



INTREPID CAPITAL ADVISORY GROUP

Market Update

November 2022

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A View From the Trenches

Inflation and the Fed's response are top of mind, as investors shift their focus from "peak inflation" to "sticky inflation". The Fed Funds Rate sits at 4%, and SOFR is expected to peak at 4.8% in Q2 2023.

1

- *"We're constantly monitoring our portfolio companies' ability to pass on price increases, particularly as consumers' wallets come under immense pressure."* – Portfolio Manager, private credit fund
- *"There's no such thing as a free lunch. The trillions of stimulus are coming to roost and we're holding on to every word Powell says."* – Business Development Officer, asset-based lender

Public debt markets remain volatile and new issuance activity is down ~70% versus last year. Meanwhile, private credit markets are open, with funds sitting on significant dry powder and actively seeking new deals – albeit carefully.

2

- *"We're seeing plenty of sponsor deals come across our desk. We have the capital, but we're cautious – doing lots of homework around how each business would perform in a recession."* – Managing Director, private credit fund
- *"Finding the right lender has become much trickier. We've had to double or triple the number of reads before getting the leverage and pricing we want."* – Partner, private equity fund

Credit spreads are widening, and total leverage is compressing across new debt financings. With all-in interest cost typically exceeding 10%, managing debt service and cash flow is becoming paramount.

3

- *"At first, we thought it was an error when the interest payment came in. We checked the math – it was correct. The base rate jump can come as a shock when looking quarter over quarter."* – Managing Director, private credit fund
- *"Once interest rates come down next year, we expect a wave of refinancings. Deals closing now are unlikely to be indicative of the leverage borrowers can get in the future."* – Vice President, private credit fund

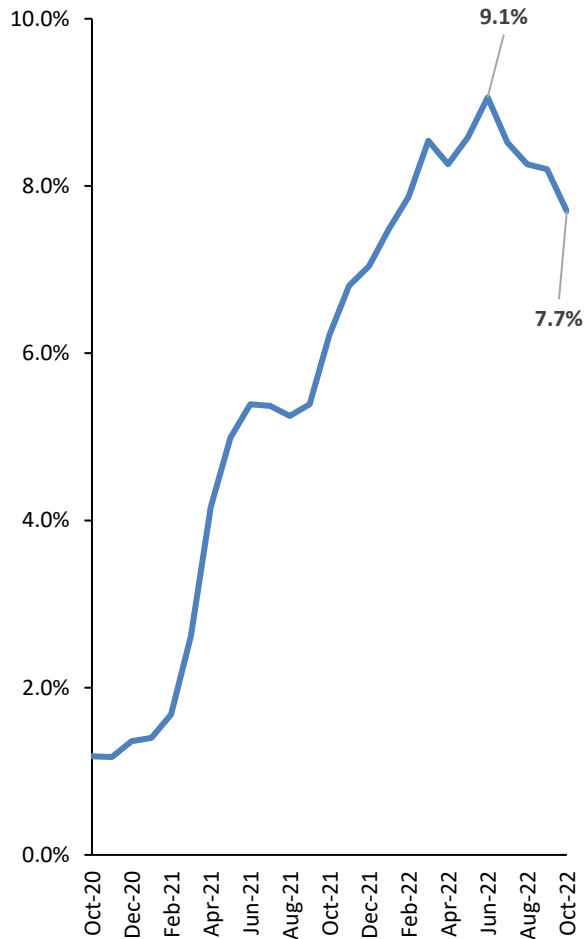
Running highly competitive processes to navigate current market conditions to find the perfect source of capital is becoming ever more critical. Intrepid brings a full arsenal of resources to help clients achieve their capital raising goals.

1 SOFR Expected to Reach 4.8% by Q2 2023

Hawkish Fed policy, coupled with reduced supply chain pressures, has resulted in slowing inflation since June. However, investors continue to expect rate increases over the next six months.

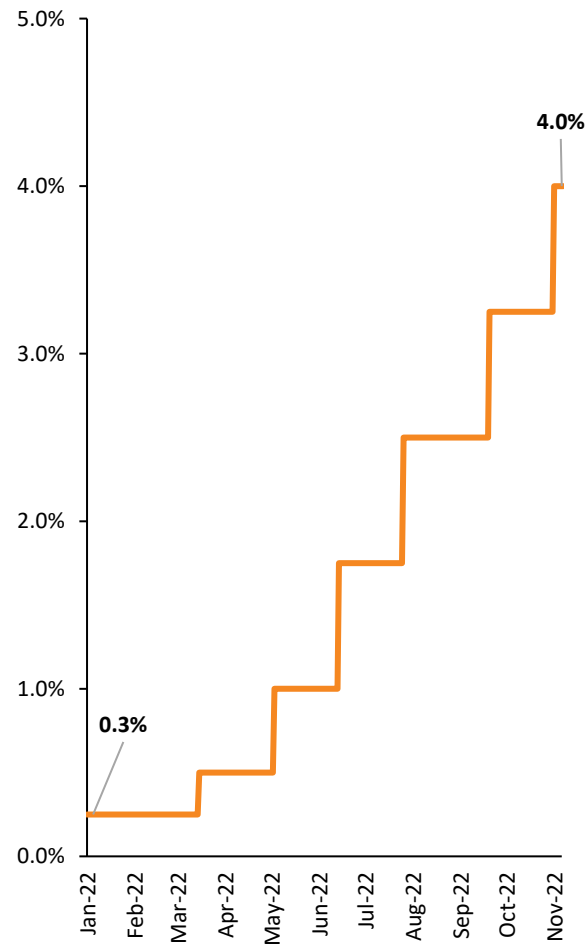
While Headline Inflation Peaked in June, Investors are Now Focused on Stickiness

Consumer Price Index (Y/Y Change)



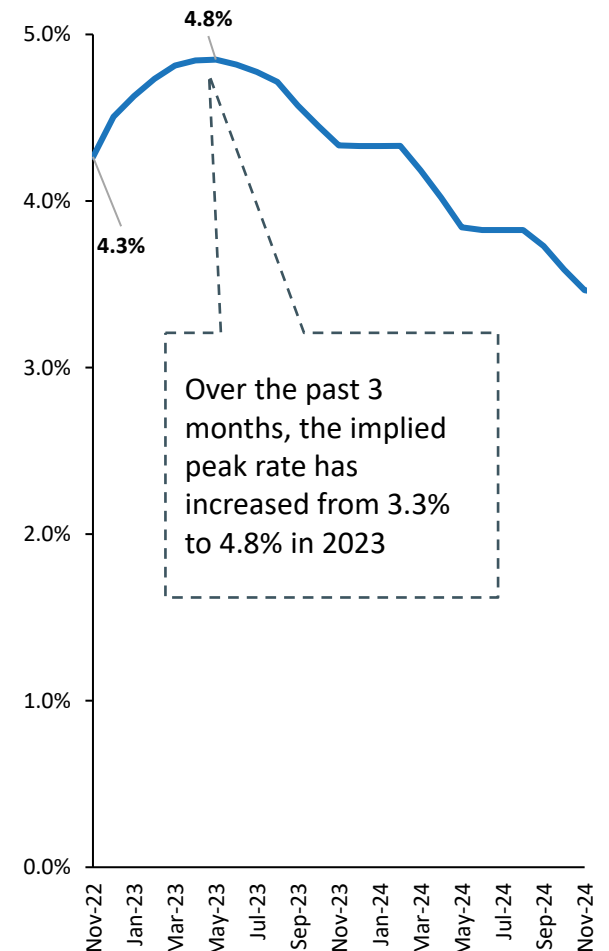
The Fed has Hiked its Target Rate Six Times Since March – Most Recently to ~4.0%

Fed Funds Target Rate



The Forward SOFR Curve Implies Additional Rate Hikes through Q2 2023

3-Month Term SOFR Forward Curve

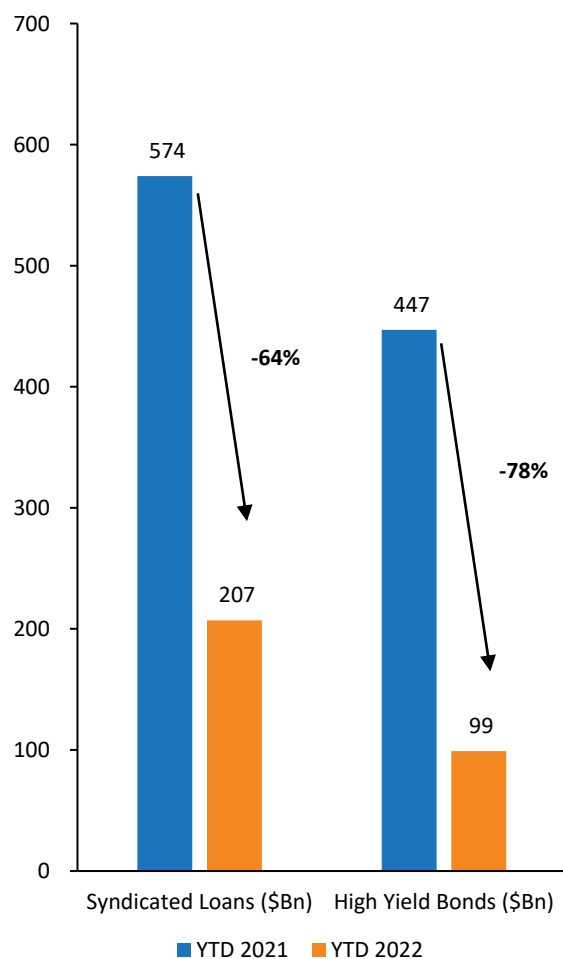


Private Credit Markets Remain Open, but Lenders are Increasingly Selective

While new debt issuance across the syndicated loan and high yield bond markets remains muted, private credit funds focused on floating rate interest products are highly active – on pace for a record year.

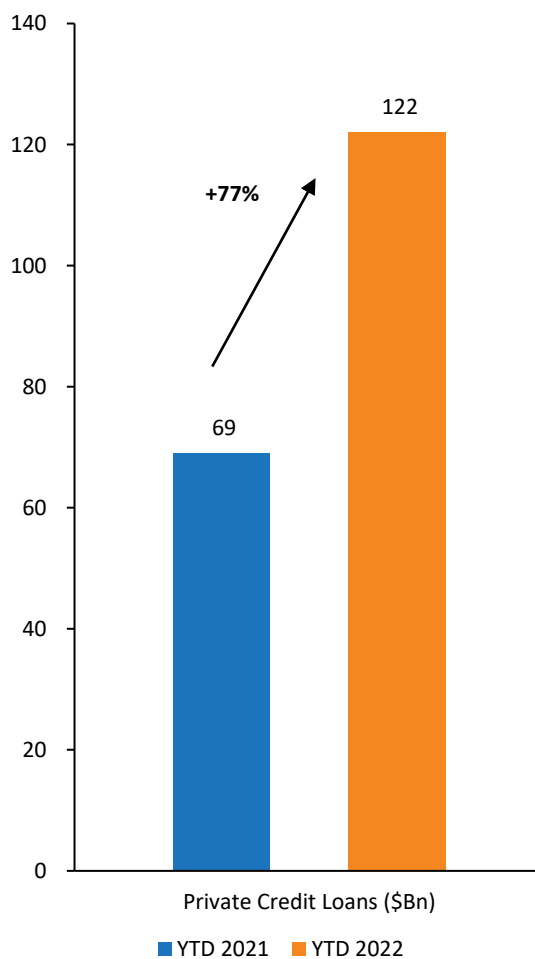
Volatility and Rising Interest Rates Have Essentially Closed Large-Cap Markets

US Syndicated Loan and High Yield Bond Issuance



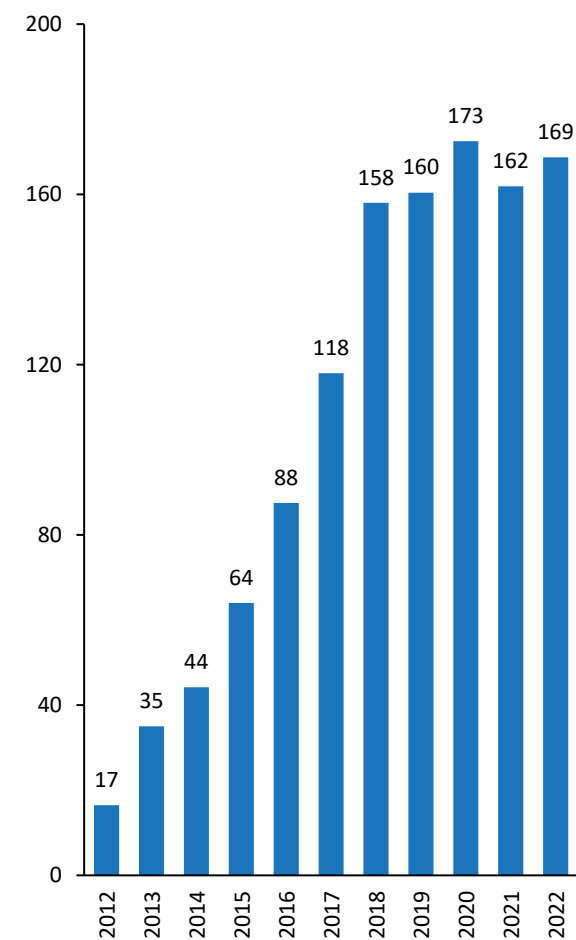
Private Debt Funds are On Pace for a Record Issuance Year

US Private Credit Issuance



And Have Significant Capital to Deploy, as Fundraising Remains Robust

Direct Lending Dry Powder (\$Bn)

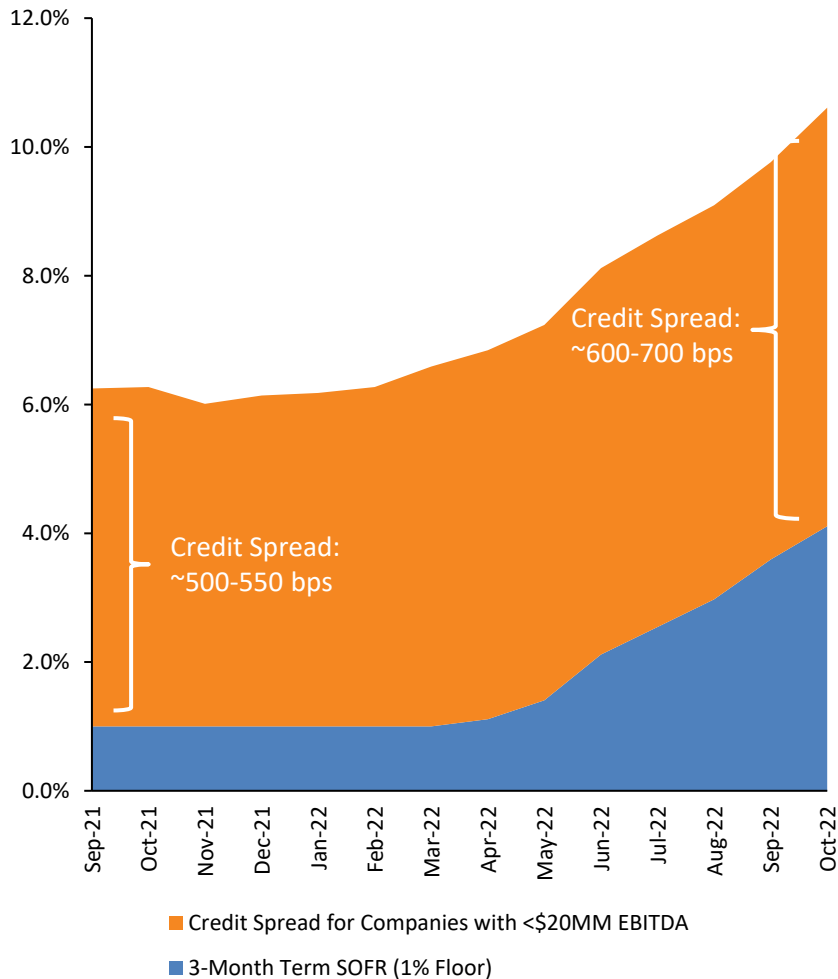


3 Spreads are on the Rise, while Leverage is Compressing

All-in interest rates continue to increase, driven by Fed rate hikes and widening credit spreads, with new issuers typically seeing cash interest costs in excess of 10% per annum. High debt service costs have led to leverage compression, down ~1.3x from the beginning of 2022.

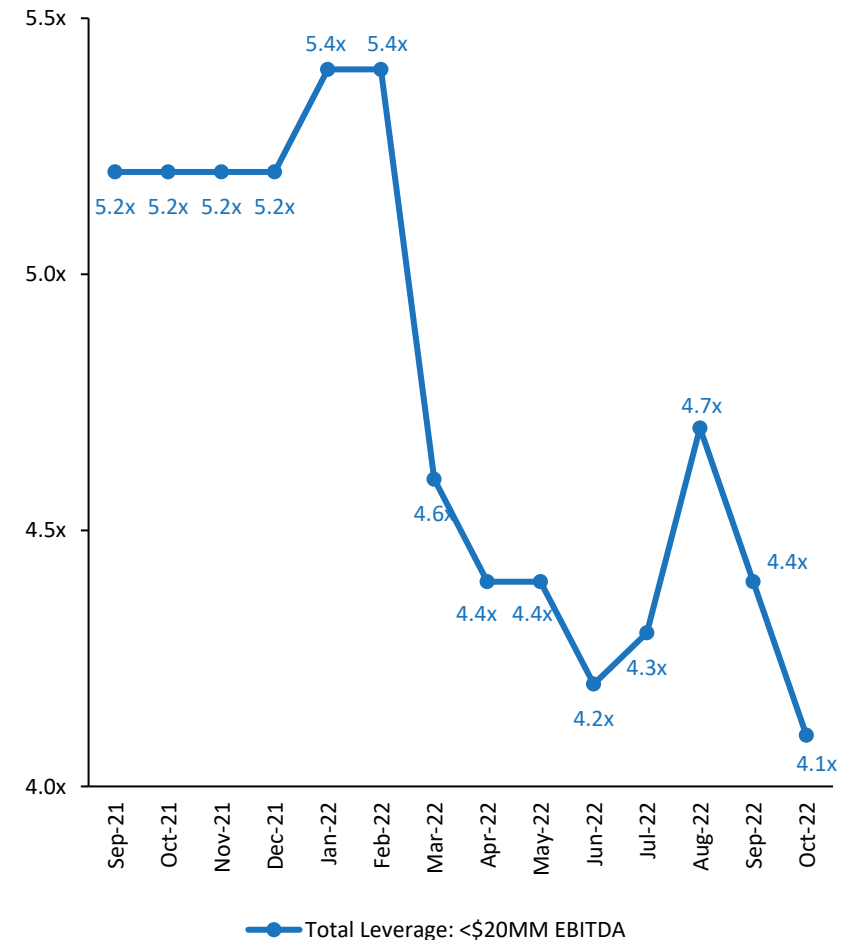
A Combination of Widening Credit Spreads and Higher Base Rates has Resulted in Typical Interest Costs >10%

All-in Interest Costs
(Borrowers with <\$20M EBITDA)



Total Leverage Available to Borrowers with <\$20MM of EBITDA has Decreased ~1.3x Since the Start of the Year

Total Leverage
(Borrowers with <\$20MM EBITDA)



Strategic Transaction Advisory

- Growth financing
- Acquisition financing
- Recapitalizations
- Debt refinancing
- Turnaround plan financing
- Financial restructuring

Throughout the Capital Structure

- Senior debt
- Unitranche debt
- Junior / mezzanine debt
- Structured equity
- Common equity
- Debtor-in-possession loans

Across All Pools of Capital

- Banks
- Public BDCs
- Private debt funds
- SBICs and mezzanine funds
- Private equity funds
- Family offices

Premier advisor to middle-market companies seeking to raise \$20 - \$200+ million of institutional capital



Global Reach

Through our partnership with MUFG, we have unique depth of market knowledge and an extensive network of funding sources for all types of capital solutions



Competitive Processes

Our experienced team orchestrates highly competitive and creative processes to optimize terms, timeline, and certainty of closing



Industry Expertise

Working side-by-side with industry bankers, we convey our clients' stories in compelling ways that resonate with capital providers



Clients First

We listen to our clients' needs, challenge their assumptions, recommend the most suitable alternatives, and remain relentlessly focused on serving clients' interests

Extensive Track Record of Successful Capital Raise Transactions

aptive

has completed a recapitalization and growth financing with

OWL ROCK
CAPITAL CORPORATION

\$125,000,000
Senior Secured Credit Facility

JOCKO FUEL

has received a growth investment from

GOODE
PARTNERS

BCD International

has received a growth investment from

HIGH STREET CAPITAL
Founded in 1997

ORANGETWIST
Your Treatment Shop

has raised growth capital from

Family Office
Investment Group

OBAGI

has completed a recapitalization and growth financing with

TCW

\$150,000,000
Senior Secured Credit Facilities

Disruptive Products
parent company of

TASTEMAKERS, LLC.
SERVING THE WORLD

creator of

ARCADE 1UP

has received an investment from

CENTREPARTNERS

THE Inception
COMPANY

has received structured growth capital from

CORBEL
CAPITAL PARTNERS

UNIX-PACKAGING INC.
UNIVERSAL PACKAGING SOLUTIONS

WGP Western Group Packaging

has received a growth investment from

CYPRUM
PARTNERS

advicemedia

has completed a recapitalization and growth financing with

TREE LINE
CAPITAL PARTNERS

mercury
a portfolio company of

EOS

has completed a refinancing with

SIENA
AGL ALLIANCE

ARTISAN VEHICLES

has received working capital financing from

EXWORKS
CAPITAL

a:l:c
AMERICAN LOGISTICS COMPANY

has completed a dividend recapitalization with

Comerica

and

FIFTH THIRD BANK

COUNTRY
Wine & Spirits

has completed a growth recapitalization with

ROYALTY NORTH

The management team of

PCMC.

has completed a management buyout with financing from

BANC OF CALIFORNIA
and
OpusBank

CourtCall
Remote Appearances. Simplified.

has completed a recapitalization and growth financing with

UnionBank

SolidCommerce

has raised growth capital from

Montage
capital

and

SaaS
FUNDING

PreSonus

has completed a senior and subordinated debt financing led by

PRESIDENTIAL
FINANCIAL

Ice
MOBILITY

has completed a debt and equity financing with

WELLS FARGO

and

HAWTHORN
EQUITY PARTNERS

ENVY
MEDICAL™

has raised growth capital from

HCP & COMPANY

TAX CREDIT CO.™

has completed a recapitalization with

VSS Structured Capital II, L.P.
a fund managed by

VSS Veronis Suhler Stevenson

Introductions



Jonathan Zucker

Managing Director

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Jonathan is the Head of the Capital Advisory Group at Intrepid. He is responsible for advising entrepreneurs and private equity funds on raising institutional debt and equity capital for a variety of uses such as funding growth, acquisitions, recapitalizations or working capital.

During his more than 20-year career in finance, Jonathan has been involved in a wide range of capital transactions, from IPOs to early-stage venture financings. He has executed capital raises for companies across a diverse set of industry sectors, including: consumer, digital media, technology, business services and industrials.

Prior to joining Intrepid, he served as Vice President and Head of the Los Angeles office of U.S. Capital Partners, a direct lender and provider of capital-raising advisory services to middle-market companies. Previously, he worked at Credit Suisse and FBR & Co., in addition to co-founding NotTV Network, a digital media company focused on live entertainment.

An accomplished songwriter and musician, Jonathan is a voting member of the Recording Academy and a board member of In the Band, a nonprofit organization dedicated to bringing mobile music education programs to community centers and schools throughout Los Angeles. He is a graduate of the Wharton School of the University of Pennsylvania.



Boris Zikratov

Vice President

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Boris is Vice President of the Capital Advisory Group at Intrepid where he primarily advises business owners on raising institutional financing throughout the entire capital structure. He is also active in special situations and M&A transactions across select industry verticals.

Over the past decade, Boris worked on a broad range of strategic transactions, including initial public offerings, mergers, acquisitions, divestures, recapitalizations, and bankruptcy proceedings. His industry expertise includes agriculture, food, consumer goods, retail, media/entertainment, and industrials.

Prior to joining Intrepid, Boris was a Senior Director at Sierra Constellation Partners, a middle-market advisory firm focused on operational and financial restructuring. Previously, Boris worked for five years in Morgan Stanley's investment banking division in Los Angeles and London. He started his career at a Russia-focused investment bank in Moscow.

In his free time, Boris is an avid forager (an expert in wild mushrooms and berries). He also dabbles in a variety of adventure sports such as snowboarding, surfing, paddleboarding, and mountain biking. Golf is on his wish list. He is a graduate of Georgetown University.



OUR VALUES

- We always place the client first.
- We strive for excellence in everything we do.
- Integrity and tenacity is coded in our DNA.
- We treat everyone with respect because that's how we were brought up.
- Our passion drives outsized results.
- We use creativity to deliver exceptional results—our clients built great businesses by challenging convention.
- Winning is important to us—being the best means beating the competition.
- Objectivity lets us be true to ourselves and our clients.
- If we don't have fun, it's hard to take work seriously.

INVESTMENT BANKING SERVICES

MERGERS & ACQUISITIONS

Sell-side Advisory
Buy-side Advisory

CAPITAL ADVISORY

Growth financing
Acquisition financing
Recapitalizations
Debt refinancing
Turnaround plan financing

STRATEGIC ADVISORY

Financial Restructuring
Fairness and Solvency Opinions
Value Creation Advisory

INDUSTRIES

Business Services
Consumer Products & Services
Digital Media & Technology
Healthcare
Industrials

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