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How Leonardo's Tawfiq Arafat returned his company to profitability and engineered an exit using venture debt

Leonardo is a leading provider of digital asset management and digital marketing solutions for the global hospitality industry. Founded in Toronto in 2000, the company helps hotels generate more bookings and revenue, while also making it easier for guests to select the accommodation best suited to their needs.

Initially, Leonardo began as a small visual production company, shooting photos and virtual tours for hotels and hosting them online. Since then, it has grown into a trusted marketing leader, using advanced technology to help hotels, global hotel brands, and travel channels reach, engage, and convert online travel shoppers. Today, it has partnerships with an enviable list of global brands, including Expedia, Accor Hotels, InterContinental Hotels Group, Marriott, and Booking.com, that represent thousands of hotel properties around the world.

To help fuel its growth, a few years after it was founded, Leonardo began raising capital. In 2005, the company partnered with a venture capital firm, and subsequently took a private equity investment in 2008. From there, the company thrived for a number of years, enjoying a raft of loyal customers, a great product, low churn, and recurring revenue. It was smooth sailing.

Downward pressure puts the business at risk

Then in 2014, Leonardo hit a bump in the road. "A competitor that hadn't previously been a threat to our business started competing aggressively on price," explains Tawfiq Arafat, the company's Executive Chairman. "That, combined with changing marketing dynamics, put a lot of pressure on Leonardo. Suddenly our product was at risk of becoming a commodity."

As a result, Leonardo quickly found itself short on cash and in need of fresh capital to help the business through this difficult period. Unfortunately, the company's equity investors were unable to provide the necessary financing – they'd already closed the funds that had initially supported Leonardo, and were seeking to exit their investment rather than deploy further capital in the business. That left the company between a rock and a hard place. It may have had to restructure to reduce costs — which could have led to a significant loss in value — if Tawfiq hadn't connected with Espresso Capital.

Looking at the whole picture

Luckily, Tawfiq already had an existing relationship with Espresso's CEO Alkarim Jivraj. When Tawfiq approached Espresso, he found a firm that had confidence in him and his business, espresso

and that was willing to deliver the capital injection Leonardo needed to weather the storm.

“Espresso was different,” says Tawfiq. “They were bold. Like us, the team there understood that although we were going through a difficult time, we had a solid business in place. They knew that with a little help, we’d come out the other side, stronger and better than ever.”

So in 2015, Leonardo took its first loan from Espresso, using the capital to ensure the business and its operations ran smoothly. And it worked; the business quickly recovered.

In fact, the company performed so well that three years after the Espresso capital injection Tawfiq was able to sell Leonardo to Jonas Software. It turned out to be a great result for Tawfiq, his team, and his equity investors, and one that wouldn’t have been possible just a few short years ago.

“The biggest value Espresso delivered was peace of mind,” explains Tawfiqt. “Espresso was there for us when we needed it, and when no one else was. Without that money, we could have been in real trouble because of our cash flow challenges. Espresso not only got us back on our feet, they also helped position our business for a very successful exit.”

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