

NAV Loan to a Leading GP Stakes Manager

Transaction Context

A leading GP Stakes manager ('Sponsor') focused on investing in middle-market private investment firms had recently completed the acquisition of a minority stake in a high-quality U.S. buyout manager (the 'Transaction'). Following closing, the Sponsor began evaluating financing solutions to enhance fund-level capital efficiency and manage portfolio exposure within its GP Stakes fund ('Fund'). The Transaction included a multi-year deferred purchase price, with a high degree of variability in both the timing and quantum of future payment obligations, requiring a flexible capital solution capable of funding commitments as they arise over time.

Capital Planning Considerations

The Sponsor evaluated several alternatives, including syndicating co-investment capital and slowing the pace of new investments to align with its ongoing fundraising progress. Each presented meaningful trade-offs.

Raising co-investment capital would dilute the Fund's equity upside in a high-conviction investment while slowing the pace of deployment would constrain flexibility. Neither of these alternatives provided an attractive solution for the Sponsor, who sought to demonstrate its investment capabilities to prospective Limited Partners during an active fundraising period. Executing additional investments early would also reduce blind pool risk, strengthening the Sponsor's positioning during fundraising.

The Sponsor therefore sought a financing solution that would:

- Fund the deferred purchase price obligations in the Transaction
- Preserve full equity upside within the Fund without dilution from co-investment capital
- Provide flexible capital aligned with the investment's variable, multi-year deferred purchase schedule
- Enhance return potential and strengthen the Fund's positioning during fundraising

ORIX USA Solution

ORIX USA structured a \$50.0 million NAV loan with mechanics designed specifically to align with the Sponsor's strategic objectives and capital requirements:

Highly Flexible Structure

- Flexible, on-demand access to capital aligned with the Transaction's funding dynamics
- The structure accommodated the unique dynamics of a GP Stakes investment as collateral

Economic Alignment

- The non-dilutive structure allowed the Fund to retain full equity upside in the GP Stakes investment
- The NAV loan enabled an increase in the Fund's investable capital without incremental management fees, narrowing the gross-to-net spread for Limited Partners and increasing total carry at work for the Sponsor
- The structure reflected the quality of the underlying investment and the Sponsor's track record

Execution Certainty

- NAV loans are typically executed within 60-90 days, significantly quicker than typical timelines for a new fundraise or co-investment process
- ORIX USA was the sole lender and administrative agent, eliminating syndication risk
- Conservative LTVs inherent within the NAV loan market enhance execution certainty relative to warehousing or single-deal fundraising

Outcome & Strategic Impact

The financing enabled the Sponsor to fund its GP Stakes investment with enhanced flexibility, capturing full equity upside in a high-conviction opportunity while aligning capital deployment with the Transaction’s variable, multi-year deferred payment schedule.

For Limited Partners, the financing increased the Fund’s capital deployment, enhanced diversification, reduced blind pool risk during an active fundraising period, and improved the Fund’s return potential. By enabling the Sponsor to deploy additional capital without incremental management fees, the NAV loan also narrows the gap between gross and net fund returns.

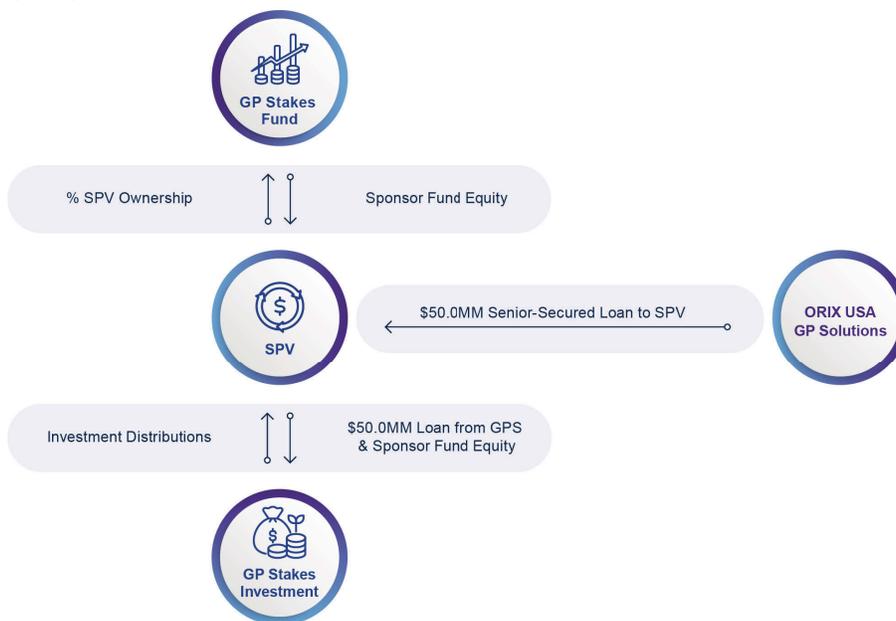
By providing a tailored NAV financing solution, ORIX USA enabled the Sponsor to manage the multi-year deferred purchase price, optimize capital efficiency and achieve key strategic objectives, ultimately supporting durable, long-term value creation across the platform to the benefit of the Sponsor and its Limited Partners.

Applicable Use Cases

The structure is well suited for GP Stakes managers and other private markets sponsors that are:

- Funding investments with deferred or structured payment schedules
- Seeking to retain full equity upside without dilution from co-investment capital
- Focused on increasing capital deployment, portfolio diversification and investment performance
- Seeking speed and execution certainty that may not be accomplished via traditional capital raising
- Focused on partnering with a strategic capital provider able to deliver flexible, non-dilutive financing solutions

Transaction Structure Chart



Past performance is not a guide or otherwise indicative of future results. A list of case studies is available upon request. The information included herein is for general informational purposes only and does not constitute an offer, invitation, solicitation, or recommendation in relation to the subscription, purchase, or sale of any security or strategy.

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