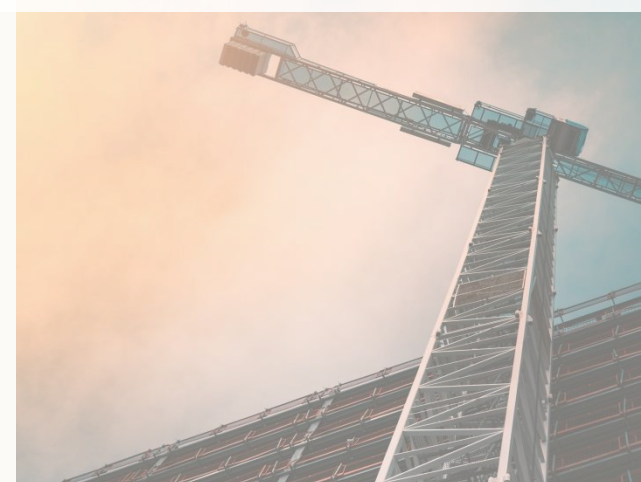




**Diamond Willow**  
Advisory Ltd.

# Debt Financing Experts

## Types of Debt Available





# WHAT WE DO

## Obtain debt capital on behalf of our clients

Diamond Willow Advisory assumes full responsibility of securing debt financing (over \$2 million) for corporate borrowers in a manner that expedites the borrowing process and timeline.

## » POSITIONING OUR CLIENTS FOR THE FUTURE

We facilitate debt capital across all industries with a Canadian presence.

**We can secure a variety of loans including those detailed in this presentation as well as additional structures, some of which are listed below:**

- ✓ Term loans
- ✓ Acquisition financing
- ✓ Operating lines
- ✓ Refinancing
- ✓ Bridge financing
- ✓ Asset based lending
- ✓ Equipment loans/leasing
- ✓ Revolving acquisition lines
- ✓ Growth financing
- ✓ Working capital/lines of credit
- ✓ Purchase order financing/WIP financing
- ✓ Trade financing
- ✓ Factoring receivables

# ECONOMIC RESEARCH

**Micro and macro economic research with a monthly research publication aimed at adding value to our network of borrowers and lenders.**

Our research aims to target topics on economics, trends, niche analysis, and consumer reports. DWA looks to provide insight and opinions on topics or themes that impact both borrowers and lenders.

We offer a formal publication on a monthly basis with ideas and insights shared on a more regular basis.



# WHAT LENDERS LOOK FOR

Lenders need to get comfortable with the security of the underlying loan

## 1 Cash Flow

**This is the first thing lenders look for as this is the primary means of loan repayment**

- Lenders often focus on EBITDA or free cash flow (cash flow after maintenance capital expenditures). Borrowers may exclude non-recurring or unusual items.
- Need to provide historical (accountant prepared) financial statements, year to date financials, and forecasts.

## 2 Tangible Assets

**These are hard assets whose values can be quantified**

- Examples include inventory, equipment, machinery, and real estate.
- Lenders will discount the market value and lend on a percentage of forced liquidation value (FLV) or net orderly liquidation value (NOLV).
- Recent appraisals from reputable firms are often required by lenders.

## 3 Guarantees

**Lenders like to know your interests are aligned with theirs**

- Many lenders will ask for personal guarantees to ensure full alignment from the borrower where other forms of security are limited.
- Besides personal guarantees, borrowers can offer corporate guarantees or a share pledge of existing equity holdings.

# LOAN TYPES BY COLLATERAL



## AR & Inventory

- AR Financing
- Working capital / lines of credit
- AR factoring
- Purchase order financing / WIP financing
- Trade financing inventory advances



## Equipment & Machinery

- Equipment loans
- Equipment leasing
- Revolving acquisition lines
- Asset based lending (ABL)



## Cash Flow

- Business line of credit
- Term loan



## Real Estate

- First mortgage
- Second mortgage



## Other

- Tax credits / government grant financing
- IP financing
- Venture debt



**Diamond Willow**

Advisory Ltd.

For typical bank and non-bank terms, please contact a DWA representative

**Additional types of loans may include bridge, acquisition, management buyout, and mezzanine debt which may require some or all of the security listed here.**

**When debt financing is not the answer, companies can also look at venture capital, private equity, common equity, preferred shares, selling royalty interests, convertible debentures and more.**



# LOAN TYPES BY COLLATERAL – AR & INVENTORY



AR & Inventory



Equipment & Machinery



Cash Flow



Real Estate



Other



Structure	Description	Pros	Cons
<b>AR financing</b>	Loan based on value of expected payments from customers	<ul style="list-style-type: none"> <li>• Consistent</li> <li>• Pre-set with a bank</li> <li>• Quick to fund</li> </ul>	<ul style="list-style-type: none"> <li>• Requires constant reporting on receivables to the bank</li> </ul>
<b>Working capital</b>	Present amount of money based on working capital	<ul style="list-style-type: none"> <li>• Preapproved</li> <li>• Quick access</li> </ul>	<ul style="list-style-type: none"> <li>• Generally smaller dollar values</li> </ul>
<b>Factoring receivables</b>	Short term loan based on expected payments from customers	<ul style="list-style-type: none"> <li>• Very fast to secure loan proceeds</li> </ul>	<ul style="list-style-type: none"> <li>• Expensive</li> <li>• Can alert clients of financial distress</li> </ul>
<b>Purchase order (PO) financing / Work-in-progress (WIP) financing</b>	Capital provided to pay suppliers upfront	<ul style="list-style-type: none"> <li>• Short term and allows business to fill orders</li> </ul>	<ul style="list-style-type: none"> <li>• Specific requirements mean it only works for small groups</li> </ul>
<b>Trade financing / Inventory advances</b>	Provided to those in supply chain of WIP or completed goods	<ul style="list-style-type: none"> <li>• Tends to be flexible</li> <li>• Can finance unfinished goods</li> </ul>	<ul style="list-style-type: none"> <li>• Low Loan to Value (LTV) on unfinished goods</li> </ul>

# LOAN TYPES BY COLLATERAL – EQUIPMENT & MACHINERY



AR & Inventory



Equipment & Machinery



Cash Flow



Real Estate



Other



Structure	Description	Pros	Cons
<b>Equipment loans</b>	Loan based on value of equipment held in the business	<ul style="list-style-type: none"> <li>Allows a company to secure additional funds beyond working capital / LOC</li> </ul>	<ul style="list-style-type: none"> <li>Based on liquidation value with LTV discount further applied</li> </ul>
<b>Equipment leasing</b>	Use of equipment on a rental basis	<ul style="list-style-type: none"> <li>Avoids the need to invest capital into equipment</li> </ul>	<ul style="list-style-type: none"> <li>Tends to cost more than owning outright long term</li> </ul>
<b>Revolving acquisition lines</b>	Predetermined limit used to buy equipment	<ul style="list-style-type: none"> <li>Quick to access</li> <li>Can grow with business</li> </ul>	<ul style="list-style-type: none"> <li>Need to be diligent on repayment</li> </ul>
<b>Asset based lending</b>	Loan based on combination of hard assets	<ul style="list-style-type: none"> <li>Can secure more debt than just based on cash flow</li> </ul>	<ul style="list-style-type: none"> <li>Loans provided on a discount to FLV or NOLV</li> </ul>



# LOAN TYPES BY COLLATERAL – CASH FLOW



AR & Inventory



Equipment & Machinery



Cash Flow



Real Estate



Other



Structure	Description	Pros	Cons
<b>Business line of credit (LOC)</b>	Operating line based on cash flow of the business	<ul style="list-style-type: none"> <li>• Only pay interest on amount drawn</li> </ul>	<ul style="list-style-type: none"> <li>• Tend to be smaller</li> <li>• Rely on personal net worth</li> </ul>
<b>Term loan</b>	Fixed amount with pre-determined payment schedule	<ul style="list-style-type: none"> <li>• Typically larger than what can be secured through LOC</li> </ul>	<ul style="list-style-type: none"> <li>• Set principal payments can weigh on cash flow</li> </ul>

# LOAN TYPES BY COLLATERAL – REAL ESTATE



AR & Inventory



Equipment & Machinery



Cash Flow



Real Estate



Other



Structure	Description	Pros	Cons
<b>First Mortgage</b>	First position standing on a piece of real estate	<ul style="list-style-type: none"> <li>• Low-cost way to inject capital</li> </ul>	<ul style="list-style-type: none"> <li>• Combination of principal and interest can eat up cash flow</li> </ul>
<b>Second Mortgage</b>	Second position on a piece of real estate (i.e., 2 <sup>nd</sup> in line)	<ul style="list-style-type: none"> <li>• Still lower cost than many other financing options</li> </ul>	<ul style="list-style-type: none"> <li>• Limited number of players</li> <li>• More expensive than first mortgage</li> </ul>



# LOAN TYPES BY COLLATERAL – OTHER



AR & Inventory



Equipment & Machinery



Cash Flow



Real Estate




Other

Structure	Description	Pros	Cons
<b>Tax credits / government grant financing</b>	Financing of tax credits and grants using future government payments as collateral	<ul style="list-style-type: none"> <li>• Finances eligible expenses before incurring them</li> <li>• Limited or no personal guarantees</li> <li>• Carves out tax credits/grants and is positioned behind other lenders</li> </ul>	<ul style="list-style-type: none"> <li>• More expensive than traditional structures like LOC</li> </ul>
<b>Intellectual property (IP) financing</b>	IP-backed financing solution to support commercialization and expansion	<ul style="list-style-type: none"> <li>• Often flexible on structure (debt, quasi-equity, equity)</li> <li>• Accessible earlier than more traditional structures</li> </ul>	<ul style="list-style-type: none"> <li>• Limited number of players</li> <li>• Still requires clear commercialization and expansion plans</li> </ul>
<b>Venture debt</b>	<ul style="list-style-type: none"> <li>• Typically follows an equity raise for early-stage, high-growth companies with VC backing</li> <li>• Relies on company's access to venture capital as primary repayment source for the loan</li> </ul>	<ul style="list-style-type: none"> <li>• Less collateral than traditional structures</li> <li>• Minimizes dilution in early stages</li> </ul>	<ul style="list-style-type: none"> <li>• Typically include warrants</li> <li>• Can be difficult to repay if the Company fails to raise subsequent capital</li> <li>• Typically requires previous VC equity raise</li> </ul>

# COMING PREPARED TO THE LENDING DISCUSSION

The list below is a great starting point for what to prepare in advance of discussions with potential lenders, understanding that a vast amount of additional information will be required to close a financing. However, the list below is meant to expedite initial discussions and lead to quicker "yes" or "no" from lenders.

- 
- ✓ Accounts receivable/Accounts payable
    - Current aged AR and AP
  - ✓ Year-to-date P&L
    - Profit and loss statement with a balance sheet of the same date (internally prepared statements suffice)
  - ✓ Financial statements
    - Most recent three years of annual accountant prepared statements
  - ✓ List of tangible assets including:
    - Inventory (market value by product if available)
    - Equipment and machinery (breakdown and appraisal)
    - Real Estate (appraisal and details on mortgage)
  - ✓ CRA status:
    - Evidence of the current status of CRA accounts including income tax and payroll deductions
  - ✓ Updated personal net worth:
    - Personal net worth summary must be up to date

# A MULTITUDE OF CREATIVE SOLUTIONS AVAILABLE

DWA has a vast lender network (~450 institutions) throughout North America and helps companies obtain the right loan structure and best terms



Alternative Lenders



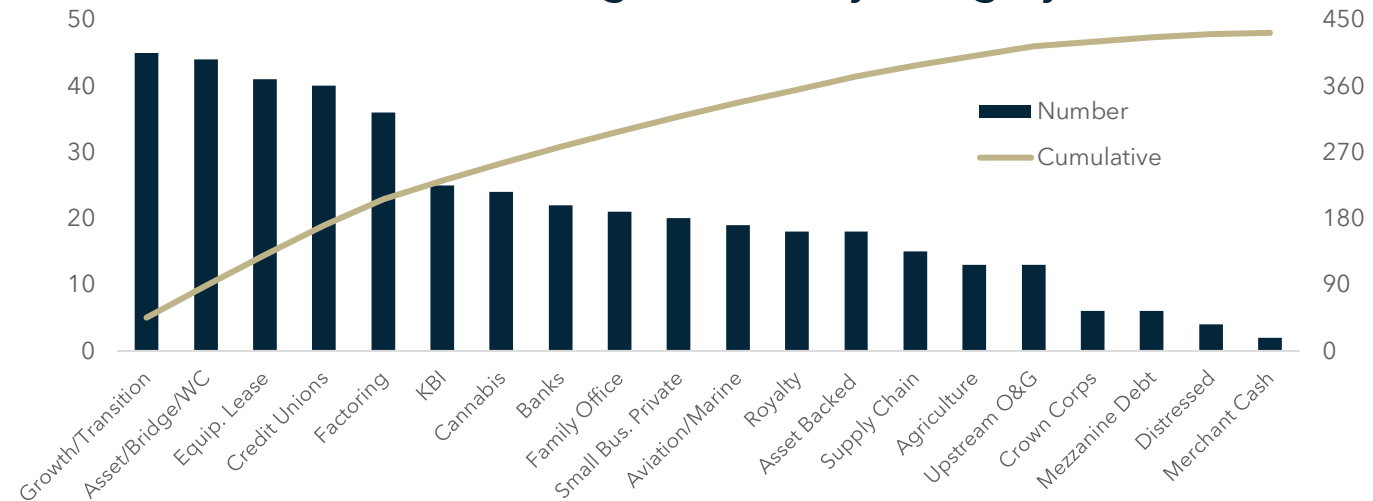
Banks & Government



Credit Unions & Other

- Outside of the banks and senior lenders, DWA's network includes ~350 non-bank lenders broken down by specialty, target, approach and more.
- Within each respective group, there are specialized lenders who can structure loans in creative ways to account for risk profile and borrower needs.
- The appropriate lenders to target depends on types of assets that will secure the loan, industry or sector, size of the ask (many private lenders have minimums), jurisdiction, and more.
- Lenders will want to see a multitude of documents and expect fluid communication. DWA ensures the lenders have everything they need in order to move quickly, including a financial model, confidential information memorandum, fulsome data room, assistance with due diligence requests, frequent process updates, and more.

DWA's Lending Network by Category



# HOW ALTERNATIVE LENDERS DIFFER FROM BANKS

## The Private Debt Market is More About Pricing Risk Than Leverage Metrics

- Lack of/poor historical financial performance
- Extreme customer or supplier concentration
- Disputes or lawsuits
- Limited, less marketable, or no hard asset security
- Industry or reputational risk
- Short-term client needs

CRITERIA	BANKS	ALTERNATIVE LENDERS
Rate	Lower	Higher
Term	Longer preferred	Less than two years on average
Security loan-to-value (LTV)	Conservative	Aggressive
Positive cash flows	Always	Not necessary if secured
Financial projections	2+ years usually required	Can accommodate turnarounds or newer companies
Debt service < 1.0x	Non-starter	Can be accommodated
Leverage	Conservative	Aggressive



# MEET OUR TEAM

Together we offer ~65 years of combined finance experience in capital markets, corporate finance, private equity and accounting



**Grant Daunheimer**, CFA | Founding Partner

After grinding out 16 years in Equity Capital Markets as a Research Analyst covering the Canadian upstream Oil and Gas space, Grant decided to shift gears and enter the private debt world. Grant founded Diamond Willow in 2018 with the goal of bringing a differentiated level of financial service to small businesses. Grant is an enthusiastic leader at Diamond Willow and loves interacting with entrepreneurs who carry similar enthusiasm for their business.

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**Haley Talbot**, CFA | Partner

Haley joined DWA in 2023 as a result of a merger with H&S Advisory Ltd., the firm she previously co-founded, with a common goal to elevate the Canadian debt financing advisory space. Haley began her career in corporate finance and investment banking in 2012 and has worked on a variety of transactions including debt and equity capital raises, M&A advisory and restructuring mandates. Haley has been a CFA Charterholder since 2016.

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**Stephanie Blais** | Partner

Stephanie joined DWA in 2023 as a result of a merger with H&S Advisory Ltd., the firm she previously co-founded. Stephanie comes from a family of entrepreneurs and previously owned and managed a small business for seven years prior to pursuing a career in investment banking and advisory in 2016. She brings a unique set of skills assisting business owners with strategy and marketing, putting their best foot forward to obtain best possible results in a financing scenario.

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**Mathew Burpee**, CA, CFA | Partner

Every group has to have an overachiever, and for us, that is Mathew. Given the professional designations (CA, CFA), becoming the youngest Manager at a major accounting firm, graduating at the top of his class and volunteering, Mathew has a firm grip on that overachiever status. Having successfully sold two small businesses and recently acquiring and overseeing eight companies, Mathew brings a depth of capital raising, strategic planning and private equity experience to the DWA team.

[mathew@diamondwillowadvisory.com](mailto:mathew@diamondwillowadvisory.com) | 403.807.7202



**Alex Kinnaird** | Associate

Alex is passionate about helping entrepreneurs achieve their business goals through access to capital. He is experienced in all areas at DWA, developing creative solutions to clients' capital needs, assisting with market research, and growing the lender network. Alex is a self-diagnosed workaholic but, when he does have some free time, enjoys being outside in the woods or cheering on the Calgary Flames. Alex is currently pursuing both CFA and CPA designations.

[alex@diamondwillowadvisory.com](mailto:alex@diamondwillowadvisory.com) | 587.896.6993

At DWA, we pride ourselves on providing best in class products and services. With our core values consisting of **integrity, quality, accountability and communication**; clients know they are getting the best advice. Our experience allows us to solve the most complex financial situations and we are committed to maintaining the highest ethical standards.