



*Capital Markets Report Q3'19*

# Fit to Be Funded – Who's Attracting Capital Right Now

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## Fit to Be Funded – Who's Attracting Capital Right Now

Private debt and equity groups continue to raise new funds and compete aggressively to find deals. At the same time, concern about a potential turn in the market is leading to the highest level of selectivity—in terms of focus on particular industries and types of businesses—that we have ever seen. Our recent closes and current mandates reflect where the interest is today—health and wellness, eCommerce, software-as-a-service (SaaS) and education.

Our client, Advice Media, created a SaaS solution for medical professionals, checking all of the boxes for the discerning investor: recurring revenue, healthcare focus and proprietary technology. Another current client sells home wellness products direct-to-consumer at a fraction of the price of store brands. On trend, Intrepid Q3'19 Capital Markets report will shine a spotlight on the explosion of tech-enabled home fitness businesses (Peloton, anyone?).

Key Q3'19 market updates:

- The Federal Reserve lowered its target Fed funds rate, allowing quality companies to improve financing terms.
- Middle market credit spreads tightened as investors compete to invest into higher-quality opportunities and business owners have grown to expect lower priced loans.
- Selectivity is leading to fewer deals—middle-market leveraged loan activity is pacing to decrease 20% to 30% in 2019 relative to last year.
- While private equity (PE) purchase price multiples remain elevated, middle-market investors have begun to show discipline by limiting leverage to under 50% of enterprise value.

Intrepid's Capital Markets team partners with entrepreneurs and financial sponsors to achieve their goals while maintaining close connections with potential investors across the capital structure to facilitate the best possible financial and strategic partnerships for our clients. Feel free to reach out to us regarding any potential capital raising opportunities or questions you may have about the current state of private debt and equity markets.

A handwritten signature in black ink that reads "Jonathan Zucker".

**Jonathan Zucker**

Head of Capital Markets  
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## Spotlight on Tech-Enabled Home Fitness Businesses

We have seen a flurry of recent activity in the expanding home gym market with the emergence of companies like Peloton, Mirror, Tonal, Zwift, Echelon Fit and others. Companies in the home gym market have shifted towards offering high-end tech enabled products that allow users to subscribe and gain access to workouts, live classes and interactive features all from the comfort of their own homes. The potential opportunity in this market has attracted funding from various types of investors.

Peloton, the de facto leader in tech-enabled home gym products, raised \$1.2 billion in its IPO and currently has a market cap of \$6.3 billion. The company posted revenues of more than \$900 million in 2018, nearly doubling its 2017 numbers. While Peloton has seen incredible growth over the past few years, its expenses have also grown as it aims to gain a broader customer base. Peloton's net losses grew to \$195.6 million in 2018, up from \$47.9 million in 2017. Peloton raised Series F funding in August of 2018, raising \$550 million from Technology Crossover Ventures and Schecter Private Capital, giving Peloton a \$3.6 billion pre-money valuation at a 9.5x revenue multiple. We have seen outsized revenue multiples for companies in the space due to the huge growth potential and addressable user base for these companies.

The success of companies like Peloton has led other competitors to enter the market while raising large amounts of capital to capture the tremendous market opportunity. Recently, Mirror, Tonal and Zwift have entered the race to dominate the home gym market, seeking to raise capital to quickly expand operations. Mirror offers full-length mirrors that double as interactive home gyms and, like Peloton, offers a subscription that provides live and on-demand workouts straight to the user's screen. Mirror raised Series B1 funding in April, raising \$36.5 million at a pre-money valuation of \$262.5 million. In April, Tonal, a similar home workout platform with a greater emphasis on resistance training, raised \$45 million in a Series C round, receiving investments from Evolution Media, Shasta Ventures, Mayfield, Sapphire Sport, and others. To date, Tonal has received \$90 million in funding. Companies like Echelon Fit provide a more affordable option, given others' hefty price points. Echelon Fit produces both fitness mirrors and internet-connected bikes that sell at a lower price point.

The recent string of home gym capital raises shows a clear shift toward personalized, content-driven, at-home workout experiences. Customers continue to desire access to workout classes and instructional videos from their own devices at their convenience. Despite the high price point and monthly subscription fees, high demand remains for quality workout classes at consumers' fingertips. While these companies currently focus on fitness, many have big hopes for the future and consider themselves much more than just fitness subscription services. Mirror's founder, Brynn Putnam, claims: "Our goal is not to be the next treadmill in your life, our goal is to be the next screen in your home. We have the ability to create personalized premium content across a wide range of verticals, with fitness being our first vertical. Similarly, Peloton positions itself as much more than a home gym product producer, stating in their IPO prospectus. We are a technology, media, software, product, experience, fitness, design, retail, apparel, logistics company."

There seems to be continued commitments of capital to the sector, as companies forecast a massive addressable market for home gym technology. In the fitness market, we've noticed declining consumer interest in gym memberships as live class offerings have increased, but we believe the continued proliferation of home gym equipment and classes may significantly affect these markets. We expect organic and acquisitive reactions from large brick and mortar players to remain competitive against these tech-enabled entrants. Consumers demand more choice and variety in their workouts, giving home gym technology companies a tremendous opportunity to satisfy the consumer's quickly changing tastes.



## Q3'19 Noteworthy Deals

### Public IPOs

- Peloton goes public with \$1.2 billion raise at a market capitalization of \$8.2 billion.
- Smile Direct Club IPO raised \$1.3 billion at an \$8.9 billion market capitalization.
- Beyond Meat raised \$240 million in its IPO at a market capitalization of \$1.5 billion.

### Equity Transactions



### PE Growth and Venture Investments

- North Castle Partners led a growth equity raise for Echelon Fit, a leading home fitness system providing virtual workout classes and exercise bikes.
- [O2 Investment Partners invested in Frontier Dental Laboratories](#) to grow the leading platform serving high-end cosmetic dentists with aesthetic dental solutions. Intrepid served as Frontier's exclusive financial advisor.



### Secured Debt Investments

- PF Growth Partners, a prominent Planet Fitness franchisee, raised \$205 million in senior secured financing led by Fifth Third Bank after receiving \$60.2 million of development capital from Alaris Royalty.
- Urban Grid Solar, a developer of utility-scale solar fields, received \$100 million of senior secured debt financing from Crayhill Capital Management.
- Aqua Terra Water Management, a leading waste management and water disposal company in North America raised \$80 million in senior secured debt led by ATB Financial to fund growth initiatives and development projects.

### Debt Transactions



### Alternative Debt Structures

- Vessco, a provider of distribution and engineering services for water treatment facilities, raised \$87 million in mezzanine financing led by WhiteHorse Capital to refinance existing debt.
- Yukon Partners provided an undisclosed amount of mezzanine financing to fund Audax's acquisition of Stonewall Kitchen, a leading manufacturer of premium branded specialty food and gift products, from Centre Partners.
- [Advice Media, a digital marketing platform for medical professionals, refinanced its existing debt and secured additional growth capital from Tree Line Capital Partners.](#) Intrepid served as Advice Media's exclusive financial advisor.



## Select Recent Transactions



has received an investment from



in partnership with management

Advisor to Frontier Dental Laboratories



has completed a recapitalization and growth financing with



Advisor to Advice Media




a portfolio company of




has completed a refinancing with




Advisor to Mercury Media




has been acquired by



Advisor to Artisan Vehicle Systems



has received working capital financing from



Advisor to Artisan Vehicle Systems



has completed a dividend recapitalization with



and



Advisor to American Logistics Company

The management team of




has completed a management buyout with financing from




and



Advisor to Pacific Crane Maintenance Co.



has completed a recapitalization and growth financing with



Advisor to CourtCall



a portfolio company of



has completed a debt financing with



Advisor to Mercury Media



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



and



Advisor to Ice Mobility




COUNTRY  
Wine & Spirits


has completed a growth recapitalization with




Advisor to Country Wine & Spirits




has completed a senior and subordinated debt financing led by




Advisor to PreSonus



has raised growth capital from



and




Advisor to Solid Commerce

TAX CREDIT CO.™


has completed a recapitalization with

VSS Structured Capital II, L.P.

a fund managed by




Advisor to Tax Credit Co.



adexchange

has completed a growth financing with



Advisor to Ad Exchange Group



has received a growth equity investment from



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
- Unitranche debt
- Structured junior and mezzanine debt
- Structured equity
- Common equity
- 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

Institutional Equity | Senior Debt | Subordinated Debt | Structured Junior Capital



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