



*Closed mezzanine investments of \$3 MM and greater with the target located in the U.S. and Canada. Includes select unitranche and senior secured financings with pricing or other features similar to mezzanine.

Breaking Down the Market

Reviewing the 12-month period ending March 2017, mezzanine transactions were down 8% from the prior year from 580 to **533**. For comparison, overall M&A activity was down slightly for the same period, with less than 3% of transactions completed YOY. In the first quarter of 2017, 104 transactions were completed and **72** (69.2%) involved a sponsor, which is on par with prior quarters. Overall, 13.5% of new platform private equity investments for this period had a mezzanine component. Finally, the Industrials sector was the most active for the quarter ending March 2017, followed by Services, IT, and Healthcare.

Notable Mezzanine Transactions

- In May of 2017, it was announced that **Gladstone Capital** provided subordinate debt financing for Lignetics Inc.'s acquisition of the Marth Companies LLC. The acquisition included both the Marth Transportation trucking assets and the Marth Companies' manufacturing plants, that are located in several Wisconsin cities, as well as additional Midwest locations. Additional financing was provided by Taglich Private Equity, as well as syndicated senior debt provided by Texas Capital Bank, which included Sterling National Bank and River Valley Bank.
- HCAP Partners ("HCAP")** was active in May of 2017 with two transactions. The first was an exit of its portfolio company, Resolve Systems ("Resolve") to Insight Venture Partners. Resolve is an IT services provider and software reseller. Pacific Credit Securities acted as the sell-side advisor on the deal. The second transaction involved the sale of Grandview Gallery to CID Capital. HCAP provided the subordinated debt financing in support of the transaction. Grandview Gallery specializes in lighting and home décor goods for both retail and online consumers. Senior financing for the recapitalization was provided by First Tennessee Bank. The intermediary Hilliard Lyons advised on this transaction.

Notable Mezzanine Transactions (cont.)

- Also in May, **Merion Investment Partners** provided debt financing to support the acquisition of both Associates in Medical Physics LLC and Radiation Management Associates LLC (taken together as “Medical Physics Holdings”) by L2 Capital. Univest Bank and Trust Company provided supplemental debt financing for this transaction. In addition to providing high-tech staffing solutions for oncology units, Medical Physics Holdings also offers machine diagnostic and related regulatory services to a host of other practices, including imaging centers, private practices, and hospitals, among other entities.
- **Centerfield Capital Partners** provided both mezzanine debt and equity in the acquisition by Corridor Capital of Indo-European Foods, Inc. (“Indo-European”). The transaction was completed in April of 2017, and will support Indo-European in its quest to provide North African, Mediterranean, Eastern European, and South Asian foods to Western US ethnic grocers. TCF Bank offered additional senior financing, and PricewaterhouseCoopers advised on the deal.
- Swander Pace Capital’s acquisition of Passport Food Group Inc. (“Passport”) was supported by \$22M of senior debt and equity financing from **Triangle Capital Corp.** Sell-side advisory services were offered by Lincoln International. As an international flavored food distributor and manufacturer, Passport works with a hoard of chain restaurants across the US.
- In an interesting twist, MooreCo management bought back control of MooreCo, a manufacturer of educational and commercial furniture, as well as communication products. Financing of senior debt, subordinate debt, and structured equity was provided by **Prudential Capital.** MooreCo is headquartered in Temple, Texas and was a family-owned business until it was purchased by PE in 2007.
- Highlander Partners acquired Gimbal Brothers, LLC (“Gimbal’s”) as part of Highlander’s formation of Bettera Brands (“Battera”). Founded in 1898, Gimbal’s is a manufacturer of jelly beans and gummy vitamins. Mezzanine debt financing for the acquisition was supported by **Norwest Mezzanine Partners.** Senior debt was provided by Regions Bank, and MHT Partners acted as sell-side advisor on the transaction.

For additional information or general inquiries, contact:

CATHERINE DALY
212-376-6126
cdaly@suttonplacestrategies.com

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