



**PACIFIC CURRENT GROUP**

# Investor Presentation

Investment in Victory Park Capital Advisors, LLC

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**ASX: PAC**



# Disclaimer

The information in this presentation is general information about Pacific Current Group ('Pacific Current' or 'PAC') and is current only at the date of this presentation. In particular, this presentation:

- › is not an offer or recommendation to purchase or subscribe for securities in Pacific Current, nor is it an invitation to any person to acquire securities in Pacific Current;
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Accordingly, management cautions against simple extrapolation based on FUM updates/ trends.

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# Agenda

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# Overview

- Pacific Current Group Limited ('Pacific Current' or 'PAC') has acquired a 24.9% equity interest in Victory Park Capital ('Victory Park' or 'VPC'), a Chicago-based alternative investment firm focused on providing flexible private debt, credit and equity solutions.
- PAC made a capital investment of A\$94.6m (US\$70.0m)<sup>^</sup> with all consideration paid upon closing. Funding was sourced from PAC's working capital.
- VPC has approximate FUM\* of A\$4.3bn (US\$3.2bn) as at 30 June 2018.
- If VPC meets PAC's growth estimates it will contribute approximately \$A9.5m (US\$7m) in FY19.
- PAC has negotiated a suite of minority shareholder protections to protect its economic interests.
- Upon completion, PAC is entitled to a seat on the VPC board.

\* FUM represents the current market value (or fair value) of the private fund's assets plus leverage and the contractual amount of any uncalled commitment.

<sup>^</sup> USD conversion based on 1USD = 0.74AUD

# Strategic Rationale

- › The investment is immediately accretive.
- › VPC is a profitable, growing business that has carved out a leadership position in fintech/non-bank lending investing.
- › VPC has a globally diversified client base and the ability to expand into new markets.
- › It provides substantial diversification benefits by increasing PAC's exposure to longer-tail, contractual revenues.

# Victory Park Capital

- Victory Park Capital Advisors, LLC is a privately held, SEC-registered, global alternative investment firm that manages the VPC investments.
- VPC's multi-dimensional approach provides flexible and opportunistic financing solutions through its three complementary investment strategies:
  - **Special Opportunities**
  - **Financial Services**
  - **Private Debt**
- VPC's differentiated offerings leverage broad special situations and credit structuring expertise, disciplined deal origination, creative financing capabilities and an extensive network of industry relationships.
- VPC is headquartered in Chicago with additional offices in New York and Los Angeles.
- Founded in 2007 by Richard Levy and Brendan Carroll, VPC currently employs more than 40 professionals to identify and evaluate global investment opportunities, manage current investments, and serve its investors.
- VPC's client base is diversified geographically and comprises institutions and family offices, including some of the most sophisticated sovereign wealth funds, insurance companies, endowments and other institutional investors.
- Since the start of 2014, FUM has roughly tripled to A\$4.3bn (US\$3.2B).

# VPC Investment Strategies

## VPC STRATEGIES

### Special Opportunities

- Provide financing solutions to businesses with a unique or complex capital need
- Focus on illiquid credit (both primary and secondary) as well as opportunistic and distressed private equity opportunities
- Seek investments between \$25 to \$75 million with the ability to flex higher or lower for the right situations



### Financial Services

- Provide financing to growing and established companies across the financial services sector
- VPC is one of the largest and most active financial technology investors globally
- Comfortable investing across the capital structure and adept at structuring solutions for both early- and late-stage companies
- Investment size can range from \$5 million to \$150+ million



### Private Debt

- Provide financing solutions to underserved U.S.-based lower-middle-market companies with stable or improving operating metrics
- Generally structure investments as debt (primarily first or second lien term loans or unitranche facilities) with selective equity investments
- Typically invest \$10 million to \$20 million per transaction



# Key Highlights about VPC

## Leading Institutional Manager

- VPC's funds have committed and invested over \$7.0 billion across over 100 investments and built a unique deal-sourcing network in the U.S., Europe and other key international markets.
- VPC's investment strategies target double-digit net returns with strong cashflow protection and an attractive risk profile.
- VPC has been one of the key players in the establishment of private credit and direct lending strategies as an institutional asset class.
- The firm has three distinct lending strategies offered through draw-down funds, separate accounts, and a permanent capital vehicle.

## Extensive Sourcing Network

- Industry participants view VPC as one of the most tenured and experienced teams in terms of deal structuring, diligence and risk mitigation.
- VPC's deep, non-traditional relationships with leading venture capital and private equity investors have been, and remain, a critical advantage in sourcing deals and securing preferential capacity in the portfolio companies' development.
- Companies continue to seek out VPC as a leading capital provider as they focus on securing reliable capital.

## Strong Risk Management Through Structuring

- The VPC team has extensive experience identifying, structuring and executing transactions with attractive returns and significant downside protection and is well positioned for macro interest rate moves with floating rate deals.
- Financial services investments are made through a Special Purpose Vehicle ("SPV") structure where excess spread and sponsor equity provide significant downside protection on the underlying pool.
- VPC has a proven record of protecting its investors' principal.

## Highly Experienced Team

- VPC has a dedicated investment team with extensive experience across a wide range of financial, operating and legal disciplines, including principal investors, lenders, operating professionals, advisors and service providers.
- The team has demonstrated the ability to navigate through complex situations and niche opportunities as the firm has strived to provide creative structuring solutions for all aspects of the capital structure.
- VPC's legal, investor relations and operations team has widespread experience and capabilities in structuring, servicing and monitoring VPC's investment portfolios.

## Robust Pipeline of Transactions

- VPC has a disciplined deal origination process that has generated nearly 1,000 deals.
- VPC screens potential portfolio companies based on various criteria, including cost of acquisition/scalability, quality of underwriting, ability to service their loan portfolio and anticipated pricing/spread to be earned.
- Completion of more than 100 investments with more than 40 financial sponsors and venture capital firms.



# Key Deal Terms

- › Investment of A\$94.6m (US\$70.0m)<sup>^</sup>, divided between acquired interests in the management entity (Victory Park Capital Advisors, LLC) and a special purpose vehicle created to hold carried interest in certain existing and future VPC funds.
- › Funds are immediately payable in simultaneous signing and completion.
- › Carried interests from a limited number of existing VPC funds are excluded from the transaction.
- › PAC receives certain rights to periodic cash distributions from management company operations.
- › Distributions from carried interest are paid after proceeds are received by the carried interest holding company.
- › PAC has the right to designate a board seat at the management company.
- › PAC receives information rights and certain consent rights intended to permit PAC to protect its investment in VPC.
- › PAC is entitled to preemptive rights on future issuances of securities by VPC to protect against dilutive issuances.

<sup>^</sup> USD conversion based on 1USD = 0.74AUD

# Key Deal Terms

- Victory Park interests have a right of first refusal (“ROFR”) to buy back PAC’s interest in Victory Park if there is a change in control of PAC. In such circumstances, the purchase price is determined by reference to the amount ascribed to the PAC interest in Victory Park as part of the PAC change of control transaction (the “ascribed value”). If the Victory Park interests disagree with the ascribed value, the price will be determined by an appraisal process having regard to the fair market value of PAC’s interest in Victory Park and the consideration as part of the PAC change of control transaction.
- If there is a change in control of PAC and the new PAC controlling entity is a material competitor of Victory Park, in the circumstance where the Victory Park interests do not exercise their ROFR, then (a) PAC will lose its board and board observer rights, and management control will revert to the Victory Park managing member, (b) PAC consent rights regarding certain expenditures and operating expenses will lapse, and (c) certain PAC information rights will terminate.
- If there is a change in control of PAC prior to the fourth anniversary of completion of the Victory Park acquisition, where the new PAC controlling entity is not a material competitor and the Victory Park interests do not exercise their ROFR, in certain circumstances, PAC’s voting board seat converts to an observer seat and management control reverts to the Victory Park managing member, and certain PAC board voting rights convert to consent rights.

# Key Deal Terms

- › The interests held by PAC are subject to restrictions on transfer; however, PAC is entitled to tag along in any transfers by Victory Park interest holders and PAC may be required to participate in certain sales of Victory Park if the consideration to PAC is above certain thresholds.

# PAC Investment Strategy

- › PAC seeks new investments that
  - Provide enhanced portfolio diversification across multiple dimensions (asset class, investment geographies, client geographies, etc.) and
  - Are in “sunrise” (or strong secular growth) segments of the market.
- › We seek two broad types of investments:
  - Profitable businesses with strong growth prospects and
  - Earlier stage, higher-risk opportunities that can be viewed as relatively ‘inexpensive’ options.
- › Our primary goal is to enhance earnings growth and resilience.
- › As previously noted, PAC has been seeking more exposure to non-active equity and private capital strategies.

# Summary

- › PAC has acquired a 24.9% equity interest in VPC because we believe they are outstanding fund managers.
- › The investment will make an immediate contribution to earnings and is EPS accretive.
- › The investment in VPC demonstrates that PAC continues to see attractive investments across the size spectrum.



Q&A