Multiple Financing Structures Attract a Variety of Lenders

Types of Financing Structures (Illustrative Examples For a $20 million EBITDA Company)

Senior Stretch		Senior Cash Flow & Junior Debt		One-Stop Unitranche		Split-Collateral Unitranche		Revolver with Unitranche		Revolver with Unitranche & Mezz	
Revolver	$0	Revolver	$0	Revolver	$0	Revolver	$20	Revolver	$20	Revolver	$20
Sr. TL	$85	Sr. TL	$70	Term Loan	$100	Term Loan	$80	First Out	$20	First Out	$20
Total	**$85**	Junior	$30	**Total**	**$100**	**Total**	**$100**	Last Out	$60	Last Out	$60
		Total	**$100**					**Total**	**$100**	Mezz	$20
										Total	**$120**
Cost of Debt:	**6.5%**	**Cost of Debt:**	**7.3%**	**Cost of Debt:**	**8.5%**	**Cost of Debt:**	**7.3%**	**Cost of Debt:**	**7.3%**	**Cost of Debt:**	**8.2%**
Leverage:	**4.25x**	**Leverage:**	**5.00x**	**Leverage:**	**5.00x**	**Leverage:**	**5.00x**	**Leverage:**	**5.00x**	**Leverage:**	**6.00x**

Note: Cost of Debt is calculated using the midpoint of the ranges presented on Lincoln's View on Pricing and Terms for companies with at least $15 million of EBITDA

Commentary

- As some investors become increasingly concerned about the next economic cycle, certain lenders have migrated higher in the capital structure, often in the form of unitranche facilities
  - Some unitranche providers are now looking to split their facilities in the form of "first out / last out" structures, so that lenders targeting first lien asset protection and others looking to enhance their yield may participate under the same facility
- The middle market has seen an influx of larger lenders with greater hold sizes and more flexibility on structures
  - Borrowers are able to simplify their lending structures and optimize their balance sheets
  - Larger hold sizes reduce the required number of lenders