

The Value of Experience: Past & Present



THERESE ICUSS
Co-Head of Underwriting
Twin Brook Capital Partners

Therese Icuss oversees Twin Brook's underwriting teams focused on structuring, diligence, negotiation, execution, and monitoring of investments across a broad range of industries.



KIM TRICK
Co-Head of Underwriting
Twin Brook Capital Partners

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WHEN THE PANDEMIC HIT, MANY PRIVATE EQUITY FIRMS AND LENDERS ALIKE QUICKLY TURNED THEIR ATTENTION TO EXISTING PORTFOLIOS, AND RISK-OFF SENTIMENT SUDDENLY MADE COMPLETING DEALS SIGNIFICANTLY MORE DIFFICULT—BUT NOT IMPOSSIBLE. MERGERS & ACQUISITIONS CONNECTED WITH THERESE ICUSS AND KIM TRICK, CO-HEADS OF UNDERWRITING AT TWIN BROOK CAPITAL PARTNERS, TO DISCUSS THEIR EXPERIENCE THROUGH PAST CYCLES AND WORKING WITH CLIENTS TO NAVIGATE CHALLENGES AND EXECUTE ON OPPORTUNITIES DURING A YEAR UNLIKE ANY OTHER AND BEYOND.

Twin Brook's focus on the middle market runs deep, as does yours personally. Tell us a bit about your backgrounds.

THERESE ICUSS: Kim and I have worked together for over 12 years. I started my career covering the middle market at JPMorgan Chase, then moved on to Chase Capital, which is where I met Kim. We both focused on originating and underwriting senior and subordinated loans to PE- and privately-owned middle market companies and worked there through the global financial crisis – an experience that I think further contributed to the great foundation we had coming over to Twin Brook.

KIM TRICK: Like Therese, I've spent essentially my entire career focused on the middle market, and I think working through the ups and downs of lending to businesses in this space provided an invaluable foundation. That experience – contending with an economic crisis relatively early in our careers – and the experience of our many Twin Brook colleagues that have worked through multiple cycles in this part of the market has certainly informed the firm's approach – an approach that I think helped position us to withstand and calmly, effectively navigate the events of the past year.

Can you tell us about your current role and the role of the broader underwriting team at Twin Brook?

TRICK: Therese and I oversee Twin Brook's growing team of more than 35 dedicated underwriting professionals. The

team comprises a large portion of the firm, as about 55% of Twin Brook's staff is focused on underwriting, and we are very involved when it comes to recruitment, training, and talent development. We're responsible for making sure that every member of our team understands the firm's approach and is prepared to put it into action. We place a lot of emphasis on diligence and ensuring underwriters understand why it's important to develop a deep knowledge of each business's unique drivers, risks, and opportunities and how those things impact the capital structure; it helps us identify and provide sponsors with guidance about what financing structure will work best in a given situation, and – in the longer term – it contributes to our ability to actively monitor for and address any issues that may arise.

ICUSS: At Twin Brook, the deal team that underwrites an opportunity stays with that account through the entire lifecycle of the credit, so our team is involved not only in the structuring, diligence, negotiation, and execution of deals, but also the ongoing monitoring of those investments, working closely with the company management teams and private equity sponsors across our portfolio of more than 165 borrowers, both pre- and post-close.

How do you think the experience of managing through prior cycles has influenced Twin Brook's approach?

TRICK: Many aspects of our approach are borne out of the team's collective experience through past cycles; we've seen what can go wrong when robust

standards aren't consistently maintained and why proactively monitoring for and addressing potential issues is important – from a risk management as well as a relationship building and client service perspective.

ICUSS: Our deal teams are designed with this in mind, as we find that what's learned during the underwriting process often informs the areas we track during portfolio management and that the continuity that comes from keeping the team responsible for an account consistent for the life of the investment provides greater surety of execution for our borrowers and sponsors. Additionally, in an effort to ensure our people have the bandwidth to appropriately manage credits regardless of the economic environment, we seek to limit the number of accounts each underwriter works on. The regular, ongoing nature of our interaction with these companies and PE firms not only provides for clarity in expectations when it comes to working together, but it also builds trust and deepens relationships, allowing for an open line of communication and more real-time information flow – things that we found particularly helpful as we supported borrowers and sponsors navigating the early months of the COVID-19 outbreak and subsequent pandemic-related shutdowns. In that vein, we also seek to be the administrative agent – serving as such on 95% of our transactions since inception – which allows for increased access to a company's management team and sponsor and higher-quality, more timely information that goes beyond the financial statements.

TRICK: We believe developing these longstanding relationships and a deep understanding of our borrowers' businesses enhances our ability to be a reliable lending partner that will work hand-in-hand with sponsors

as they execute on their value creation strategies for their portfolio companies.

Looking to the past year, what were some of the biggest pandemic-related challenges borrowers and sponsors faced and how did they address them?

ICUSS: I think the biggest issue was the significant and persistent uncertainty – trying to identify the various scenarios that could play out and make sure a company was positioned to withstand those. Despite this challenge, I think our borrowers and sponsors did a great job of being proactive and taking the appropriate steps – even when it required tough decisions – to develop and implement liquidity preservation strategies and other initiatives aimed at ensuring a path forward for businesses. We found that their decisive action early on generally not only made these companies better equipped to withstand initial pandemic-related shutdowns and quickly bounce back as restrictions were eased, but also to navigate a COVID-19 resurgence or similar crisis going forward.

TRICK: In addition to highlighting the resilience of middle market companies, I think the experiences of the past year emphasized the value of strong partnerships and having access to the right people, resources, and expertise. In terms of working through the early pandemic-related challenges, we saw companies' management teams quickly pivot – digging in to solve problems across the board – whether that be figuring out how to transition to remote work or, in cases where that wasn't an option, keep employees safe or finding ways to manage cost structures so they had the cushion

needed for the unpredictable months ahead. We also saw them leverage their private equity sponsors – many of whom have a wealth of operational expertise and historical experience – as well as their trusted lending partners as they sought to work through issues and position their businesses for a return to growth.

How are you helping sponsors and borrowers navigate the road ahead?

ICUSS: Our approach, infrastructure, and team are thoughtfully and intentionally designed to enable us to support our clients through both periods of growth and challenging times. Although we can't predict what the future will hold or when disruption may come, we can – and do – seek to ensure we are prepared to consistently deliver the service and solutions our clients have come to expect from us regardless of the market environment, supporting their ability to continue executing on their value creation strategies. In this everchanging environment, we've found that sponsors and borrowers value the reliability and depth of experience we bring to the table more than ever – viewing us as not just a source of capital, but a proven partner for the long term.

TRICK: In the latter half of 2020 and continuing into this year, we've seen an increase in deal activity – particularly add-ons – as many of our borrowers and their sponsors have been able to shift their attention from maintaining to growing their businesses. We have and continue to support them through it all – from working hand-in-hand to navigate ongoing pandemic-related issues to helping them execute on new opportunities by providing the capital and certainty to close their need. ■