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New Trends in Venture Debt: Butterfi Statistics Release - 2023 Has Changed The Landscape For Startups' Financing

Butterfi's 2023 report reveals rising demand for venture debt, smaller check sizes, specialized providers, and data-driven risk assessment in startup financing.

Butterfi.com

UNITED STATES, September 19, 2023 /EINPresswire.com/ -- Butterfi, the leading data-driven platform for tech companies to meet their matching debt providers, has released new key figures on the current debt market environment:

As the world of finance continues to evolve, venture debt financing has emerged as a powerful tool for startups seeking to fuel their growth. This press release highlights the venture debt financing trends that are making waves in the startup ecosystem.

1. Increased Demand for Venture Debt: In a post-pandemic world, startups are on a mission to recover and expand rapidly. Venture debt has become a popular choice for companies looking to bolster their financial resources without diluting equity. As a result, in the first half of 2023 Butterfi has seen an overall increase of 87% of tech companies actively seeking debt compared with numbers in the first half of 2022.

2. Bridge Loans for Fundraising and Strong Demand for Re-finance: Many startups are now using bridge loans as a strategic tool to extend their runway while they secure additional equity funding. This approach allows companies to maintain momentum and valuation as they navigate the fundraising process. In 2023 Butterfi data show a jump of 135% in the number of startups seeking bridge loans. At the same time, according to Butterfi statistics 95% more tech companies seek to refinance their existing debt in 2023 due to maturity of existing debt or early repayments associated with a breach of the existing loan covenants (lower sales, thinner liquidity, higher burn-rate etc).

3. Smaller checks: according to Butterfi statistics, more than 90% of the debt providers in the US have significantly cut their check size. For example, if the range of financing for a $10M-sales

technology company was $5-7M check in early 2022, in 2023 the same company profile will be offered checks of $3-5M only.

4. Specialized Debt Providers: Traditional banks are no longer the primary source of venture debt. Specialized debt providers and venture debt funds have emerged, offering tailored financing solutions that cater specifically to the unique needs of startups. In 2023 the risk-off capital environment turned most of the general (non-specialized) debt providers such as tech banks or general venture debt funds to their tighter and stricter versions of credit box, making it even tougher for the tech companies to meet their matching lender/s.

5. Non-Dilutive Capital for non-VC-backed Startups: Non-VC-backed startups are turning to venture debt as a non-dilutive source of capital. This enables them to maintain ownership and control while still accessing the funds needed for expansion. In general, out of Butterfi's clients in 2023 over 75% are bootstrapped or non-VC-backed companies (versus 65% only in 2022).

6. Exit Strategies Considered: Venture debt providers are increasingly aligning their interests with those of startups by incorporating exit strategies into financing agreements. This can include options for equity conversion or participation in IPOs and acquisitions. Term Sheets collected by Butterfi for its clients during 2023 show that equity kickers requested by lenders are 50-75% higher in value than in 2022.

7. Risk Mitigation Through Data Analytics: Advanced data analytics and AI-driven risk assessment tools are being employed to evaluate startup creditworthiness. This data-driven approach enables more accurate risk assessment and allows startups to secure financing on favorable terms. Moreover, data-driven platforms like Butterfi.com improve market efficiency for all parties, as they can connect startups to their matching lenders only and vice-versa, thus helping borrowers and lenders navigate in this space more precisely.

The world of venture debt financing is evolving rapidly and 2023 is a true game-changer. Entrepreneurs seeking debt financing should keep a close eye on these developments and explore how they can align with their growth strategies. As venture debt continues to reshape the startup funding landscape, staying informed through debt experts will be key to success for startups. Butterfi platform takes the lead in optimizing the debt-for-tech evolving market and helps startups enjoy and leverage these new financing schemes and acquire debt at the best terms.

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