

# CLAIRFIELD INTERNATIONAL

## *Capital Solutions in critical times*

Global uncertainty and several distressed industries are challenging the economy in an unprecedented way. Clairfield International can help you. Our Capital Solutions team specializes in finding answers in precarious situations and developing sustainable solutions to ensure business continuity in the short and long term.

# Clairfield International is not limited by borders for finding optimized solutions tailored to the needs of your company

Capital Solutions expertise group

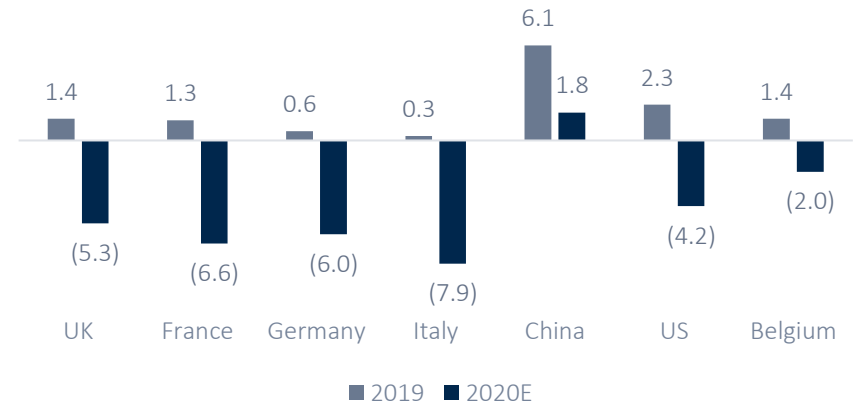


# Covid-19 impacted the global economy and financial markets in unprecedented ways

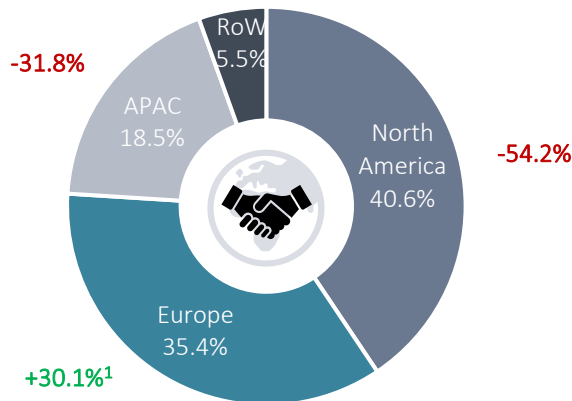
## All economic indicators turn red

- Covid-19 caused a global lockdown and a hard stop to the majority of all economic activity.
  - An adverse impact on GDPs of 5-6% can be noted in the global leading economies.
  - Central banks were forced into monetary expansion and lowered their policy rates and initiated or increased debt purchase programs.
- The global M&A market shows clear signs of a slow-down with lower deal activity.
  - Note that during the previous crisis, M&A activity fell with 69.5% from the 2007 level.
  - Next to the number of deals, researchers expect a decline in valuation multiples over the next quarters.

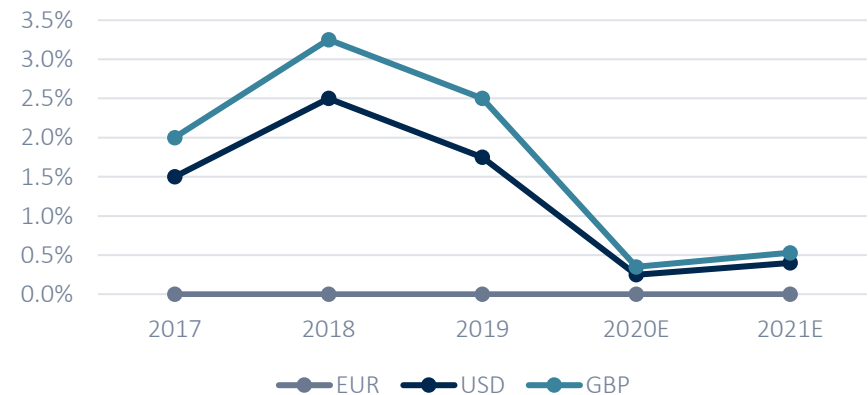
## Global economic growth (2019 vs 2020 estimates)



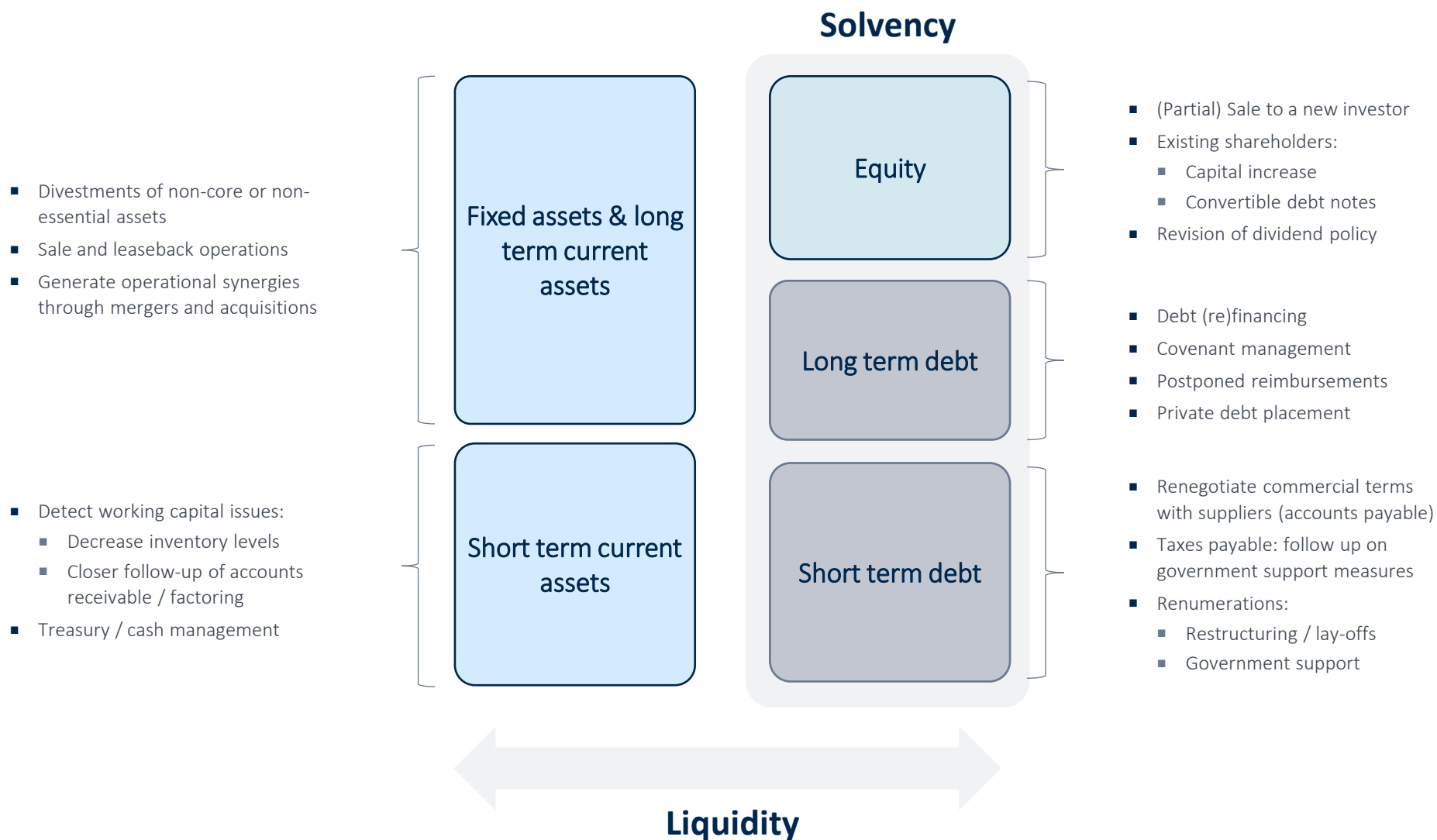
## M&A activity per region Q1 2020 (and growth compared to Q1 2019)



## Central bank policy rates



# A combined approach of operational and financial solutions can enable companies to secure their going concern



# Private Equity is a win-win for shareholders, enabling growth supported by experienced people and a (partial) valorisation

## What is private equity?

- Private equity (“PE”) targets investments in privately owned businesses.
  - The nature, size and structure of the investment can vary significantly but generally PEs are seeking to provide growth capital or support buyouts;
  - PEs focus on securing strong returns on behalf of their wealthy investors over a pre-determined lifetime.
  - PE not only provides funding, but also professional management input, strategic advice and operational excellence.
- By retaining some equity, and ideally investing pari passu alongside PE, the founder can benefit from significant upside on the ultimate exit.
  - This effectively enables founders *to invest commercially in a business they know exceptionally well*;
  - Operationally the founder *can reduce their involvement in the business* and significantly *de-risk their investment*;
  - For management teams, PE is a source of not just capital but also *professional investors who are highly experienced* in working with high performing teams delivering on ambitious business plans.




## Advantages versus disadvantages of private equity involvement



# Family offices offer an attractive alternative to private equity firms, especially for family-owned SMEs

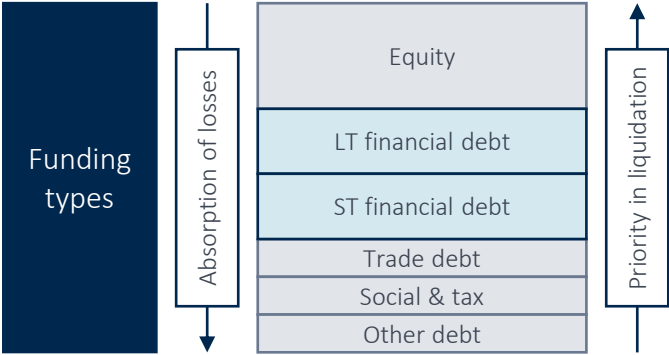
## What is a family office?

- A **family office** (“FO”) is a privately held company that handles investment management and wealth management for a wealthy family.
  - The difference with private equity is the fact that FOs do not raise capital from outside investors but invest the assets of one or multiple families.
  - The family offices spectrum includes offices that invest funds but not directly as well as offices acting as private equity.
- Difference with private equity include:
  - Sources of funds** – family offices tend to invest annual cash flows from the family-owned business or money made on the sale of their business;
  - Strategic view** – family offices allocate amounts to interesting opportunities across all asset classes, focus on absolute returns and are more personally involved rather than management teams;
  - Investments** – FOs prefer co-investments alongside PE in LBOs but also look at growth equity-type deals;
  - Industries** – despite investing across all industries, family offices have more expertise with family-owned businesses and the business in which they were/are involved.

|  | Family office   | Private equity   |
|--|---|--|
| <b>Investment decision</b><br>   | <ul style="list-style-type: none"> <li>Backed by one or several families through a holding</li> <li>Indefinite period</li> <li>Long-term vision</li> <li>Entrepreneurial mindset</li> <li>Profit generation</li> </ul>  | <ul style="list-style-type: none"> <li>Backed by several institutional investors</li> <li>Definite period of around 7 years</li> <li>Focused on IRR</li> <li>Financial mindset</li> <li>Revenue growth</li> </ul>  |
| <b>During the investment</b><br> | <ul style="list-style-type: none"> <li>Real-life experience</li> <li>Growth challenges and buy &amp; build strategy</li> <li>Internal succession</li> </ul>   | <ul style="list-style-type: none"> <li>Diversified portfolio</li> <li>Distress and turnarounds</li> <li>External succession</li> </ul>   |
| <b>At exit</b><br>             | <ul style="list-style-type: none"> <li>Focus on long-term view and supporting companies to realise their full potential</li> <li>Deep industry expertise and entrepreneurial mindset</li> <li>Clear focus on driving value creation through strong operating performance</li> </ul> | <ul style="list-style-type: none"> <li>Focus on strong financial results by through active hands-on approach</li> <li>Investment banking and strategy consulting expertise</li> <li>Disciplined approach around strategic planning, funding and risk management</li> </ul> |

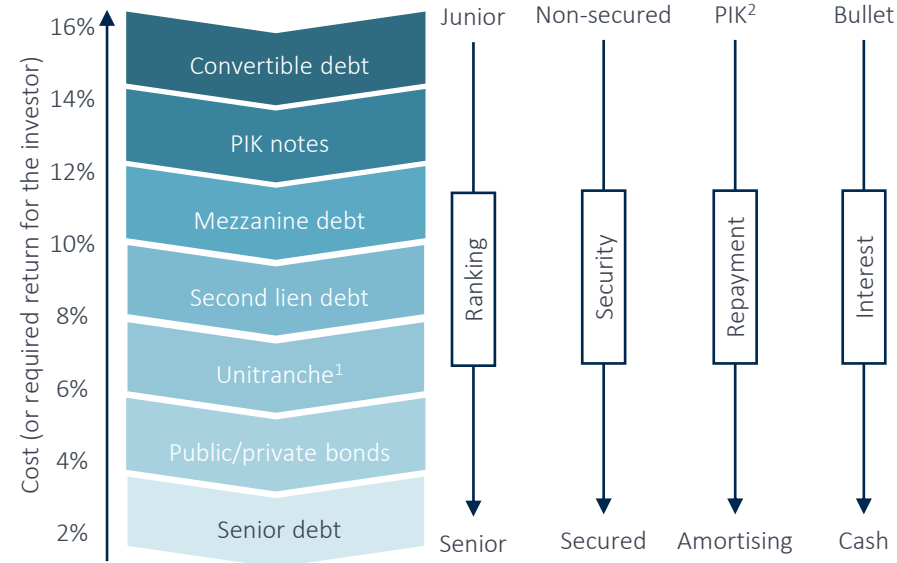
# Clairfield has the necessary in-house expertise to optimize the financial debt structure of your company

## Financial debt



## Maximum leverage: rules of thumb

- Senior leverage: max. 3.0x EBITDA
- Total leverage: max. 4.0x EBITDA
- Base case financial model (no or limited growth) should prove that:
  - Borrower can easily comply with debt services;
  - Borrower can easily comply with financial covenants;
  - Refinancing risk at maturity is less than 1.5x EBITDA.



## Multiple influencers

| Positive influencers             | Negative influencers          |
|----------------------------------|-------------------------------|
| Historical track record & size   | Unproven markets & products   |
| Recurring revenue streams        | Lumpy revenue streams         |
| Stable or growing market         | Fast moving product evolution |
| Branded or IP protected products | High fixed costs/overhead     |
| Management                       | Management                    |

<sup>1</sup>Unitranche = a hybrid loan structure that combines senior debt and subordinated debt into one loan / <sup>2</sup>PIK = Payment In Kind = a loan in which the interest is rolled up (capitalised) and added to the principal every year

# Transaction highlight: Clairfield successfully advised the family shareholders of Brouwerij Martens in a private share buy-back

July 2018

**CLAIRFIELD  
INTERNATIONAL**

Clairfield acted as debt advisor to the private family shareholders of Brouwerij Martens in a share buy-back from Unibra



**BROUWERIJ  
MARTENS**

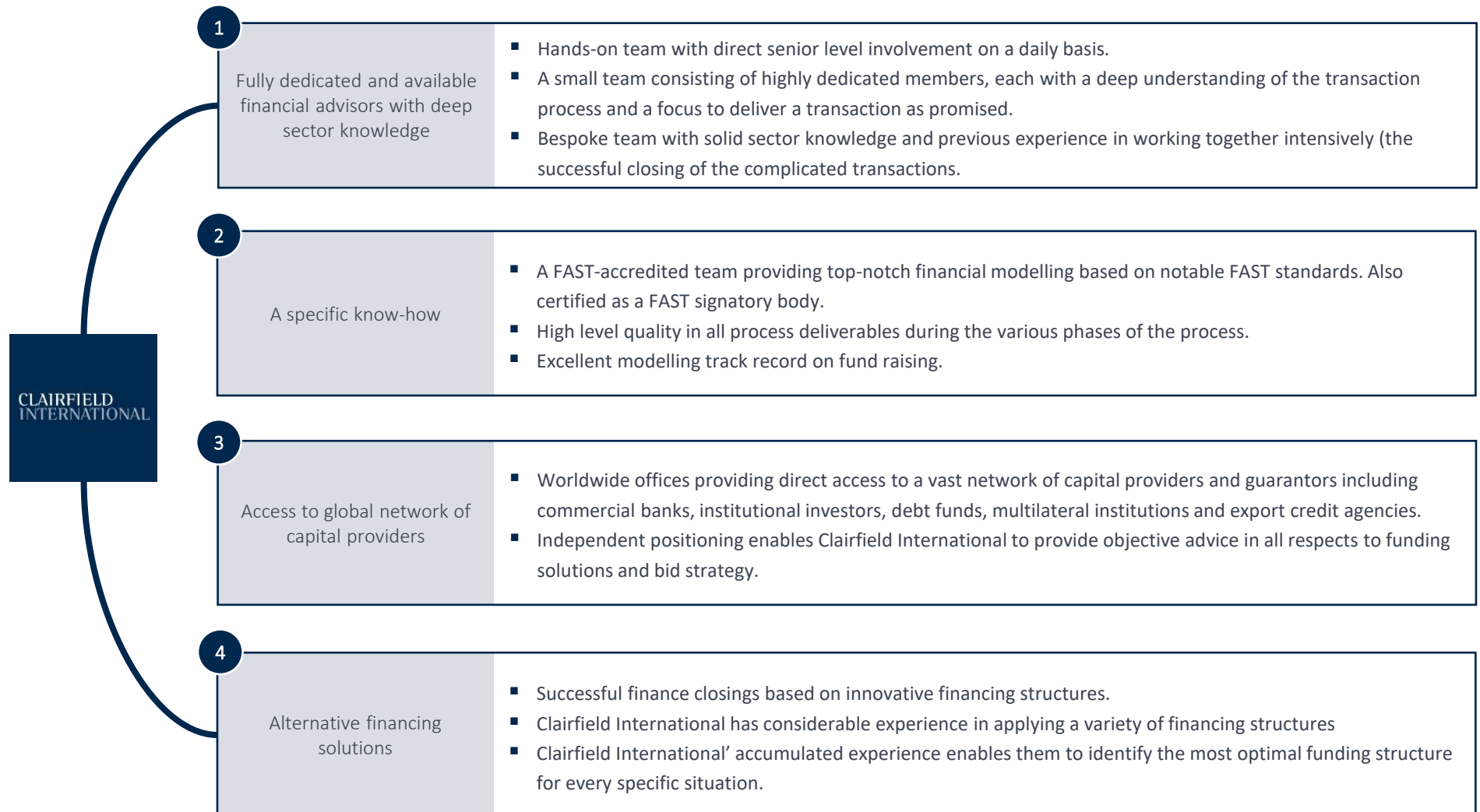
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Advisor to the family shareholders of  
Brouwerij Martens

|                    |                    |  |
|--------------------|--------------------|--|
| Mission summary    | Company            | Brouwerij Martens (the “Company”), founded in 1758, is the second largest brewery in Belgium engaged in the development, production, distribution and sale of private label beer and to a smaller extent own beer brands.                                    |
|                    | Situation          | One of the shareholders, Unibra, expressed its interest to exit the Company. The family shareholders Jan and Fons Martens considered this as a unique opportunity to let Brouwerij Martens become a family business again.                                   |
|                    | Mandate            | Given that private label brewery is characterised as a capital intensive business, the family shareholders opted for a private bridge facility (bullet), enabling them to finance the transaction and look for a potential financial investor in the future. |
| Process management | Preparation        | Clairfield started the preparation by sitting together with management and gathering information to draft a Financing Memorandum. Besides that, Clairfield drafted a list of potential financing parties.  |
|                    | Marketing approach | After drafting the Memorandum, Clairfield approached both domestic and foreign banks and mezzanine parties. Clairfield received 4 Non-Binding Offers including term, type of loan, interest rate, etc.   |
|                    | NBO assessment     | As soon as Clairfield received the Non-Binding Offers, a meeting with the shareholders was arranged to assess the NBOs and to see who would proceed. At the end, 2 banks were selected for the next phase.   |
|                    | Due diligence      | As proposed by Clairfield, the remaining parties agreed to go for a ‘light’ version of a due diligence. Documents included: financials of the Company, private tax filings, overview of private wealth, SHA, SPA, term sheet, etc.                           |
|                    | Final Offer        | Finally, the family shareholders of Brouwerij Martens received a bullet bridge facility for an amount of €16.25m with a term of 3 years at a fixed rate of less than 1% with the % of shares as pledge.  |

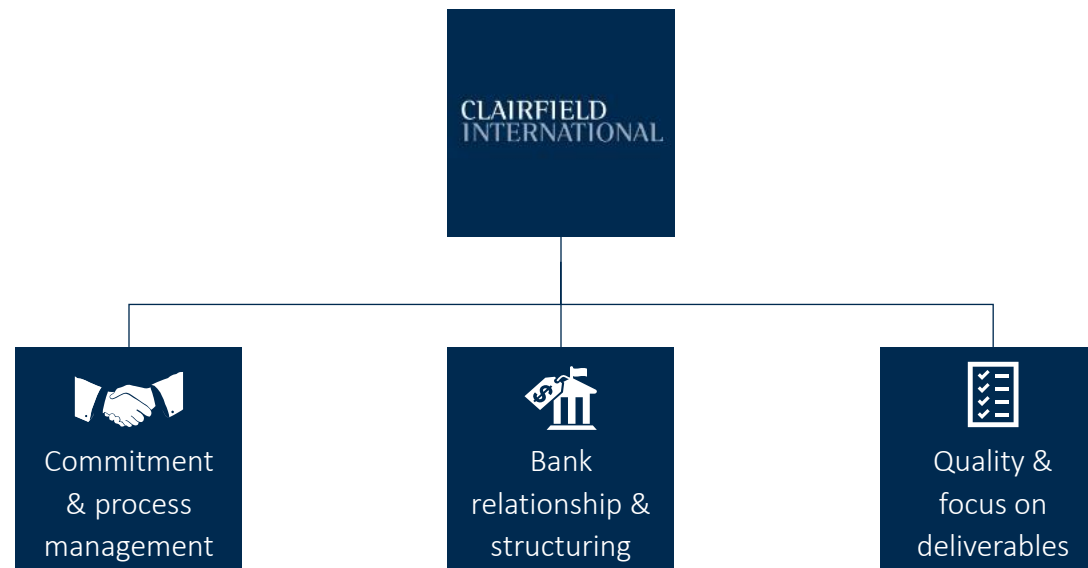


# Clairfield International comprises of committed and experienced financial advisors with extensive access to various capital providers



# Clairfield International proposition is based on three core values for Project Finance assignments

## Clairfield International Project Finance values



- Clairfield International understands the importance of commitment & process management during a Project Finance assignments. We therefore put great emphasises on our client relationship, stimulate on-going communication with our client and have direct senior involvement on a day-to-day basis.
- We maintain excellent relationships with commercial banks as well as other financial sponsors that enables us to have direct access to capital sources and generate added value through the whole spectrum of financing.
- We have extensive experience in structuring and funding projects with a variety of financing instruments and techniques to establish the most optimal financing structure for the project accompanied with fully independent advice.
- The quality and the presentation of deliverables to the tendering authorities, financial sponsors as well as the client is very important. We value quality along the process up to Financial Close as one of our key values in Project Finance and deeply understand the requirements.
- Clairfield successfully supported various clients on Project Finance assignments in Belgium and abroad.

# Considerable experience with applying a variety of financing structures and optimising competitive funding

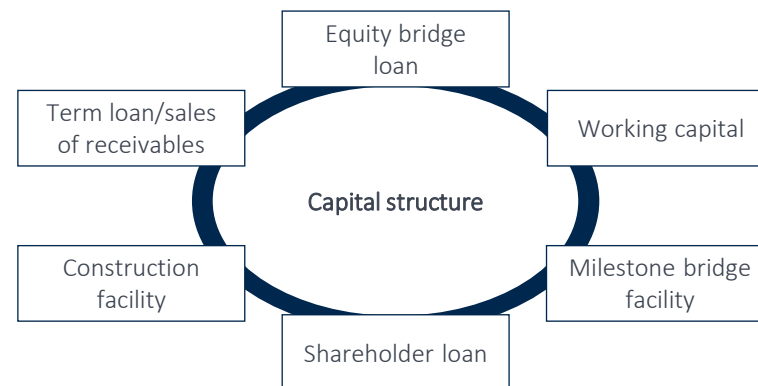
## Experience with structuring the required level of funds

- Our team has an in-depth understanding of fund raising procedures and the specifics of structuring and completion.
- Our accumulated experience enables us to identify the most optimal funding structure for every specific situation and raise the required level of funds for capital investments in an efficient way.
- Our team was involved in finance raising of around €750 million for project finance purposes over the last 2 years

## Optimisation process in minimising financing risks

- We understand the requirements, expectations and exposures to risk of financial sponsors.
- In order to stimulate favourable terms and conditions for the capital required and consequently lowering the overall projects' NPV, we typically set up a debt funding competition (also known as beauty contest).
- To lower the projects' NPV by mitigating risks, hedging instruments such as interest rate swaps or other derivatives can be utilised. Clairfield International identifies and utilises the most suitable products in such a way that total borrowing and debt servicing costs will be reduced.
- With both an optimal funding structure and optimisation of terms and conditions, we strive for the most optimal 'Value for Money' the client can offer the tendering party.

## Financing options



## Considerations

|                                   |                     |                          |
|-----------------------------------|---------------------|--------------------------|
| Maturity and timing               | Market conditions   | Shareholder requirements |
| Risk mitigation                   | Financial ratios    | Payment guarantees       |
| Credit rating                     | Refinancing risk    | Leverage                 |
| Interest rate risk                | Construction risk   | Ring-fencing             |
| Forfeiting                        | Hedging instruments | Syndicated/club deal     |
| Alternative finance & structuring |                     |                          |

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