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FastPay Offers Ad Tech A New Financing Option

By Ty McMahan

The thesis at FastPay Inc. is that commercial banks don't understand the Internet and are therefore reluctant to provide credit to the sector. Digital businesses are then left with no other financing option than raising equity, which can be costly, dilutive and time-consuming.

So FastPay wants to fill that gap, focusing first on providing debt financing to the ad-tech industry.

Across the online advertising space, content publishers, exchanges, demand-side platforms, trading desks, social media marketers and digital creative studios alike are confronted with the challenge of managing cash flow in an industry that often takes 60 to 90 days to pay invoices.

FastPay provides capital to cover that float, freeing up the funds necessary to invest in business growth. The company provides credit lines from \$100,000 to \$3 million or more. Clients can visit the site, fill out a brief form to begin the application process, and, if qualified, receive capital in as little as one business day.

"I spoke with an ad-tech company that just raised a Series B that said had they known this was available, they would have postponed the B because the point of the round was to cover the float issue," FastPay Chief Executive Jed Simon said.

Jamarlin Martin, founder and CEO of Moguldum Media Group, said his African American-focused blog network didn't need a lot of capital to grow, but the long pay cycles made it difficult to invest in new initiatives. He said FastPay has been a great help.

"It's a nice alternative to have," Martin said. "Entrepreneurs don't have to take on the risk of giving up equity just to grow."

Martin said it was also helpful to work with a credit provider that understood his business. He said he expects this model to serve many digital businesses who would have otherwise raised venture capital.

"We view ourselves as peers of our clients," Simon said. "We speak their vernacular. We speak in the language of impressions, CPMs and CPAs. We're always trying to learn more about how these things work."

FastPay says it has already provided \$25 million to dozens of digital-media businesses. The company charges a "small fixed fee" based on the size of the invoice, which could add up to a nice business in a digital ecosystem that is expected to reach \$100 billion by 2015.

The Los Angeles-based company is backed by Victor Coleman, Hudson Pacific Properties Inc. CEO, and Jon Glaser, founder of hedge fund JMG Capital Management.

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