Profit Margins Are Always Going to be Under Attack Whereas Customer Satisfaction is Always Going to Result in Increased Product Provider Revenues

If the title of this essay is correct, they why not invest directly in revenues?

The way to invest in the increasing profitability of a company is to buy shares of the company. However, the success of the investment is both a function of the price paid for the shares, and the ability of the company to increase the per-share earnings of the company sufficiently to attract other investors to buy stock in the company, at ever increasing prices

Investors in the stock of a company are faced with equity dilution, managerial misjudgment, bookkeeping, depreciation and tax reducing decisions that affect reported profitability, and many other factors of perception and practice that affect the profit that a company recognizes on its books, and therefore the returns received by investors.

It seems simpler, in many cases, to invest directly in the revenue growth of a company than in the equity of a company. This is possible if those controlling the company believe in the likely increase in value of the company and opt to offer investors a direct, immediate percentage of revenues -- a revenue royalty -- while avoiding the equity dilution associated with a stock offering. Both the company and its investors can benefit from such transactions.

Royalties, as a defined share of a company's revenues over time, are a direct reflection of the satisfaction of the company’s customers. This is evidenced by customers buying increasing amounts of the company’s products, and is not subject to perception or interpretation. Therefore, understanding the economic outlook for the company’s customers is important, in evaluating the revenues projected in a possible royalty investment.

Also, investors in royalties must fully understand the competitive advantage, utility, quality and pricing of the products produced by the company seeking financing. Investors in the stock of a company have to be comfortable with the same factors, plus management's ability to both beneficially finance the company and manage the business well, so that revenues sustainably exceed expense.

In the process we recommend, royalties are paid to investor agents immediately on receipt of revenue, and investors receive distributions quarterly. Royalty investors are adequately protected and are assured of the royalty issuing company's contractual compliance due to a process involving the critical assets of the company, without which the company cannot continue in business. The terms of early redemption of a royalty are agreed in advance, so that the company can exit the royalty obligation (which is a draw on topline revenues) when needed for acquisition or public market purposes. Royalties may begin with a period of debt that on repayment of the loan has a direct revenue share. It is also possible that royalty payment entitlements can be converted into equity of royalty issuer. A minimum return on investment may be assured by a third party, which can decrease the royalty rate; and royalties may either be paid as income distributions directly to investors, or retained by the company and allowed to compound quarterly until maturity, which can dramatically increase total return.

These and other powerful tools are available to the revenue royalties investor, companies and their investment advisors, through use of the REX website calculators, beginning with REX-Basic.com and consultation with me. Additional information is available through: royalties.website, arthurlipper.com and "Revenue Royalties" and "Off The Top", in both print and eBook formats from Amazon.com

We are available for consultation and implementation of the specific terms of a royalty agreement, customized to a specific company requirement, and optimized to produce a targeted return and assurance for investors.

Royalties are the better way of both investing in and financing of privately-owned companies.

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