



*Capital Markets Report – Q3'18*

# Selectivity Among the Froth

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We continue to see high transaction volume and have canvassed several of the most active middle-market debt and equity investors to discuss how they put money to work in Q3'18 and plan to do so for the rest of the year. Although dry powder among investors remains high, we have noticed a trend of increased selectivity and high touch due diligence among new investments as well as decreased fundraising activity through Q3'18. Despite this trend, we remain excited for an active Q4'18.

- The total U.S. leveraged buyout loan volume has increased to \$87 billion for 2018, with \$18 billion of loans currently in the pipeline.
- Middle-market credit spreads have continued to tighten, and investors have grown leery of lower credit quality opportunities without higher associated yields.
- Middle market non-sponsored debt issuance increased to \$27.3 billion in Q2'18, which was up 29% from Q1'18.
- Private equity purchase price multiples remain elevated and are expected to remain high throughout 2018.
- 2018 private equity fundraising activity is on pace for a six-year low reaching only \$69 billion of new funds during the first half of 2018.
- In September 2018, the Fed raised its target Fed funds rate to a range of 2% to 2.25% and projected the U.S. economy would see GDP growth for at least the next three years.

Intrepid's Capital Markets team brings an entrepreneurial approach to each advisory engagement and aims to partner with business owners and build long-term relationships with investors across the capital structure to help meet the goals of our clients at each stage of their business.

Feel free to reach out to us regarding any potential financing opportunities or questions you may have about the state of private debt and equity markets.

A handwritten signature in black ink that reads "Jonathan Zucker". The signature is written in a cursive, flowing style.

**Jonathan Zucker**  
Head of Capital Markets  
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## Deals We Found Interesting in Q3'18

### Public IPOs

Survey Monkey went public with a \$180 million raise at a market capitalization of \$1.56 billion.

- IPO was led by BAML, Allen & Co. and JP Morgan.

### Equity Transactions



### Growth Equity

PWP Growth Equity made a minority investment in SkinSpirit to spur growth in new markets.

- SkinSpirit is a leading U.S. provider of aesthetic skin and body care.

Kodem Growth Partners led a \$70 million round for Vector, a provider of microsatellite launch services for start-ups in the space industry.

TCV Capital led a \$550 million round for Peloton Interactive with participation from Kleiner Perkins Caufield & Byers, Tiger Global Management and GGV Capital.



### Senior Debt

MedMen raised \$94 million in senior secured financing led by Hankey Capital and Stable Road Capital.

- The two year term, 7.5% loan highlights a budding trend of debt investment in a previously underbanked industry.

Stan Kroenke purchased the remaining one third stake of Arsenal FC borrowing \$719 million from Deutsche Bank and using just \$58 million of equity capital.

Murray Energy Corp. raised a \$90 million FILO term loan from Great American Capital Partners.

### Debt Transactions



### Alternative Debt

Therachon AG, a clinical-stage biotechnology company raised \$60 million in mezzanine financing led by Novo Holdings.

- Funds will be used to advance a novel protein therapeutic for the most common form of disproportionate short stature among humans, achondroplasia.

Oaktree extended a A\$50 million (USD 36 million) loan package to Blue Sky Alternative Investments.

- Oaktree made a convertible debt investment on the heels of legal and regulatory breaches allegedly committed by the Australian fund.

SoftBank's Vision fund invested \$1 billion in debt into WeWork after revenue doubled to \$763 million, but losses tripled to \$723 million for the first half of 2018.





## Spotlight on Disruptive Technology – Mobility

Throughout Q3'18, we saw several opportunities at various stages focusing on last-mile transportation and adjacent sectors. Such last-mile transportation and mobility solutions include the non-docking e-scooters and e-bikes that may be littered on street corners in a city near you.

Millennials seem more apt to enter the sharing economy and avoid certain ownership concerns such as bike locks, parking and storage. We've also noticed older generations still prefer to own for different reasons. According to Forrester Research, 36% of baby boomers say they don't like to use other people's belongings and 25% of baby boomers state they do not trust shared service providers at all according to Center for Generational Kinetics research.

Regardless of the baby boomer concerns, dockless sharing is increasingly important to curbing the increased traffic congestion of major city centers. Here are the deals we've seen improving last mile mobility and providing commute relief, which is a near and dear concern here in Los Angeles:

- **Bird** closed a Series C round for \$300 million in June 2018 with participation from Accel, B Capital, CRV, Sound Ventures, Greycroft and e.ventures. Bird will continue to expand its fleet and enter new markets.
- **Yellow**, a Brazilian e-scooter and bike company, raised \$63 million in Series A funding with lead investor GGV Capital. Yellow is unique in that it plans to build its own local factory in Brazil.
- **Lime Bike** closed a Series C round for \$335 million led by GV with investment from Alphabet, IVP, Atomico and Fidelity Management and Research Company. Lime Bike is in a dead heat for market share with Bird and plans to expand its fleet in urban markets alongside Bird similar to Uber and Lyft's competition in similar markets.
- Earlier in the year, **JUMP Bikes** received \$10 million led by Menlo Ventures and was snatched up by Uber in April 2018. Not to be left without a bike sharing channel, Lyft purchased **Motivate** in July 2018, which was pedaling as GoBike and Citi Bike in San Francisco and New York, respectively.

We are seeing financing opportunities on both sides of the "to share or to own" equation due to the relative size of both end user bases. Even though shared bikes are not always preferred, e-bike ownership also has the upper hand in more rural and suburban communities.

## Honorable Mentions – Mobility Adjacent Transactions


A new company, Envoy Technologies, is attempting to fill the mobility need by offering electric vehicles on demand stationed in multifamily developments, residential communities, hotels, and office spaces. Envoy Technologies also plans to offer scooters and e-bikes to their fleet.

Commute optimization has seen capital infusion as well in the form of parking efficiency solutions. NewSpring Growth Capital announced on Sept. 7, 2018, a \$20 million Series D investment into ParkWhiz, Inc. a leading national, on-demand parking reservations service based in Chicago.


Last mile "water mobility" investment could not be more timely with clean water crises popping up domestically and abroad. We recently worked with a later stage growth company looking to transform tap water consumption by providing filtration and trace mineral additives offering a premium brand water experience directly from the existing tap water infrastructure. The company completed case studies in municipalities where drinking water infrastructure has been affected by generations of industrial damage with great success.

We are eager to see how these investments play out and transform our everyday lives.


## Select Transactions



has completed a dividend recapitalization with



and



Advisor to American Logistics Company




a portfolio company of




has completed a refinancing with



Advisor to Mercury Media



has completed a growth financing with



Advisor to Ad Exchange Group

The management team of



has completed a management buyout with financing from



BANC OF CALIFORNIA

and




OpusBank


Advisor to Pacific Crane Maintenance Co.




has completed a senior and subordinated debt financing led by




Advisor to PreSonus



has raised growth capital from



and



Advisor to Solid Commerce



has completed a recapitalization and growth financing with



Advisor to CourtCall



COUNTRY  
Wine & Spirits

has completed a growth recapitalization with



ROYALTY  
NORTH


Advisor to Country Wine & Spirits

TAX CREDIT CO.™

has completed a recapitalization with

VSS Structured Capital II, L.P.

a fund managed by



Advisor to Tax Credit Co.



has completed a \$65,000,000 debt and equity financing with



and



Advisor to Ice Mobility



a portfolio company of



has completed a debt financing with



Advisor to Mercury Media



has received a growth equity investment from



HCP & COMPANY

Advisor to Envy Medical



## We Have a Deep Network of Capital Providers and We Make Them Compete

Securing the best financing terms and structure requires access to multiple capital providers through an expertly run process. We maintain extensive relationships with institutional capital providers ranging from private equity sponsors, growth equity investors and family offices to institutional debt funds, commercial finance companies, banks and non-traditional capital sources. We work closely with clients to model the capital structure that addresses their risk profile, growth expectations and current financial profile and run highly competitive processes to maximize valuations, terms and certainty of closing.



## We Access a Variety of Institutional Capital

- Senior debt
- Structured equity
- Unitranche debt
- Common equity
- Structured junior and mezzanine debt
- Alternative structures

## We Bring Unique Industry Insight

Drawing on more than three decades of experience and our various industry practices, our transaction teams effectively position each opportunity and convey the client's story in compelling ways that resonate with capital providers.

## Capital Markets Team

Growth Capital | Refinancing | Acquisitions | Recapitalizations | Turnarounds



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