Deloitte Debt Advisory – Raising funds abroad
February, 2019
Deloitte Global Debt & Capital Advisory
A truly global and well-connected team

Who we are

- 180 debt professionals
- Operating in 30 countries
- > USD 10bn raised for our clients in the LTM
- Closed over 100 transactions

When we get involved

- Refinancing
- Amendment exercise
- Acquisition financing
- Shareholder return
- Large capex projects
- Entering new debt markets
- Financing options review

Why people use our team

- Financing Expertise
- Global Network
- Independent Advice
- Execution Resources
- Competitive financing process
- Negotiation Expertise

A focused team dedicated to extract the best financing terms available in the market
Fast Facts

Debt and Capital Advisory

Independent advice
• We provide independent advice to borrowers across the full spectrum of debt markets through our global network
• Completely independent from providers of finance - our objectives are fully aligned with those of our clients

Global resources & execution expertise
• A leading team of 180 debt professionals based in 30 countries including Europe, North America, South America, Africa and Asia, giving true global reach
• Our expertise ranges from the provision of strategic advice on the optimum capital structure and available sources of finance through to the execution of raising debt

Market leading team
• Widely recognised as a Global leader with one of the largest Debt Advisory teams
• Direct access to over 300 global lenders (banks, direct lenders, institutional, family office, special situations and specialist funds)
• We pride ourselves on our innovative approach to challenging transactions and the quality of client outcomes we achieve

Demonstrable track record
• In the last 12 months, we have advised on over 100 transactions with combined debt facilities in excess of US$10bn
• Our target market is debt transactions ranging from US$30m to US$1bn

Debt and Capital Services provided

Refinancing
• Maturing debt facilities
• Rapid growth and expansion
• Accessing new debt markets
• Recapitalisations facilitating payments to shareholders
• Asset based finance to release value from balance sheet
• Off balance sheet finance
• Assessing multiple proposals from lenders

Acquisitions, disposals, mergers
• Strategic acquisitions, involving new lenders and greater complexity
• Staple debt packages to maximise sale proceeds
• Additional finance required as a result of a change in strategic objectives
• FX impacts that need to be reflected in the covenant definitions
• Foreign currency denominated debt or operations in multiple currencies

Restructuring or negotiating
• New money requirement
• Real or potential breach of covenants
• Short term liquidity pressure
• Credit rating downgrade
• Existing lenders transfer debt to an alternative lender group
• Derivatives in place and/or banks hedging requirements to be met

Treasury
• Operations in multiple jurisdictions and currencies creating FX exposures
• Develop FX, interest rate and commodity risk management strategies
• Cash in multiple companies, accounts, countries and currencies
• Hedging implementation or banks hedging requirements to be met

Depth and breadth of expertise in a variety of situations
Deloitte Global Debt & Capital Advisory

Global coverage

Genuine global coverage and access to local capital
Deloitte Debt Raising Process
A structured and tailored approach

1 Preparation
- Agreeing lenders approach
- Preparation of transaction materials
- Initial market sounding with key selected investors
- Indicative head of terms

2 Marketing
- Wider distribution of transaction materials
- Collecting lenders feedback
- Lenders selection
- Agreeing DD requirements

3 Execution
- Management meeting with selected lenders
- Due diligence process
- Assisting lenders with respective credit committee
- Legal documentation
- Ultimate shape of process determined by lender feedback
Deloitte Debt Raising Process - Preparation

Addressing key factors during the preparation phase will help to secure maximum attractiveness for the business

**Articulating the story – key investment highlights**

1. **Underlying market opportunity**
   - Evidencing market size, growth potential and changing dynamics
   - Demonstrating how the company is positioned to take advantage of the changing model

2. **Financial model & growth plan**
   - Ensure P&L and cash flow is presented on a normalised, pro-forma basis incl. recent acquisitions if any
   - Develop a robust & credible, KPI driven operating and financial model that is able to withstand scrutiny

3. **Quality of earnings & visibility**
   - Ensuring that lenders understand the quality of earnings and visibility over current year results, including structuring EBITDA adjustments
   - Demonstrate favourable benchmark of KPIs vs. peer group

4. **Linking the numbers to the story**
   - Ensure a clear articulation of the underlying “equity and credit stories” and cash generation in the business
   - Fundamental to underpin the story with a detailed analysis of the operational and financial metrics

5. **Leveraging initial buyer feedback**
   - Use initial feedback from pre-marketing soundings to finesse positioning and the “story”
   - Tailored story for different categories of investors (lenders vs. minority equity investors)
Deloitte Debt Raising Process – Indicative timeline

Thorough, timely preparation, followed by an effective execution

**Materials preparation**
- Information collection from management (BP, existing marketing documents etc.)
- Agree key investment highlights
- Prepare marketing materials
- Agree lenders approach list

**Market sounding**
- Introduce opportunity to a short selection of lenders on a no-name basis
- Polish equity and credit story
- Indicative high level terms sheet

**Wider lenders approach**
- Wide market distribution on a named basis
- Manage information flow with lenders, including detailed model and due diligence
- Management meetings
- Reception of feedback on high level term sheet on a first stage credit approved basis

**Credit process**
- Agree final term sheet based on lender feedback
- DD meetings
- Assisting lenders with final Q&A

**Legal documentation**
- Approach legal firms and fee negotiation
- Draft legal documentation
- Assist shareholder and management on negotiation with lenders

**Final debt structure decision**

**Preparation**
- Week 1: Materials preparation
- Week 2: Market sounding

**Marketing**
- Week 3: Introduce opportunity to a short selection of lenders on a no-name basis
- Week 4: Polish equity and credit story
- Week 5: Indicative high level terms sheet

**Execution**
- Week 6: Final debt structure decision
- Week 7: Lenders credit process
- Week 8: First stage credit approved
- Week 9: Legal documentation
- Week 10: Approach legal firms and fee negotiation
- Week 11: Draft legal documentation
- Week 12: Assist shareholder and management on negotiation with lenders
Deloitte Debt Raising Process
Strategic considerations

Maximise lender appetite
Ensure that all queries are considered upfront and manage flow of additional information.
Diligence should be available to lenders relatively early in the process to benefit from competitive tension.

Security package
Senior debt lenders will need sufficient security to protect their downside.
Prospective lenders will want to be certain of security taken and enforceability of this security.

Credit story
Identify and anticipate any credit concerns lenders may have.
Preparation of detailed teaser or lender presentation upfront in the process.

Debt structuring
Approach a spectrum of different lenders provide a range of options for financing.
All options to be considered and discussed openly with Management.

Build competitive tension
Ensure that all active lenders in your sector have been approached and are keen on the opportunity.

Leveraging Deloitte network of lenders
Contact our network of lenders on a no-name basis to identify interested parties.
Meticulous selection of 25 to 40 potential lenders to approach.
Position as an opportunity to build a long-term relationship with your company.
Debt market overview

Examples of direct lenders in Europe

- **Germany**: Ardian, Ares, BlackRock
- **Poland**: CreditValue
- **Spain**: Alantra, ICG
- **Nordics**: Ares, CreditValue
- **Italy**: Ennio Capital
- **Benelux**: Cordet, delto lloyd
- **Ireland**: Activate Capital
- **Portugal**: Activar Capital, CreditValue
- **United Kingdom**: Ardian, Ares, BlackRock
- **Switzerland**: Amundi, Artemis
Debt market overview

Mid-market - What debt structures are available in the market?

**Structures**

<table>
<thead>
<tr>
<th>EV/EBITDA</th>
<th>Unlevered</th>
<th>Leveraged</th>
<th>Stretched Senior</th>
<th>Unitranche</th>
<th>Bifurcated Unitranche</th>
<th>Unitranche &amp; Holdco PIK</th>
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**Weighted Average Cost of Debt (WACD) – based on mid-point average range**

- **Unlevered**: L + 50-350bps
- **Leveraged**: L + 450bps
- **Stretched Senior**: L + 400 - 500bps
- **Unitranche**: L + 650 - 750bps
- **Bifurcated Unitranche**: L + 250 - 350bps
- **Unitranche & Holdco PIK**: L + 650 - 750bps

**Pros and Cons per structure**

- **Unlevered**:
  - Lowest pricing
  - Relationship bank
- **Leveraged**:
  - Increased leverage
  - Club of relationship banks
  - More restrictive terms
  - Partly amortising
- **Stretched Senior**:
  - Increased leverage
  - Lower Equity contribution
  - More restrictive terms than Unitranche
  - Higher pricing than bank debt
  - Need for RCF lender(s)
- **Unitranche**:
  - Stretched leverage
  - Flexible covenants
  - One-stop shop solution
  - Speed of execution
  - Relationship lender
  - Higher pricing
- **Bifurcated Unitranche**:
  - Stretched leverage
  - Flexible covenants
  - Greater role for bank
  - Reach more liquid part of the unitranche market
- **Unitranche & Holdco PIK**:
  - Stretched leverage
  - Flexible covenants
  - Lower equity contribution
  - No Intercreditor agreement
  - Higher pricing

Note: the structures and pricing presented are indicative and only for illustrative purposes.

- Green: Senior debt (Bank)
- Blue: Unitranche (Fund)
- Green: HoldcoPIK
- Gray: Equity