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Deloitte Alternative Lender Deal Tracker

The Americans are coming – increasing prevalence of US style structures in Europe

Q2 2015
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Deloitte Alternative Lender Deal Tracker

Welcome to the eighth issue of the Deloitte Alternative Lender Deal Tracker. It now covers 37 leading alternative lenders, with whom Deloitte is tracking primary mid-market deals across Europe involving up to €350m of debt.

The number of deals covered has increased to 475 transactions over the past 11 quarters.

This issue covers data for the second quarter of 2015 that closed with 60 deals completing, representing a significant increase of 67% in deal flow in comparison with the previous year.

Initially adopted by primarily private equity investors, alternative lending is now also increasingly becoming a source of funding for sponsor-less companies. In the last 12 months, 19% of the alternative lending transactions were completed with family and founder owned businesses without a majority private equity sponsor.

Additionally, in this edition, we are pleased to include the views of several seasoned lawyers on the development of European (direct) lending markets and the convergence towards US style debt terms and the implications for borrowers.



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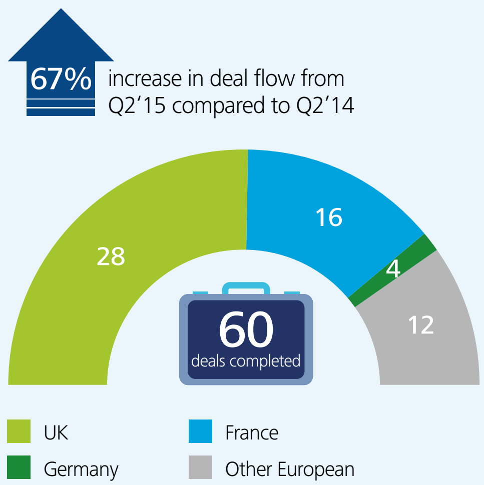
Q2 headline figures

Q2 2015 deals completed



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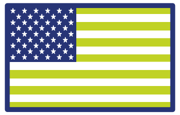
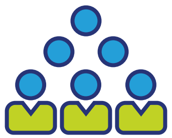
Leverage loan mid-market trends for direct lenders

The sell down in the equity markets over the summer has so far not impacted the loan markets materially. Appetite and pricing seems to be holding up, albeit September year to date leverage loan volumes (by value) are still down on last year.



Future rises in US interest rates will be the main litmus test for the debt markets and expectations are that yields and underlying risk premium will go up in the US following any interest rate hike. This might result in a divergence with Europe as the ECB pursues a continued program of quantitative easing.

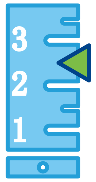
Variable loan instruments are likely to become more favourable for investors to protect against pending interest rate rises, having lost significant ground to fixed-yielding high-yield bonds over the last 6 years.



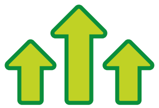
The direct lending market is evolving and rapidly becoming an asset class in its own right. The great migration of managers into direct lending that we have seen over the last 3 years will slow down as most large asset managers have now established their own direct lending teams.

Continue

Leverage loan mid-market trends for direct lenders



Increasing numbers of fund managers are moving down the risk / pricing scale to target the senior loan market. To date, this territory has been mainly preserved for banks and a few direct lenders with relatively low cost of funds in the mid-market. Advantages of scale in deployment and speed of execution could result in direct lenders competing more directly with banks on similar products.



There is an increasing trend of sponsor-less alternative lender transactions in Europe, with 19% of the alternative lender deals not involving a majority private equity sponsor in the last 12 months.

As an alternative model to private equity ambitious management teams are increasingly using direct lending solutions provided by alternative lenders to acquire companies whilst relinquishing less equity. Direct lenders' solutions can combine debt, fixed yielding subordinated debt and minority equity to provide a one-stop finance solution to management teams.

In H1 2015 US M&A multiples have reached 17.7x EV/EBITDA, the highest level since the high watermark of 2007 according to MergerMarket research. To finance these higher valuation multiples subordinated debt is increasingly expected to be part of the capital structure.

Continue

Alternative lending in action: Direct lenders support Chiltern's acquisition of Theorem Clinical Research

Chiltern is a global contract research organisation (CRO) that provides clinical trial support to the pharmaceutical and biotechnology industries in the form of outsourced research services.

The company is a key mid-sized player in an industry that is experiencing unprecedented growth, and because of this, the company's greatest opportunity was also its greatest challenge – financing growth in an environment where pharma and biotech companies are realising the benefit of outsourcing services.

Chiltern is firmly focussed on becoming the CRO of tomorrow – as Nick Thornton, Chiltern's chairman, puts it, "a high-touch service provider, with global reach and scale."

Chiltern has shown tremendous organic growth over the last 10 years; however, it has also pursued acquisitions in order to achieve this goal. Over the last two years, the company made a series of acquisitions, each designed to boost its functional, geographical or technological footprint.

Theorem Clinical Research, a contract research organisation, was of interest to Chiltern for a number of reasons. As Nick explains, "we needed more scale and representation in North America, and this, combined with Theorem's clinical analytics unit, its medical device business and its therapeutic expertise placed it top of our list."

In the Spring of 2015, Chiltern entered a highly contested M&A process to acquire Theorem. The company's success in acquiring Theorem became public news in September 2015.

Nick adds that to become the winning bidder "it was really important for us to be able to speak with certainty about our ability to fund the transaction."

Chiltern decided to take advantage of its leverage capability, rather than bringing more equity onto its balance sheet – "it made sense to use our untapped debt capacity" says Nick. Two principal financing options were available – a club deal or a syndicated deal. Nick says, "we looked at both, with an open mind, but eventually decided to go with the club deal. We liked the relationship capital that an alternative lending deal offered us – Chiltern is a family owned business and relationships are important to us in conducting our business."

The new club comprises four members – Hayfin, ICG, Highbridge and Sankaty – who, together with a super senior RCF by Lloyds, provided the largest European US dollar denominated direct lending facility raised in 2015 to date. This combination offered Chiltern significant firepower and access to US-based relationships, a region that is particularly important for the healthcare and life sciences sector.

Reflecting on the experience of using a direct lending option, Nick would encourage other businesses to actively consider it:

"Our experience has been positive, but it will very much depend on your individual circumstances."

Nick Thornton, MBA
Chairman, Chiltern

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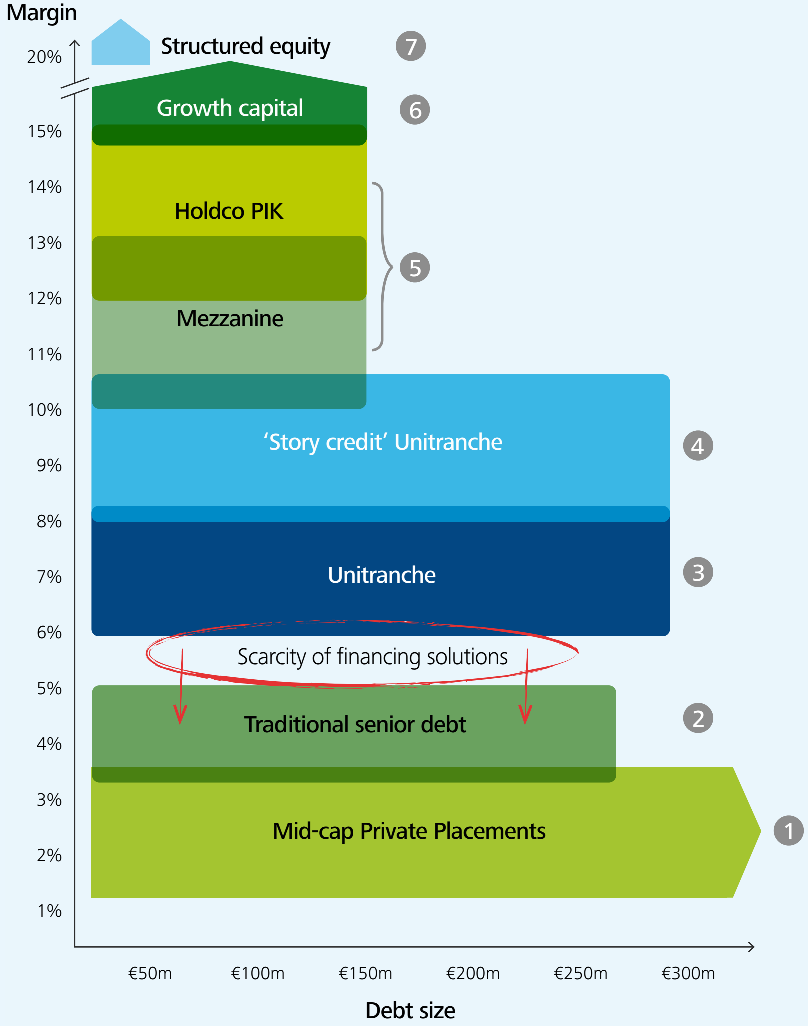
Direct Lending landscape

Private debt strategies



Note: Distressed strategies are excluded from this overview

We have identified seven distinctive private debt strategies in the mid-market direct lending landscape:

1. Mid-cap Private Placements
2. Traditional senior debt
3. Unitranche
4. 'Story credit' Unitranche
5. Subordinated (Mezzanine/PIK)
6. Growth capital
7. Structured equity

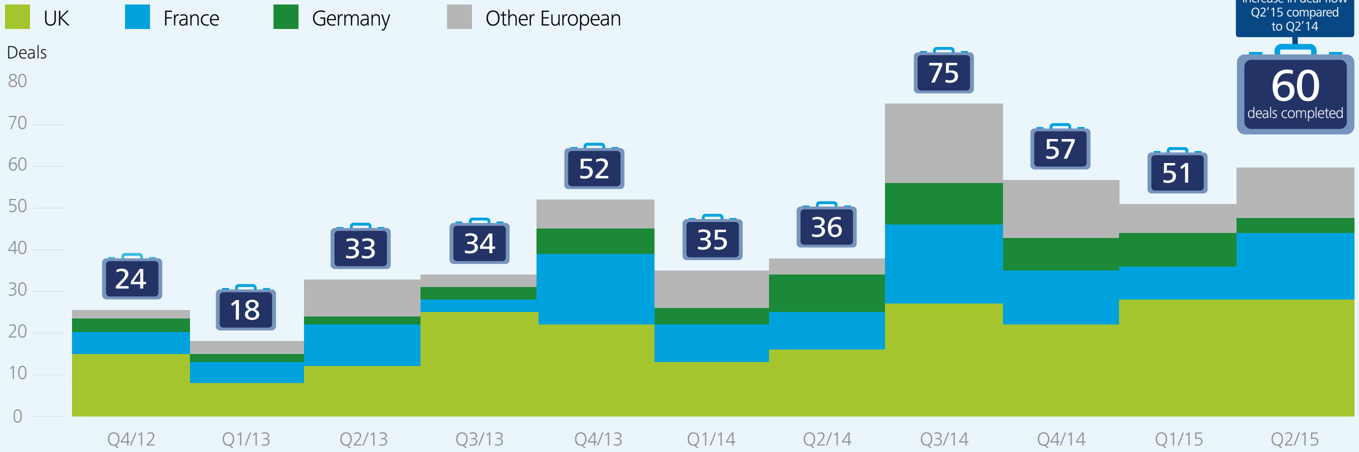
There is a limited number of alternative lenders operating in the L+450 to L+600 pricing territory.
A number of large funds are now actively raising capital to target this part of the market.

Direct lenders approach the mid-market with either a niche strategy (mainly new entrants) or a broad suite of direct lending products to cater for a range of financing needs. The latter is mostly the approach of large asset managers.

Alternative lenders continue to increase their deal flow…

Alternative Lender Deal Tracker

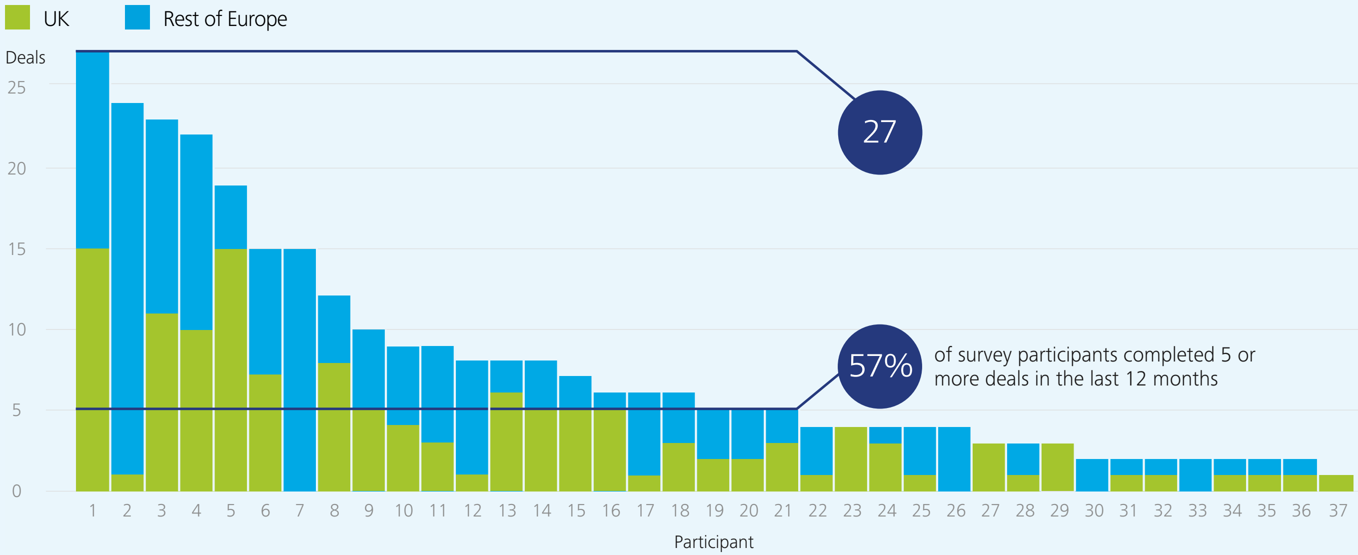
Currently covers 37 leading alternative lenders. Only primary mid-market UK and European deals with debt up to £300m or €350m are included in the survey.



Data in the Alternative Deal Tracker is retrospectively updated for any new participants

Deals done by each survey participant (Last 12 months)

Only 21% of transactions involved multiple alternative lenders.



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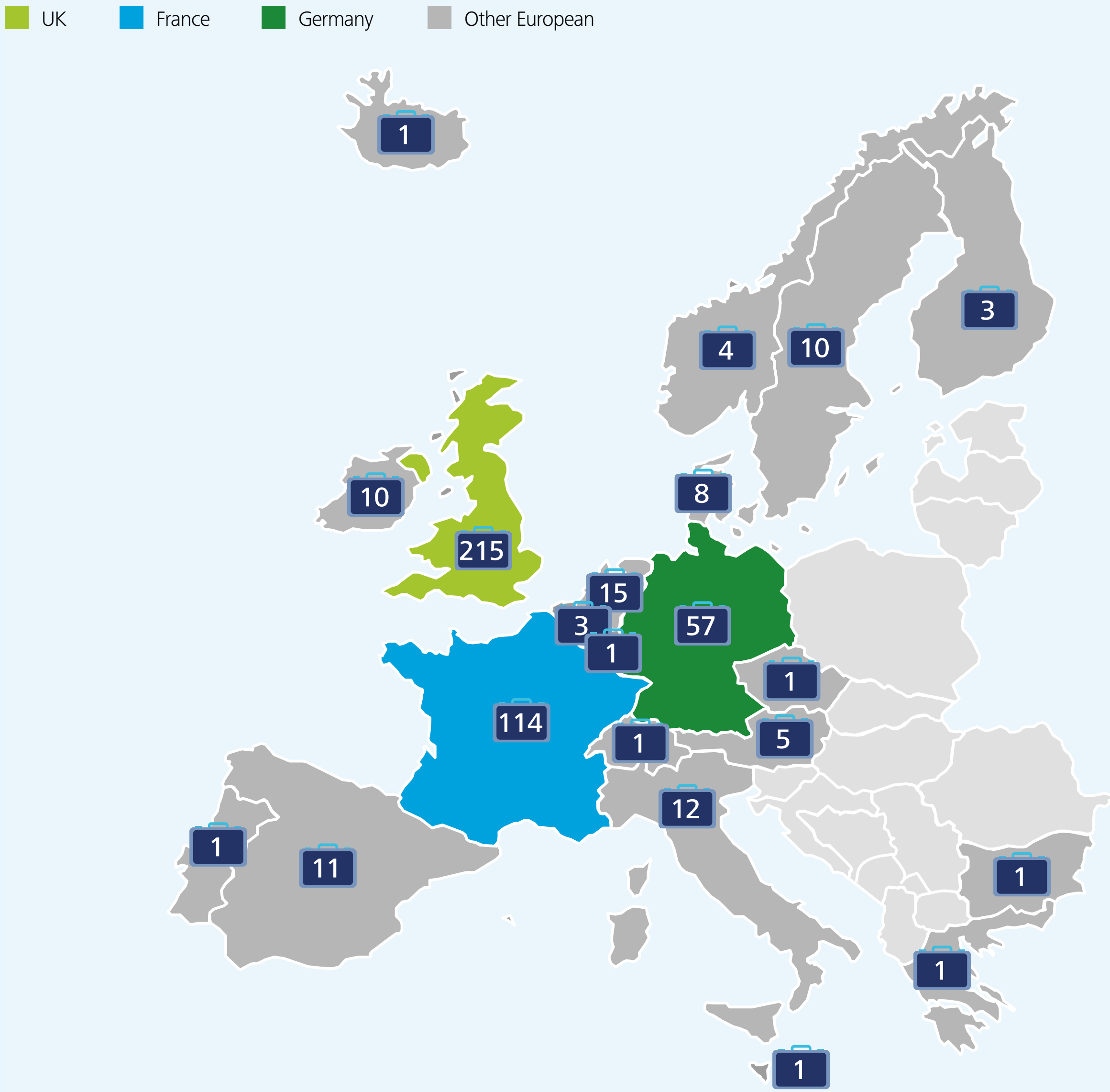
…across Europe…

Total deals across Europe

In the last 11 quarters 475 (215 UK and 260 other European) mid-market deals are recorded in Europe.



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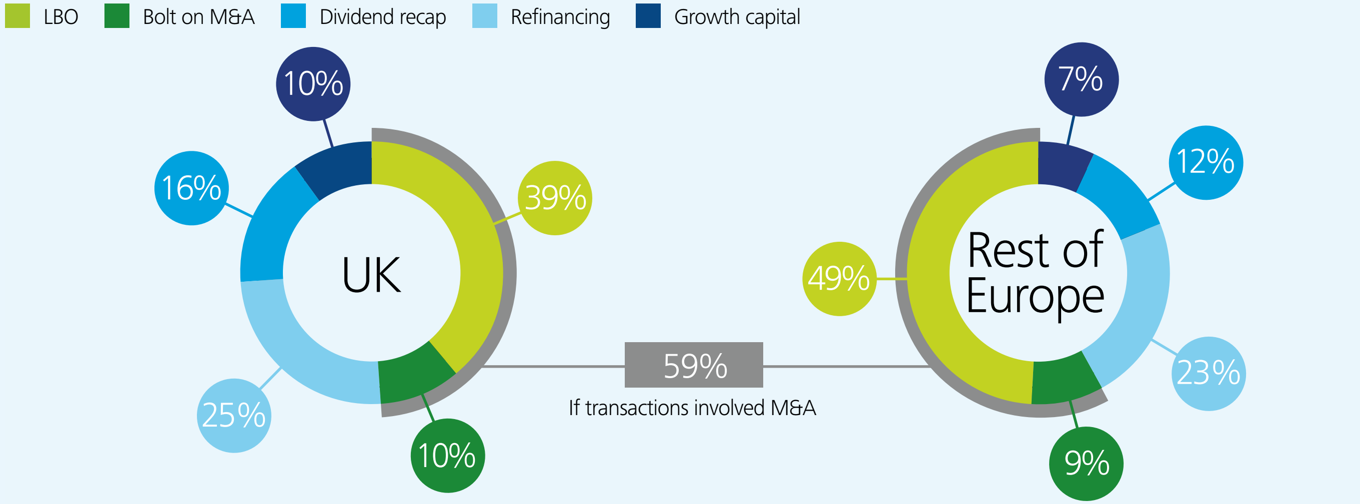
…providing bespoke structures for mainly "event financing" situations

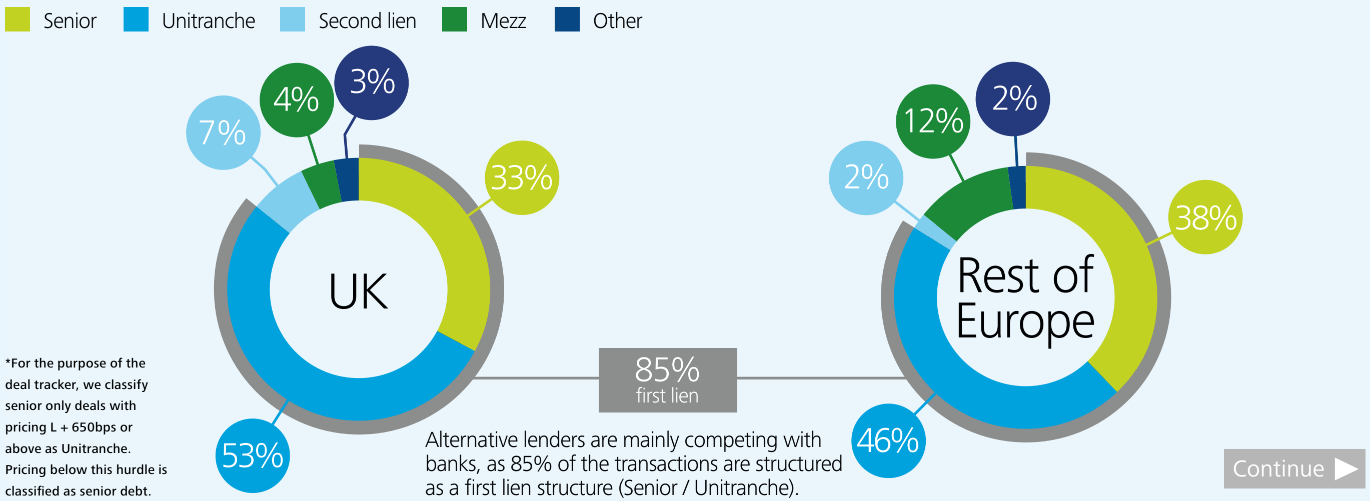
Deal purpose (Last 12 months)

The majority of the deals are LBO related, with 39% of UK transactions and 49% of Euro deals being used to fund a buy out. Of the 243 deals in the last 12 months, 47 deals did not involve a private equity sponsor.



Structures (Last 12 months)

"Unitranche" is the dominant structure, with (53% of UK and 46% of Euro) of the transactions classified as a Unitranche structure. Subordinate structures represent only 15% of the transactions. The mezzanine product is more popular outside UK. Second lien volume remained low, particularly in Europe.



Alternative lenders are mainly competing with banks, as 85% of the transactions are structured as a first lien structure (Senior / Unitranche).

*For the purpose of the deal tracker, we classify senior only deals with pricing L + 650bps or above as Unitranche. Pricing below this hurdle is classified as senior debt.

Continue

The Americans are coming – increasing prevalence of US style structures in Europe

In a highly liquid, increasingly commoditised landscape with a myriad of traditional and alternative lenders vying to invest in the best deals, Deloitte facilitated a discussion between leading lawyers renowned for their work in the direct lending market on the influence of US style terms in the European mid-market.

By Sarah Downey

In January 2015, the European Central Bank (ECB) president Mario Draghi announced he would inject €60bn of capital into financial markets every month until September 2016, constituting a major step to save the Eurozone. Such a strategy intended to use ECB money to buy bonds of Eurozone governments to boost confidence, push up inflation and drive down the value of the Euro. But, it has also created unprecedented levels of liquidity in the market, which is now exacerbated by money retrenching out of the emerging markets and looking for deployment in the more attractive Western European economies.

With an abundance of capital, there is an increasingly widespread prevalence of US style direct lending structures in European markets. In essence, borrowers now have so much choice that lenders are required to loosen terms in order to win deals. Says White & Case partner Colin Harley: "The direct lending funds want to be competitive as newish entrants in the post-crisis loan market and some (if not all) have a different risk appetite and analytic approach to banks and so can offer more bespoke terms. This is creating greater flexibility of terms across the board, loosening a lot of the tighter bank-led restrictions and making documentation far more borrower and sponsor friendly."

The recent sell-off in the global equity markets might be a forewarning of what's to come in the buoyant debt markets. Some non-bank alternative lenders would be relieved if the tide turns and yields are pushed up again making it easier for these funds to meet the returns promised to their respective end-investors.

One of the reasons why the market is so competitive is that banks are still keen to defend their market share. However, greater European bank regulation and higher capital adequacy requirements should help pave the way for alternative lenders to continue to make their mark on the European debt markets.

The ECB's request to European banks in May this year to provide guidance on their leveraged lending policy, specifically on loans to non-investment grade companies, signals yet another step towards US regulation, where stringent rules apply for banks providing highly leveraged loans.

To date sophisticated private equity investors have been the early adopters of alternative lending; Deloitte's view is that family and founder owned businesses in Europe will follow their US counterparts and begin using alternative capital to accelerate the growth of their companies. This would play well for the European Commission's Green Paper on capital markets union with the aim to improve funding to SME in Europe.

Sarah Downey is a Senior Reporter for Legal Business magazine

"The direct lending funds want to be competitive… creating greater flexibility of terms across the board, loosening a lot of the tighter bank-led restrictions and making documentation far more borrower and sponsor friendly."

Colin Harley
Partner
White & Case

Continue

The Americans are coming – increasing prevalence of US style structures in Europe (cont)

A theme of convergence

As mid-market companies obtain access to flexible institutional capital, previously only available to larger corporates, a trend emerges of borrower friendly US terms being made available to the European mid-market, from alternative lenders with roots in the US.

"There has been a convergence of terms, between loans and bonds and between the European and US capital markets, which has largely worked to the benefit of the borrower." says Ashurst partner Helen Burton.

Helen Burton
Partner
Ashurst

An example is the controversial return of interest-only, covenant-lite debt. Having disappeared from Europe's debt markets post-Lehman, cov-lite loans, which possess favourable high yield bond style covenants and a broad incurrence only covenant regime, have sprung back to life.

In contrast to the early warning signs that financial covenants provide in circumstances of deteriorating performance, the ability to pay interest is the ultimate test and trigger for enforcement in these structures.

"There has been a convergence of terms … to the benefit of the borrower."

Finance lawyer Stuart Brinkworth from Fried, Frank, Harris, Shriver & Jacobson, says: "The emergence of bank/bond deal structures in Europe and European issuers looking to the US market for liquidity, has resulted in the acceptance of the Term Loan B in the European market, introducing high yield style covenants with incurrence style controls rather than maintenance style controls. The influence of the US market is clearly visible in the European leveraged market landscape."

Stuart Brinkworth
Partner
Fried, Frank, Harris, Shriver & Jacobson

An explanation for the traditional differences between the US and European loan markets is given by DLA Piper partner Philip Butler: "Historically the EU mid-market has been more of a bank market with funds being less influential. It has also been a less uniform market given the host of cultural, regulatory and insolvency regime factors which differ across Europe.

"Terms that traditionally started off being used in the US market are frequently used here in Europe, with cov-lite being the prime example."

In contrast the US market has had a far greater balance between banks and funds and a more 'one market' approach given the conformity of regulation and the obligatory Chapter 11 bankruptcy regime. However, in more recent years the European market has followed the US with regard to both products and terms and this trend is likely to continue."

Continue

The Americans are coming – increasing prevalence of US style structures in Europe (cont)

So, while such high yield like structures have evolved into the European market over the last decade, they remain the preserve of large cap deals, with the last 12 months seeing a trickling downstream to the mid-market.

Whilst the European mid-market has seen covenant erosion (either through less covenant tests or increased covenant headroom), the leverage covenant is still sacred for most lenders in the mid-market.

Covenant-lite or loose is readily available in the US, and this, says Paul Mullen, partner at Hogan Lovells, is due to the US having a more sophisticated and liquid secondary market: "European mid-market loans are not as liquid as large cap paper so lenders are much more keen to maintain a strong covenant package to monitor the borrower and ensure there are early warning signs if there's a problem in performance."

"… in more recent years the European market has followed the US with regard to both products and terms and this trend is likely to continue."

Philip Butler
Partner
DLA Piper

There are other differences between the US and European mid-market, including a limited requirement for third party due diligence in the US, as lenders are willing to rely on their own work in exchange for deal exclusivity. Furthermore, some commentators highlight US markets' more rigid pricing and maximum senior leverage levels. Finally, US direct lenders are also used to lower upfront fees but benefit from stronger early prepayment protection.

"European mid-market loans are not as liquid as large cap paper so lenders are much more keen to maintain a strong covenant package to monitor the borrower and ensure there are early warning signs if there is a problem in performance."

Paul Mullen
Partner
Hogan Lovells

Continue

The Americans are coming – increasing prevalence of US style structures in Europe (cont)

Unitranche enters the mainstream

With the rising popularity of alternative lenders in the last few years, one innovative feature to become commonplace in the LBO mid-market scene is the unitranche structure. These structures combine a senior and a junior loan agreement into one facility.

Since the start of the unitranche market in the US in 2005, alternative lenders have been able to gain significant market share in the UK mid-market for LBO transactions. Whilst some private equity houses embrace the unitranche product others continue to prefer lower risk and lower priced senior structures with relationship banks. Proskauer Rose partner Faisal Ramzan adds: "Recent data shows that banks' lending rates typically come out at about 5% in the mid-market. Depending on type of product, alternative lenders are at around 7-10%. However, more appealing from a borrower's perspective, than simply pricing, is the fact that alternative lenders can provide a more flexible and tailor made financing solution for the borrower and for the underlying business in ways which banks often cannot provide."

Senior banks tend to lend within a well-defined risk spectrum at relatively low margins whereas direct lenders are very happy to take on risk and lend at a higher interest rates.

Andrew Perkins Partner at Macfarlanes says: "Pricing is only one of a number of key factors and speed of execution, structural flexibility and leverage are important factors in decision making."

"There is an attraction for certain borrowers towards alternative lenders even though lower pricing may be available elsewhere."

Faisal Ramzan
Partner
Proskauer Rose

"Pricing is only one of a number of key factors and speed of execution, structural flexibility and leverage are important factors in decision making."

Andrew Perkins
Partner
Macfarlanes

Continue

The Americans are coming – increasing prevalence of US style structures in Europe (cont)

Carving the debt, reducing the risk

As the alternative lender market becomes more sophisticated (like the US) unitranches are increasingly carved up in different tranches with different risk profiles and associated pricing depending on where the tranches sit within the repayment waterfall.

The primary driver has been the sell down by unitranche lenders of senior risk to banks which benefits the borrower in terms of lower pricing. However, some alternative lenders are also looking to manage their risk position by selling the last turn of debt in a subordinated form to more risk tolerant alternative lenders looking for mid-teens returns. As a result, some market commentators anticipate a much more dynamic secondary loan mid-market where debt tranches with different risk profiles are traded between parties.

As there is only one facility agreement, behind the scenes an Agreement Amongst Lenders (AAL) exists between the two tranches that deals with the rights between the lenders in effect creating a multi-tiered structure whilst presenting the simplicity of a unitranche facility agreement to the borrower. In terms of development, Deloitte believes that AALs are to be the next stage of evolution of the unitranche product.

Agreement amongst lenders

Crucially borrowers are not part of the AAL, which is in stark contrast to an intercreditor agreement which regulates a senior and subordinated facility, meaning that the borrower has full insight into the intercreditor arrangement and can influence to some extent issues which concern the borrower such as who should have control over enforcement; when should that situation change when the person in control hasn't been acting; when should proceeds be turned over; who should receive payment in the event of a default; as well as voting rights. This point is particularly significant as the European market works on a majority lender basis. The AAL can be used to circumvent that premise so lenders can have a blocking vote and the right to veto.

AALs can be provided on a disclosed or undisclosed basis depending on the requirement of the borrower to have full disclosure and willingness of the lender to provide this. Macfarlanes finance partner Andrew Perkins says: "You have many transactions where lenders are saying 'let's be upfront with the borrower about where the balance of power lies between us, who's got economic interest, who's calling the shots…'" However, other lenders prefer an undisclosed AAL route; the sell to the borrower being speed of execution and there being no need to get involved in an intercreditor debate between lenders, either ahead of or after closing the financing. A potential negative is the lack of visibility on how decisions of the lenders will be made, but in reality this has always been accepted in the market through structures such as sub-participations.

AAL is set to be a key feature in the European market and Linklaters partner Annette Kurdian says: "Lenders may use them for the bigger unitranche deals also after underwriting the financing to sell down their exposures. Finally, we have seen on some deals a push towards a 'dual tranche' unitranche with a senior and junior tranche in the documentation with the borrower."

"We have seen on some deals a push towards a 'dual tranche' unitranche with a senior and junior tranche in the documentation with the borrower."

Annette Kurdian
Partner
Linklaters

Continue

The Americans are coming – increasing prevalence of US style structures in Europe (cont)

What's next – has the market peaked?

A cursory view at Europe's debt markets today shows much similarity with the boom years pre-Lehman, amplified of course by the 'Americanisation' of the leveraged debt sector as alternative lenders fill the space once dominated by banks.

Stuart Brinkworth says: "To some extent the leveraged buyout market is beyond 2007 levels on terms. There's more liquidity now than 2007 because of alternative lenders coming in. It was a bank-led market then and everyone was underwriting debt and selling to CLOs, but underwriting in the mid-market is quite rare and alternative lenders are now able to write large cheques and want to hold on to the debt they've written. This has led to greater competition as you only need one lender for a deal where previously you may have needed three or four."

Whilst senior leverage numbers have reached a ceiling similar to pre 2007, sponsor equity contributions are still relatively high compared to 2007 when it reached a low point of 33% versus 43% in leveraged loan transactions in H1 2015. Given current high valuations we are seeing increasingly junior products being used in the market to stretch the leverage and reduce equity contributions to 2007 levels.

All interviewees agree that naturally there will be an inflexion point when the cycle swings back in favour of the lenders again. The 'elephant in the room' is what will happen if US interest rates go up over the next six months and the full impact of the withdrawal of quantitative easing becomes apparent in the US. As capital becomes less abundant and more expensive, risk premiums will likely go up in the US. This is in stark contrast to Europe which is at the start of its largest ever quantitative easing program and will have surplus liquidity for some time to come.

As such, it is likely that there will be a divergence of the currently closely linked US and European loan markets. Some opportunistic US funds which have recently entered Europe might retract their money to invest again in the US in search for better yields.

> "To some extent the leveraged buyout market is beyond 2007 levels on terms… There's more liquidity now than 2007 because of alternative lenders coming in."

Finally, another trend could be increased issuance of loans versus bonds as variable loans provide protection for possible US rate hikes. Linklaters partner Kurdian says: "We are seeing a number of deals which borrowers could have financed by way of bond going down the loan route together with an increase in second lien structures. The return to loans has also been helped by the trend towards European TLB/cov- lite features appearing in mid-market deals."

> "We are seeing a number of deals which borrowers could have financed by way of bond going down the loan route together with an increase in second lien structures."

More private companies have turned to direct lenders to finance growth

Background

- Traditionally private companies without access to further shareholder funding lacked the ability to make transformational acquisitions.
- Bank lenders are typically not equipped to fund junior debt/quasi equity risk and would require a sizable equity contribution from the shareholders to fund acquisitions.
- Cost savings, revenues synergies and ability to purchase bolt on acquisitions at lower EBITDA multiples makes a buy and build strategy highly accretive for shareholder's equity.

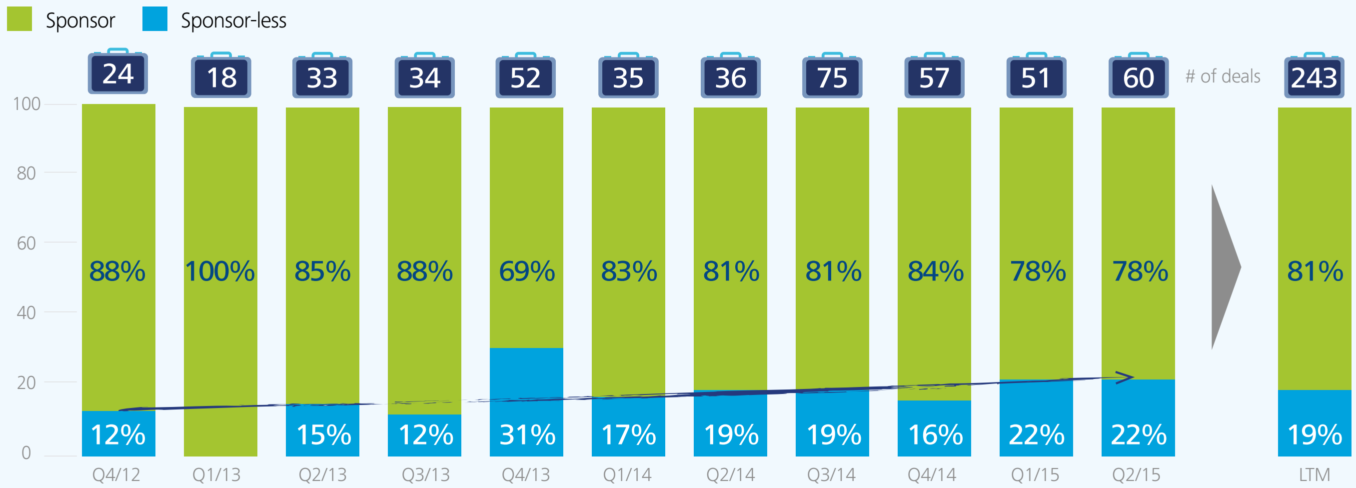
Opportunity

- Alternative lenders are actively looking to form longer term partnerships with performing private companies to fund the execution of their buy and build strategy.
- Recent market transactions have been structured on Debt/EBITDA multiples as high as 4.5-5.0x including identifiable hard synergies. This is subject to c.30–40% implied equity in the structure, based on conservative enterprise valuations.
- A number of alternative lenders are able to fund across the capital structure, from senior debt through to minority equity.

Key advantages

- Key advantages of using alternative lenders to fund a buy and build strategy may include:
  - Accelerate the growth of the company and exponentially grow shareholder value in a shorter time period.
  - No separate equity raising required as alternative lenders can act as a one stop solution providing debt and minority equity.
  - Significant capital that alternative lenders can lend to a single company (€150-300m) making alternative lenders ideal for long term partnership relationships and follow on capital for multiple acquisitions.

Sponsor backed versus private direct lending deals
As % of total deals per quarter



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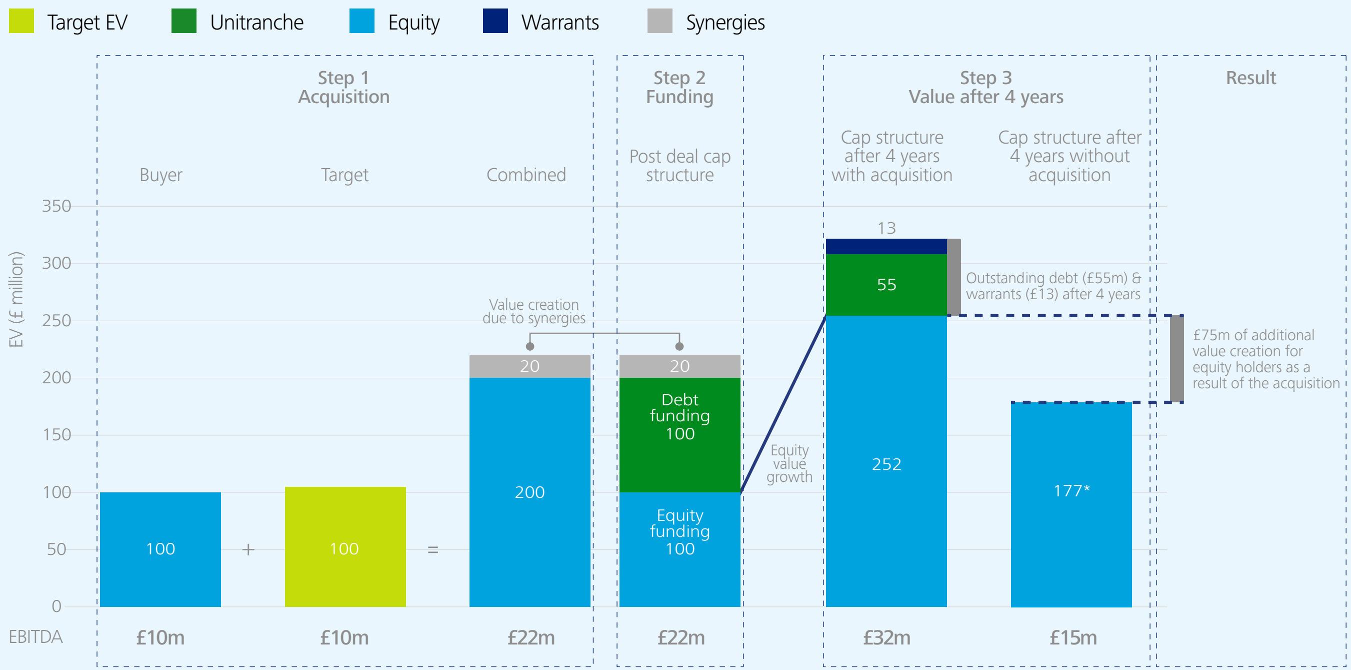
Unlock transformational acquisitions for privately owned companies – Value creation through M&A

Indicative calculations

- The calculations on this page illustrate the effect of value creation through acquisitions financed using alternative lenders.
- In this example the equity value is growing from £100m to £252m in 4 years time. Without the acquisition, the equity value would have been only £177m, using the same assumptions and disregarding any value creation as a result of multiple arbitrage.

Value creation through M&A
Indicative calculations



Assumptions:
- Both business generate £10m EBITDA with £2m potential Synergies
- 10x EV/EBITDA multiple assumed (no multiple arbitrage assumed)
- No debt currently in the business
- Cost of debt is 8% with 5% penny warrants on top
- 10% EBITDA growth pa; 75% Cash conversion; 20% Corporate tax rate
- No transaction costs

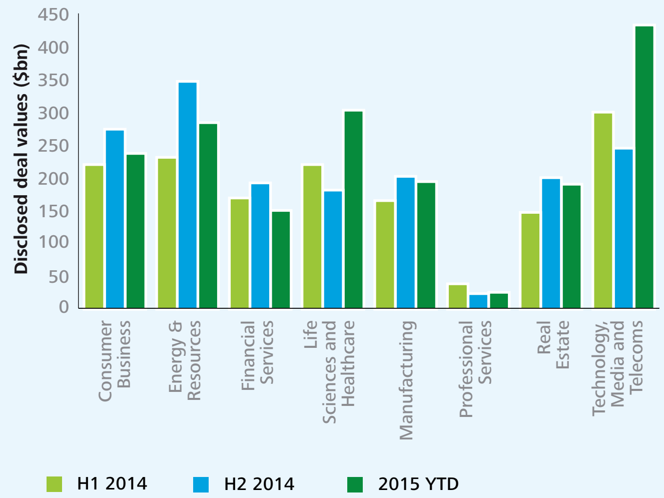
* EV is c.£147m and with c.£30m cash on balance sheet brings the equity value to c.£177m

Results from Deloitte's M&A Index, Q3 2015

Key points

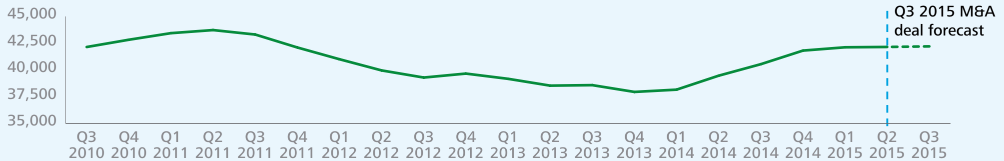
- The first half of 2015 has emerged as one of the strongest for M&A, with more than $1.8 trillion worth of deals announced globally, a 22% increase over H1 2014. US corporates are leading this surge fuelled by a strengthening dollar, low funding costs and strong earnings.
- Growth markets are making an impact and in 2014 for the first time outbound M&A from growth markets into G7 countries surpassed inbound M&A from the G7 into those markets, with China leading the way. The recent Chinese IPO boom is expected to boost M&A activity by publicly-listed companies.
- However, in Europe despite favourable credit conditions and strong corporate earnings, political and currency risks are weakening confidence among European companies.
- Taking these factors into consideration, the Deloitte M&A Index predicts that M&A activity in Q3 will remain at a similar level to Q2.
- We expect market conditions to remain favourable and boards to continue reorganising to pursue growth. Our analysis shows that over the last six years, 63 of the FTSE 100 companies had replaced their CEO. A key aspect of this reorganisation is a shift towards CEOs whose skills could be more suited to pursuing growth and M&A opportunities.

Global deal values by target sector ($bn), 2014-15 YTD



The Deloitte M&A Index – Global M&A deal volumes

Last twelve months deal volumes



Source: Deloitte analysis based on data from Thomson One Banker

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Alternative lender '101' guide

Who are the alternative lenders and why are they becoming more relevant?

Alternative lenders consist of a wide range of non-bank institutions with different strategies including private debt, mezzanine, opportunity and distressed debt.

These institutions range from larger asset managers diversifying into alternative debt to smaller funds newly set up by ex-investment professionals. Most of the funds have structures comparable to those seen in the private equity industry with a 3-5 year investment period and a 10 year life with extensions options. The limited partners in the debt funds are typically insurance, pension, private wealth, banks or sovereign wealth funds.

Over the last two years a significant number of new funds have been raised in Europe. Increased supply of alternative lender capital has helped to increase the flexibility and optionality for borrowers.

Key differences to bank lenders?

- Access to non amortising, bullet structures, although banks are increasingly able to do this also.
- Ability to provide more structural flexibility (covenants, headroom, cash sweep, dividends, portability, etc.).
- Access to debt across the capital structure via senior, second lien, unitranche, mezzanine and quasi equity.
- Increased speed of execution, short credit processes and access to decision makers.
- Potentially larger hold sizes for leveraged loans (€30m up to €200m).
- Deal teams of funds will continue to monitor the asset over the life of the loan.

However,

- Funds are not able to provide clearing facilities and ancillaries.
- Funds will target a higher yield for the increased flexibility provided.
- Untested behaviour of funds throughout the cycle.

Key differences of Unitranche compared to traditional LBO structures

Unitranche debt is senior plus mezzanine debt combined into one tranche with a blended pricing.

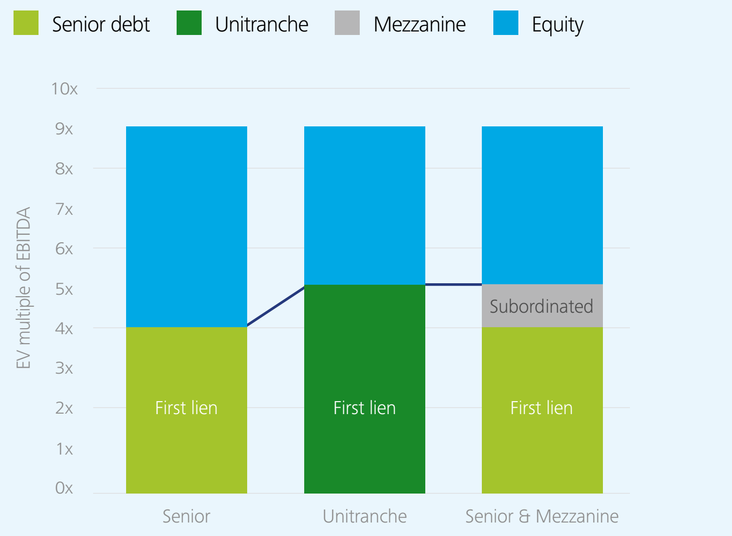
Banks typically require the senior debt to carry 30-40% amortisation whereas Unitranche has a bullet maturity.

Unitranche increases the total debt capacity to c. 5-6x EBITDA without having the complexity of a subordinated mezzanine tranche.

Three key questions to ask when dealing with alternative lenders:

1. What type of fund am I dealing with and what strategy do they employ?
2. What is the track record, sustainability of the platform, and reputation of the fund and the individuals working within the fund?
3. What is the current stage of the fund's lifecycle?

Unitranche structure compared to traditional LBO structures



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Deloitte Debt Advisory credentials

Our team has completed over 50 transactions since 2014

Chiltern	Acquisition financing		September 2015	Undisclosed
McColl's Retail	Amend & Extend		August 2015	£85m
Hg Capital	Refinancing		August 2015	£430m
Regus	Amend & Extend		July 2015	£320m
G Square	Acquisition financing		July 2015	£102m
Manx Telecom plc	Amend & Extend		July 2015	£80m
Ultra Electronics	Acquisition financing		July 2015	£300m + $225m
August Equity	Acquisition financing		June 2015	£78m
Arnold Laver	Refinancing		June 2015	£73m
Volac International	Growth financing		May 2015	£53m
Bridgepoint	Refinancing		April 2015	£380m
HgCapital	Refinancing		April 2015	£240m
Project Solomon	Refinancing	Retail	April 2015	£45m
LDC	Acquisition financing		March 2015	£133m
Victoria Plc	Refinancing		March 2015	£50m
Project Ford 3	Debut RCF	Retail	February 2015	£150m
Chiltern	Refinancing		February 2015	£100m
HgCapital	Acquisition financing		December 2014	£57m
Livingbridge	Acquisition financing	Project Willow	December 2014	£58m
ARCA	Acquisition financing		December 2014	$107m
Project Mariner	Refinancing	Automotive	December 2014	£120m
Halfords Group Plc	Amend & Extend		November 2014	£170m
Keepmoat	Staple financing		October 2014	£275m
Premier Farnell Plc	Refinancing		October 2014	£250m
Chime	Amend & Extend		October 2014	£120m
HgCapital	Acquisition financing		September 2014	$125m
HgCapital	Refinancing		September 2014	€55m
CBPE	Acquisition financing		September 2014	€60m
ICG	Acquisition financing		August 2014	Undisclosed
Tarsus Group plc	Amend & Extend		August 2014	£60m
Lavendon Group	Refinancing		August 2014	£100m + €85m
Rutland Partners	Dividend recap		August 2014	£30m
Project Metro	Refinancing	Services	August 2014	£275m
Equistone	Acquisition financing		August 2014	Undisclosed
HgCapital	Refinancing		July 2014	£135m
Chiltern	Acquisition financing		July 2014	£80m
WH Smith Plc	Refinancing		July 2014	£93m
Equistone	Acquisition financing		July 2014	Undisclosed
DMGT Plc	Refinancing		June 2014	£500m
Inflexion	Refinancing		May 2014	£20m
Baxters Food Group	Refinancing		May 2014	Undisclosed
HgCapital	Refinancing		April 2014	$63m
Inflexion	Refinancing		April 2014	£45m
Shanks Group plc	Refinancing & retail bond		February 2014	€280m
Exponent	Acquisition financing		February 2014	Undisclosed
HgCapital	Refinancing		February 2014	£260m
McColl's Retail	IPO facility		February 2014	£85m
Cape Plc	Refinancing		February 2014	£295m
HgCapital	Refinancing		February 2014	£150m
HgCapital	IPO facility		February 2014	Undisclosed
Camden Lock	Real Estate Refinancing		January 2014	£236m
Alternative Networks	Acquisition financing		January 2014	£43m
XChanging	Refinancing		January 2014	£125m
Mears Group	Refinancing		January 2014	£120m

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Deloitte Debt Advisory credentials

Selected European transactions

Groupe CBV Acquisition and Refinancing September 2015 €24m	**Inekon Group a.s.** Refinancing August 2015 €35m	**Castleview s.r.o.** Refinancing August 2015 Undisclosed	**Acome** Refinancing July 2015 €60m	**Ausnutria Hyproca** Refinancing July 2015 Undisclosed	**Planon** (EIB) growth financing June 2015 Undisclosed	**Kuiken N.V.** Acquisition financing June 2015 Undisclosed	**Royal Burger Groep** Refinancing June 2015 Undisclosed	**Walls Construction Management** Buy Out April 2015 Undisclosed
Inekon Group a.s. Refinancing April 2015 Undisclosed	**LED Group** Refinancing March 2015 €15m	**Crystalite Bohemia** Refinancing March 2015 €3m	**Dalata Hotel Group** Acquisition and Refinancing January 2015 €350m	**Coeclerici** Amend & Extend December 2014 €150m	**Inver Energy Ltd.** Debt raising November 2014 €120	**Russell Court Hotel** Refinancing October 2014 €9m	**ATM** Debt Advisory October 2014 €472m	**Group of Butchers** Acquisition financing October 2014 Undisclosed
Deceuninck Debt Advisory October 2014 €157m	**HgCapital** Acquisition financing September 2014 $125m	**STRABAG** Acquisition financing September 2014 Undisclosed	**Arese Shopping Centre** Debt raising September 2014 €194m	**Holfeld Plastics Ltd.** Refinancing September 2014 Undisclosed	**Westcord Hotels** Refinancing June 2014 Undisclosed	**Attema** Refinancing June 2014 Undisclosed	**Invest AG** Mezzanine June 2014 Undisclosed	**Asamer** Stapled financing June 2014 Undisclosed
ECETIA Debt raising June 2014 €100m	**Gruppo Mantero** Amend & Extend June 2014 €24m	**Triacta** Acquisition financing March 2014 Undisclosed	**DGInfra+** Project Financing March 2014 €578m	**La Feltrinelli** Amend & Extend March 2014 €165m	**Vreugdenhil** Refinancing February 2014 Undisclosed	**Humares** Refinancing March 2014 Undisclosed	**Deloitte France** Euro Private Placement February 2014 €200m	**Enviem / Gulf** Refinancing January 2014 Undisclosed

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