

TURN RESEARCH AND DEVELOPMENT EXPENDITURE INTO WORKING CAPITAL

When you are on the threshold of a major R&D milestone, nobody likes to raise capital at yesterday's equity valuation.

In 2015, TruScreen was four months away from achieving Chinese FDA approval for its cervical screening technology and needed extra funding. Through R&D Capital Partners (R&DCP), they were able to quickly borrow \$400,000, secured against their future R&D tax refund, which provided valuable working capital to enable them to delay a \$5-million equity raise and achieve a 50 per cent equity valuation increase.

R&DCP is the brainchild of Gerry Frittmann and Quintin Freeman, who have combined their respective skills to provide up-front cash to R&D businesses. Freeman (Freeman Capital) has decades of investment banking experience and Frittmann (TCF Services) is one of Australia's leading experts in the R&D tax incentive program.

R&DCP has a strong leaning towards Australia's biotechnology developers, having completed 10 loans in this sector, with an average value of \$800,000.

R&D Capital Partners' loans to Australian biotechs

Cancer screening	Loan 1	February 2015	\$400,000
Cancer screening	Loan 2	December 2016	\$750,000
Medical diagnostics	Loan 1	March 2015	\$878,500
Medical diagnostics	Loan 2	December 2015	\$690,000
Veterinary technology		February 2016	\$102,000
Veterinary pharmaceuticals		March 2016	\$3,000,000
Healthcare customer management	Loan 1	May 2016	\$350,000
Healthcare customer management	Loan 2	December 2016	\$150,000
Immune oncology		June 2016	\$350,000
Gene therapy platform development		October 16	\$1,303,000

R&DCP provides cashflow up to 12 months in advance of a rebate under the R&D Tax Incentive. Essentially,



the loan is working capital that is secured by the government. The additional funds can accelerate your R&D activities to enable you to achieve your next R&D milestone earlier and, if used in the same financial year, a further 43.5 per cent benefit can be claimed on the increased level of R&D expenditure.

Australian biotechs readily satisfy the R&D eligibility criteria as they are characterised by strong corporate governance, which demonstrates their ability to repay the loans. These are the two compelling features that provide the level of comfort necessary for R&DCP to approve a loan.

R&DCP's intimate understanding of the legislation provides a prompt fundraising process that takes days, not weeks, for well-organised borrowers. The well drilled-in due diligence process gives immediate certainty for timing without any subjective equity valuations or complex shareholders agreements.

Since 2014, R&DCP has provided more than 55 loans ranging from \$50,000 to \$3 million in size. It has helped companies reinvest in their R&D during the pre-revenue days that are typically too early for the venture capital community. These Australian innovators have all gone on to great success after utilising Freeman and Frittmann's services, keeping Australia's proud history of invention in the hands of our inventors. 🌱