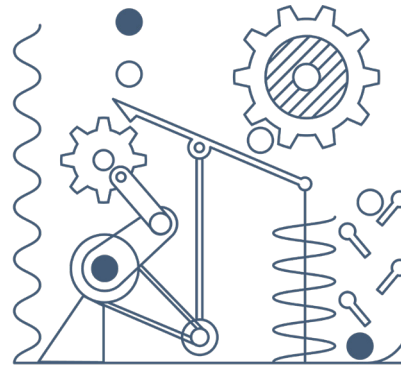


6 FINANCING CONSIDERATIONS IN SURREAL TIMES

With the public health and economic position continually evolving, businesses will be considering how to finance their recovery and future growth strategies for the months ahead. Against this backdrop, we have identified 6 key issues for businesses to consider in this changing environment.

1 FINANCIAL COVENANTS

Many sets of financial covenants have been temporarily amended in order to track true business performance during the pandemic. Given the impact on revenues, use of liquidity rather than EBITDA-based covenants has been prevalent, though variations on 'EBITDAC' (i.e. 'adding back' pandemic losses) have also been used. We expect future financings to include tests that seek to ensure both performance and liquidity can be tracked.

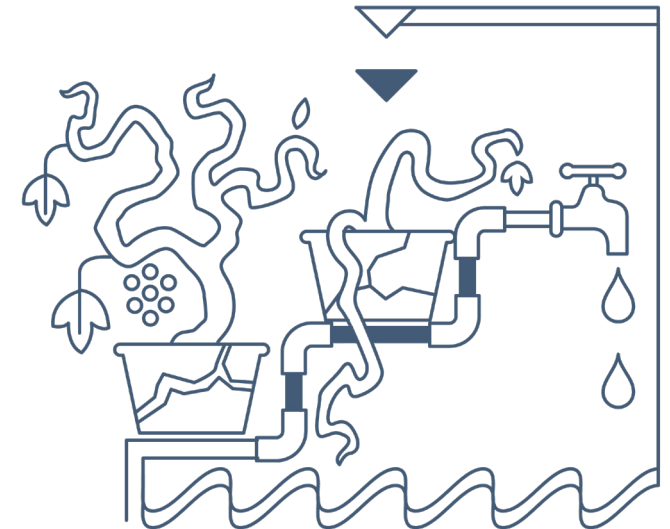


2 PROJECTIONS AND FORECASTING

As accurate forecasting becomes more difficult, we expect to see a greater focus on discussions with management teams to inform a business's performance, alongside a range of sensitivities. Careful preparation and interrogation of financial information and forecasts is vital. Funders may take significant comfort from the views of a trusted management team alongside the financials themselves.

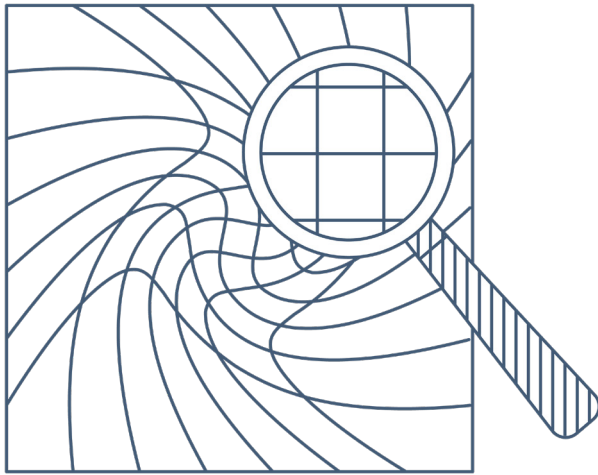
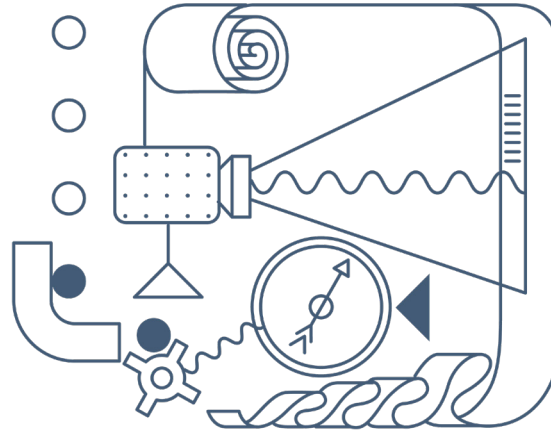
3 LIQUIDITY

With a weakened economy and increase in failing businesses, areas of the market might see constraints on liquidity. That said, there remains significant lending capacity within banks and other lenders, as well as political and economic drivers to support business. As well as seeking headroom to weather uncertainties, some borrowers may seek additional capacity to take advantage of strategic growth opportunities.



4 WAIVERS AND CONSENTS

Proactively consider documentation to address future waivers / consents, whether due to unsteady financial performance, future government restrictions, suspension of business, pandemic carve outs and impact on set timeframes for delivery of items / completion of events. Seeking to anticipate what lender / equity requests might look like alongside projections and demonstrating a collaborative approach will gain support.

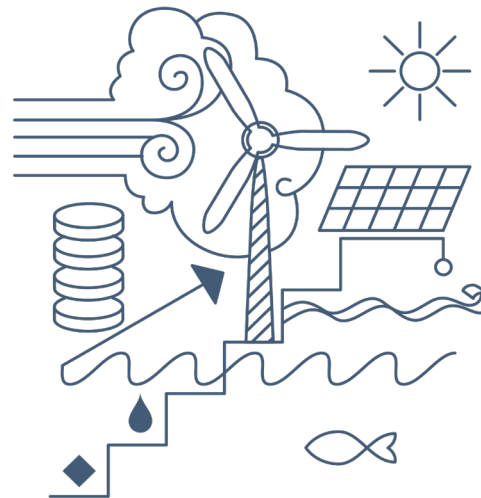


5 CREDIT PROCESSES

Be mindful that the inherent uncertainty resulting from the pandemic is likely to lead lenders to require enhanced credit processes so that they fully understand the businesses and impact of what might be the 'new normal' as it applies to the particular sector and circumstances.

6 ESG

We expect sustainable finance and ESG considerations to re-emerge as a key consideration. As businesses jostle for their place in their own sector and seek capital in a more constrained lending market, green and sustainable financing options will contribute towards making a more supportable proposition.



**IN 2019 AND 2020
OUR LAWYERS
HAVE ACTED ON
£4.5BN+
OF BORROWING
FACILITIES**

If you would like a more comprehensive view of what we're seeing in the current environment and what steps you should take to maximise your chances of success, please get in touch.

Catriona Smith, Partner, Finance
catriona.smith@addleshawgoddard.com