



MONROE
CAPITAL

DIVIDEND RECAP

LIQUIDITY WITHOUT GIVING UP CONTROL

TOP 5 REASONS TO CONSIDER A LEVERAGED DIVIDEND RECAPITALIZATION (“RECAP”)

A leveraged dividend recap is an underutilized financing strategy that can enable shareholders to diversify their wealth and provide personal liquidity. A dividend recap involves obtaining senior and/or mezzanine debt, typically from an enterprise value or cash flow based lender, which is used to fund a cash dividend to company shareholders.

Below are the top 5 reasons that business owners should consider a leveraged dividend recap when exploring ways to realize their investment in the business.

1. TOO YOUNG TO RETIRE? TAKE SOME “CHIPS OFF THE TABLE”

In a recap transaction, shareholders access the equity value that has been created in their company over time. This is accomplished by using the equity value in the business to obtain a debt financing with some or all of the proceeds going directly to the shareholders of the business. These proceeds allow ownership to diversify their personal assets for retirement and/or other purposes, such as reallocating those funds to other ventures.

2. LITTLE OR NO EQUITY DILUTION

A recap allows ownership to extract equity value built up in the company over time, without having to give up significant equity (or control) in the business. This type of transaction is ideal for owners interested in keeping the business “in the family” or in the hands of a loyal management team.

3. A LESS TIME-CONSUMING PROCESS

Planning for, and executing an outright sale of a business can take 12 to 18 months, and sometimes longer. A debt recap is typically a much shorter process, especially when working with a unitranche lender that can provide multiple tranches of debt to fund a single transaction.

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DIVIDEND RECAP

4. CASH OUT TWICE

A properly structured recap transaction can provide company ownership with personal liquidity today, while allowing them to retain a significant equity stake in the business and still share in its future financial success. Owners who pursue this type of transaction can end up cashing out twice – once via a dividend from the recap transaction, and again when the company is later exited via an Employee Stock Ownership Plan (“ESOP”), management buy-out, or sale to an outside buyer. This often results in ownership creating more wealth than if they had sold 100% of the business at the time of the recap.

5. LOW COST OF CAPITAL

Now is a great time to consider a leveraged recap transaction. Interest rates are still low, and thus a shareholder dividend may cost the company significantly less today than if ownership were to wait another couple of years.

TO LEARN MORE ABOUT LEVERAGED DIVIDEND RECAP TRANSACTIONS, CONTACT THE EXPERTS AT MONROE CAPITAL, A LEADING PROVIDER OF DEBT FINANCING TO MIDDLE MARKET COMPANIES.

<p>\$45,000,000 Senior Credit Facility</p> <p>Technology Service Provider</p> <p>Private Equity Sponsored</p> <hr/> <p>Agent</p>	<p>\$8,000,000 Senior Credit Facility</p> <p>Outsourced Call Center</p> <p>Family Owned</p> <hr/> <p>Agent</p>	<p>\$38,000,000 Senior Credit Facility</p> <p>Marketing & Consulting Firm</p> <p>Family Owned</p> <hr/> <p>Agent</p>	<p>\$43,500,000 Senior Credit Facility</p> <p>Financial Services Firm</p> <p>Private Equity Sponsored</p> <hr/> <p>Agent</p>
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Monroe Capital LLC is a private credit asset management firm specializing in direct lending and opportunistic private credit investing. Since 2004, the firm has provided private credit solutions to borrowers in the U.S. and Canada. Monroe’s middle market lending platform provides debt financing to businesses, special situation borrowers, and private equity sponsors. Investment types include cash flow, enterprise value and asset-based loans; unitranche financings; and equity co-investments. Monroe is committed to being a value-added and user-friendly partner to business owners, senior management, and private equity and independent sponsors.



2019 BEST U.S. DIRECT LENDING FUND of the YEAR



2018 LOWER MID-MARKET LENDER of the YEAR, AMERICAS



2018 LENDER of the YEAR



2018 SMALL MIDDLE MARKETS LENDER of the YEAR, AMERICAS



2015 SMALL BUSINESS INVESTMENT COMPANY (SBIC) of the YEAR