



Sutton Place Strategies

Mezzanine Market Perspective Q3 2019

BREAKING DOWN THE MARKET

Mezzanine activity in Q2'19 remained stable at **67** mezzanine deals, compared to the same time period last year. When looking at the LTM period ending June 30th, activity declined **2%** when compared YoY. The percentage of sponsor deals with mezzanine financing also fell slightly in Q2'19 to **4.3%** compared to 4.6% in Q2'18. However, there was a **4.7%** increase in the percentage of sponsor buyouts that had a mezzanine component when looking at the YoY trailing 12-month data ending June 30th. **7.6%** of sponsor buyouts in Q2'19 had a mezzanine component, whereas only **1.7%** of private equity add-on transactions used mezzanine financing. Of the 67 closed mezzanine transactions, the **IT** industry was the most active in Q2'19, followed by **Services** and **Industrials**.



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

NOTABLE MEZZANINE TRANSACTIONS

In August, **Aldine Capital Partners** supported 3 Rivers Capital's buyout of International Lighting (dba Interlight) through both subordinated debt and equity. Interlight is a manufacturer of specialty and replacement light bulbs and batteries. Quarton International acted as the sell-side financial advisor and Metz Lewis served as buy-side legal counsel.

Brookside Mezzanine Partners provided equity and mezzanine financing in support of Branford Castle's acquisition of ABC Industries, a manufacturer of industrial and mining ventilation products. TCF Bank provided senior debt for the transaction, which closed in August. Capstone Headwaters was the financial advisor to ABC.

NOTABLE MEZZANINE TRANSACTIONS (CONT.)

Pete & Pete Container Services acquired Boyas Excavating Inc., a provider of construction and demolition debris disposal services in Northeast Ohio, in July. **Ironwood Capital** provided subordinated debt for the transaction with Comerica Bank and Huntington National Bank providing senior debt. Brown Gibbons Lang & Co. acted as financial advisor to Pete & Pete.

Spell Capital Mezzanine Partners closed three separate mezzanine transactions in Q3 2019. In July, Spell supported Kilory Partners' acquisition of NMC-Wollard, a manufacturer of broad line of aviation ground support equipment for the commercial airline, military and other private aviation segments. In August, Spell partnered with **Medallion Capital** to support Cache Creek Industries' acquisition of Brandywine Communications, a manufacturer of mission-critical time and frequency devices that serve the military and infrastructure markets. Academy Bank provided senior debt for the transaction, and Calfee Halter & Griswold served as buy-side legal counsel. Also in August, Spell invested subordinated debt and equity in the buyout of Hayfield Window & Door, which manufactures wood and vinyl products for windows and doors.

In August, Audax Group completed its acquisition of Stonewall Kitchen, a specialty food producer and retailer that makes jam, sauces, crackers, pancake mixes, and other food products, from Centre Partners Management. **Yukon Partners** provided mezzanine financing in support of the transaction. Advisors to Stonewall Kitchen were Robert W. Baird, Greenberg Traurig, and Akerman. Lazard and Sawaya were the financial advisors and Kirkland & Ellis was the legal advisor to Audax.

Norwest Mezzanine Partners provided subordinated debt and equity for the acquisition of Evans Food Group by Benestar Brands, a Highlander Partners portfolio company, in August. Evans Food Group produces and supplies pork rind snack products. Antares Capital also supported the transaction with senior debt. William Blair and White & Case served as financial and legal advisor to Evans Food, respectively. Katten Muchin Rosenman represented the buyer.

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