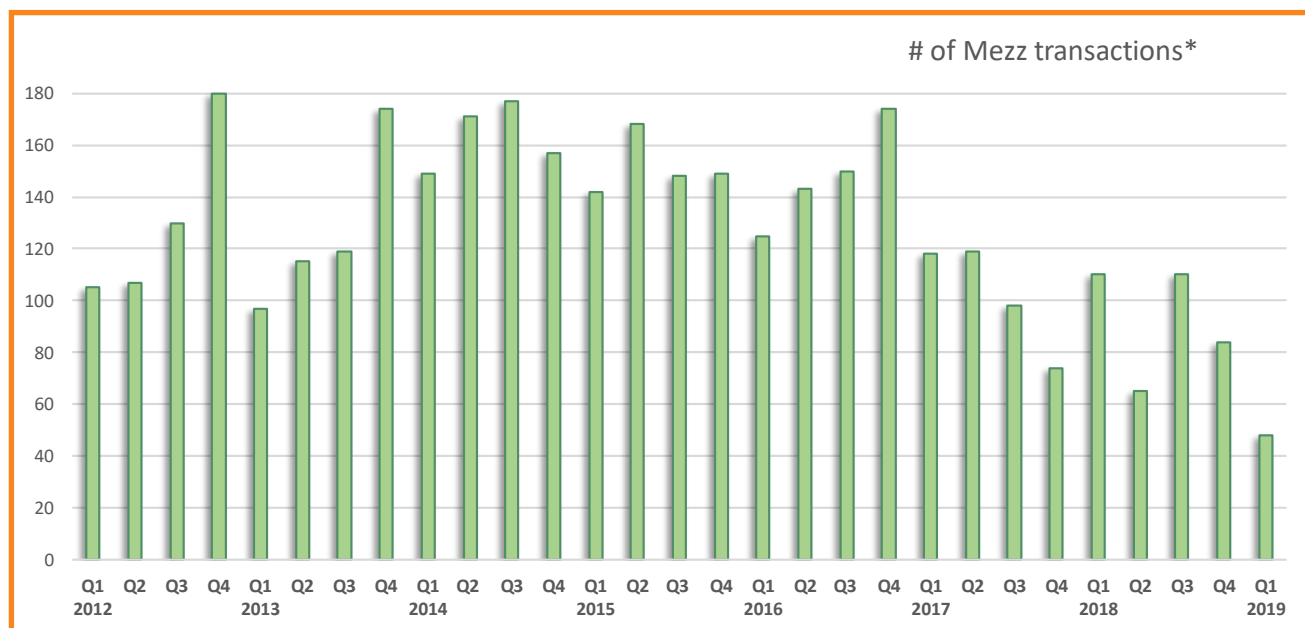


Breaking Down the Market

Mezzanine activity in 2018 finished up strong, with Q4 deals up **13.5%** compared to the same time period last year. However, when looking at the LTM period ending Dec. 31st, activity declined **9.8%** when compared YoY. Furthermore, there was a **5.4%** increase in the percent of mezzanine deals involving a sponsor in Q4 18' compared to Q4 17'. Yet, there was a **7.6%** decrease in sponsor buyouts involving mezzanine lending, when looking at the YoY trailing 12-month data. There were approximately 84 closed mezzanine transactions in Q4; the **Services** industry remained the most active followed by the IT and Consumer industries.



*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 February, private equity backed Eddy Packaging Co. was acquired by fellow PE firm, Insight Equity. **Patriot Capital** provided both subordinated debt and equity in support of the transaction. Eddy Packaging Co. is a provider of beef, pork, and poultry products. Robert W. Baird acted as the sell-side intermediary and Quarles & Brady provided legal advice to the seller.
- GMB Mezzanine Capital** has started 2019 strong, closing three separate investments. GMB supported the buyouts of RKD Group LLC, Mobile Communications, and LOFA Industries, all of which involved sponsor buyers. Acting as sell-side advisors on the deals were Jordan Edmiston Group, BlackArch Partners, and Hennepin Partners, respectively.
- BCM One, Inc., provider of managed technology solutions and services including technology expense optimization, unified communications, SDWAN, cloud, security and connectivity solutions, was acquired by private equity firm Thompson Street Capital Partners. **Fidus Investment** provided subordinated debt, common equity, and preferred equity in support of this transaction. KPMG Corporate Finance acted as BCM One's financial advisor.

Notable Mezzanine Transactions (cont.)

- In February, private equity firm Borgman Capital acquired cheese producer Gilman Cheese Corp. In support of the transaction, **Tecum Capital Partners** provided subordinated debt and equity. **Johnson Bank** and Midwest Growth Partners provided senior debt and equity, respectively. Reinhart Boerner Van Deuren provided legal advice and CliftonLarsonAllen provided financial advisory services to Gilman Cheese Corp.
- Gaithersburg, Maryland based Automated Business Power Inc. was acquired by private equity firms Cache Creek Industries and Rockmont Capital in April. **Medallion Financial Corp.** provided mezzanine financing and equity co-investment in support of the transaction. Senior debt was provided by **Academy Bank**, Eureka Capital Markets provided sell-side advisory services, and Holzman Horner provided legal advice to the seller. Calfee, Halter & Griswold provided legal advice to the buyer.
- Capstone Headwaters provided sell-side financial advice to Arbor Contract Carpet Inc., provider of asphalt tile, carpeting, linoleum, and resilient flooring installation and support services, in its management led buyout. **Cyprium Investment Partners** provided subordinated debt and preferred equity to support the acquisition.
- In March, Advent International Corp. sold Cattron Holdings Inc., a manufacturer of wireless control solutions for safety and mission-critical applications in the rail and industrial markets, to private equity firm Harbour Group. **PNC Erieview Capital** provided subordinated debt and equity in support of the transaction. Sell-side intermediary services were provided by William Blair & Co.
- The fast casual restaurant group, Sizzling Platter LLC, received a mezzanine investment from **Yukon Partners** in March. **Yukon Partners** also recently closed a mezzanine investment in Audax Group's Corsearch, a provider of clearance and protection software solutions for trademark and brand professionals.

For additional information or general inquiries, contact:

MICHAEL HAYES

Senior Research Analyst

212-376-6126

mhayes@suttonplacestrategies.com

**Sutton Place Strategies, LLC (SPS) analysis and reports have been prepared for informational and marketing purposes only and are not intended to be used as a complete source of information on any particular company or trend in the industry. SPS accepts no liability in contract, negligence or otherwise for any error or omission in the information, data, or analysis provided by SPS. SPS does not make any representations, warranties or covenants of any kind, express or implied, and shall have no responsibility or liability for the business or other decisions based upon the use of SPS's reports or the results obtained from the use of information and reports provided by SPS, or the analysis or interpretation of content or data used in connection with, resulting from or derived from the use of information or reports provided by SPS.*

All materials in this presentation remain the intellectual property of Sutton Place Strategies. SPS grants a limited, personal, non-exclusive, non-transferable, revocable license to access, display, and use such reports and downloadable content for non-commercial purposes only. Any republication of Sutton Place Strategies' reports or downloadable content must include proper citation to SPS or be explicitly approved in writing by Sutton Place Strategies' authorized personnel prior to republication. All rights not specifically granted herein shall be reserved to SPS.

