



**bridgepoint**

LEVERAGED FINANCE GROUP

INVESTMENT  
BANKING

## Debt Market *Quarterly Update*

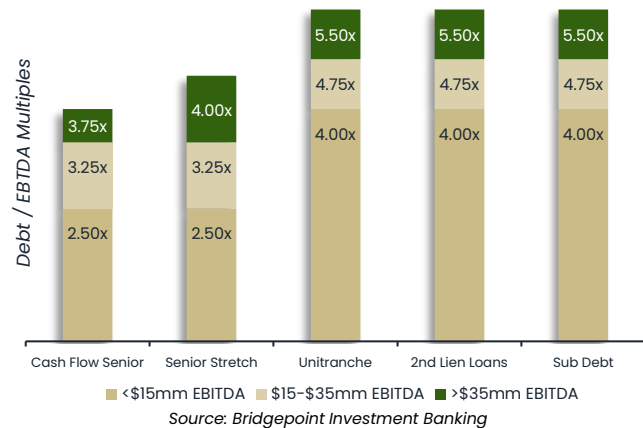
Second Quarter 2021

## The Credit Markets Surged in Q1 2021 with Multiple Tailwinds Driving Strong Momentum for Q2 2021

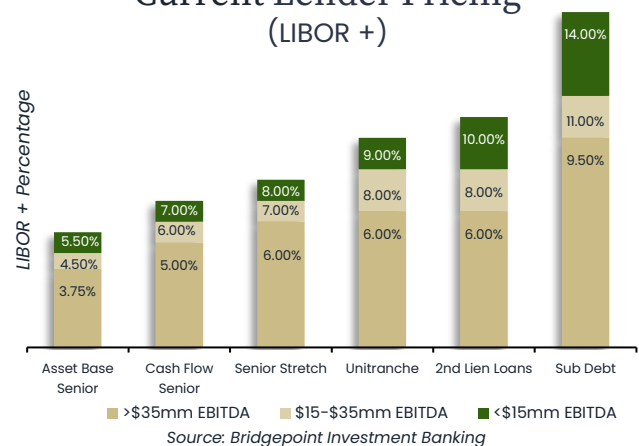
### Private Credit Market Overview

- **U.S. leverage loan activity skyrocketed in the first quarter of 2021** amid strong technical tailwinds; the specter of rising Treasury rates helped move investors back toward floating-rate debt as optimism grew around COVID-19 vaccine rollout
- **Institutional loan volume surged to \$169.9bn in the first quarter of 2021**; that is the second-highest quarterly volume of all time, within striking distance of the record \$174.1 bn that the market absorbed in the first quarter of 2017
- Issuers rushed to market to take advantage of the favorable conditions; refinancings took center stage. **A total of \$76.7 billion of loans was issued to refinance debt, or 45% of total supply in the quarter**; that is the highest by dollar volume in eight years and the second-highest of all time (behind \$92.9 billion in the first quarter of 2013)
- M&A and LBO issuance totaled \$65 billion, a 31% gain over the comparable period a year ago, and **the most issuance for this purpose since the third quarter of 2018**
- Aside from new LBOs, **acquisition financing from private equity-backed companies added another \$18.3 billion**, also the highest since the third quarter of 2018, while deals backing M&A from issuers not owned by a private equity firm was at a four-quarter high of \$15 billion
- The hot start to 2021 opened the door for sponsor-backed companies to issue debt dividend deals again. **New-issue volume for companies that are owned by private equity firms shot to \$17 billion, a four-year high**. Dividend recapitalization volume was \$13.4 billion in the third quarter of 2020, and it dipped slightly to \$12.75 billion in the fourth quarter

### Non-Sponsor Lender Leverage Tolerance



### Current Lender Pricing (LIBOR +)



### Heard on the Street

"Quality middle market companies are yielding 4.5x-6.0x+ leverage, particularly as it relates to business models that were resilient through the pandemic."

"Lenders continue to be aggressive on SaaS opportunities with some leverage tolerances as high as 50% of enterprise value or higher."

"Dividend recapitalization's have become a more viable option as lenders are getting comfortable with the COVID environment. Volume was \$20 billion, the highest reading since the fourth quarter of 2016."

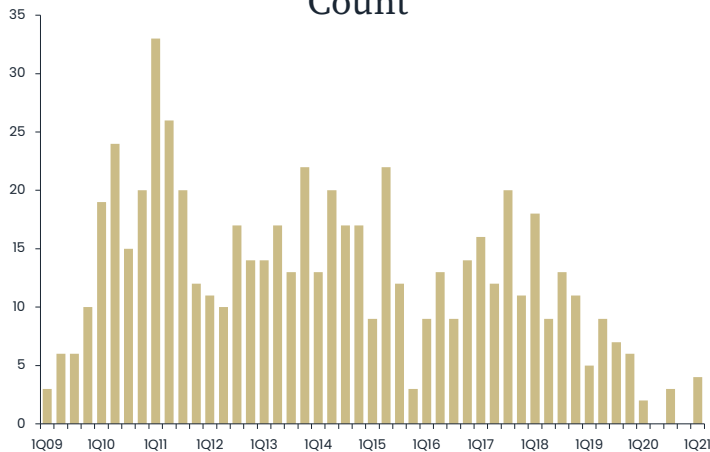
"A total of \$147 billion of institutional term loans were repriced during the quarter (through March 24), the most in four years."

- Institutional Debt Lenders / S&P Capital IQ

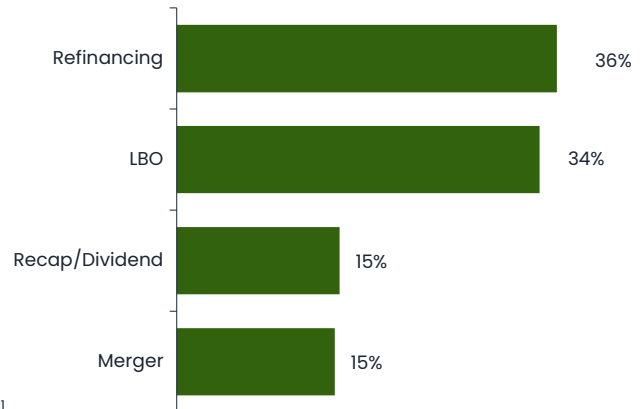
### Lender Trends Heat Map

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

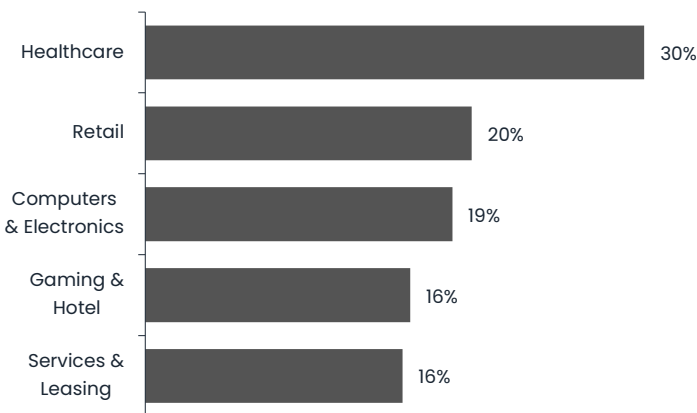
## Middle Market<sup>(a)</sup> Debt Deal Count



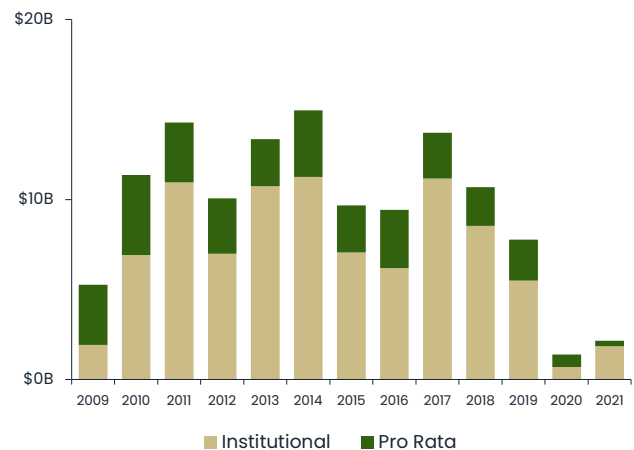
## Middle Market Debt Volume by Purpose in Q1 2021



## Middle Market Volume by Industry in Q1 2021



## Middle Market Volume by Year



## Selected Middle Market Leveraged Finance Transactions

Date	Borrower	Lender	Facility (\$mm)	Pricing	Purpose
4/21	DC BLOX	Post Road Group, Bain Capital Credit	\$187.0	N/A	Refinance debt, balance-sheet liquidity
4/21	AutoLenders	Jefferies	\$215.0	N/A	Leveraged buyout
4/21	PetIQ, Inc.	KeyBanc and Jefferies	\$300.0	L+425	Refinance debt
3/21	Total Community Options	JP Morgan	\$175.0	L+200	Working capital / repay existing facility
3/21	American Public Education	Macquarie and Truist	\$175.0	L+550	Acquisition financing
3/21	NN Inc.	Oaktree Capital Management	\$265.0	L+6875	Refinance debt
3/21	Liaison Technologies	Credit Suisse and UBS	\$300.0	L+375	Acquisitions and shareholder distribution
2/21	Limbach Holdings	Wintrust Financial Corp.	\$30.0	L+400	Refinance debt and fund working capital
2/21	Liftoff Mobile	Morgan Stanley	\$350.0	L+350	Leveraged buyout
2/21	Averhealth	Five Arrows Capital Partners	\$47.0	N/A	Refinance debt

(a) Issuers with EBITDA of \$50mm or less.  
Sources: S&P Capital IQ, Bridgepoint Investment Banking



## Reasons To Pursue Debt Capital Solutions

### Recapitalization ➤ Shareholder Liquidity



Sizable cash dividend to the owner(s) while maintaining 100% ownership of the Company

### 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 ➤ 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 Key Considerations

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



EBITDA Scale



Industry



Collateral profile



Cyclical / COVID resilience



Sponsor / non-sponsor backed



Historical & projected financial performance



Capital expenditures



Use of proceeds



Customer concentration

## 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

Please contact us for our perspective on likely terms and options for prospective capital options you may be considering.











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# Bridgepoint is Your Middle Market Source for Leveraged Finance Solutions

## Bridgepoint Executive Summary

- **Bridgepoint is uniquely focused on providing unconflicted leveraged finance / debt advisory to privately-owned first time issuer / non-sponsor middle market companies**
- Bridgepoint provides 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

## Selected Recent Bridgepoint Debt Transactions

 <b>atlas</b> MedStaff Growth debt financing Sole Financing Arranger	 <b>MILLER</b> VETERINARY SUPPLY <b>NORTH MILL</b> CAPITAL LLC Asset-backed facility to support future growth and refinancing Sole Financing Arranger	 <b>BRIGHT FARM</b> LOCALLY GROWN Growth debt financing Sole Financing Arranger	 <b>PrairieCare</b>   <b>BMO Harris Bank</b> LAKE COUNTRY CAPITAL Senior & Mezzanine debt financings for debt recapitalization Sole Financial Advisor	 <b>DMR</b>   <b>GRAYCLIFF</b> PARTNERS Senior & unitranche debt financings for debt recapitalization Sole Financial Advisor	 <b>BADLANDS</b> TANK LINES Acquisition & growth financing Sole Financing Arranger
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## Sectors of Focus



Business & IT  
Services



Technology



Healthcare



Consumer &  
Retail



Industrials &  
Transportation

MORE THAN  
**274**  
YEARS OF EXPERIENCE

MORE THAN  
**\$121B**  
IN TRANSACTIONS

MORE THAN  
**218**  
TOTAL TRANSACTIONS

## Senior Leadership



**Matt Plooster**  
President & CEO



**Wm. Lee Merritt**  
MD & 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

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