



bridgepoint

INVESTMENT
BANKING

LEVERAGED FINANCE GROUP

Debt Market Update

First Quarter 2021

CREDIT MARKETS START 2021 IN A BETTER PLACE THAN EXPECTED

PRIVATE CREDIT MARKET OVERVIEW

Optimistic asset buyers found a desirable confluence of motivated sellers and receptive credit markets; with a Biden victory entrepreneur-founders are seeking to cash out ahead of potential tax code changes

With improved sentiment surrounding COVID-19 vaccine outcomes there has been, and will continue to be, an acceleration of deal flow

Private credit won praise from private equity sponsors for lenders' ability to close sizable, time-sensitive deals quickly, including during the depths of market uncertainty beginning in March as the pandemic unfolded. Deals reached investors with greater confidentiality than the syndicated debt market could provide, a feature valued in the face of competitive auction processes

The accumulation of dry powder at private equity firms, and among lenders, helped fuel a frenzy of eleventh-hour deals in Q4 2020

Improved market conditions drew dividend deals back, transactions that would have been unthinkable in the early months of the pandemic

Lenders and private equity firms exposed to restaurants, dental service organizations, live events, fitness operators, travel and hospitality have had to reach into their bag of tricks to negotiate short-term "holidays" of covenant relief, PIK interest and incremental loans. When lenders and private equity firms couldn't agree on remedies, lenders took ownership of borrower companies

Heard on the Street

"The tech industry transactions, particularly software, commanded terms and pricing that approached, if not met, pre-pandemic levels."

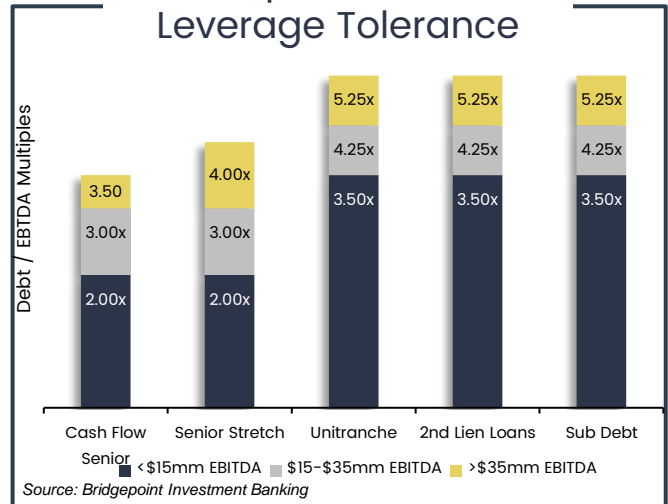
"Use of delayed draw term loans and revolvers has become more restrictive."

"Unlike in the second and third quarters, the syndicated market was wide open for business for midsize issuers in the fourth quarter, even if some negotiation was needed from time to time."

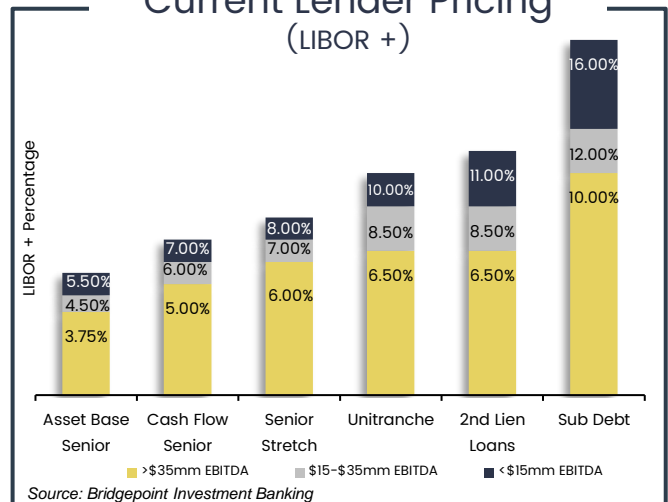
"Capital raising that targets direct lending funds has increased by 62% since January 2020 as asset managers attempt to make up for lost ground amid the COVID-19 pandemic."

Institutional Debt Lenders

Non-Sponsor Lender Leverage Tolerance



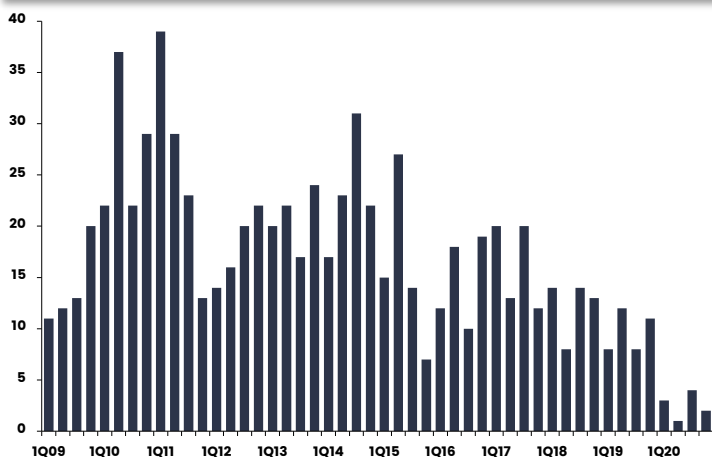
Current Lender Pricing (LIBOR +)



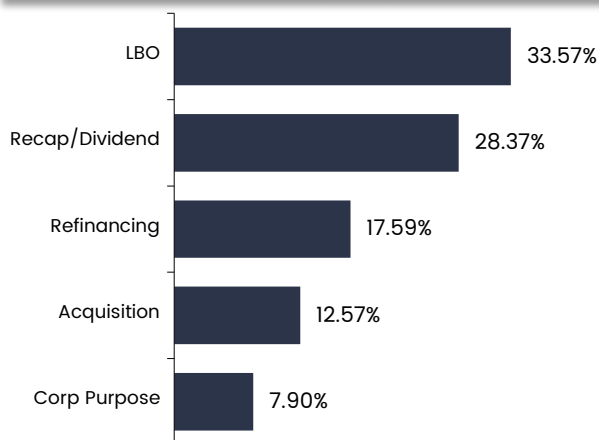
Lender Trends Heat Map

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

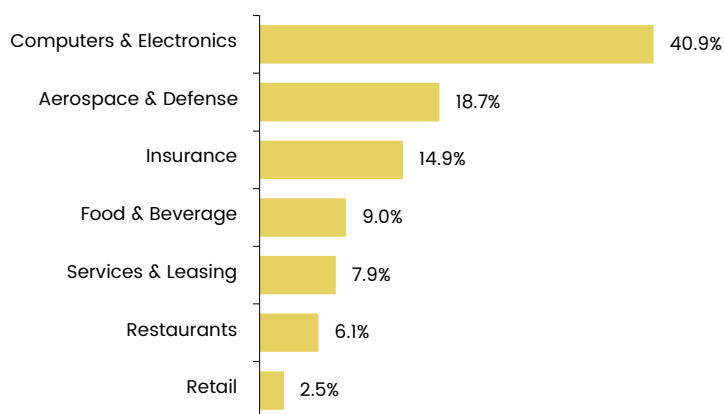
Middle Market Debt Deal Count



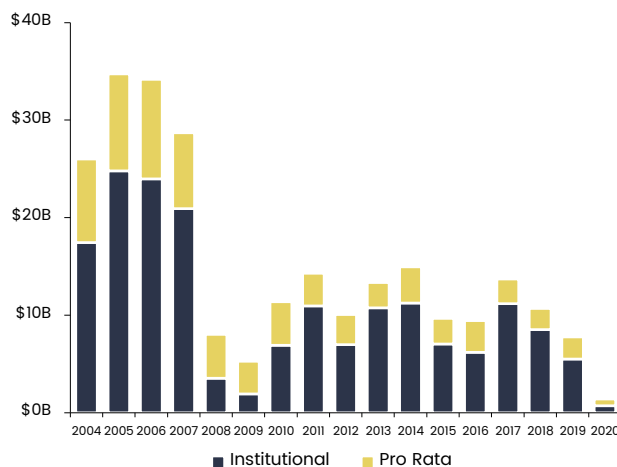
MM Debt Volume by Purpose Q4 2020



Middle Market Volume by Industry Q4 2020



Middle Market Volume by Year



Selected Middle Market Leveraged Finance Transactions

Month	Borrower	Lender	Facility (\$mm)	Pricing	Purpose
1/21	Big Ass Fans LLC	Credit Suisse	\$30.0	L+375	Fund shareholder distribution
1/21	System One Holdings	Truist, MUFG, Stifel	\$290.0	L+450	Leveraged buyout
1/21	Rough Country	Golub Capital	\$100.0	L+375	Refinance debt and fund a dividend
1/21	TIME Manufacturing	BNP Paribas	\$135.0	L+500	Finance the acquisition of Ruthmann
1/21	Congruex LLC	KeyBanc Capital Markets	\$100.0	L+400	Refinance existing borrowings
12/20	ProVation Software Group	Credit Suisse, Jeffries, BMO, RBC	\$260.0	L+475	Refinance debt and acquisitions
12/20	RailWorks	BMO, Citizens and PNC	\$230.0	L+550	Acquisitions and shareholder distribution
12/20	KMS	CIT	\$25.0	N/A	Asset-based revolver
11/20	The Container Store	JP Morgan	\$200.0	L+475	Refinance existing debt
11/20	CommerceHub	Golub Capital	\$50.0	L+375	Acquisition financing
11/20	Estyle	CIT Group	\$70.0	N/A	Recapitalization by Clarion Capital

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 cash flow flexibility and re-investment into growth

Acquisition / Growth Financing ➤ Growth



Non-dilutive capital to allow the owner(s) of the company to pursue opportunistic M&A acquisitions, dividends 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 KEY CONSIDERATIONS

There are several key considerations that will impact the debt terms / 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 for 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

BRIDGEPOINT IS THE MIDDLE MARKET SOURCE FOR SOLUTIONS

Executive Summary

Bridgepoint is uniquely focused on first time issuer / non-sponsor, family / founder owned 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

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



Asset-backed facility to support future growth and refinancing

NORTH MILL CAPITAL LLC

Sole Financing Arranger



Debt Financing

Sole Financing Arranger



Senior & Mezzanine debt financings for debt recapitalization

BMO Harris Bank

LAKE COUNTRY CAPITAL

Sole Financial Advisor



Senior & unitranche debt financings for debt recapitalization

JPMORGAN CHASE & CO.

GRAYCLIFF PARTNERS

Sole Financial Advisor



Acquisition & growth financing

Sole Financing Arranger



Global financing

Sole Financing Arranger

SECTORS OF FOCUS



Business & IT Services



Healthcare



Industrials & Transportation



Technology



Consumer & Retail

274

YEARS OF EXPERIENCE

\$121B

IN TRANSACTIONS

216

TOTAL TRANSACTIONS

SENIOR LEADERSHIP



Matt Plooster
CEO



Wm. Lee Merritt
Managing Director & General Counsel



Gary Grote
Managing Director



Mike Anderson
Managing Director



Nick Orr
Managing Director



Bryan Wallace
Managing Director



Chad Gardiner
Director



Joe Liss
Managing Director



Natasha Plooster
COO



Subhash Marineni
Vice President