espresso

How GroupBy CEO Roland Gossage used venture debt to fund a strategic acquisition and increase its enterprise value

In 2013, serial entrepreneur Roland Gossage founded GroupBy, a company that would quickly become a leading, data-driven retail eCommerce platform that offers data enrichment, advanced search, merchandising, and world-class analytics. Helping to transform shoppers into buyers by fusing findability with personalization, today GroupBy counts some of the world's leading retailers among its customers, including CVS, Estée Lauder, and Urban Outfitters.

Shortly after launching the company, Roland began heavily investing in R&D. To fund that initiative, he needed additional working capital and eventually decided to take a loan from Espresso Capital, which he repaid upon receipt of an associated tax credit refund.

About a year later, when Roland needed additional funding, he went with one of Espresso's competitors, which, unfortunately didn't turn out very well. "We paid off that other firm in just seven months because we wanted out of the relationship," Roland says. "After a great initial experience with Espresso, we found working with this other firm to be onerous and not much of a partnership."

Aside from these initial fundings, Roland made sure that his company was almost entirely bootstrapped, save for some seed funding from friends and family. It was a strategy that worked until 2017, when he came across the opportunity to acquire a company with complementary functionality. It was then that Roland and his team realized that they were going to need financing to make the acquisition a success.

"Without outside capital, the deal would have put a huge strain on our business," Roland explains. "It would have made things too tight and uncomfortable and we simply didn't want to put ourselves in that position."

Venture debt powers a crucial acquisition

Ultimately, Roland decided to fund the acquisition using a combination of cash and equity. For the cash funding portion, he looked to Espresso for help, recalling the positive experience from their initial loan. "Espresso was so easy to work with that going back made a lot of sense," Roland says. "They're just great people and really know their stuff."

Fast forward to today and the now completed acquisition has transformed GroupBy, allowing the company to improve its competitive positioning and win more deals. Today, 20 percent of GroupBy's revenue comes from the acquired business. Not only that, the acquisition is one of the reasons why GroupBy has been doubling its revenues for the past four years.

GroupBy is now poised to continue to grow organically as well as through additional acquisitions, and has built up its enterprise value while limiting dilution among its shareholders in the process.

A relationship that's more than just financial

Roland says he found working with Espresso easy, productive, and personal. "I like that everything is straightforward and transparent," he says. "With Espresso you have very honest conversations, the team is easy to work with, and there's no friction. It's a very natural relationship that quickly evolves into a true partnership."

Roland says it wasn't just the financing that has been beneficial. Espresso also constantly found other ways to help, such as introducing GroupBy to members in their network and offering advice. "They were always trying to find ways to add value," Roland adds. "Seeing opportunities to help us manage our costs, pointing out areas where we could work on increasing our enterprise value — there was always something."

While GroupBy has already paid off its line of credit, its relationship with Espresso continues. Espresso has made introductions that might lead to future acquisitions. And while GroupBy doesn't have an immediate need for further funding, Roland says he wouldn't hesitate to use Espresso in the future if the need arose. "Venture debt is a great option and Espresso is an even better partner."

"Unlike other experiences we've had and have witnessed in our space, this theme of partnership continues not only when things are humming along, but also when times are challenging," he says. "That's important because when challenges inevitably come along, you want someone who will continue to look out for both parties' interests and not just their own."

"With Espresso you have very honest conversations, the team is easy to work with, and there's no friction. It's a very natural relationship that quickly evolves into a true partnership."

Roland Gossage | CEO, GroupBy