

The Spectrum of Capital



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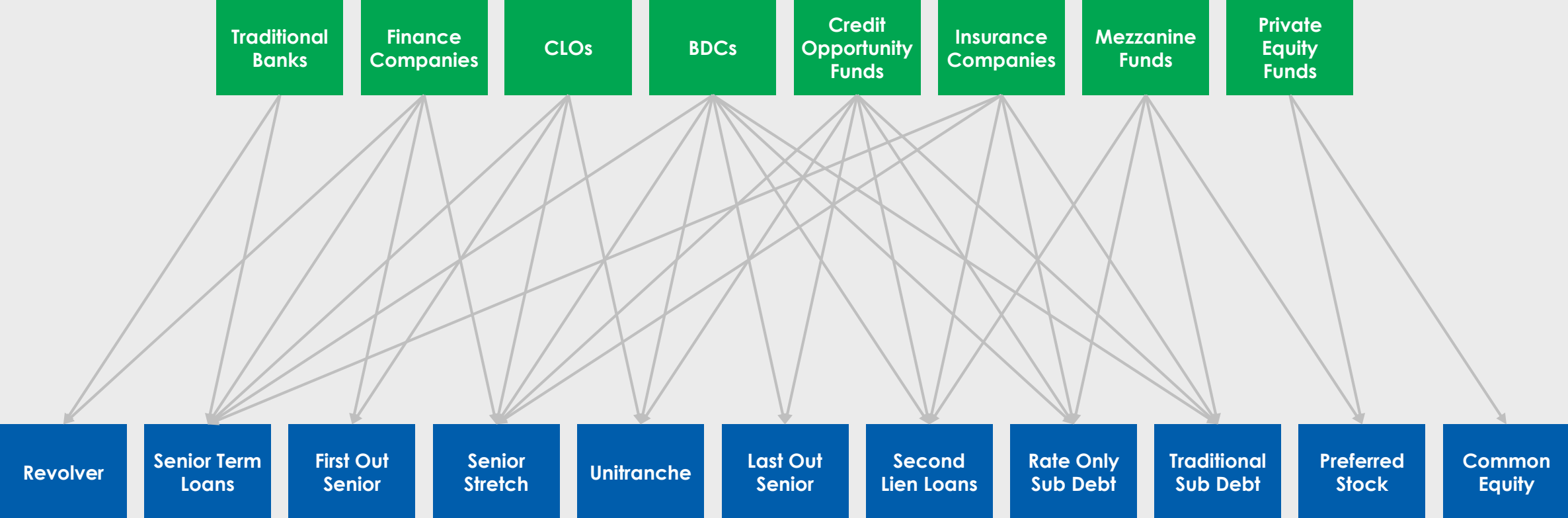
[\(www.gfdata.com\)](http://www.gfdata.com)

AGENDA

Provide an overview of the many different types and sources of funding available, and how the stage of a company's development, size, ownership, & other factors influences how to go about sourcing funding

- **Overview of Spectrum of Capital**
- **Universe of Debt**
- **Universe of Equity**
- **Wrap-Up / Discussion**

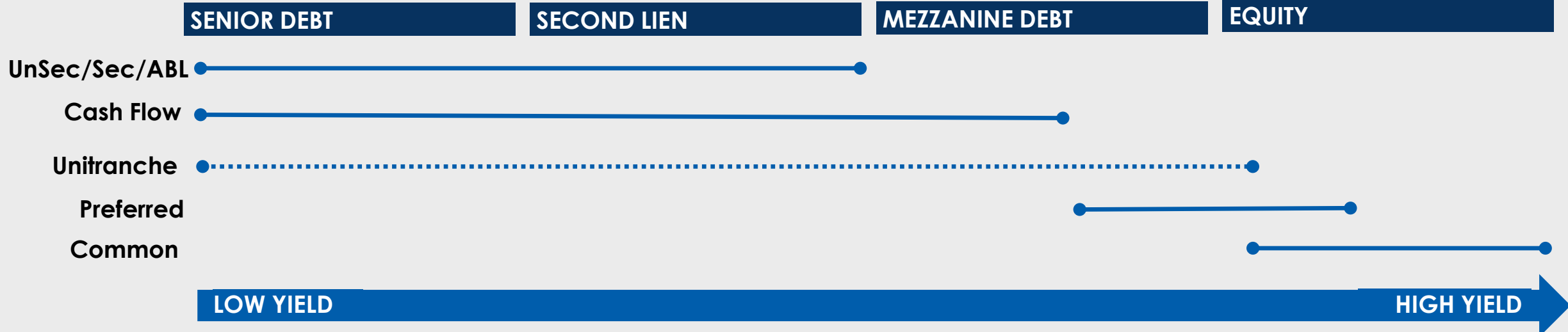
SPECTRUM OF CAPITAL



Deciding What is Needed & Who To Call?

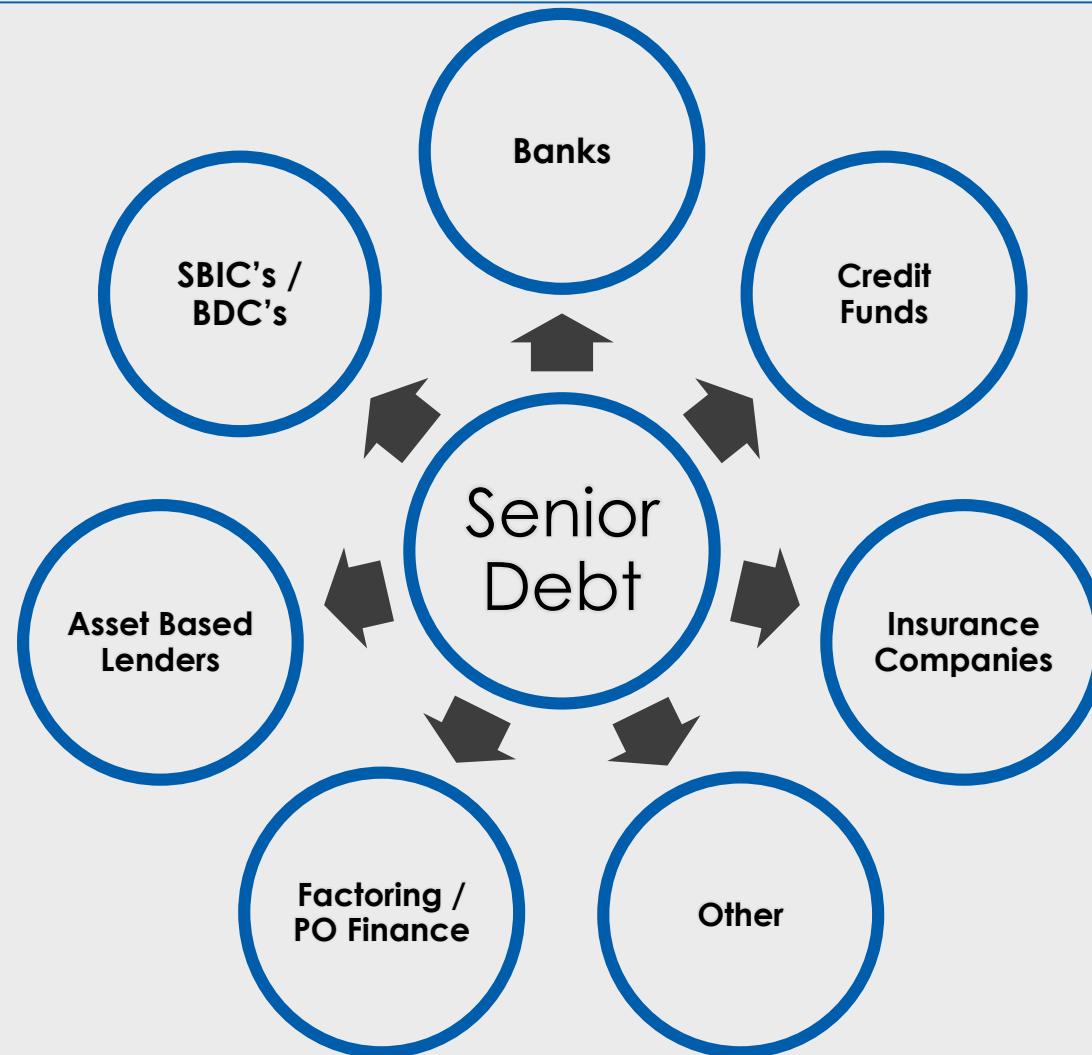
- Amount needed
- Use of the funding
- Available collateral
- How will the money be repaid
- Other support and considerations

The Spectrum of Capital

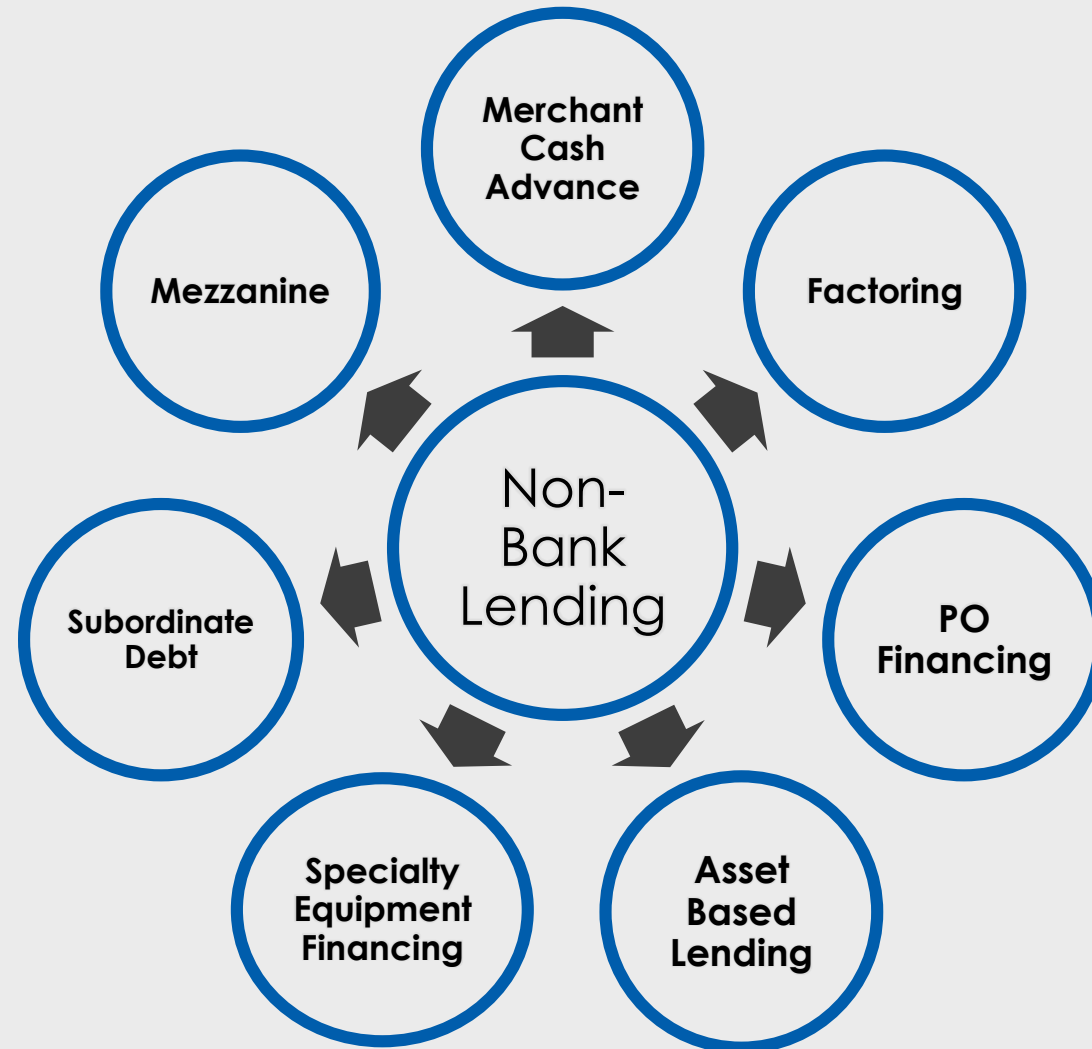


Usage	Unsecured/secured Working capital / Growth	Growth / Recapitalization Acquisitions	Growth / Recapitalization Acquisitions	Growth/Recapitalization Acquisitions
Yield	Prime – Prime + 8	Prime + 8 – Prime + 15	Prime 8 – Prime + 15	20 – 30%
Term	Revolving 3 - 5 years	3 – 5 years	3 – 5 years	Permanent

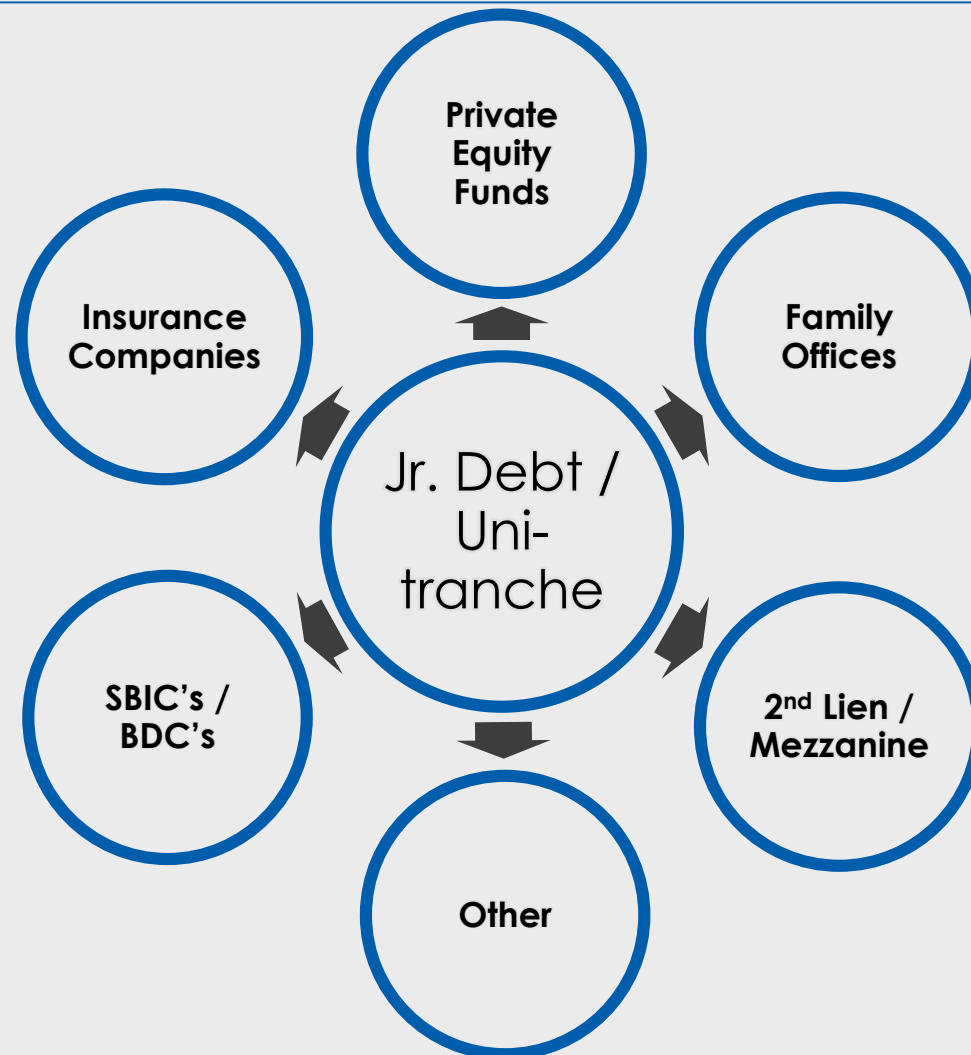
Senior Debt Universe



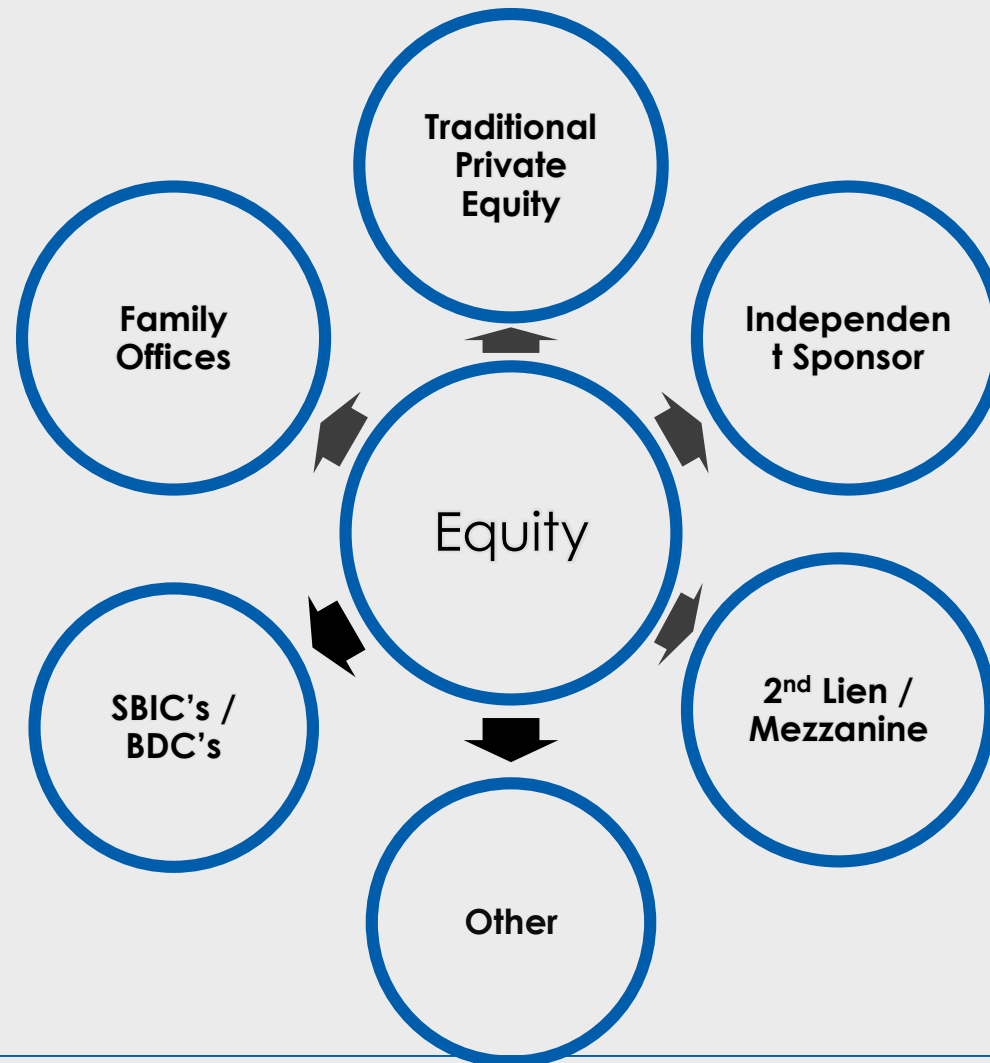
Non-Bank Universe



Junior Debt Universe



Equity Universe



- The most reliable source of data on private equity-backed M&A transactions in the \$10 - 500 mm deal size range at multiples ranging from 3 to 18 times Last Twelve Months Adjusted EBITDA
- More than 4,300 transactions in universe, including data on deals in more than 200 NAICS industry categories
- More than 350 private equity firms have contributed data on transactions closed since January 1, 2003
- PE contributors and other subscribers receive quarterly valuation and leverage reports, detailed key deal terms data (e.g. indemnification, escrow and basket benchmarks) and access to the valuation database sorted by NAICS.

For subscription info, contact Bob Wegbreit (610) 616-4607 bw@gfdata.com

Valuation Overview

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TOTAL ENTERPRISE VALUE (TEV)/EBITDA

TEV	2003 -2017	2018	2019	2020	2021	YTD 2022	Total	N =
10-25	5.7	5.9	6.1	5.9	6.1	6.6	5.8	1684
25-50	6.4	6.9	6.9	6.8	7.0	6.9	6.5	1310
50-100	7.1	8.8	7.5	8.0	8.3	8.5	7.5	892
100-250	7.9	8.7	9.3	8.6	9.0	9.3	8.3	483
Total	6.4	7.2	7.0	7.0	7.3	7.3	6.7	
N =	2919	299	325	329	441	56		4369

Please note that N for 2003-17 encompasses fifteen years of activity.

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Valuation Overview

QUALITY PREMIUM—BUYOUTS ONLY

	2003 -2017	2018	2019	2020	2021	YTD 2022	Total
Above Average Financials	6.6	7.8	7.5	7.7	7.9	7.7	7.0
Other Buyouts	6.0	6.4	6.3	6.1	6.1	6.3	6.1
Premium(/Discount)	109%	123%	120%	127%	130%	122%	115%
Incidence	56%	59%	52%	56%	66%	67%	57%

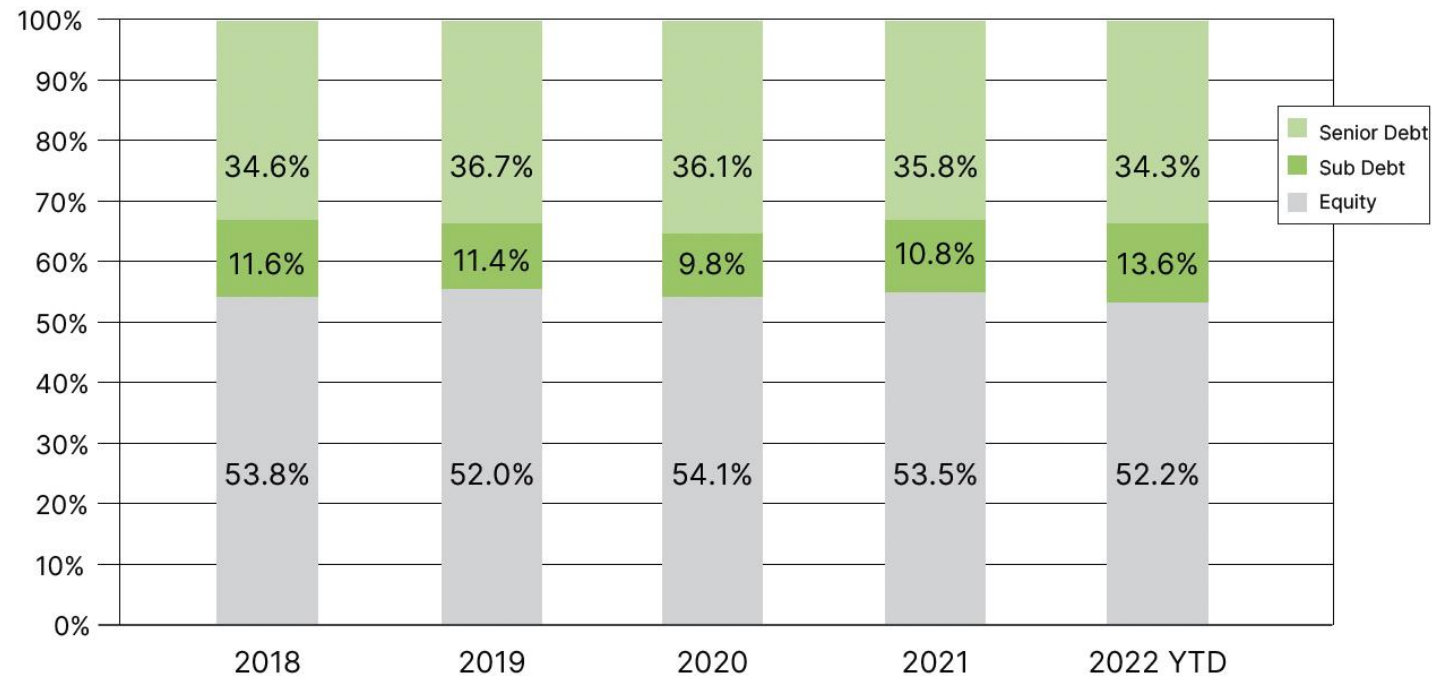
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Leverage Report

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EQUITY AND DEBT CONTRIBUTION BY YEAR, PLATFORM DEALS



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Alternative Solutions

Go it alone

Use **PQ Capital Suite** - <https://pq-suite.com/amaa>

- PQ provides free to use access to hundreds of capital sources for any kind of transaction - debt, equity, M&A, and more.
- Using PQ's proprietary data, tools and workflow processes, you'll develop an optimal deal structure based on your company's needs. All done in a highly secured environment.
- Then you'll shop your deal to a broad range of potential partners: banks, lenders, family offices, private equity firms, and more.

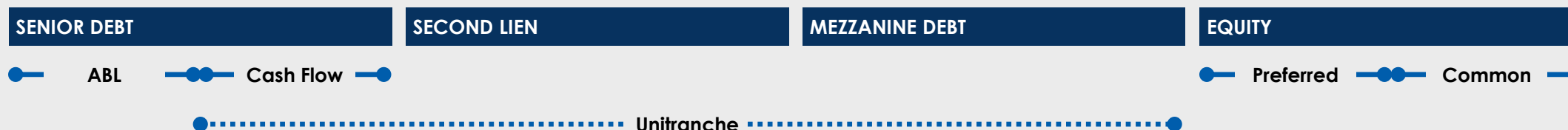
PQ CAPITAL SUITE™

More Capital Access. More Deals Done.

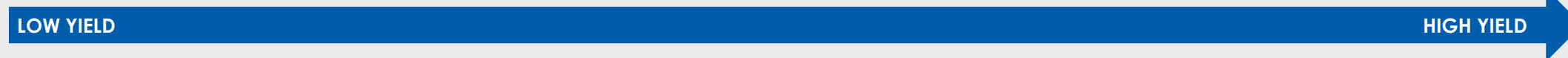
Appendix –

Detailed charts

The Spectrum of Capital - Detailed



RISK / REWARD CONTINUUM



	TYPICAL BORROWERS	INVESTMENT DETAILS	INTEREST	TERM (YEARS)	AMORTIZATION
ASSET BASED SENIOR	<ul style="list-style-type: none"> Prevalent for companies with less than \$10mm - \$15mm EBITDA, but could be applicable for all companies 	<ul style="list-style-type: none"> Lenders focused on liquidation value of the borrower's assets Revolving credit facilities secured by accounts receivable and inventory Term loans secured by fixed assets Advanced rates applied to appraised values to determine size of credit facility 	<ul style="list-style-type: none"> Current cash pay L + 150 – 275bps (no floor) 	<ul style="list-style-type: none"> 3 – 5 	<ul style="list-style-type: none"> Revolver is evergreen Term loan amortization is straightline over 5 to 7 years
CASH FLOW SENIOR	<ul style="list-style-type: none"> Generally for companies with at least \$10mm - \$15mm EBITDA 	<ul style="list-style-type: none"> Lenders focused on borrower's cash flows (rather than asset base) Riskier investment than asset based because lender cannot rely on selling off the borrower's assets to repay loan Many lenders prefer financing borrowers backed by private equity sponsors 	<ul style="list-style-type: none"> Current cash pay L + 400 – 550bps (1.00% floor) 	<ul style="list-style-type: none"> 5 	<ul style="list-style-type: none"> 2.5% to 10% in first year; ramps up thereafter
SECOND LIEN	<ul style="list-style-type: none"> Generally for companies with at least \$10mm - \$15mm EBITDA 	<ul style="list-style-type: none"> Based on enterprise value rather than collateral value 	<ul style="list-style-type: none"> Current cash pay L + 750 – 950bps (1.0% floor) 	<ul style="list-style-type: none"> 5 	<ul style="list-style-type: none"> Limited (usually a bullet at maturity)
MEZZANINE	<ul style="list-style-type: none"> All middle market companies 	<ul style="list-style-type: none"> Subordinated to asset based, cash flow based and second lien loans, but does get paid ahead of equity holders 	<ul style="list-style-type: none"> Current cash pay and paid in kind 11.0% to 13.0% all-in 	<ul style="list-style-type: none"> 5 – 7 	<ul style="list-style-type: none"> None (bullet at maturity)
UNITRANCHE	<ul style="list-style-type: none"> Generally for companies with at least \$5mm EBITDA 	<ul style="list-style-type: none"> Typically one credit facility, with a first lien on all assets other than receivables and inventory 	<ul style="list-style-type: none"> Current cash pay L + 700 – 900bps (1.0% floor) 	<ul style="list-style-type: none"> 5 	<ul style="list-style-type: none"> 1% to 5% per year with bullet at maturity

PRIMARY FINANCING SOURCES IN THE MIDDLE MARKET

	INVESTMENT FOCUS	CURRENT DYNAMICS
MONEY CENTER BANKS	<ul style="list-style-type: none"> Senior debt Primarily focused on asset based loans, but will consider cash flow loans for larger, high quality credits (\$15mm+ EBITDA) 	<ul style="list-style-type: none"> Currently, pricing is very low for asset based deals
REGIONAL BANKS	<ul style="list-style-type: none"> Senior debt Tend to finance smaller credits (less than \$15mm EBITDA) Lending tends to be asset based (rather than cash flow based), unless a borrower has a pre-existing relationship 	<ul style="list-style-type: none"> Currently, pricing is very low for asset based deals Pricing for cash flow facilities has been relatively stable Not extremely active due to increased regulations
COMMERCIAL FINANCE COMPANIES	<ul style="list-style-type: none"> Senior debt Primarily focused on companies backed by top tier private equity sponsors Tend to be cash flow-focused lenders 	<ul style="list-style-type: none"> Limited group of participants
INSURANCE COMPANIES	<ul style="list-style-type: none"> Senior and junior debt (depending on appetite for risk) Often apply the barbell approach, investing in investment grade senior and junior debt 	<ul style="list-style-type: none"> Selective investors
CLO VEHICLES	<ul style="list-style-type: none"> Senior Primarily participate in larger syndicated senior loans 	<ul style="list-style-type: none"> CLO issuance reached record highs in 2014 & 2015, but has been more constrained in 2016
BDCS	<ul style="list-style-type: none"> Senior and junior debt Alternative financing structures (e.g., unitranche, last out senior) Primarily domestic lenders (70% of assets must be held in domestic, private businesses) 	<ul style="list-style-type: none"> Very robust, flexible source of capital for the middle-market However, some are currently trading below book value, restricting new capital raises
HEDGE FUNDS / CREDIT OPPORTUNITY FUNDS	<ul style="list-style-type: none"> Senior and junior debt Alternative financing structures (e.g., unitranche, last out senior) Cash flow-focused lenders 	<ul style="list-style-type: none"> Continue to be very opportunistic and yield focused
MEZZANINE FUNDS	<ul style="list-style-type: none"> Junior debt Cash flow-focused lenders 	<ul style="list-style-type: none"> Emergence of alternative investors and proliferation of Mezzanine Funds has created competition, resulting in pricing declines

PQ defines the middle market as companies with EBITDA between \$5 million and \$50 million and/or with Revenue between \$10M and \$200M