



BAIN & COMPANY

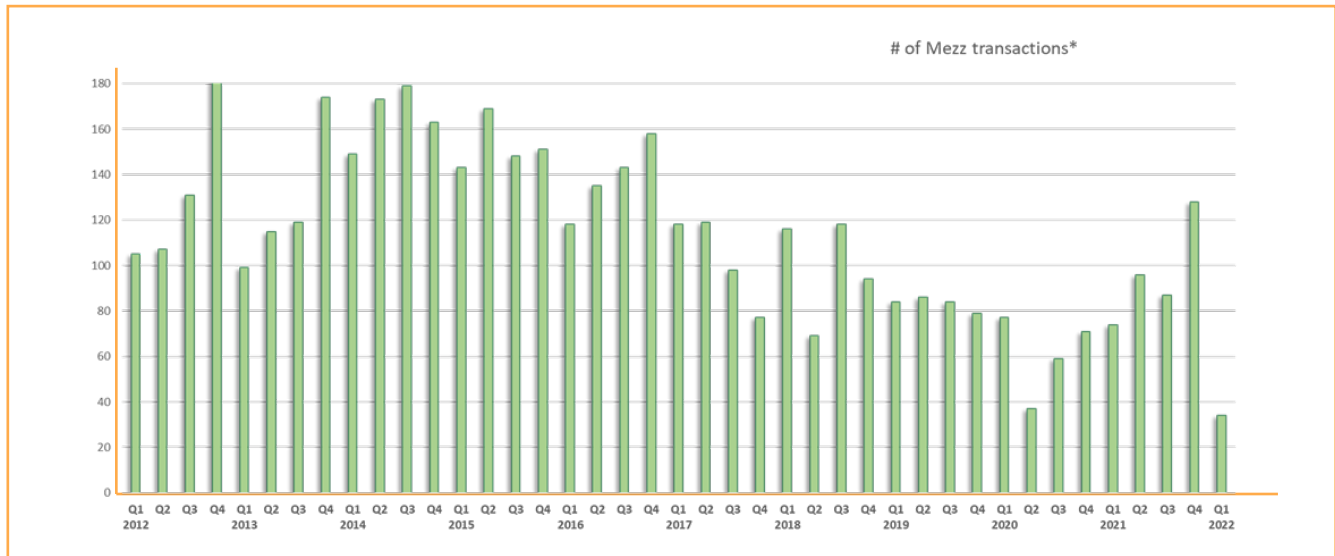
Sutton Place Strategies

Mezzanine Market Perspective

Q1 2022

BREAKING DOWN THE MARKET

Mezzanine activity for the LTM period ending December 31st increased approximately **58%** YoY from **244** deals to **385** deals. Compared to the previous quarter (Q3 2021), deals including mezzanine debt increased from **87** to **128** in Q4 2021. The increase in mezzanine deal activity correlates with the increase of private equity sponsored deal volume, which increased nearly **19%** from **1,500** deals in Q3 2021 to **1,781** deals in Q4 2021. Out of the **128** mezzanine deals that closed in Q4 2021, **73** deals were sponsored buyouts, **22** were minority financings, **26** were sponsor-backed add-ons, and **7** were recapitalizations. The most common industries in total M&A activity for the quarter were **IT**, **Services**, **Healthcare**, and **Financial**, respectively.



*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 January, **Midwest Mezzanine**, **Eagle Private Capital**, and **Parkway Capital** each invested subordinated debt and equity to support **Candescent Partners** in the acquisition of **Imagine Technology Group LLC**, a provider of managed technology services.

In February, **Spell Capital Mezzanine** provided a subordinated debt and equity co-investment to support **Alterna Equity Partners'** acquisition of **Mod Op LLC**, a digital marketing and communications firm focused on B2B and B2C end markets.

NOTABLE MEZZANINE TRANSACTIONS (CONT.)

In March, **Ironwood Capital** invested subordinated debt and preferred equity in support of **The Shoreham Group** and **Merrimack Seacoast's** acquisition of **Pith Products LLC**, a manufacturer of reusable wood and composite containers for the storage and shipping of precision instruments.

Farragut Capital Partners provided a subordinated debt and equity co-investment to support the majority recapitalization of **Atlas Executive Consulting LLC**, a digital consulting firm, by **Ignite Digital Services**, a portfolio company of **Ignite Labs** in January. **Live Oak Bancshares** provided senior debt in support of the recapitalization, and **FON Corporate Finance** advised **Atlas Executive Consulting**.

Also in January, **Patriot Capital** provided a subordinated debt and equity co-investment alongside **Naprotek**, a portfolio company of **Edgewater Capital Partners**, to support their acquisition of **Nexlogic Technologies Inc.**, a manufacturer of printed circuit boards.

Valesco Industries sold a majority stake in their portfolio company **Adams Flavors, Foods & Ingredients**, a manufacturer and distributor of flavors, extracts, and spices, to **Midwest Growth Partners** and **Deason Capital** in March. **Brookside Capital Partners** provided a subordinated debt and equity co-investment to support the acquisition, and **Texas Capital Bank** provided senior debt. **Boxwood Partners**, **BKD**, and **Haynes and Boone** provided the sellers financial, accounting, and legal advice, respectively.

Also in March, **Halifax Group** sold a majority stake in their portfolio company **TriMech LLC**, a provider of computer-aided design and engineering software, to **Sentinel Capital Partners**. **Audax Private Debt** invested mezzanine debt and equity to support the acquisition. **Piper Sandler** and **Stifel Financial** acted as financial advisors to the sellers, while **Borden Ladner Gervais** and **Arnold & Porter Kaye Scholer** acted as legal advisors.

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