MERGERS& ACQUISITIONS

JULY/AUGUST 2017

Andy Unanue
AUA Private Equity

SPECIAL REPORT: PRIVATE EQUITY

Who the new players are, which companies they're backing and where they're headed

TheMiddleMarket.com

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MERGERS & ACQUISITIONS

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Cover Photograph: Matt Greenslade

Worth Watching

Middle-market private equity firms face more competition for deals than ever, with challengers coming from many directions, including: bulge-bracket firms fishing downstream; family wealth offices making direct investments; independent sponsors, also called fundless sponsors, raising capital deal by deal; and new PE firms launching, led by seasoned investment professionals who have left bigger firms to set up their own shops.

The opportunities for new firms are greater than in the past. The maturity of the industry means the PE model is understood and liked by limited partners, and it means there's a whole generation of experienced investment professionals in their 40s and 50s ready to branch out and open up their own PE shops. And new technologies and new service providers, most notably fund administrators, have made it easier than ever to launch a firm.

In this issue, we highlight 10 rising PE firms, including AUA Private Equity Partners LLC, which focuses on "demographic-driven investing." We interviewed and photographed founder Andy Unanue at his New York office.

Before launching AUA in 2012, Unanue served as the COO of Goya Foods Inc., the largest, Hispanic-owned food company in the U.S. Goya was founded in 1936 by Unanue's grandparents, who were Spanish immigrants. "The Goya story is as much about the importance of family as it is about achieving the American dream," says the Goya website.

Between working as an officer at Goya and founding AUA, Unanue ran a family wealth office. These days, he is enjoying collaborating with partners, sharing his operational expertise with portfolio companies and doing bigger deals, thanks to the $275million AUA has in assets under management.

Mary Kathleen Flynn

Mary Kathleen Flynn
Editor-in-Chief
Mergers & Acquisitions | TheMiddleMarket.com
Email me at marykathleen.flynn@sourcemedia.com
Follow me on Twitter @MKFlynn

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Editor-in-Chief — **Mary Kathleen Flynn** marykathleen.flynn@sourcemedia.com
Assistant Managing Editor — **Demitri Diakantonis** demitri.diakantonis@sourcemedia.com
Reporter — **Kamaron Leach** kamaron.leach@sourcemedia.com
Contributing Editor — **Danielle Fugazy** dfugazy@fugazygroup.com

Group Editorial Director, Banking and Capital Markets — **Richard Melville** richard.melville@sourcemedia.com
VP, Capital Markets — **Harry Nikpour** harry.nikpour@sourcemedia.com
Senior Sales Manager — **Richard Grant** richard.grant@sourcemedia.com

VP, Research — **Dana Jackson** dana.jackson@sourcemedia.com
VP, Content Operations and Creative Services — **Paul Vogel** paul.vogel@sourcemedia.com
Director of Creative Operations — **Michael Chu** michael.chu@sourcemedia.com
Art Director — **Nikhil Mali** nikhil.mali@sourcemedia.com
Director of Content Operations — **Theresa Hambel** theresa.hambel@sourcemedia.com

Associate Marketing Manager — **Leatha Jones** leatha.jones@sourcemedia.com

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Amount	Company	Role	Sponsor	Date
$24M	Technical Solutions & Services, Inc.	Sole Lead Arranger & Administrative Agent, Recapitalization	JZ Partners	MAY 2017
$30M	SBS Storage Battery Systems, LLC	Sole Lead Arranger & Administrative Agent, Leveraged Buyout	highroad Capital Partners	MAY 2017
	RMS Rotating Machinery Services, Inc.	Sole Lead Arranger & Administrative Agent, Refinance & Add-On Acquisition	Incline Equity Partners	MAY 2017
	Burke Play That Moves You.	Sole Lead Arranger & Administrative Agent, Leveraged Buyout	The Halifax Group	MAY 2017
$80.5M	Oracle Elevator	Sole Lead Arranger & Administrative Agent, Growth Buyout	L² Capital Partners	MAY 2017
	Cranial Technologies	Sole Lead Arranger & Administrative Agent, Leveraged Buyout	BPOC	MAY 2017
$65M	Lighthouse eDiscovery	Sole Lead Arranger & Administrative Agent, Refinance & Add-On Acquisition	Spire Capital	MAY 2017
$80.4 M	Smile Doctors Braces	Sole Lead Arranger & Administrative Agent, Add-On Acquisition	Sheridan Capital Partners	MAY 2017
	Bacharach The Measurable Difference	Sole Lead Arranger & Administrative Agent, Add-On Acquisition	Incline Equity Partners	MAY 2017
$60M	Docs Dermatologists of Central States	Sole Lead Arranger & Administrative Agent, Leveraged Buyout	Sheridan Capital Partners	APRIL 2017
$98M	Moss	Sole Lead Arranger & Administrative Agent, Refinance	Eagletree Capital	APRIL 2017
$63M	Envirovac The Clean Company	Sole Lead Arranger & Administrative Agent, Refinance	RLJ Equity Partners	APRIL 2017

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NEW!

What's going on @

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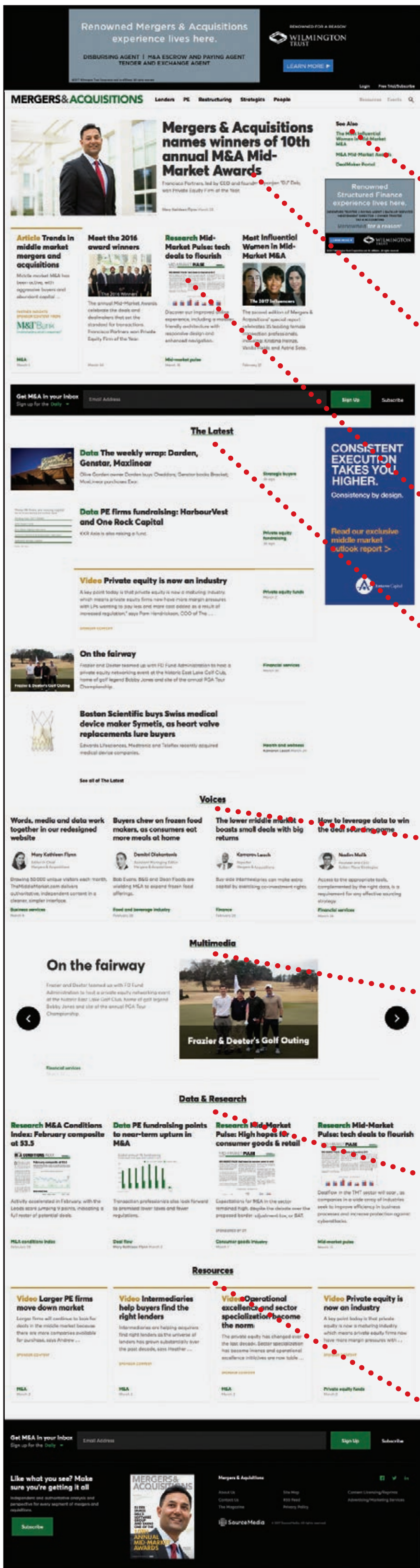


Words, media and data work together in our redesigned website.

The popularity and utility of our website has also been growing over the years. TheMiddleMarket.com draws 50,000 unique visitors each month. We recently revamped the site, giving it a cleaner, simpler interface that delivers our authoritative, independent content in a new user experience built specifically to meet the needs of busy dealmakers.

The home page offers quick access to the annual M&A Mid-Market Awards and The Most Influential Women in Mid-Market M&A.

The lead story showcases significant news and trends affecting the middle market.

The most important recent stories appear on the top half of the home page.

The Latest provides a steady stream of updated content, including news, features, research reports, slideshows and video interviews.

The Voices section highlights opinion pieces, including columns written by our M&A editorial team members and guest articles written by respected dealmakers.

The Multimedia section offers slideshows and videos, featuring prominent thought leaders.

The Data & Research section focuses on reports, including the Mergers & Acquisitions Conditions Index (MACI) and the Mid-Market Pulse (MMP), both based on our proprietary monthly surveys of 250-plus M&A professionals.

Resources showcases sponsored content.

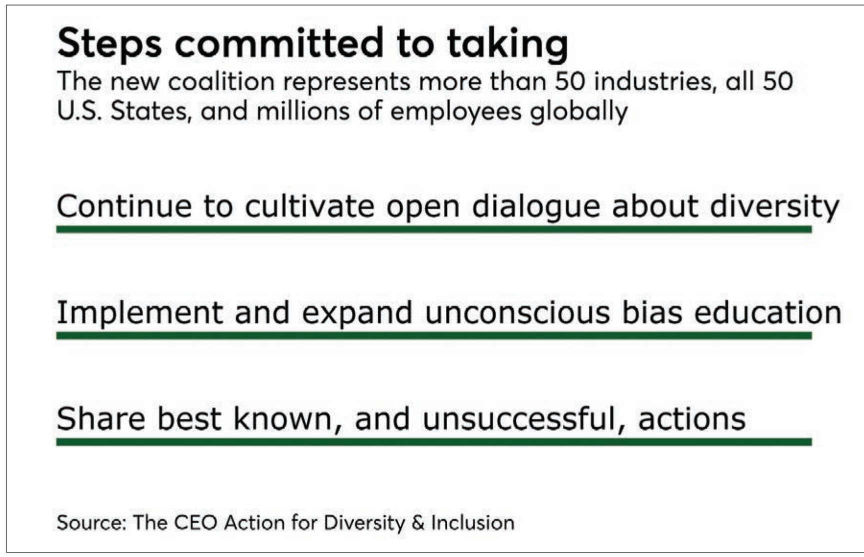
The site has been reinvented to engage the entire community of middle-market dealmakers. Stories scroll, instead of click, so there are no unwanted page breaks. Just one click in the newsletter lets you read the full report on-site in a continuous reading list. The site has been optimized on all devices for ease of use and intuitive navigation, wherever you are.

150 CEOs sign up for diversity

More than 150 CEOs from some of the world's leading companies have signed on to the CEO Action for Diversity & Inclusion, representing the largest CEO-driven business commitment of its kind.

"We are living in a world of complex divisions and tensions that can have a significant impact on our work environment. Yet, it's often the case that when we walk into our workplace – where we spend the majority of our time – we don't openly address these topics," says Tim Ryan, U.S. chair of PwC and chair of the group's steering committee. "CEOs across the country understand this isn't a competitive issue, but a societal issue, and together we can raise the bar for the entire business community. By sharing best known actions and programs, we are helping to create a more inclusive environment that will encourage all of us to bring our greatest talents, perspectives, and experiences to the workplace."

The CEO Action for Diversity & Inclusion is led by a steering committee of CEOs and leaders from Accenture, BCG, Deloitte US, The Executive Leadership Council, EY, General Atlantic, KPMG, New York Life, Procter & Gamble, and PwC. The coalition represents more than 50 industries, all 50 US States, and millions of employees globally. Private equity executives participating in the initiative include Leon Black of Apollo Global Management LLC (NYSE: APO) and William Conway of the Carlyle Group LP (Nasdaq: CG).



"CEOs are pledging to take action to cultivate a workplace where diverse perspectives and experiences are welcomed and respected, where employees feel encouraged to discuss diversity and inclusion, and where best known—and unsuccessful—actions can be shared across organizations via a unified hub, CEOAction.com, in an effort to advance diversity and inclusion in the workplace," says the group. Each signatory has committed to taking steps to increase diversity and foster inclusion within their respective organizations and the larger business community (see chart). Goals of the group include improving corporate performance, driving growth and enhancing employee engagement.

While both the financial services business and the technology industry have been criticized for lacking diversity, efforts are underway to make the industries more inclusive. In the middle market, the Association for Corporate Growth (ACG) has been active in providing programming aimed at female dealmakers. One recent example was the May 25 event hosted by ACG New York's Women of Leadership committee, featuring a discussion with Christina Spade, the CFO of Showtime Networks Inc. and Jane Dubin, a Broadway producer. To highlight top female dealmakers, Mergers & Acquisitions has named 35 leaders to our Most Influential Women in Mid-Market M&A.

In the technology industry, on June 10, 500 Startups, an early-stage venture fund and seed accelerator, hosted entrepreneurs, investors and the technology community in an all-day summit in Atlanta to discuss the future of diversity in tech.

—Mary Kathleen Flynn

Tech industry tackles inclusion

"You cannot have a diverse ecosystem without diverse talent," said Rodney Sampson, the inclusion and equity partner at TechSquare Labs, during a one-day diversity summit hosted by 500 Startups on June 10. Networking, self-mastery, and the endless quest for more information were three pillars promoted throughout the day for technology innovators and young entrepreneurs

500 Startups

seeking capital and a foot in the door.

According to Sampson, less than one percent of all venture capital and angel capital goes to African Americans. With such a finite percentage of funding going to people of color, the lack of representation across the technology, startup, and private capital industries should be alarming for many. Despite the statistics, conference panelists were steadfast in the revelation for tech entrepreneurs to remain persistent and continue to network.

"You've just got to get out there and be seen," said Bronwyn Morgan, CEO of tech consulting agency Subkulture Innovation Lab, who was worked with major companies such as The Coca Cola Co. (NYSE: KO) handling ventures and strategic alliances. "You've got to network and you've got to get your hustle on."

Self-mastery, the art of fine-tuning and being in control of the internal thought processes that guide someone's habits and behaviors, is a pillar that young entrepreneurs should practice in order to get ahead. From pitching to VC firms or simplifying a startup's mission, conference attendees were urged to debug themselves as the expectation and criteria for minorities in the space is much higher.

The conference, hosted on the campus of TechSquare Labs in Atlanta, featured numerous keynote speakers and panelists sharing their take on the lack of minorities throughout the tech and private capital world. The lack of diversity throughout a number of industries has been the topic at hand in recent years. Until recently, very little change has been seen to increase the visibility of minorities throughout major corporations despite an influx of de rigueur discussions.

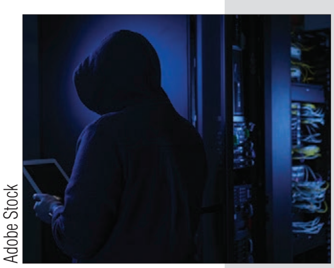
"We have to crowdfund and crowd-sale from within," urged Sampson to young entrepreneurs of color at the one-day conference, "because no one will invest in us if we don't invest in ourselves."

—Kamaron Leach

Conagra reshapes portfolio

Conagara Brands Inc. (CAG) has agreed to sell the Wesson oil brand to J.M. Smucker Co. (NYSE: SJM) for $285 million. The deal comes as several consumer conglomerates are reshaping their portfolios through M&A.

Wesson produces vegetable, corn and canola oil. Smucker expects the acquisition to add about $230 million in annual net sales and around $30 million in Ebitda. The company says Wesson will complement Smucker's Crisco oil brand.



Adobe Stock

"We continue to reshape our portfolio and focus our resources on priorities that support Conagra's business strategy and drive value creation for shareholders," says Conagra CEO Sean Connolly. Conagra will continue to produce Wesson for up to one year after the transaction closes.

Chicago-based Conagra has been busy

Cybersecurity concerns spark deals

Honeywell International Inc. (NYSE: HON) has agreed to purchase cybsecurity technology company Nextnine. The deal comes as ransomware attacks have plagued companies.

"Each day, the number of attempted cyberattacks on industrial facilities and critical infrastructure around the world increases," says Vimal Kapur, the president of Honeywell process solutions. In 2016, Honeywell sold its cybersecurity division that serves government agencies.

New York-based Nextnine, founded in 1998, is known for its ICS Shield technology that protects companies and sites from cyberattacks, and remotely allows customers to monitor their systems. Some of Nextnine's previous customers include BAE Systems and Rockwell Automation (NYSE: ROK).

Cybersecurity M&A has been on the rise. Recent deals include: LLR Partners' acquisition of cybersecurity software provider BluVector from Northrop Grumman Corp. (NYSE: NOC); Coalfire's, backed by two private equity firms, purchase of Veris Group; CA Technologies' (Nasdaq: CA) buying of Veracode for $614 million in cash; Tenable Network Security Inc.'s purchase of IT security company FlawCheck Private Registry; and Accenture's (NYSE: CAN) buying of Redcore, an identity and access management provider for computer networks.

—Demitri Diakantonis

buying and shedding assets. In 2017, Conagra bought meat snacks maker Thanasi Foods. In 2016, the company completed the spinoff of the Lamb Weston frozen fries division. Also in 2016, Conagra sold the Spicetec seasonings and flavors business to Givaudan. And in that same year, Conagra sold food ingredients distributor JM Swank to Platinum Equity.

A number of consumer companies have been reshuffling their portfolios through M&A in an effort to boost profitability. Newell Brands Inc. (NYSE:

Bloomberg News

NWL) has agreed to sells its winter sports unit to Kohlberg & Co.; Church & Dwight Co. (NYSE: CHD) sold the Cameo copper and brass cleaner, Snobol toilet bowl cleaner and the Parsons' ammonia brands to Brillo owner Armaly Brands; and Prestige Brands Holdings Inc. (NYSE: PBH) divested the Fiber Choice, New Skin and PediaCare brands.

Smucker, located in Orrville, Ohio, and known for Smucker's jam and Jif peanut butter, has been expanding through M&A. In 2015, the company sold its U.S. canned milk brands to Kelso-backed Eagle Family Foods Group LLC and purchased pet foods company Big Heart Pet brands.

—Demitri Diakantonis

PE firms love plane parts

Private equity firm Liberty Hall Capital Partners has purchased Dunlop Aircraft Tyres Ltd., a manufacturer of aircraft tires, for $135 million. The target is Liberty Hall's first portfolio company that provides aftermarket products to the aerospace industry.

Dunlop Aircraft, named after the company's founder John Boyd Dunlop, designs tires that are used on more than 150 commercial, regional and military aircraft models. The target operates three facilities located in Mocksville, North Carolina, Jinjiang, China and Birmingham. Dunlop Aircraft is not affiliated with Goodyear Dunlop, which acquired the Dunlop car tire brand in 1999.

New York-based Liberty Hall has been quite active in buying airplane part companies since 2016. The PE firm backed aerospace parts supplier ZTM Inc., purchased parts distributor J&M Machine LLC; engine parts manufacturer Bromford Industries; and also added also added seat shell maker AIM Aerospace.

After-market manufacturers have risen as prime targets for middle-market buyers. Other deals involving supplier of the aerospace and automobile industry include: Aircraft Technical Publishers', backed by ParkerGale Capital LP, acquisition of CaseBank Technologies Inc.; Liberty Hall's purchase of ZTM Inc. to integrate with its portfolio company Accurus Aerospace Corp.; Platte River Equity's deal for airplane engine tester CTS Engines; Golden Gate Capital's purchase of aircraft ground support equipment provider Tronair Parent Inc.; and AE Industrial's purchase of Moeller Mfg. Co. LLC.

Macquarie Capital Ltd served as financial adviser to Liberty Hall, while Gibson Dunn & Crutcher served as legal counsel. Financing for the acquisition was provided by the Royal Bank of Scotland, Permira Credit Solutions Funds and Macquarie Corporate Holding Pty Ltd.

—Kamaron Leach

Buyers are hungry for packaged foods

Sovos Brands, backed by Advent International, has agreed to acquire pasta sauce producer Rao's Specialty Foods Inc. The deal does not include Rao's restaurant business. The transaction follows Advent's recent purchase of Michael Angelo's Gourmet Foods.

Rao's, founded in 1992, sells pasta sauces that are made without tomato blends, paste, water, starches, fillers, colors or added sugar. In addition, the target also sells dry pasta, dressings, marinades, olive oils, vinegars, tomatoes and fire-roasted red peppers.

"We see numerous opportunities to grow the Rao's Homemade brand and expand Rao's Specialty Foods into adjacent food categories," says Sovos CEO Todd Lachman. Financial terms of the deal were not disclosed.

Advent, founded in 1984, is a global private equity firm headquartered in Boston. The firm has approximately $40 billion in assets under management and has invested completed more than 315 private equity transactions. The firm targets its investments in five core industries, including: business services, healthcare, industrial, consumer products, financial services and technology, media and telecom.

Demand for packaged foods has

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been rising as consumers look to eat more at home. Benford Capital Partners purchased a majority stake in snacks manufacturer Saco Foods; Charoen Pokphand Foods Public Co. Ltd. bought packaged side dish producer Bellisio Foods; New Water Capital has acquired frozen entree maker Custom Made Meals.

Morgan Stanley and Morrison Foerster are advising Rao's. Weil Gotshal & Manges is representing Advent and Sovos.

—Demitri Diakantonis

Logistics remains essential for PE firms

Thomas H. Lee Partners L.P. (THL) has reached an agreement to acquire a majority stake in Material Handling Systems Inc. (MHS), a provider of packing system tools for the transportation and logistics industries. Financial terms of the deal were not disclosed.

MHS, founded in 1999, develops control systems and industrial


Material Handling Systems

automation technologies for the packing industry. The Louisville, Kentucky-based target handles the mechanical and electrical installation of conveyor belt and sortation systems, in addition to project management tasks such as budget and schedule compliance. MHS currently operates out of six facilities: four in Louisville, one in Wilmington, Ohio and one in Ontario, Canada.

THL is a Boston-based equity firm that specializes in leveraged buyouts, growth capital, special situations, industry consolidations, and recapitalizations. Founded in 1974, THL has raised more than $20 billion in equity capital and has invested in more than 130 businesses. THL's portfolio currently consists of companies such as iHeartMedia Inc., Univision Communications, First Bancorp, and Party City.

As the e-commerce market continues to grow at a steady pace, logistics and manufacturing companies have grown into attractive targets. Recent deals in the transportation and logistics industry include: CI Capital's acquisition of Simplified Logistics; Ridgemont Equity Partners' purchase of logistics company Worldwide Express from Quad-C Management; Graycliff Partners' investment in "last mile" logistics provider Installs Inc.; American Fast Freight Inc.'s, backed by Jordan Co., acquisition of ocean freight provider Global Transportation Services Inc.; Bregal Sagemount's investment in freight services company Internet Truckstop Group; and Revelstoke Capital-backed Transport Holdings LLC's buying truck provider Jones Motor Group.

PricewaterhouseCoopers Corporate Finance LLC is acting as financial adviser to MHS and Baker McKenzie is serving as legal adviser. RBC Capital Markets is acting as financial adviser to THL and Kirkland & Ellis LLP is serving as legal adviser.

—Kamaron Leach

Investors dive into pool equipment makers

CCMP Capital Advisors and MSD Partners have agreed to acquire pool equipment manufacturer Hayward Industries Inc. The target's management team will keep a stake in the company. Alberta Investment Management Corp. is also investing in the deal.

Hayward, based in Elizabeth, New Jersey, makes pumps, heaters, cleaners, flow control products and lighting for commercial and residential pools. The company also has a presence in Europe and Australia. Financial terms of the deal were not disclosed. In other pool supply deals, earlier in 2017, L Catterton bought Leslie's from CVC Capital. In 2015, AEA Investors had acquired Balboa Water Group.

CCMP Capital, based in New York, focuses on middle market deals, investing $100 million to $500 million in North American and European companies, primarily in consumer, industrial and healthcare sectors.

Houlihan Lokey Inc. (NYSE: HLI) and Bank of America are advising the buyers. Ropes & Gray is representing CCMP. Dechert and Hogan Lovells are representing MSD and Torys is doing the same for Alberta Investment. Goldman Sachs & Co. (NYSE: GS) and McCarter & English are advising Hayward. Bank of America, Jefferies, Morgan Stanley, and Nomura are providing financing.

—Demitri Diakantonis

Assembling manufacturing M&A

Ardian has reached a deal to purchase Dynamic Technologies S.A., an automotive tube manufacturer, for an undisclosed amount. Concurrent with the acquisition, Dynamic Technologies will merge with existing Ardian portfolio company Huron Inc., a designer of vehicular fluid-handling systems.

Founded in 1983, Dynamic Technologies is an Attimis, Italy-based manufacturer of tubular parts for the automotive industry. With the merger of Huron, the combined company will have a total of ten manufacturing facilities across the U.S., Canada, Mexico, Italy, the U.K., Poland, Hungary and China. The company will target the fluid handling tubing segment for transmission and engines globally.

Ardian

"Market trends in the tubular business require suppliers to become more vertically integrated and global in the manufacturing and business development approach," states Dynamic Technologies CEO Walter Zonta. "With this merger, DT will establish an important base in the US and access to new original equipment manufacturer customers."

The deal for Dynamic Technologies was originated by Ardian's North America Direct Buyouts division, which launched in October 2016. The North American direct investment segment focuses on lower middle-market buyouts, targeting specifically industrial and related business services companies. Dominique Senequier founded the Paris-based private equity group of French insurer Axa in 1996 and spun it off in 2013, renaming it Ardian. Today, the firm manages more than $62 billion in

Air Methods Corp.

assets. Ardian has more than 130 companies in its current portfolio to date, including: SLV, Air Medical Group Holdings, Esim Chemicals, HR Path, IMV Technologies, and PetSmart Inc.

The PE firm recently acquired chemical storage operator LBC Tank Terminals and bought SLV, a maker of residential and commercial lighting fixtures, from Cinven Group Ltd. Earlier in 2016, Ardian raised its fourth infrastructure fund with $2.88 billion to back European companies. In 2015, Ardian raised its fourth co-investment fund with $1.17 billion as well as a $2.25 billion European debt fund. In 2014, the firm purchased a $1.3 billion limited partnership portfolio from GE, which consists of limited partner interests in U.S. buyout funds.

—Kamaron Leach

Transportation rides high

New York-based private equity firm American Securities LLC has acquired Air Methods Corp., an air medical transportation and tourism company, for approximately $2.5 billion in total. Air Methods CEO Aaron Todd says, "as a private company, Air Methods will have greater flexibility to execute our strategy and pursue long-term growth."

Air Methods is one of the largest air medical transport providers offering emergency healthcare services in the U.S. In 2016, the target provided lifesaving care to more than 70,000 patients. Englewood, Colorado-based Air Methods has more than 300 flight bases and also operates an air tourism business. With the close of the deal, the target's common stock will no longer trade on the Nasdaq stock market.

American Securities is a U.S. private equity firm that targets North American companies generating revenues between $200 million and $2 billion or $50 million and $300 million in Ebitda. The PE firm has approximately $15 billion in assets under management. Founded in 1994, American Securities focuses on a variety of industries which include: consumer, power and energy, healthcare, industrial and business services. The firm sold Robertson Fuel Systems LLC, a maker of fuel tanks for military and commercial aircrafts, to Heico Corp. (NYSE: HEI) for $225 million in cash.

Recent acquisitions of specialized transportation companies include: American Securities' purchase of school bus manufacturer Blue Bird Corp.;Jordan Co.-backed American Fast Freight Inc.'s acquisition of ocean freight provider Global Transportation Services Inc.; Bregal Sagemount's investment in freight services company Internet Truckstop Group; and Revelstoke Capital-backed Transport Holdings LLC's buying truck provider Jones Motor Group.

Goldman Sachs & Co. served as financial adviser to Air Methods alongside Centerview Partners LLC. Paul, Weiss, Rifkind, Wharton & Garrison LLP acted as legal adviser to Air Methods alongside Holland & Hart LLP. Barclays served as financial adviser to American Securities, while Weil Gotshal & Manges LLP acted as legal adviser. The Air Methods deal was announced on March 14.

—Kamaron Leach

Adding on industrial suppliers

Tech Air, a portfolio company of CI Capital Partners, has acquired Angelus Welding Inc. The buyer has now made 22 add-on deals under the PE firm's ownership.

Angelus distributes industrial gases to the entertainment, glassblowing and metal fabrication sectors primarily in the Los Angeles market, where the target is headquartered. Angelus' management team will remain with the company. Financial terms of the deal were not disclosed. Danbury, Connecticut-based Tech Air is also a supplier of industrial gases and welding equipment.

Among Tech Air's acquisitions was Ravena Welding Supply and Hereford Welding Supply in 2016; Corp Brothers, a gas distributor in 2011; Dressel Welding Supply Inc. in 2012; McGinnis Welding Supply in January 2015; US Oxygen & Supply; Specialty Air Technologies; Supply Corporation New York; Compressed Gases of August, A-L Welding Supply of Gainesville; and Esquire Gas Products Co.

New York-based CI Capital, which acquired Tech Air in 2011, has $1.9 million under management. CI Capital has invested in middle-market companies since 1993, with more than 180 acquisitions worth about $7 billion.

—Demitri Diakantonis

Private Equity Perspective

Why Some Investors Like Latin America

MARY KATHLEEN FLYNN

Founded by former senior investors from Citigroup Venture Capital International, Australis Partners recently closed a $379 million debut fund. Australis makes control investments across the Pacific Alliance region in Mexico, Colombia, Peru and Chile. We asked managing partner Enrique Bascur about the opportunities Latin America offers private equity investors and how Australis plans to capitalize on them.

> "The economies of Mexico, Chile, Colombia, and Peru have low inflation, solid real GDP growth and low debt/GDP."

Why is now a good time to invest in Latin America? The downturn in the commodity cycle has lowered GDP growth expectations in many countries in Latin America. This, in turn, is resulting in more attractive and reasonable valuations. However, in the medium and long term, the fundamentals, particularly for the Pacific Alliance countries, remain very attractive. The economies of Mexico, Chile, Colombia, and Peru continue to have low inflation, solid real GDP growth, and low debt/GDP, underpinned by prudent monetary and fiscal policies.

These economies also continue to benefit from favorable demographics with young working-age populations, the development of capital markets, greater access to credit, and a growing middle class. Therefore, while some sectors such as commodities face headwinds, sectors that are tied to domestic consumption continue to thrive.

What are the opportunities? As the middle class expands and gains purchasing power, their consumption habits change beyond staple products and services to higher-value and discretionary goods and services. More specifically, we see sectors including retail, health & wellness, financial, and education as presenting attractive investment opportunities for private equity investors. We also like businesses that benefit from infrastructure expansion and development.

The improved quality and quantity of infrastructure such as roads, airports, utility networks, water systems, and waste treatment enhance productivity, mobility, and access. Therefore, we see sectors including housing, environmental services, and logistics benefiting from the infrastructure improvements being made across the region.

Finally, we also see non-commodity exports, which also benefit from infrastructure expansion, as presenting attractive investment opportunities.

How does U.S. policy affect investment in Mexico? While there is uncertainty around NAFTA, sectors linked to domestic demand growth, and not dependent on exports to the U.S., continue to see interest by private equity firms, including U.S. funds.

Our approach with respect to Mexico is to continue to focus on the country's long-term underlying trends, which remain attractive. M&A

The Buyside

Shopping Online Grocery Targets

DEMITRI DIAKANTONIS

Amazon.com Inc., which has spent years experimenting with a wide array of delivery technologies from smart applications to flying drones, is poised to shake up the grocery delivery business with its $13.7 billion purchase of Whole Foods, a chain of markets that aim to sell the "highest quality natural and organic products available." The deal could trigger an explosion of M&A.

> "Amazon just declared war on every supermarket and corner store in America."

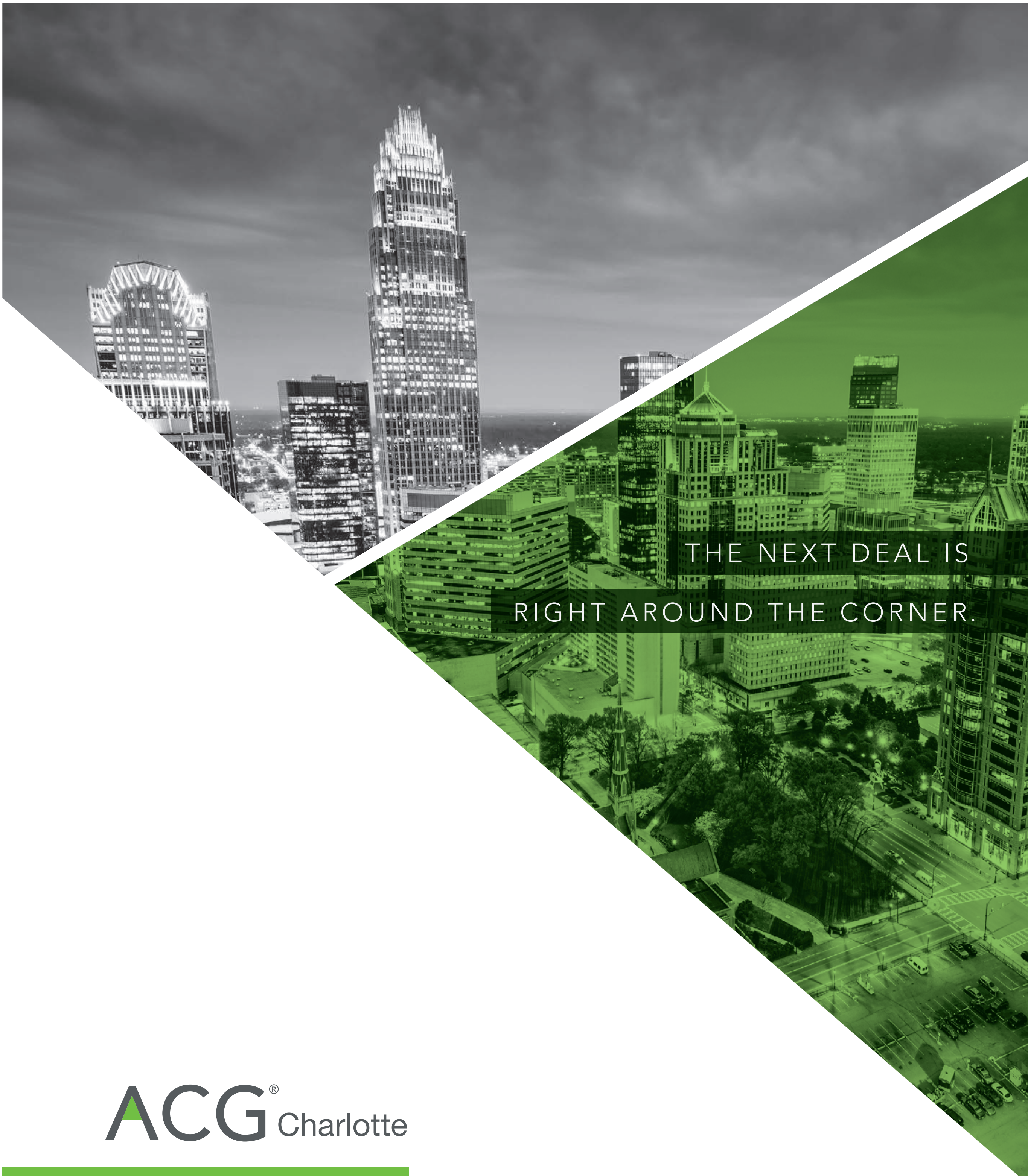
"Very often a given deal will ignite activity within a sector, and the Whole Foods deal is certainly likely to do that, at least in the grocery channel and perhaps in retail generally," said Robert Profusek, a partner with Jones Day. "For many corporate actions, there are not equal and opposite, but exaggerated reactions, especially when the first action is taken by a disruptor."

Instacart, a San Francisco startup that provides online shoppers with same-day delivery service from a variety of retailers, including CVS Health Corp. (NYSE: CVS) and Petco, and counts Whole Foods among its investors and retail partners, will face competition from the Amazon.com Inc. (Nasdaq: AMZN) deal. "From the beginning, we've been committed to helping grocers compete online," said a representative of Instacart. "That's more important than ever, given Amazon just declared war on every supermarket and corner store in America."

Bloomberg News

"Expansion is really a big deal to us," Instacart head of brand partnerships Dan Bourgault said at Piper Jaffray Co.'s (NYSE: PJC) 37th annual consumer conference, held prior to the Whole Foods deal announcement. Instacart has raised $675 million in venture capital from Sequoia, Andreessen Horowitz, Khosla Ventures and Whole Foods itself. Amazon's Whole Foods deal puts pressure on Instacart and other smaller companies to grow more rapidly. Consumers are making everyday purchases and are demanding orders delivered more quickly, and Amazon is aiming to offer delivery in under an hour. Online restaurant delivery provider GrubHub Inc. (NYSE: GRUB) may also feel some heat.

"We think that Amazon's growth will come at the expense of grocery-store market share, and eventually envision that Amazon's success will translate into bankruptcies or consolidation in the grocery sector," said Wedbush Securities analyst Michael Pachter. The most intriguing question for dealmakers is: Will Amazon buy more? M&A



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OTT Technology Entices Media Buyers

KAMARON LEACH

Media conglomerates are shifting their attention and revenue dollars towards over-the-top (OTT) video resources. Due to cord-cutters ditching traditional television platforms, a lot of media M&A has been fueled by companies' desire to be the first, to rush new products to the market, or to improve existing platforms in order to stay ahead. Disney-owned ESPN, Google and AT&T are among the buyers.

> "OTT is trending almost as much as the name Kardashian."

OTT, arguably the number one buzz word in entertainment besides Kardashian, is a broadcast term used for the Internet-based delivery of media content without forcing viewers to pay for traditional cable service. The new technology comes amid consumers demanding easier access to their favorite TV shows, Netflix's (NYSE: NFLX) disruptive introduction to the market, and older media conglomerates scurrying to shift their business model.

ESPN, a sports channel owned by The Walt Disney Co. (NYSE: DIS), has begun prioritizing its OTT tech efforts as the network has been plagued with mounting pay-TV subscriber losses. Disney paid $1 billion in January to acquire a 33 percent stake in video streaming company BAMTech in order to enhance its digital delivery capabilities and to support ESPN's existing OTT platform WatchESPN. So optimistic to get ahead of the OTT wave, Disney tapped former Amazon (Nasdaq: AMZN) video executive Michael Paull to lead BAMTech. ESPN, despite holding the largest market share among cable sports networks, has lost more than 12 million subscribers since 2011, according ratings firm Nielsen.

Joe Faraoni, ESPN Images

In June 2016, AT&T (NYSE: ATT) bought mobile video streaming provider QuickPlay Media Inc. from Madison Dearborn Partners. QuickPlay will continue to serve its other clients, such as Verizon and Samsung, following the AT&T deal. It'll be interesting to see if other broadband providers step out to buy similar streaming businesses in order to compete.

Because "OTT adoption [is] rapidly accelerating," says Google senior product manager Belwadi Srikanth, Google Inc. bought live streaming and monetization company Anvato Inc. in July 2016. Anvato's technology is used by the likes of NBC Universal, CBS and Fox Sports. From Google's latest OTT bundle, YouTube TV, to Hulu and Netflix, who will be the first to get OTT done right? Only time will tell. M&A

Andy Unanue
AUA Private Equity

PE'S NEXT ACT

Who the new players are, which companies they're backing and where they're headed

By Mary Kathleen Flynn

Photograph by Matt Greenslade / photo-nyc.com

> "New technologies and new service providers, most notably fund administrators, have made it easier than ever to launch a firm."

While competition for private equity deals is arguably more intense than ever before, the opportunities for new firms are also greater. The fundraising environment is robust, and PE funds are getting raised more quickly than in the past. The maturity of the industry means the PE model is understood and liked by limited partners, and it means there's a whole generation of seasoned investment professionals in their 40s and 50s ready to branch out and open up their own PE shops. And new technologies and new service providers, most notably fund administrators, have made it easier than ever to launch a firm.

Thriving new firms are embracing the ways the private equity industry has evolved over the years by specializing in sectors and bringing operational expertise to improve and expand portfolio companies. AUA Private Equity Partners LLC provides a great example of a rising firm.

Founded in 2012 by Andy Unanue, the New York firm focuses on "demographic-driven investing," including companies benefiting from the growth of the Hispanic population in the U.S. Unanue served previously as the COO of Goya Foods Inc., the largest, Hispanic-owned food company in the U.S. Goya was founded in 1936 by Unanue's grandparents, who were Spanish immigrants. "The Goya story is as much about the importance of family as it is about achieving the American dream," says the Goya website.

Unanue knows first-hand the challenges of family-held businesses. "Succession is never smooth and never done. It's an ongoing process," says Unanue. "In my family, I'm G3, but there's also G4, which ranges from 2 to 40. Having a clear path is important." Between working at Goya and founding AUA, Unanue ran a family wealth office. These days, he is enjoying collaborating with partners and doing bigger deals with the $275 million AUA has in assets under management.

Among AUA's portfolio companies is Raymundos Food Group LLC, a Bedford Park, Illinois-based maker of refrigerated snacks and desserts, such as gelatins, flans, puddings and other ready-to-eat offerings. The products are distributed through mass retailers and conventional grocery stores, as well as local Hispanic retailers. AUA has made many changes since buying the company in 2016. Among them is new leadership, such as CEO Ricardo Alvarez, who held previous CEO positions at Overhill Farms, Spartan Foods, Busch's Fresh Food Market, and Ruiz Foods; and CFO Jim Taylor, who served previously as CFO of Rupari Food Services Inc. Under AUA's ownership, Raymundos made an add-on acquisition in Noga Dairies Inc., a maker of drinkable yogurts and ethnic dairy products, expanding Raymundos' better-for-you offerings. AUA has also improved worker safety, boosting Raymundos' food safety and quality ratings.

Attention to issues involving environmental, social and governance issues (ESG), including diversity, is another hallmark of the next generation of private equity. Here are 10 rising firms worth watching.

1
AE Industrial Partners

Founded in 2015, debut $680 million fund closed in 2016. Makes control-oriented investments in middle-market companies in aerospace, power generation and specialty industrial sectors. Investment team includes: managing partners David Rowe, Thomas Churbuck and Michael Greene. Portfolio includes: AC&A LLC; Belcan Corp., which acquired East Kilbride Engineering Services, Intercom Consulting & Federal Systems Corp., Schafer Corp. and Tandel Systems; Global Jet Capital, which acquired the GE Capital Corporate Aircraft lease and loan portfolio; Kellstrom Aerospace Group Inc., which acquired Vortex Aviation Inc.; and Moeller Aerospace.

2
Angeles Equity Partners

Founded in 2015, debut $360 million fund closed in 2017. Invests in industrial sectors and targets businesses that can benefit from the firm's expertise in operational transformation and strategic repositioning; focuses on platform investments in U.S. and Canada with enterprise values up to $200 million. Investment team includes: co-founders Timothy Meyer and Jordan Katz. Portfolio includes: Applied Acoustics International and ERP Power.

3
Australis Partners

Founded in 2014, debut $379 million fund closed in 2017. Invests in middle-market companies in Mexico, Colombia, Peru and Chile with at least $100 million in enterprise value, focusing on businesses driven by market trends of the emerging middle class, expansion of infrastructure and a competitive advantage in non-commodity exports. Investment team includes: Enrique Bascur, managing partner and founding member, and founding members Cristián Celis, Alex Manzo, Juan Pablo Pallordet and Armando Borda. Portfolio includes: Inversiones Ambientales S.A. and Inversiones Emergencias S.A.

4
AUA Private Equity Partners

Founded in 2012, debut fund closed in 2015, $275 million AUM. Seeks control investments in U.S.-based lower middle-market companies that are Hispanic-oriented or family-owned within the consumer, media or business services sectors. Investment team includes: Andy Unanue, managing partner; Steven Flyer, partner; David Benyaminy, partner; Astrid Soto, vice president, business development and investor relations. Portfolio includes: Indulge Desserts Holdings LLC, with add-ons Love and Quiches, Ltd. and Elegant Desserts LLC; Tijuana Flats Restaurant Group, LLC; Raymundos Food Group LLC, with add-on Noga Dairies, Inc.; VStar Entertainment Group LLC, with add-on Cirque Dreams, LLC; Associated Foods Holdings, LLC.

5
College Hill Capital Partners

Founded in 2016, no fund yet. Makes non-control investments in family- and founder-owned middle market companies with proven profitability and growth. Investment team includes: managing partner Lorn Davis and partner Seth Berry.

6
Cordillera Investment Partners

Founded in 2014, debut $197 million fund closed in 2017. Invests in non-traditional assets including international arbitration claims, permanent crops and water rights, boat marinas, litigation finance, broadband spectrum licenses and music royalties. Investment team includes: co-founders and partners Agustin “Gus” Araya, Chris Heller and Ashley Marks.

7
Luminate Capital Partners

Founded in 2014, debut $265 million fund closed in 2017. Invests in software companies with $10 million to $50 million in annual revenues, focusing on U.S. providers of business-to-business enterprise software with a market leadership position. Investment team includes founder and managing partner Hollie Moore Haynes. Portfolio includes: Oversight Systems and Financial-Information Technologies.

8
One Equity Partners

Founded in 2001 as part of Bank One (later JP Morgan (NYSE: JPM)), spun off in 2015, closed first $1.65 billion fund independent of JP Morgan in 2017. Invests in companies in North America and Europe to merge like-sized businesses that fit together strategically to quickly scale up and build market leaders. Investment team includes: Dick Cashin, president, and senior managing directors Greg Belinfanti, JB Cherry, Christoph Giulini, David Han, Jamie Koven, Chip Schorr and Johann-Melchior von Peter. Portfolio includes: Anvil International, Bibliotheca, Celltrion Healthcare, Cless Cosmeticos, Grupo Phoenix, Netas, Smartrac Technology, Strike, Voltyre-Prom, Wow! Nutrition and Zodiac.

> “Attention to issues involving ESG, including diversity, is a hallmark of the next generation of private equity.”

9
ParkerGale Capital

Founded in 2014, debut $240 million fund closed in 2016. Buys profitable technology companies headquartered in North America with predictable revenue models and at least $2 million in profits. Investment team includes: co-founders and partners Kristina Heinze, Devin Mathews, Jim Milbery and Ryan Milligan. Portfolio includes: Aircraft Technical Publishers, OnePlus Systems, Ipro Tech LLC, Profisee, WorkWave, The Tie Bar and 2Checkout.

10
Solace Capital Partners

Founded in 2014, debut $576 million fund closed in 2016. Makes control investments in special situations--lower-middle market companies that are complex, distressed or capital-constrained in a variety of industries where managing partners have expertise. Investment team includes: managing partners Chris Brothers, Vince Cebula and Brett Wyard.

—Additional reporting by Keith Button

How has the private equity industry changed?

By Demitri Diakantonis

Dealmakers shared their perspectives on the evolution of private equity through video interviews at InterGrowth 2017. Visit TheMiddleMarket.com to view the full interviews. Here are some highlights.

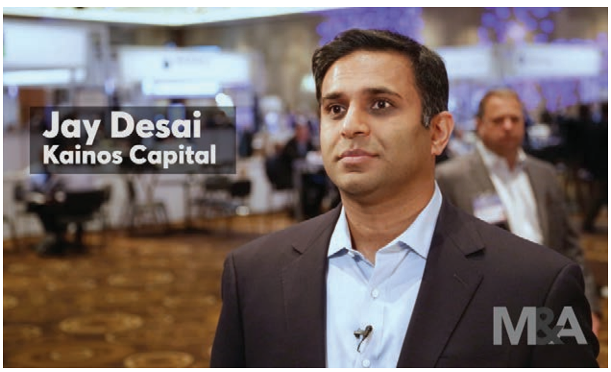
PHOTO: Slaton Events

The PE industry has really gone from being an alternative asset class to a mainstream asset class. The industry has gotten so much bigger, and there are so many more players.

—Giles Tucker, Harris Williams

The biggest change is the massive proliferation of equity funds, sources of capital and potential buyers. We're estimating there are more than 10,000 potential buyers out there for any one given company.

—Ramsey Goodrich, Carter Morse & Mathias



You have seen a lot of the larger funds dipping lower trying to find better value and better opportunities.

—Jay Desai, Kainos Capital

You have LPs wanting more transparency and lower fees. As you struggle to figure out how you are going to operate in that sort of environment, it becomes very challenging.

—Pam Hendrickson, The Riverside Co.

We have seen growth in our private equity lending. We were traditionally about 60 percent private equity and 40 percent non-sponsor, and now it has moved up to 75 to 80 percent private equity lending. The M&A market has been so frothy for five or six years now.

—Tom Aronson, Monroe Capital

One of the primary changes to the private equity industry is the rise of the family office as a significant player. We're seeing more family offices going direct to acquire deals rather than go through funds.

—Julia Karol, Watermill Group

The biggest change in the private equity industry over the last five to 10 years is just an increase in efficiency. There's a much more increased awareness from business owners that private equity firms are active acquirers.

—Gretchen Perkins, Huron Capital

You see sponsors pre-empting auction processes. It's almost like there's no such thing as a typical M&A process.

—Michael Loehrke, Golub Capital

We are seeing private equity firms do some unnatural acts. They are doing public-company type deals, where they are taking financing out of the equation, and they are backstopping with equity. There are some aggressive moves being done by private equity firms to outcompete one another.

—Luke Johnson, Sentinel Capital Partners

Sept. 6-7, 2017 | Grand Rapids, Michigan

The ACG Great Lakes Capital Connection (GLCC) will take place this September at the Amway Grand Plaza Hotel in Grand Rapids, Michgan. The GLCC is a dynamic networking, deal-sourcing and educational event that attracts a virtual who's who of middle market M&A professionals from across the country. It is a collaborative effort of seven ACG Chapters from Western Michigan, Cincinnati, Cleveland, Columbus, Detroit, Indiana & Pittsburgh.

Each year, this high-energy event brings together more than 1,000 investment bankers, buyers, sellers, lenders and middle market professionals for incredible deal-sourcing opportunities, networking and insights into the biggest trends in corporate growth, finance and exits.

ACG DealSource

ACG DealSource provides a venue, allowing intermediaries and investment bankers the privacy they prefer for meetings.

This year's ACG DealSource will take place from 1:00 - 5:00 p.m. on September 6. If you are an Investment Banker and would like to reserve a table please visit our website: acg-glcc.org/register.

ACG Capital Connection

An ACG Capital Connection table is a great way to facilitate dealflow with 1,000 M&A professionals, over 150 private equity providers and 60 investment banking firms.

This year's ACG Capital Connection will take place from 9:30 a.m. - 12:30 p.m. on September 7. If you are a Private Equity Fund who is interested in participating in this year's ACG Capital Connection please visit our website: acg-glcc.org/register.

For more information on registration, speakers, agenda, hotel & sponsorship opportunities visit: acg-glcc.org.
You can also contact our offices: (412) 228-5829 | admin@acg-glcc.org. We hope to see you in September!

SEVEN
THE PRI
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IS CHAN

Facing more competition than ever before, middle-market PE firms have evolved.

By Danielle Fugazy

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Some of the most substantial changes in the private equity industry have occurred in the last decade. Private equity firms made most of these changes to become as agile as possible while competing with other PE firms and strategic acquirers for capital and deals. What follows is a look at how the industry has evolved recently and the impact that evolution is having on market conditions today.

> "Firms with sector specialization have a competitive advantage."

1 Firms specialize on sectors to compete

Value creation through operational changes is very much on the minds of limited partners. This has led to specialization by private equity firms, operating on the theory that more specialization means more knowledgeable professionals who also may be better able to make operational changes. Even the larger generalist firms have divided themselves up by sector verticals. The data suggests that specialization does drive higher returns.

A Cambridge Associates report, titled Declaring a Major: Sector-Focused Private Investment Funds, says sector specialists—those who historically invest more than 70 percent of capital in one of four sectors—enjoyed a 2.2 times multiple on invested capital (MOIC) return and 23.2 percent gross internal rate of return (IRR) from 2001 to 2010. Those returns handily outweighed the 1.9 times MOIC and 17.5 percent gross IRR returned by generalist funds invested in the same sectors.


Cambridge Associates

Andrea Auerbach

As the benefits of sector specialization became proven through data, private equity firms have realigned along industry verticals. "The proliferation of sector-focused funds continues and we don't expect that to change," says Andrea Auerbach, managing director and global head of private investment research at Cambridge Associates and co-author of the Declaring a Major report. "The industry is over 30 years old now and continues to evolve towards specialization," she says. "Our data shows firms with sector specialization have a competitive advantage. We know that now."

There's no question as new funds are raised, many are sector specific. In the first half of 2017, First Alpha Energy Capital launched to focus on energy deals, Moonlake Capital launched to focus on industrial and consumer services sectors and former NBA player Rick Fox and his partners formed Vision Venture Partners, a private equity firm that will focus on sports, video gaming and digital content production.

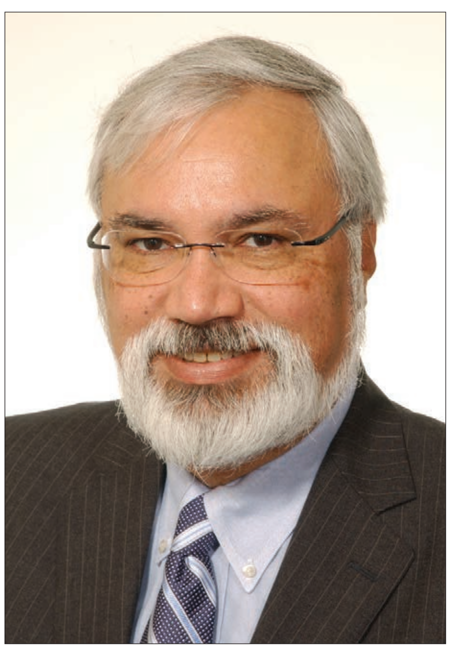
Additionally, according to the Probitas Partners' Private Equity Institutional Investor Trends for 2017 survey, 51 percent of responding limited partners said funds focused on single industries are the most appealing in the middle market. Healthcare- and technology-specific funds are garnering the most interest from limited partners these days, according to the survey.

Sector specialization is on the rise, but globally only a minority of private equity firms organize themselves by sector, says Kelly DePonte, a managing director with Probitas Partners. “In the U.S., sector is a way to differentiate yourself, but globally most funds are organized by geography and fund type,” he says. The industry is seeing funds raised with different mandates, and there has been an increase in private equity funds raised to make minority investments and private credit deals.

2
Portfolio companies need operational expertise

Operational expertise has been a hot topic for quite some time and that’s not changing. “It was hot 10 years ago and it’s still hot,” says DePonte. “For LPs, it’s like motherhood and apple pie. No one relies on financial engineering anymore, operational expertise is a given.”

What’s shifted is how limited partners are approaching private equity firms about operational expertise. The investors are now telling the general partners to show them exactly how they are affecting change through operational expertise and they are taking a hard look at the data, not just relying on the word of the general partners.



Gary Laufman

Kelly DePonte

Over the last 20 years, fund managers and investors have increasingly focused on making money, not solely through the use of leverage or relying heavily on multiples expansion, but by increasing earnings. Today, most private equity firms tout relationships with professionals that offer operational expertise. Private equity firms far and wide began hiring these people or forming partnerships with them after 2008. Industry veterans certainly know about the Vista Playbook, a how-to of sorts for Vista Equity’s portfolio companies, and KKR’s Capstone division, a captive consulting arm to KKR, which works closely with KKR dealmakers to create value after acquisitions through operational changes.

These types of efforts are very important to the limited partners. Eighty-one percent of respondents to Probitas Partners survey say they want to invest in U.S. middle market funds that focus on operational improvements heavily staffed with professionals with operating backgrounds. That’s up from 61 percent the prior year.

Limited partners are doing more due diligence than ever before to insure private equity firms are making operational changes. “LPs want to know how GPs are making operational changes and they want to see the returns at a very granular level so they can identify where the operational changes came into play,” says DePonte. “They aren’t just looking at fund returns, but will look at specific deals, which is a shift.”

Rightfully so. According to data from Cambridge Associates, from 2008 to 2015, PE-owned companies with enterprise values of $1 billion or more grew revenues by an average of 2.9 percent, while the Russell 3000 grew 4.8 percent. However, private equity-owned companies $250 million or less in size saw an annual average revenue growth rate of 8.7 percent. “Larger private-equity backed companies aren’t growing as fast as their

> “LPs want to know how GPs are making operational changes and they want to see the returns.”

smaller brethren, but they were also growing at a slower speed than public companies. Firms with operating partners should be demonstrating their capabilities in revenue growth, as well as margin expansion. GPs have to prove how their operating partners are improving the businesses and it's not that easy to do, especially at the larger end of the market," says Cambridge's Auerbach.

> "One of the biggest drawbacks is a potential inability to raise capital in a market downturn."

3
Fundless sponsors and other alternatives models challenge PE

Over the last decade, firms doing deals without dedicated private equity funds or through non-traditional methods have proliferated.

"Ten years ago most independent sponsors were fundless because they couldn't raise a fund," says Dan Lipson, a partner with Rotunda Capital Partners. "Today, many new firms are choosing to be independent. More and more family office investors and institutional capital sources are looking to co-invest and put money to work outside of the traditional GP/LP structure. There are pros and cons to being fundless. One of the biggest drawbacks is a potential inability to raise capital in a market downturn. It might be a great time to acquire in a depressed-valuation market, but your capital sources simply might not be investing."

NewSpring Holdings

Skip Maner

For these reasons and more, Rotunda Capital got creative. The firm adjusted its model slightly in 2016: It did not raise a traditional fund, but partnered with a large endowment for some permanent capital so it could close deals faster. "The new approach allows us to maintain our independent sponsor model and raise capital on a deal-by-deal basis from our existing investors. In addition, having a funded partner providing non-portfolio company fees allowed us to hire two new senior associates and expand both the D.C. and Chicago offices," says Lipson. "Lastly, it gives prospective acquisition targets greater confidence in our ability to close."

The firm didn't move to a totally traditional private equity model because it likes the flexibility of being independent. "Our structure allows us to invest in a variety of capital structures, minority and majority, as well as doing larger or smaller equity check sizes," says Lipson. "We don't get boxed into a specific type of deal and can be more flexible on hold period. In addition, we can be opportunistic. Not being forced to do deals under the limited investment period of a traditional fund allows us to do deals that are right for both us and the investor."

Other types of non-traditional private equity models are also becoming more common. In 2013, NewSpring Capital formed a new fund called NewSpring Holdings. While the fund executes on deals like traditional private equity firms, it raises money differently. The lower middle-market private equity firm has raised permanent capital. "It's not really a new approach, but it's not the pervasive approach anymore. The 2 percent management fee and 20 percent of returns with a 10-year hold period structure is outdated. It's left over from when there weren't a lot of means for investors to get liquidity," says right before the venture capital bubble popped, venture firms sold minority stakes in their firms. And at the height of the private equity market, before the financial crisis in 2008, both the Carlyle Group and Blackstone Group sold minority stakes in their firms. Considering the market has been hot for a number of years, private equity professionals are not surprised to see a surge in minority stake deals for private equity firms.

> "We are not the first to do this, and we won't be the last."

"If you take a look at the past 20 years of history there is usually an uptick in this activity before the bubble burst. This is happening because of the part of the cycle we are in," says DePonte, the Probitas managing partner.


The Riverside Co.

Bela Szigethy

In addition to market cycles, there are other reasons for sales. As it becomes harder for firms to raise funds and grow their businesses, some may look to buy private equity firms, which may allow them to offer new specializations or lines of business. Additionally, there is a consistent need for capital at the fund level. General partners have to make commitments to their funds, and as older general partners funnel out and newer general partners have to put up capital, there can be a gap if the younger ones can't hold up their end of the bargain. Many times the older general partners are lending capital to the new generation of general partners. However, capital gained from a minority sale can help fill that gap. Additionally, private equity firms need capital to grow.

"In the 2007 era you had a lot of private equity firms taking on minority investors and it seems like that moment is back. That said, a lot of private equity firms formed in the 1980s are thinking through their legacy and how they will transition, and these minority sales can help private equity firms institutionalize and enable broader ownership," says Auerbach.

In April, the Riverside Co. sold a minority stake to Parkwood LLC, a private trust company. Riverside intends to use the capital to expand its new debt-lending business and its deal businesses in Europe and Asia, along with buying other private equity firms.

Over the past two years, a number of private equity firms have taken this route. In 2015, Vista Equity Partners sold a less than 20 percent stake to a consortium led by Dyal Capital Partners—a division of Neuberger Berman that focuses on making minority investments in private equity firms and hedge funds. In 2016, Dyal also made a minority investment in KPS Capital Partners. Wafra Investment Advisory Group, a $15 billion money management firm owned by the Public Institution for Social Security of Kuwait, acquired a 10 percent passive interest in private equity firm TowerBrook Capital Partners.

Indicating that there are more deals to be completed, Dyal Partners raised a $5.3 billion new fund in December 2016 to continue buying minority stakes in private equity firms. Just last year, Goldman Sachs (NYSE:GS) through its Goldman Sachs Asset Management Petershill program jumped into the business, raising $1.5 billion for minority interests in private equity firms. In 2016, Littlejohn & Co. LLC sold a less than 10 percent stake to the firm. The Petershill group also bought a minority stake in ArcLight Capital Partners. Also in 2016, Skip Maner, a general partner with NewSpring Holdings.

The firm's strategy has resonated with family offices and high-net-worth individuals who are partial to seeing a company grow and get sold based on what's considered the right time, not an artificial hold period. "We are about selling the company when the time is right and have the opportunity to maximize value. Most of our investors are former operators and they don't love the buy-and-churn mentality. We are seeing an increasing trend toward longer holds," says Maner.

NewSpring Holdings focuses on tech-enabled businesses in a variety of vertical markets and has completed four deals.

4
Family offices invest directly

The Pritzker Group Private Capital is probably one of the most well-known family offices that decided to invest directly into deals without the help of private equity firms. As their model became more established and the number of professionals with private equity investing skills increased, so did the number of family offices that decided to invest directly.

"This is definitely a trend," says Paul Carbone, a managing partner with Pritzker Group. "Family offices are staffing up their capabilities to invest directly. There is evidence that this is where family offices are headed."

About 80 percent of family offices now have at least one full-time employee sourcing and evaluating direct investments, according to an annual survey by the Family Office Exchange that was completed in May. The 118 family offices surveyed had an average of three employees involved in the investment process, two of which had some responsibility for direct stakes. More than half of the families surveyed plan to increase their direct investment practice.

Investing directly can appeal to both buyers and sellers. Sellers are more likely to get a long-term partner with industry expertise, because most family offices invest in sectors where they generated their original wealth. Additionally, family offices are more inclined to take legacy issues to heart, which often makes sellers feel more comfortable with a sale, especially if they are not fully exiting the company. Family offices increasingly like to invest directly because they have the industry expertise to do so and they don't want to lock up their money in a blind pool and pay the 2 and 20 percent fee structure of a traditional private equity firm. Additionally, the returns are typically better in private companies than they are in the public market.


Watermill Group

Julia Karol

Julia Karol, president and chief operating officer at Watermill Group, sees increased competition for deals from direct-investing family offices. "One of the primary changes in the private equity industry is the rise of the family office," says Karol. "We are seeing more family offices that are going direct because it's easier to go to direct."

> "We are seeing more family offices that are going direct because it's easier to go direct."

5
PE firms sell minority stakes

At the top of every cycle it seems that asset managers start selling minority non-voting shares in their firms. In 1999, Blackstone officially closed a $3.3 billion fund to buy minority stakes in hedge funds and private equity firms.

"We are not the first to do this, and we won't be the last," says Bela Szigethy, co-CEO of Riverside Company. "It will be something we see more of going forward."

6
Mid-market funds offer more products

As the private equity industry has matured, it's become harder for PE firms to produce the outsized returns and to compete with other private equity firms for capital from limited partners. Recognizing this trend, many private equity firms have branched out to offer more products than what they have traditionally been known for. Like many trends, this strategy started with the largest private equity firms, which now commonly offer a wide array of products such as large- and mid-market funds, geographically targeted funds, sector-focused funds, private debt funds and real estate funds.

The middle market doesn't have such a diverse offering, but PE firms are expanding their focus. Over the years, middle market firms like Leeds Equity Partners expanded by launching Leeds Novamark Management, a debt arm, and Bain Capital bought and rebranded Sankaty Advisors to offer leverage on deals. THL Credit, the credit investment arm of Thomas H. Lee Partners, closed in June on $511 million in investor commitments for its third directly lending arm focuses on mid-sized companies in healthcare, financial services and software.

"Putting two or three related strategies on has become a trend in the last three years and it continues to spread," says DePonte.

Riverside is a middle market firm that recently diversified its product offering. In the last couple of years, the firm has added the capability to do non-control investments, micro cap investments and credit investments. That said, Pam Hendrickson, chief operating officer at Riverside, says that while there is expansion, there are constants that remain.

"We have diversified, which is driven by investor demand and our continued desire to leverage our strong back office. Investors have different needs and risk return profiles so we invest in strategies that can meet our investor bases' needs," says Hendrickson. "But we continue to focus on private investing in small companies. Ultimately, we want to be the place investors can come to get exposure to small companies in different parts of the capital structure based on their risk appetite, as well as the place that small companies can come for capital and help with anything from how to protect their IT environment to merger integration. You will not see us do public deals, large-market deals or other types of assets. We started expanding with the premise we should stay at the lower end of the middle market."


The Riverside Co.
Pam Hendrickson

Other firms are looking for ways to expand. Lipson said his firm is approached regularly to partner exclusively with debt providers while other firms are consolidating to offer two or three sectors

> "Riverside has added non-control investments, micro cap investments and credit investments."

under the same roof.

Auerbach warns that while launching new products is fine, they should be in areas where private equity firms can be successful. "We get the calls all the time. A firm calls and says they are launching something new. While relationships matter, we will compare the new strategy to all other available options in that strategy. Brand counts for something, but the ability to generate competitive returns is most important," says Auerbach.

"A lot of LPs do not have the staff to handle co-investment opportunities, so it can be challenging."

7
Co-investments become important

Some would argue that the very first buyout funds were raised because they garnered co-investment dollars. Over the years, co-investment became less common, until recently. Today there are more co-investment arrangements than ever before, which has led private equity firms to become more prepared to offer the option to investors. According to Pitchbook Data, in 2012, private equity firms brought in $2.4 billion for co-investment deals, and by 2016 that number had jumped to $4.8 billion.


Matt Greenslade

Sheryl Schwartz

"Co-investment has become more commonplace. Every fund manager we meet with says they have co-investments available. It's part of the landscape and it's not going away anytime soon," says Auerbach.

According to the Probitas Partners survey, interest in co-investments is strong with 55 percent of respondents having either an active internal or outsourced co-investment program. Larger investors with more capital to deploy are even more active, with 84 percent of them having either an active internal or external co-investment program.

"More and more LPs are looking for co-investments, however the opportunities are skewed toward the larger end of the market. Also, a lot of LPs do not have the staff to handle co-investment opportunities, so it can be challenging," says Sheryl Schwartz, a managing director with Caspian Private Equity.

Some of the larger limited partners, such as the California Public Employees' Retirement System, Teacher Retirement System of Texas and Alaska Permanent Fund Corp., count co-investments as critical components of their private equity investment platforms.

Caspian also has an active co-investment program with private equity firms that it has invested with and firms that it has not invested in. Since 2008, the firm has aimed for about 10 co-investments a year. According to Schwartz, the key to Caspian's success as a co-investor is that it's staffed appropriately for direct deals and can spend time assessing the opportunities.

"To be successful you need an experienced staff to evaluate opportunities quickly. If you can't make a decision quickly, GPs will stop shopping your deals. Our team is staffed with people who have done direct deals in the past, so they are knowledgeable," says Schwartz.

Interestingly, Caspian finds a lot of its co-investments from independent sponsors. "That's a common way to build a track record and we have always generated a lot of deal flow from independent sponsors," says Schwartz. M&A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MID-MARKET PULSE: Modest expectations for FIRE

M&A in the financial services, insurance and real estate (FIRE) sector is expected to increase over the next 12 months, but not as much as in some other sectors, according to *Mergers & Acquisitions'* Mid-Market Pulse (MMP). Dealmakers surveyed in May gave the FIRE sector a score of 65.1 for the 3-month outlook (one of the lowest scores seen on the MMP that month) and 76.4 for the 12-month outlook, lower than the respective scores of 74.9 and 76.6 given to overall M&A.

While dealmakers are optimistic about many of the economic conditions that affect transactions (as is evident from the high numbers for overall M&A), uncertainty about regulation and taxes is causing a "holding pattern" in the FIRE subsectors, said some survey participants. The survey was fielded before the U.S. House of Representatives passed the Republican bill, called the Financial Choice Act, which seeks to undo significant parts of the 2010 financial reform law.

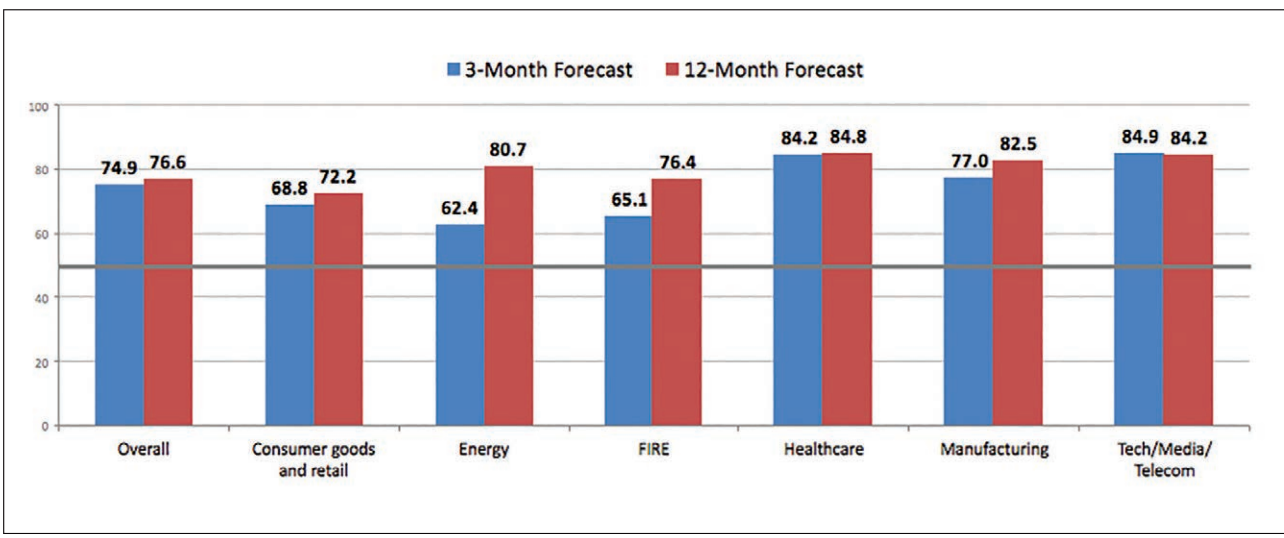
Dealmakers indicated they expected the uncertainty to be relatively short-lived, as reflected in the higher sector score for the 12-month outlook.

And M&A in FIRE has certainly not come to a halt. Continuing a years-long trend toward consolidation in the insurance industry, in May, an acquisition company created by a former Blackstone Group L.P. partner and Fidelity National Financial Inc.'s chairman reached a deal to buy life insurance provider Fidelity & Guaranty Life in an all-cash deal worth about $1.84 billion.

In real estate, there are some long-term challenges. "The recent demise of retail trends in the industry will have a long-term impact on the real estate sector as online retail begins to replace malls, outlets, etc.," said one respondent.

In the May survey, respondents said the sectors expected to grow the most were technology, media and telecommunications (TMT), healthcare, and manufacturing.

The MMP is a forward-looking sentiment indicator, published in partnership with CT, a provider of business compliance and deal support services. ■



ABOUT THE *MERGERS AND ACQUISITONS* MID-MARKET PULSE (MMP)

The MMP is a monthly barometer for the outlook of M&A activity and conditions from the collective viewpoint of approximately 250 business executives in private equity firms, investment banks, lenders and advisor firms, such as accounting, law, and consulting firms, involved in M&A activity. Various sub-indicators that make up the overall MMP composite include projected deal volumes and pricing, staffing and resource utilization levels, and the expected impacts of economic conditions, taxes, and regulatory policy on respondents' future M&A activity.

MMP results are presented as rolling aggregate indicators for both three- and 12-month outlook periods for macro M&A issues as well as for individual industry sector issues in healthcare, consumer/retail, manufacturing, energy, and technology/media/telecommunications on a monthly rolling basis. A diffusion index is produced by calculating the sum of percentages of those indicating on survey responses that describe a change in sentiment for three and 12 months (e.g., increase/positive, decrease/negative, or no change/neutral) to arrive at three-month and 12-month aggregate index values that are then averaged to create a total composite for the month. A reading of over 50 indicates an expansion relative to the prior month, and a reading below 50 indicates a contraction.

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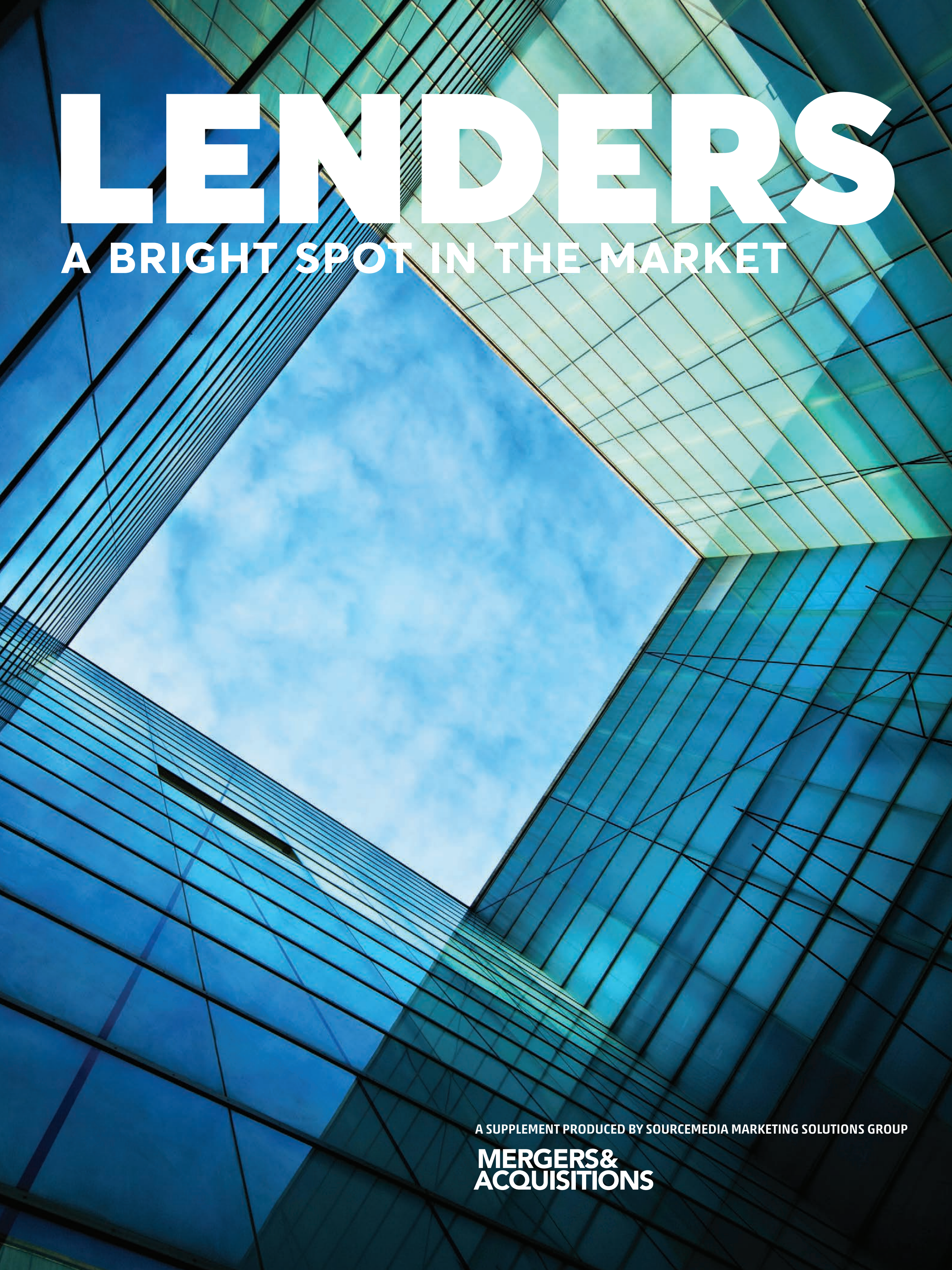
LENDERS

A BRIGHT SPOT IN THE MARKET



A SUPPLEMENT PRODUCED BY SOURCEMEDIA MARKETING SOLUTIONS GROUP

MERGERS& ACQUISITIONS

A Look Inside the Middle Market

Monroe Capital LLC is a leading provider of senior and junior debt and equity co-investments to middle market companies in the U.S. and Canada. Investment types include unitranche financings, cash flow and enterprise value based loans, asset based loans, acquisition facilities, mezzanine debt, second lien or last-out loans and equity co-investments. Monroe Capital prides itself on its flexible investment approach and its ability to close and fund transactions quickly. Monroe is committed to being a value-added and user-friendly partner to owners, senior management and private equity sponsors.

Tom Aronson, Managing Director - Head of Originations

How would you characterize the dealmaking environment today?
We continue to see robust M&A activity in middle market. According to the National Center for the Middle Market, there are approximately 200,000 companies with revenue between $10 million and $1 billion. Roughly 100,000 of these companies are in our target market and with the continued economic cycle, many of these companies have been looking for growth capital, recapitalizations, dividend recaps and acquisition capital. We have seen the requests for financing M&A transactions increase every year for the last 5 years. All indications are that for the remainder of 2017 activity will continue to be strong.

How are lenders meeting the needs of private equity clients today?
We have seen the push for higher lending multiples in our market by private equity sponsors. This has been driven by the stronger purchase price multiples and the need for private equity firms to take on more leverage to support their expected returns. We tend to see higher debt multiples in areas such as technology where there is strong free cash flow to support the requested debt levels. Other more traditional businesses that may have high capex and lower free cash flow often cannot support an increased debt load. Overall, our debt levels have remained consistent while the increases in purchase price multiples have been supported by greater equity infusions at close.

What do specialty finance companies bring to the table?
Specialty finance companies often times have the ability to provide a more flexible financing solution than more traditional banks. The unitranche loan structure which is so prevalent with specialty finance companies, continues to be a very attractive solution for sponsors and borrowers and as such, the product continues to take share of the market. The unitranche structure provides certainty of execution as it requires only one set of documents with one single credit process and can often be committed to and held by one lender in its entirety, eliminating the flex component of a deal. The typical Monroe unitranche will have total leverage between 50-60% of the enterprise value of a business, providing borrowers today the most efficient path to execution.

How do you differentiate yourself as a lender?
The market is competitive but what differentiates Monroe is that our people have deep and long standing relationships which enables us to maintain consistent deal flow. We are industry generalists but we also have specialized vertical lending groups in technology, healthcare, media, specialty finance, and retail and consumer goods asset based lending. Our knowledge and expertise in these areas helps distinguish us when evaluating financing opportunities and winning mandates. Sector specialization is a critical differentiator that not only helps serve borrowers with a value-added source of capital, but also supports the lenders themselves. Specialization allows lenders to help build strong relationships in the regions or industry sectors they serve. The focus on specialization is largely about being able to navigate a given vertical and understanding the distinct capital needs of the companies in that space.

CONTACT:
TOM ARONSON
Managing Director - Head of Originations
taronson@monroecap.com

MONROE CAPITAL

1Q loan volume surpasses previous record

While repricing activity stole the headlines in the first quarter, the U.S. leveraged loan market generated $169 billion in institutional issuance, surpassing the previous record of $149 billion from 1Q13, according to LCD. With $32.9 billion of pro rata issuance, total U.S. loan volume in the first quarter was $202 billion, the most since the $189 billion in 1Q13. **(See Chart 1)**

Refinancing and repricing activity were particularly acute early in the quarter. January exploded, with $101 billion deals, far and away a record. Two reasons for the shotgun start to the year: issuers wanted to strike while the iron was hot, and these transactions tend to be quicker executions to complete. The effect on the market was clear. New-issue yields trended lower, bottoming out in January at 4.62% (for all loans), from 4.81% at year-end and from 5.48% at mid-year 2016.

After a sluggish start to the year, CLO managers ramped up issuance and printed $17.4 billion of vehicles in the quarter.

While that is down from the previous three quarters (which averaged $21 billion), it is a strong start, compared to the comparable period a year ago, when $8 billion priced.

With investors looking for a place to put money to work, sponsors continued to seize the day.

Dividend deals in the institutional market kept pace in the first quarter, at $18.9 billion.

That is the second-highest total since 2Q13, trailing only the $20.5 billion logged last quarter. That tally is also a first-quarter high, topping the prior mark of $16.4 billion in 2014.

Via these deals, private equity sponsors paid themselves $6.4 billion of dividends in the first quarter. While this is down from $8.3 billion in 4Q16, it is the highest reading for any comparable period since 2014. **(See Chart 2)**

Opportunism was clearly the primary theme in the loan market, but it should be noted that LBO and M&A activity actually rose in the quarter, both sequentially and year-over-year.

Moreover, total LBO and M&A volume of $81.1 billion in the quarter was the most since 3Q15 ($86.4 billion). Drilling down to the institutional market, the $68.3 billion of acquisition-related issuance was nearly a 10-year high, dating to 2Q07. **(See Chart 3)**

Of the $81.1 billion total, $36.2 billion (45%) was tied the corporate M&A, the most in six quarters. Private equity–backed M&A activity topped each of the prior two quarters, at $16.9 billion (21%).
(See Chart 4)

As for LBOs, volume was $27.9 billion (34%). That is the highest volume since 2Q14 and comes as purchase price multiples eased during the quarter, to 9.7x, compared to 10x for all of 2016 and 10.1x in 2015. Sponsors are still contributing more equity, on average, than in years past. On transactions financed in the loan market in the first quarter, the average equity contribution was 41.2%, compared to 40.2% for the full-year 2016. In fact, that is higher than any full-year total since 2009. **(See Chart 5)**

Leveraged finance: Volume sets quarterly record

The U.S. leveraged loan and high yield bond markets took off in tandem during 2017's first quarter, in stark contrast to the dreadful first three months of 2016.

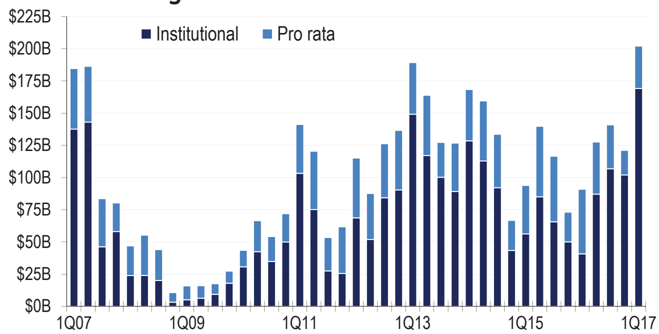
Ratings-wise, U.S. high yield issuance was where you'd expect during 2017's first quarter. Roughly half was in the single B category, with limited straight triple-C issuance (there was none during February, though seven percent of issuance that month was B/CCC).

The $43 billion in March was the most U.S. high-yield issuance since September 2013, though it was no match for the loan market, of course.

Notably, however, the final month of the quarter included one of the busiest weeks on record, issuance-wise, when companies printed $17.55 billion in new paper across 27 tranches in the week ended March 10.

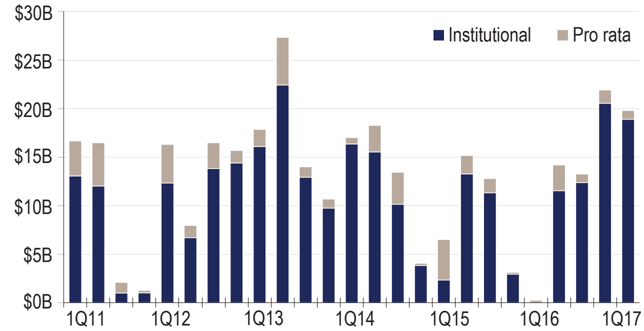
Collectively, the U.S. leveraged finance market totaled a whopping $283 billion in the first quarter of 2017, the most since LCD started tracking the combined markets in 2005. The next-closest: the $278 billion in 1Q13. **(See Chart 8)**

Chart 1: Leveraged loan volume



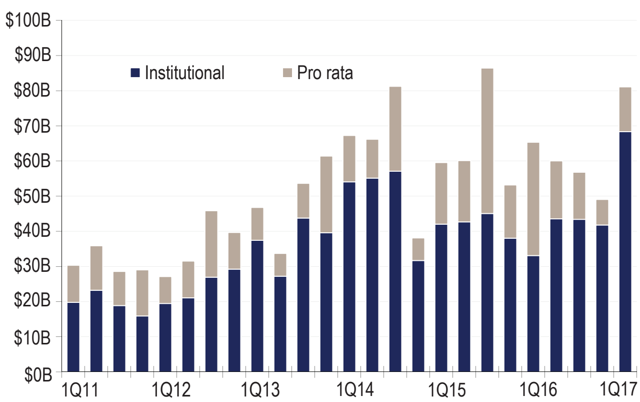
Source: LCD, an offering of S&P Global Market Intelligence

Chart 2: Volume of loans backing dividends



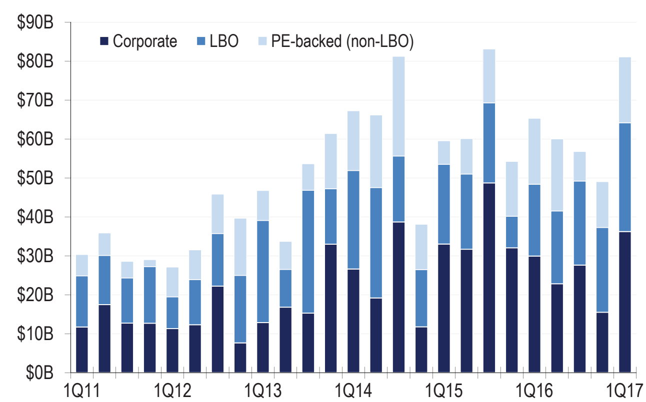
Source: LCD, an offering of S&P Global Market Intelligence

Chart 3: M&A loan volume



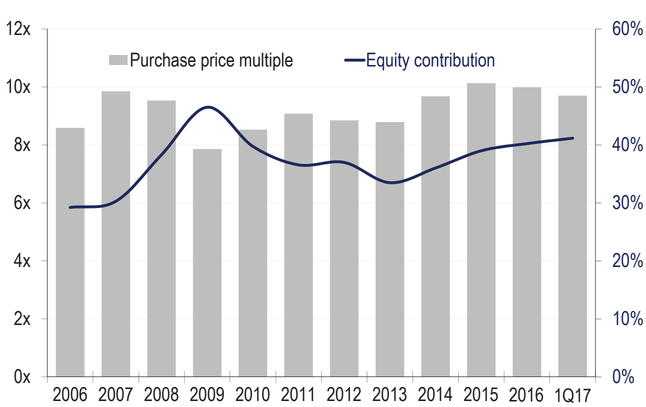
Source: LCD, an offering of S&P Global Market Intelligence

Chart 4: M&A loan volume



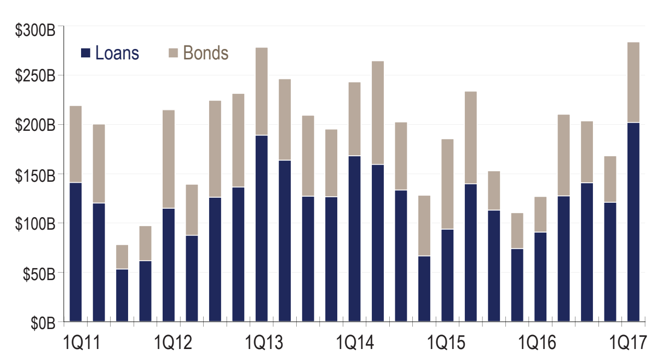
Source: LCD, an offering of S&P Global Market Intelligence

Chart 5: Average statistics for large-corporate LBOs



Source: LCD, an offering of S&P Global Market Intelligence

Chart 8: Leveraged Finance volume



Source: LCD, an offering of S&P Global Market Intelligence

Twin Brook: Views from the Middle Market

Garrett Ryan, Partner, Twin Brook Capital Partners

Twin Brook Capital Partners is a finance company focused on providing cash-flow based financing solutions for the middle market private equity community. The firm was founded and is managed by a group of highly experienced, dedicated professionals who have been successful working in the middle market. The management team has successfully closed over 1,100 transactions with 200+ different middle market private equity firms. Twin Brook's flexible product suite allows for tailored financing solutions for leveraged buyouts, recapitalizations, add-on acquisitions, growth capital and other situations for companies that typically have EBITDA between $3 million and $50 million.

What has been one of the most interesting changes in the middle market landscape since the last recession?
Over the last 10 years one of the most notable changes in our market has been the absolute necessity for private equity firms to accelerate the process by which they secure debt during an auction. This is key in a competitive auction process when the buyer is trying to differentiate itself amongst a crowded field of competitors. Securing debt capital can vary greatly depending on which part of the middle market the transaction is being executed. While the lower middle market largely remains a club environment where a smaller number of lenders are selected by a private equity sponsor, the upper middle market and larger market have witnessed the sponsor community evolve in a number of ways. Many firms now have in-house capabilities on the debt capital markets side. In addition, further trends have emerged to continue this drive for more speed and efficiency such as (i) sponsor law firms producing the term sheet for a deal (as opposed to receiving five to six different "form documents" from as many lenders), (ii) adopting "documentation principles" for deals thereby avoiding the lender's credit agreement and the lengthy back and forth negotiation, (iii) avoiding a formal syndication by clubbing lenders and (iv) opting for unitranche structures thereby eliminating the need to negotiate with both senior and junior lenders and deal with intercreditor agreements. As highlighted by these points, speed, efficiency and reliability are key elements for the PE community when considering debt today.

As a relatively new lender how does Twin Brook compete in a competitive, "need-for-speed" market?
Our platform is just under three years old. However, Twin Brook's founders (Trevor Clark & Chris Williams) wrote the business plan and were two of the original founders of Madison Capital Funding. Trevor and Chris each have over 20 years of experience building and managing a leading middle market lending platform. In addition, all of Twin Brook's sponsor coverage personnel have long standing, deep relationships with the private equity community. Our track record of delivering to sponsors is reflected in the 100+ transactions and over $3 billion of commitments we have closed since starting Twin Brook in 2015. Additionally, with over $4 billion of dry powder our future funding capabilities are secure. We can hold up to $100 million in a single transaction (but can underwrite significantly larger transactions) and our process for approving transactions is very efficient and streamlined. In addition, unlike many competitors, we are able to provide sizeable unfunded Revolvers and DDTLs to clients to accommodate their growth plans. We also have a very experienced agency services team (also in Chicago) that administers and manages the daily borrowing requests of our portfolio companies. Finally, our private equity clients have seen our consistent

performance through multiple credit cycles, which many newly formed lending groups have not experienced.

Interesting comment about Revolvers because there are a number of ways to provide senior stretch/unitranche financing with JVs, banks and ABL lenders. How does Twin Brook structure its product versus others ?

We provide a very flexible product suite to our sponsor clients – including, first lien, senior stretch, unitranche, 2nd-lien, mezzanine and equity. With regards to our senior products, we focus only on "dollar-one" structures, i.e. we don't structure the deal behind the scenes whereby the revolver is sold to a bank, ABL lender, etc. in order to increase our yields. We have found that sponsors like the transparency of having one lender providing both the working capital line for the borrower as well as the term facility. The first out-last out ("FOLO") option can be treacherous for sponsors if the first out lender (often a regulated bank) is not fully on board with the goals of the PE firm, decides to change its appetite for a particular credit or starts to waiver in their views of leveraged lending. Also, the process of adding more lenders to a FOLO structure can be cumbersome. Every bank requires something different in an "agreement among lenders" and this can be at odds with the new and/or existing last out lenders. As a result, the ability to increase the size of a FOLO as the sponsor grows a company is sub-optimal. In our opinion, the dollar-one structure for middle market borrowers is not only transparent but expeditious, scalable and all parties are aligned with the sponsor.

What does the term middle market mean and how has that changed in recent years?

Up until the last five years, the term "middle market" was consistently viewed as representing companies with $50 million of EBITDA or below. This definition has evolved over the last five years as different issuers/lenders/consultants have taken liberties to adjust the definition to suit their own specific demands. An example of this would be an asset manager/lender that represents that they are a middle market direct lender, but defines their target market as companies with EBITDA between $50 million and $100 million because that is where they have historically sourced transactions. With the desire to more accurately define market participants, the consultant community has further eroded the definition of middle market by adding such qualifiers as lower middle market and upper middle market. The net result is that the once static term "middle market" is now subject to varying degrees of interpretation, and will often times be specifically defined in presentations and articles to avoid confusion about what size of companies are being referenced.

So which segment of the middle market does Twin Brook focus on?

The Twin Brook senior management team has relationships with over 300 middle market private equity sponsors and has, over the course of their careers, closed deals with 220+ of these firms. Given the breadth of our sponsor relationships, we see deal activity across all segments of the middle market. However, Twin Brook focuses primarily on the lower part of the middle market which we generally define as borrowers with $30 million of EBITDA and below. We certainly have larger borrowers in our portfolio as well. Our ability to take sizeable hold levels, underwrite larger transactions and provide ongoing growth capital for our borrowers has positioned us well to play across all segments of the middle market. In general, we don't specifically limit ourselves to companies based on EBITDA size. What's most important for us is the sponsor we are working with on the deal and our ability to do a deep dive on the diligence and underwriting for a potential borrower. Our experienced team brings a consistent level of execution to the transaction process which has earned us a strong reputation in the market.

TWIN BROOK CAPITAL PARTNERS
300 SOUTH WACKER DRIVE, SUITE 3500, CHICAGO IL 60606 | (312) 763-5100
info@twincp.com

CHRISTOPHER WILLIAMS
Co-Managing Partner

TREVOR CLARK
Co-Managing Partner

TwinBrook
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LENDERS HELP PE INDUSTRY THRIVE

The private equity industry has been on a tear since the financial crisis subsided and there doesn't seem to be any signs of it letting up. The lending market has been a major contributor to the growth the industry continues to experience. Buyers are paying high prices for quality assets and lenders are part of the reason buyers can pay up.

"The debt market is as wide open as you can get," says Mark Jones, a partner with River Associates Investments, which closed on its seventh fund with $285 million in June 2017. "Lenders are part of the ingredients for the busy market. It's been a very

(Continued on page A10)

Finding Success as an Independent Sponsor

Accord Financial provides working capital facilities up to $20 million for acquisitions, growth and turnaround situations. They are publicly traded (TSX:ACD) with an exceptionally-strong balance sheet and have over 35 years of delivering creative and timely solutions for borrowers throughout the U.S. and Canada that cannot access traditional bank financing.

Tom Henderson, President & CEO (L)
Lilies Lanway, Senior Vice President (R)

In a recent interview with M&A, Tom Henderson and Lilies Lanway of Accord Financial discussed how Independent Sponsors can find success in today's competitive market. Accord has been an active source of senior debt financing for Independent Sponsors acquisition activity.

In an environment of hyper-liquidity and high valuations, what leads to more successful closings for an Independent Sponsor?
Sponsors with a focused approach to finding deals that aren't being widely shopped. Sometimes these may not even be officially "on the market", but with the correct process they can be found.

Could you elaborate further?
Sure, with a "shopped" deal, there is a greater chance that someone else will offer more than a disciplined value buyer, which Independent Sponsors tend to be. This means, under-performing companies, corporate carve-outs and family-owned companies looking for a "quiet" transition.

This sounds easier said than done. So how does a buyer find these "proprietary" deals?
The more successful sponsors have figured out how to differentiate themselves in the market. They focus on deals where they can bring value beyond just the money. Often, this means they specialize in specific industries, building a reputation and connections.

Does this mean it is harder for a generalist sponsor to get their deals done?
Possibly, but we find that most generalists come from a larger shop, and as they set up their own firms, they tend to become more tightly focused and gravitate towards industries they have prior experience with.

Furthermore, based on a survey Accord recently conducted of several hundred Independent Sponsors, we discovered that 75% of all opportunities came through an intermediary; this held true even among those Independents who claim an industry focus. So while proprietary deals may have a higher close rate, it is important for Independent Sponsors to at least review the opportunities found through the traditional channels.

How are lenders meeting the needs of private equity, in particular Independent Sponsors today?
Post-recession, lending standards have loosened considerably by banks and non-banks. This may be good for borrowers in the short run, but invariably leads to a credit contraction when the economic cycle shifts.

At Accord, we strive to keep our standards the same though the ups and downs of the credit cycle and be a consistent provider of senior debt capital.

So, in this competitive environment, how do you differentiate yourself as a lender?
A distinctive aspect to our approach with Independent Sponsors is our willingness to fund up to 100% of the cash needed at closing. We recognize that Independent Sponsors put their "skin in the game" with tremendous hard work in finding and landing deals. With that in mind, we provide quick feedback, and when an opportunity is not a fit for Accord, we use our vast network of contacts to connect sponsors with other capital partners.

CONTACT:
LILIES LANWAY
Senior Vice President
727-527-3323 | llanway@accordfinancialus.com

"It's been a very aggressive seller's market, and there's nothing I can point to that says it's slowing down."

(Continued from page A8)

aggressive seller's market, and there's nothing I can point to that says it's slowing down."

A common refrain from private equity professionals for at least the past four years is "it's a seller's market," as noted by Jones. Anything that's not bolted down has been sold. According to Bain & Company's Global Equity Report, buyout-backed exits were actually down in 2016 from 2015 and 2014, but still at record high levels. And the decline is not because there is a decline in the exit environment, but because there is a leaner pipeline of quality deals available after a record number of exits in 2015 and 2014. Given that the exit market has been so hot, the number of quality assets coming to market is decreasing. However, when quality assets do come to the table they command top dollar. To win deals, private equity firms are stretching and leverage is helping private equity firms get across the finish line.

For deals with EBITDA of between $10 million and $25 million it's common to see 4.5x to 5.5x leverage, for companies with more than $25 million in EBITDA leverage levels hover around 5.75x to 6x. Larger deals with between $25 million and $500 million in EBITDA can garner up to 9x leverage, according to Brown Gibbons Lang & Company's State of Middle Market Financing in the U.S.

"The leverage available is creating supply. Everyone is chasing yield and leverage has picked up," says Jack Glover, a partner with Pittsburgh-based Incline Equity Partners. "We are seeing companies trade with more than 6x leverage. We just sold a company with 6x leverage on it. It's a great company, but the buyers put a heavy leverage package on the company. There's a lot of senior debt available."

Ron Kahn, a managing director in Lincoln International's debt advisory group, agrees that the lending environment is very frothy. "There are so many lenders out there with so much capital. Lenders are not always compensated like private equity professionals. Most of their compensation comes from management fees based upon capital deployed rather than committed capital. In addition, their time horizons are also different than private equity firms. They have to get their capital deployed in a shorter time frame or investors will take it back. That will incentivize you to put money out quickly."

In addition to having pressure to deploy capital, there are a lot of new lenders that recently entered the marketplace creating even more competition. For example, in 2016, Owl Rock Capital, formed by former KKR & Co. energy head Marc Lipschultz and ex-Blackstone Group LP credit executive Doug Ostrover, raised close to $1 billion to provide direct loans. Also in 2016, Onex launched a direct lending platform as did H.I.G. Capital, which calls its new group H.I.G WhiteHorse. In 2015, TIAA-CREF announced the formation of a standalone business, called Churchill Asset Management, to lend mainly to U.S. middle market companies. The direct lending unit of TCW Group formed a middle market lending venture with Security Benefit and Oak Hill Advisors in June 2016. TCW Direct Lending and partners committed roughly $1 billion to the initiative, called TCW Direct Lending Strategic Ventures. The previous year, AllianceBernstein launched AB Private Credit Investors to lend to U.S. middle market companies. In 2014, a joint venture between American International Group (AIG) and affiliates of Oak Hill Capital Partners launched Varagon Capital Partners. The lender was backed by an initial $1.5 billion invest-

(Continued on page A12)

Lending Solutions for Today's Market

Company description: Golub Capital is a nationally recognized credit asset manager with over $20 billion of capital under management. For over 20 years, the firm has provided credit to help medium-sized U.S. businesses grow. The firm's award-winning middle market lending business helps provide financing for middle market companies and their private equity sponsors. For more information, please visit golubcapital.com.

Hyun J. Chang, Managing Director, Golub Capital

What trends are you seeing in the private equity market today?
It's a very competitive market. Not many private equity firms shuttered post-credit crisis and there are new entrants that were spawned from existing firms, international players coming to the U.S. and even private equity limited partner's looking to do more direct investing, all of it is fueling more competition. This begs most sellside processes to go into an auction format driving up prices to record levels. It's a great time to be selling. Proprietary deal flow is as hard as it's ever been so financial sponsors are constantly looking to find angles to differentiate themselves. At Golub Capital, we help private equity clients with staple financings and also focus on deal idea generation/supportive diligence from our portfolio.

What do specialty finance companies bring to the table?
There are many variations to the specialty finance companies out there. At Golub Capital, we're focused on partnership. We don't do every deal for everyone, but we're vested in meaningful relationships where we work very hard to create win-win opportunities in helping our private equity clients succeed while delivering returns for our investors. To that end, we've evolved into a full debt solutions provider to private equity clients by offering revolver (real agent), unitranches, 1st lien/2nd lien, $400+million buy and holds, $750+million underwrites, as well as very large committed delay draw term loans for growth. Matching the client needs, we recently underwrote and successfully broadly syndicated a covi-lite financing for Rough Country, a portfolio company of Gridiron Capital, as Sole Bookrunner and Administrative Agent.

How do you differentiate yourself as a lender?
Golub Capital is a pure-play credit asset manager with over $20 billion of capital under management with a diverse capital base helping our private equity clients win and excel. Size matters. Based on our structure and expertise, we provide customized financing solutions, help private equity clients confidentially pre-empt painful auctions deliver certainty on deals with zero to limited flex and are not beholden to typical regulatory or ratings processes. Our most recent example is the $675 million unitranche refinancing for PetVet, an Ontario Teachers' Pension Plan portfolio company. This facility refinanced existing 1st lien, 2nd lien credit facilities and included a very large committed delayed draw term loan to support growth. Golub Capital was Sole Arranger/Administrative Agent, provided a large buy and hold, brought in a handful of relationship, like-minded lenders and generated over a $1 billion in market demand.

What changes in lending or private equity do you expect to see over the next five years?
We have all seen cycles in our industry. Once we get to a soft patch, there should be winners and losers to reset the playing field. We believe in our scale, diversity, credit quality and relationships to grow and to support our private equity clients even better during those softer times. We are concerned about the risk/return profiles of our brethren chasing growth for only growth sake. The private debt and private equity deals done in these current vintages are ones to watch over the next few years.

CONTACT:
GOLUB CAPITAL
212.750.6060
666 Fifth Avenue
New York, NY 10103 | golubcapital.com

GOLUB CAPITAL

“Even when a private equity firm wins the deal there is a strategic acquirer that is right behind them.”

(Continued from page A10)

ment commitment from AIG. In June 2016, Ares Capital named Varagon as its new partner for middle market lending, according to leverageloan.com.

Still, others say there’s no question leverage is way up since 2006 and even 2009, but it’s not what’s driving the valuation multiples. “In the sectors we are focused on, leverage has been increasing. What’s driving it is that the strategics have been more aggressive. Their stock prices are high and there is a lot of money that has to be put to work,” says Jeff Kovach, co-founder of Arsenal Capital Partners. “Even when a private equity firm wins the deal there is a strategic acquirer that is right behind them. This is driving up the prices. Lenders are meeting the demand.”

Whether it’s the private equity industry or the leverage market driving prices up, the numbers prove leverage is unquestionably up. Leverage loan volume on private equity deals is up 28 percent between Q1 2017 and Q4 2016 and a whopping 51 percent from the year prior. Volume reached about $28 billion in Q1 2017 and Q2 looks to be just as robust, according to S&P Global Market Intelligence.

Of course lenders realize that private equity firms have a lot of competition to sign up deals and put capital to work. The lenders that are faring the best in today’s aggressive deal environment are the ones who will go above and beyond to meet the needs of private equity firms, whether it be on flexibility, terms, speed or execution.

“We have had tremendous financing interest from lenders on the deals we are working on. The good lenders understand that private equity firms are being pushed on valuations and speed to close. They keep up with these developments and give private equity funds committed financing, help take concerns about certainty of close off the table and some lenders even help with due diligence and relationship building. These lenders are stepping up to the plate to help private equity firms win deals,” says Jones.

And of course relationships still matter. “The most important thing is that lenders understand the strategy and incorporate the risks as well as the upside. They have to have the sophistication to not approach every sponsor in a cookie cutter way. That said, our preference is to work with people we know, who have been consistent in the market and have a history of reacting appropriately in cycles,” says Kovach. “We are most interested in working with people we know who are handling the investment and underwriting decisions and overseeing the portfolio companies.”

Going forward the private equity and lending environment should remain very busy. Globally more than 300 buyout funds went on the road at that start of 2016. That’s on top of dry powder reaching a record level of $1.5 trillion by the end of 2016. There’s no question there will be activity ahead, but some warn it’s best to be careful. “It’s hard to imagine the industry can continue like this. We are at such high leverage levels and there’s only modest growth in company performance. I don’t think it can continue, but it’s hard to see when it will end,” say Kahn.

Adds Glover: “We don’t see anything really changing from a 12 to 18 month perspective. Even with all the terrorist attacks the market has been unaffected. Our companies are still generating top line revenue. Things will turn at some point, but we don’t see anything on the near term horizon.”

ABL Financing on the Rise

Bank of America Merrill Lynch

For nearly a century, companies from virtually every industry have relied on the professionals at Bank of America Business Capital to deliver sound financial solutions. As one of the largest asset-based lenders in the world — serving the United States, Canada and Europe — we're committed to understanding the needs of middle market and large corporate borrowers. Our track record and financial expertise have helped to create lasting relationships and client success.

Ira J. Kreft, SVP, Central Region Marketing Manager, Bank of America Business Capital, Bank of America Merrill Lynch

What has changed in the lending industry over the last five years?

The biggest changes have been the impact of financial industry regulation and the increased prominence of specialty finance companies and direct term lenders to fill the void in the market. There has been a proliferation of firms that have been established; capital raising for these and new entrants continues. We've adapted to this environment to continue to be an important player in providing financing for private equity sponsors. We've also seen private equity firms adapt to this, and we are seeing more sponsors using or considering ABL facilities in conjunction with these structures to achieve flexible, covenant-lite structures with an attractive overall cost of capital. Because of the higher hold levels for ABL lenders and direct term lenders' ability to underwrite and provide large commitments, private equity sponsors can execute transactions with fewer lenders.

What trends are you seeing in the private equity market today?

Private equity sponsors have asked for a greater level of financing certainty to accompany their bid, a higher debt level and lower amortization, and a less restrictive credit agreement, including fewer limitations on EBITDA adjustments and restrictive payment provisions. In the ABL market, sponsors have asked for higher advances against the collateral and FILO tranches to provide incremental liquidity.

What do specialty finance companies bring to the table?

Specialty finance companies, particularly the direct term lenders, have filled a void in middle market financing left by the banks and the capital markets. The direct term lenders may have a more stable capital base and the ability to invest in illiquid middle market credits. Because of their ability to underwrite and hold large commitments, they can offer the benefit to the sponsor of dealing with fewer lenders and decision makers.

What role are traditional banks playing in the financing structure today?

Traditional banks are providing pro-rata cash flow credit facilities, cash flow revolvers and asset-based credit facilities ("ABL"). The ability to pair ABL with different forms of capital, such as direct term lenders, mezzanine, high yield and convertible bonds has increased the array of situations where ABL financing can be competitive. In 2016, new money deals represented about one-third of all ABL financings in the marketplace. The most recent Federal Reserve survey of bank credit standards noted that lending standards for C&I loans are back in neutral after four consecutive quarters of tightening. As a result, we expect continued strong demand for loans from commercial banks through 2017.

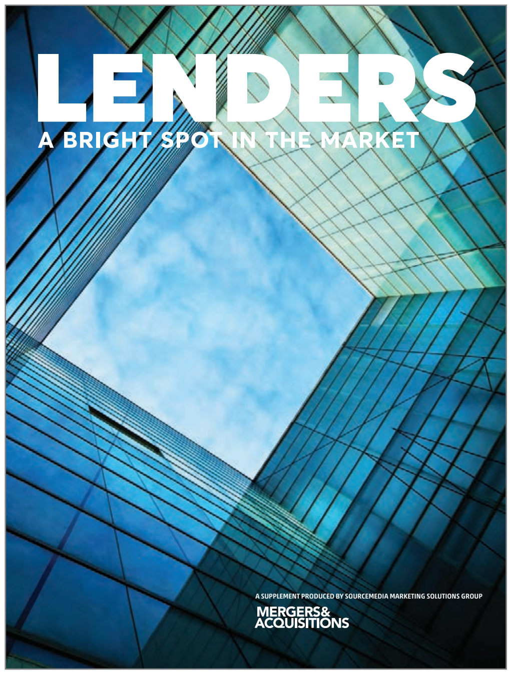
How has private equity firms moving into the lending market impacted lending?

While in some cases their movement into lending has positioned them as a competitor to banks and other lenders, in many other cases they are bringing capital to transactions as a partner. As a credit provider, like other lenders, they seek investments with downside protection, and they can leverage their firms' combined resources to source, diligence and execute on transactions.

What changes in lending or private equity do you expect to see over the next five years?

The availability of capital for private equity sponsors will depend on their track record and the track record of the lenders through the course of the cycle and their ability to raise and preserve capital.

CONTACT:
IRA J. KREFT
SVP, Central Region Marketing Manager
(312) 992-6113 | ira.j.kreft@baml.com



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MID-MARKET PULSE: Tech M&A will stay hot

Dealmaking in the technology, media and telecommunications (TMT) sector is expected to soar over the next 12 months, according to *Mergers & Acquisitions'* Mid-Market Pulse (MMP). Transaction professionals surveyed in June gave the sector a score of 82.0 for the 3-month outlook and 80.6 for the 12-month outlook, much higher than the scores of 68.5 and 68.4 given to overall M&A.

Tech deals announced recently that demonstrate the sector's momentum include the $13.7 billion purchase of Whole Foods by Amazon.com Inc. (Nasdaq: AMZN), which is expected to trigger an explosion of M&A in grocery stores, delivery services and related businesses.

Private equity interest in TMT is very high. Hollie Moore Haynes, a former partner at Silver Lake Partners, closed the debut fund for her Luminate Capital Partners at $265 million.

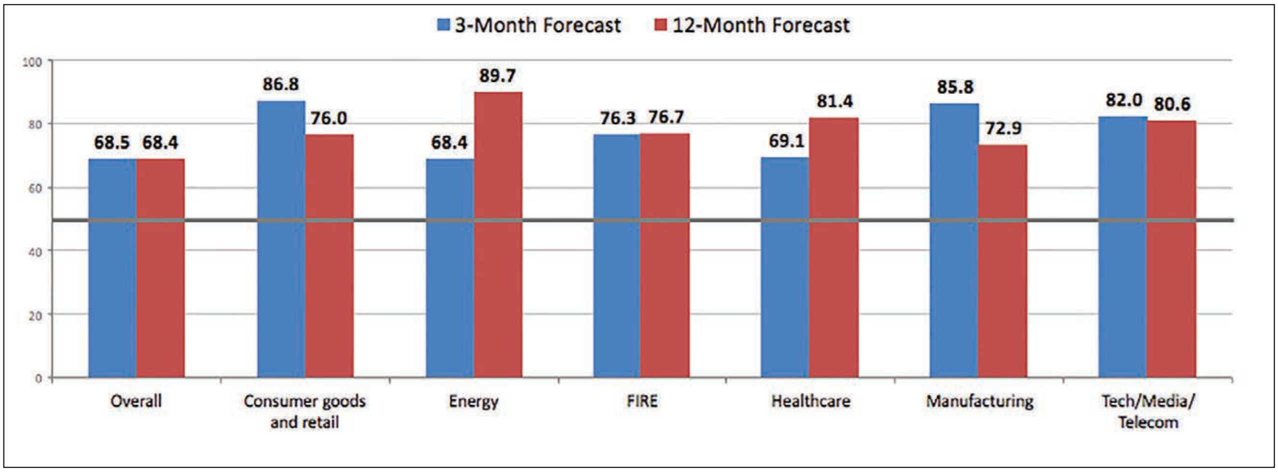
Even PE firms "that are not considered 'tech shops' in the usual sense are making significant investments in later-stage technology companies; however, these are seen as technology-enabled businesses serving traditional markets, rather than pure-play technology companies," writes Rich Lawson, the CEO of tech-focused HGGC, in a guest article for *Mergers & Acquisitions*. HGGC recently invested in HGGC in Denodo Technologies Inc., a developer of data virtualization software.

Fueled by fears of ransomware and other attacks, cybersecurity is driving many deals.

Honeywell International Inc. (NYSE: HON) recently agreed to purchase cybersecurity provider Nextnine.

Another development driving media deals is over-the-top technology, as reporter Kamaron Leach writes in his *Finance Finesse* column. One respondent to our survey also mentioned "the continued impact of OTT and streaming services" on M&A.

Other sectors expected to experience high growth, according to our survey, are energy, consumer goods and retail, and manufacturing. ■



ABOUT THE *MERGERS AND ACQUISITONS* MID-MARKET PULSE (MMP)

The MMP is a monthly barometer for the outlook of M&A activity and conditions from the collective viewpoint of approximately 250 business executives in private equity firms, investment banks, lenders and advisor firms, such as accounting, law, and consulting firms, involved in M&A activity. Various sub-indicators that make up the overall MMP composite include projected deal volumes and pricing, staffing and resource utilization levels, and the expected impacts of economic conditions, taxes, and regulatory policy on respondents' future M&A activity.

MMP results are presented as rolling aggregate indicators for both three- and 12-month outlook periods for macro M&A issues as well as for individual industry sector issues in healthcare, consumer/retail, manufacturing, energy, and technology/media/telecommunications on a monthly rolling basis. A diffusion index is produced by calculating the sum of percentages of those indicating on survey responses that describe a change in sentiment for three and 12 months (e.g., increase/positive, decrease/negative, or no change/neutral) to arrive at three-month and 12-month aggregate index values that are then averaged to create a total composite for the month. A reading of over 50 indicates an expansion relative to the prior month, and a reading below 50 indicates a contraction.

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THE NEW TECHNOLOGY INVESTOR

By Rich Lawson

Technology-enabled businesses serving traditional markets, rather than pure-play technology companies, rule the day.

Tech is once again the darling of the M&A world. Recent deals that demonstrate how rife the sector is with activity include the initial public offering of Snapchat developer Snap Inc. (NYSE: SNAP), which soared 44 percent on its first day of trading, and the announced purchase of Whole Foods by Amazon.com Inc. (Nasdaq: AMZN). Many observers are citing tech as the sector that will power M&A activity this year and beyond.

These expectations have brought new attention to what it means to be a private equity investor in technology businesses today, and how that has changed for both general partners (GPs) and limited partners (LPs). Many firms that are not considered "tech shops" in the usual sense are making significant investments in later-stage technology companies; however, these are seen as technology-enabled businesses serving traditional markets, rather than pure-play technology companies.

Finding value in technology does not have to mean extremely disruptive, cutting edge technologies that radically alter the way world operates, the way standouts of the dot-com era and the Snapchats of the world did. The reliable and—this is important—profitable businesses delivering value to investors are companies that use information technology to help traditional industries become more competitive and efficient.

The biggest difference between dot-com era tech and tech today may be that companies that formerly would have been considered part of a "technology sector" are now much more part of the end-user sectors that they serve. They may be technology-based, but that doesn't mean that their fortunes all move together in lockstep. For example, the growth of a healthcare technology solution provider will correlate much more to the healthcare sector than to information technology businesses serving different sectors—and that is where the GP's experience is most valuable.

HGGC

Rich Lawson

> "Technology does not have to mean extremely disruptive, cutting edge technologies that radically alter the way world operates."

Back in 2000, the vast majority of investors in traditional businesses—rightfully—were wary of investing in the wave of new tech businesses because they did not understand it. Those concerns were overcome by soaring (and sometimes unjustified) valuations. Today, understanding the customer base, the sector dynamics and the business problem being solved is much more relevant to investment success than pure-play technology expertise.

Technology solutions must be understood, analyzed and valued much like an advanced production line, continuous improvement initiatives or any other business tool. New and exciting technologies often fail because of lack of understanding of the business problem being solved, rather than for functional reasons.

There are some common dynamics that these

> Most technology investments are not the immature, non-critical, volatile and trend-driven consumer businesses of 10-15 years ago.

businesses share that make them very attractive for private equity:

- Customer retention rates of 99 percent are not uncommon for these businesses because the solutions take time to implement, solve complex problems and are harder to rip out. They are also slower to experience disruptive change.
- Recurring revenue from maintenance and subscription models mean good cash flow and high Ebitda margins.
- Scalable business models that are not reliant on adding manpower. Once you've invested in the intellectual property, you can add customers without a lot of additional costs. You can also often apply the intellectual property to other industries.
- Macro growth trends. There is an enormous market opportunity because traditional industries worldwide are not as penetrated as they could be. You have a lot of companies that 10-15 years ago were immature, but now they have increased technology needs. You also have industries being served by technology that hadn't been fundamentally changed in decades, and the technology is evolving now.
- Exit opportunities abound. Because of the characteristics above, the prospects for investments in technology-enabled businesses are very bright indeed. Strategic buyers are interested for both market growth and defensive reasons, and financial investors know that they will be able to generate income on the investment. In contrast to the "unicorns" of the dot-com era, there are no concerns about being locked into a long holding period.

A great example is configure-price-quote (CPQ). This is fundamentally bringing the simplicity and elegance of the consumer e-commerce experience—epitomized by Amazon—to the business-to-business (B2B) sector. B2B e-commerce sales are expected to grow from $780 billion in 2015 to $1.13 trillion in 2020. However, the B2B process is a highly complex one, still mired in a world of product catalogs, faxes and phone calls with myriad suppliers. Rather than a consumer's choosing a shoe size and color, B2B purchases must navigate through thousands of stock keeping units (SKUs) and all the compatibility and build-to-order issues that go with them. A successful CPQ implementation can shorten this process from weeks to days, and often to a few clicks. From the outside, it's not a new paradigm, but it can mean millions of dollars in sales to a business.

What does this mean for LPs who didn't set out to build a tech-heavy portfolio? First, LPs need to think differently about their technology exposure because the meaning of "technology business" has truly changed. These companies are no longer part of a monolithic sector, but are integral parts of a vast number of traditional business sectors.

Second, most technology investments are not the immature, non-critical, volatile and trend-driven consumer businesses of 10-15 years ago. They are low-risk, stable businesses that don't need to transform an industry to be hugely successful.

Finally, "technology investor" has become synonymous with "investor." Technology continues to grow as a percentage of business overall and, especially in the middle market, that's where the opportunity is for great investments.

Rich Lawson is the CEO of HGGC, a Palo Alto, California-based private equity firm with more than $4.3 billion in cumulative capital commitments. The firm won Mergers & Acquisitions' 2014 M&A Mid-Market Award for Private Equity Firm of the Year. Lawson has been involved in all phases of the firm's development since its inception and directs HGGC's firm governance, investment strategy and investor relations. He serves, or has served, on the boards of HGGC's portfolio companies, including Idera, etouches, Davies Group, Integrity, FPX, Selligent, Dealer-FX, Survey Sampling International, Serena Software, AutoAlert, MyWebGrocer, hybris Software, Innovative Interfaces and Sunquest Information Systems.

Dealmaking sped up in May, continuing a 12-month period of expansion, according to *Mergers & Acquisitions'* M&A Conditions Index (MACI). The MACI composite score increased to 55.8 in May, up from 54.0 in April.

Almost all index components rose. The most dramatic increase came from divestitures, which has been volatile in recent months. In May, divestitures soared 9.7 points to 56.3. In April, it dropped 12 points from March. Corporate spin-offs fueled a lot of M&A activity in 2016, so we're watching the component closely.

One component that declined significantly in May was bidders, which dropped 6.7 points. A high number of bidders indicates fierce competition for the best deals, which contributes to inflated valuations. As such, we calculate the component as a contrary indicator; when the bidders component is down, the number of actual bidders is up. The component has been in contraction (under 50) since the beginning of 2016. ■

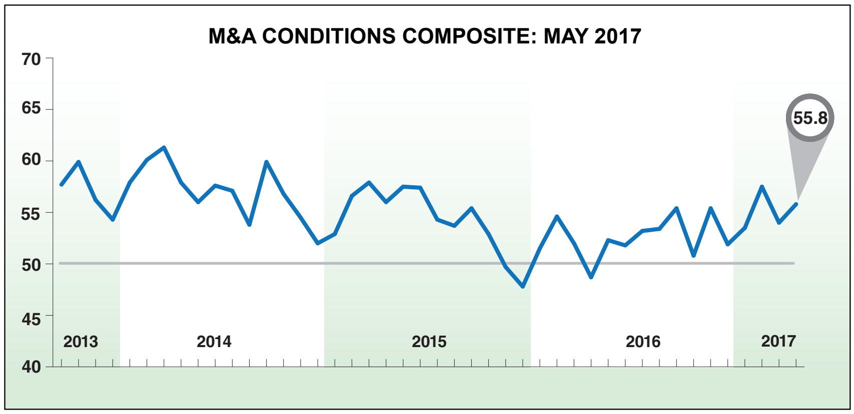
ABOUT THE MID-MARKET *MERGERS AND ACQUISITIONS* CONDITIONS INDEX (MACI)

The MACI is a composite index of mergers and acquisitions activity and conditions in the U.S. It is the result of the *Mergers & Acquisitions'* survey of executives in private equity firms, investment banks, lenders and advisor firms to track activity such as deals announced and deals completed, as well as acquisitions and divestitures.

Each sub-indicator is based on survey responses that describe a change from the previous month (e.g., increase, decrease, or no change). Respondents are also asked to elaborate on any of the changes and provide their opinions about other internal or external conditions that affect their firm's operations or business outlook. A diffusion index is produced for each sub-indicator by calculating the sum of percentages of those indicating "higher" (for positive sub-indicators) and "lower" (for negative sub-indicators) and half of those indicating the "same." A reading of over 50 indicates an expansion relative to the prior month, and a reading below 50 indicates a contraction.

May composite at 55.8

Almost all dealmaking activities increased in May, marking 12 months of growth in the middle market, according to survey respondents. The number of bidders sounded a cautionary note; more bidders may mean higher prices.



Month to Month Trends

Index	May Index	April Index	% Point Change	Direction	Rate of Change	Trend (months)
Composite	55.8	54.0	1.8	Expansion	Faster	12
Leads	66.0	65.6	0.4	Expansion	Faster	16
Signed Letters	58.7	56.6	2.1	Expansion	Faster	4
Completed Deals	52.0	50.0	2.0	Expansion	Faster	4
Divestitures	56.3	46.6	9.7	Expansion	From Contraction	1
Financing Availability	52.6	53.4	-0.8	Expansion	Slower	6
M&A Business Activity	56.8	54.5	2.3	Expansion	Faster	12
M&A Business Staffing	54.7	52.3	2.4	Expansion	Faster	4
Bidders	39.9	46.6	-6.7	Contraction	Faster	16

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M&A CONDITIONS INDEX

MERGERS & ACQUISITIONS

AUGUST 2017

M&A activity expanded in June for the thirteenth consecutive month but at a slightly slower pace than the previous month, according to *Mergers & Acquisitions'* M&A Conditions Index (MACI). The MACI composite score dipped to 54.5, down from 55.8 in May.

Most components of the index indicated some slowing in June, including leads for new deals, signed letters of intent and completed deals. Divestitures, an especially volatile component of late, dropped 5 points.

The components that showed improvement included financing availability, M&A business activity, M&A business staffing and bidders.

Most dealmakers who responded to our June survey expressed optimism about the overall conditions for M&A. The "aging population of owners looking to finally retire has been huge," said one participant. "Lack of family transition opportunity coupled with heavy PE appetite has been a boon for deal flow."

Some who reported a slowdown attributed it to summer vacations, while others blamed "gridlock" in the federal government. ■

ABOUT THE MID-MARKET MERGERS AND ACQUISITIONS CONDITIONS INDEX (MACI)

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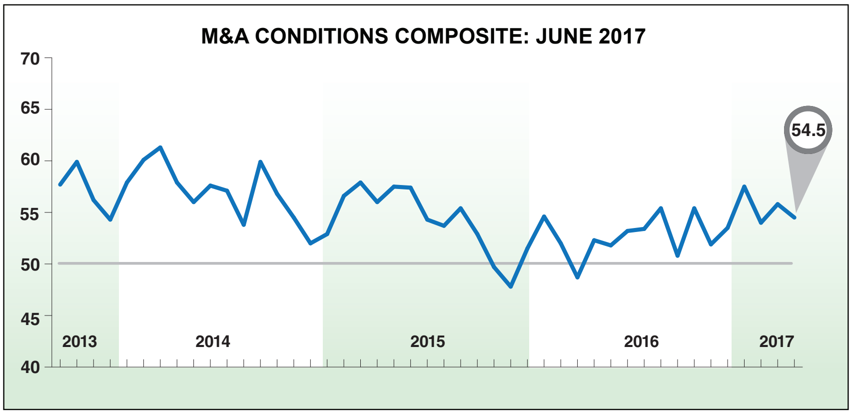
June composite at 54.5

Dealmaking slowed in June, perhaps due to summer vacations, but remained solidly in growth mode for the thirteenth month in a row. Survey respondents highlighted the aging population of business owners as an on-going source of M&A activity in the middle market.



Month to Month Trends

Index	June Index	May Index	% Point Change	Direction	Rate of Change	Trend (months)
Composite	54.5	55.8	-1.3	Expansion	Slower	13
Leads	62.8	66.0	-3.2	Expansion	Slower	17
Signed Letters	55.2	58.7	-3.4	Expansion	Slower	17
Completed Deals	50.0	52.0	-2.0	Even	From Expansion	7
Divestitures	51.2	56.3	-5.0	Expansion	Slower	2
Financing Availability	54.3	52.6	1.7	Expansion	Faster	7
M&A Business Activity	57.9	56.8	1.1	Expansion	Faster	13
M&A Business Staffing	55.6	54.7	0.9	Expansion	Faster	5
Bidders	41.4	39.9	1.5	Contraction	Slower	17

New Hires and Promotions By Kamaron Leach

Christina Bresani

Eric Cowan

Robert Jahn

Rohit Bassi has joined private equity firm **Corridor Capital LLC** as a managing director in the firm's operations team. Based in Los Angeles, Bassi focuses on portfolio company operations, strategy and M&A diligence.

Doug Behre was hired as chief financial officer of Stamford, Connecticut-based **Harvest Hill Beverage Co**., a juice manufacturing company backed by **Brynwood Partners**. Behre has more than 25 years of financial experience in the consumer products industry with stints at Campbell Soup Co. (NYSE: CPB) and L'Oreal.

Richard Bendix has joined Chicago-based investment bank **Ravinia Capital LLC** as a managing director. Bendix works on the sale of distressed companies, restructurings and bankruptcies.

Christina Bresani was hired by **William Blair & Co.** as head of financial services. Joining the firm's investment banking team in New York from UBS, Bresani focuses on M&A.

Asher Cohen has joined **FTI Consulting Inc**. (NYSE: FCN) as a managing director in Los Angeles. Cohen has more than 15 years of experience providing advisory services on buy-side and sell-side M&A transactions involving technology, media and telecommunications.

Eric Cowan was hired by New York-based **McGuire Woods** as a partner leading the firm's global media and entertainment practice. Cowan focuses on M&A, joint ventures, and complex financial arrangements.

Ryan Deegan has joined **Quarton International**, a middle-market investment banking firm based in Detroit, as a partner. Deegan heads the firm's debt advisory group in North America.

Francine Della Badia was named CEO of New York-based **Worth Collection LTD**, a women's fashion apparel company backed by **New Water Capital.** Della Badia has more than 20 years of experience in retail, including serving as CEO of Bonobos.

Peter Gray was hired by New York-based **FTI Consulting Inc.** (NYSE: FCN) as a managing director. Gray has more than 30 years of project finance, investment banking, and M&A experience.

Siddharth Hariharan was hired by **Rothschild & Co.** as a managing director in Los Angeles. Hariharan joins most recently from J.P. Morgan Chase (NYSE: JPM) and focuses on the consumer industry.

Bruce Harting has joined **Deutsche Bank** (NYSE: DB) as a managing director in the firm's New York office. Joining most recently from Credit Suisse, Harting has approximately 30 years of experience advising on M&A transactions.

Cory Hill was hired by **Perella Weinberg Partners** as a managing director in the firm's advisory business. Based in Los Angeles, Hill's experience includes advising on M&A.

Kurt von Holzhausen was hired by investment bank **Broadhaven Capital Partners** as a partner. Joining most recently from Goldman Sachs (NYSE: GS), von Holzhausen has advised on more than $50 billion in completed M&A transactions.

Dorte Hoppner has joined the **Riverside Co.** as chief operating officer in Europe. Hopper oversees the private equity firm's Europe fund and manages investor relations.

Timothy Hotchandani was hired by **Rothschild & Co.** as a managing director in New York. Hotchandani joins the company from Deutsche Bank AG and focuses on the healthcare industry.

Bill Hughson was appointed to CEO of **Sterling Partners-**backed eye care provider **Grand Rapids Ophthalmology.** Hughson focuses on the company's regional expansion throughout west Michigan.

Robert Jahn has been promoted from principal to managing director at New York-based private equity firm **Stella Point Capital.** Before joining Stella Point in 2012, Jahn spent nearly 6 years executing

People


Catharina Min


Serena Tan


Jim Woolery

and managing numerous investments for Lindsay Goldberg LLC.

Richard Kaye has joined Atlanta-based **Barnes & Thornburg LLP** as a partner. Kaye advises multinational corporations and government entities on domestic and cross-border M&A transactions.

Harel Kodesh has joined private investment firm **Silver Lake** as an operating partner based in Menlo Park, California. Kodesh works with the firm's tech enabled portfolio companies and previously held executive positions at Microsoft (Nasdaq: MSFT).

John LeBoutiller was named to CEO of Stamford, Connecticut-based **Harvest Hill Beverage Co.**, a juice manufacturing company backed by Brynwood Partners. LeBoutiller has more than 25 years of experience in the food and consumer products industries.

Gregory Maxon was hired by **Thomas H. Lee Partners LP** as head of capital markets based in Boston. Joining the firm's transaction team from J.P. Morgan, Maxon is responsible for maintaining the firm's financing and banking relationships.

Jeffrey Mensch has joined **Deutsche Bank'**s M&A team as a managing director based in New York. Joining most recently from MacAndrews & Forbes, Mensch's experience includes advising clients on M&A and capital raising matters.

Catharina Min has joined **Covington & Burling LLP** as a partner in the firm's corporate practice. Based in Silicon Valley, Min advises technology companies on M&A, joint ventures and strategic alliances.

Tom Oliver has joined New York-based **Houlihan Lokey** as a managing director. Oliver joins the firm's technology, media and telecommunications group providing advice on M&A and financial restructurings.

Gianni Russello was hired by asset management firm **Z Capital Group LLC** as a managing director in New York. Rusello's expertise includes deal origination and transaction development.

Eric Shuey was hired by Denver-based **Revelstoke Capital Partners** as an operating partner. Shuey has more than 25 years of experience with private equity investing and corporate finance and was most recently with Fresenius Medical Care.

Youssef Squali has joined **SunTrust Robinson Humphrey** (NYSE: STI) as a managing director based in New York. Focusing on the digital media and internet sector, Squali previously worked at Cantor Fitzgerald & Co. Inc. and Jefferies Group LLC.

Serena Tan was hired by **Morrison Foerster LLP** in Hong Kong. Previously at Debevoise & Plimpton, Tan brings fund formation in the firm's corporate group.

Jim Taylor has joined **Raymundos Food Group LLC**, a portfolio company of **AUA Private Equity Partners LLC**, as CFO. Taylor oversees the company's financial and accounting divisions, and was previously with Rupari Food Services.

Kathleen Thomas has joined investment bank **JEGI** as a managing director in New York. Previously with Drake Star Partners, Thomas has more than 20 years of experience advising on M&A.

Glenn Tobias has been promoted from senior managing director to CEO at New York-based **FTI Consulting Inc.** (NYSE: FCN). Tobias has more than 25 years in M&A, debt and equity capital markets.

Jim Woolery was hired by **King & Spalding LLP** as head of the M&A and corporate governance practices. Woolery joins the firm's New York office working with major corporations and middle-market firms, and was most recently with Cravath, Swaine & Moore.

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JOHN DELERAY
jdeleray@wilmingtontrust.com
714-384-4154

JANE SNYDER
jmsnyder@wilmingtontrust.com
714-384-4162

ROB WEISS
rweiss@wilmingtontrust.com
410-244-3732

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