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Revenue Capital or Royalty Based Finance

Revenue Capital (RC) is business financing based primarily on the sale or exchange of revenue streams. RC includes royalty-based financing, top-line income rights and a variety of other revenue-centric funding structures.

For example, an RC investor may provide a business with \$250K in exchange for a 3% of the business' revenue over a specified period of time, or until a specific payback amount is received. Regardless of the specific deal terms, RC encompasses funding structures where future revenue is the primary means of repayment.

Revenue Capital Stakeholders

Companies Seeking Funding

Investors and Investment Funds

Legal Services

Accounting Services

Banking and Finance Sectors

Professional Services

Benefits of Revenue Capital for Investors:

- No investment dilution
- No dependence on exits
- No dependence on rapid growth
- Ongoing liquidity
- Larger pools of potential deal flow

No conflict over valuation

Benefits of Revenue Capital for Entrepreneurs:

No ownership dilution

No personal liability

Variable payments

Limited payback amounts (capped)

No conflict over valuation

History of Revenue Capital

Revenue capital has historic roots in mining, oil and natural gas where it is common to provide large sums of cash up-front in exchange for a percentage of extraction proceeds. Throughout the 1900s revenue capital increasingly spread to music, publishing, entertainment and also intellectual property licensing.

By the mid-to-late 1990s revenue capital emerged as a more deliberate mechanism for funding promising ventures in an industry-agnostic manner. Today a growing number of dedicated revenue capital firms span a wide range of industries—while traditional venture capital firms, private equity groups and angel investors have begun implementing revenue-based deals ad hoc as opportunities arise.

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