



# Lower Middle Market Strategies

**Frank Jordan**  
Partner

**Crestline Investors, Inc.**

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# What If?

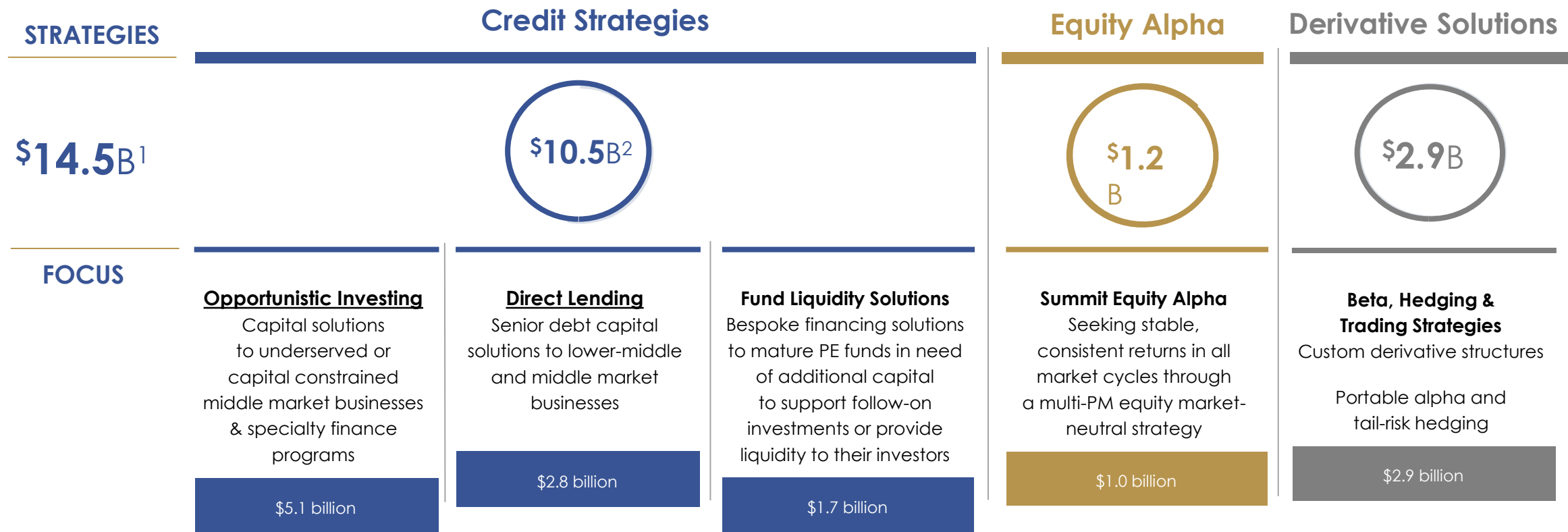
- ❖ What if you can decrease your portfolio correlation to the broader markets?
- ❖ What if you could invest outside the massive pools of capital that are chasing yield?
- ❖ What if you can identify a strategy that works through cycles?
  - Nimble
  - Anchored by 1<sup>st</sup> Lien
  - In control of its outcome
  - Uses complexity to its advantage
- ❖ In essence, an all-weather strategy

*That would be Opportunistic*

# Crestline Assets Under Management



Crestline has a unique 24-year experience providing innovative investment offerings across a diverse product array

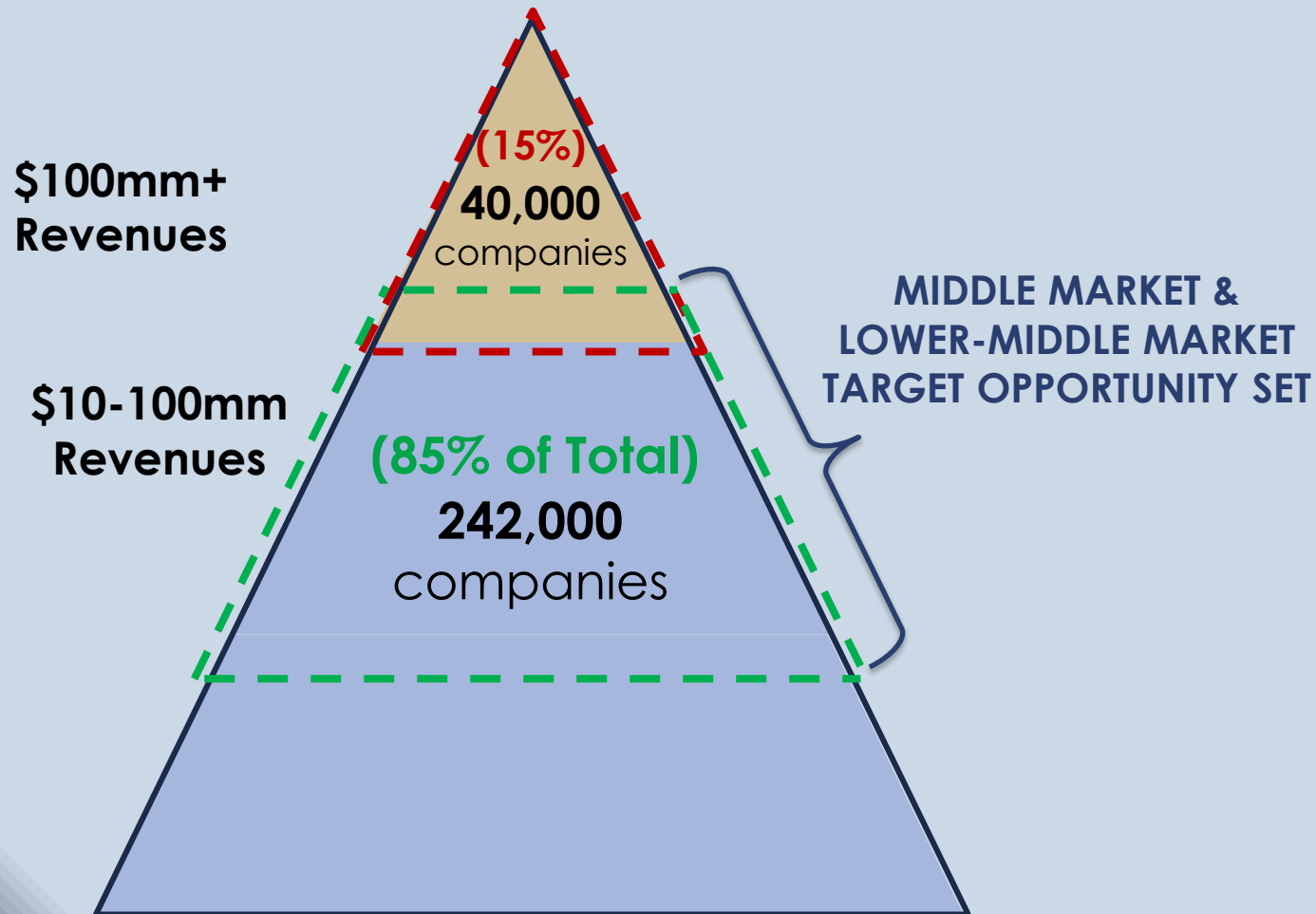


<sup>1</sup> Assets on strategy level may not sum to firm AUM due to inter-fund investments. <sup>2</sup> Includes \$620 million of multi-strategy, \$75 million of successor GP, and \$80 million of recovery fund strategy products. AUM for Crestline Investors, Inc., its affiliates and its affiliated management team is estimated at \$14.5 billion, which includes uncalled capital commitments and \$2.9 billion of beta overlay notional amounts. The above estimate is based on valuations as of 6/30/2021 for certain assets managed by Crestline affiliates, which are valued as of earlier dates based on the most recently available data for such assets. AUM for the Specialty Lending Funds may include leverage. Estimated as of 10/1/2021 to include commitments post 6/30/2021. See Notes to Performance History & Comparisons for further information.

# Our Alpha is Driven by the Lower Middle Market

Crestline leads with a unique asset underwriting approach

## Companies in the US and Canada<sup>1</sup>



## Alpha created through

- Recurring Revenues
- Multi-Site Businesses
- Asset-Based Lending
- Underwriting + Structuring

## Opportunity

- Residential building between UPenn, Drexel University, Children’s Hospital of Philadelphia
- Market need for low-cost housing option for students and hospital staff
- Building upgrade to maximize occupiable space – Sales price negotiated at \$37mm
- With inception of COVID, bank lender declines to offer 3% construction loan
- New buyer steps in at \$24.1mm
- Construction timeline compressed to meet completion date

## Capital Solution

- 18-month loan at 61% LTV
- Completion guarantee with in ground milestone and preset penalties
- Significant equity backstop
- Mid-teen solution, short duration asset, limited correlation risk
- Safe, secure, all-weathered capital



### Opportunity

- Banks evacuated midstream financing
- Diamond cutters unable to finance inventory
- Previously funded up to 65% of retail value at a cost of 3%
- Commodity price volatility exceptionally low
- Massively scalable opportunity for a global problem

### Capital Solution – Think Repo

- Crestline takes possession at 60%+ of wholesale value
- 1% monthly rate with 12-month period
- At termination vendor buys back diamond at cost (less fees and expenses)
- Diamonds held in safe location accessed only by Crestline
- Crestline returns improve in a default scenario

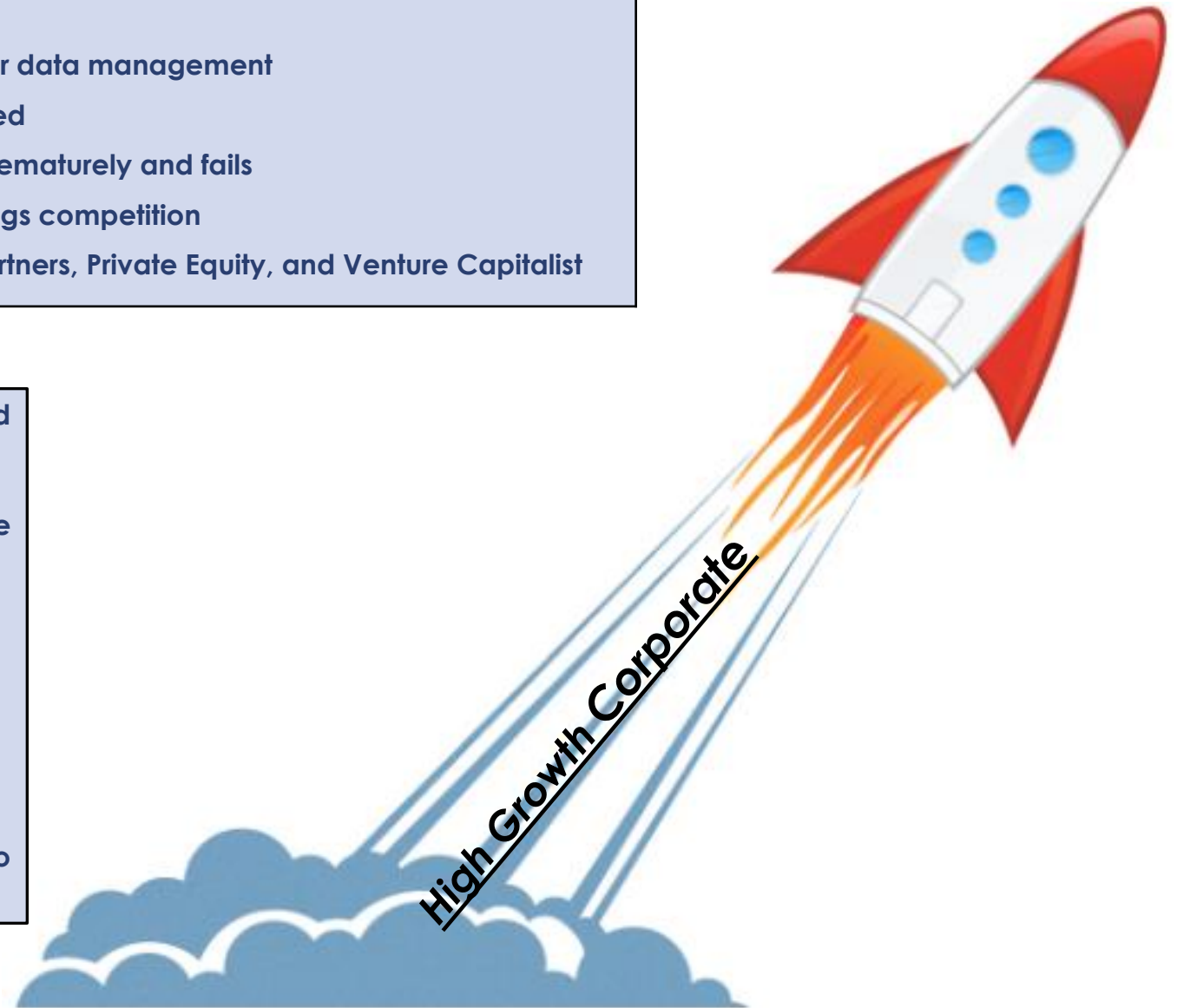


### Opportunity

- Founder owned business
- Cloud solutions for master data management
- Growth capital is key need
- IPO brought to market prematurely and fails
- Software solution leap frogs competition
- Interest from Strategic Partners, Private Equity, and Venture Capitalist

### Capital Solution

- Crestline devises clever structure to fund growth and minimize dilution
- Highly structured deal provides downside protection while capturing upside potential
- 1<sup>st</sup> Lien for negative controls, heavy covenants
- Liquidation preference to drive multiple
- Low LTV through preferred equity
- Company has time to grow sales and build value prior to sale to strategic buyer

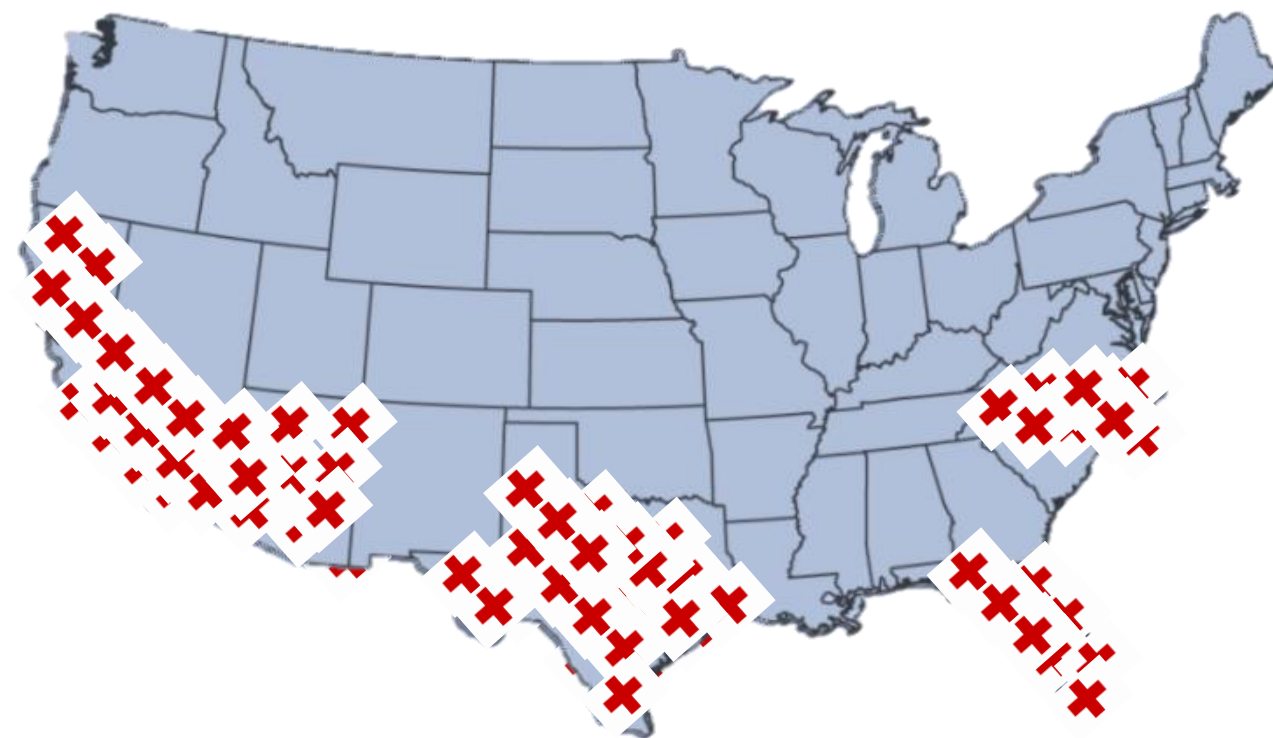


### Opportunity

- Leading urgent care platform with 109 locations and strong market presence
- Original management team mismanaged execution for profitability and cashflows
- Original 1<sup>st</sup> lien lender gives way to predatory 1<sup>st</sup> lien lender who likes the company
- Company put into foreclosure with 60 days to repair
- Equity sponsor walks away

### Capital Solution

- Mezzanine provider reaches out to Crestline for flexible solution
- Clever capital structure with less debt, more equity, allows room for growth
- Crestline takes reduced 1<sup>st</sup> lien, with covenants for negative controls
- New preferred equity funded by Crestline and Mezzanine, with warrants and equity divided between
- New management team, better strategy, focus on cashflows, sell or close underperforming centers
- Strong volume growth over prior year and budget across portfolio, outperforming budgeted and prior year visits
- Company moves to cashflow positive and executes acquisition and disposition strategy
- Redeploy capital into centers at lower multiples where synergies improve profitability



# Disclosures

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