

# **Greenwich** Loan Income Fund Ltd

## **Acquisition of BMS Finance**

**Investor Presentation: October 2012**

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## **Section 1: Introduction**



# Introduction

- Greenwich Loan Income Fund Limited (“GLIF” or the “Company”) is a Guernsey-domiciled investment company
  - The Company’s objective is to produce a stable and predictable dividend yield, with long-term preservation of net asset value, and the investment policy is to invest primarily in senior secured loans
  - The Company’s investment policy is to invest principally in syndicated corporate loans issued primarily by U.S. middle-market companies with a strong competitive position and positive cash flow
  - T2 Advisers, LLC acts as the Company’s investment manager
- The Company is seeking new investment opportunities in order to: (a) put the capital that is becoming available to work and (b) diversify its portfolio
- **GLIF has identified BMS Finance AB Limited (“BMS”), a company that makes loans to U.K. small-to-medium sized enterprises (“SMEs”), as an appropriate acquisition target to achieve the Company’s near-term goals**

- The proposed acquisition of the assets of BMS is in line with the Company's corporate strategic goals:
  - i. **Geographical diversification.** GLIF's corporate strategy is to seek geographical diversification of its assets, rather than use hedging, to reduce the currency and geographical risks associated with the exposures of the company. The Acquisition will enable GLIF to increase its asset base outside of its core U.S. Investments, which will diversify the portfolio geographically;
  - ii. **Asset diversification.** The assets acquired differ from the existing portfolio and therefore the acquisition provides asset diversification, whilst remaining within the investment policy of GLIF;
  - iii. **Existing asset pool.** The acquisition is of an existing, mature pool of assets, giving greater visibility to the nature of the acquisition;
  - iv. **Existing team with established track record.** The Management Team have an established track record managing loans in accordance with the investment strategy; and
  - v. **Target 10% - 15% net returns.** The target returns are identical to those sought by GLIF and thus are complementary to the existing investments

# Summary & Rationale of the Proposed Transaction

- Summary
  - Consistent with the corporate strategy, GLIF has entered into an agreement to acquire the assets of **BMS Specialist Debt Fund (“BMS SDF”)** for c. £11.6million<sup>1</sup>
  - BMS Finance AB Limited – the main lending vehicle (NAV £10m)
  - 70% stake in Noble Venture Finance II LP (“NVF II”) (NAV £1.6m)– a European venture debt fund in the late stages of run off
  - GLIF will receive a £1.4m cash distribution from NVF by the end of 2012.
  - The remaining assets are cash, receivables and warrants – the latter are valued at zero in the NAV in line with BMS accounting policy
- Rationale for the acquisition
  - The absence of bank lending to SMEs continues to create attractive opportunities in the U.K. loans market
  - Diversifies the asset base of GLIF
  - The acquisition is intended to be accretive to NAV and revenue over the life of the investment
- Economics
  - The acquisition of BMS Finance financed through the issue of approximately £11.6million consideration shares at net asset value (49.7p<sup>2</sup>)
  - The BMS management team is contributing £333,000 ranking behind GLIF’s base return and thus will receive a pro rata share (33%) of BMS’s profits after the cost of finance

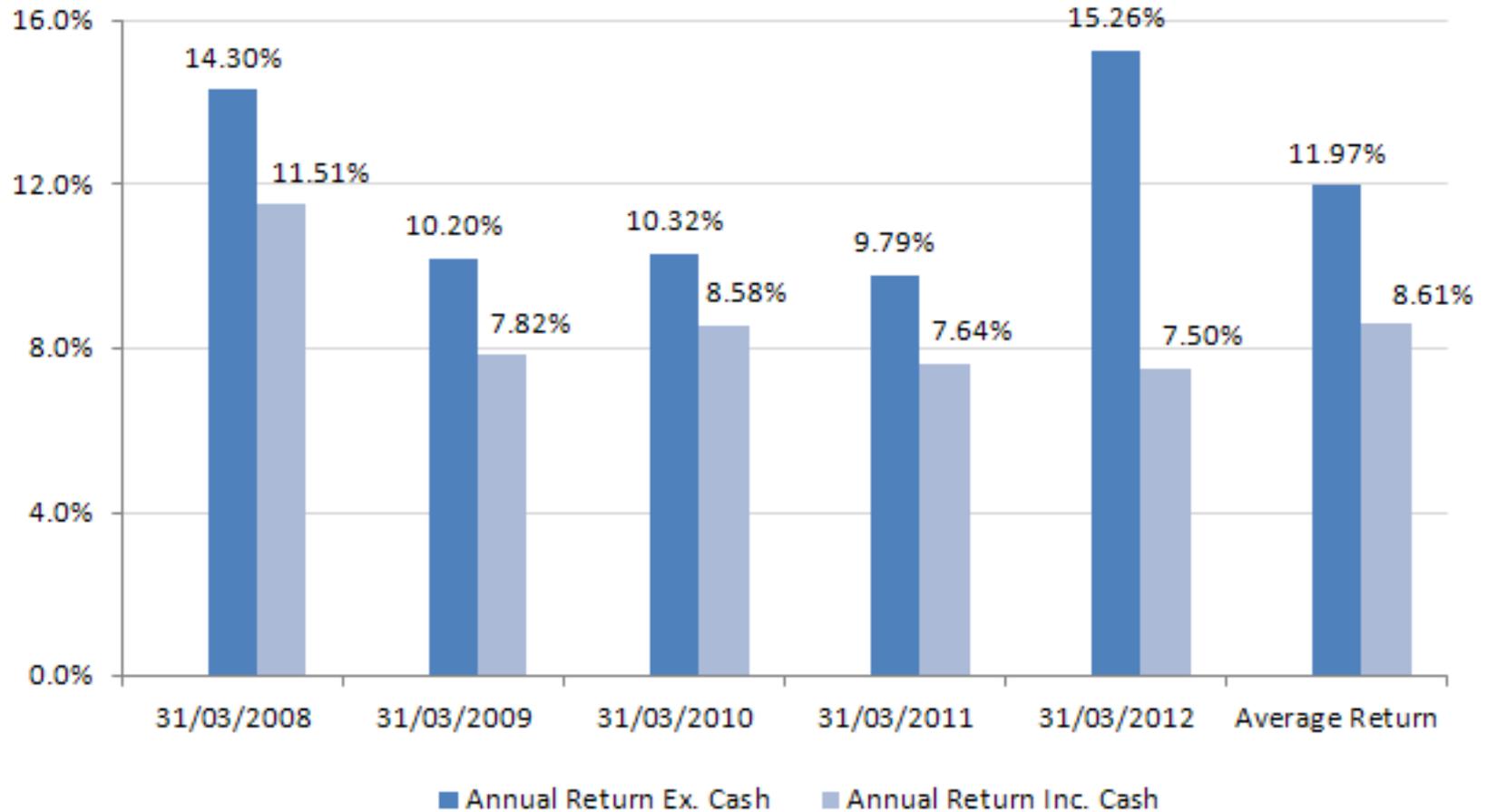
## Section 2: Transaction Details



# The Business of BMS

- Established by Ewan Stradling and Martin Ling in 2005, with Shane Lanigan joining in 2008
- Proven track record of sourcing and managing senior loans to UK SMEs
- Typical loan size of £500,000 to £3million – senior secured, three year term with monthly amortisation
- Interest rates of 10-15%, arrangement fees of 1-2% and warrants – ‘Mezzanine Returns with Senior Security’
- Targeting growth businesses, who struggle to access bank funding in the current environment
- Well established process for sourcing, assessing, monitoring and realising loans, with a stable team
- Strong pipeline of new lending opportunities - £35.75m as at 16<sup>th</sup> October 2012, as UK banks continue to withdraw from funding new SME clients

# BMS Finance Track Record



# Co-investment platform

- BMS is seeking to develop a co-investment platform to expand the capital available for funding new loans
- BMS's existing capital will be deployed through this platform
- Potential investors include pension funds, family offices and government agencies
- As part of this strategy BMS has applied for funding under the BIS Small Business Tranche of the Business Finance Partnership – further details are included in the appendix
- As well as the return on its investment, the platform would generate fee income for BMS enhancing the return on capital

# Transaction Offer & Timing Overview

- **GLIF Offer:** GLIF will issue consideration shares to acquire BMS and its debt worth £11.6million:
  - 23,322,056 new ordinary shares will be issued at 49.7p – the NAV as at 30 September 2012
  - The vendors will offer shares at a 5% discount to their issue price – the shares will be issued cum-dividend (1.25p)
  - The vendors will be locked-in for a period of 6 months for the balance of their shares with 12 month orderly market
- **Assets Acquired:** GLIF will acquire the assets of BMS Specialist Debt Fund:
  - Portfolio of mature, conservatively valued loans to U.K. SMEs:
  - 70.75% stake in Noble Venture Finance II LP (a Jersey limited partnership)
    - The board of NVF's GP has approved a £2m cash distribution, of which £1.4m will flow to GLIF BMS
  - Warrants
- **Legal Structure:** Closed-end fund
- **Adviser / Placement Agent:** Investec

## Key Dates

Date	GLIF Milestone
5 Nov	Share purchase letters signed
6 Nov	APA Signed
7 Nov	Transaction Announced and Prospectus Filed
12 Nov	Shares Admitted
14 Nov	Post-Transaction Dividend XD
16 Nov	Post-Transaction Dividend Record
23 Nov	Post-Transaction Dividend Paid

## Appendix A: GLIF Background



## ■ **Stable Investment Objective & Policy**

- The Company's objective is to produce a stable and predictable dividend yield, with long term preservation of net asset value, and the investment policy is to invest primarily in senior secured loans
- The Company's investment policy is to invest principally in syndicated corporate loans issued primarily by U.S. middle-market companies with a strong competitive position and positive cash flow

## ■ **Sustainable & Progressive Dividend Policy**

- Current annualised yield (circa. 10.4%) on dividends at 5 pence p.a.

## ■ **Consistent Share Price & NAV**

- Continues to trade close to, or at a premium to NAV
- Preservation of net asset value

# GLIF: The Investment Case

- CLOs have performed well, exhibiting low volatility with dependable and secure income payments
  - Focus on middle-market loans offers opportunity to take advantage of market mispricing
  - Highly experienced investment manager
- GLIF has a proven ability to add value through corporate structure, acquisitions and investment strategy
  - Acquisition of AMIC in January 2011
  - Return to end December 2011 of 60%
- ISA eligibility – CISX and AIM traded

## First Half to June 2012 – Increasing Revenue, Stable NAV

- Total income £7.4m, compared to £5.9m H1 2011
- Operating expenses £3.1m, vs £4.4m in H1 2011
- NAV 47.9p per share vs 48.3p at end of 2011
  - September 2012 NAV 49.7p
- Income after expenses and finance costs 3.1p per share
- Payout ratio 74%
- Further reduction in management fees in H2
- High level of income underpins a stable and predictable dividend
- Potential to continue progressive dividend growth in the future
- Stability of the underlying loans reflected in relatively flat net asset value

# Dividend Policy

- Dividend policy focused on the sterling investor
- Dividend raised in Q312 by 9% to an annualised 5p
  - Current prospective yield of 10.4%
- The Board believes that a sustainable and progressive dividend is more valuable to long term shareholders than achieving the highest possible dividend in any one period
- Conscious decision to grow dividend slower than net income, allowing:
  - Short term external shocks to be absorbed within dividend cover
  - More flexibility in future investments
  - Retention of capital to generate further income to underpin dividend growth prospects

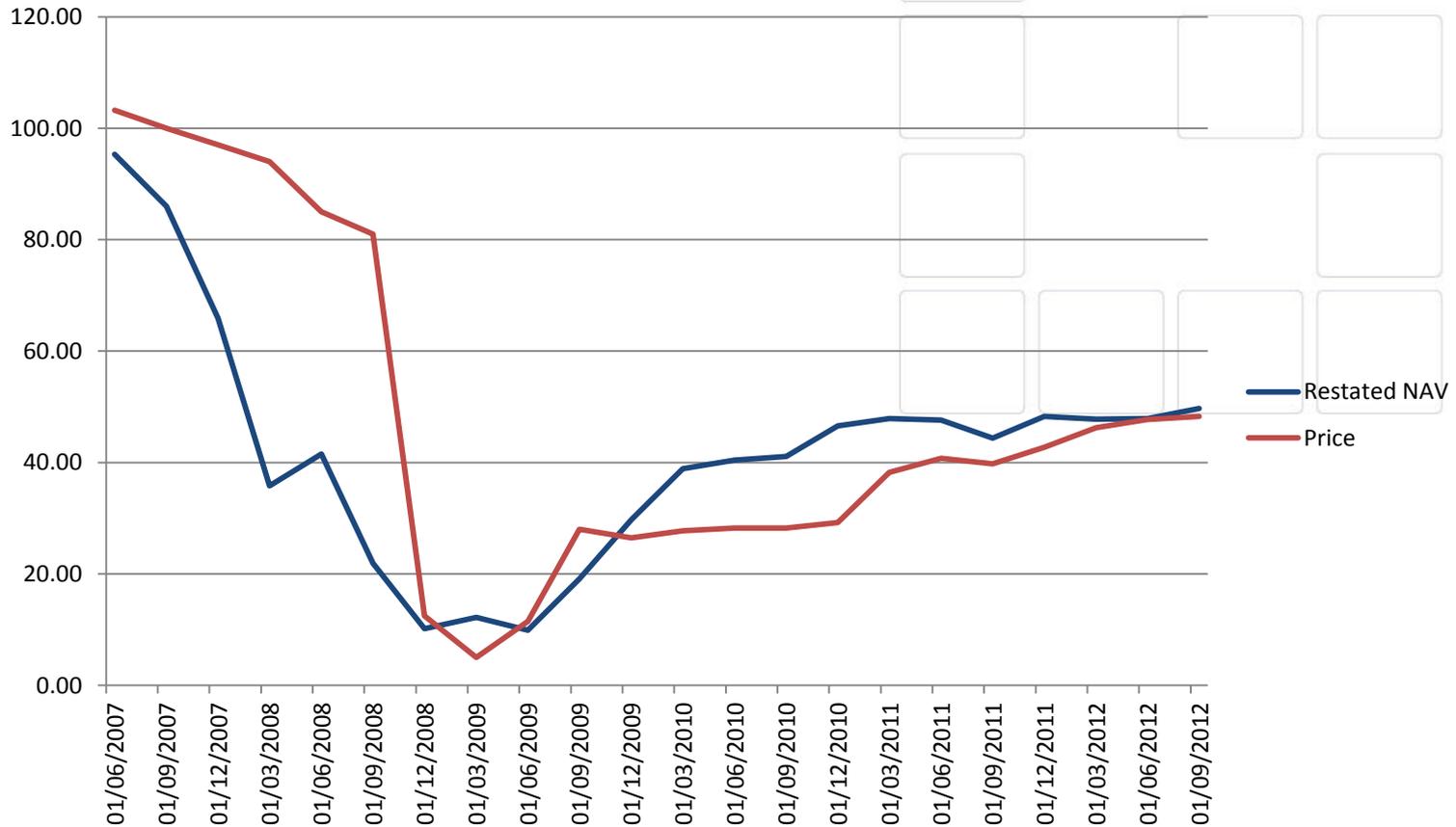
# Investments at Market Value, Debt at Par 30/6/12

Held directly by GLIF	Face Value (\$m)	Market Value (\$m)	Market Value (£m)	%
<b>Loan Assets</b>				
Koosharem Corporation 2nd Lien loan	10.9	1.0	0.6	1.3%
Lombardia Capital Partners Loan	2.1	2.1	1.3	2.8%
T2 CLO I Ltd				
Loans	309.8	297.6	189.5	
Debt	<u>(248.9)</u>	<u>(248.9)</u>	<u>(158.4)</u>	
Net	60.9	48.7	31.1	65.9%
			<b>33.0</b>	<b>69.9%</b>
<b>Third Party Managed CLO Equity</b>				
GSC 2007-8X CLO equity	3.8	3.0	1.9	4.0%
Halcyon 2007-2A CLO equity	4.6	3.8	2.4	5.1%
			<b>4.3</b>	<b>9.1%</b>
<b>Equity related</b>				
CBA Group equity		3.4	2.1	4.4%
Lombardia Capital Partners penny warrant		0.7	0.4	0.8%
IFDC SA equity		1.6	1.0	2.1%
Stratus Technologies equity		1.2	0.8	1.7%
Provo Craft equity		0.0	0.0	0.0%
Koosharem Corp. warrants		0.0	0.0	0.0%
			<b>4.3</b>	<b>9.1%</b>
<b>Net Cash</b>			<b>5.6</b>	<b>11.9%</b>
<b>Total</b>			<b>47.2</b>	<b>100.0%</b>
		<b>Per share (p)</b>	<b>47.9p</b>	

# CLO Portfolio Investment Manager

- T2 Advisers have a successful and long term track record in managing:
  - Direct investment in broadly and narrowly syndicated loans
  - Investment in bilateral loans
  - Investment in CLO paper
  - CLOs
- Diverse experience of the manager allows GLIF a wider universe of potential assets than listed peers and brings a broader perspective

# GLIF Share Price & Restated NAV



# Greenwich Loan Income Fund Ltd

## Appendix B: BMS Management Team



# Biographies of BMS Management Team

## **Ewan Stradling**

### **CEO**

Prior to founding BMS, Ewan worked with a range of companies, as Group CFO for the Netdecisions Group, including Agilisys a high growth IT outsourcer. He was responsible for the group's commercial, legal and finance functions. His experience included numerous corporate transactions, a substantial turnaround and restructuring, following the dotcom crash, and board positions as an investor director. Prior to joining the Netdecisions Group, Ewan worked for Investec in the corporate finance department. He specialised in M&A within the small and mid-cap TMT sector. Ewan is authorised by the Financial Services Authority.

## **Martin Ling**

### **Director**

Martin assisted Ewan in establishing BMS after 4 years working together in the Netdecisions Group (now Agilisys). He is a chartered accountant with over 12 years experience in operational financial control and reporting, through his role as finance director of BMS, alongside extensive financial analysis and debt structuring expertise gained through various transactions completed whilst at Netdecisions and BMS. Martin's career prior to Netdecisions was with the Virgin Group where he worked as a financial advisor in the team which set up and grew Virgin Direct Financial Services (now Virgin Money). Martin is authorised by the Financial Services Authority.

## **Shane Lanigan**

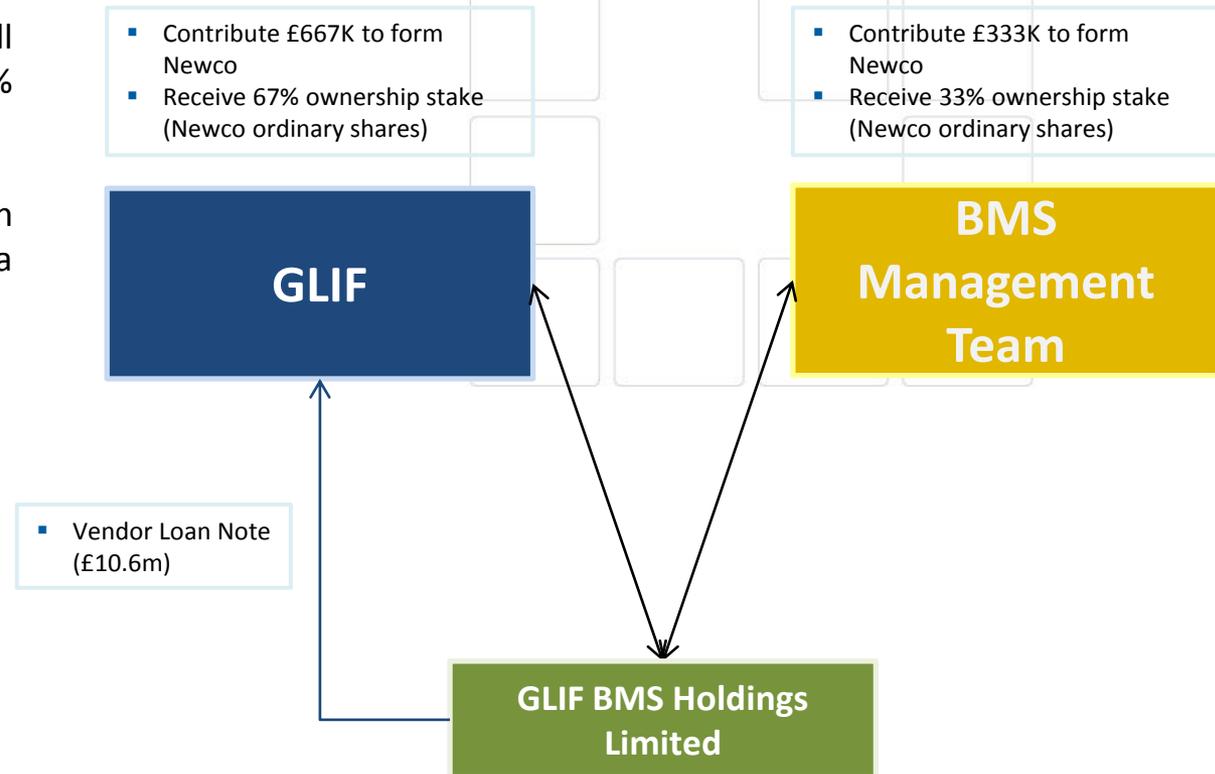
### **Director**

Shane has 20 years credit experience gained in insurance and banking, 12 of which were in European leveraged finance. He has worked for a number of banks including The Fuji Bank and Erste Bank within their credit, leveraged and acquisition finance departments and was responsible for sourcing, origination and analysis of Western European leveraged loan transactions. Prior to joining BMS, Shane worked at Elgin Capital and was involved in fundraising, as well as the sourcing, origination, trading and analysis of leveraged loan transactions for the Dalradian European CLO series of funds. Shane joined BMS in August 2008. Shane is authorised by the Financial Services Authority.

# GLIF: Diagram of Post Acquisition Structure

GLIF forms Newco which will own BMS:

- BMS management team will contribute £333K to hold a 33% stake (ordinary shares) in Newco
- GLIF will contribute £667K worth of ordinary shares to maintain a 66% stake in Newco



# Business Finance Partnership (“BFP”)

- BMS Finance has applied for funding from the Department of Business Innovation & Skills (“BIS”). The BFP will invest an initial £1.2 billion in loan funds, alongside private sector co-investors. These funds will then lend to mid-sized businesses, helping to diversify the channels of finance available to them:
  - BIS has been allocated £100 million to invest through the **Small Business Tranche** of the BFP
    - Size per applicant is £5 million - £20 million
- BIS’s criteria:
  - Applicant must demonstrate they have new matching funding – BIS will only fund 50%
  - Initial investment period to be two years
  - BIS will invest on the same terms as private capital