MGG INVESTMENT GROUP

CASE STUDY

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MGG: Private Credit with Distinct Strategy

Uncorrelated, differentiated direct lending and special situations portfolio designed to deliver constant high cash yields and superior risk-adjusted returns (on an absolute and relative basis) in all market cycles

Direct Lending/Special Situations with Differentiated Non-Sponsor Sourcing and Focus

Attractive Market with Deep Supply/Demand Imbalance

Conservative Underwriting, Covenants and Risk Management

Experience and Success Investing Across Cycles

→ Zero Losses

20+
year sourcing network

15.53%
current est. portfolio IRR est. (approximately 0.5x leverage)
12.33% (unlevered)

$1.6+ billion
total equity

1,000+ deals
average sourced per year

Background

PROFESSIONAL SPORTS FRANCHISE	The Borrower is an NHL Franchise and is based in the Phoenix suburb of Glendale, Arizona
TIGHT TIME FRAME TO BUY AT BIG DISCOUNT	The team's majority shareholder had roughly 60 days to buy out the more than 45% of the team he did not own – <u>at a roughly 50% discount</u>
OWNER NOT CASH LIQUID	Majority shareholder lacked ready liquidity, and given he had borrowed from MGG two times previously, ***MGG must consider whether or not to extend a $150,000,000 credit facility, consisting of a $110,000,000 first lien loan and a $40,000,000 second lien loan***

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Terms

SECURITY	**Original Total Commitment: $150 million** $110 MM 1st Lien Term Loan $ 40 MM 2nd Lien Term Loan
INTEREST	**1st Lien:** L + 8.25%, payable monthly / 1.25% LIBOR Floor **2nd Lien:** 11.44% (fixed), accrued monthly and paid-in-kind ($80M payable at maturity)
OID	2.0% on the total $150 million commitment
MATURITY	**1st Lien**: 4 years; **2nd Lien**: 6 years
EXIT FEE	**1st Lien**: 3.5% of total 1st Lien commitment amount **2nd Lien**: 100% of the total 2nd Lien drawn amount (implied 2.0x MOIC at prepayment)
PREPAYMENT PENALTY	**1st Lien:** NC -1, subject to 3.5% exit fee at all times **2nd Lien:** Callable at any time, subject to exit fee
COVENANTS	Minimum EBITDA, Minimum Liquidity, Maximum Capital Expenditure, Minimum Contractually Obligated Revenue, Maximum Loan-to-Value

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Capital Structure

PF Capitalization ($ millions)			Excl. Advances	
Security	$Face Comm.	Including Exit Fees	LTV % (Comm.)	LTV % (w/ Fees)
NHL Leaguewide Facility	$100.0	$100.0	28%	28%
1st Lien Term Loan	93.8	97.1	60%	61%
1st Lien Delayed Draw Term Loan	16.2	16.8	60%	61%
1st Lien Debt (excl. advances)	**$210.0**	**$213.9**	**60%**	**61%**
2nd Lien Term Loan	35.0	70.0	71%	83%
2nd Lien Delayed Draw Term Loan	5.0	10.0	71%	83%
1st + 2nd Lien Debt	**$250.0**	**$293.9**	**71%**	**83%**
Cash	4.0	4.0	1%	1%
Net Debt	**$246.0**	**$289.9**	**70%**	**82%**
Implied Equity	106.0	62.2	30%	18%
Total Capitalization	**$352.0**	**$352.0**	**100%**	**100%**

Investment Thesis

FRANCHISE VALUE PROVIDES PRINCIPAL PROTECTION	**Franchise value provides principal protection to MGG's investment.** Per prior sales and independent appraisal, MGG believes the team worth at least $352 million in a distressed sale—well above MGG debt
UPSIDE POTENTIAL FROM FAVORABLE TAILWINDS	**Valuation upside potential from favorable tailwinds, including improving CBA and increasing contracted TV broadcasting revenues.**
STABLE CASH FLOWS	**Stable multi-year contracts with major national broadcasters, the NHL, season tickets and corporate sponsorships.** Approximately +70% of total revenue is stable, predictable, or contracted on a year-to-year basis
VALUATION PREMIUM DUE TO TEAM'S MOBILITY	**Team's lack of lease and 100% mobility add upside premium to its valuation.** Flexibility to move provides a premium to its valuation. $500 million expansion fee for new Las Vegas team is an indicative valuation of the scarcity and premium value given to teams with flexibility to "start fresh" in new location
NHL GUARANTEE	In event of covenant breach, if MGG funds expenses deficit, if any, for up to a year, NHL provides guarantee that MGG fully repaid

Risks

TEAM IS NOT PROFITABLE

OWNER IS NOT CASH RICH

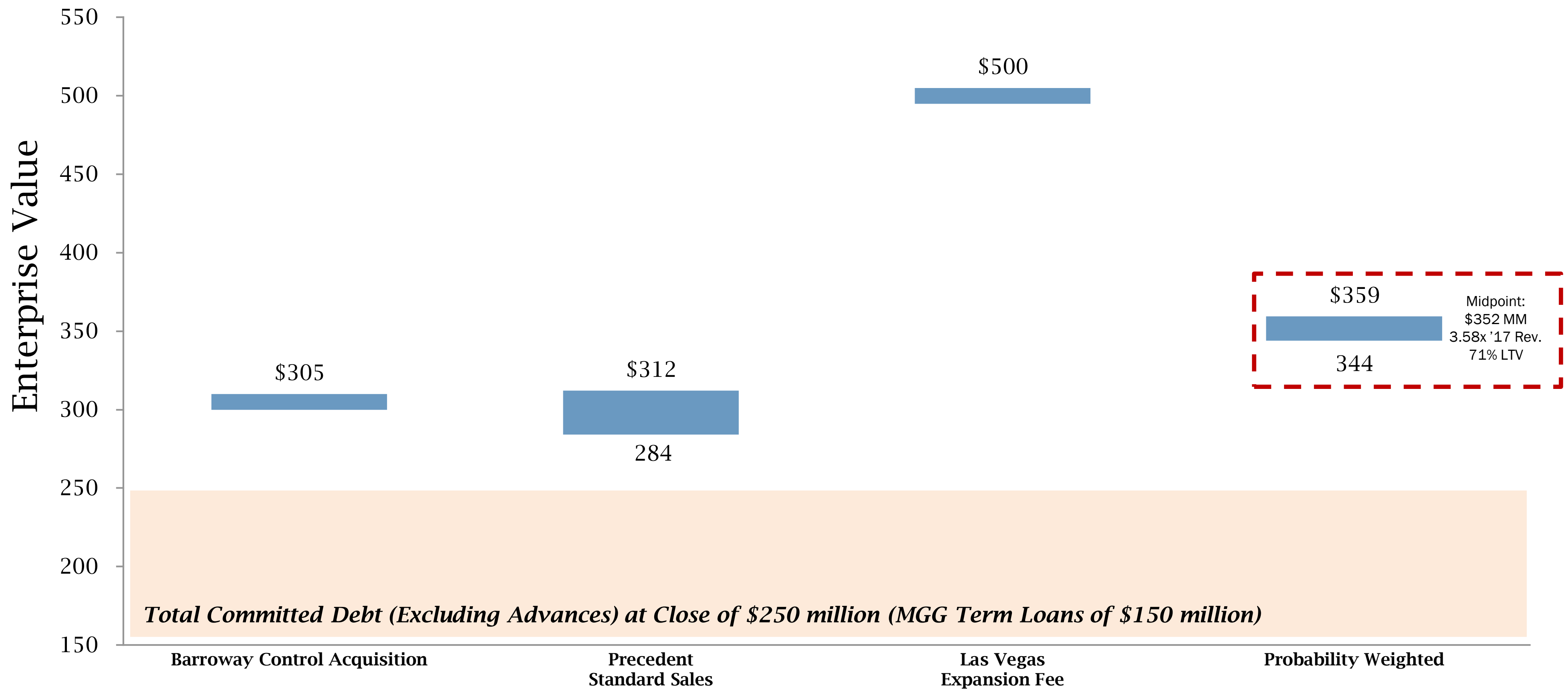
NEED TO NEGOTIATE WITH THE NHL, NOT JUST THE BORROWER

NO AMORTIZATION

LARGE, CONCENTRATED POSITION

Valuation Summary

Indicative Valuation Ranges				
	Barroway Control Acquisition	Precedent Standard Sales	Las Vegas Expansion Fee	Prob. Weighted
x Revenue	~3.1x	2.9 – 3.0x	5.1x	3.5 – 3.7x
% LTV	82%	80-88%	50%	70-73%
% Probability	45%	30%	25%	100%



Note: Valuation multiples are based on Fiscal Year 2017 Revenue (MGG Base Case) of $98.2 million, excluding expansion fees

Case Study - Project Moon (Realized)

OWNER COVENANT BREACH	Owner unable to pay required team operating expenses without help from MGG
SUPPLEMENTAL LOAN NEEDED	MGG provides supplemental loan of $38 million to cover operating deficit and bridge to a sale of the team
OWNER RUNS SALES PROCESS	Owner runs somewhat chaotic sales process spurning varied good offers but ultimately successfully selling team for higher value
LOAN REPAID IN FULL	Sale results in full payback of MGG loan generating 22% realized gross IRR First Lien IRR 14.64% Second Lien IRR 40.08% Supplemental First Lien IRR 29.83%