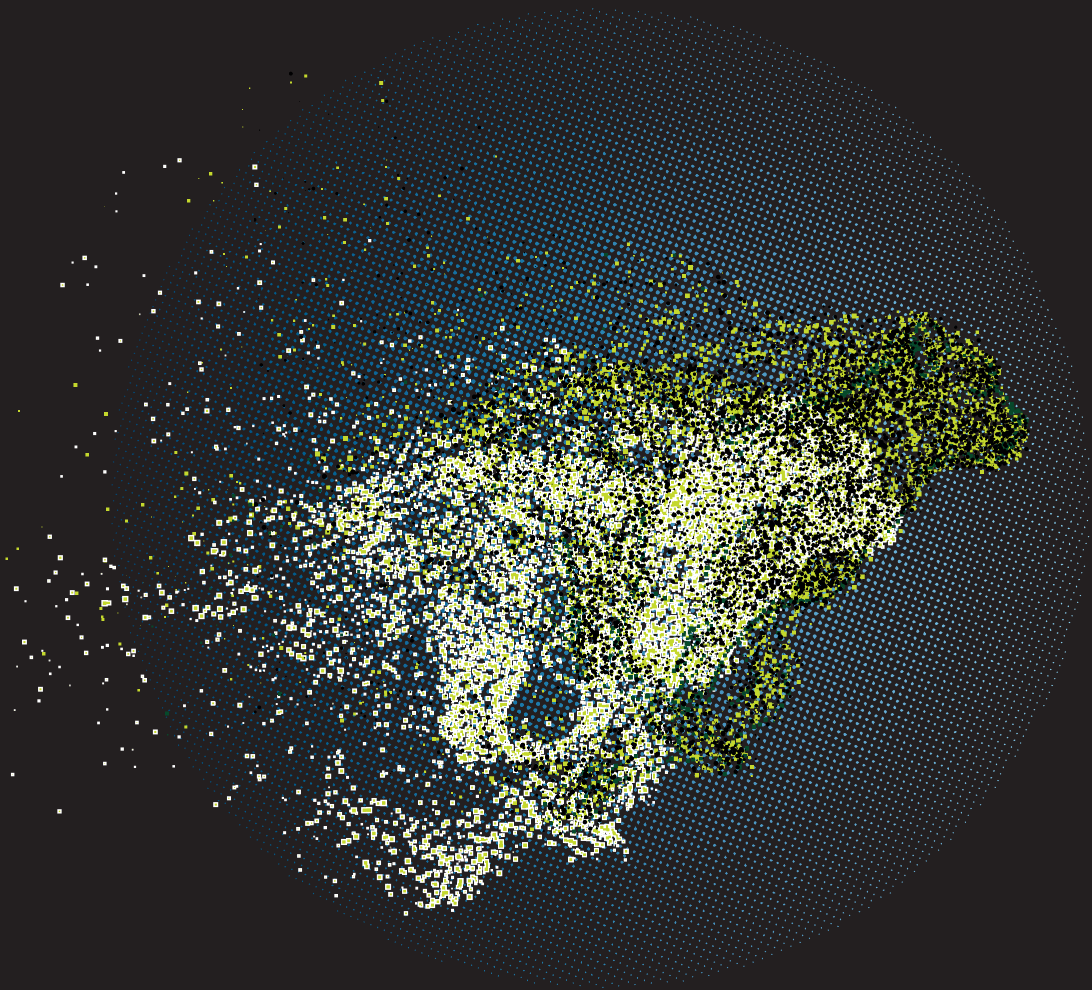
Deloitte.



The race for GDP growth: Europe closes in on US

Deloitte Alternative Lender Deal Tracker Q1 2017

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Financial Advisory

This issue covers data for the first quarter of 2017 and includes 79 Alternative Lender deals, representing an increase of 7% in deal flow on a last 12 months basis in comparison with the previous year.

Contents

Deloitte Alternative Lender Deal Tracker

Welcome to the fifteenth issue of the Deloitte Alternative Lender Deal Tracker which now covers 59 leading Alternative Lenders, with whom Deloitte is tracking primary mid-market deals across Europe. The number of deals reported on has increased to 1011 transactions over the past 18 quarters. This issue covers data for the first quarter of 2017 and includes 79 Alternative Lender deals, representing an increase of 7% in deal flow on a last 12 months (LTM) basis compared with prior year.

Business confidence remains volatile. The first quarter results from the Deloitte Chief Financial Officers' survey showed that sentiment had rebounded strongly since the Brexit shock that hit corporate spirits in the immediate aftermath of the UK's EU membership referendum in June last year. However, following the recent UK general election results, we anticipate a short term period of renewed UK market uncertainty.

Internationally, equity markets are at an all-time high, with the MSCI All-Country World Index, an index of 46 stock markets up 11.4% YTD and reaching its highest ever level in June this year. The global economy is accelerating on the back of stronger than forecast first-quarter earnings results and a reduction in unemployment. In the race for growth, Europe is gaining strength and is closing in on the US, with GDP across the Eurozone increasing by 0.6% quarter-on-quarter during the first three months of 2017, and 1.9% on prior year versus 2.0% for the US (according to Eurostat and the U.S. Bureau of Economic Analysis respectively).

European loan-markets are similarly positive, with record levels of dry powder and high levels of "cov-lite" issuance. In May, the ECB revised a number of its prior guidelines on leveraged transactions expected to be implemented from November, allowing leverage multiples to be based on adjusted, rather than unadjusted, EBITDA; whilst these changes softened the proposals contained in prior guidance, we anticipate that their implementation will benefit Alternative Lenders.

Increase in deal flow year-on-year

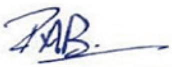
Deals completed

Whilst the prevalence of funds in the market is not new, their penetration across the rest of Europe of late has increased significantly. Of 79 deals we observed in Q1 2017, over 60% were completed outside of the UK.

In this issue we focus on Alternative Lending in Italy, which historically has been a jurisdiction reserved for banks, predominantly due to regulation. Post crisis however, with local banks impacted by capital constraints and a reduction in the valuation of assets on their balance sheets, Alternative Lenders stepped in to fill the void. Since its inception in 2012, the Italian Alternative Lending market has been mainly characterised by bonds or similar securities issued by unlisted companies; however, there has also been a proliferation of debt funds, and with an increasing interest shown by non-Italian managers.

In terms of fundraising, 2017 has been a bumper start for Europe where in Q1 2017 we saw US$9.1bn of closings, nearly twice the value of all of 2016 European fundraising. This is very positive for private equity investors who themselves are enjoying a strong fundraising environment which hit an 8-year high in Europe of €74.5bn in 2016.

Despite short term uncertainty, the market fundamentals remain strong for continued growth in the Direct Lending markets.



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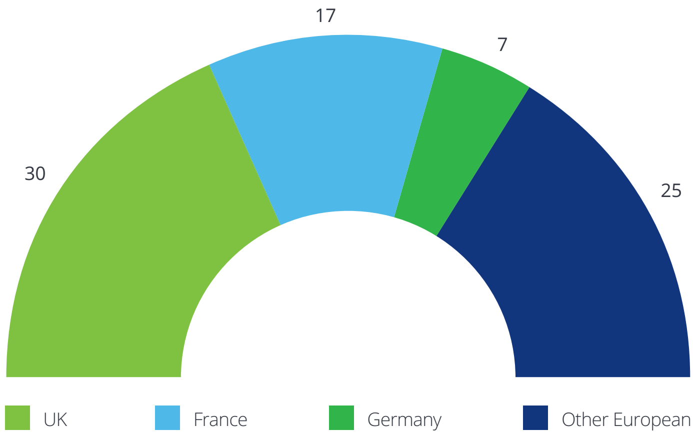
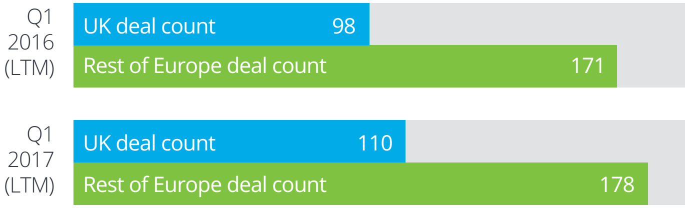
Q1 2017 deals completed



Q1 headline figures (last 12 months)



Leveraged loan mid-market trends for Direct Lenders

Global equity markets at are at an all-time high, with the MSCI All-Country World Index, an index of 46 stock markets, up 11.4% YTD and reaching its highest ever level in June. In search for yield, investors are increasingly venturing into riskier assets as confidence grows. This year emerging market and euro area equities have easily outperformed last year's stars, US and UK equities. The value of previously unloved assets, such as Greek equities and euro area banks, have risen by as much as 20% since January.

Why are investors so assured? Part of the story is that on the whole, the global economy is accelerating at rather a faster pace than expected, with world trade flows exhibiting growth of 1.4% in Q1.

First-quarter earnings results show that this recovery is feeding through to profits. More than 70% of US and European companies which have so far reported have announced stronger-than-expected earnings. Unemployment in the US and Europe is now at its lowest level in 16 and 8 years respectively.

A recent study by UBS showed that after six years of disappointing earnings in Europe, estimates in the region had been revised up for only the second time in a decade.

Growth in Europe is gaining momentum, with GDP increasing by 0.6% quarter-on-quarter during the first three months of 2017, and by 1.9% on prior year versus 2.0% for the US according to the U.S. Bureau of Economic Analysis and Eurostat. Some commentators now expect that Europe will grow as fast as the US if not faster this year, which is a big surprise.

Despite this improvement in economic activity, and with increasing prompts from some European politicians to pull the plug on monetary stimulus, the ECB has signalled that it is not yet ready to do so. For now, deposit rates at the ECB remain negative and asset purchases will continue at a monthly rate of €60bn. This highlights increasing divergence between the US and European interest rate environment, where rates increased by 25bps in March to 100bps and market commentators anticipate further rises this year.

As a result, loan markets remain highly competitive, with supply still massively underserved by demand. Covenant lite loans are now the norm, accounting for 72% of issuance in Europe in the YTD period as per LCD. Furthermore, portability features which started life in the investment grade bond market, and subsequently filtered through into the high yield market have now firmly landed in the Direct Lending mid-market.

With strong liquidity, it is also no surprise that the average pro forma first lien leverage multiple for LBO's tracked by LCD in Europe has increased to 4.9x. This is reflected in the rolling 3 month average purchase price multiple, which at the end of March stood at 10.5x, up by over a quarter of a turn versus prior year.
In addition, LCD reports that yields for single B credits fell c.60bps to 5.64% in Q1, and defaults remain at a low point of 2.1% in May, down from 2.8% in the 12-month period ended April.

Against these strong market dynamics, the ECB issued its final guidelines on leveraged lending in Europe prior to a November implementation. The new guidelines restrict banks completing deals at over 6x adjusted leverage and broadly align European and US regulation. Whilst these guidelines have been relaxed somewhat versus draft guidance issued late last year, they do not apply to other non-bank and Alternative Lending institutions, which is likely to add further weight towards an increasingly fund led environment.

Notwithstanding the above, the providers of leveraged loans and those requiring them are going through a period of adjustment. A number of private equity and credit platforms have in recent months reduced their exposure to the UK in one form or another. This is more a reaction to an increasingly competitive market than a reaction to Brexit. On the private equity side, a number of participants view the UK as overserved with too much dry powder competing for too few deals, leading to high valuation multiples.

As a result, participants have looked to do more deals off market or have sought to increase their exposure in continental Europe, similar to that of the Direct Lenders.

Indeed many European countries are exploring options to increase their attractiveness to private equity managers; more recently Italy, for example, has introduced a series of reforms which will see tax on carried interest reduce from 43% to 26%.

In 2017 we have seen more multi-billion Euro funds being raised such as Alcentra with €2.2bn and Hayfin with over €3.5bn. On the other hand some managers are retreating from the Direct Lending market entirely. Avenue Capital is the first established European Direct Lender to decide against raising a second fund with the firm opting to concentrate on its larger distressed debt and special situations business in Europe.

As a sign of confidence in the Direct Lending market and evidence that fundraising is lumpy there has been an exponential rebound in Q1 2017 European fundraising (US$9.1bn) which is nearly twice the amount raised in all of 2016 (US$5.4bn).

Across continental Europe we have seen an uptick in Q1 2017 of sponsor-less companies using Direct Lending (31% of total transactions). Deloitte has also experienced in 2017 an increased interest from family and founder owned businesses looking for growth capital with the objective to minimise the need for equity funding. These corporates are waking up to the new world sitting in between bank debt and private equity money and start to see the advantages of using alternative capital as a tool for transformational growth, which was not within reach previously.

Broadly speaking, whilst some nuances are evident, the market in Europe remains very favourable for borrowers, driven by a continually buoyant fundraising environment, as experienced in Q1 2017.

Direct Lenders facilitate the expansion of Ansett Aviation Training

Ansett Aviation Training, headquartered in Australia, is one of the world's leading independent providers of aviation training services. In May 2016 the company opened its second facility in Taiwan and is currently developing the third facility in Italy using funds provided by Direct Lenders. The CEO of Ansett Aviation Training, David Garside, discusses the attractions of this financing source.

Deloitte Debt Advisory advised Ansett Aviation Training ("AAT"), the world's leading independent provider of flight simulation services, on raising growth debt capital to enable further expansion for the business by entering into the European market.

The company is backed by CHAMP Ventures, a leading Australian private equity investor, who are focused on expanding the business globally.

In May 2016 the company opened its second facility in Taiwan and is currently developing the third facility at the Milan Malpensa Airport in Italy for which Deloitte was approached to source the debt financing required. The centre will include a CL-415 simulator, the first of its kind and key driver of the business case, providing the company with the only available simulator for this type of firefighting aircraft in the world, developed by Bombardier.

Currently 82 aircraft of this specific type are in-service worldwide of which 49 are in Europe. To date all the required training for flying the CL-415 has been done in the aircraft itself due to the absence of a simulator which led to a number of training related accidents. The simulator will be certified by the European Aviation Safety Agency (EASA) and will secure a captive market for AAT as each operator will be required to use the CL-415 simulator.

As David Garside, CEO of AAT explains, ***"Securing financing for the facility in Italy was only the first phase of a much larger growth strategy. We were looking for 'smart money' – people who have the ability and appetite to understand and support our longer-term growth plans, as well as what we want to achieve today".***

The transaction was complex given the start-up nature of the Italian business and the requirement to ring-fence the facilities within the Italian entity. Being headquartered in Australia added another level of logistical difficulty, and David stresses the need to carefully orchestrate the timezones of all involved parties in order to keep momentum going and get the timing of investment decisions right. David continues, ***"Alternative Lending was a route we weren't hugely familiar with, and the Deloitte team introduced us to a much broader network that could potentially work with us, as well as helping us to think creatively about the solutions which would suit. To others considering this route, I would say keep yourselves open to any scenario, and don't shut it down just because you don't initially understand it".***

"We were looking for 'smart money' – people who have the ability and appetite to understand and support our longer-term growth plans, as well as what we want to achieve today."

Deloitte Debt Advisory's Alternative Capital Solutions team advised the Company on raising €10 million of committed debt finance and a €10 million uncommitted accordion from a club of 2 Direct Lenders. Due to the local financing environment in Italy the facilities were structured as a listed senior secured bond at the Vienna Stock Exchange. The new finance will enable the company to construct the facility in Italy, which will initially have 4 flight simulators with additional capacity for further growth.

Summarising the outcome, David says, ***"We have a funding arrangement in place now that we simply wouldn't have been able to come up with ourselves – and with partners that want to come on the journey with us".***

Ansett Aviation Training

AAT, headquartered in Australia, provides full-flight simulation services to pilots and operators of aircraft fleets and especially focuses on niche aircrafts. As it is completely independent from any party the company has established a strong position in the global market for amongst others the RJ-Avro/Bae-146, King-Air 200, Embraer 120 and A320 aircraft.

David Garside

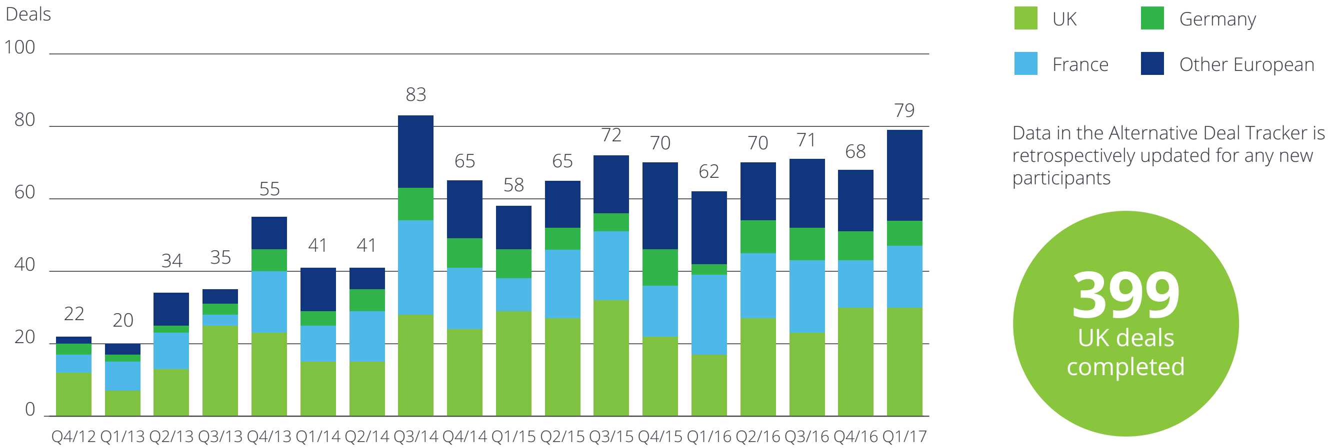
CEO – Ansett Aviation Training

Alternative Lender Deal Tracker Q1 2017

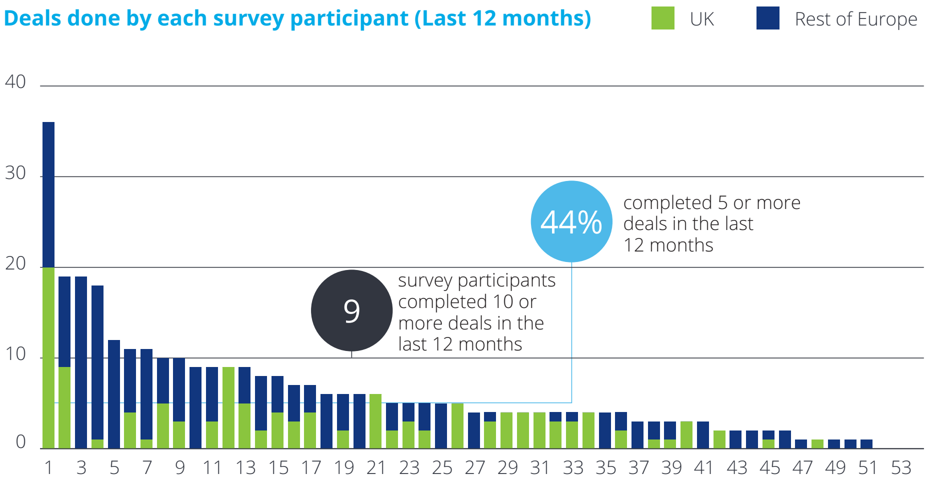
Alternative Lenders continue to increase their deal flow...

Alternative Lender Deal Tracker

Currently covers 59 leading Alternative Lenders. Only primary mid-market UK and European deals are included in the survey.



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



399
UK deals completed

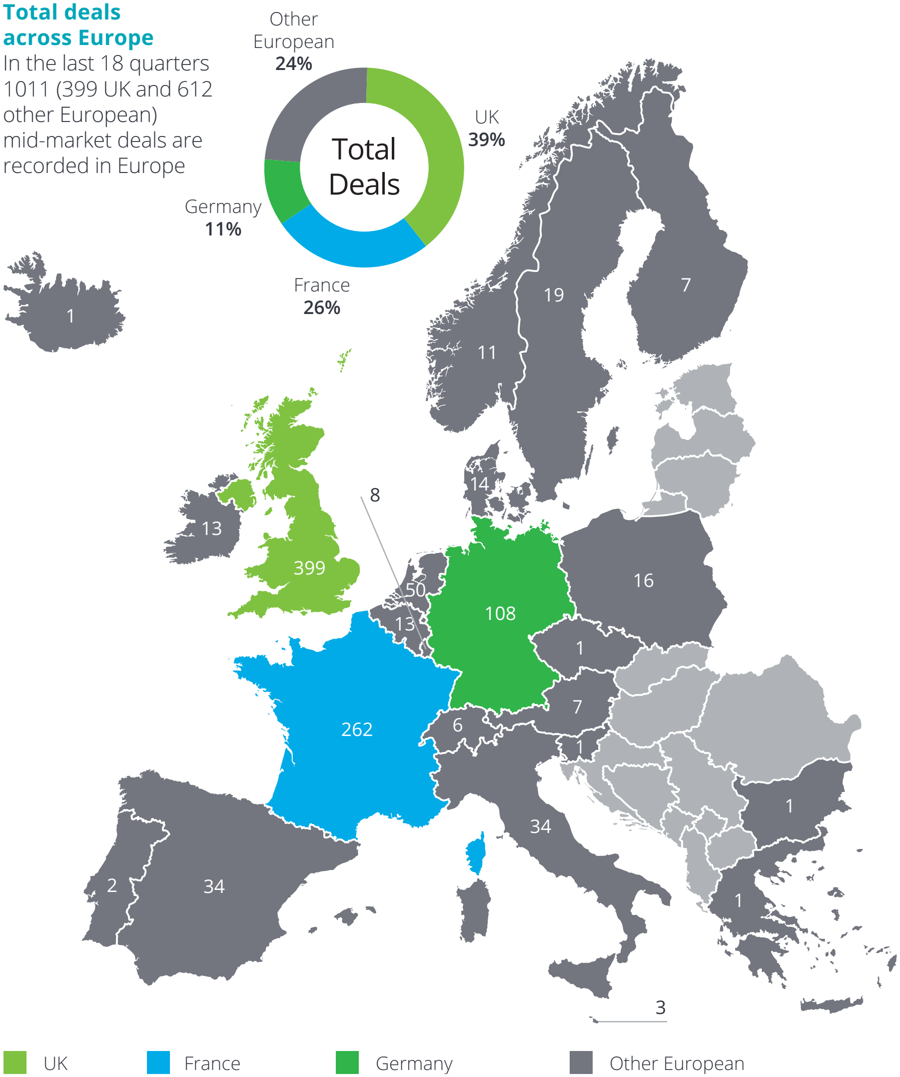
612
Euro deals completed

1011
Total deals completed

...across Europe and across industries...

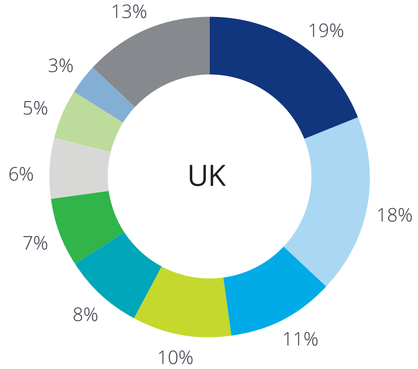
Total deals across Europe

In the last 18 quarters 1011 (399 UK and 612 other European) mid-market deals are recorded in Europe

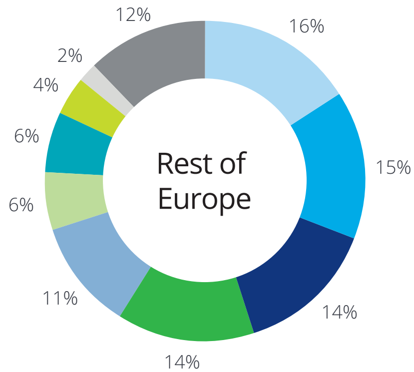


Total deals across industries (Last 12 months)

Within the UK the TMT industry has been the dominant user of Alternative Lending with 19% followed by Business, Infrastructure & Professional Services with 18%.



- Technology, Media & Telecommunications
- Consumer Goods
- Healthcare & Life Sciences
- Business, Infrastructure & Professional Services
- Leisure
- Manufacturing
- Retail
- Financial Services
- Human Capital
- Other

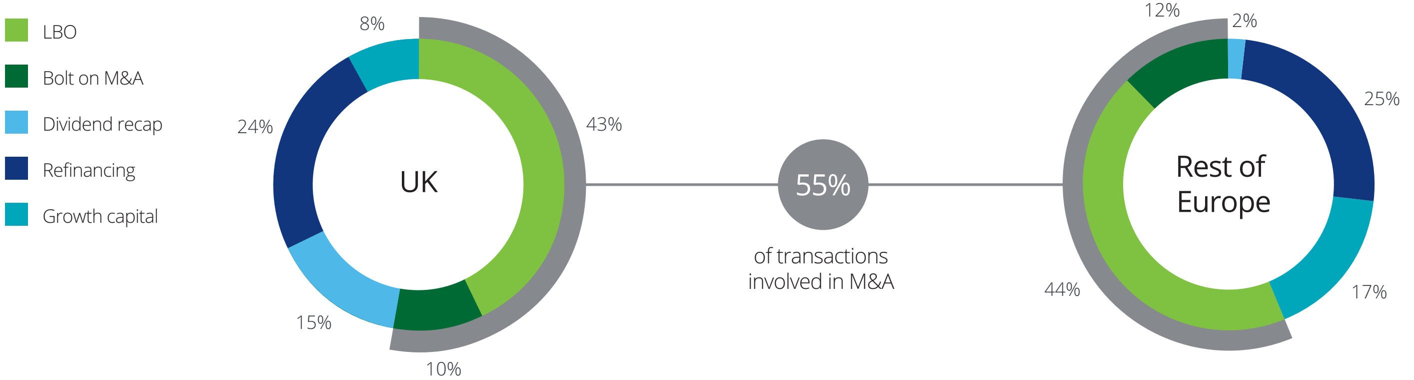


In the rest of Europe there are 5 main industries: Business, Infrastructure & Professional Services, Healthcare, TMT, Manufacturing and Consumer Goods.

...providing bespoke structures for mainly "event financing" situations

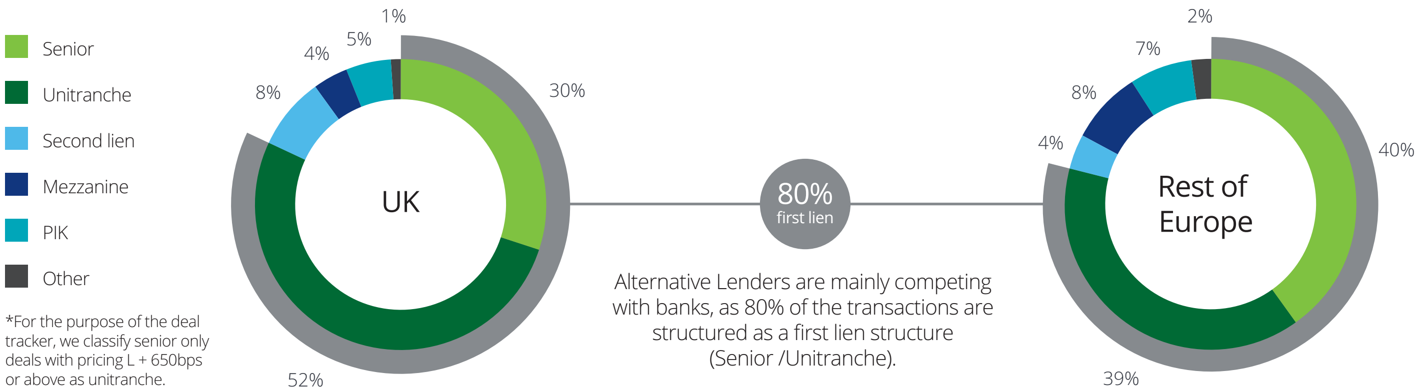
Deal purpose (Last 12 months)

The majority of the deals are M&A related, with 43% of the UK and Euro deals being used to fund a buy out. Of the 288 deals in the last 12 months, 65 deals did not involve a private equity sponsor.



Structures (Last 12 months)

Unitranche is the dominant structure, with 52% of UK transactions whilst senior structure is more dominant in Europe with 40%. Subordinate structures represent only 20% of the transactions.



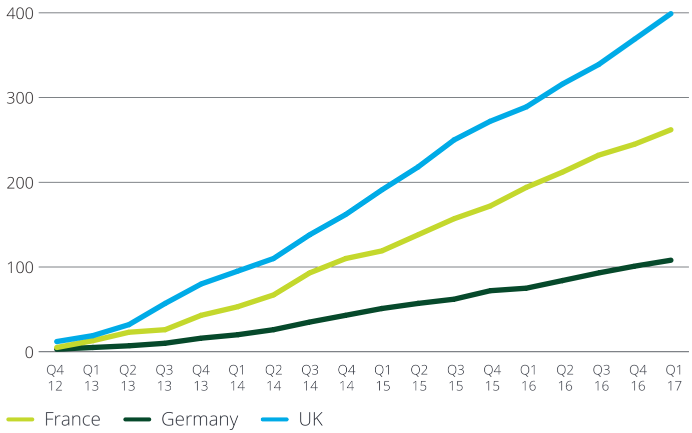
*For the purpose of the deal tracker, we classify senior only deals with pricing L + 650bps or above as unitranche. Pricing below this hurdle is classified as senior debt.

They become more prominent in all European countries...

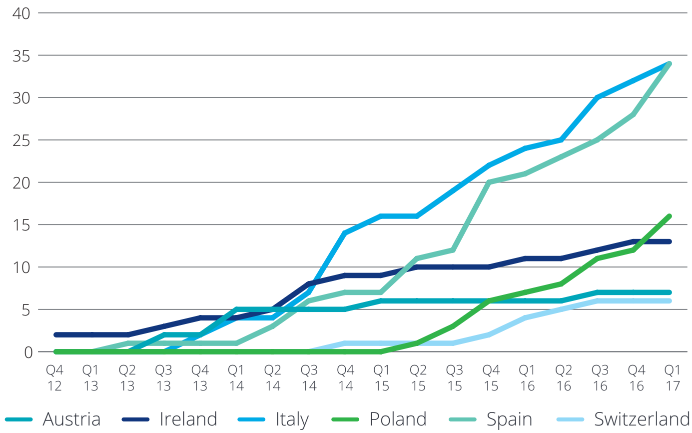
Cumulative number of deals per country

The number of deals is increasing at different rates in various European countries. The graphs below show countries which as of Q1 2017 have completed 5 or more deals.

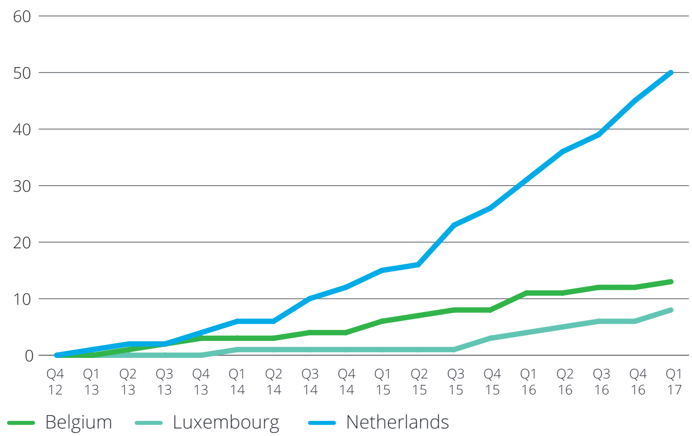
Largest geographic markets for Alternative Lenders



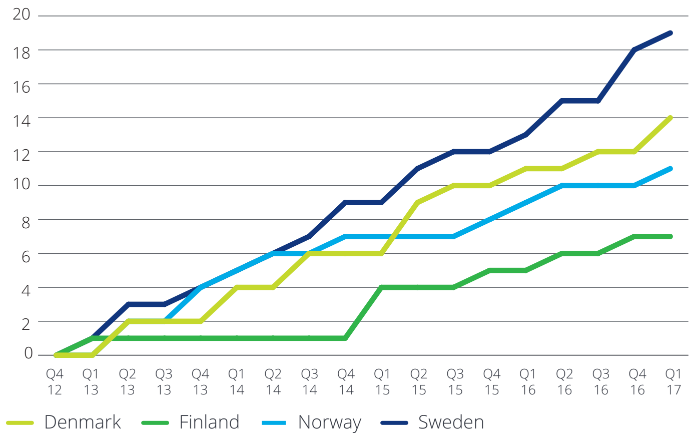
Other European countries



Benelux



Nordics

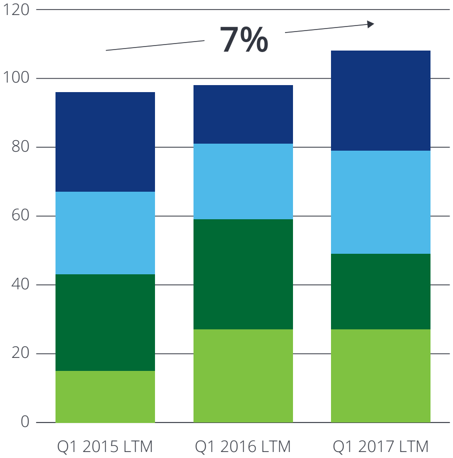


…with a steady growth in number of completed deals

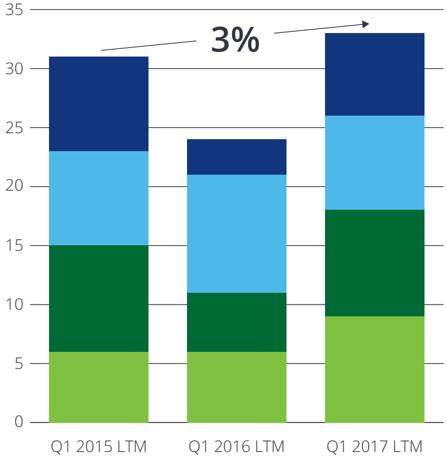
Comparison of deals for the last three years on a LTM basis for selected European countries

In all countries shown below, except Italy which completed a record number of deals in Q4 2014, the compound annual growth rate (CAGR) presented in the graphs over the two years has increased.

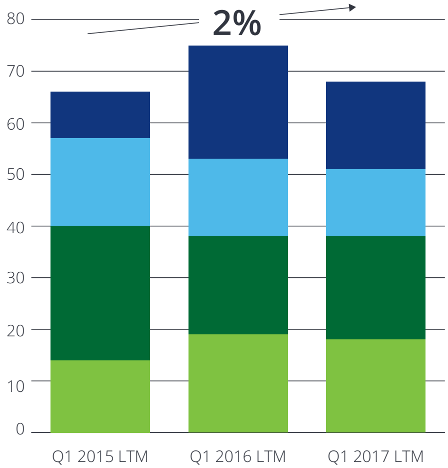
UK



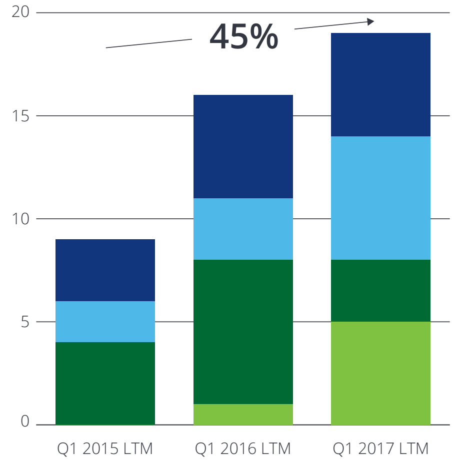
Germany



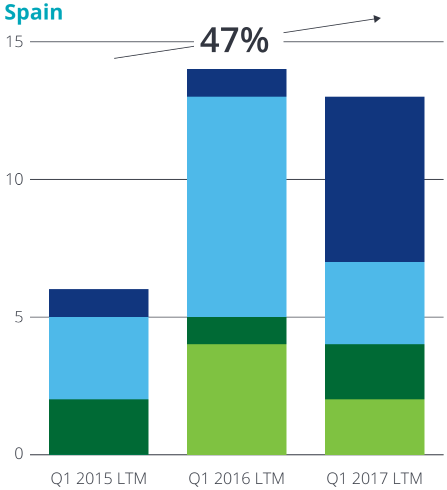
France



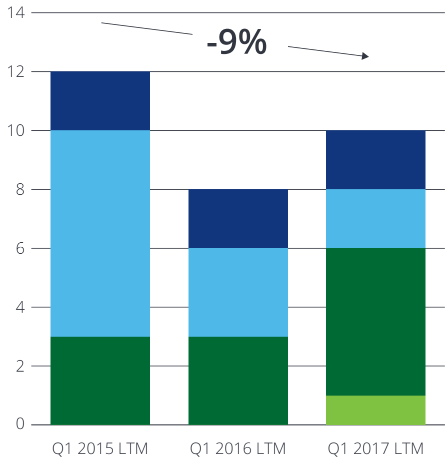
Netherlands



Spain



Italy



Q1 Q2 Q3 Q4

Alternative Lending in action: Spotlight on the Italian market

Andrea Giovanelli, Head of Debt Advisory Services Italy, shares his view on developments and opportunities in the Italian market.

Unlike other European countries, such as UK and France, where Alternative Lenders have assumed a more prominent role in the lending market year after year, lending activity in Italy has been historically reserved to banks.

There are a number of reasons for this including the inability of non-Italian lenders to lend directly to Italian borrowers due to Bank of Italy regulation. However, in the post-crisis period, the capacity of many banks to lend to relatively high-risk sectors, such as SMEs, has been seriously impaired by capital constraints and a strong deterioration of the quality of their assets on their balance sheets. As a consequence, Italian companies experienced a sharp contraction in bank lending.

With this backdrop, over the past five years, the Italian Government has introduced measures aimed at increasing liquidity into the market.

These measures have included providing state guarantees in respect of newly issued liabilities of Italian banks; amending the Bank of Italy regulation to enable non-Italian lenders to lend directly to Italian borrowers; and reducing complexity around bond issuance procedures for non-listed SMEs.

Since its inception in 2012, The Italian Alternative Lending market has been mainly characterised by bonds or similar securities issued by unlisted companies, however, there has also been a proliferation of debt funds, with an increasing interest shown by foreign operators.

Alternative Lenders

To date, 17 Italian based investment funds have been operating in the private debt market in Italy. 10 of them purely invest in private debt, while the others finance private companies both through equity and debt.

A strong boost to the market is attributable to the decision of Fondo Italiano di Investimento (FII), the investment arm of the Italian Government, to set up a specific private debt Fund of Funds (FoF) aimed at investing in private debt investment funds. On June 2016 the fund had collected €380m.

Despite the low margin environment, which can lead companies to prefer banks, it seems that Alternative Lenders have started to coexist with banks in the same financial

Cumulated amounts raised from Nov. 2012 to Dec. 2015: approx. €7.9bn

Jun 2012

L.D. 83/2012 ("Decreto Sviluppo")
Settlement of new rules for the issuance of "mini-bond" for unlisted SMEs

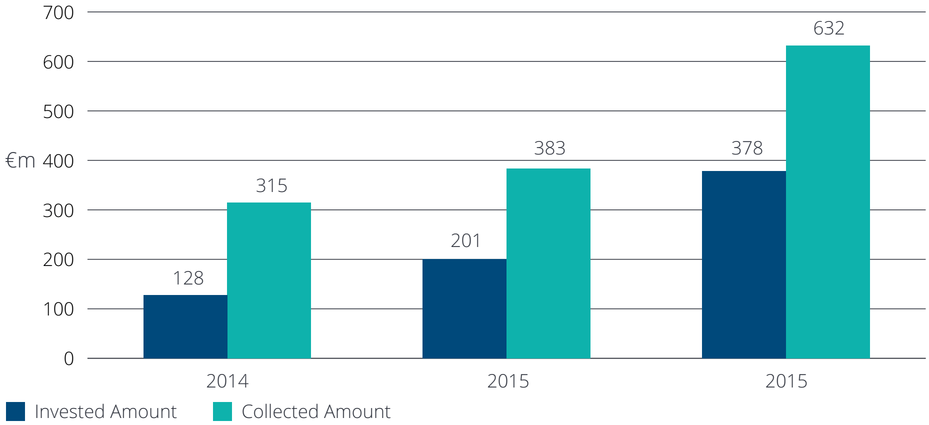
Nov 2012

First "mini-bond" on the Italian market issued by Guala Closures (€275 mln)

Feb 2013

ExtraMOT PRO
Settlement of a trading platform dedicate to "mini-bond" in the Milan Stock Exchange

Alternative lenders invested and collected amount, €m



Source: Mercato italiano del private equity, venture capital e private debt 2016, AIFI

system, offering long term and tailor made lending solutions for more complex situations.

Barbara Ellero, Investment Director at Anthilia Capital Partners, feels the role of private debt funds is not challenging banks: *"We are not competing with banks, I would rather say our two roles are different and complementary. We intervene in particular moments, in which companies need medium-long term funds, in a both flexible and stable way that banks can no longer provide".* Philippe Minard, Founding Partner at Emisys Capital agrees: *"Our financing solutions are tailored on the specific needs of the company in order to complement the products offered by banks".*

Bonds

Until a recent change in legislation in 2016, Direct Lending was not allowed. As such, the development of the Alternative Lending market in Italy is mainly characterised by bonds or similar securities issued by unlisted companies.

Since 2012 there have been 292 issues, of which 245 were smaller than €50m, while the cumulated number of issuers counts 104 SMEs and 118 medium and large companies for a total of 222 firms that issued bonds.

Cumulated issuance volumes have reached €11.5bn, including €3.6bn in 2016.

2016: approx. €3.6bn

Jun 2014

L.D. 91/2014
("Decreto Competitività")
Subject to certain restriction, insurance companies and securitisation vehicles can lend directly to companies

Feb 2016

L.D. 18/2016
Sets out the Direct Lending regime by EU alternative investment funds ("AIFs") to Italian borrowers

Dec 2016

L. 232/2016
Introduction of Piani Individuali di Risparmio (P.I.R.) dedicated to individual retail investors

€11.5bn
Amount issued since 2012

€2.0bn
< €50M

292
Number of issues since 2012

245
< €50m

The Issues

Bonds issued with a face value lower than €50m represent the majority of total issues of the Italian market. Although one third of the market comprises greater than €100m turnover businesses.

The average maturity observed is 5.7y, but in 2016 the market has shown a growing use of so-called short term bond with a maturity of 12 months or below, issued to meet working capital needs.

The average coupon began to decrease two years ago and the same trend has continued also in 2016, when it has reached 5.36%.

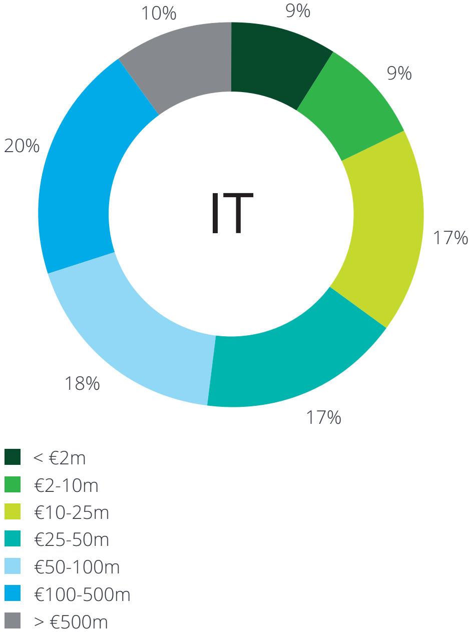
Despite a number of disclosure requirements, most companies were attracted by listing. *"Despite a number of disclosure requirement to be complied with to list the bonds on a regulated or a non-regulated market, most companies were attracted by listing. The recent introduction of the Market Abuse Regulation poses to the issuers of listed bonds additional obligations aimed at ensuring the integrity and a smooth functioning of the markets. The issuers of listed securities shall therefore adopt / amend their internal procedure to comply with MAR"*. says Antonio Siciliano, Counsel at Legance.

Usually, there is no need to provide guarantees like pledge on assets to borrow money from Alternative Lenders. *"In some cases we may ask for channelling cash flows or guarantees provided by holding companies. Our investment vehicle has also the possibility to benefit from European Investment Fund (EIF) guarantee which covers 50% of the nominal value up to €5m"*. says Ellero.

Usually, in the terms and conditions of the bond, Alternative Lenders require to include some binding clause known as covenants which are periodically monitored by lenders. Covenants must be complied with during the life time of the bond, otherwise it could either be withdrawn or renegotiated at less favorable terms.

Siciliano adds: *"The set of covenants may vary also depending on the rating; if any, assigned to the issuer. However, the most common covenants are negative pledge, financial covenants such as Net debt/ EBITDA – Net Debt/Equity and limitation on dividends. (In addition, certain investors may require a specific use of proceeds by the issuer)"*.

Issuer breakdown by turnover size class



Source: 3° Report Italiano Mini-bond, PoliMi

"We are not competing with banks, I would rather say our two roles are different and complementary. We intervene in particular moments, in which companies need medium-long term funds, in a both flexible and stable way that banks can no longer provide."

Italian issuers have been quite heterogeneous. This is confirmed by Ellero: *"Our portfolio, based on 20 issuers, shows a substantial industry diversification because our investment policies do not provide specific focus on certain industries although non-ethical sectors are excluded".*

Minard adds: *"Regardless of the industry, we are looking for skilled and quality managers with credible and sustainable growth plans for their companies."*

Market data show that the manufacturing industry represents the largest part of the group (41%) followed by ICT (22%). Daniele Colantonio, Head of Business Development at Anthilia Capital Partners, comments: *"We prefer to focus on companies with stable and predictable cash flows such as manufacturing and utilities firms rather than industries where turnover is based on contract basis like construction".*

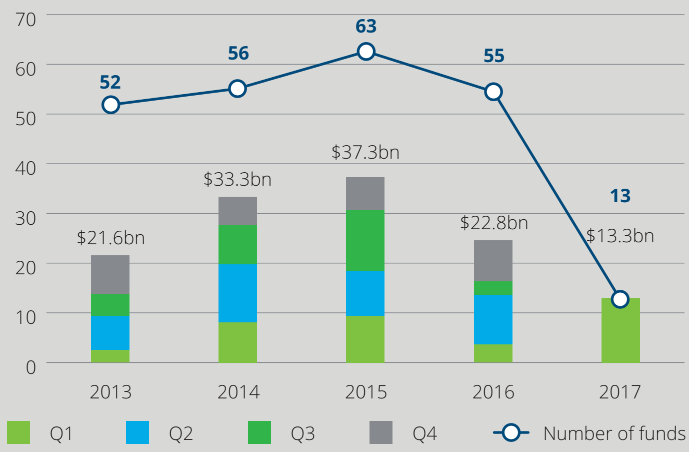
The Alternative Lending market in Italy is already a reality and it offers another option in the toolkit for financing Italian corporates.

In 2017, the market is expected to be able to exceed the 2016 figures, with an increasing interest from foreign operators. The collaboration between debt funds and Italian banks will continue with the former providing term debt and the latter funding working capital facilities.

Andrea Giovanelli
Partner – Financial Advisory Italy

Direct Lending fundraising

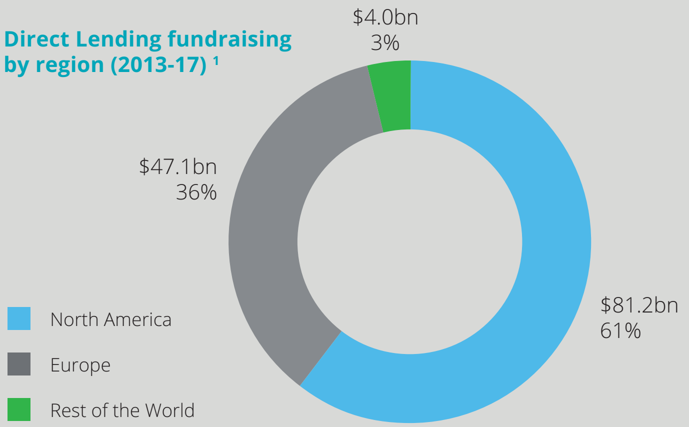
Global Direct Lending fundraising by quarter [1]



Largest funds with final closings in Q1 2017 [1]

- Hayfin Direct Lending Fund II **€3,600m** *(Europe)*
- Alcentra European Direct Lending Fund II **€2,807m** *(Europe)*
- Cerberus Levered Loan Opportunities Fund III **$2,050m** *(North America)*
- Bedrijfsleningenfonds **€960m** *(Europe)*
- Golub Capital Partners International X **$1,012m** *(North America)*

Direct Lending fundraising by region (2013-17) [1]



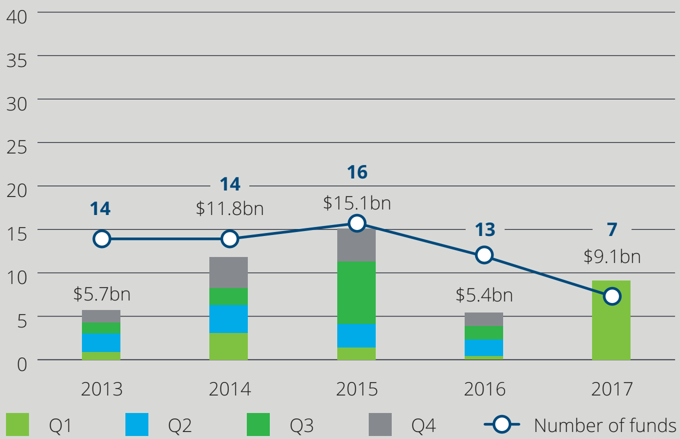
Largest funds with final closing in H2 2016 [1]

- Pemberton European Mid-Market Debt Fund **€1,200m** *(Europe)*
- AEA Middle Market Debt Fund III **$1,025m** *(North America)*
- NXT Capital Senior Loan Fund IV **$900m** *(North America)*
- TPG Specialty Lending Europe **€812m** *(Europe)*
- Monroe Capital Private Credit Fund II **$800m** *(North America)*

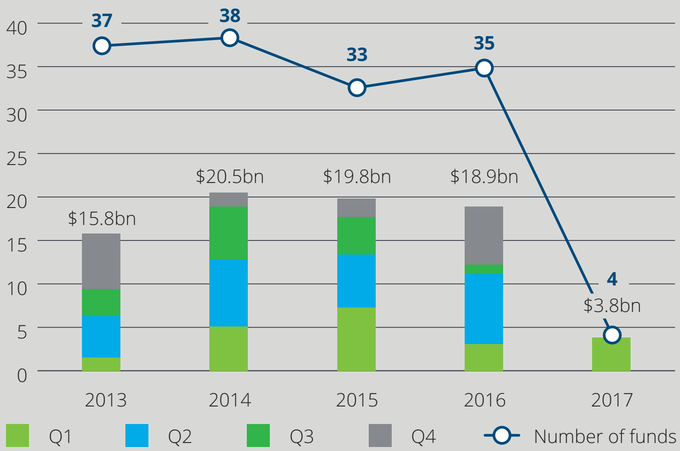
[1] Preqin, 2017.

Currency amounts are in millions.

Europe Direct Lending fundraising by quarter [1]



US Direct Lending fundraising by quarter [1]



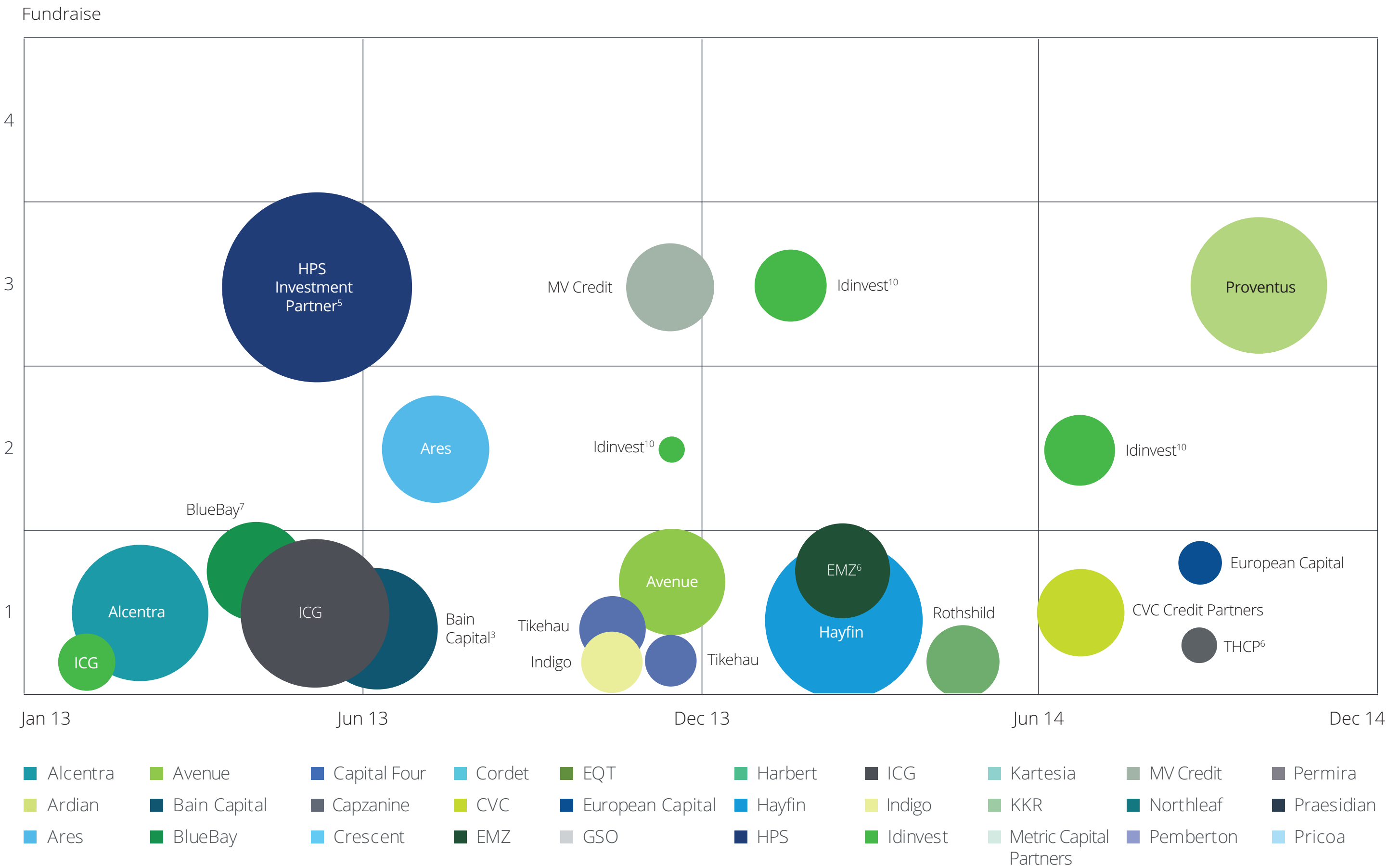
[1] Preqin, 2017.
[2] Credit Suisse Private Fund Group market knowledge.

Key takeaways

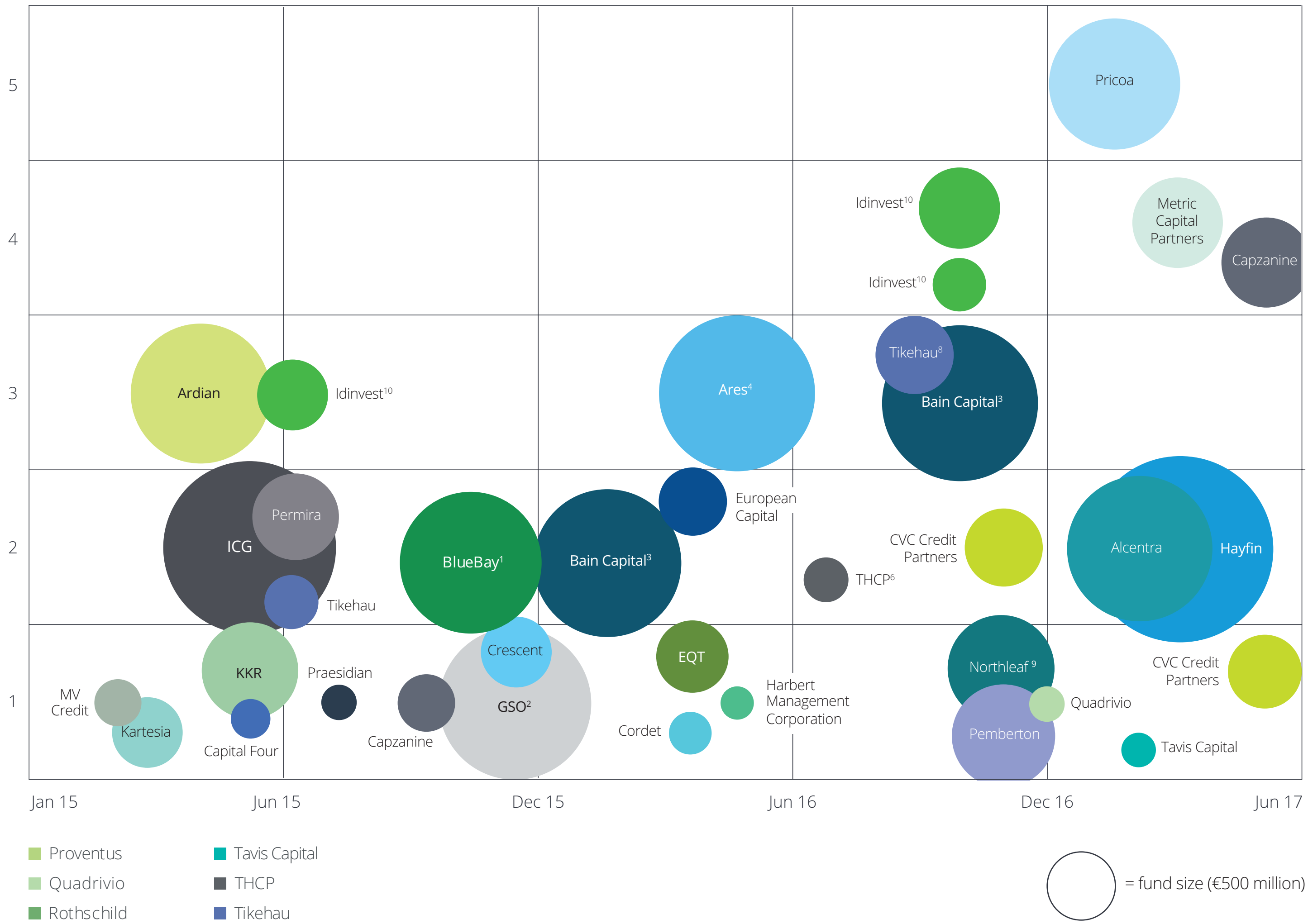
- While 2016 was disappointing for Direct Lending fundraising, primarily driven by weakness in the European market, 2017 saw a strong recovery in Q1 (with over half of 2016 volumes already raised), driven by a robust recovery in European volumes[1]
  - Europe saw the strongest quarter of fundraising ever, driven by large funds that reached their final closings, with Hayfin Direct Lending Fund II the largest of these (€3.6 billion)
  - The US saw an average Q1 for Direct Lending fundraising, slightly up on Q1 2016 but down on Q1 2015
- Europe's recovery in Q1 reiterates the lumpy nature of the fundraising market[1]
  - Q1 2017 saw approximately the same volume of closings as the previous five quarters combined
- Strong investor interest in separately managed accounts continues, meaning that not all capital committed to the Direct Lending space is easily captured[2]
- c. 135 Direct Lending funds seeking aggregate commitments of c. $55 billion remain in the market as of May 2017, a c. 10% increase on earlier in the year[1]
  - North American funds represent the majority of that market (c. 75 funds targeting c. $35 billion) with c. 40 European funds making up c. $17 billion. The North American figures have crept up while European figures have remained relatively constant, potentially reflecting recent European closing activity.

How much funding has been raised by which Direct Lending managers?

Direct Lending fund raising focused on the European market



1 Excluding €700m of managed accounts/overflow vehicles
2 Excluding €2.5bn of leverage, total fund capacity of €5bn
3 Global investment focus with significant allocation to the European market.
The amount includes leverage and managed accounts
4 Excluding credit facilities and European Direct Lending separately managed accounts
5 $5.6bn in current total commingled fund commitments net of repayments and without including managed accounts; including which they have global funds with equity commitments of $12.9bn
6 Fund focussed on junior debt structures
7 Excluding €145m of managed accounts/overflow vehicles
8 Excluding €100m of managed accounts/overflow vehicles
9 Global investment focus with significant allocation to the European market
10 Subsequent fundraise of the funds with the same investment focus



How much funding has been raised by which Direct Lending managers?

An overview of some of the largest funds raised in the market[1]

AlternativeLenders	Date	Size (EURm) w/o leverage	Investment Strategy	Geography
Alcentra				
Direct Lending Fund	Q1 17	2,200	Direct Lending	Europe
Direct Lending Fund	Q4 14	850	Direct Lending	Europe
Direct Lending Fund	Q4 12	278	Direct Lending	Europe
Ardian				
Ardian Private Debt Fund III	Q3 15	2,026	Direct Lending	Europe
Axa Private Debt Fund II	Q2 10	1,529	Direct Lending	Europe
Ares				
ACE III	Q1 16	2,536	Direct Lending senior and junior	Europe
ACE II	Q1 13	911	Direct Lending senior and junior	Europe
ACE I	Q4 07	311	Direct Lending senior and junior	Europe
Bain Capital				
Bain Capital Specialty Finance [2]	Q4 16	1,406	Senior Direct Lending	Global
Bain Capital Direct Lending 2015 (Levered) [2]	Q1 15	433	Senior Direct Lending	Global
Bain Capital Direct Lending 2015 (Unlevered) [2]	Q3 15	56	Senior Direct Lending	Global
Bain Capital Middle Market Credit 2010 [2]	Q2 10	1,017	Junior Direct Lending	Global
Bain Capital Middle Market Credit 2014 [2]	Q4 13	1,554	Junior Direct Lending	Global
BlueBay				
BlueBay Direct Lending Fund II SLP	Q4 15	2,100	Direct Lending senior and junior	Europe
BlueBay Direct Lending Fund I SLP	Q2 13	810	Direct Lending senior and junior	Europe

[1] Based on data provided to Deloitte.

[2] Invested capital and committed capital converted at an exchange rate of 1.1245 EUR/USD as of May 31, 2017.

How much funding has been raised by which Direct Lending managers?

An overview of some of the largest funds raised in the market[1]

AlternativeLenders	Date	Size (EURm) w/o leverage	Investment Strategy	Geography
GSO				
Capital Opportunities Fund III	Q4 16	$6,500	Junior	Global
Capital Opportunities Fund II	Q1 12	$4,000	Junior	Global
European Senior Debt Fund	Q4 15	$1,964	Senior	Europe
Hayfin Capital Management				
Direct Lending Fund II	Q1 17	3,500	Direct Lending senior	Europe
Direct Lending Fund I	Q1 14	2,000	Direct Lending senior	Europe
ICG				
ICG Europe Fund V	Q1 13	2,500	Mezzanine	Europe
ICG Europe Fund VI	Q3 15	3,000	Mezzanine	Europe
Senior Debt Partners I	Q2 13	1,700	Direct Lending senior	Europe
Senior Debt Partners II	Q3 15	3,000	Direct Lending senior	Europe
KKR				
Fund I	Q2 15	1,000	Direct Lending	Europe
Northleaf				
Northleaf Private Credit	Q4 16	$1,400	Direct Lending senior and junior	Global
Pricoa				
Pricoa Capital Partners V	Q1 17	1,692	Junior capital	Global
Proventus				
Proventus Capital Partners III	Q1 14	1,500	Direct Lending senior and junior	Europe
Proventus Capital Partners II/IIB	Q2 11	835	Direct Lending senior and junior	Europe
Proventus Capital Partners I	Q3 09	216	Direct Lending senior and junior	Europe

[1] Based on data provided to Deloitte.

Recent Direct Lending moves

The analysis by Paragon Search Partners

Ares	**Amit Chachlani** joins as an Associate from Partners Group	**ICG**	**Peter Lockhead** joins as a Managing Director from Avenue
Barings	**Sebastian Lorenz** joins as a Director from Ares **Matt Carty** joins as a Director from RBS **Axel Wikner** joins as an Executive from Citi Leveraged Finance	**Kartesia**	**Guillermo Ferre Ibanez** joins as an Associate from JP Morgan Leveraged Finance
Beechbrook	**Matt Kenny** joins as a Director from Ibex Capital	**KKR**	**Paul Atefi** joins as a Director from JP Morgan Leveraged Finance
Cordet	**Henrik Wikerman** joins as an Analyst from Deutsche Bank	**Muzinich**	**Jan Henrik Reichenbach** joins as a Head of DACH Private Debt from EY
European Capital	**Jonathan Wheeler** left his position as a Vice President	**Muzinich**	**Axel Wehtje** joins as a Senior Associate from Goldman Sachs Leveraged Finance **Sven Bozuwa** joins as a Director from Permira
EQT	**Constance D'Avout** left his position as an Associate to go to Silverfleet	**Pemberton**	**Eric Capp** joins as a Partner from RBS Capital Markets
GIC	**Srijan Thakur** joins as an Associate from Houlihan Lokey	**Permira**	**Laura Berguig** joins as an Associate from Citi Leveraged Finance
HIG Whitehorse	**Arturo Melero** left his position as a Principal	**Praesidian**	**Christian Heidl** left his position as a Partner

Recent Direct Lending moves

Bruce Lock
Managing Director of Paragon Search Partners

Andrew Perry
Managing Director of Paragon Search Partners

Paragon Search Partners
Bruce and Andrew are co-Managing Partners of Paragon Search Partners, a London based search firm focused on the global credit markets, leveraged and acquisition finance, IB and private equity.

To contact Bruce Lock at Paragon by email, use **lockb@paragonsearchpartners.com**

To contact Andrew Perry at Paragon by email, use **aperry@paragonsearchpartners.com**

To contact by phone the office telephone number is **+44 (0) 20 7717 5000**.

Deloitte's CFO Survey

Results from Deloitte's European CFO Survey Q1 2017

The survey presents the insights from CFOs across Europe on market and business sentiment. The findings discussed here are representative of the opinions of 1,580 CFOs based in 19 European countries and were collected between February and March 2017.

Financial prospects (%)

Compared to three/six months ago, how do you feel about the financial prospects for your company?

	Less optimistic	Broadly unchanged	More optimistic	Net balalnce	Absolute changes to Q3 2016 (pp)
GDP	13%	49%	38%	25%	+23
€	12%	51%	37%	25%	+21
AT	3%	41%	55%	52%	+41
BE	8%	47%	45%	38%	+27
CH	15%	53%	32%	18%	+9
DE	11%	58%	30%	19%	+12
DK	7%	58%	35%	28%	N/A
ES	8%	43%	49%	42%	+22
FI	4%	45%	52%	48%	+33
FR	16%	47%	37%	21%	+29
GR	34%	39%	27%	-6%	N/A
IE	13%	46%	42%	29%	+29
IT	15%	59%	27%	12%	+12
NL	10%	38%	52%	43%	+38
NO	6%	48%	46%	40%	+20
PL	22%	39%	39%	18%	-1
PT	13%	35%	52%	39%	+39
RU	4%	44%	51%	47%	+23
SE	8%	24%	68%	60%	+29
TR	40%	30%	30%	-10%	+16
UK	17%	52%	31%	14%	+45

Source: Deloitte publication "European CFO Survey Q1 2017: Recovery continues"

Optimism among European CFOs rebounded strongly between the third quarter of 2016 and the first quarter of 2017. For the first time since we began the European CFO survey, we have seen a broad improvement in sentiment across almost all participating countries, and a net balance of +25% of CFOs are now more optimistic about the financial prospects of their firms than they were three/six months ago. This represents a 23 percentage point rise since our last survey six months ago.

Improved optimism has come on the back of strengthening growth in Europe. Europe's recovery gained traction in the final quarter of 2016 and was then further boosted at the start of 2017 when a number of economic indicators suggested resilience in the face of political uncertainty.

The overall improvement in sentiment is also likely to reflect the fact that some risks (mainly geopolitical) have not yet materialised or created the negative shock that some had feared.

Capital expenditure

Overall, CFOs in our cohort are more optimistic about the outlook for capex over the next 12 months (+24% net balance). Significantly, compared to Q3 2016, CFOs have become even more optimistic about capex (+16pp). 40% of European CFOs expect capex to rise; 16% expect it to decrease and 43% expect it to remain the same.

In the UK there has been a turnaround in investment sentiment. Compared to the Q3 2016 results, where a net balance of -50% planned to decrease capex, a net balance of -22% now plan to decrease capex. However, while the outlook has clearly improved in Europe's second largest economy, CFOs in the UK still have the lowest risk appetite among the close to 1,600 CFOs surveyed.

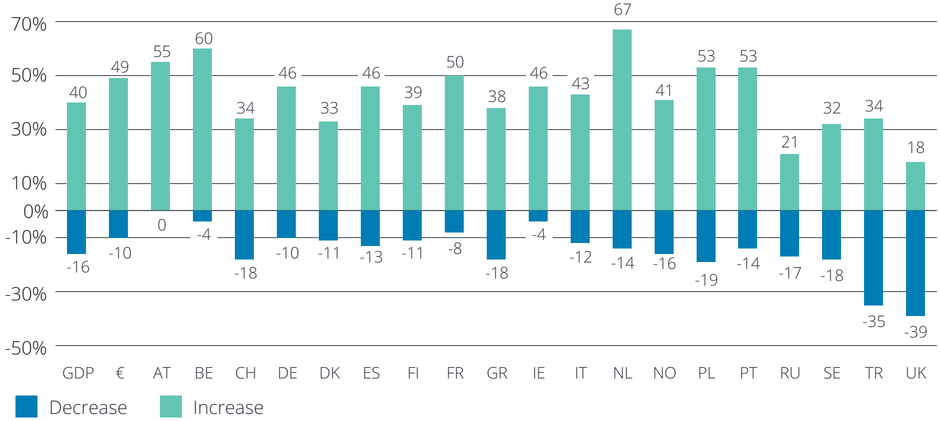
Operating margin

The outlook for operating margins is positive and has improved. A net balance of +25% of CFOs expect operating margins to rise over the next 12 months.

CFOs in Sweden are the most optimistic (+62%), followed by those in Belgium (+57%) and Russia (+51%). CFOs in the UK retain a negative outlook for opening margins (-26%), and are the most pessimistic in the cohort, followed by CFOs in Switzerland (-9%).

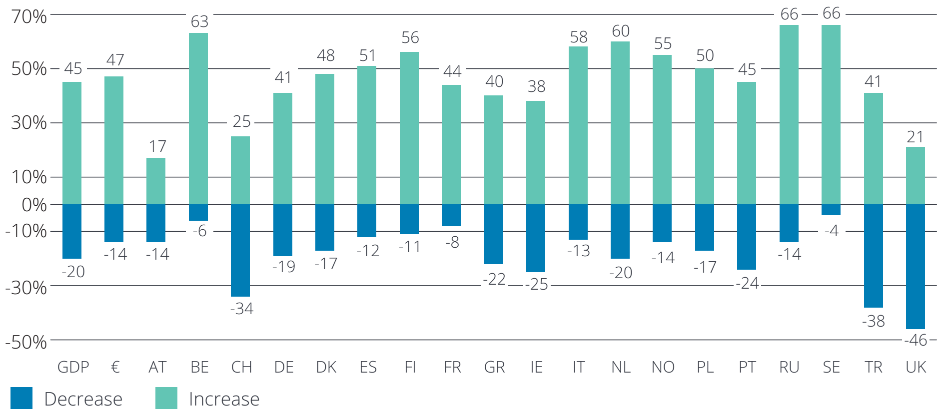
Capital expenditure (%)

In your view, how are capital expenditure for your company likely to change over the next 12 months?



Operating margin (%)

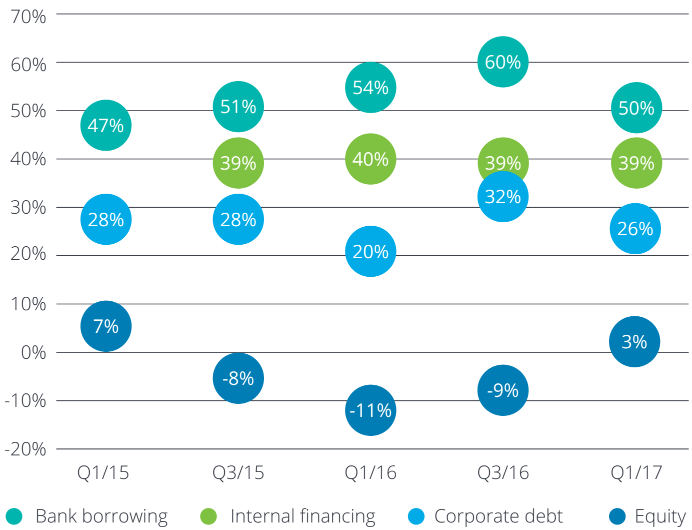
In your view, how are operating margins for your company likely to change over the next 12 months?



Source: Deloitte publication "European CFO Survey Q1 2017: Recovery continues"

Source of funding – GDP weighted net balance (%)

How do you currently rate various sources of funding for corporates in your country?

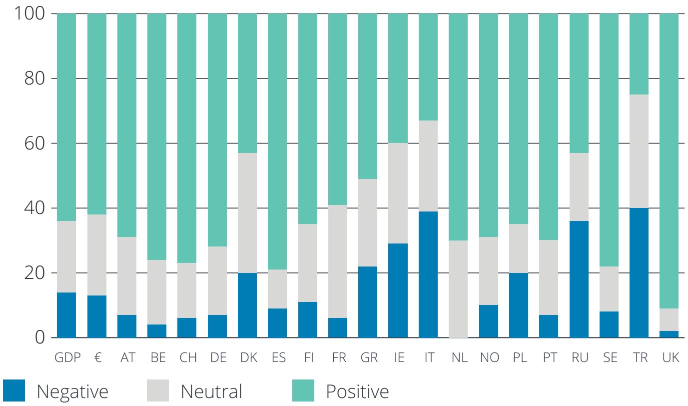


Bank borrowing continues to be the preferred sources of funding across Europe, followed by internal financing, corporate debt and equity.

CFO's views on equity funding have improved (+13pp) in line with the continued strength in European and global equity markets. Credit conditions remain accommodative in most markets – especially the euro area and UK – and bank borrowing remains the most attractive form of financing among CFOs as a result. The fact that there has been a dip in the popularity of bank borrowing (-10pp) this quarter may reflect the fact that deflation is much less of a concern for policymakes now and markets have brought forward their expectations for interest rate rises.

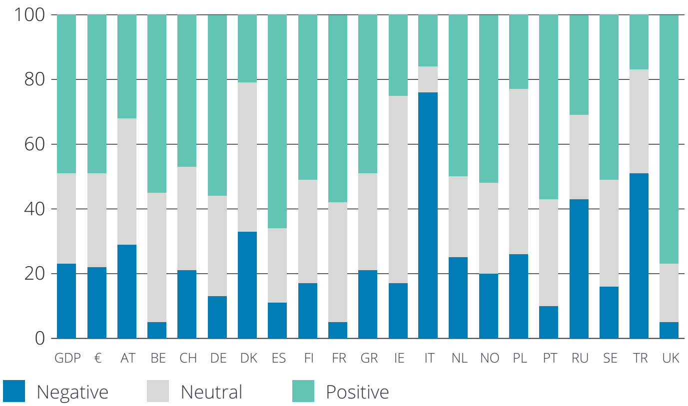
Bank borrowing (%)

How do you currently rate bank borrowing as a source of funding for corporates in your country?



Corporate debt (%)

How do you currently rate corporate debt as a source of funding for corporates in your country?



Source: Deloitte publication "European CFO Survey Q1 2017: Recovery continues"

Insights into the European Alternative Lending market

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 three years a significant number of new funds has 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.
- 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 €300m).
- 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.

Euro Private Placement '101' guide

Euro PP for mid-cap corporates at a glance

Since its inception in July 2012, the Euro Private Placement (Euro PP) volumes picked up significantly. After the amendment in the insurance legislation in July 2013, the majority of Euro PPs are currently unlisted. The introduction of a standardised documentation template by the Loan Market Association (LMA) in early 2015 is supportive of a Pan-European roll-out of this alternative source of financing.

Key characteristics of the credit investor base

- Mainly French insurers, pension funds and asset managers
- Buy and Hold strategy
- Target lending: European mid-cap size, international business exposure, good credit profile (net leverage max. 3.5x), usually sponsor-less

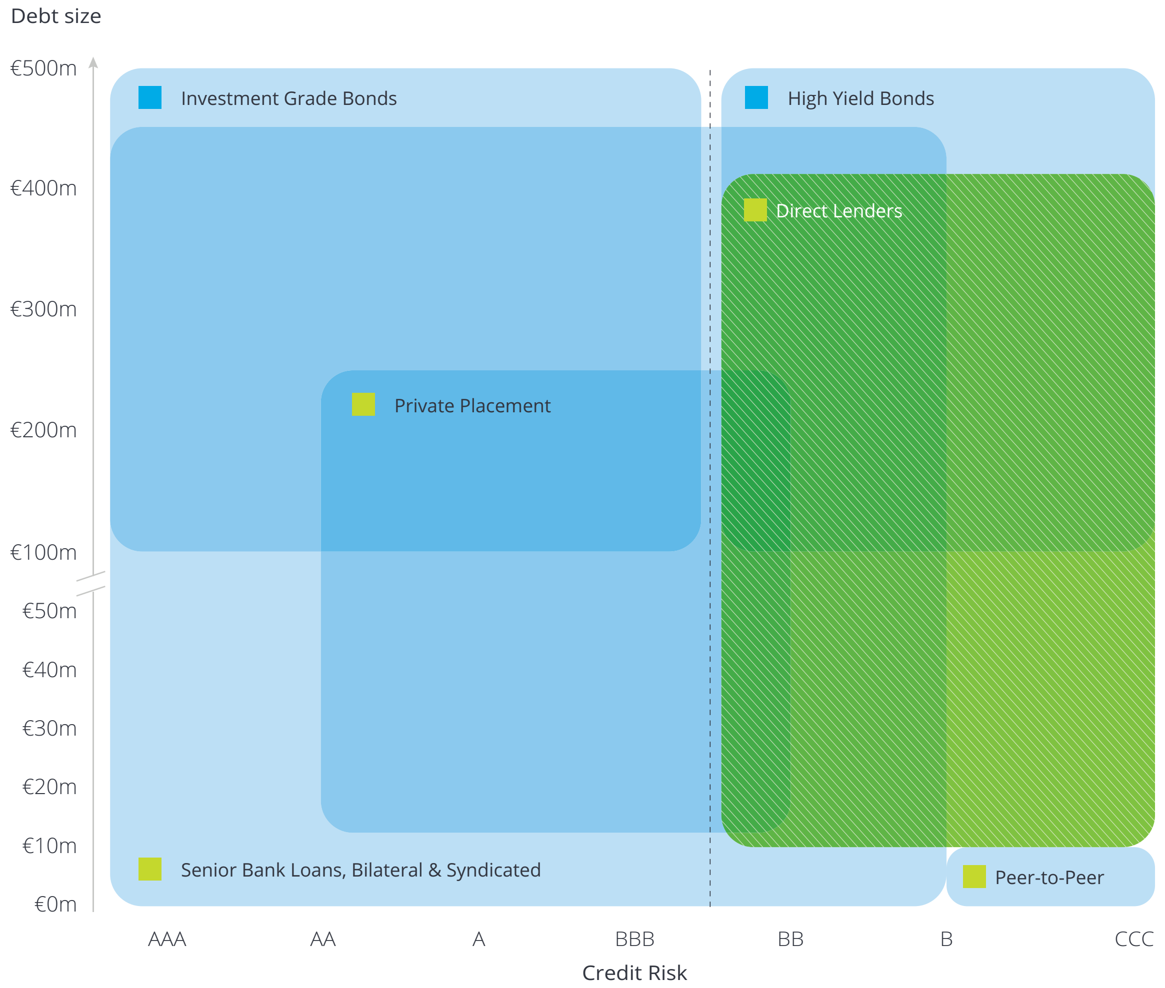
Main features of Euro PP

- Loan or bond (listed or non-listed) – If listed: technical listing, no trading and no bond liquidity
- Usually Senior, unsecured (possibility to include guarantees if banks are secured)
- No rating
- Minimum issue amount: €10m
- Pari passu with other banking facilities
- Fixed coupon on average between 3% and 4.5% – No upfront fees
- Maturity > 7 years
- Bullet repayment profile
- Limited number of lenders for each transaction and confidentiality (no financial disclosure)
- Local jurisdiction, local language
- Euro PPs take on average 8 weeks to issue

Pros and Cons of Euro PP

- ✓ Long maturity
- ✓ Bullet repayment (free-up cash flow)
- ✓ Diversification of sources of funding (bank disintermediation)
- ✓ Very limited number of lenders for each transaction
- ✓ Confidentiality (no public financial disclosure)
- ✓ Covenant flexibility and adapted to the business
- ✓ General corporate purpose
- ✗ Make-whole clause in case of early repayment
- ✗ Minimum amount €10m
- ✗ Minimum credit profile; leverage < 3.5x

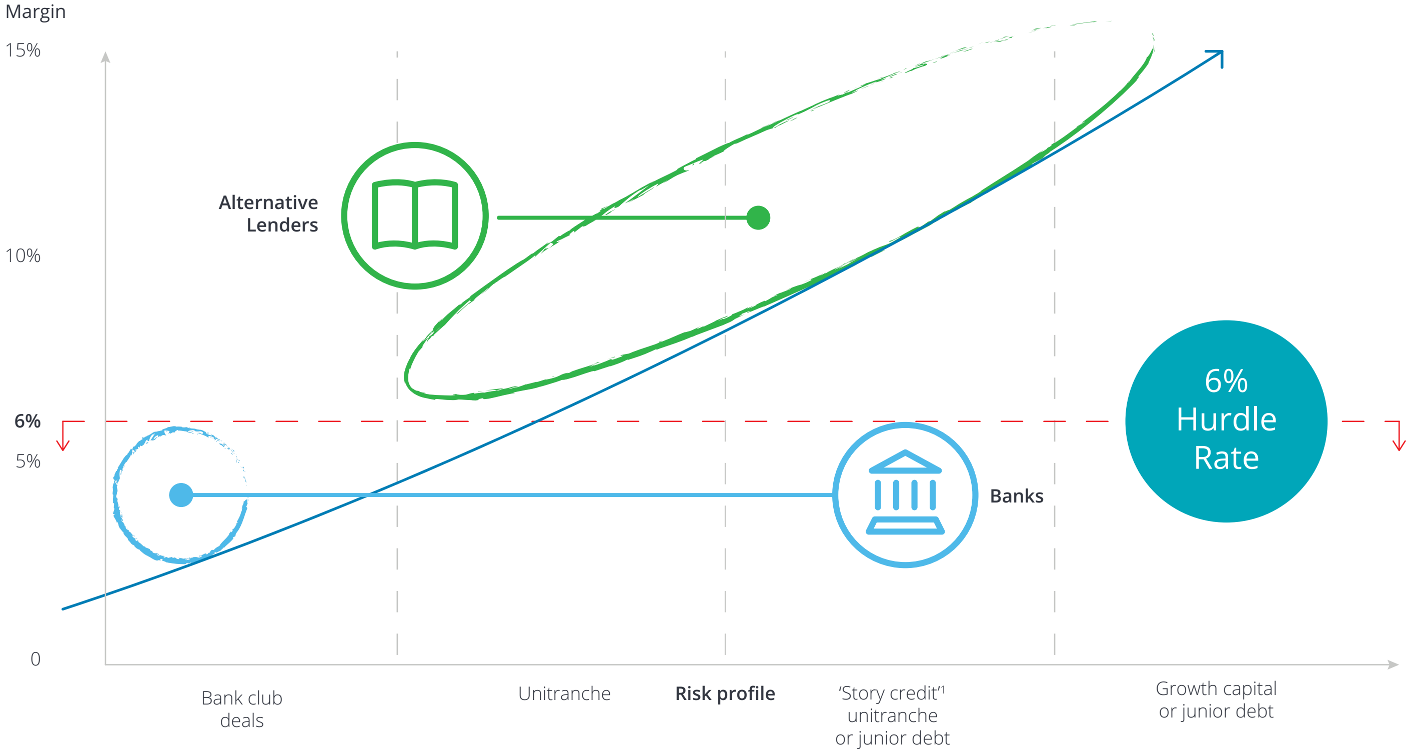
How do Direct Lenders compare to other cash flow debt products?



Cash flow debt products

The overview on the left focuses on the debt products available for Investment Grade and Sub-Investment Grade companies.

How do Alternative Lenders compete with bank lenders?



Leveraged loan banks operate in the 350bps to 600bps margin range providing senior debt structures to mainly companies owned by private equity.

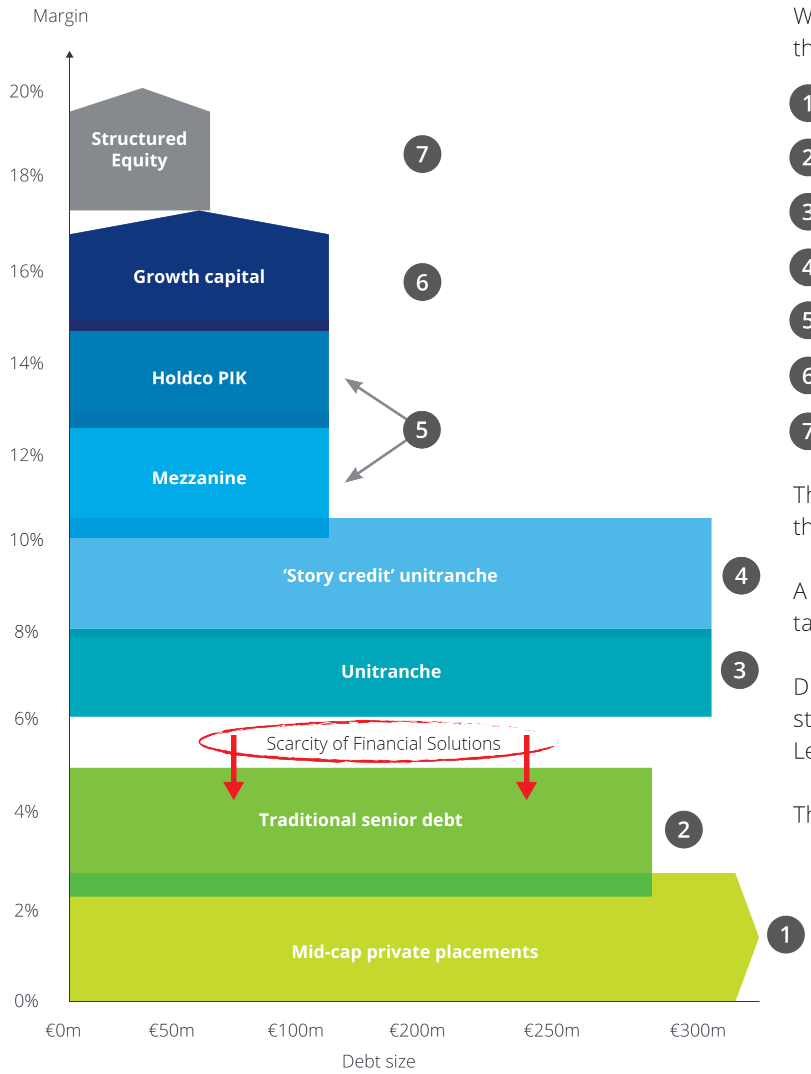
Majority of the Direct Lenders have hurdle rates which are above L+600bps margin and are mostly involved in the most popular strategy of 'plain vanilla' unitranche, which is the deepest part of the private debt market. However, Direct Lenders are increasingly raising senior risk strategy funds with lower hurdle rates.

Other Direct Lending funds focus on higher yielding private debt strategies, including: 'Story credit'[1] unitranche and subordinated debt or growth capital.

Similar to any other asset class the risk return curve has come down over the last 3 years as a result of improvements in the European economies and high liquidity in the system.

[1] 'Story Credit' – unitranche facility for a company that historically was subject to a financial restructuring or another financial difficulty and as a result there is a higher (real or perceived) risk associated with this investment.

What are the 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+450bps to L+600bps 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.

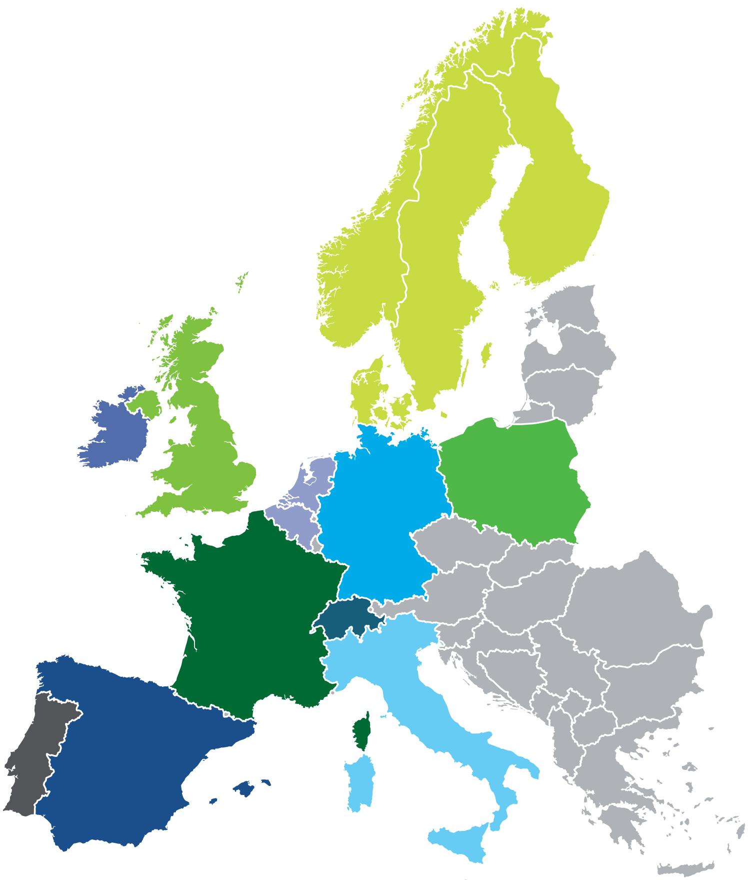
The latter is mostly the approach of large asset managers.

How does the Direct Lending investment strategy compare to other strategies?

Fund strategy	Description	Target return (Gross IRR)	Investment period	Fund term	Management fee	Preferred return	Carried interest
Direct senior lending	Invest directly into corporate credit at senior levels of the capital structure	5-10%	1-3 years	5-7 years (plus 1-2 optional one year extensions)	Typically around 1% on invested capital	5-6%	10%
Specialty lending/credit opportunities	Opportunistic investments across the capital structure and/or in complex situations Typically focused on senior levels of the capital structure	12-20%	3-5 years	8-10 years (plus 2-3 optional one year extensions)	Typically 1.25 – 1.50% on invested capital or less than 1% on commitments	6-8%	15%-20%
Mezzanine	Primarily invest in mezzanine loans and other subordinated debt instruments	12-18%	5 years	10 years (plus 2-3 optional one year extensions)	1.50 – 1.75% on commitments during investment period, on a reduced basis on invested capital thereafter	8%	20%
Distressed	Invest in distressed, stressed and undervalued securities Includes distressed debt-for-control	15-25%	3-5 years	7-10 years (plus 2-3 optional one year extensions)	Various pending target return and strategy: 1.50 – 1.75% on commitments or 1.50% on invested capital	8%	20%

Management fee – an annual payment made by the limited partners in the fund to the fund's manager to cover the operational expenses
Preferred return (also hurdle rate) – a minimum annual return that the limited partners are entitled to before the fund manager starts receiving carried interest
Carried interest – a share of profits above the preferred return rate that the fund manager receives as compensation which is based on the performance of the investment

Who are the Direct Lenders?



United Kingdom
Alcentra, Ardian, Ares, Bain Capital, Barings, Beechbrook Capital, BlackRock, BlueBay, Citi, Cordet, Crescent, CVC, EQT, ESO, Grovepoint, GSO Capital Partners, Guggenheim, Harbert Management Corporation, Hayfin, Hermes, HIG Whitehorse, ICG, Kartesia, KKR, M&G Investments, Macquarie, Magnetar Capital, Muzinich & Co, MV Credit, Njord Partners, Northleaf Capital Partners, Partners Group, Permira, Pemberton, Praesidian Capital, Pricoa Capital Group, Rothschild, THCP, Tikehau Capital, Tosca, TPG

Germany
Ardian, Ares, BlackRock, EQT, Hayfin, HIG Whitehorse, Idinvest Partners, ICG, Kartesia, Pemberton, Permira, Pricoa Capital Group

Poland
Credit Value Investments

Spain
Alantra, HIG Whitehorse, ICG, Nexxus Capital, Idinvest Partners, Kartesia, KKR, Hayfin, Magnetar Capital, Pemberton, Muzinich & Co, Trea, Oquendo Capital

Nordics
Ares, Capital Four, Cordet, Proventus

Italy
Emisys Capital, HIG Whitehorse, Muzinich & Co, Quadrivio, Pemberton, Pricoa Capital Group, Tikehau Capital

Benelux
Cordet, Delta Lloyd, Dutch Mezzanine Fund, ICG, HIG Whitehorse, Hayfin, Kartesia, Mezzanine Partners, PMV, THCP, Tikehau Capital

Ireland
Activate Capital, BlueBay, Broadhaven Credit Partners, Cardinal Capital Group, Earlsfort Capital

Portugal
Nexxus Capital

Switzerland
Credit Suisse, ESO, Partners Group, Tavis Capital

France
Ardian, Ares, BlackRock, Bpifrance, Capzanine, Cerea Partenaire, Zencap (emz), GSO Capital Partners, Hayfin, HIG Whitehorse, ICG, Indigo, Idinvest Partners, Kartesia, KKR, Muzinich & Co, Partners Group, Tikehau Capital, Pemberton, Permira, Pricoa Capital Group, Rothschild

Especially focused on Euro PP: Amundi, Artemid, Cerea Partenaire, Fédéris Gestion d'Actifs, La Banque Postale, Idinvest Partners, Tikehau Capital

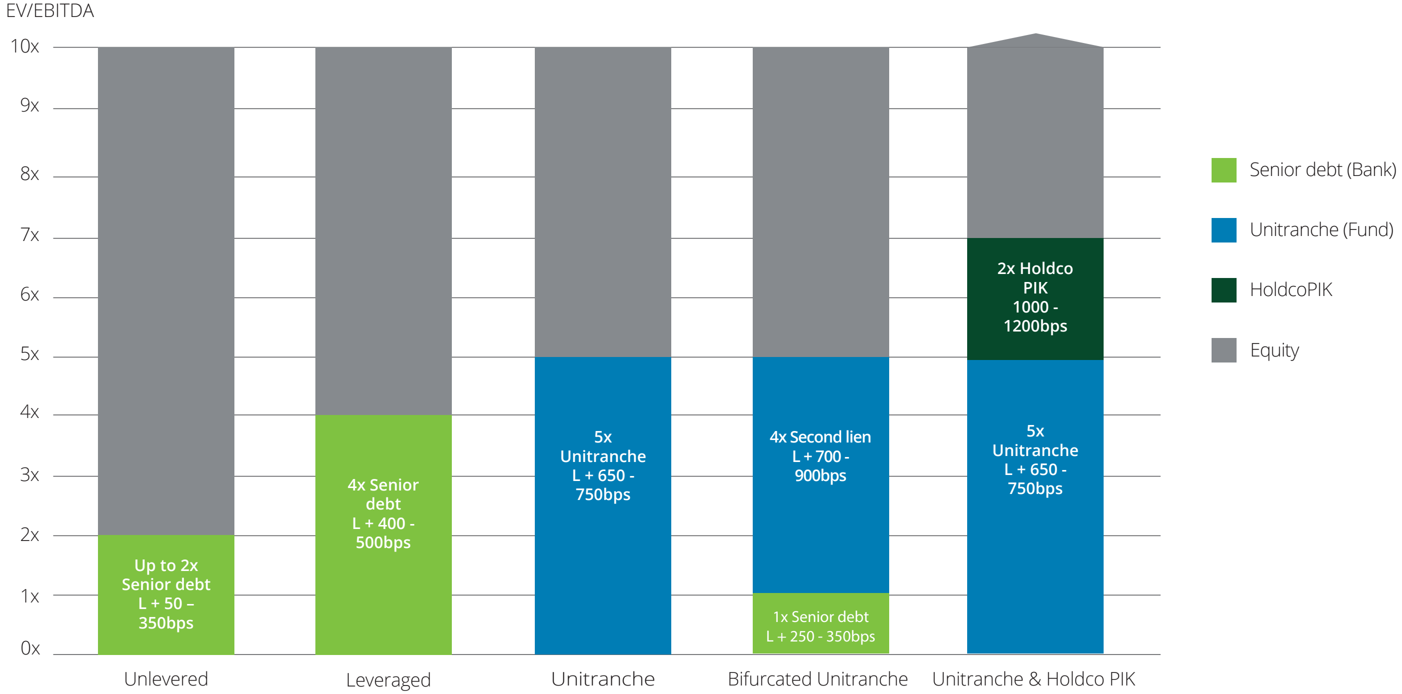
Note: offices included with at least one dedicated Direct Lending professional. The graph does not necessarily provide an overview of the geographical coverage.

When to use Alternative Debt?

1	Private Equity acquisitions	Reduce equity contribution and enable more flexible structures
2	Corporates making transformational / bolt-on acquisitions	Enable growth of private companies with less / no cash equity
3	Growth capital	Enable growth opportunities
4	Consolidation of shareholder base	Enable buy-out of (minority) shareholders
5	Special dividend to shareholders	Enable a liquidity event
6	To refinance bank lenders in highly-levered structures	Enable an exit of bank lenders
7	Raising junior HoldCo debt	Increase leverage for acquisitions / dividends

What debt structures are available in the market?

Structures



Weighted Average Cost of Debt (WACD) – based on mid-point average range

Unlevered	Leveraged	Unitranche	Bifurcated Unitranche	Unitranche & Holdco PIK
L + 50 - 350bps	L + 450bps	L + 700bps	L + 700bps	L + 815bps

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

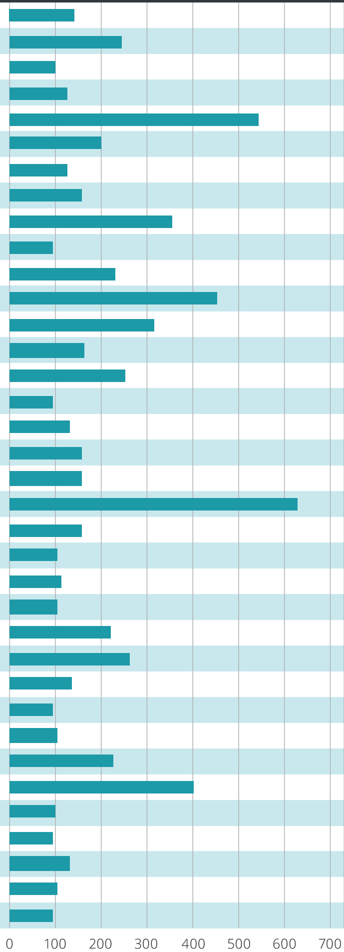
Pros and Cons per structure

Unlevered	Leveraged	Unitranche	Bifurcated Unitranche	Unitranche & Holdco PIK
✓ Lowest pricing ✓ Relationship bank ✓ Bullet RCF	✓ Increased leverage ✓ Club of relationship banks	✓ Stretched leverage ✓ Flexible covenants ✓ One-stop shop solution ✓ Speed of execution ✓ Relationship lender	✓ Stretched leverage ✓ Flexible covenants ✓ Greater role for bank ✓ Reach more liquid part of the unitranche market	✓ Stretched leverage ✓ Flexible covenants ✓ Lower equity contribution ✓ No Intercreditor
× Low leverage × Shorter tenor (3-5 years)	× More restrictive terms × Partly amortising	× Higher pricing	× Higher pricing × Intercreditor/AAL	× Higher pricing

Which landmark unitranche deals have been completed?

Selected Landmark Unitranche Deals (>€90m)

Borrower	Country	Unitranche in €m	Lenders	Sponsor	Date
Schuelerhilfe	Germany		Alcentra	✓	May - 17
JVH Gaming	Netherlands		Ares	✓	May - 17
Duomed	Netherlands		Permira	✓	May - 17
Fintyre	Italy		GSO Capital Partners	✓	Apr - 17
Zenith	UK		Goldman Sachs	✓	Mar - 17
Dentix	Spain		KKR	-	Dec - 16
Paymentsense	UK		CVC, EQT	-	Nov - 16
Roompot	Netherlands		KKR	✓	Nov - 16
HCS Group	Germany		GSO	-	Nov - 16
Lifetime Training	UK		Alcentra	✓	Oct - 16
Lumenis	Netherlands		Alcentra	✓	Oct - 16
Mallinckrodt	UK		GSO	✓	Aug - 16
Mater Private Hospital	Ireland		Macquarie, Goldman Sachs, KKR	✓	Aug - 16
Laureate Education	Switzerland		ICG, Credit Suisse	✓	Jun - 16
Marlink	Norway		Ares, Tikehau	✓	Jun - 16
Groupe Bertrand	France		BlueBay Asset Management	-	Jun - 16
Dobbies Garden Centres	UK		Ares	✓	Jun - 16
InfoVista	France		Ares	✓	May - 16
Marle	France		Capzanine, Barings	✓	May - 16
Polynt and Reichhold	Italy		GSO	✓	May - 16
OpenBet	UK		Ares	-	Apr - 16
Petainer	UK		KKR	✓	Apr - 16
Citation	UK		Alcentra	✓	Apr - 16
Delsey	France		Avenue, Pemberton, Permira	✓	Nov - 15
Verastar	UK		Ares	✓	Nov - 15
Fintrax	Ireland		Ares	✓	Nov - 15
Oberscharrer	Germany		BlueBay	✓	Nov - 15
ESE	Netherlands		Avenue, BlueBay	✓	Nov - 15
Bibliotheca	Switzerland		BlueBay	✓	Oct - 15
Gala Bingo	UK		ICG	✓	Oct - 15
Chiltern / Theorem	UK/USA		Hayfin, ICG, HPS Investment Partners, Bain Capital	-	Sep - 15
Currencies Direct	UK		Alcentra, CVC, HPS Investment Partners	✓	Sep - 15
Tracscare Group	UK		BlueBay	✓	Jul - 15
Ezentis	Spain		HPS Investment Partners	-	Jun - 15
MH Group	Denmark		Alcentra	✓	Jun - 15
Shimtech Industries	UK		Ares	✓	May - 15



Source: LCD, an offering of S&P Global Market Intelligence, Deloitte research and other publicly available sources

More sponsor-less companies are turning 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 able to fund junior debt/quasi equity risk and would require a sizable equity contribution from the shareholders to fund acquisitions
- Cost savings, revenue 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 expansion
- Recent market transactions have been structured on Debt/EBITDA multiples as high as 4.5-5.5x including identifiable hard synergies. Typically, 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 minority equity

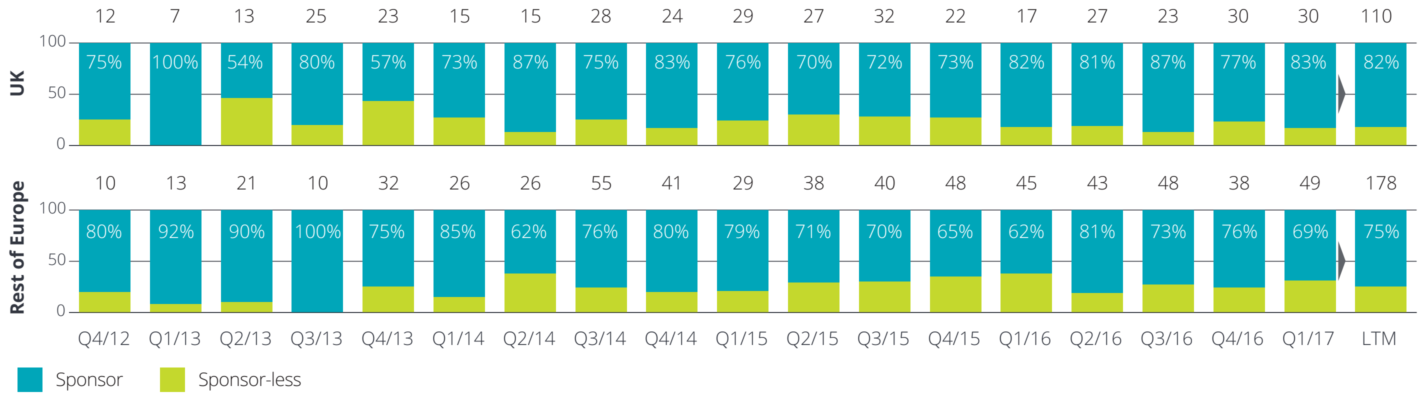
Key advantages

Key advantages of using Alternative Lenders to fund a buy and build strategy may include:

- Accelerate the growth of the company and exponentially grow the 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



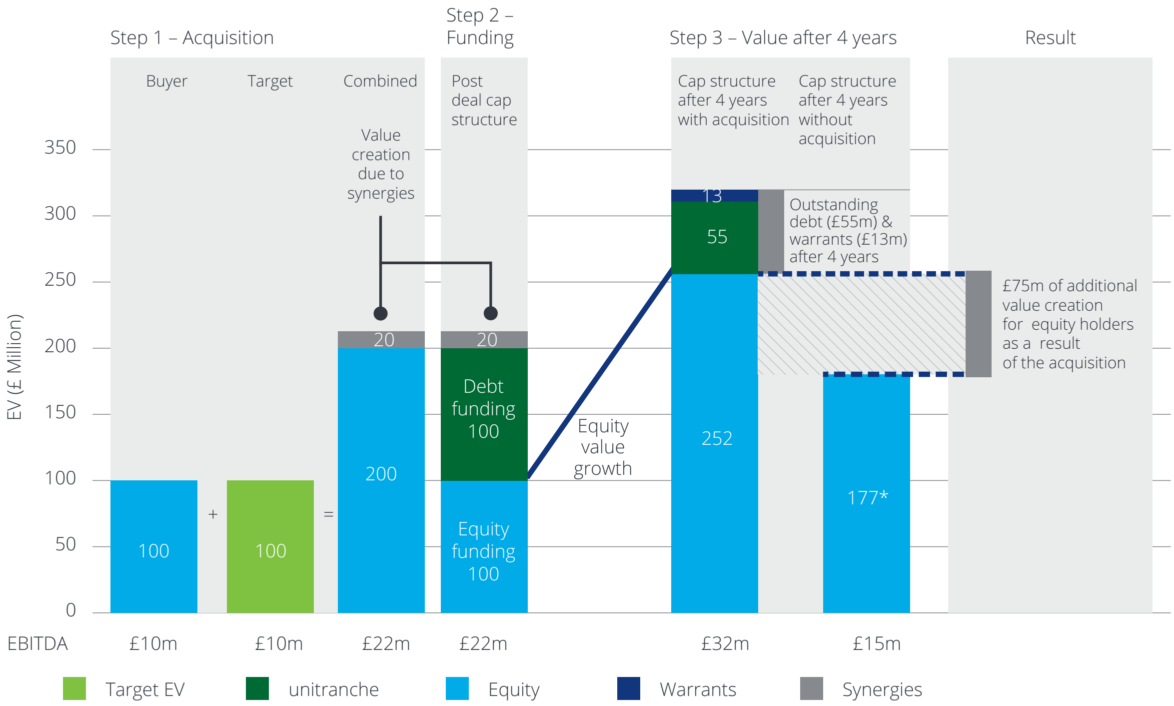
Unlocking transformational acquisitions for privately owned companies

Indicative calculations

- The calculations on this page illustrate the theoretical effect of value creation through acquisitions financed using Alternative Lenders.
- In this example equity value grows 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
- 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

Deloitte Debt and Capital Advisory

What do we do for our clients?

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, 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
- We pride ourselves on our innovative approach to challenging transactions and the quality of client outcomes we achieve, using our hands on approach

Demonstrable track record

- In the last 12 months, we have advised on over 100 transactions with combined debt facilities in excess of €10bn
- Our target market is debt transactions ranging from €25m up to €750m

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

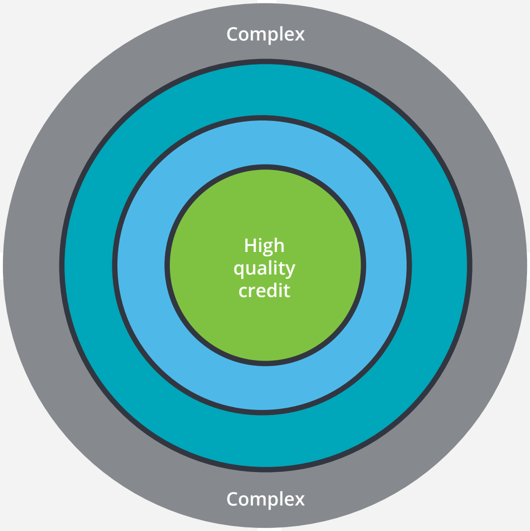
How complex is your credit?

Sector

Growth	Volatile	■ ■ ■ ■	Stable
Cyclicality	High	■ ■ ■ ■	Low
Seasonality	High	■ ■ ■ ■	Low
Scarcity of product	Commodity	■ ■ ■ ■	High value-add
Changing regulatory environment	High	■ ■ ■ ■	Low

Market position & Clients

Low	■ ■ ■ ■	High	Market share
Many	■ ■ ■ ■	Few	Competitors
Few	■ ■ ■ ■	Many	Barriers to entry
High	■ ■ ■ ■	Low	Customer concentration
High	■ ■ ■ ■	Low	Supplier concentration



Management quality	Low	■ ■ ■ ■	High
Corporate Governance	Weak	■ ■ ■ ■	Strong
Shareholder commitment	Low	■ ■ ■ ■	High
Jurisdiction	Difficult	■ ■ ■ ■	Easy

Management, Shareholders & Jurisdiction

Volatile	■ ■ ■ ■	Stable	Stable performance
Low	■ ■ ■ ■	High	Cash generation
High	■ ■ ■ ■	Low	Leverage
Low	■ ■ ■ ■	High	Asset coverage

Financial Performance

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One of the most successful Debt and Capital Advisory teams

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Deloitte Debt and Capital Advisory credentials

Our UK team has completed over 60 transactions in the last 24 months

- **CFC Capital Limited** – Staple – April 2017 – Undisclosed
- **Ullink** – Refinancing – April 2017 – Undisclosed
- **A-Plan** – Refinancing – April 2017 – Undisclosed
- **CVL** – Staple – February 2017 – Undisclosed
- **Euromoney Institutional Investors** – Acquisition Financing – February 2017 – $201m + £162m
- **BCA** – Refinancing – February 2017 – £500m
- **Zenith** – Staple – January 2017 – Undisclosed
- **Intelliflo** – Refinancing – January 2017 – £24.5m
- **Champ Ventures** – Growth Finance – January 2017 – €20m
- **FL Partners** – Acquisition Financing – January 2017 – £15m
- **Global Garden Products** – Refinancing – November 2016 – €80m
- **Chase Templeton** – Acquisition financing – November 2016 – Undisclosed
- **Cogital Group** – Acquisition Financing – October 2016 – NOK 3,675m
- **Five Arrows** – Dividend Recap – October 2016 – £115m
- **Bridgepoint** – Acquisition Financing – October 2016 – Undisclosed
- **Renewi** – Acquisition Finance – September 2016 – €600m
- **P&I** – Staple financing – September 2016 – Undisclosed
- **Ullink** – Refinancing – August 2016 – Undisclosed
- **Trace One** – Acquisition financing – August 2016 – Undisclosed
- **Waterland Private Equity** – Amendment & Restatement – July 2016 – €600m
- **Agilitas Private Equity** – Acquisition financing – July 2016 – Undisclosed
- **Apex Fund Services** – Refinancing – July 2016 – $40m
- **Baxters Food Group** – Refinancing – July 2016 – $115m + £48m
- **Domino's Pizza Group** – Refinancing – July 2016 – £175m
- **HgCapital** – Refinancing – June 2016 – $32m
- **Working Links** – Refinancing – June 2016 – Undisclosed
- **Augusta Ventures** – Growth Capital – June 2016 – £30m
- **Cape** – Amend & Extend – June 2016 – £300m
- **Livingbridge** – Acquisition financing – June 2016 – £36m
- **Alternative Networks** – Amend & Extend – June 2016 – £40m
- **HgCapital** – Refinancing – June 2016 – £75m
- **Adey** – Staple Financing – May 2016 – £70m
- **IWG** – Amend & Extend – May 2016 – £550m
- **HgCapital** – Refinancing – May 2016 – DKK300m
- **CBPE** – Refinancing – March 2016 – £86m
- **St. Austell Brewery** – Amend & Extend – March 2016 – £45m
- **HgCapital** – Acquisition financing – February 2016 – £85m
- **Speed Medical** – Refinancing – February 2016 – £22m
- **HgCapital** – Acquisition financing – January 2016 – $270m
- **HgCapital** – Refinancing – December 2015 – £47m
- **Mears** – Amend & Extend – December 2015 – £140m
- **North Edge** – Acquisition financing – December 2015 – £9m
- **HgCapital** – Refinancing – December 2015 – €365m
- **HgCapital** – Refinancing – November 2015 – £41m
- **Findel** – Refinancing & Securitisation – November 2015 – £120m + £145m
- **Impellam Group** – RCF / Acquisition financing – November 2015 – £250m
- **Vitruvian** – Refinancing – October 2015 – Undisclosed
- **HgCapital** – Refinancing – October 2015 – Undisclosed

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One of the most successful Debt and Capital Advisory teams

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Deloitte Debt and Capital Advisory credentials

Selected Global transactions

Client	Transaction	Logo / Name	Date	Amount	Country
HgCapital	Acquisition Financing	MITRATECH	April 2017	$315m	USA
Foreman Capital / Standard Investment	Acquisition Financing	Standard Investment	March 2017	Undisclosed	Denmark
Monjasa A/S	Refinancing	MONJASA	March 2017	$67.5m	Denmark
Habock Aviation Group	Build up financing	habock	March 2017	€25m	Spain
EUROFIMA	Financial Advisor	EUROFIMA	March 2017	Undisclosed	Switzerland
Koncenton	Mortgage Finance	KONCENTON	March 2017	€25m	Denmark
Sovereign Capital	Debt Advisory	Sovereign Capital	February 2017	€26m	Ireland
Koncenton	Mortgage Finance	KONCENTON	February 2017	€50m	Denmark
ATP	Recapitalisation	atp	January 2017	Undisclosed	Denmark
Acta Marine	Capex Financing	Acta Marine	January 2017	Undisclosed	Netherlands
TUHF Limited	Pvte Placement Bond	TUHF	January 2017	ZAR280m	South Africa
LionHorn Pte Ltd	Acquisition Financing		December 2016	Undisclosed	Singapore/Malaysia
Northern Irish Home Builder	Debt Raising	Undisclosed	December 2016	€6m	Ireland
Oceanwide	Refinancing	Oceanwide Expeditions	December 2016	Undisclosed	Netherlands
Royal Boom	Refinancing	Boom uitgevers 175 jaar	December 2016	Undisclosed	Netherlands
Project Roma	Refinancing	Project Roma	December 2016	Undisclosed	USA
Project Homeland II	Growth Financing	Project Homeland II	December 2016	Undisclosed	USA
Project Grey	Financing	Project Grey	December 2016	Undisclosed	USA
WinSystems Limited	Acquisition Finance	Winsystems	December 2016	Undisclosed	USA/UK
Every Angle	EIB Financing	Every Angle	November 2016	€7.5m	Netherlands
Refresh Financial	Debt financing	refresh FINANCIAL	November 2016	CAD $75m	Canada
University College Zealand	Refinancing	University College SJÆLLAND	November 2016	€32m	Denmark
Real Estate	Debt Raising	Real Estate	November 2016	€6.3m	Ireland
Koncenton	Acquisition Finance	KONCENTON	November 2016	€60m	Denmark
Hotel Industry	Debt Raising	Hotel Industry	November 2016	€39.2m	Ireland
Naviair	Recapitalisation	NAVIAIR	November 2016	€15m	Denmark
Pension Fund	Recapitalisation	Pension Fund	November 2016	€80m	Denmark
CTR A/S	Construction Finance	CTR - Centralkommunernes Transmissionsselskab I/S	October 2016	€400m	Denmark
Bain Capital Credit	Debt Advisory	BainCapital CREDIT	September 2016	Undisclosed	Ireland
Fund Manager	Debt Raising	Fund Manager	September 2016	€7.6m	Ireland
BOG-ART	Additional financing	BOG'ART defining excellence	August 2016	€10m	Romania
Property Developer	Capital Raise	Irish Property Developer / Hotelier	August 2016	€87m	Ireland
District M. Inc	Refinancing	DISTRICT M	August 2016	CAD$30m	Canada
Furlani's Food Corporation	Buy-Side/Capital Raise	FURLANI	August 2016	Undisclosed	Canada
Hg Capital	Acquisition Financing	Invoiceware International	July 2016	$120m	USA
Benchmark Hospitality	Acquisition Financing	BENCHMARK HOSPITALITY INTERNATIONAL	July 2016	Undisclosed	Ireland
Berlin Acoustics Group	Refinancing & Debt Advisory	BERLIN ACOUSTICS GROUP Lifestyle Performance Audio	July 2016	Undisclosed	Germany
Hans Anders	Refinancing	HANS ANDERS	July 2016	Undisclosed	Netherlands
Karle Homes Pvt Ltd	Mezzanine Debt	KARLE GROUP	July 2016	$60m	India
Desch	Refinancing	DESCH PLANTPAK	July 2016	Undisclosed	Netherlands

Notes

Notes

Notes

Important Notice in relation to page 20-21

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