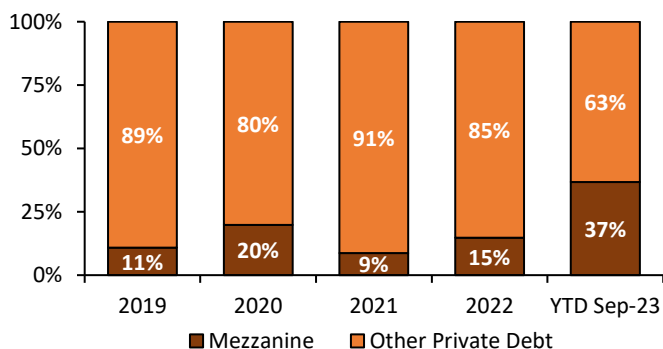


**\*\*Boo!\*\*** This time of year, we might not know what's lurking in the shadows...but one way to scare off a creeping debt maturity wall is with some mezz! In a higher-for-longer interest rate environment, addressing both leverage and fixed charge ratios is paramount to securing a healthy capital structure. *If there's something strange on your balance sheet, who you gonna call...?*

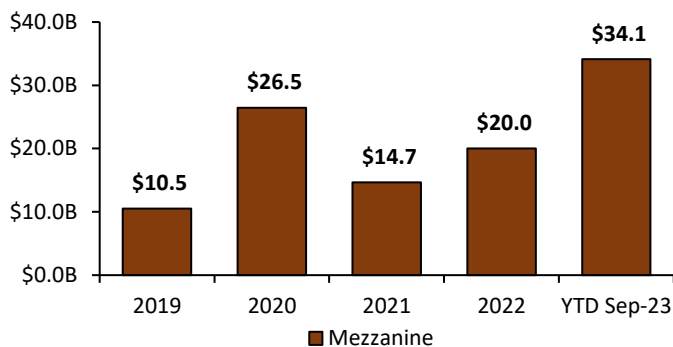
- Mezzanine lenders can provide **flexible financing packages**, such as the ability to toggle PIK vs cash interest, no amortization, and looser financial covenants than senior debt, thus helping borrowers to minimize cash flow impact of incremental leverage
- Such structures typically are **highly negotiated**, with lenders seeking to develop deep relationships with borrowers. Often, lenders attempt to align interests through participation in equity and strategic advice at the board level
- As the cost of floating-rate instruments has spiked over the past 12-18 months, the **fixed-rate** structure of mezzanine debt has become increasingly competitive – leading to a material increase in fundraising activity to keep up with borrower demand

### Mezzanine Debt Gaining Popularity Relative to Traditional Private Debt Options

**US Fundraising: Mezzanine vs Other Credit Strategies**



**US Fundraising: YTD Already Surpassed 2022**

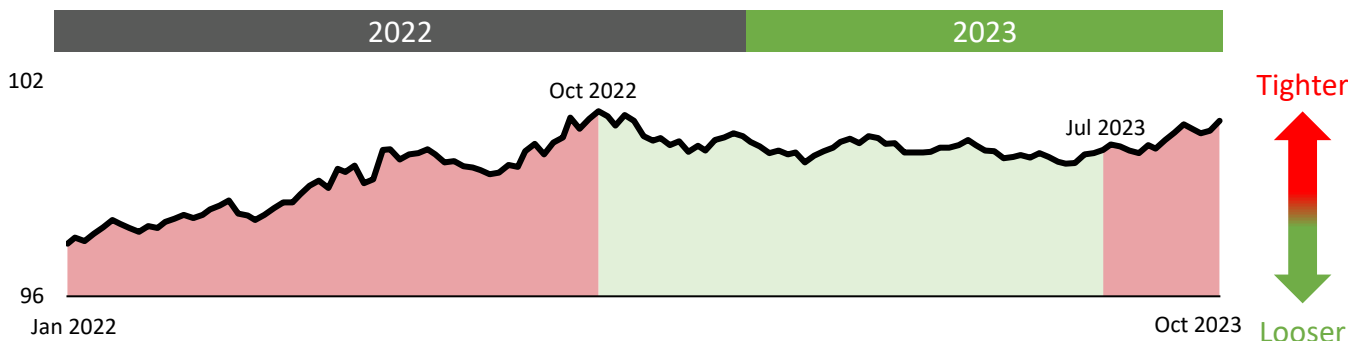


Source: Pitchbook

### Proprietary Insights from Our Colleagues at MUFG

*"Since the bear market steepening in US rates began after the US debt ceiling resolution on June 1st, the combination of higher rates, wider credit spreads, softer equities and a stronger US dollar have led to a **material tightening in US financial market conditions**. With financial markets now doing the tightening, the Fed has more flexibility to "pause" at the upcoming Nov and Dec FOMC meetings."*

**US Financial Conditions Index**



Source: Bloomberg, Goldman Sachs Financial Conditions Index, MUFG Capital Markets Strategy

Intrepid's Capital Advisory Group enables founders, management teams, and financial sponsors to access institutional capital across all forms of debt and equity to execute mission-critical transactions. We are experts at solving complex capital structure needs for our clients, and have global access to capital sources including banks, direct lenders, hedge funds, family offices, and private equity institutions.

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