MERGERS& ACQUISITIONS

OCTOBER 2018

DUE DILIGENCE MEETS BIG DATA

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Contents

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Get ready for big data

Every time you click on the Internet, it's creating data for somebody to analyze how to run their businesses better.

"Data analytics and artificial intelligence are necessary conditions for private equity today," says J. Taylor Crandall, managing partner, Oak Hill Capital Partners, in this issue's cover story. "Historically, the data wasn't available. Businesses were run on visceral intuitions. Now, the data is readily available and exponentially created. Every time you click on the Internet, it's creating data for somebody to analyze how to run their businesses better. Data analytics is the low-hanging fruit to create value in every portfolio company we own."

Several trends are fueling the rise of big data, including enormous increases in computing power, cloud computing architecture and inexpensive storage. To leverage these trends, Sajjad Jaffer and Ian Picache founded Two Six Capital in 2013. Since then, the San Francisco firm has served as an advisor to and co-investor with many respected global private equity firms, including Clarion Capital Partners, Francisco Partners and Oak Hill Capital Partners.

These firms are far from alone in trying to harness the power of data science. Ninety-four percent of PE firms say they will use more predictive (applied) analytics within the next two years, and 83 percent are seeking operating partners with digital or technology expertise, according to Ernst & Young LLP's Private Equity Global Divestment Study 2018. Concludes EY: "PE firms that exploit the power of data and analytics tools at every stage of the transaction process will be able to build a powerful value case for their most attractive assets."

– Mary Kathleen Flynn

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TwinBrook
CAPITAL PARTNERS

90%
DEALS LEAD/CO-LEAD ARRANGER

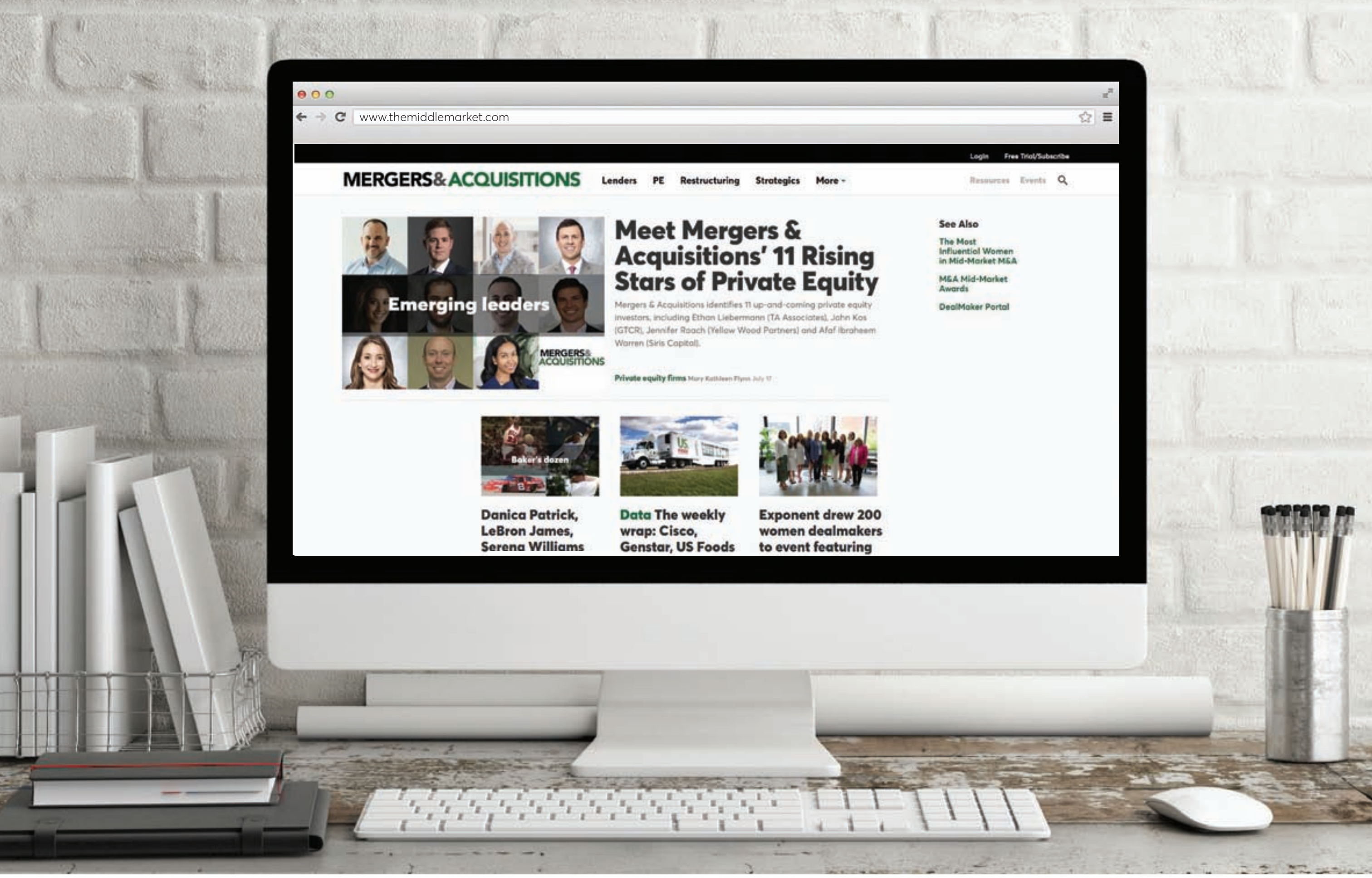
$6.6B
COMMITMENTS ISSUED TO DATE

226
CLOSED TRANSACTIONS

since 4th quarter 2014 inception

Amount	Company	Role	Date	Sponsor
$62,000,000	SBS Storage Battery Systems, LLC	Administrative Agent	July 2018	highroad Capital Partners
Undisclosed	The Service Companies	Administrative Agent	April 2018	Gridiron Capital
Undisclosed	Ronnoco	Administrative Agent	April 2018	Huron Capital
$105,000,000	Solara Medical Supplies	Administrative Agent	April 2018	Linden
Undisclosed	Cranial Technologies	Administrative Agent	April 2018	Beecken Petty O'Keefe & Company
Undisclosed	seracare Passion. Innovation. Precision.	Administrative Agent	April 2018	Linden
Undisclosed	RMS Rotating Machinery Services, Inc.	Administrative Agent	April 2018	Incline Equity Partners
$117,000,000	Colony	Administrative Agent	April 2018	Tailwind Capital
Undisclosed	chancelight Behavioral Health, Therapy & Education	Administrative Agent	April 2018	The Halifax Group
$105,000,000	Lighthouse	Administrative Agent	April 2018	Spire Capital
$45,000,000	ProCare Automotive & Collision	Administrative Agent	April 2018	Kinderhook Industries
$87,000,000	Fralock	Administrative Agent	April 2018	Arsenal Capital Partners

What's going on @ TheMiddleMarket.com



Listicle

14 smart energy deals

The energy industry is teeming with M&A activity, as companies seek to improve operations. Hubbell and Ingersoll Rand are among the strategic buyers. Private equity firms acquiring include AE Industrial Partners, Clayton, Dubilier & Rice and Genstar Capital.

M&A wrap

Campbell to divest assets

Campbell Soup Co. (NYSE: CPB) has hired Goldman Sachs (NYSE; GS) and Centerview Partners to divest its Campbell International and Campbell Fresh businesses, including the Arnott's, Bolthouse Farms and Garden Fresh Gourmet brands.

Video

Conversation with Lorine Pendleton

"Companies that are inclusive and also diverse tend to outperform companies that aren't," says investor Lorine Pendleton of Pipeline Angels and Portfolia in a video interview shot at Exponent Exchange, a gathering of 200 female dealmakers.

Notable deals and trends

By Demitri Diakantonis and Mary Kathleen Flynn

Giving YouTube a run for its money

Jeffrey Katzenberg takes short-form video to a whole new level

WndrCo has raised $1 billion of initial funding for NewTV, a pioneer in short-form video, headed by famed studio head Jeffrey Katzenberg and Meg Whitman, the former CEO of HP. The funding round boasts a star-studded cast of A-list investors, including Madrone Capital, an investment firm backed by heirs to the Walmart Inc. (NYSE: WMT) fortune, and boasts a star-studded cast of A-list investors.

BLOOMBERG NEWS

NewTV is using Hollywood talent to produce original content of short duration, designed for mobile viewing by younger audiences accustomed to entertaining themselves with mobile apps, including Instagram, Snapchat and YouTube. Katzenberg and Whitman, who were former colleagues at Walt Disney Co. (NYSE: DIS), say they are forging a new type of entertainment, one that provides high-end storytelling for brief moments of time, with formats expected to be 5 to 10 minutes in length, some standalone and some episodic.

Much about the service is still to be determined, including the mix of ad-supported and paid business models. Even the name NewTV is a working title. Nevertheless, major Hollywood studios have invested in the round including: 21st Century Fox, Disney, Entertainment One, ITV, Lionsgate, Metro Goldwyn Mayer, NBCUniversal, Sony Pictures Entertainment, Viacom, and Warner Media. In addition to Madrone, investment firms backing the startup include: Goldman Sachs (NYSE: GS), JPMorgan (NYSE: JPM) and Liberty Global (Nasdaq: LBTYA).

"It is exciting to see Hollywood embracing this new technology distribution platform built for the way we watch today," says Katzenberg, the former head of DreamWorks Animation, where he produced animated films such as Shrek, Madagascar, Kung Fu Panda, Monsters vs. Aliens and How to Train Your Dragon. "NewTV will access the best talent and intellectual property for this next era in entertainment. We are already seeing tremendous interest from Hollywood's top talent."

Adds Whitman: "More so than ever, people want easy access to the highest quality entertainment that fits perfectly into their busy, on-the-go lifestyles."

WndrCo, co-founded by Katzenberg, is a holding company that has made investments in digital media and software businesses. Gibson, Dunn & Crutcher LLP represented NewTV in the fundraise.

US Foods expands in key markets

The buyer is gaining five businesses through SGA Food Group deal

Foodservice distributor US Foods Holding Corp. (NYSE: USFD) is acquiring SGA's Food Group of Companies for $1.8 billion. As part of the deal, US Foods is gaining five businesses: produce seller Amerifresh Inc.; meats distributor Ameristar Meats; food products distributor Food Services of America; logistics and delivery companies Gampac Express Inc. and Systems Services of America. The businesses mainly serve restaurant chains and grocery stores. The acquisition expands US Foods' business services along with the company's geographic presence.

US FOODS

"This acquisition will significantly increase US Foods' reach across key markets in the attractive and growing Northwest region of the U.S. and adds one of the most well-regarded regional distributors to our company," says US

Foods CEO Pietro Satriano. "The company's unique merchandising programs, mature local sourcing capabilities and track record of operational excellence will be strong additions to our business."

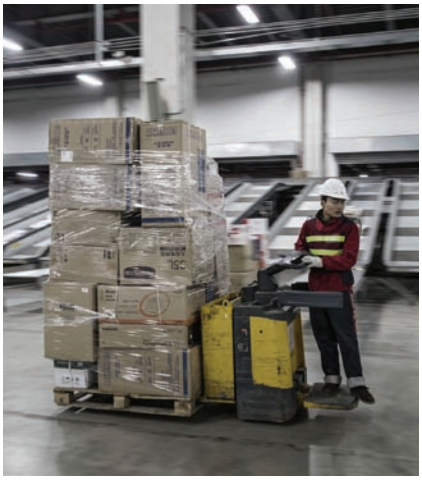
Centerview Partners, KKR Capital Markets, and Cravath, Swaine & Moore LLP are advising US Foods. Morgan Stanley (NYSE: MS) and Davis Polk & Wardwell LLP are advising SGA. Fried, Frank, Harris, Shriver & Jacobson LLP represented Centerview.

Improving logistics in China

Walmart and JD.com invest in Dada-JD Daojia

Walmart Inc. (NYSE: WMT) and JD.com Inc. (Nasdaq: JD) have invested about $500 million in Chinese logistics company Dada-JD Daojia, with about $320 million coming from Walmart. Walmart owns more than a 10 percent stake in Dada. The target will use the investment to improve its supply chain technology services. Dada uses scooter-riding drivers in about 400 cities to deliver online orders ranging from packages to groceries, promising to deliver within one hour. The company works with about 1.2 million online merchants. Walmart's China-based supermarkets are one of Dada's clients.

"Dada-JD Daojia will deepen our partnership with leading retail partners and improve supply chain efficiency via technology," Dada CEO Philip Kuai said in a statement to Bloomberg News. Dada-JD Daojia was created in 2016 when JD merged with Daojia. Walmart originally invested in Dada in 2016.



BLOOMBERG NEWS

Walmart is looking to counter Alibaba's Hema Fresh brick-and-mortar stores, which offer 24-hour delivery services in Shanghai and Beijing. Walmart operates more than 400 brick-and-mortar stores in China. "By working with strong partners, and investing in digital capabilities, we will create easier and more convenient shopping experiences for customers," Wern-Yuen Tan, president and CEO of Walmart China, said in a statement to CNBC. Morrison & Foerster represented Walmart.

Lawrence Golub takes on an outside investor

The mid-market lender sells a minority stake to Dyal Capital Partners

Middle-market lender Golub Capital, led by CEO Lawrence Golub, has sold a minority stake in the firm to Dyal Capital Partners. Golub will use the investment to expand services and resources. The lender, which has more than $25 billion of capital under management, arranges Golub Capital One-Loan Debt (GOLD) facilities up to $1 billion. Golub, founded in 1994, has more than 350 employees in offices across Chicago, New York and San Francisco.

"Dyal's investment gives us new resources to advance our mission to be the best at sponsor finance," says Lawrence Golub. "We are excited to welcome Dyal as our partner for the next phase of our growth."

Founded in 2011, Dyal acquires minority equity interests in institutional alternative asset management businesses. Dyal, a division of Neuberger Berman, and Goldman Sachs Asset Management's Petershill recently acquired a minority stake in private equity firm Clearlake Capital Partners. In recent years, the firm has bought minority, non-voting stakes in a slew of private equity firms, including: H.I.G. Capital, KPS Capital Partners, Silver Lake, Vector Capital and Vista Equity Partners. The firm has also invested in lender Cerberus Business Finance LLC. Dyal currently has 33 minority partnerships.

BLOOMBERG NEWS

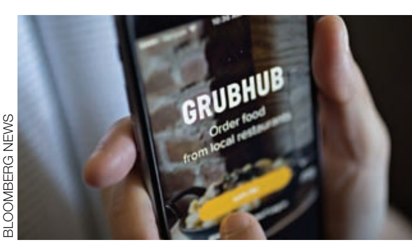
J.P. Morgan Securities LLC (NYSE: JPM) and Kirkland & Ellis advised Golub. Fried, Frank, Harris, Shriver & Jacobson LLP advised Dyal.

Delivering payment tech deals

GrubHub is trying to keep up with the changing consumer landscape

Online food ordering company GrubHub Inc. (NYSE: GRUB) has agreed to buy LevelUp, a provider of payment processing technology for restaurants, for $390 million. Restaurants are scrambling to meet the demands of the next generation of diners, who want more convenience such as online and mobile ordering.

"For the last seven years, the LevelUp team has worked to provide our restaurant partners with a complete solution to engage customers in this rapidly evolving digital landscape, says LevelUp CEO Seth Priebatsch. "Together, we will provide restaurants with everything they need to grow profitably as more and more diners opt for the convenience, transparency and control of ordering online."



BLOOMBERG NEWS

LevelUp gives GrubHub more tools to drive online delivery and pickup orders, making it easier for restaurant chains like KFC, Taco Bell and Bareburger. In 2017, GrubHub paid $288 million for Yelp Inc.'s (NYSE: YELP) Eat24 online food delivery business. Foley Hoag is representing LevelUp and Kirkland & Ellis is representing GrubHub.

Powering up M&A in sports drinks

Coca-Cola teams with James Harden-backed BodyArmor

The Coca-Cola Co. (NYSE: KO) is buying a minority stake in sports drink company BodyArmor. The target counts former and current National Basketball Association players Kobe Bryant and James Harden among its investors. The deal expands Coca-Cola's beverage line beyond traditional soft drinks, while it gives Whitestone, New York-based BodyArmor access to Coca-Cola's bottling system. Coca-Cola already owns another sports drink in Powerade.

BodyArmor drinks are infused with coconut water, vitamins and potassium, that come in flavors that include BodyArmor Lyte and BodyArmor Sportwater. The company claims its products are lower in sodium and higher in potassium compared some rivals, such as Gatorade. Bryant, who retired in 2016 after playing 20 years with the Los Angeles Lakers, invested in the brand in BodyArmor in 2013. Harden cur-

BODYARMOR

rently plays for the Houston Rockets. Bodyarmor was founded in 2011 by

Mike Repole and Lance Collins. Repole co-founded the Smartwater and Vitaminwater brands, which Coca-Cola acquired in 2007 for $4.1 billion.

"In a fast-moving and dynamic industry, and during a time of unprecedented change at Coca-Cola, we're challenging the status quo and bringing innovative, boundary-less thinking to our strategic relationships to ensure we are offering the products consumers want," says Coca-Cola North American president Jim Dinkins. BodyArmor join Coca-Cola's venturing and emerging brands investment portfolio and Coca-Cola will become BodyArmor's second largest shareholder behind Repole.

Primary care stands out for PE

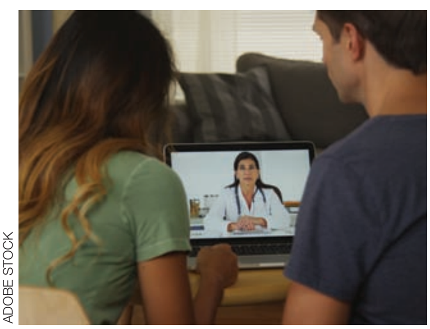
Carlyle is investing in the largest independently held primary care practice

The Carlyle Group (Nasdaq: CG) is making a significant minority investment of up to $350 million in 1Life Healthcare Inc., the company behind One Medical, which claims to be the largest independently held primary care practice in the U.S. Technology is what makes the company stand out; its aim is to reimagine primary care by improving the quality, service and affordability of care through a technology-enabled model. Online scheduling and mobile apps are hallmarks.

"One Medical's combination of best-in-class service and seamlessly integrated technology is delighting patients in an increasingly frustrating primary care environment," said Ram Jagannath, managing director on Carlyle's healthcare team. "We look forward to working with the company to bring the One Medical brand and experience to more patients across the country."

One Medical was founded in 2007 by Tom Lee, the former chief medical officer of Epocrates. Lee had served as chief executive of One Medical until 2017, when Amir Dan Rubin, a former UnitedHealth Group executive, took the reins. Today, Lee serves as executive chairman.

One Medical has raised more than $180 million in venture capital from investors, including Benchmark Capital; GV, the venture arm of Google parent Alphabet Inc. (Nasdaq: GOOGL); JPMorgan; and Maverick. Equity for the transaction comes from Carlyle Partners VII, an $18.5 billion fund that makes majority and strategic minority investments primarily in the U.S.



ADOBE STOCK

The investment in One Medical continues Carlyle's long-term global commitment to healthcare, in which it has invested more than $11 billion of equity since inception. Carlyle's experience investing in the healthcare space includes MedRisk, Albany Molecular Research, PPD, WellDyneRx, Ortho Clinical Diagnostics, Rede D'Or São Luiz, Healthscope, Qualicorp, MultiPlan, and most recently, Millicent Pharma. Latham & Watkins LLP served as legal advisor to Carlyle.

Why infrastructure is important to PE

CD&R bets on construction growth

Clayton, Dubilier & Rice is acquiring PowerTeam Services LLC, a provider of maintenance and construction services to the U.S. utility industries from Kelso & Co. for undisclosed terms, as M&A in the energy industry grows.

PowerTeam provides services to maintain, repair, upgrade, and install natural gas and electric distribution and transmission systems. These services are critical to maintaining the safety, reliability and integrity of aging gas and electric infrastructure, says the private equity firm, which has offices in New York and London.

PowerTeam's customer base includes leading regulated utilities in the southeastern and midwestern U.S., which it serves through a network of 42 locations in 21 states with approximately 4,200 employees. Approximately two-thirds of PowerTeam's revenue is related to natural gas systems, and more than 70 percent of revenue is derived from distribution infrastructure. "The company has a very promising future," said John Krenicki, CD&R operating partner, former vice chairman of General Electric Co. (NYSE: GE) and CEO of GE Energy.

"PowerTeam's management has built a strong market position, and we share their vision for the future, which we believe will create rewarding career opportunities for the company's more than 4,000 talented employees." Krenicki will serve as the chairman of PowerTeam post-closing. Lewis Hay, operating advisor to CD&R funds and former chairman, president, and CEO of NextEra Energy, will serve on PowerTeam's board of directors. Kirkland & Ellis LLP served as CD&R's legal advisor. Harris Williams acted as financial advisor, and Debevoise & Plimpton acted as legal advisor to PowerTeam.

Appetite for ethnic restaurants

Panera Bread founder Ron Shaich backs Zoe's Kitchen

Cava Group, backed by investors including Panera Bread founder Ron Shaich, is acquiring restaurant chain Zoe's Kitchen Inc. (NYSE: ZOES) for about $300 million, as Americans spend more money at restaurants. Zoe's Kitchen, founded in 1995, is a Mediterranean fast-casual restaurant chain with about 260 locations. The menu features items, such as lamb pita and chicken and steak kabobs. Cava is also a Mediterranean fast-casual chain.


ZOE'S KITCHEN

Cava operates around 60 restaurants and is aiming to increase the number to 75 by the end of 2018. Cava sells hummus, tzatziki and others dips and spreads in grocery stores, inducing Whole Foods markets.

"Together, these two brands are united by a shared heritage and passion for exceptional Mediterranean cuisine," says Cava CEO Brett Schulman. "Now with the addition of Zoe's Kitchen, we will be able to broaden our geographic footprint and meet the needs of even more guests."

The deal is being funded through an investment from Act III Holdings, the Invus Group, and existing investors Swan & Legend Venture Partners and Revolution Growth. Act III was created by Panera founder Shaich, who will serve as chairman of the combined Zoe's and Cava company. Act III has also invested in Clover Food Lab, Life Alive Organic Cafe, Tatte Bakery and Open World. Revolution Growth was founded by America Online co-founder Steve Case and Ted Leonsis, owner of the National Hockey League's Washington Capitals.

Spending at restaurants has surged in recent months, according to the U.S. Department of Commerce. The recent gains appear to reflect more people dining out more frequently. Major restaurant companies have also increased prices.

Piper Jaffray Cos. (NYSE: PJC) and Greenberg Traurig are advising Zoe's Kitchen. Citigroup Global Markets Inc. (NYSE: C) and Skadden, Arps, Slate, Meagher & Flom are advising Cava. Morgan Stanley, Sullivan & Cromwell and Simpson Thacher & Bartlett are advising Shaich and the Invus Group.

Women make the first move

Bumble launches VC firm to invest in women-led startups

Dating app Bumble, founded by Tinder co-founder Whitney Wolfe Herd in 2014, is best known for challenging "the antiquated rules of dating" by requiring that women "talk first to set an equal tone from the start," as the website puts it. Now the startup is launching a venture capital fund to invest in women-led businesses.

BUMBLE

Bumble COO Sarah Jones Simmer is running Bumble Fund's investment strategy, along with senior advisor Sarah Kunst, managing director of venture fund Cleo Capital. Bumble Fund has already made commitments to prenatal and postpartum healthcare company Mahmee, beauty startup BeautyCon and swimwear startup Sofia Los Angeles, according to Forbes.

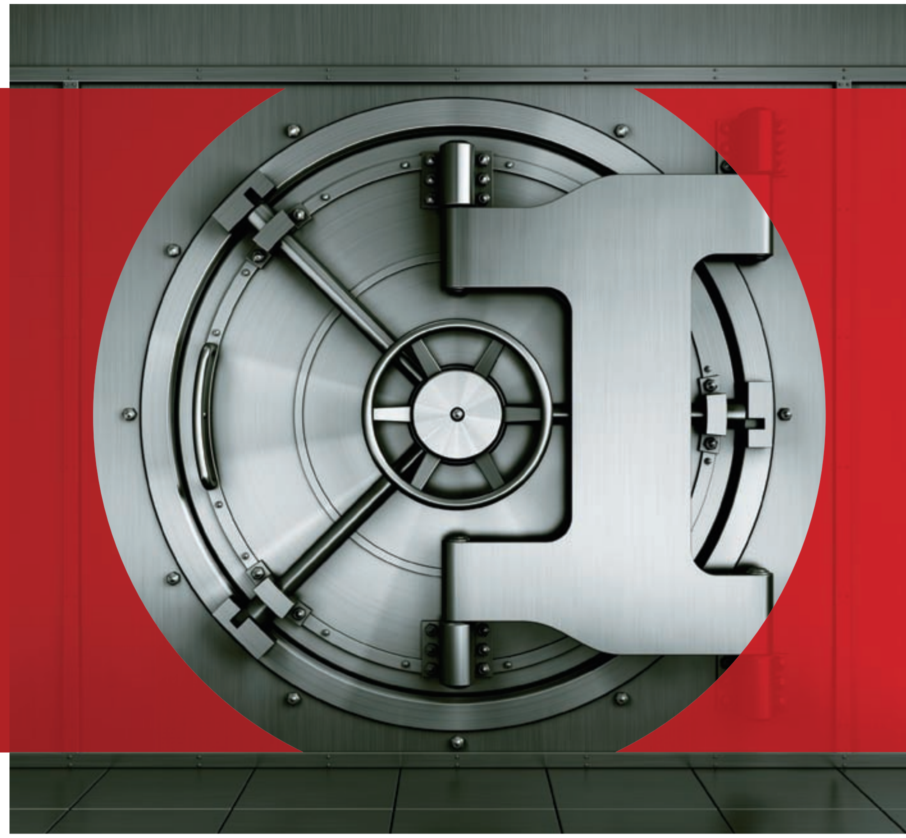
"Through Bumble Fund, we'll look not only to support those women leaders who have been largely ignored, but we'll also demonstrate why those investments build smart, successful businesses," Simmer tells TechCrunch. In 2017, just 2.2 percent of VC funding went to women-founded businesses, according to PitchBook. Support for women-led companies appears to be growing. In June, Goldman Sachs (NYSE: GS) announced a program called Launch With GS, which is investing $500 million of the firm's and clients' capital in private, late-stage, women-founded, women-owned or women-led companies. In July, 200 female dealmakers gathered for a networking event in New York.

Analytics: a sector ripe with M&A

A consortium led by TH LEE is purchasing Dun & Bradstreet

Thomas H. Lee Partners, CC Capital and Cannae Holdings are buying Dun & Bradstreet (NYSE: DNB), a commercial data provider that has been around since 1841, for $6.9 billion. "Today's announcement is the culmination of a thoughtful and comprehensive review of the value creation opportunities available to the company as part of a full portfolio and business assessment and exploration of strategic alternatives with multiple financial sponsors," says D&B CEO Thomas Manning, who will continue to lead the business after the deal closes.

D&B is a marketing data and analytics provider that is designed to help businesses gain customers. Businesses are increasingly relying on data to help them make better decisions, making data providers attractive M&A targets. Some other deals include: ION Investment Group's purchase of Dealogic; Morningstar Inc.'s (Nasdaq: MORN) deal for PitchBook; Salesforce.com Inc.'s (NYSE: CRM) of Datorama; and S&P Global's (NYSE: SPGI) acquisition of Kensho Technologies. **M&A**




Sir Richard Branson

Fall back

The season's conferences offer opportunities to source deals, socialize with dealmakers and hear from featured speakers: Virgin Group's Sir Richard Branson, former Whole Foods CEO Walter Robb and the Foreign Service's Valerie Crites Fowler.

By Mary Kathleen Flynn

Autumn has always been my favorite time of year. In addition to the beautiful fall foliage throughout much of the country, I love the sense of new beginnings the season brings. There's back to school, of course; and for many religions, fall marks a new year. In the business world, there's also a renewal of focus after the lazy, hazy, crazy days of summer. Fueling some of the energy are fall conferences that bring together the middle market, enabling us to reinvigorate old relationships and forge new ones. Here's a preview of some of the conferences coming up.

The LA Business Conference, hosted by **ACG Los Angeles** and held Sept. 25-26, at the glamorous Beverly Hilton Hotel in Beverly Hills, is an A-list event. The annual conference is known for drawing top-notch speakers, and this year's event does not disappoint. Keynote speakers include: Sir Richard Branson, founder, Virgin Group; Peter Guber, CEO, Mandalay Group and owner of the Golden State Warriors and co-owner of the Los Angeles Dodgers; John Hennessy, chairman of Alphabet Inc. (Nasdaq: GOOGL), parent company of Google, and the president of Stanford University; and Therese Tucker, the CEO of enterprise software developer BlackLine.

M&A East, hosted by **ACG Philadelphia** and held Oct. 24-25, at the Pennsylvania Convention Center in Philadelphia, brings together 1,300 top strategic and financial dealmakers and leading middle-market advisors for deal sourcing and networking. Featured speakers include Walter Robb, former CEO Whole Foods (Nasdaq: WFM), and Chris Voss, former FBI lead hostage negotiator. The Women in Dealmaking session will focus on Women in the Board Room.

ACG Florida Capital Connection, held Nov. 12-14, at the Vinoy Renaissance St. Petersburg Resort & Golf Club, puts "sun and fun" into dealmaking for the middle market, bringing together hundreds of dealmakers. The featured speaker for the Women's Forum is Valerie Crites Fowler, who served as a diplomat in the U.S. Foreign Service for over 29 years, reaching the rank of Minister Counselor in the Senior Foreign Service.

Middle Market Week, hosted by **ACG New York** and held Nov. 26-30 at various locations and events throughout New York, brings together leading global middle-market dealmaking professionals to develop and enhance their dealmaking activities, strengthen their long-term relationships, and provide numerous opportunities for networking all week long. Mark your calendar for the Private Equity Annual Wine Tasting Gala on Nov. 28 at Gotham Hall. The building was constructed in the 1920s as the headquarters of the Greenwich Savings Bank. The gala brings together the leading middle market private equity firms for an evening of fine wines and networking and is a premiere event.

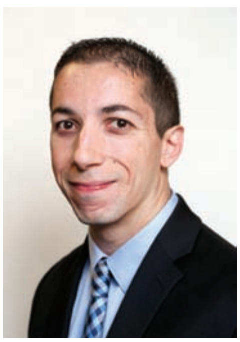
All these gatherings provide great opportunities to source deals and network with dealmaking peers. **M&A**

PHOTO CREDIT: BLOOMBERG NEWS

Filling the aisle with deals

As many consumer companies are doing, Tyson Foods is focusing on its core businesses through M&A.

By Demitri Diakantonis



Tyson Food, the owner of Hillshire Farm, wants to "feed the world" with its protein brands and will seek acquistions to help.

"We will be acquisitive where we believe it's going to be in the best interest of our share owners, and it's focused on continuing to try to stabilize margins, improve margins over time," says Tyson CEO Thomas Hayes. "We are refining and growing our company as part of our strategic plan to sustainably feed the world with the fastest-growing protein brands."

As part of the company's M&A strategy to focus proteins, Tyson Foods Inc. (NYSE: TSN) has agreed to buy protein supplier Keystone Foods from Marfrig Global Foods for $2.16 billion. Keystone distributes chicken, beef, fish and pork to some of the world's largest restaurant chains including McDonald's Corp. (NYSE: MCD). The acquisition includes six processing plants and an innovation center in the U.S. with locations in Alabama, Georgia, Kentucky, North Carolina, Pennsylvania and Wisconsin, along with eight plants and three innovation centers in China, South Korea, Malaysia, Thailand and Australia. Keystone has $2.5 billion in revenue. Hayes adds that the purchase will give Tyson global growth opportunities. "Keystone provides a significant foundation for international growth with its in-country operations, sales and distribution network in high growth markets in the Asia Pacific region as well as exports to key markets in Europe, the Middle East and Africa."

In other deals to boost its core business lines, Tyson has agreed to buy the poultry rendering and blending assets of American Proteins Inc. and Ampro Products Inc. for $850 million. The deal will allow Tyson to recycle more animal products for feed, pet food and aquaculture, and expand its presence in the growing animal feed ingredient business. In another core acquisition, in 2018, Tyson bought organic chicken producer Tecumseh Poultry LLC. Founded in 1998, Tecumseh produces fresh chicken, air-chilled chicken, deli-style chicken and a variety of chicken sausage. Air-chilling uses cold air to cool chicken during processing rather than the industry standard water-chilling.

Divestitures

Aside from acquisitions, Tyson has been divesting assets. The company has sold its pizza crust business to private equity firm Peak Rock Capital. The target makes baked crusts, self-rising crusts and flat breads for the foodservice and retail industries. Tyson is also selling its Sara Lee frozen bakery and Van's businesses to Kohlberg & Co.

Tyson was founded in 1935 by John W. Tyson and has grown through generations of family leadership. The Springdale, Arkansas-based company owns Tyson, Jimmy Dean, Hillshire Farm, Ball Park, Wright, Aidells, and State Fair brands. As long as people eat chicken and pork, there will be ample M&A opportunities for Tyson. **M&A**

PHOTO CREDIT: BLOOMBERG NEWS

DUE DILIGENCE MEETS BIG DATA

Private equity firms leverage the latest technology to evaluate potential targets and nurture portfolio companies.

By Mary Kathleen Flynn

The private equity industry is just beginning to tap into the power of big data to evaluate potential investment targets and grow portfolio companies. "It is like it was in 1990 for public markets," posits Ian Picache, co-founder of Two Six Capital, a San Francisco firm that is pioneering the use of data science in due diligence and value creation. "The use of big data techniques is nascent. It is only a matter of time before the private industry is disrupted. Just as the public markets saw the rise of massive quant hedge funds such as DE Shaw, Renaissance Technologies, and AQR, the same will happen in private equity. In the future, we expect big data to be heavily used in industry."

"Data analytics and artificial intelligence are necessary conditions for private equity today," says J. Taylor Crandall, a managing partner and a founding member of Oak Hill Capital Partners, which began investing in 1986 as the family office for Robert Bass, one of four brothers who founded Bass Brothers Enterprises, based in Fort Worth, Texas. "Historically, the data wasn't available. Businesses were run on visceral intuitions. Now, the data is readily available and exponentially created. Every time you click on the Internet, it's creating data for somebody to analyze how to run their businesses better. Data analytics is the low-hanging fruit to create value in every portfolio company we own."


Ian Picache

Oak Hill engaged Two Six to analyze cohorts, or customers segments, for its portfolio company Wave Broadband, a regional broadband fiber company offering a full suite of high-speed data, video, and voice services to residential and business customers. The analysis yielded a bundle repricing that proved attractive to a group of customers and improved revenue growth, says Crandall. Subsequently, Oak Hill sold Wave Broadband to RCN Telecom Services LLC, a portfolio company of TPG Capital, for $2.365 billion in 2017. The sale price represented a multiple of 14x Ebitda, compared with the usual 10-12x Ebitda for a cable business, according to Crandall. To ensure that Oak Hill continues to reap the benefits of data science across its portfolio, Oak Hill is currently hiring a senior advisor for data analytics.

There are several underlying technology trends at play to enable the rise of big data, including enormous increases in computing power, cloud computing architecture and inexpensive storage. At the same time, "more and more data is being created every day, as companies increasingly rely on technology to scale and improve their operations, as consumers shift to a digital lifestyle," says Sajjad Jaffer, co-founder of Two Six Capital. The methods to analyze data have also evolved significantly. "Statistical, artificial intelligence, and machine learning techniques are becoming available and take advantage of the technology infrastructure and availability of data."

To leverage these trends in the context of private equity investments, Jaffer and Picache founded Two Six Capital in 2013. Since then, the San Francisco firm has served as an advisor to and co-investor with many respected global private equity firms, including Clarion Capital Partners, Francisco Partners and Oak Hill Capital Partners.

Both Jaffer and Picache earned MBAs at The Wharton School, University of Pennsylvania, and Jaffer serves on the advisory board of the Wharton Customer Analytics Initiative. Based on 25 years of intellectual property and research in data science, Two Six Capital's technology helps PE firms understand past company performance and forecast future business drivers. The firm has analyzed more than $100 billion in granular transaction- level revenue data and has been involved in more than $27 billion worth of completed PE transactions, according to Two Six Capital. To harness the power of data science, the firm combines large-scale engineering, statistics, and machine learning to help investors unmask the intrinsic value of companies.

"We see big data as a board room agenda," says Picache. "Two Six has developed a technology, process, and people-based playbook to drive operational improvements. The playbook has a broad range of applications across functions including marketing, sales, support, budgeting, R&D and operations. Just like 'quants' in the public markets, we can run large-scale iterative tests with management teams to make resource allocation decisions. Two Six can monitor and optimize portfolio companies using actionable dashboards that can be used to make board level strategic choices or tactical campaign-level management decisions."

Big data in the due diligence process is used for two purposes, explains Jaffer. The first is to understand the target. "By unpacking the data, we determine the key business drivers of the company. These include: where the company is growing, what are the various customer segments, how are the customer segments changing over time. We can predict with a high degree of accuracy what near term (six to 18 months) revenue will be. This helps underwrite the base case and fundamentally improve risk adjusted returns."

The second is to find value creation opportunities. "In analyzing the data, we see areas in which the company can be improved such as sales, marketing, budgeting, operations, and R&D," says Jaffer.

The approach works best with businesses that have a lot of data and some repeat sales behavior. "This could be customer, product or channel data," says Picache. "Generally, we look for 10,000 customers or higher; or 500 products or higher." The approach scales to handle millions of customers and thousands of products, he says.

Clarion Capital Partners, a New York PE firm that invests in lower middle-market companies, met Two Six Capital

through the Wharton Consumer Analytics Initiative. "We found Wharton's ground-breaking statistical approach to projecting customer lifetime value highly relevant to our investment process in the consumer, media and entertainment industries," recalls Clarion founder Marc Utay. He was impressed by Two Six Capital's ability to handle large volumes of data. "Most private equity firms lack the know-how to do this analysis and candidly don't even have computers which can handle these size data sets. Second, they tailored their industry investment insights based on our commercial diligence hypotheses. While the math can be outsourced, if you don't have someone working on it that really understands the business, it is hard to make the conclusions actionable. Third, we saw the potential to incorporate the big data analysis into the day-to-day operations of the business."


Sajjad Jaffer

Traditionally, Clarion had evaluated consumer services and product companies through an analytical framework, comparing the lifetime value of a customer to the cost of acquiring a customer. "Whether it was for your cable TV service, your cellular service or a product which you would buy more than once, we always analyzed consumer behavior by grouping customers based on their period of initial purchase (cohorts)," says Utay. "In a world where you would reach your customers through general advertising (TV, radio, newspapers etc.), with an inability to track specific responses to specific media (the only real direct measurement of media efficiency was direct mail), you would just look at your total marketing spend divided by your number of new customers to calculate your customer acquisition cost and follow how that was trending."

"The advent of large datasets tracking consumer behavior from initial contact through purchase and measuring engagement with the customer over their lifetime has fundamentally changed this approach," Utay explains. "We now have a multiplicity of ways to reach the consumer (traditional advertising, targeted advertising, email, social media, etc.) and with many of these we can measure the consumer response directly. We can measure every touch point with that consumer leading up to a sale and track their business with us over a lifetime. This granular data allows us to analyze what media is most productive and which consumer activity is most predictive of a future sale."

"Every business knows that a small portion of their customers are unduly valuable," says Utay. "We can now identify these A+ customers and understand what attributes and activity, early in the consumer's life, indicate that they're likely to be one of the A+ customers. We can know which media is most effective to target them. In certain businesses, this can lead to a dramatically different answer on lifetime value. Using averages by cohort can obscure the true value of your best customers and lead to valuation or operating strategy errors. For example, online gaming (e.g. poker) and fantasy sports both have a small number of their customers that play a lot and account for a disproportionate amount of their profitability."

With help from Two Six, Clarion was able to see the cohort dynamics of the business on a customer-by-customer basis, something that would have been "impossible even 10 years ago," explains Utay. "As we unpacked the business drivers, the investment thesis in one case showed that the management team's projections, which seemed initially optimistic, were in fact conservative. In a second case, we saw that the data was not mature enough to draw conclusions with any conviction and this ultimately helped abort what looked like a great investment on the surface."

For Clarion, the deep analytics approach is now central to the diligence and value creation processes. "Unlike other firms that shield their investment insights from the target company's management team, we take an open book, collaborative approach," says Utay. "Our view is that the more we share with the management teams, the smarter we all get. By embedding Two Six's analytics approach in the process, everyone benefits by identifying how we can collectively improve a deal from a 3.5x (our average) to a 5x return."

Clarion and Oak Hill may be on the leading edge, but they are far from alone in trying to harness the power of data science. Ninety-four percent of private equity firms say they will use more predictive (applied) analytics within the next two years, and 83 percent are seeking operating partners with digital or technology expertise, according to Ernst & Young LLP's Private equity Global Divestment Study 2018. "Unlocking portfolio businesses' potential to benefit from digital and technological changes could be the key to securing greater value," write EY's Herb Engert and Bill Stoffel. "PE firms that exploit the power of data and analytics tools at every stage of the transaction process will be able to build a powerful value case for their most attractive assets." **M&A**

Giving digital diligence its due

In today's M&A landscape, the definition of due diligence must expand beyond conventional financial metrics to include a company's digital strategy and capabilities strengths and weaknesses as well.

By Jeremy Swan

In today's M&A landscape, the definition of due diligence must expand beyond conventional financial metrics to include a company's digital strategy and capabilities strengths and weaknesses as well.

Traditionally, due diligence has focused on examination of the assets, liabilities and overall fiscal health of the target company. That will continue. Financial statements, quality of earnings reports, commercial diligence and legal are the backbone of the diligence process.

But investors must now extend their M&A due diligence to include "digital diligence."

In our digital economy, every company is a technology company—which means every company lives and dies by how effectively it embraces technology and protects itself against cyber threats. That means acquirers need to take a hard look at everything digital to see if the target company has a true tech strategy in place.

In addition to pinpointing tech risks and shortcomings in potential acquisition targets, digital diligence efforts should identify areas of opportunity that may drive up the value of that asset post-close through improved use of information technology.

For many years, it was common practice for buyers to examine a target company's IT infrastructure only after the deal closed. This often led to unforeseen expenses, because acquirers realized too late that they would have to invest in new hardware, software and services to scale the acquired business and make it more competitive in the marketplace. Only over the past 10 years has some level of IT diligence become mainstream.

Today, it is even more critical for acquirers to assess the suitability and scalability of all IT systems at the target company—including customer engagement, sales, finance, manufacturing and HR applications—and assess whether they're modernized, well-implemented and integrated.

Even more important, acquirers should ascertain the degree to which a target's IT strategy is aligned with its corporate strategy and whether it's a core part of the organization. This involves digging deep, beyond a look at what ERP system the company has implemented or which networking vendor it's using. Acquirers must investigate how the target company is leveraging ecommerce, social media and all aspects of digital to drive its business and create proactive relationships with its customers and suppliers.

That's because effective use of digital can be a major growth multiplier for the combined company. We worked with one acquirer targeting a company that, while smaller, was enjoying much higher revenue growth and better customer retention when compared to its larger peers. As part of the digital diligence process, we set out to discover how it was accomplishing this.

It quickly became evident that the target company was light years ahead in using social media to engage with customers and in leveraging automation to stay connected with its client base post sale. The acquirer recognized that the target company could help jumpstart its own digital strategy to drive business rapidly forward. This was a case where one plus one actually equaled three or even four.

New era

Due diligence must expand beyond conventional financial metrics to include a company's digital strategy

- **Extend due dilgence to "digital diligence"**
- **Embrace technology to protect against cyber threats**
- **Assess scalability of all IT systems**
- **Enhance e-commerce and Internet presence**

CohnReznick

Jeremy Swan

In the past, identifying opportunities for digital innovation within a target company was not a high priority. Today that attitude is changing, because acquirers realize that innovation, properly applied, can transform an average company into a great one. It could be something as simple as an enhanced internet presence, such as the introduction of a web-based interface that allows customers to check inventory and place their own online orders.

An obvious yet fruitful innovation like that could bring all sorts of benefits: lower customer-acquisition costs, improved customer-relationship management, reduced selling and marketing expenses, and much more. In other words, the proper digital diligence can add significant value to any acquisition and lead to a substantial return on investment.

Companies' increased reliance on emerging digital technologies adds another new and necessary layer to the due diligence process: cyber diligence. After all, cyber breaches are increasing in size and scope, and companies of all sizes need to be more prepared than ever before.

A cyber diligence assessment should be coupled with any technology diligence and should examine vulnerabilities in the target's IT assets and the scope of damage that could occur in the event of a breach. While cyber diligence might not always deliver complete assurance of the target company's ability to protect and defend against cyber threats, it can provide a reasonable understanding of the target company's current capabilities.

For example, how is the target company currently monitoring threats? What kind of response plan does it have in the event of a cyber attack? How quickly can the company recover if an attack disrupts its supply chain or its ability to get products to market? A proper technology focused diligence effort will raise a number of vital questions—and, depending on the answers, it will impact the way a deal is structured and valued.

Due diligence isn't what it used to be. It's no longer just about identifying risks that reside in an acquisition target. Now it's also about uncovering areas of opportunity that may drive up the value of that asset post-close. Done well, technology diligence with a focus on digital and cyber can lead to greater returns and more successful acquisitions. **M&A**

Jeremy Swan is the managing principal of the financial sponsors and financial services industry practice at CohnReznick.

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M&A Conditions Remain Strong: Lenders Play Important Role


Madison Capital Funding offers long-term capital, deep sector expertise, and reliable deal execution to meet the financing needs of an ever-changing market. Madison Capital benefits from the financial strength and stability of New York Life Insurance Company. This enables us to be a long-term partner you can count on in both good times and challenging ones.

Bill Kindorf, Managing Director, Head of Insurance & Financial Services, Madison Capital Funding (L)
Sunil Mehta, Managing Director, Head of General Industries, Madison Capital Funding (R)

How would you characterize the deal making environment today?
Kindorf: It is highly competitive. Purchase price multiples are higher than either of us have ever seen in our careers. Auctions are driving a lot of interest and our private equity clients are stretching into new spaces. For example, we see larger funds looking at smaller deals. Private equity funds are branching out into new industry verticals, which has provided us a unique opportunity to leverage our specialty industry silos.

Additionally, time frames to get deals completed are being condensed and lenders are expected to fully commit faster than they have been expected to in the past. It's an area where we've had to adapt and our ownership and capital base has given us the ability to do so effectively. It's all driven by the record amount of capital that private equity firms have today and the amount of leverage available.

How are lenders meeting the needs of private equity clients today?
Mehta: At Madison Capital we are recognized for our in-depth knowledge in select industries including healthcare, insurance and financial services and software and technology services. Our track record in those verticals is a big differentiator for us. We also provide private equity sponsors debt facilities with built-in mechanisms, so they can seamlessly execute on various growth strategies. Given our flexible capital base, we can offer larger unfunded revolvers and delayed draw term loans.

What has changed in the lending industry over the last five years?
Mehta: We have experienced tremendous growth over the last five years while also adapting to a number of changes in the industry. The most noticeable change is that individual lender hold sizes have grown dramatically. Prior to the last recession, a $100 million credit facility used to be held by four to five lenders and currently one or two lenders will hold that amount. In addition, as we get longer in the economic recovery, documentation terms have become borrower friendly. Prior to the last cycle, financial covenant cushions were 15%-20% and currently are 30%-35%. Furthermore, EBITDA definitions are heavily negotiated so lenders need to recognize that EBITDA is potentially not a true cash flow measure of the borrower.

What trends are you seeing in the private equity market today?
Kindorf: Companies in highly fragmented sectors are getting a lot of attention today. For example, we see a lot of activity in healthcare practice management as well as in insurance brokerage. The strategy involves making numerous add-on acquisitions to grow the portfolio companies. It usually requires a credit facility and a delayed draw facility or other incremental debt facilities to finance those deals.

Mehta: Purchase price multiples are at an all-time high. Private equity firms are purchasing their platform companies often times at double digit multiples and using our credit facilities to make smaller add-on acquisitions at discounted multiples.

What do specialty finance companies bring to the table?
Kindorf: Specialty finance companies can be more aggressive in terms of a leverage profile and they have more flexibility around credit terms. We are also seeing specialty finance companies taking down larger holds as well. One thing to note, 15 years ago specialty finance companies were the new players on the block versus the commercial banks. That's not the case anymore. At Madison Capital, we have a 17-year track record and are well-established in the market. We have over 250 unique borrowers and have invested more than $30 billion since our founding in 2001. Our backing by New York Life continues to provide us with the ability to adapt to various market conditions as well as allowing us the benefit of patient capital to seek the best outcomes for our borrowers, our private equity sponsors and ourselves.

What role are traditional banks playing in the financing structure today?
Mehta: Since 2013, when the leverage lending guidelines were put into place, the banks were often on the sidelines. It helped put finance companies like us in a position to dominate the market. However, the current administration has taken a more lenient approach and we are seeing traditional banks compete on larger transactions where they can utilize an underwrite and broadly syndicated financing strategy.

How has the fact that some private equity firms have launched lending facilities impacted lending?
Kindorf: We have seen this trend, but in terms of head-to-head competition there hasn't been a huge impact. Private equity firms typically participate in deals versus competing for a lead or co-lead role on a deal. For many borrowers there can be a perceived conflict of interest. The borrower can wind up having a competitor in their bank group. We don't believe this will go much beyond where it is today for this reason.

What changes in lending or private equity do you expect to see over the next five years?
Mehta: A period of slower growth is likely coming over the next five years. Current economic conditions appear to be strong, but the yield curve is flat and monetary policy is tightening. Historically, those factors have been a precursor to a recession. Given the aggressive debt structures put in place today with the potential for slower growth, we expect to see more default activity from private equity borrowers.

Do you worry that we will have another financial crisis?
Mehta: Our capital base is extremely flexible and patient, so we have a unique ability to work in partnership with our private equity sponsors should an underlying portfolio company have an issue. In addition, we take an investment-like approach in our underwriting and portfolio management functions. We have conviction that our capital deployment since the financial crisis was both smart and efficient.

How do you differentiate yourself as a lender?
Kindorf: It's all about relationships. We have been a relationship-oriented business since the beginning. It's key to being a successful lender in the market. It's important to acknowledge again that a key differentiator is our capital base from New York Life. New York Life provides us with a stable, patient capital base that we can rely on in all economic cycles. It gives us a unique advantage which is understood and appreciated by private equity sponsors.

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Growth by addition

Accord Financial Corp. is a publicly-traded (TSX:ACD) finance company, specializing in commercial lending, with a strong balance sheet and 40-year history of financial strength and success. Serving clients throughout the US and Canada, Accord helps companies manage cash flow and maximize financial opportunities with a full spectrum of asset-based lending solutions, including: factoring, inventory finance, equipment leasing, trade finance, and film/media finance.

Terry M. Keating, President & CEO – Accord Financial, Inc. (L)
Jeffrey S. Pfeffer, Managing Partner – CapX Partners (R)

Terry, it's been nearly a year since Accord Financial and CapX Partners announced their merger, how's it going so far?
Of course, we expected great things, but it's been even better. Accord invested in CapX because it's a terrific business. In addition, we've also closed multiple deals that may not have been possible otherwise—using Accord's working capital products in tandem with CapX's equipment financing.
For example, a longtime client of Accord in the food/beverage sector previously struggled to find its footing, changed its management team, refocused strategy and started growing dramatically. Accord was financing the working capital; now they needed a new production facility to serve the growing client base. Together, the Accord / CapX team was able to structure a transaction with 100% financing of the new facility. This was essential, as the firm needed to conserve cash to support its growth.

Jeff, what about from the CapX perspective; how would you describe the relationship thus far?
Terry's case study verifies that "synergy" isn't really a dirty word in M&A; it happens when companies with similar cultures and client focus come together with a shared vision. Shortly after that win Terry mentioned, we referred Accord into a CapX client seeking working capital financing. Terry and his team moved quickly to understand the company's needs, and brought decision makers to the front line. Accord delivered a solution that gave the CEO confidence in his lender, rather than skepticism and doubt.
Our decision to join forces was about people and culture. Just offering capital was not enough for the CapX team when deciding how to take our business to the next level.

Aside from booked deals, are there other advantages or roadblocks that you've encountered?
Accord's strong balance sheet, sterling reputation and focus on current asset financing has empowered the CapX business development team to offer more solutions to its network. We're also doing joint sponsorships at major middle market events across the country, which has really help spread awareness.

Terry, same question, but from your perspective?
For us, another big plus has been the adoption of some of CapX's technology. For instance, we've utilized database marketing with great success for over a decade, but the CapX CRM platform was uniquely built to drive efficiency around our shared needs.
Another benefit is the physical presence of the CapX team. With offices in Chicago, New York, Boston and San Diego, we now have greater coverage across the US. Together, we can serve a wider variety of clients and referral sources by offering a diversified portfolio of financing services, delivered by a larger team of experts with the industry's greatest minds to get deals done.
In terms of hurdles, the one ongoing challenge is coordinating our business development teams. We've been joint calling and cross training, and we're always exploring technology to further streamline our efforts and avoid duplication. The only other "roadblock" is finding enough time in the day to review all of the opportunities our teams are uncovering.

Accord has historically had success with independent sponsors, has this relationship helped further that leadership position?
Absolutely. The Accord / CapX union provides the ability to finance both the acquisition and growth phases that independent-sponsor-backed companies face. We both have the ability to provide up to 100% financing in the right situation—acquisitions with the right structure and sufficient collateral for Accord—capital expenditure needs with stable cash flow for CapX.

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ACCORD FINANCIAL We're worth it.

CRESCENT

Crescent Direct Lending 2018 Year To Date Commitments Exceed $1.0 Billion

In year to date 2018, Crescent Direct Lending issued $1.0+ billion in commitments and continued its rapid expansion, financing approximately 50 platforms and add-on transactions, and continuing to expand our team. The Crescent Direct Lending senior team has supported private equity clients since 2005 and continues to be one of the leading lenders in the middle-market. Crescent Direct Lending has investment experience in a broad range of industries, targets companies with $5+ million of EBITDA, and can underwrite Credit Facilities of $200+ million.

Select 2018 Transactions:

Lead Agent Senior Credit Facility to Support the Acquisition of Au-ve-co Products by TENEX Capital Management CRESCENT	Sole Lead Agent Senior Credit Facility to Support the Acquisition of winxnet by Riverside CRESCENT	Sole Lead Agent Senior Credit Facility to Support the Acquisition of THE LIST by NCP Northlane Capital Partners CRESCENT	Administrative Agent and Joint Lead Arranger Senior Secured Credit Facilities To Support the Acquisition of TeachingStrategies by Summit Partners CRESCENT	Joint Lead Arranger Senior Credit Facility to Support the Investment in Trinity Partners by Parthenon Capital Partners CRESCENT	Sole Lead Agent Senior Credit Facility to Support the Refinancing and Add-on Acquisition of SOS Liquid Waste Haulers by WRM A Portfolio Company of NGP Energy Technology Partners CRESCENT
Sole Lead Agent Senior Credit Facility to Support the Refinancing and Add-on Acquisition of VIA by ULG United Language Group A Portfolio Company of Northern Pacific Group CRESCENT	Documentation Agent Senior Credit Facility to Support the Recapitalization of Glynlyon Teaching Technology A Portfolio company of Linsalata Capital Partners CRESCENT	Senior Credit Facility to Support the Add-on Acquisition of Vivid learning systems by hsi Health & Safety Institute A Current Portfolio Company of Riverside CRESCENT	Joint Lead Arranger Senior Credit Facility to Support the Acquisition of grace hill by Stone Point Capital CRESCENT	Lead Agent Senior Credit Facility to Support the Acquisition of new mountain Learning by CIP Capital CRESCENT	Sole Lead Agent Senior Credit Facility to Support the Refinancing of avaap A Portfolio Company of NMS Capital CRESCENT
Senior Credit Facility to Support the Acquisition of Tranzonic by PNC Riverarch Capital CRESCENT	Senior Credit Facility to Support the Add-on Acquisition of iteach by Learners Edge A Current Portfolio Company of L² Capital Partners CRESCENT	Sole Lead Agent Incremental Senior Term Loan to Support the Add-on Acquisitions of Redbooks & Access by THE LIST a Portfolio Company of NCP Northlane Capital Partners CRESCENT	Senior Credit Facility to Support an Add-on Acquisition by MaroonGroup a Portfolio Company of CI Capital Partners CRESCENT	Joint Lead Arranger Senior Credit Facility to Support the Add-on Acquisition of Verifile by Cisive A Portfolio Company of CIP Capital CRESCENT	Lead Agent Senior Credit Facility to Support the Add-on Acquisition of TTS by OnCourse Learning A Portfolio Company of CIP Capital CRESCENT
Joint Lead Arranger Incremental Senior Term Loan to Support the Recapitalization of Ned Stevens Gutter Cleaning a Portfolio Company of Incline Equity Partners CRESCENT	Lead Agent Senior Credit Facility to Support the Acquisition of EIKO by Inverness Graham CRESCENT	Senior Credit Facility to Support the Refinancing and Add-on Acquisition of Drayer by Upstream Rehabilitation A Portfolio Company of Revelstoke Capital Partners CRESCENT	Senior Credit Facility to Support the Acquisition of Iconic Group by Fenway Partners Prudential Capital Group Falcon CRESCENT	Senior Credit Facility to Support the Acquisition of Catapult Learning by Vistria CRESCENT	Joint Lead Arranger Incremental Senior Term Loan to Support the Add-on Acquisitions of NEBCO & VanCon by Midwest Industrial Rubber, Inc. a Portfolio Company of Incline Equity Partners CRESCENT
Lead Agent Senior Credit Facility to Support the Refinancing of Learn Behavioral A portfolio company of LLR partners CRESCENT	Lead Agent Incremental Senior Term Loan to Support the Add-on Acquisition of Marli by Au-ve-co Products a Portfolio Company of TENEX Capital Management CRESCENT	Sole Lead Agent Incremental Senior Term Loan to Support the Add-on Acquisition of NHI by Centauri Health Solutions a Portfolio Company of Silversmith Capital Partners SV Health Investors CRESCENT	Senior Credit Facility to Support the Recapitalization of DISA Global Solutions by Court Square CRESCENT	Senior Credit Facility to Support the Acquisition of HALO branded solutions by TPG Growth CRESCENT	Lead Agent Senior Credit Facility to Support the Add-on Acquisition of Debco by HUB promotional group A Portfolio Company of TENEX Capital Management CRESCENT

Crescent Direct Lending is the private lower middle-market and middle-market lending team of Crescent Capital Group LP ("Crescent Capital"). Crescent Capital is a leading asset manager in the below investment grade credit markets with approximately $24 billion of assets under management, over 80 investment professionals, and has been in operation for over 20 years.

Crescent Direct Lending

CRESCENT

Overview

- Crescent Direct Lending manages over $5.0 billion of total capital providing senior secured debt solutions to U.S. private equity backed lower middle market and middle market companies. Launched in 2005[1], Crescent Direct Lending is known as a trusted provider of debt capital to private equity sponsors and their portfolio companies
- Crescent Direct Lending is the Direct Lending arm of Crescent Capital Group LP ("CCG"), a leading asset manager in the below investment grade credit markets with over $24.0 billion of assets under management and a 20+ year operating history
- Crescent Direct Lending's key differentiating factors include:
  - **Responsiveness and Rapid Turnaround:** Streamlined process from initial review through due diligence, approval and funding
  - **Reliability and Certainty of Close:** Seasoned investment professionals with proven track records of financing lower middle market and middle market transactions
  - **Strong Balance Sheet with Flexible Solutions Capabilities:** Over $5.0 billion of capital under management provides $200+ million underwriting capability and $100+ million target holds. Financing structures offer low amortization requirements, significant add-on capacity and tailored solutions to meet our clients' needs
  - **Partnership Approach to Lending:** Long-standing relationships built since 2005 across a broad range of industries financed creates long term partnerships with our private equity and management team clients.

Investment Focus

- **Target Market:** Companies with $5.0-$35.0+ million of EBITDA
- **Targeted Loan Size:** Agent credit facilities up to $200+ million with target holds of $100+ million
- **Target Loan Type:** Senior Secured First Lien, Unitranche and Second Lien loans including revolvers, capex lines and delayed draw term loans

2018 Q2 Pitchbook Lender League Table[2]

Rank	Lender	Deal Count
1	Antares Capital	33
2	Madison Capital Funding	21
3	NXT Capital	18
4	Churchill Asset Management	17
5	**Crescent Direct Lending**	**15**
6	NewStar Financial	14
7	Twin Brook Capital Partners	13
8	Golub Capital	11
9	Bank of Ireland	11
10	Bank of America	10
11	Ares	10
12	Citizens Bank	10
13	MidCap Financial	9
14	Varagon Capital Partners	9
15	The Goldman Sachs Group	8
16	Jefferies Group	8
17	Capital One	8
18	SunTrust Banks	8
19	Audax Group	7
20	Monroe Capital	7

Typical Investment Profile

Investment Characteristics

- Senior secured debt issued by lower middle market and middle market companies with $5.0-$35.0+ million of EBITDA

Structure

- Flexible – structural flexibility through limited, variable amortization schedules
- Covenant Structures tailored to borrowers' business plans

Use of Proceeds

- Leveraged buyouts, acquisitions, refinancings, recapitalizations, growth financings

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1. All historical references to Crescent's direct lending team and track record prior to June 2012 are based on Crescent principals while at their previous investment firm, HighPoint Capital Management, LLC, from January 2005 – May 2012.
2. Source: Pitchbook 2Q 2018 U.S. PE Middle Market Report (Page 14: Most Active Lenders by Deal Count).

Lending Markets Continue to Surge

The M&A market remains white hot. During the first half of 2018, 2,247 deals were completed totaling $263.9 billion in value—representing a two percent increase in volume compared to the first half of 2017, according to Pitchbook's 2Q 2018 US PE Breakdown report. And while most industry experts do warn that change is coming, no meaningful change is expected in the near-term, which means the M&A market should continue to be strong.

The strong market conditions have made it very competitive for middle market private equity firms trying to win deals. However, lenders are certainly helping the cause. Easy access to credit has allowed middle market private equity firms to stretch to win deals. Lenders are well prepared for today's frothy market conditions. In 2017, fund managers raised a record $107 billion to invest in private debt, which includes distressed debt, special situation and venture debt, according to Preqin.

"The market continues to be very hot and borrower friendly for good companies," says Anne Hayes, a partner with The Riverside Company. "We are seeing a lot of demand from financing sources for our deals."

Michael Hogan, a managing director with Harris Williams, agrees. "From a supply perspective, there's a lot of money that has to be put to work on both the private equity side and the lending side. That is pushing multiples higher."

Everyone Wants In

Direct lending has become quite popular over the last five years with new market entrants, spin offs launched and growth from incumbents. And there's no mystery as to why. Direct lending funds have returned 20.3 percent on average over the past year, according to Preqin, and about 13 percent on average over the past three to five years.

"It's hard to get yield in a low rate environment and that's why lending is an attractive space. Private credit can get the returns other asset classes can't," says Norma Corio, a senior managing director with One Equity Partners. "Established lenders want to capture more of the business so they are expanding and offering more revolvers, mezzanine and unitranche capabilities."

To that end, while the specialty finance companies were once the new kids on the block, they are now the incumbents. And traditional banks are on the sidelines today.

"We continue to see the shift away from banks as primary lenders to non-banks like BDCs, CLOs, insurance companies, pension funds and specialty finance companies," says Hogan. "In 1998, banks made up two thirds of the lending market. Now they account for less than 10 percent. There's been a consistent shift away from banks since the financial crisis."

New lenders are popping up every day. In August, Owl Rock Capital Partners, a lending company founded by former Blackstone Group and KKR & Co. dealmakers, raised $3 billion to make direct investments. And in April, Barings entered into an agreement with the shareholders of Triangle Capital Corp. (NYSE:TCAP), a publicly traded business development company. As part of the deal, Barings made an $85 million payment directly to the company's shareholders at close. Additionally, Barings invested $100 million of equity in the company to establish a significant ownership stake. The deal gives Barings increased hold capacity and flexibility that many of the specialty finance companies already possess.

In addition to the fact that the demand for direct loans remains strong, BDCs continue to proliferate because the change in legislation. At the end of March, President Trump signed a bill that gives BDCs access to additional capital for investment as well as simplified reporting requirements, making it less expensive and easier for BDCs to do business going forward.

The legislation, the Small Business Credit Availability Act, permits BDCs to leverage up to two times total debt to equity. Before the passage of this act leverage for BDCs was capped at a ratio of one-to-one total debt to equity.

"The passage of this bill put tens of millions of new dollars into the debt market overnight. It takes at least a year to phase in, so I do expect more to come," says Corio.

BDCs are taking advantage of this and increasing their leverage but, Hogan adds, "there's already so much credit available out there that it isn't going to impact the market substantially."

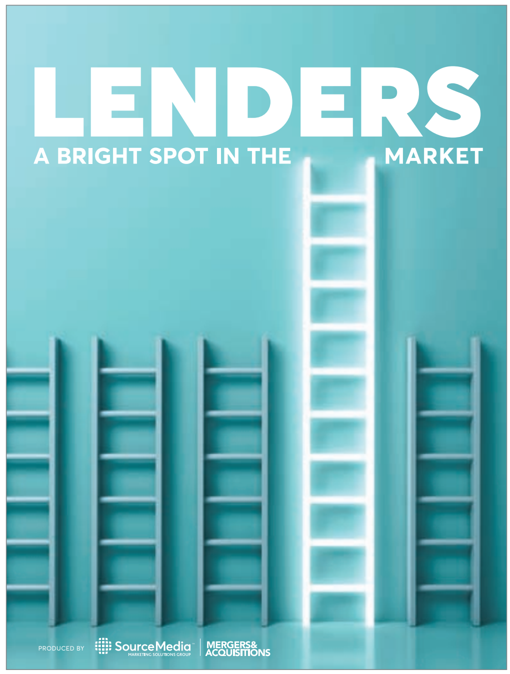
Still, despite the new opportunities in the market, some private equity firms prefer to continue to work with their trusted lending partners. "We tend to work with the same lenders on a consistent basis, but we are hearing from numerous marketing individuals at new lenders," says Hayes. "The most successful approach we've seen from lenders is to offer the broadest range of financing options possible."

Says Corio: "It's very important that we work with lenders we know and are super professional. I work with established firms that I respect and I am comfortable with."

Not the same as 2008

Although it's a hot market many believe investors and lenders have gotten smarter and conditions are different than they were during the last cycle. "It's more stable today. There are a lot more buy and hold investors and it doesn't feel similar to the last cycle. Still, our big focus is working with lenders we trust. When the market changes we want to be able to communicate with our lenders in order to work through issues with company performance." says Hayes.

Hogan agrees the market isn't exactly the same as it was prior to the financial crisis. "There are a lot of new institutions, but most of them come with a track record and have relationships already. Also, you don't see as many club deals or syndications. Lenders are holding positions," he says. "We are late in the cycle and the bull market has been prolonged, but we are not seeing any signs of cracks yet, and companies continue to perform very well."



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M&A Scene

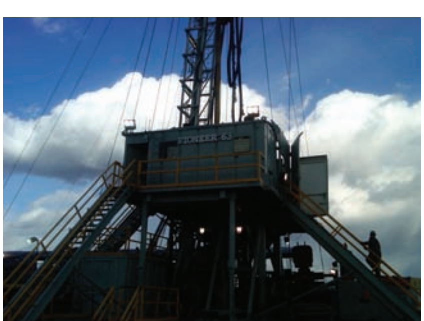
9 PE firms raise new funds, despite overall decline in fundraising

Recent fundraisers include: Uber backer Norwest Venture Partners, Staples owner Sycamore Partners, Tony Pritzker-led PPC Partners and Quantum Energy Partners.

Andew Weinberg founded Brightstar Capital Partners. Norwest Venture Partners is invested in Uber. Huron Capital, with managing partner Brian Demkowicz, raises first non-control fund. Clearlake Capital Group, co-founded by José Feliciano and Behdad Eghbali, closes fifth fund. LLR Partners raises fifth fund. Soundcore Capital foucses on the manufacturing sector. Quantum Energy Partners backs oil drilling companies. Tony Pritzker-led PPC Partners raises second fund. Sycamore Partners, which counts Staples among its investments, raises its third fund. **M&A**





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M&A stayed strong in Q2

Even amid trade war concerns, the atmosphere for dealmaking stayed positive in the second quarter, as investors searched for the best way to profit from technological innovations and fast-growing markets.

By Steve Miles

Despite a growing threat of trade wars and other political disruptions, the global mergers and acquisitions market stayed strong in the second quarter, with 2,632 announced transactions reported worldwide, just over a 1 percent increase from 2,595 in Q1.

As usual, North America led the world in M&A transactions, generating over half the volume with 1,434 deals of the 2,632 deals reported, down slightly from 1,452 reported in Q1. The next-largest market was the United Kingdom & Ireland with 397, a 15 percent increase from 344 in the prior quarter. The DACH and Nordics regions had 272 and 262, which was on par with 279 and 268 from Q1, respectively; and finally Indochina saw 147, compared to 139 and Iberia had 124 vs 113 in Q1.

North America domestic deal volume stayed strong (1,132 domestic to 302 inbound), a 79 percent to 21 percent mix, and similar to Q1 which recorded 1,145 to 307, respectively. M&A activity in the other markets was closer to a 50/50 split – the United Kingdom & Ireland (212 domestic to 185 inbound vs 178 to 166), Nordics (142 domestic to 120 inbound vs 135 to 133), DACH (130 domestic to 142 inbound vs 126 to 153), Iberia (54 domestic to 70 inbound vs 51 to 62), and Indochina (69 domestic to 78 inbound vs 65 to 74) – with inbound outpacing domestic deals in DACH, Iberia, and Indochina. Overall, total deal volume as well as domestic vs inbound M&A activity was mostly flat in all regions from Q1.

In the UK & Ireland, business services (154) once again made up the lion's share of Q2 deals vs (132) in Q1, followed by media & technology (100) compared to (84), and industrials (65) to (62). In the DACH market, industrials took the lead as usual (103) vs (93) in Q1, followed by business services (62) vs (75), and media and technology (46) vs (48). In the Nordics, business services again took the lead (86) vs (91) in Q1, followed by industrials (61) vs (64), and media & technology (55) vs (53).

In general, the atmosphere for dealmaking stayed positive in the second quarter, maybe even a little frothy, as investors searched for the best way to profit from today's many technological innovations and fast-growing markets. Peculiarly, however, even with economic indicators as strong as they have been in years, nationalistic populism continued to gain momentum. At times, this made the news seem as if it were not just from different points of view, but different eras:

- After 10 years of ultra-cheap money, the economic fundamentals seemed solid enough in Europe and North America that central bankers began raising interest rates slightly.
- Unemployment continued to fall in the U.S. and Europe. In the U.S., the rate hovered around 4 percent, its lowest level since 2000. In the European Union as a whole, unemployment is now down to around 7 percent, another historic low.
- Talk about unfair trade practices in North America led to billions of dollars in new tariffs and the rising prospect of a genuine trade war between the U.S. and China, and perhaps the U.S. and Canada and the U.S. and Europe. In Europe, the United Kingdom ended the second quarter no closer to an agreement with the European Union over the terms of its pending divorce than it began.
- In Germany, Chancellor Angela Merkel narrowly faced down a revolt by the Christian Democratic Union over refugee policies — despite the fact that the flow of refugees from the Mideast and Africa is now a tiny percentage of what it was a few years ago.

The standoff between global trade and investment and anti-global populism can't continue indefinitely. Either politicians will get the crisis they seem to wish for, or the underlying strength of global business will keep making the world a little wealthier. **M&A**

Steve Miles is a managing partner at Livingstone Partners, a mid-market M&A and debt advisory firm.

People Moves

New hires and promotions

By Demitri Diankantonis

Calen Angert was hired by **TA Associates** as a vice president. Angert was previously with Morgan Stanley and focuses on the healthcare sector.

Jean-Michel Aubertin has joined **Clayton, Dubilier & Rice** as an operating advisor. Aubertin is the former CEO of CG Power and Doosan Power Systems.

Jon Cohen has joined Orangewood Partners-backed **George Industries,** a manufacturer of aerospace and defense parts, as president. Cohen previously held roles at Lockheed Martin Corp. (NYSE: LMT).

Shana Ramirez

Henry Yin

Jennifer Graff was hired by **Debevoise & Plimpton LLP** as counsel. Graff was previously with Paul, Weiss, Rifkind, Wharton & Garrison and focuses on the formation, management and organization of private investment funds.

Kristjan Kornmayer has the joined the **Chertoff Group** as a director of M&A advisory services. Kornmayer was previously with consulting firm Avascent. The Chertoff Group is a business strategy and M&A advisory firm that focuses on the security and risk management sector.

Robert Kuhn has joined restructuring firm **Getzler Henrich & Associates** as a managing director. Kuhn previously held roles at JPMorgan (NYSE: JPM) and focuses on turnaround management, financial restructuring, and bankruptcy consulting.

Nicholas Leppla has joined **TA Associates** as a vice president. He was previously the chief of staff at former TA portfolio company AVG Technologies. He focuses on the tech sector.

Scott Li was promoted from principal to managing director at healthcare-focused investment firm **CRG.** Li joined the firm in 2015 and focuses on investments in healthcare information technology.

Jonathan Melmed was hired by **King & Spalding** as a partner and co-chair of the firm's global private equity practice and head of its U.S. power and infrastructure group. Melmed was previously with Morrison & Foerster.

Frank Miller has joined law firm **BakerHostetler** as a partner. Miller was previously a senior counsel for Kaiser Foundation Health plan and focuses on M&A in the healthcare sector.

Shana Ramirez was hired by law firm **Katten Muchin Rosenman LLP** as a partner. Previously with Simpson Thacher & Bartlett LLP, Ramirez represents financial institutions, corporate and private equity clients in acquisition financing and asset-based credit facilities.

Elizabeth Flisser Rosman has been promoted to head of Cowen investment management at **Cowen Inc**. (Nasdaq: COWN). She joined the firm in 2017 as a managing director and head of strategy. Before joining Cowen, Rosman was with private investment company Reservoir Capital Group.

Greg Roussel has joined **Latham & Watkins as a partner.** Most recently with Fenwick & West, Roussel focuses on M&A in technology.

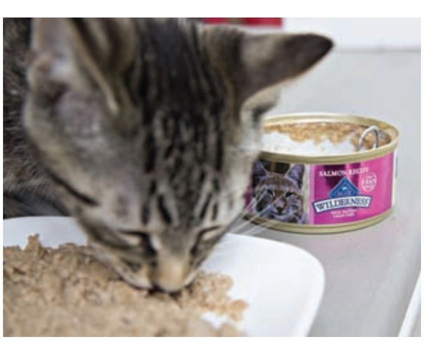
Susan Stautberg was hired by **Atlantic Street Capital** as a governance advisor where she will be helping the PE firm recruit women for board positions for its portfolio companies. Stautberg is the founder and former CEO of WomenCorporateDirectors. Atlantic Street claims that it is the "first private equity firm to launch a significant, institutional effort to recruit women for its portfolio company boards."

Henry Yin has joined **Cooley's** Beijing office as a partner. Most recently with Kirkland & Ellis, Yin focuses on cross-border M&A and private equity, particularly in China. He works with clients in the life sciences, technology, financial services, and e-commerce sectors. **M&A**

9 tasty food and beverage deals

The food and beverage sector is active with deal activity. Some recent targets include: Pillsbury, Birds Eye, Insomnia Cookies, Home Chef and SodaStream.

Brynwood Partners is buying the Pillsbury brand. Conagra Brands Inc. (NYSE: CG) is buying Pinnacle Foods, including the Birds Eye Brand. JAB-owned Krispy Kreme is acquiring a stake in Insomnia Cookies. Mondelēz International Inc. (Nasdaq: MDLZ) acquired Tate's Bake Shop. PepsiCo Inc. (Nasdaq: PEP) is buying SodaStream. Kroger Co. (NYSE: KR) is acquiring Home Chef. General Mills Inc. (NYSE: GIS) buys Blue Buffalo. Peak Rock buys Tyson Food Inc.'s (NYSE: TSN) pizza crust business. Coca-Cola (NYSE: KO) invests in James Harden-backed BodyArmor. **M&A**



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