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Three M&A Points In Three Minutes: Alternative Sources Of Capital In A Tough Economy

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In this challenging economic environment, growth capital can be hard to find. Here are some capital sources I've seen fill in some of the gaps:

- **Family Offices.** These investors are families that have accumulated large amounts of wealth (often \$100M or more). Before you approach a family office, you need to gain an understanding of whether they're currently making investments in operating companies and the types of investments they are looking to make. Because many family offices intentionally keep a low profile, you'll likely need to get that information the old fashioned way – through networking with those who know the investment professionals at the family office.
- **Fundless Sponsors.** These sponsors cobble together investment groups on a deal by deal basis by accessing their network of investors. Because fundless sponsors don't have a dedicated pool of funds and investors may opt in or out of each investment, they tend to be opportunistic and less apt to follow specified investment themes. But they often can do deals that aren't good candidates for institutional investors.
- **Revenue Based Financing.** This type of financing typically involves a loan that is repaid out of a specified portion of revenues. While more expensive than bank debt, revenue based financing is typically less expensive than equity financing. Documentation is often simple, and these types of financings can be closed quickly.

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