



BAIN & COMPANY

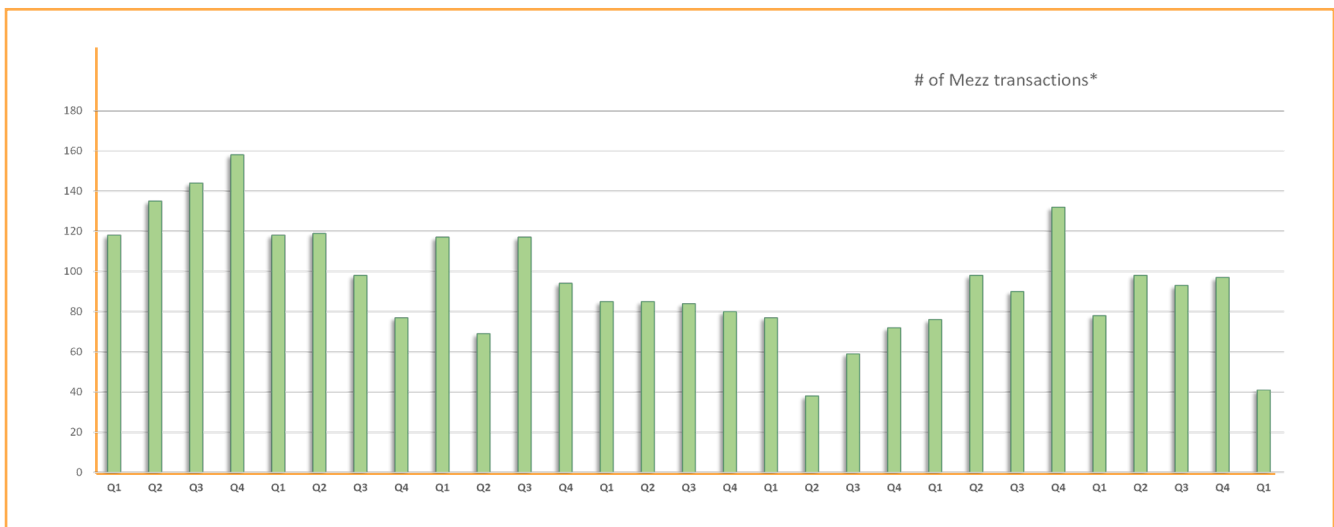
Sutton Place Strategies

Mezzanine Market Perspective

Q1 2023

BREAKING DOWN THE MARKET

Mezzanine activity during 2022 decreased approximately 8% YoY from 396 deals to 366 deals. Compared to the previous quarter (Q3 2022), deals including mezzanine debt increased, from 93 to 97 in Q4 2022. The increase in mezzanine deal activity inversely correlates with the decrease of private equity sponsored deal volume, which decreased 2% from 1,573 deals in Q3 2022 to 1,536 deals in Q4 2022. Out of the 97 mezzanine deals that closed in Q4 2022, 45 deals were buyouts, 27 were minority financings, 20 were sponsor-backed add-ons, and 5 were recapitalizations. The most common industries in total M&A activity for the quarter were Technology, Industrials, Business Services, and Consumer, 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, **NorthCoast Mezzanine** invested subordinated debt and equity to support the acquisition of **Customer Contact Services**, a provider of technology enabled outsourced virtual receptionist and inbound communication customer service solutions, by **Prospect Partners** and company management. **Enterprise Bank & Trust** provided a senior debt investment in support of the acquisition.

In February, **Aldine Capital Partners** provided subordinated debt and equity to support **Four Count's** growth investment in **AIT Consulting Services**, a provider of **OneStream** software advisory and consulting services specializing in comprehensive finance solutions.

In March, **NewSpring Capital** invested mezzanine debt and preferred equity to support the acquisition of **Vac2Go**, a provider of specialty equipment rental, sales, and services to industrial, utility and municipal customers, by **Argosy Private Equity**. **Slane Hill Capital** acted as the seller's financial advisor, while **TM Capital** acted as the buyer's. **Headhaul Capital Partners** provided an equity investment in support of the acquisition.

NOTABLE MEZZANINE TRANSACTIONS (CONT.)

Ironwood Capital provided a subordinated debt and equity investment in support of **High Street Capital's** acquisition of **Pinnacle Contracting Services LLC**, a provider of structural, flatwork, and finishing concrete services to single-family and multi-family residential customers, in February. **Salem Five Bank** provided a senior debt investment in support of the acquisition, and **Global Growth Partners** provided financial advisory services to the seller.

In January, **Mytee Products Inc.**, a portfolio company of **Dry Fly Capital**, acquired **Square Scrub LLC**, a manufacturer of cleaning and related products serving the auto detailing, carpet cleaning and facilities maintenance industries. **First Capital Partners** invested mezzanine debt and minority equity, while **UMB Financial Corp.** provided senior debt to support the acquisition. **Dinan Capital Advisors** served as the buyer's financial advisor.

LO3 Capital provided a subordinated debt and equity investment to support the acquisition of **Power Gripps USA** (dba **Versa Gripps**), a manufacturer and direct-to-consumer retailer of weightlifting grips and accessories, by **Salt Creek Capital Management** in March. **Pelton Advisory** provided financial advisory services to the seller.

Also in March, **Jitterbit Inc.**, a portfolio company of **Audax Group** and **KKR & Co.**, completed the acquisition of **Vinyl Development LLC** (dba **Zudy**), a provider of no-code application development software for enterprise organizations. **Yukon Partners** invested subordinated debt and equity in support of the acquisition and **Dorsey & Whitney** served as the buyer's legal advisor.

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