

CASH FLOW FINANCING



Steel City Capital Funding is PNC Business Credit’s cash flow lending division, providing flexible senior secured debt solutions. As a specialty finance company serving middle market borrowers and private equity sponsors, Steel City leverages the capabilities of PNC Business Credit, one of the asset-based lending market’s most active participants.¹ Steel City is funded exclusively by PNC and enjoys an efficient credit approval process parallel to PNC Business Credit.

Since its inception in 2005, Steel City has closed 344 platforms with more than 175 sponsors, representing \$9.0 billion in commitments. Additionally, Steel City provides access to the full complement of PNC financial products including, but not limited to, multicurrency capabilities, treasury management services, interest rate protection tools and letters of credit.

Steel City lends across a broad range of industries and is an “all weather” lender, providing a consistent and reliable funding source through economic cycles. Commitment holds range from \$10 million to \$200 million, with the ability to underwrite larger amounts.

Steel City professionals average 20+ years of industry background and take a client-centric approach to transactions by leveraging unmatched experience in collaborating with both regulated and non-regulated institutions. In addition to providing bank financing solutions, Steel City maintains relationships with dozens of well-regarded third-party financial partners that complement and expand its lending capabilities.

Product Offerings

CASH FLOW TERM LOANS are used for market-leading businesses with minimum annual revenues of \$50+ million, EBITDA between \$7.5 million and \$50 million, funded leverage from 2.0x to 4.5x, and a working capital base that supports an asset-based revolver.

FIRST OUT STRUCTURES are designed for collaborating with the direct lending community to finance larger companies with minimum annual revenues of \$100+ million and EBITDA of \$20+ million. Steel City works with like-minded partners to offer clients/sponsors a full solution, a seamless process and confidence of execution. Borrowers benefit from revolving bank liquidity, a more competitive total cost of debt and a full suite of bank products. Direct lenders benefit from yield enhancement created by the first out funding, liquidity from the complementary PNC revolver and use of PNC Agency Services, which eliminates administrative burdens.

A SAMPLE OF RECENT TRANSACTIONS

Technology

A portfolio company of
Cinven

\$80,000,000
First Out Structure – Revolver
Acquisition Financing

Distribution

A portfolio company of
Platinum Equity

\$70,000,000
Revolver & Term Loan*
Acquisition Financing

Manufacturing

A portfolio company of
BRIGHTSTAR
OFFICE MATERIALS

\$50,000,000
First Out Structure –
Revolver & Term Loan
Acquisition Financing

Manufacturing

A portfolio company of
One Equity Partners











\$85,000,000
Revolver & Term Loan*
Acquisition Financing

Manufacturing

A portfolio company of
AMERICAN SECURITIES

\$150,000,000
First Out Structure – Revolver
General Refinancing

A SAMPLE OF RECENT TRANSACTIONS (continued)

<p>Business Services</p>  <p>Fastmarkets</p> <p>A portfolio company of</p>  <p>€60,000,000 Super Senior Revolver & Term Loan Acquisition Financing</p>	<p>Business Services</p>  <p>United Utility</p> <p>A portfolio company of</p>  <p>Revolver & Term Loan* Acquisition Financing</p>	<p>Technology</p>  <p>Synamedia</p> <p>A portfolio company of</p>  <p>\$50,000,000 First Out Structure – Revolver General Refinancing</p>	<p>Technology</p>  <p>A portfolio company of</p>  <p>\$60,000,000 First Out Structure – Revolver General Refinancing</p>	<p>Business Services</p>  <p>Jackson Hewitt TAX SERVICES</p> <p>A portfolio company of</p>  <p>\$40,000,000 First Out Structure – Revolver General Refinancing</p>
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Financing Structures

STRUCTURED FINANCE

- ABL revolver paired with a cash flow term loan
- Solution is differentiated by:
 - Term loan solves for a leverage point, not collateral
 - Flexible covenant package
- Competitive blended cost of capital
- PNC’s ability to take larger holds reduces execution risk (sole bank deals).



PRO RATA

- Syndicated version of Structured Finance
- Traditional bank characteristics:
 - Senior leverage (generally 2.5x–4.0x)
- Market pricing and amortization
- Two covenants (leverage and fixed charge)



UNITRANCHE — SPLIT LIEN

- ABL revolver on working capital assets; bifurcated term loan on the other collateral; documented with an intercreditor agreement
- Within the term loan, there is a first out and last out tranche documented by an agreement among lenders.
- PNC holds the revolver plus first out term loan.
- Typically, there are separate credit agreements for the revolver and term loan.
- Benefits include:
 - Higher leverage profiles
 - Flexible covenants
 - Minimal payback requirements



UNITRANCHE — FIRST OUT / LAST OUT OR PRIORITY

- PNC provides first out or priority capital in a unitranche, comprising cash flow revolvers and term loans.
- Direct lenders provide the majority of the leverage and debt quantum.
- Documented with a credit agreement and an agreement among lenders (pre-negotiated with many lenders)
- Popular market structure for or mid-to-large borrowers with similar benefits of the Unitranche – Split Lien, plus:
 - Simplicity
 - Speed of execution
 - Scalability



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*A portion of the funding provided by Steel City Capital Funding, a division of PNC Bank.

1 Loan rankings derived from traditional middle market loan syndication league tables for 3/31/24 published by Loan Pricing Corporation.

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