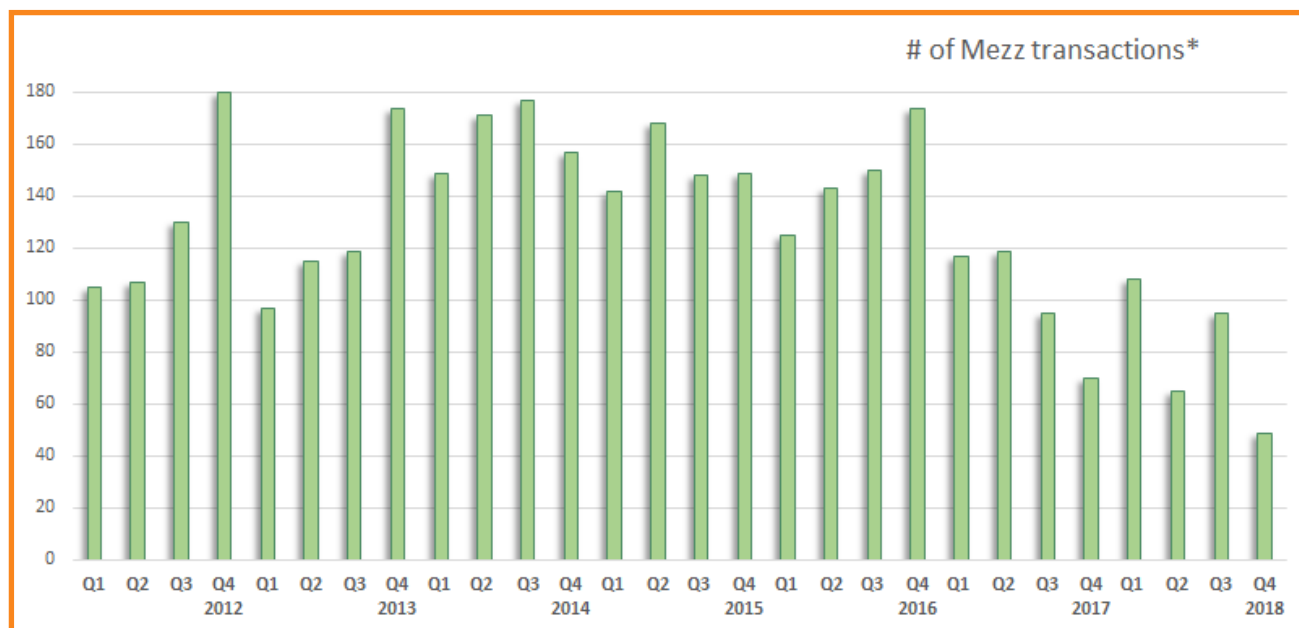


## Breaking Down the Market

When looking at the LTM period ending Sept. 30, mezzanine activity declined **33.1%** when compared YoY. However, Q3'18 activity showed an increase of **46.2%** when compared to Q2'18. Furthermore, there has been a decrease in the percentage of sponsored deals closed with a mezzanine component from 12.1% in Q3'16 to **7.5%** in Q3'18. There were approximately 95 mezzanine deals closed in Q3'18; **35.8%** were sponsor buyouts, and **21.1%** were sponsor backed add-ons. The **Services** industry was the most active in Q3'18, followed by IT and Healthcare.



\*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.

## Notable Mezzanine Transactions

- In October, **Norwest Mezzanine Partners** supported the acquisition of New York-based, Institute for Integrative Nutrition by Norwest Equity Partners. PennantPark acted as the senior lender on the deal, BMO Capital Markets provided sell-side financial advice, and Jones Day advised the buyer. **Norwest Mezzanine Partners** also provided financing to support the buyout of Pet Supplies Plus by Sentinel Capital Partners in December. Houlihan Lokey and Robert W. Baird acted as the sell-side intermediaries on the deal.
- Goldner Hawn Johnson & Morrison's sale of CTM Group Inc., announced in May, closed in November. Z Capital Partners acquired the children's entertainment provider with the support of financing from **GMB Mezzanine Capital**. Sidley Austin provided legal advice to Z Capital Partners, and BB&T Capital Markets advised the seller.
- Indiana-based novelty sock retailer, For Bare Feet (dba FBF Originals), was acquired by Taglich Partners. **Spell Capital Mezzanine Partners** provided both subordinated debt and equity, and **Texas Capital Bank** provided financing, in support of the transaction. Metronome Partners acted as the sell-side intermediary.

## Notable Mezzanine Transactions (cont.)

- Akoya Capital and Hillcrest Capital Partners acquired Evolver and eVigilant, both of which provide cybersecurity, cloud, infrastructure, end-user support, and other IT services. The combined company, Converged Security Solutions, received both an equity and subordinate debt investment from **Tecum Capital Partners**, while BMO Harris Bank provided senior debt.
- In November, private equity firm Double R Partners sold commercial building maintenance provider, City Wide Building Services LLC, to NCK Capital. **Midwest Mezzanine** and **Huntington National Bank** provided subordinated debt and equity in support of the transaction. Investment bank XLS Partners provided sell-side financial advice to City Wide Building Services.
- Tailwind Capital Group backed Apex Companies, LLC was sold to Sentinel Capital Partners. The Rockville, Maryland based environmental service provider was acquired with an investment from mezzanine capital firm **Yukon Partners**, and **Madison Capital Funding**. Houlihan Lokey provided sell-side financial advisory services, and Dorsey & Whitney provided legal advice to Yukon.
- **Golub Capital** supported The Riverside Company's buyout of SureWerx (fka JET Equipment & Tools Ltd.), previously owned by Penfund. Golub made the investment through their "One-Loan Debt" instrument. SureWerx is a British Columbia-based provider of branded professional safety products, tools and equipment used in the general industrial, construction, energy and auto-aftermarket industries. Piper Jaffray & Co. provided sell-side intermediary services. Jones Day and KPMG provided legal and accounting services, respectively, to the buyer.

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