espresso

How Rise People's Faiz Abdulla used venture debt to get the higher valuation he was looking for

Sometimes in life, you've got to go all in. That's certainly the approach that Faiz Abdulla took in 2011, when he left his role as the CEO of a consulting firm to found Rise People. An all-in-one platform that unifies HR, benefits, and payroll into a simplified and personalized interface, Rise People helps customers build a better workplace by enabling them to focus on people and experiences, rather than processes and paperwork. Today, the company counts major brands such as Clio, Mr. Lube, and PayByPhone among its faithful customers.

For the first five years he was in business, Faiz funded the company using his own money along with some financing from angel investors. And while that arrangement worked well enough initially, it just wasn't sustainable. Faiz eventually came to the conclusion that if he wanted to continue to grow his business, he'd need to raise larger sums of capital than were available from angel investors.

While venture capital was an obvious choice, Faiz was adamant about delaying a Series A round until he was able to realize the type of valuation that he felt his business deserved. "I put a lot of blood, sweat, and tears into my business," he explains. "I wasn't about to raise equity unless a VC gave me the valuation I was looking for." Practically speaking, that meant he'd need to grow his revenues to the point where they attracted the type of valuation he was seeking from venture capital.

With venture capital not a viable option in the near term, Faiz started looking at venture debt.

A funding solution close to home

In 2015, Faiz began talking to an array of venture debt lenders, including Espresso Capital, which happened to be one of Rise People's clients. While some of the other lenders Faiz spoke with boasted slightly lower interest rates, there was always a trade off. "Their term sheets were complicated and their processes lengthy," he says. "That meant it could take several months just to get a deal off the ground."

After a couple of conversations it was clear that Espresso would be much easier to deal with thanks to its transparent term sheets and highly efficient diligence process. "We got funded in just four weeks," says Faiz, "without having to fuss around for months wasting time and energy."

While many founders and CEOs choose equity rather than debt early on because they're worried about the interest, Faiz says that approach is short-sighted. "It's fine to spend money on interest if you've got the cash flow to support it. Plus, if you take the time to do the math you'll find that in the long run it's much cheaper than equity when you factor in dilution."

A second shot of Espresso

Fast forward to 2017, and Faiz found himself getting wooed away by another lender. That lender talked a great game, but ultimately couldn't deliver on the promises it made. Within three months, Faiz came back to Espresso.

"There were a lot of empty promises with those other folks," he says. "Initially, they sounded better and were a little cheaper, but it was mostly smoke and mirrors. In the end, when you look at the whole model, including the structure and the relationship, the team at Espresso just blew the other guys out of the water. Of course we went back."

Abdulla describes his experience with Espresso as a relationship rather than just a transaction. And that relationship has brought a variety of fringe benefits. For example, Espresso introduced Rise to a number of businesses that went on to become customers. Plus, the two companies have even partnered in co-marketing projects to promote Rise's people management solution with Espresso's financing.

Ultimately, taking venture debt with Espresso gave Faiz the capital he needed to invest in sales and product development. He skillfully stretched that capital, growing his company from 30 people to 65 and reaching the point where he achieved the critical mass necessary to attract an equity investment at the valuation he was looking for.

In late 2018, Faiz closed a $24 million Series A round with Sun Life Financial and didn't have to suffer any dilution to get there. "It was very gratifying to get the valuation that I always knew we deserved," says Faiz. "Given everything I've poured into this business, it was a real validation and one that never would have been possible if we hadn't tapped into venture debt."

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