AB Private Credit Investors
Flexible Capital for the Middle Market

Patrick Gimlett – Managing Director, AB Private Credit Investors
Agenda

+ AB / AB Private Credit Overview
+ Alternative Credit Overview
+ Key Considerations When Considering An Alternative Credit Solution
AB / AB Private Credit Credit Overview
Alliance Bernstein Snapshot

Assets Under Management

- Alternatives: $17 Billion
- Multi-asset: $140 Billion
- Fixed Income: $288 Billion
- Equities: $146 Billion
- Total: $592 Billion USD

By Investment Orientation

- US: 52%
- Global/Emerging*: 43%
- Regional†: 5%

Strong Financials‡

- Revenues: $2.9 Billion USD
- Operating Income: $852 Million USD
- Long-Term Debt: 0%
- Credit Rating: A2

*Global and EAFE services, including those that invest in emerging markets, as well as stand-alone emerging-market services. †Regional services outside the US. ‡Adjusted, fiscal year 2018. In US dollars as of September 30, 2019. Source: AB
Overview of AB Private Credit Investors

Overview

- $9.2Bn of Investable Capital
- >$6.0Bn Committed Capital
- HQ: Austin, TX
- 46 Professionals
- Founded in 2014

Sector Experience

- Business Services
- Consumer Staples
- Franchising
- Industrial
- Security (Alarm Monitoring)
- Technology (Software / Tech-Enabled Services)
- Communications (Infrastructure / Services)
- Energy
- Healthcare / HCIT
- Restaurants
- Transportation and Logistics
- Specialty Finance

Provide $30MM to $150MM loans to middle market businesses on a direct basis

As of December 31, 2019
ABPCI Energy Experience
Led / Co-Led Over $1Bn of Upstream And Midstream Loans Since 2015

Representative Transactions

$320,000,000
Senior Secured Facility
Lead Arranger, Admin Agent
NINEPOINT ENERGY
June 2019

$200,000,000
Senior Secured Facility
Co-Lead Arranger, Admin Agent
CAPROCK MIDSTREAM
February 2018

$300,000,000
First Lien Sr. Secured Term Loan
Lender
REX ENERGY*
May 2017

$50,000,000
Second Lien Term Loan
Lead Arranger, Admin Agent
ALL AMERICAN OIL & GAS
August 2015

Unitranche Credit Facility
Co-Lead Arranger, Co-Agent
DISCOVERY MIDSTREAM
October 2017

Led / Co-Led Total Commitments
Split by Sector ($MMs):

Upstream
$456

Midstream
$575

As of December 31, 2019
Alternative Credit Overview
### Upstream Private Debt Capital Universe

<table>
<thead>
<tr>
<th>Category</th>
<th>Bank Capital</th>
<th>AB Private Credit</th>
<th>Energy Mezz Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>All In Cost:</strong></td>
<td>~4% to 6%</td>
<td>+ 6% - 9.5%</td>
<td>+ 10%+</td>
</tr>
<tr>
<td><strong>Coupon:</strong></td>
<td>L + 200 to L + 300</td>
<td>+ L + 450 to L + 675</td>
<td>+ L + 700+</td>
</tr>
<tr>
<td><strong>Structure:</strong></td>
<td>1st Lien RBL</td>
<td>+ 1st Lien Senior Stretch, Unitranche</td>
<td>Unitranche, 2nd Lien, DrillCo, Preferred Equity</td>
</tr>
<tr>
<td><strong># of Providers:</strong></td>
<td>Many (~40+)</td>
<td>+ Few (~5)</td>
<td>+ Many (20+)</td>
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</tbody>
</table>
Key Considerations When Considering An Alternative Credit Solution
Key Questions:

#1 Question Asked:
How much will you lend my company?

Answer:
It depends…
Key Debt Sizing Considerations

• Valuation:
  • What is the market value today?

• Downside protection:
  • In a downside scenario, how will the asset value change?
# Key Factors to Determine Value

<table>
<thead>
<tr>
<th>Factor</th>
<th>Lower Risk</th>
<th>Risk Spectrum</th>
<th>Higher Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. PDP PV Cash Flow Coverage:</td>
<td>&lt;1x coverage</td>
<td></td>
<td>&gt;2x coverage</td>
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<tr>
<td>2. Held By Production %:</td>
<td>Continuous Drilling Obligations</td>
<td></td>
<td>100% HBP</td>
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<td>3. Development returns &amp; inventory:</td>
<td>&lt;20% IRRs, Limited inventory</td>
<td></td>
<td>&gt; 50% IRRs, Ample inventory</td>
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<td>5. Wellbore diversity &amp; history:</td>
<td>10’s of wells, &lt; 1 year old</td>
<td></td>
<td>1,000’s of wells, Decades of history</td>
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<tr>
<td>6. Midstream:</td>
<td>Significant MVC / FT liabilities</td>
<td></td>
<td>Fully integrated, no payment liabilities</td>
</tr>
<tr>
<td>7. Regulatory Environment:</td>
<td>High risk / high uncertainty area</td>
<td></td>
<td>Low risk area</td>
</tr>
<tr>
<td>8. Potential buyer universe:</td>
<td>Small, undercapitalized</td>
<td></td>
<td>Large, diverse, well capitalized</td>
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</table>
#2 Question Asked: How does your structure compare to a RBL?

**Answer:**
Very similar, except for a few key differences

**Three Piece Capital Structure:**
- Funded Term Loan: 50%+ funded
- Delayed Draw Term Loan: For growth capital or acquisitions
- Revolver: <10% of commitment

**Pros:**
- No redetermination right at lender discretion
- Quicker access to more debt capacity on new PDP brought online
- Avoid equity dilution

**Cons:**
- Higher cost of capital
- Higher prepayment penalties, but they step down over time
Thank You!

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