and renewals

Stifel Venture Banking Guide to Venture Debt

Best Practices

- Even if you don’t need it, having a debt facility or capacity in place provides meaningful flexibility for a cash burning business
- Public SaaS profiles have debt to equity ratios of ~20–50%+
- Aiming for 20–30% of debt in capital stack is reasonable target for private growth profiles
- At least make sure to have up to 0.5x ARR of availability to get you 6+ months of runway in a pinch
- Don’t raise when you need it, do it before
- Solve for what's most important (total availability, draw period, covenants, maturity, etc.)
- Equity is always more expensive than debt!
- If things are going poorly and you will miss a covenant or have an upcoming maturity date:
    - Let your lender know ahead of time. They will likely work with you to restructure
    - The fewer surprises the better

Stifel Startup Solution – More Perks

Banking Services Bundle for Founders

EARN HIGHLY COMPETITIVE RATES ON YOUR STIFEL BANK DEPOSITS VIA ICS®[1]

ICS offers access to multi-millions in aggregate FDIC protection per account ownership category across network banks in one secure and convenient account.

- Funds are swept out nightly in ‹$250,000 increments to other financial institutions that participate in the IntraFi® Network
- Daily liquidity – funds sweep to cover transactions
- No fees

To view the list of banks in the IntraFi Network, visit www.intrafi.com/network-banks. Certain conditions must be satisfied for “pass-through” FDIC deposit insurance to apply.

Automate Your Finances with ramp

Ramp[2] offers a global corporate credit card with expense management and accounting automation. Integrate and stay synced with Ramp.
$1,000 bonus paid after account opening.[3]

Learn more at www.ramp.com/partners/stifel

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[2]Ramp is not an affiliate of Stifel.
[3]Bonus will be paid by Ramp via Amazon eGift Card after your first balance payment of $1,000 within 60 days of account opening.

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