



BAIN & COMPANY

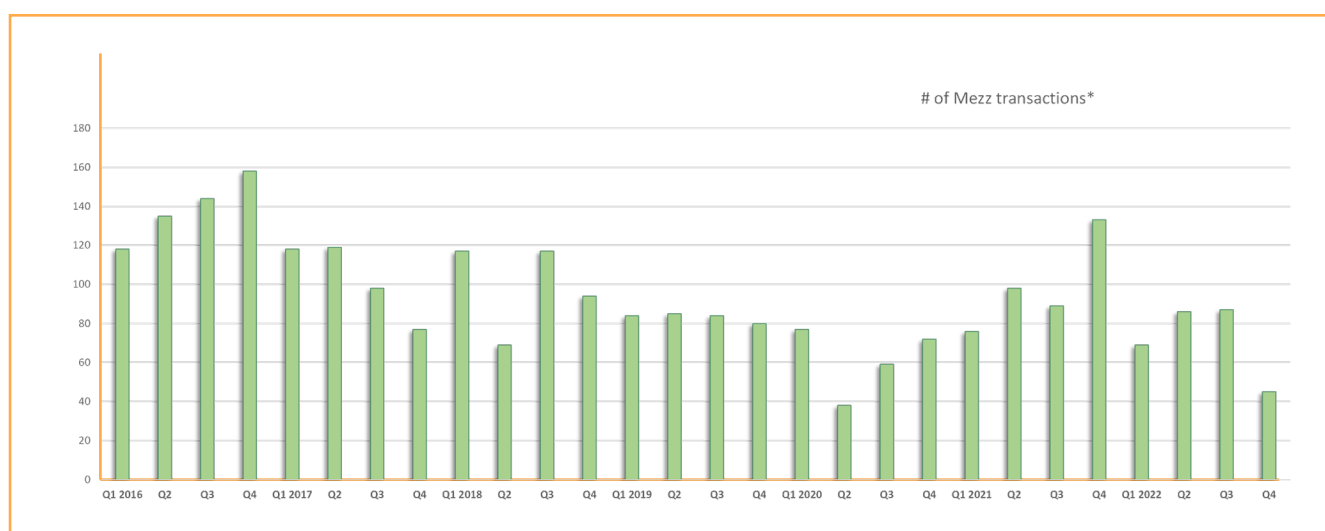
Sutton Place Strategies

Mezzanine Market Perspective

Q4 2022

BREAKING DOWN THE MARKET

Mezzanine activity for the LTM period ending September 30th increased approximately **12%** YoY from **335** deals to **375** deals. Compared to the previous quarter (Q2 2022), deals including mezzanine debt slightly increased, from **86** to **87** in Q3 2022. The slight increase in mezzanine deal activity correlates with the slight increase of private equity sponsored deal volume, which increased **3%** from **1,329** deals in Q2 2022 to **1,368** deals in Q3 2022. Out of the **87** mezzanine deals that closed in Q3 2022, **43** deals were buyouts, **26** were minority financings, **16** were sponsor-backed add-ons, and **2** were recapitalizations. The most common industries in total M&A activity for the quarter were **Services**, **IT**, **Healthcare**, and **Industrial**, 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 December, **NorthCoast Mezzanine** invested subordinated debt and equity to support the buyout of **GT Golf Holdings Inc.**, a distributor of pro shop supplies, wholesale golf grips, club assembly items, golf accessories and custom tournament items, by **Kinzie Capital Partners**. **CIBC Cleary Gull** acted as sellside financial advisor on the deal.

In November, **Dunes Point Capital** sold their portfolio company **Standard Locknut LLC**, a manufacturer of specialized bearing components, to **Tonka Bay Equity Partners**. **Northstar Capital** provided a subordinated debt and equity investment to support the acquisition. **Hennepin Partners**, **Alvarez & Marsal**, and **Kirkland & Ellis** provided M&A, financial, and legal advisory services, respectively.

In October, **NewSpring Mezzanine Capital** invested subordinated debt and equity to support **Summit Equity Group** and **Midwest Growth Partners'** acquisition of **Manitowoc Tool & Machining LLC**, a provider of precision machining services. **Stifel Financial Corp.** provided financial advisory services to the seller.

NOTABLE MEZZANINE TRANSACTIONS (CONT.)

Also in October, **Eagle Merchant Partners** acquired **Eskola Roofing & Waterproofing**, a provider of commercial roof maintenance, leak repair, low slope roofing, steep slope roofing, sheet metal fabrication and waterproofing services. **PNC Erievue Capital** invested subordinated debt and equity to support the acquisition. **D.A. Davidson** served as the seller's financial advisor, while **Citizens Capital Markets** was the buyer's advisor.

Caltius Structured Capital closed a junior capital investment in **Kognitiv Inc.**, a provider of on-demand post-implementation support and managed services, in November.

Audax Private Debt provided a unitranche debt investment to support the acquisition of **Quality Valve Inc.**, a distributor of OEM replacement and repair parts for safety, relief, back pressure and control valves. The company was acquired by **The Stephens Group** from **Pfingsten Partners** in December. **BlackArch Partners** provided financial advisory services to the sellers and **Paul Hastings** provided legal advisory services. **Lincoln International** provided financial advisory services to the buyer and **Bryan Cave Leighton Paisner** provided legal advisory services.

Ironwood Capital provided a mezzanine debt and an equity co-investment in support of **Crescendo Capital Partners'** acquisition of **AGS Construction Inc.**, a provider of reconstruction, restoration and renovation services to multi-family housing and commercial building management companies, in October. **CIBC** provided a senior debt investment in support of the acquisition.

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