



BDC - SUBORDINATE FINANCING

Jeff Hill Managing Director

BDC Facts

- Crown Corporation
- Mandated to assist SME via financing, consulting & investing
- Vision: ACCELERATE ENTREPRENEURS SUCCESS
- Currently assist 28,000 entrepreneurs via 94 branches and 1,700 employees

BDC Subordinate Financing

- Established 14 years prior with the Formal group established in 2000
- Hy-Brid financing/equity
- Stretch term loans
- Equity with subordinated GSA
- Range investments \$250,000 - \$10,000,000

Positioning:

Return

Venture Capital/
Equity

Equity

- no security
- no cash flow

Subordinate Financing

Term Loan

- cash flow
- security

Risk

Use of Funds:

- Mergers and Acquisitions
(Management buyouts/buyins, succession, acquisition)
- Working Capital for Growth
 - Opportunity Capital
 - Supplier discounts, new customers with longer credit terms

Industries:

- Manufacturing, Knowledge Based, Service, Wholesale, Retail Chains, Transportation/Logistics

What we assess

- Cash Flow / Normalized EBITDA drives valuation
- Management
- Niche Player and/or Sustainable Advantage
- Not typically doing start-ups, but have done some early stage pure equity deals/ zero interest debentures
- We do not refinance on-going losses

Advantages:

- Flexible financing: principal deferral, bullet payment, pricing
- Does not dilute ownership – no management rights
- Often considered equity by chartered bank (improve balance sheet leverage / pricing)
- Subordinated charge on tangible assets

Budget Announcements

- \$350 million capital injection, \$250M now to increase our capital base to loan to SME's
- \$100 million for "line of credit guarantees or top ups" Details of this program are to follow
- Business Credit Availability Program (BCAP) Through this program, EDC and BDC will provide at least \$5 billion to support businesses with viable business models whose access to financing would otherwise be restricted. Details to follow shortly.

Contact Information

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