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$23MM Secured Acquisition Term Loan for Specialty Pharmaceutical Company

SELECT TRANSACTION HIGHLIGHTS

- California based Specialty Pharmaceutical Company
- Broad product line and large pipeline of new drugs for significant target markets
- Strong management team
- Profitable with under-leveraged balance sheet
- Multiple sources of future liquidity

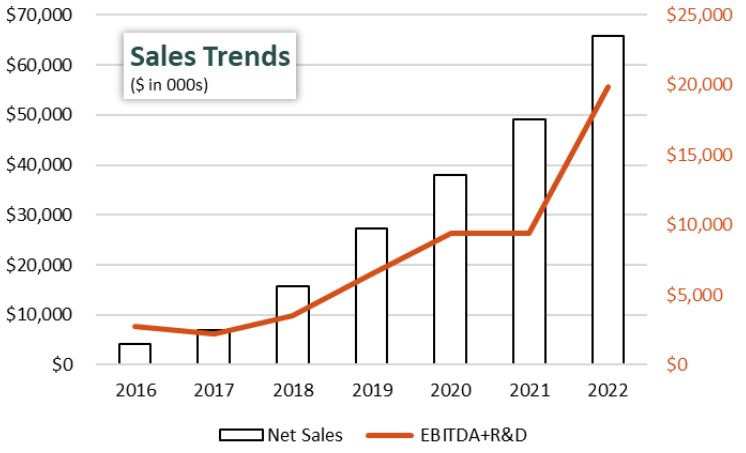
COMPANY DESCRIPTION

Our Client develops and sells generic and branded prescription drugs for the North American market. The Company is focused on building a growing sustainable portfolio of therapeutics and presently sells 21 generic Abbreviated New Drug Application (or "ANDA") products treating a broad variety of conditions. In 2021, 8 new ANDA will be launched and 5 in 2022 representing ~$92MM in potential annual sales. Between 2023 and 2025 3 ANDA and 4 505(b)(2) product launches are planned with a potential sales volume of >$185MM. The sales team has decades of experience in rapidly launching prescription drug products that are sold through multiple channels, including wholesalers, retailers, pharmacy benefit managers (PBMs), and group purchasing organizations (GPOs). Wholesalers include McKesson, Cardinal Health, and Amerisource Bergen; retailers include Walmart, CVS, and Kaiser Permanente.

Our Client competes based on i) price, ii) product availability, and iii) its broadening product line. The combination of these attribute enables rapid revenue growth. Most of its products are manufactured by overseas contract manufacturers and the Covid Pandemic created demand to "reshore" drug manufacturing domestically, where market demand for drug manufacturing is significant given the global absorption of manufacturing capacity. Our Client is under LOI to acquire a sterile manufacturing facility that will result in R&D and manufacturing savings in the range of $1MM – $2MM for each drug. Excess capacity at the acquired facility will be made available for CMO services, offering solutions for the spiking domestic manufacturing demand in 2021.

FINANCIAL SUMMARY

Sales growth has been attributable to the introduction of new drugs and our Client's ability to penetrate new markets and maintain market share for existing products. Historical R&D expense is primarily associated with funds invested to manufacture generic drugs and obtain FDA approval. Our Client has a 100% track record for FDA approval. In May 2020, the Company raised $16MM in equity from a PE firm to fund R&D expenses during the clinical trials for four 505(b)(2) therapeutics under exclusive licenses.



Liquidity is strong, as cash exceeds $20MM and LOC borrowing availability exceeds $8MM with zero usage. The company's PE sponsor demonstrated interest in a follow-on investment (if required) to ensure a successful acquisition. Current product pipeline includes 15 ANDAs and the new facility will allow for manufacturing/R&D savings between $9MM to $10.5MM. All pipeline products to be launched through 2025 have potential annual sales of $277MM.

OPPORTUNITY SUMMARY

The new manufacturing facility will enable our Client to significantly decrease manufacturing costs and enable it to diversify revenues through offering CMO services. Drug sales are expected to increase based on existing drugs and new launches in 2021 and beyond. At this time, over $28MM in current liquidity and ~$29MM in future sources of liquidity are available to assure a successful purchase of a manufacturing facility.

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