Middle market loan origination

Area of expertise: Structured finance and lending
Theme: Structural solutions

Overview: Middle market lending

— Middle market loan transactions are typically driven by the need to finance dividend recaps and leveraged buyouts
— DB works across various business types to provide BDC-style, middle market lending

Key loan parameters

— **Loan size:** $50mm-300mm
— **Duration:** 3-5years, having financed up to 7years
— **Leverage:** between 3.5-5.5x EBITDA
    — 3.5-4x for Senior
    — 5-5.5x for Mezzanine
— **Rates:** Senior can range from 4-7%; Mezz can range from high single to low double digit yields
— **Fees:** 1-1.5% upfront

Company profile

Size	Collateral	Industry
EBITDA range $15-25mm	Hard assets	Industry agnostic but with focus on industrials & natural resources

Case Study: Frac sand processing company

— DB extended ~$50mm of senior secured debt to a frac sand mining and processing company that was seeking to purchase reserves currently being mined under contract
— Its senior secured structure included all assets of the company and its subsidiaries
— Financing was structured in 3 phases (1 & 2 complete); upsize of up to ~$50mm available upon meeting financial metrics, and its proceeds would be used for expansion and logistics improvements
— Current off-take contracts and backlog of additional contracts to be executed as additional mines come online
— Low risk expansion strategy, given agreed purchase price under option contract and basic, everyday construction processes required for logistics improvement

Financing Amount	~$100mm (including potential upsize)	**Economics**	High single digits
Tenor	5 yrs	**Purpose**	Purchase of assets, logistics improvements, and working capital
Further draw conditions	— Completion of asset purchase — Certain financial metrics	**Covenants**	— Negative pledge — Minimum liquidity — Leverage ratio — Debt service coverage ratio — CapEx limits — Limited distributions