

GP Financing at Investec Bank plc ('Investec')



What is GP Financing and how does it drive growth?

In an era of growing fund sizes, we help GPs free up the capital they need to deliver on their commitments, allowing them to seize new opportunities. We do not believe off-the-shelf has a place in funds. So, our clients profit from solutions tailored to their funds' specific capital needs.



Liquidity release

Opening up strategic equity transactions: dividends to founders, ownership buy-back and leverage



Succession planning

Financing solutions to allow equity participation for junior members of the team, thereby enhancing talent retention



New strategies

Finance to take existing fund strategies in new directions



Geographical expansion

Growth capital that drives successful diversification into new territories



Co-investment

Providing capital for GP commitments in new funds and continuation vehicles



Working capital support

Facilitating day-to-day capital requirements with a flexible, tailored RCF

An unmatched range of capabilities for GPs

We are one of the few global banks with the expertise to offer GP Financing as a dedicated fund solutions specialisation. Providing clients with an unmatched range of capabilities and expertise, drawn from our heritage in the GP capital space:

- We believe client success is best achieved by an in-depth understanding of your business, your plans – and level of exposure
- Value can then best be created for you by your dedicated team through expert, tailored financing solutions
- Deep expertise in funds and all asset classes
- We provide practical strategic advice, using sector insight and learnings from recent market transactions
- Core expertise in
 - Strategic GP Financing
 - Co-investment

A choice of repayment options tailored to your funds' needs

- Refinancing – increase existing lines to accommodate new funds, using existing documentation to minimise duplication
- Right-sizing – match repayments with known liquidity events such as forecast exits
- Bullet repayments – enhance facility utilisation, easing pressure on cash flow



Strategic GP Financing

What is Strategic GP Financing? Its role and value to GPs

Typical GP business challenges

1. Releasing essential equity from the management company to support growth and retention
2. The cost impact of buying back minority shareholders
3. Insufficient capital to seed new strategies

Ways Investec GP Financing can support growth

Provide preferred equity on debt financing solution to the manager to support capital requirements

Typical financing parameters

Deal sizes

- \$20m-\$200m

Pricing

- 4.50%-8.50% margin

Structure

- Preferred equity or debt with an accordion function allowing future access to capital

Term

- 5-8 years

Issuer

- Manager (can be flexible depending on structure)

Financial costs

- Can be flexible but core focus is the income generated by the manager through management fees, co-investment and performance fees

Repayment / Cash sweep

- % sweep of management company adjusted EBITDA, GP Co-investment distributions and performance fees



Co-investment GP Financing

What is Co-investment Financing? Its role and value to GPs

Typical GP business challenges	Ways Investec Co-investment can support growth
1. GPs' value locked up in existing funds, creating a mismatch of liquidity for new fund commitments	1. Provides GP Co-investment facilities for new funds using revenue sources, potentially increasing your advance rate
2. Junior partners looking to participate with larger commitments, however general life commitments compete for available resources	2. Facilitates larger commitments from junior partners by leveraging the managers' recognized fee stream
3. Managers' incentive programmes and retention plans placing unnecessary pressure on cash flow and balance sheet	3. Reduces uncertainty and liquidity risk in funds, replacing in-house programmes with financing solutions that free up your cash flows

Typical financing parameters

Deal sizes

- \$10m-\$200m

Pricing

- 3.75%-4.50% margin

Advance rate

- 50%-70% (higher collateral value allows for higher advance rate)

Structure

- Secured term loan which steps up in line with expected fund deployments
- Management fee income and Co-investment form part of the security

Term

- 5-7 years

Borrower

- GP/Manager/Co-investment vehicle

Covenants

- Management fee test – match expected fee income
- Free cash flow cover test

Repayment / Cash sweep

- Primary source of repayment from exits or distributions
- Typically no repayment over investment period as fund deploys

The Investec difference

At Investec, you will discover a unique way of doing business, driven by our founders' entrepreneurial spirit, allowing us to deliver creative solutions for our clients in a straightforward way. It is also the engine behind our agility and speed, allowing us to help our clients achieve goals, big and small, ahead of time. We are consistently recognised for our high service levels in industry awards. Our business is run responsibly and sustainably in line with three core pillars: people, planet and profit.

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About Us

Fund Solutions is represented in the United States by the above team members employed by Investec USA Holdings Corp.

