bridgepoint | INVESTMENT BANKING

LEVERAGED FINANCE GROUP

Debt Market Update

Fourth Quarter 2020

CREDIT MARKETS BEGIN TO FORM A "NEW NORMAL" IN Q4 2020

PRIVATE CREDIT MARKET OVERVIEW

- A sense of normalcy returned in the third quarter as the debt capital markets adjusted to the enduring pandemic. Both borrowers and lenders returned cautiously to the market
- Lenders adjusted their credit documents and structures by tightening up the use of proceeds and shrinking sizes of unfunded credit facilities – pricing remained high for some businesses in select sectors
- Lenders were willing to finance deals at largely the same terms for companies / sectors that are viewed as pandemic resistant; tech, business services and certain pockets of healthcare appeared to be unfazed
- As the new normal emerged, the use of proceeds for debt issuances expanded from add-on acquisitions to buyouts, sponsor-to-sponsor sales and just recently selected dividends
- Investment opportunities also expanded beyond just rescue financing, but now include incremental facilities to support growth and add-on acquisitions, which drove volume in Q3
- Fundraising in private credit based on volume decreased significantly in the wake of the pandemic, but this does not mean there is a shortage of cash to put to work by private credit – private credit firms are competing for a limited amount of attractive opportunities
- Conversations between private equity sponsors and lenders have been cooperative and constructive in recent months, as the pandemic set off unprecedented volatility, market sources

Heard on the Street

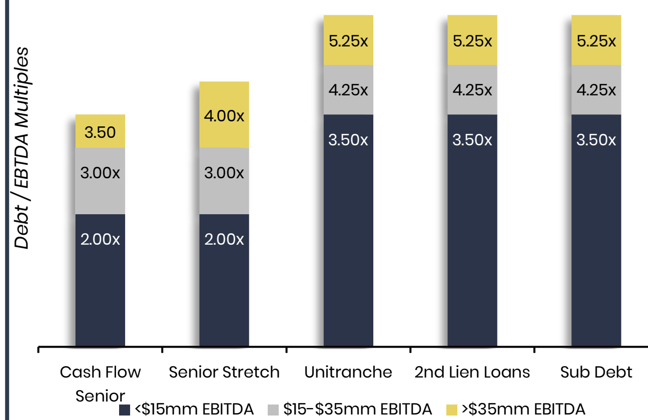
"Buyers are putting a higher premium on eliminating execution risk when possible and therefore favor dealing with a single, direct-lender (unitranche)."

"Recent months are a reminder that worst-case planning is prudent in credit. It's appealing for a sponsor to deal with one voice, as opposed to first- and second-lien lender groups."

"The current market environment presents an ideal entry point into the private credit space, with capital and liquidity now at a premium."

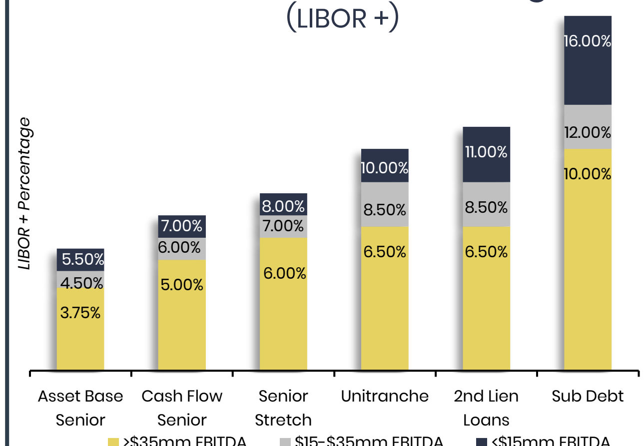
Institutional Debt Lenders

Non-Sponsor Lender Leverage Tolerance



Source: Bridgepoint Investment Banking

Current Lender Pricing
(LIBOR +)

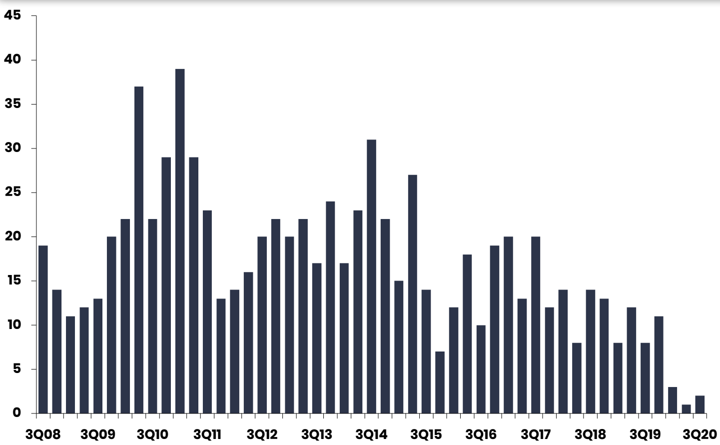


Source: Bridgepoint Investment Banking

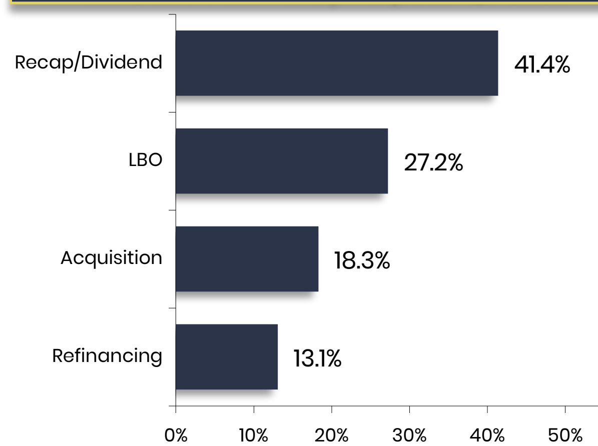
Lender Trends Heat Map

	Cash Flow Senior	Senior Stretch	Unitranche	2nd Lien Loans	Sub Debt
Rates	—	—	—	↑	↑
Amortization	—	—	—	—	—
Debt / EBITDA Multiples	—	—	—	↓	↓
Covenants	↑	↑	↑	—	—

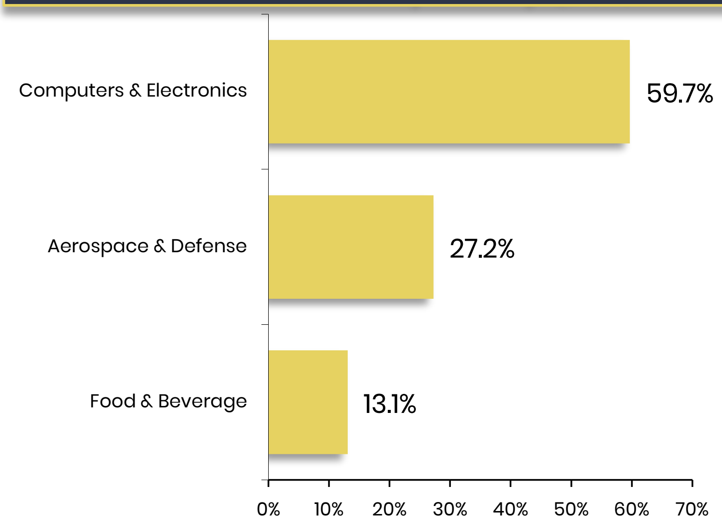
Middle Market Debt Deal Count



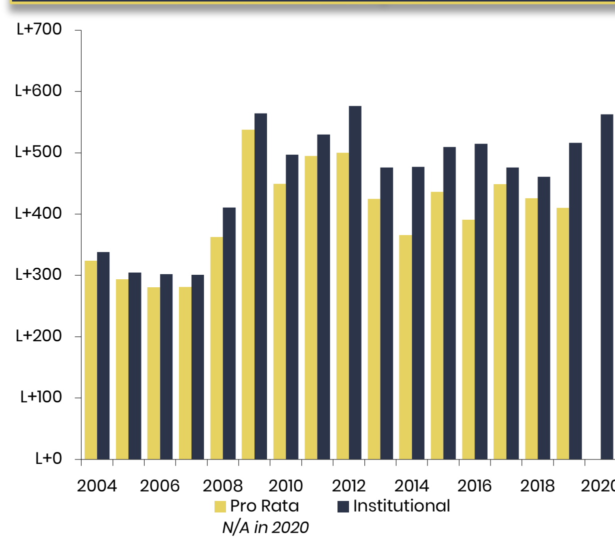
MM Debt Volume by Purpose Q3 2020



Middle Market Volume by Industry Q3 2020



Middle Market Spreads



Selected Q3 Middle Market Leveraged Finance Transactions

Month	Borrower	Lender	Facility *($mm)*	Pricing	Purpose
11/20	Recovery Point Systems	Barings BDC	$11.8	L+750	First-lien term loan for growth
11/20	Sonny's Enterprises	Owl Rock Capital	$410.0	L+700	First-lien facility for acquisition
11/20	Shearer's Foods	Owl Rock Capital	$120.0	L+775	Refinance debt and fund a dividend
11/20	American Public Education	Macquarie	$175.0	*N/A*	Senior secured debt for acquisition
11/20	Veracode	Barclays and Deutsche Bank	$300.0	L+400	Refinance existing borrowings
10/20	TEAM Services Group	Credit Suisse and Jeffries	$250.0	L+500	Finance the acquisition of the company
10/20	Multi Service Technology Solutions, Inc.	CIT Group's ABL business	$175.0	*N/A*	Refinance existing debt and growth
10/20	Blue Apron	Blue Torch Finance	$35.0	L+800	Refinance revolver debt
10/20	UnitedLex	Macquarie and BNP Paribas	$110.0	L+575	Refinance existing debt
10/20	The Children's Place	Crystal Financial	$80.0	L+775	Repay revolver borrowings

Source: Bridgepoint Investment Banking, LCD an offering of S&P Global

REASONS TO PURSUE DEBT CAPITAL SOLUTIONS

Stress Financing » *Stabilize*

Financing secured by company assets or other collateral that supports a strategic or restructuring plan intended to help the company return to profitability

Reduce Debt Service / Stress Finance » *Cash Flow*

With low amortization (20-100 year) / required debt service, institutional debt enables higher flexibility and investment into growth

Acquisition / Growth Financing » *Growth*

Non-dilutive capital to allow the owner(s) of the company to pursue opportunistic M&A acquisitions and / or buyout of select shareholders

Committed Capital Partner » *Firepower*

Partner to provide strategic guidance, purchasing power and additional capital for growth, including acquisitions or liquidity

LEVERAGED FINANCE TERMS

Bridge Loan
Short-term loan to bridge until the Company secures permanent financing or performance improves – allows the Company to meet current obligations by providing immediate cash flow. Higher interest rates and are usually backed by some form of collateral

Asset-Based Loan
Loan or line of credit may be secured by inventory, accounts receivable, equipment, or other property owned by the borrower

Unitranche
Flexible credit facility with one lender that blends the terms and pricing of senior and mezzanine debt tranches – typically structured with limited amortization and an intermediate interest rate, no personal guarantee

Delayed Draw Term Loans (DDTL)
Committed, undrawn term loan for growth / dividend / acquisition that is usually agreed upon in tandem with a unitranche loan facility – most interest paid only when drawn and minimal unused facility fee

Structured Capital
Investment with both debt and equity features – generally has a higher cost of capital than traditional bank debt, but with significantly lower dilution (costs) than a pure equity investment; examples include term loans with warrants, convertible debt and preferred stock with dividends

BRIDGEPOINT ADVICE

Maximize liquidity / cash-on-hand:

- Perpetually prepare and analyze a 13-week cash forecast to fully understand company's cash burn
- Analyze the current COVID-19 financial impact on your business and prepare revised budget / forecast for 2021
- Frequent communication with existing lenders on credit terms, such as covenants, amortization, pricing, etc.
- Engage and communicate with trusted advisors to help navigate the debt markets to properly capitalize your balance sheet to mitigate cash volatility / shortfalls
- Be aware of your options – consider non-bank, private debt capital options to maximize cash flexibility / liquidity
- Scan the market for opportunistic acquisitions or strategies to act upon to capture market share when the economy re-opens / stabilizes

LEVERAGED FINANCE KEY CONSIDERATIONS

There are several key considerations that will impact the debt term / options for a company:

- ✓ EBITDA Scale
- ✓ Industry
- ✓ Collateral profile
- ✓ Cyclicality / COVID resilience
- ✓ Sponsor / non-sponsor backed
- ✓ Historical & projected financial performance
- ✓ Capital expenditures
- ✓ Use of proceeds
- ✓ Customer concentration

Please contact us for our perspective on likely terms and options on prospective capital options you may be considering: (402) 817-7900

Pockets of Capital

Senior	Second Lien	Subordinated	Mezzanine	Structured
Least Leverage Lowest Pricing Least Flexible				Most Leverage Highest Pricing Most Flexible

Unitranche

Hybrid loan structure that combines senior debt and subordinated debt into one loan

Source: Bridgepoint Investment Banking, LCD an offering of S&P Global

THE MIDDLE MARKET SOURCE FOR SOLUTIONS

Executive Summary

- **Bridgepoint is uniquely focused on first time issuer / non-sponsor middle market leveraged finance / debt advisory**
- Provide alternative and traditional debt placement services utilizing senior, mezzanine, subordinated, unitranche and structured debt products for a broad range of situations / scenarios
- **Leveraged Finance Scenarios:** recapitalization, growth capital, refinancing, acquisition financing, covenant modification, amortization modification, personal guarantee elimination, rescue finance and personal liquidity

RECENT BRIDGEPOINT CAPITAL RAISE TRANSACTIONS

118 completed corporate finance transactions, raising more than $85 billion in capital

Bright Farms	PrairieCare	DMR	Badlands Tank Lines	TransWood	Rural Media
Debt Financing	Senior & Mezzanine debt financings for debt recapitalization; BMO Harris Bank; Lake Country Capital	Senior & unitranche debt financings for debt recapitalization; JPMorgan Chase & Co.; Graycliff Partners	USD30 million Acquisition & growth financing	USD 60 million Global financing	USD45 million Unitranche financing for recapitalization
Sole Financing Arranger	Sole Financial Advisor	Sole Financial Advisor	Sole Financing Arranger	Sole Financing Arranger	Sole Financing Arranger

SECTORS OF FOCUS

- Business & IT Services
- Healthcare
- Industrials & Transportation
- Technology
- Consumer & Retail

259 YEARS OF EXPERIENCE

MORE THAN **$121B** IN TRANSACTIONS

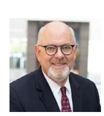
214 TOTAL TRANSACTIONS

SENIOR LEADERSHIP


Matt Plooster
Managing Director


Wm. Lee Merritt
Managing Director

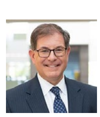

Gary Grote
Managing Director

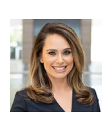

Mike Anderson
Managing Director


Nick Orr
Managing Director


Bryan Wallace
Managing Director


Chad Gardiner
Director


Adam Claypool
Former Managing Director


Natasha Plooster
COO


Subhash Marineni
Vice President