Round2 Capital Partners – from a niche to the mainstream

Founded in 2017, Round2's mission was to provide innovative, non-dilutive financing for asset-light companies in the European market. Consequently, Round2 developed royalty-based lending for software B2B companies, which was the first of its kind on the European market. With this product, Round2 became the first private fund of professional investors to offer growth-stage risk capital outside the traditional venture equity/debt domain. Since then, the European royalty- and revenue-based investment market has grown from a niche alternative to a mainstream financing channel for growth companies, particularly in the software sector. What began with Round2 and a few specialist lenders and software start-ups has evolved into a diverse ecosystem comprising direct lenders, marketplace platforms and institutional capital pools, all offering non-dilutive advances tied to future revenue or royalties. The market is growing rapidly: estimates suggest that the global RBF market will be worth billions of dollars by 2025, with several reports projecting strong compound annual growth through to the late 2020s.

Drivers and product evolution

Two complementary forces explain the expansion. First, software (and particularly subscription-driven SaaS) generates predictable, recurring cashflows and is a perfect fit for revenue-sharing economics, reducing underwriting friction compared to traditional lending and equity financing. Second, some lenders and platforms developed better data and integrations (payment processors, accounting, CRM) to underwrite revenue streams in near real-time, enabling faster decisions and bespoke deals particularly well suited to e-commerce and shorter-term financing needs. As a result, product design diversified beyond simple fixed revenue shares into advances on ARR, instalments tied to churn or growth milestones, and synthetic royalty structures that mimic pharma/entertainment royalty deals but for recurring tech revenue.

Key market segments and players

The software-focused segment split into (a) direct RBF lenders that underwrite and hold paper (e.g. Lighter Capital in the US, Round2 Capital Partners and other longstanding specialty lenders), (b) fintech marketplaces that let investors buy slices of recurring contracts (notably Pipe), and (c) hybrid platforms (Capchase, Clearco and several Europe and APAC entrants) that connect upfront advances to analytics for customer acquisition. All these providers scaled rapidly in the early 2020s by addressing capital needs that equity and venture debt did not serve well — marketing, international expansion, and working capital — while avoiding dilution.

Institutionalization and risk repricing

From ~2022 onward, two important shifts occurred: institutional investors (credit funds, family offices, and some VCs) started to allocate capital into revenue-based strategies, leading to hardened underwriting standards as the early-stage market enthusiasm was gradually confronted with lived reality. Large credit players and asset managers began structuring managed accounts and JV deals to access steady cashflows, pushing overall capacity higher but also prompting tighter pricing and covenants for riskier borrowers. The development also allowed Round2 to successfully raise its second fund targeting institutional investors with total committed capital of EUR 116m with the European Investment Fund as anchor investor. More recently, macro volatility and higher cost of capital forced many originators to refine borrower eligibility (higher minimum ARR, lower churn requirements) and to adjust business models. For some originators and business models, the increase in interest rates and the hardening macro-economic climate, particularly in central Europe, proved to be too much to manage and their portfolios were wound up or sold.

Impact of AI on the development of the revenue-based market

The rapid adoption of AI technologies is reshaping both the demand for and the underwriting of revenue-based lending. On the demand side, AI is dramatically lowering the marginal cost of software development and enabling smaller, leaner teams to build scalable SaaS solutions. This is expected to accelerate the formation of capital-efficient software companies—exactly the profile best suited to RBL. As AI-driven automation increases operational leverage, more companies will exhibit stable, predictable recurring-revenue streams, further expanding the eligible borrower universe. On the supply side, AI enhances lender underwriting capabilities through improved pattern recognition, cohort analysis, churn prediction, and anomaly detection, enabling more accurate risk assessment and dynamic monitoring of portfolio performance. These advancements reduce underwriting friction, shorten decision cycles, and support more sophisticated and scalable financing structures. Over the next decade, AI is therefore likely to act as a dual catalyst: expanding the addressable market for non-dilutive growth capital while simultaneously improving lenders' risk management and thereby portfolio returns.

Implications for software founders and investors

For SaaS companies the net effect of these phases of first product development and later maturation has been positive: faster access to growth capital without equity dilution and financing that scales with revenue. The availability of non-dilutive debt capital has also contributed to the development of a sounder capital structure for software companies when underwritten properly. For investors, the asset class offers attractive returns with low correlation to developments in public markets if capital is deployed into sustainable strategies, i.e. with careful target selection, professional underwriting and active portfolio management etc. Round2 Capital has proven that a royalty software investment strategy can be successfully executed, delivering top decile investor returns for its Fund II investors as compared to relevant Cambridge Associates private debt benchmarks.

Outlook

As of 2025 the RBF/royalty market is maturing technologically and institutionally — larger deal volumes, tighter underwriting, and more tailored products for SaaS. Expect continued growth and greater participation from traditional credit investors — provided macro risk and borrower unit economics remain stable. For software companies, revenue-linked capital has moved from "nice to have" to an essential part of the financing toolkit and the standard capital stack when used with discipline and with clear cashflow planning.

Conclusion

The European software landscape is large (€110bn revenue in total with 30,000+ SaaS companies in the €3–30m ARR range), growing 20%+ annually, and structurally underserved. Most companies lack access to flexible growth capital and Venture equity remains dilutive and increasingly selective. Bank financing remains slow and restrictive for asset-light companies. This results in a structural financing gap for €3–30 million ARR growth stage software firms that is ideally suited to non-dilutive, revenue-based financing solutions and precisely the segment Round2 serves since it was founded in 2017.

With no pan-European incumbent and limited competition relative to the U.S., Round2 is uniquely positioned to capture significant market share as non-dilutive capital becomes a mainstream component of the software financing stack:

Round2 USPs

- **Top-decile returns with strong downside protection**, driven by a focus on recurring revenue and disciplined underwriting.
- **Proprietary revenue-based financing model** optimized for SaaS economics but maintaining a sound risk/return profile.
- **Pan-European origination network**, enabling access to high-quality deal flow across DACH, Nordics, UK, and Western Europe.
- **Fast, founder-friendly execution**, offering flexible capital without dilution but maintaining robust down-side protection.
- **Strong institutional momentum**, evidenced by fund scaling, repeat LP commitments, and deep sector expertise.
- **An experienced team with a proven track record over two fund generations** and with a joint operating history since foundation

Wien, November 2025

(Selected sources: Round2, industry market reports and investor presentations, academic/legal briefs on royalty structures, fintech/venture coverage and company whitepapers cited above.)