

BCRED Partnership Powers Critical Defense & Offense



Brad Boggess

Managing Director,
Credit



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Jon Bock, Co-CEO of BCRED, talks with Brad Boggess, Head of Asset Management for Blackstone Credit, about how he and his team of operating executives, restructuring professionals, former CEOs, and decorated military veterans leverage significant scale to maintain vigilance against downside risks to portfolio companies and seek to create upside momentum.

Professionals in the credit business talk about the paramount importance of defensive positioning all the time, but there is no substitute to having boots on the ground. In conversation, two veterans of the private credit world discuss what it really takes to build, maintain, and execute a defense-first strategy that helps protect investors against the worst-case scenarios.

Jon Bock: I've been in Private Credit a long time, both as a sell-side analyst covering business development corporations and as an operator of BDCs. There are a lot of media stories and analyst prognostications about the credit market. Most of it boils down to: "How do investors protect against downside risk in this challenging environment?" This is one we hear from all clients—across the globe.

At this point, BCRED investors are likely familiar with our senior secured portfolio and focus on large, leading companies in less cyclical, high-growth sectors with healthy cash flow. They may be less familiar with your team, Brad, which is very important and unique to Blackstone—and which I've gotten a chance to learn about recently up close.

Can you tell our investors what you do here at Blackstone?

Brad Boggess: So, I head up a group that's charged with bringing the full scale, network, and expertise of Blackstone with the intent to create value for our portfolio companies—more than 200 of them—and ultimately our investors.¹ For example, our group purchasing programs help them

save money, creating roughly \$3 billion of value across the credit platform.² We also seek to help our companies boost their topline through cross-selling, matching buyers and sellers within the portfolio, creating dynamic synergies that have generated more than \$300 million in incremental revenue for Blackstone Credit's portfolio companies. And crucially, we work to bring the deep functional expertise of Blackstone to our companies, helping them to reduce risk through sophisticated programs in cybersecurity and human capital management.

Bock: And that's just the always-on, almost day-to-day value-add that your group creates. Talk about the extraordinary circumstances when a portfolio company may face more than the usual challenges.

Boggess: In addition to our value creation platform, we also have a team of professionals who focus on our most challenging situations, where we deploy dedicated restructuring, operations, financial, and legal experts to protect our investors. This team has a diverse set of skills

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and leaders who we can bring to bear at the right time.

Bock: I've heard you say, "Protecting investors from the downside starts first with effective portfolio monitoring." Lots of folks say they do it, but how does your team apply this principle?



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Boggess: First of all, lots of people say it, but we believe most of them simply don't have the scale to do what we do. Blackstone has very deliberately invested in portfolio management resources across the entire firm, including for the credit portfolio. And that scale is essential to how we focus on using data and relationships to make an effort that we can see early on when a company may be facing challenges. On the data front, we have systems in place to capture the financial data from our companies and to give broad visibility as quickly as possible when a potential issue surfaces.

Next comes a rigorous review process to clearly analyze those issues and allocate resources to help resolve them. To give you an idea of just how systematic the process is: We review recent reporting daily; leaders meet weekly to identify new challenges; a "Watchlist Committee" of our most senior leaders meets monthly, and finally, we report our watchlist activities to Blackstone leadership on a quarterly basis.

In addition, I believe that we have deeper relationships with our companies than most other credit investors. Part of that connectivity develops from our value-creation activities. We talk to portfolio company leadership on a daily basis, learning what's going on in their businesses, hearing management's concerns, and working together to resolve issues. These close relationships allow us to help companies navigate difficult situations and protect our investors' capital.

Bock: While BCRED's portfolio performance remains positive, let's say something does go "bump in the night" for a portfolio company, how do you work to get involved?

Boggess: It's all about collaboration in these situations. We seek to offer our borrower companies and their sponsors a broad range of experience in dealing with distressed situations to help them navigate through whatever difficult conditions they're facing. Our experience tells us that there is no such thing as a one-size-fits-all solution, especially in times of distress. So we make an effort to customize our solution to solve for the borrower's unique issue, be it operational, financial, or talent-driven. But we can only do that because we've already got a deep relationship and understanding in place. We're not parachuting into a crisis, which is often what so many lenders end up doing—bringing in outsiders. We're already inside with a level of trust that's critical to these situations.



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Bock: Without naming names, can you give an example of how you protected investors from the downside?

Boggess: We had an industrial services business that was really struggling with cost and finding the right talent to staff projects. On the cost side, our procurement program helped the business save around \$2.5 million³, which helped lift profitability and reduce pressure on management. That bought us time to tap into our broad network to help the business find both a new chief executive and chief human resources officer, which helped the company attract and hire the right talent to further drive performance. And finally—and this is something near and dear to my heart—we helped the company build a hiring and apprenticeship program for military veterans to provide a consistent pipeline of talent for their critical project work. This veterans program became an award-winning example of how to tap into the U.S. veteran population to find qualified and dedicated talent from an underutilized pool of skilled people.

Bock: You mentioned before that your team comprises both business executives and military veterans—that's a unique combo, why?

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Bogges: We have very intentionally built a team with people from a variety of backgrounds. Some of us come from a restructuring and distressed investing background. Others have grown up in the credit origination and underwriting space. While others have deep operational experience, including a number of former CEOs on whom we rely from our Senior Advisor network. We also think our team has a little “special sauce” because we have a number of former military leaders who know how to handle

challenging situations in a whole different way. I mean, talk about people who think about defense all the time! We believe this combination of talents sitting around the table, working to come up with the best outcome for companies and investors, leads to advanced and holistic solutions.

Bock: Amazing. I know we’ve only scratched the surface of what you do, but thank you for sharing your experience and insights, and for your service and constant vigilance!

Endnotes

Note: Data is as of December 31, 2022, unless otherwise indicated. The statements expressed herein represent Blackstone's views and beliefs.

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1. A Blackstone investment in any portfolio company is no guarantee of future commercial opportunities for such company, and none of Blackstone, any of the Tactical Opportunities funds, or their affiliates makes any representation or warranty regarding such opportunities for any portfolio company.
2. Value creation represents ~\$249 million of annual savings as of December 31, 2022, representing estimated savings utilizing the Blackstone Credit Advantage program at the time cost is benchmarked with portfolio companies. Savings improved portfolio company EBITDA and created value assuming a 12x average EBITDA multiple.
3. Represents estimated cost reduction utilizing our program at the time cost is benchmarked with portfolio companies.

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Summary of Risk Factors

Blackstone Private Credit Fund ("BCRED") is a non-exchange traded business development company ("BDC") that expects to invest at least 80% of its total assets (net assets plus borrowings for investment purposes) in private credit investments (loans, bonds and other credit instruments that are issued in private offerings or issued by private companies). This investment involves a high degree of risk. You should purchase these securities only if you can afford the complete loss of your investment. You should read the prospectus carefully for a description of the risks associated with an investment in BCRED. These risks include, but are not limited to, the following:

- We have limited prior operating history and there is no assurance that we will achieve our investment objectives.
- This is a "blind pool" offering and thus you will not have the opportunity to evaluate our investments before we make them.
- You should not expect to be able to sell your shares regardless of how we perform.
- You should consider that you may not have access to the money you invest for an extended period of time.
- We do not intend to list our shares on any securities exchange, and we do not expect a secondary market in our shares to develop prior to any listing.
- Because you may be unable to sell your shares, you will be unable to reduce your exposure in any market downturn.
- We have implemented a share repurchase program, but only a limited number of shares will be eligible for repurchase and repurchases will be subject to available liquidity and other significant restrictions.
- An investment in our Common Shares is not suitable for you if you need access to the money you invest. See "Suitability Standards" and "Share Repurchase Program" in the prospectus.
- You will bear substantial fees and expenses in connection with your investment. See "Fees and Expenses" in the prospectus.

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- We cannot guarantee that we will make distributions, and if we do we may fund such distributions from sources other than cash flow from operations, including the sale of assets, borrowings, return of capital or offering proceeds, and although we generally expect to fund distributions from cash flow from operations, we have not established limits on the amounts we may pay from such sources.
- Distributions may also be funded in significant part, directly or indirectly, from temporary waivers or expense reimbursements borne by Blackstone Credit BDC Advisors LLC ("the Adviser") or its affiliates, that may be subject to reimbursement to the Adviser or its affiliates. The repayment of any amounts owed to our affiliates will reduce future distributions to which you would otherwise be entitled.
- We use and continue to expect to use leverage, which will magnify the potential for loss on amounts invested in us.
- We intend to invest in securities that are rated below investment grade by rating agencies or that would be rated below investment grade if they were rated. Below investment grade securities, which are often referred to as "junk," have predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. They may also be illiquid and difficult to value.
- We do not own the Blackstone name, but we are permitted to use it as part of our corporate name pursuant to the investment advisory agreement between BCRED and an affiliate of Blackstone Inc (together with its affiliates, "Blackstone"). Use of the name by other parties or the termination of the use of the Blackstone name under the investment advisory agreement may harm our business.

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This sales material must be read in conjunction with the BCRED prospectus in order to fully understand all the implications and risks of an investment in BCRED. This sales material is neither an offer to sell nor a solicitation of an offer to buy securities. An offering is made only by the prospectus, which must be made available to you prior to making a purchase of shares and is available at www.BCRED.com. An investor should consider the investment objectives, risks, and charges and expenses of BCRED carefully before investing. Prior to making an investment, investors should read the prospectus, including the "Risk Factors" section therein, which contains a discussion of the risks and uncertainties that we believe are material to our business, operating results, prospects and financial condition.

Numerical data is approximate and as of December 31, 2022, unless otherwise noted. The words "we", "us", and "our" refer to BCRED, unless the context requires otherwise.

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