

How sMedia's Marshal Finch used venture debt to fuel his company's capital-efficient growth

When Marshal Finch co-founded sMedia in Regina, Saskatchewan in 2011, he did so with just \$800 in his pocket. The first-time entrepreneur had a clear idea of how to help automotive dealers become more effective and set out to bring that idea to life. Today, the company's custom digital marketing solution helps more than 450 automotive dealers across North America increase their leads and grow sales. It does this by using artificial intelligence and big data to analyze hundreds of customer behavioral indicators so that dealers can target their digital marketing efforts at engaged prospects while capitalizing on real customer intent.

Despite its humble beginnings, for the first seven years since its inception, sMedia was completely bootstrapped. Marshal explains that he and the company's other co-founders were committed to retaining as much ownership of the business as possible. For that reason, they wanted to avoid raising venture capital early on and taking the dilution that would inevitably come with it.

And while the company enjoyed substantial growth over the years, by the time they had real traction in the market and had become cash-flow positive, it was time to up the ante. While Marshal had long been averse to outside capital, he became convinced that it was now the key to helping the company accelerate its growth. The trick would be just finding the right opportunity.

Venture debt proves too good to pass up

In the months that followed, Marshal and his team explored their options, speaking with a number of venture capital firms. While cautious about finding the right partner, they were also conscious of the importance of moving quickly to ramp up their sales and not lose any ground to competitors. Ultimately, a friend suggested that Marshal consider using venture debt instead. That way, the friend explained, should Marshal ever want to raise equity at some point in the future, he could do so at a higher valuation while retaining more ownership of the company.

Not long after, Marshal met Espresso Capital's Caterina Papadacos at the Traction Conference in Vancouver in August 2018. He liked the firm's founders-first mentality and quickly came to see that Espresso is unique. "Some of the other venture debt lenders we spoke to treated us like a number and just didn't seem to have our best interests at heart," he says. "Espresso was different. They put our needs first and demonstrated from day one that they were truly committed to helping our business succeed."

Marshal says that other venture debt lenders often wanted warrants, to own part of the company, or to take advantage of the deal with a percentage of revenue. "They were always finding interesting ways to structure the deal," he says. "Meanwhile, it was clear that Espresso was actually looking out for us."



Using venture debt to super-charge growth

Since partnering with Espresso, Marshal and team have primarily invested the capital they raised in sMedia's sales and marketing engine. In addition to hiring a Head of People and Culture, the company brought on a VP of Sales and five new sales reps. So far, the results have been spectacular.

"We've dramatically sped up our growth rate," Marshal says. "Two of our new sales reps are already hitting their quota and the others are close. Once they're there, we'll be growing five times faster than we did last year and should be on track to hit a 120 to 200 percent rate of growth."

Marshal is also quick to point out that working with Espresso was fast, easy, and intuitive. "One of the best parts is how easy they make reporting. Some of the other firms we talked to had onerous reporting requirements, but with Espresso, it's a seamless and largely automated process. That saves us a lot of time and effort every month."



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Marshal Finch | CEO, sMedia

Support beyond just cutting a check

Marshal says the value Espresso delivers goes well beyond just financing sMedia's growth. The firm has also helped the company engage with the entrepreneur and tech community in Vancouver, where it now has a second office. It has also helped them connect with business contacts, forge relationships with various companies, and access valuable webinars and sales expertise thanks to Espresso's relationship with Winning by Design.

"Anytime I have a question, I call Caterina," says Marshal. "If she doesn't know the answer herself, she knows someone who does and puts me in touch."

And while raising future funds through venture capital is very much on the table as sMedia continues to grow, venture debt has been the vehicle that has helped them get to this place. "Venture debt has helped us unlock the growth we were looking for," says Marshal. "If I could use it every time we needed capital, I would. And even though we now have a higher valuation, and more options, we'll keep using venture debt as part of our overall financing strategy."