



# **YAD FUNDING OPPORTUNITY IV LP**

**STRICTLY CONFIDENTIAL  
AUGUST 2019**

# Executive Summary

- ✓ YAD Capital invests in a niche product of the US credit market, also known as **Merchant Cash Advance (“MCA”)**. It is a financing solution to small- and medium-sized businesses whereby a business receives a cash advance in exchange for selling a portion of its future revenues
- ✓ We have been investing in MCA for the past twenty months across 3 closed-end funds
  - *YAD Funding Opportunity LP*: Final closing on 3/31/18 with \$2.65M. Currently investing. Current NAV of **1.34x** over original capital<sup>(1)</sup>
  - *YAD Funding Opportunity II LP*: Final closing on 9/30/18 with \$7.78M. Fully invested. Current NAV of **1.12x** over original capital<sup>(1)</sup>
  - *YAD Funding Opportunity III LP*: Final closing on 4/30/19 with \$3.85M. Currently investing. Current NAV of **1.25x** over original capital<sup>(1)</sup>
- ✓ We are raising a fourth fund to take advantage of our growing and strong pipeline
  - Compelling investment strategy with uncorrelated alpha to financial markets
  - High Net ROI to the investor with short duration investments

1. NAV as of 7/31/19 after fund expenses and fees, but before expected incentive fee due to GP at liquidation of the Fund.

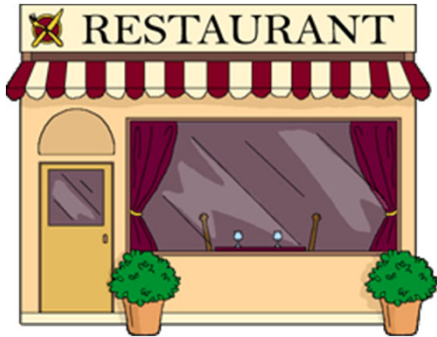


# Summary of Terms

<ul style="list-style-type: none"><li>• <b>Name of Partnership</b></li></ul>	<b>YAD Funding Opportunity IV LP</b>
<ul style="list-style-type: none"><li>• <b>General Partner</b></li></ul>	YAD Capital MCA GP, LLC
<ul style="list-style-type: none"><li>• <b>Target Size</b></li></ul>	\$5,000,000
<ul style="list-style-type: none"><li>• <b>Minimum Investment</b></li></ul>	\$250,000; subject to discretion of the GP
<ul style="list-style-type: none"><li>• <b>Target Initial Closing Date</b></li></ul>	September 30, 2019
<ul style="list-style-type: none"><li>• <b>Target Final Closing Date</b></li></ul>	December 31, 2019
<ul style="list-style-type: none"><li>• <b>Investment Period</b></li></ul>	24 months starting on Initial Closing Date
<ul style="list-style-type: none"><li>• <b>Target Realization Period</b></li></ul>	Return of Capital: ~4 months; Return of Profits: ~3 months
<ul style="list-style-type: none"><li>• <b>Target Net Equity Multiple</b></li></ul>	1.30x - 1.35x, net of all fees and fund expenses
<ul style="list-style-type: none"><li>• <b>Servicing Fee</b></li></ul>	1.25% on daily remittances, paid monthly
<ul style="list-style-type: none"><li>• <b>Incentive Fee</b></li></ul>	20% on profits, at liquidation after 100% return of capital
<ul style="list-style-type: none"><li>• <b>Auditor</b></li></ul>	Citrin Cooperman & Company, LLP
<ul style="list-style-type: none"><li>• <b>Fund Administrator</b></li></ul>	Strategic Fund Services, LLC
<ul style="list-style-type: none"><li>• <b>Banking / Custodian</b></li></ul>	BankUnited, Inc.



# The Problem: Lack of Financing Solutions



Meet Jennifer, a proud business owner of a local restaurant in Dallas, TX. She has been in business for 3 years and generates \$3,500,000 of sales a year

Business is booming and Jennifer needs \$100,000 to renovate and upgrade the patio



*Jennifer could borrow from her personal credit cards but she has no revolving capacity available*



*Jennifer went to her local bank to get a business loan but with limited history, no audited financials and no collateral, the bank cannot proceed forward for at least 3 to 6 months. Jennifer needs the cash immediately*



*It is also too premature to get an investor to buy an equity stake in the business*

# The Solution: Merchant Cash Advance

- ✓ It is a commercial transaction whereby a business owner **sells a portion of its future sales at a discounted price**. Transaction is as follows:
  - Sell \$143,000 of future revenues for a \$100,000 immediate cash advance (i.e. ~30% discount)
  - Assuming a 100 business days term (~5 months), business to make daily repayments of \$1,430 to the MCA provider, also known as, the Funder
- ✓ Benefits for Merchant:
  - Business gets liquidity **quickly**, in general in less than 72 hours
  - Business gets a cash injection without incurring debt. **It is NOT a LOAN**
  - Payments are contingent on the performance of the business **without having sold any equity**. There is no interest rate, no repayment schedule, no minimum payment due, and no maturity date. Amount owed never grows
- ✓ Although an unsecured instrument, MCA Funder is granted a security interest in all the assets of the business and a personal guaranty of performance of the business owner. Merchant authorizes Funder to file a UCC-1



# The Opportunity

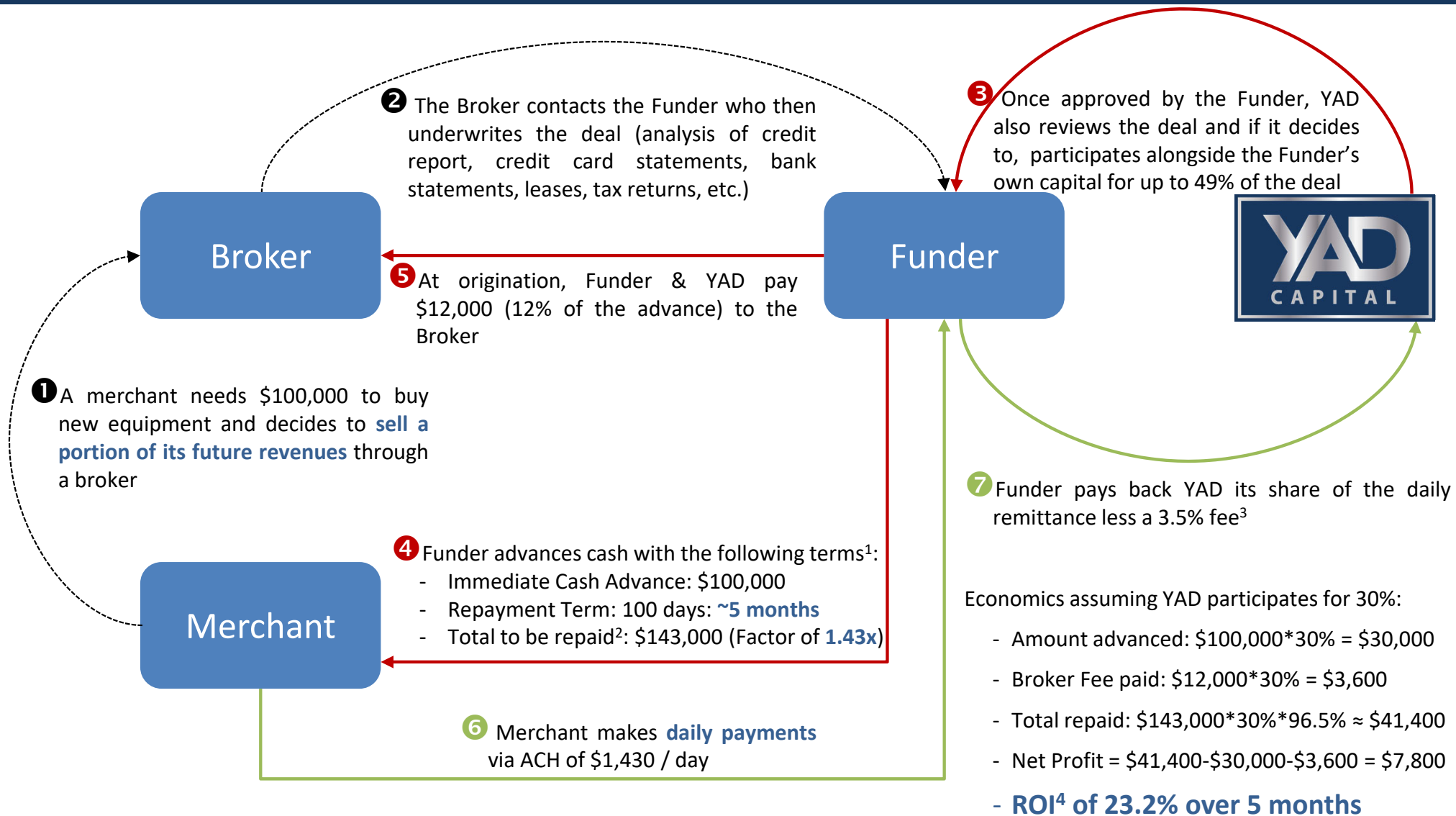
- ✓ More than a decade after the great recession of 2008, access to working capital still remains out of reach for the majority of the 30 million small businesses
- ✓ Banks are not returning to pre-crisis levels of small business lending
- ✓ Banks have created a vacuum in the lending to small businesses market and MCA Funders are in the best position to meet this demand
  - There are currently **\$80 billion worth of unmet annual funding needs** among small businesses<sup>(1)</sup>
  - Estimated MCA Market Size: **\$20 billion**
  - Major players include Paypal (\$4.0bn); OnDeck (\$2.5bn); Kabbage (\$2.0bn); Square (\$1.5bn); Amazon (\$1.0bn)

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1. Source: Federal Reserve.



# Typical Transaction



1. On average, a Funder will buy between 10% and 30% of a merchant's daily revenues.
2. Factor varies from 1.15x to 1.50x depending on the credit quality of the borrower, length of deal, etc.
3. Syndication fee, based on the total proceeds, varies from 3% to 4% and is paid as remittances are received.
4. Does not include any impact of potential defaults.



# YAD Capital Business Model

**YAD serves as a conduit for investors to participate in an industry with high barriers to entry**



## Pre-select Funder

- ✓ Review organization: on-site due diligence, third-party contracts, financials
- ✓ Review operations: CRM platform, collection procedures, underwriting processes

## Negotiate with Funder

- ✓ Servicing Fees
- ✓ Master Participation Agreement

## Certify the Funder

- ✓ Invest along side Funders' capital
- ✓ Leverage their underwriting and collection expertise, technology and back office
- ✓ Review each participation purchased

## Build portfolio

- ✓ Diversify by investing across the entire spectrum of opportunity set
- ✓ Monitor and risk manage the portfolio on a daily basis with specific processes and procedures





# Professionally Managed MCA portfolio

**YAD has been investing with select MCA Funders across 3 closed-end funds for the past 2 years**

**YAD has established concentration limits – at the Portfolio level and at the Deal level – to mitigate risk and ensure proper diversification of the portfolio**

## **Investment Criteria:**

Portfolio Parameters	Metrics
Maximum Exposure to a Single Industry	25% of AUM
Maximum Exposure to a Single State	25% of AUM
Maximum Dollar Weighted Average Underwritten Term	160 days
Minimum Dollar Weighted Average Buy Factor Rate	1.20x
Maximum Participation in a Single Deal	2% of AUM

DEAL Parameters	Metrics
Minimum Buy Factor Rate	1.10x
Minimum Monthly ROI	1.75%
Maximum Term	252 days
Maximum Participation (as a % of total deal)	49%



# Professionally Managed MCA portfolio

YAD works with select Funders and review each transaction to build a highly diversified portfolio

Total of  
**\$48M**  
Deployed

Total of  
**2,600**  
Deals

Average  
**1.42x**  
Factor  
Rate

Average  
**136**  
Business  
Days

Average  
**23.7%**  
Projected  
ROI

Maximum  
**49%**  
Partici-  
pation

Across  
**30+**  
Industries

Across  
**49**  
States  
& DC

Partner  
with  
**12**  
Funders

Investing  
**\$3.2M+**  
per  
Month

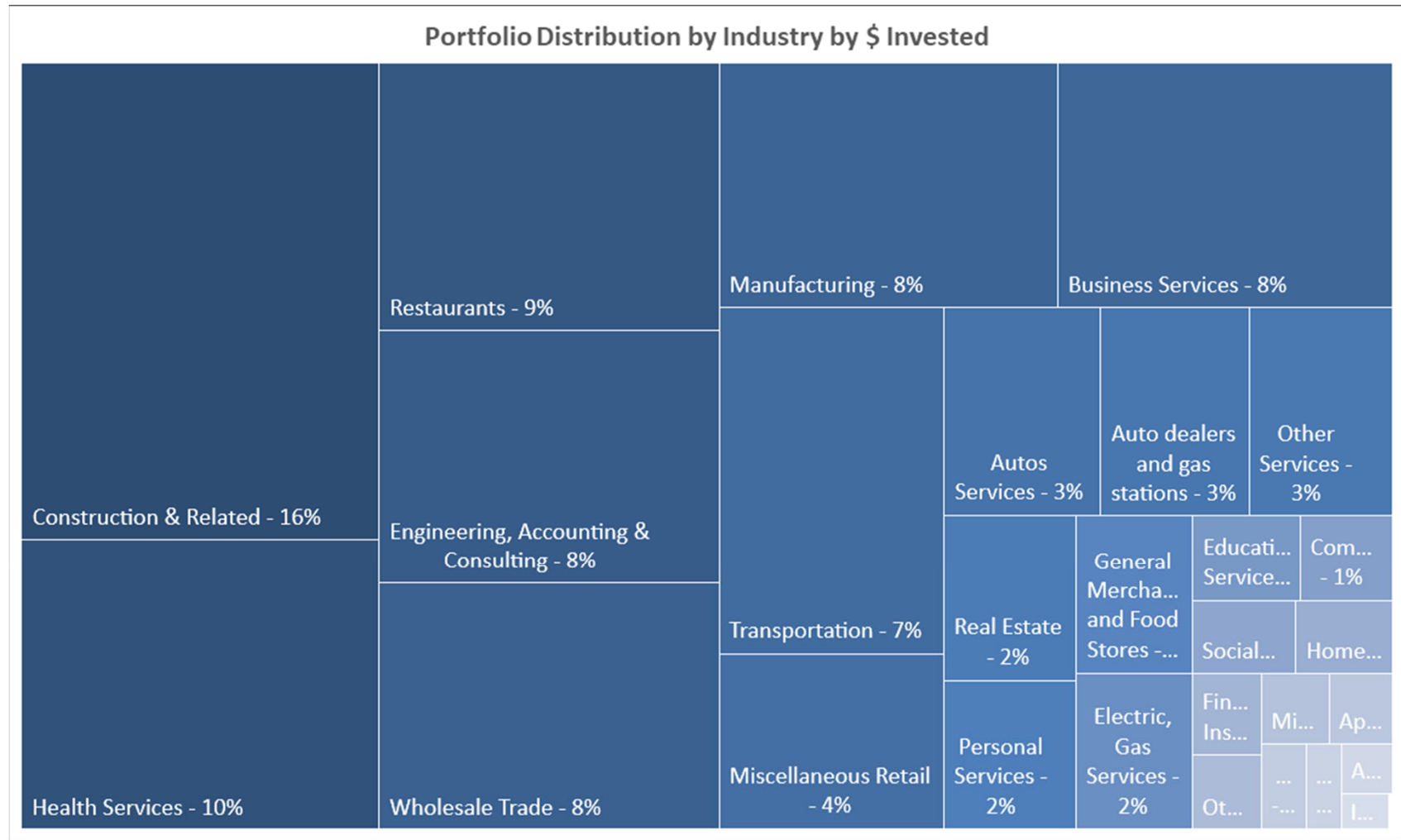
Statistics are since inception in January 2018.



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This document is not an offer to sell or the solicitation of an offer to buy shares of the Fund

# Portfolio Diversification

**YAD acquires participation interests in MCA across the entire U.S. economy**

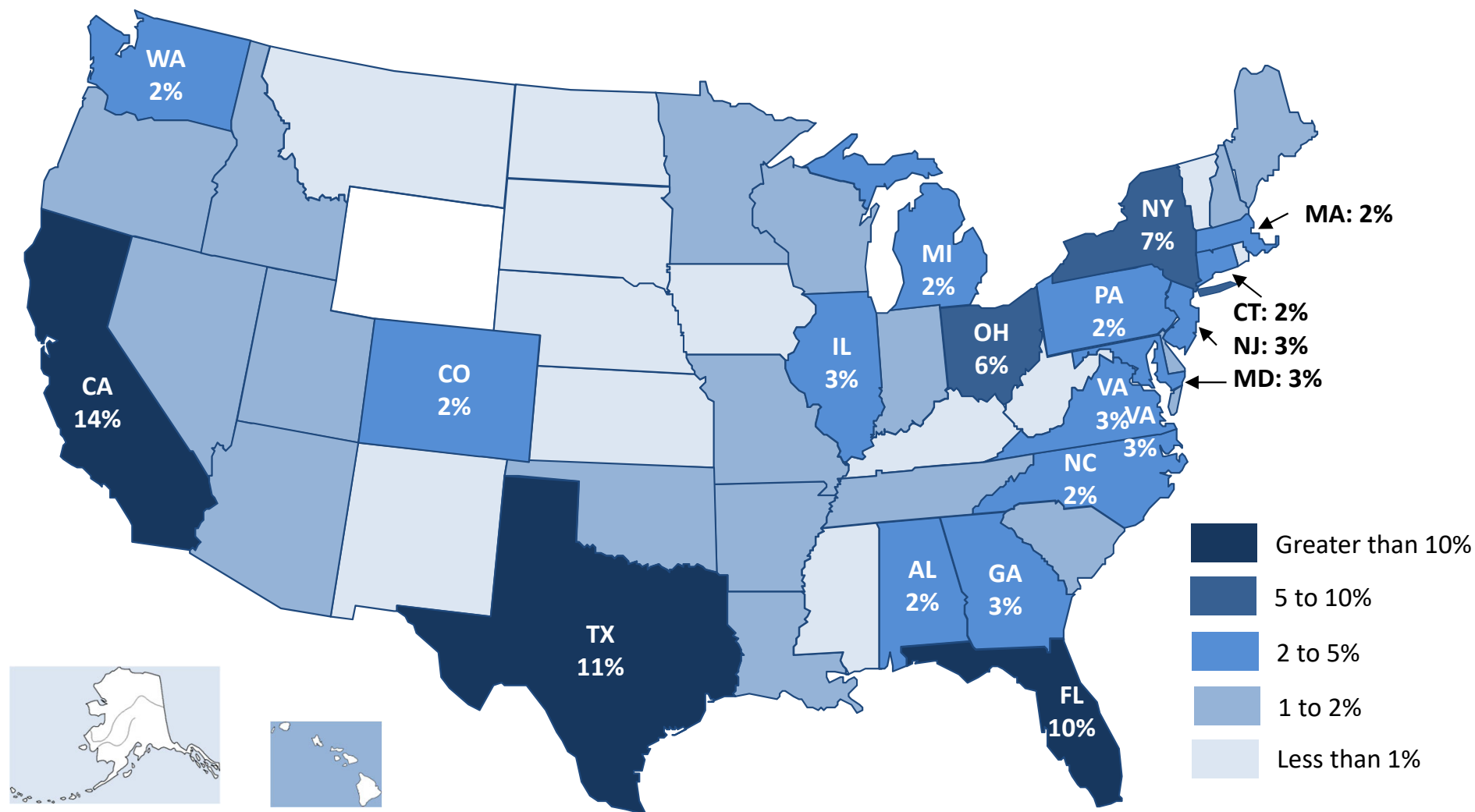


Total Invested Capital as of 6/30/2019.



# Portfolio Diversification (cont'd)

We have invested across 49 states, the District of Columbia, U.S. Virgin Islands and Puerto Rico<sup>(1)</sup>



Total Invested Capital as of 6/30/2019.

1. Puerto Rico, not shown on the map, represents 3% of the portfolio.

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# YAD Capital Track Record

**We have been investing with select MCA Funders across 3 closed-end funds for the past 20 months**

## YAD Funding Opportunity LP

✓ Closing Date:	3/31/2018
✓ Currently Investing:	Until 12/31/19
✓ Size:	\$2,650,000
✓ Invested to-date:	\$16,570,000
✓ Turn of Capital:	6.25x
✓ Total Deals:	2,447
✓ Average Factor:	1.42x
✓ Average Term:	6.3 months
✓ Deals Exited:	1,215

NAV: **1.34x** of Equity<sup>(1)</sup>

## YAD Funding Opportunity II LP

✓ Closing Date:	9/30/2018
✓ Currently Investing:	No
✓ Size:	\$7,775,000
✓ Invested to-date:	\$22,155,000
✓ Turn of Capital:	2.85x
✓ Total Deals:	1,266
✓ Average Factor:	1.42x
✓ Average Term:	6.3 months
✓ Deals Exited:	562

NAV: **1.12x** of Equity<sup>(1)</sup>

## YAD Funding Opportunity III LP

✓ Closing Date:	4/30/2019
✓ Currently Investing:	Until 3/31/20
✓ Size:	\$3,855,000
✓ Invested to-date:	\$5,595,000
✓ Turn of Capital:	1.45x
✓ Total Deals:	302
✓ Average Factor:	1.41x
✓ Average Term:	7.4 months
✓ Deals Exited:	10

NAV: **1.25x** of Equity<sup>(1)</sup>

1. As of 7/31/19. Net of all fund expenses and GP fees, but before future incentive fees due to GP at liquidation of the Funds.



# Management Team

Combined 40+ years of investment experience

## David Perez

### *Managing Partner*



- 20-year experience in liquid assets investments (credit, fixed income, equity and foreign exchange)
- Senior Portfolio Manager and Managing Director, investing \$500 million at MKP Capital Management LLC, a \$7 billion diversified alternative asset manager focused on macro and credit opportunities
- Head of U.S. Index Volatility Trading Business and Managing Director at Goldman Sachs
- MS, Finance, Paris University
- BA, Math and Computers, Paris University

## Daniel Rubin

### *Managing Partner*



- 21-year principal investing, investment banking, restructuring and operational experience, primarily to small- and medium-sized businesses
- COO / CFO at Halpern Real Estate Ventures, a \$300 million investment firm
- Private equity investor at JEN Partners, a \$150 million investment firm
- Investment banker at Lehman Brothers
- Restructuring consultant at Deloitte
- MBA Finance, NYU Stern School of Business
- MS, BS Accounting & Finance, Paris University



# Disclaimer

THIS DOCUMENT IS NOT AN OFFER TO SELL NOR THE SOLICITATION OF AN OFFER TO BUY SHARES OF YAD FUNDING OPPORTUNITY IV LP (“THE FUND”). AN OFFERING OF INTERESTS WILL BE MADE ONLY BY MEANS OF A CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM AND ONLY TO QUALIFIED INVESTORS IN JURISDICTIONS WHERE PERMITTED BY LAW.

An investment in the Fund is speculative and involves a high degree of risk. The Fund will have substantial limitations on investors’ ability to redeem or transfer their shares, and no secondary market for the Fund’s shares exists or will develop. All of these risks, and other important risks, will be described in detail in the Fund’s Confidential Private Placement Memorandum. Prospective investors are strongly urged to review this Confidential Private Placement Memorandum carefully and consult with their own financial, legal and tax advisors, before investing.

There can be no assurance that the Fund will have a return on invested capital similar to the returns of other accounts managed by David Perez and/or Daniel Rubin, including any existing or previous investment vehicles managed by YAD Capital LLC and/or its affiliates because among other reasons, there may be differences in investment policies, economic conditions, regulatory climate, portfolio size, leverage and expenses. The fact that other accounts managed by YAD Capital LLC and/or its affiliates have realized gains in the past is not an indication that the Fund will realize any gains in the future. Prior performance is not necessarily indicative of future results.

The simulations shown herein do not represent actual investments. They are meant only to illustrate the types of opportunities YAD Capital will seek for the Fund. There can be no assurance that any such opportunities will be available to the Fund or that YAD Capital will be able to identify such opportunities in a timely manner.

This document contains certain forward looking statements and projections. Such statements and projections are subject to a number of assumptions, risks and uncertainties which may cause actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by these forward-looking statements and projections. Prospective investors are cautioned not to invest based on these forward-looking statements and projections.

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