



Private Equity Sound Bite



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The rise of unitranche finance?

As the conservative lending climate in Europe continues, for a variety of well documented reasons both domestically and internationally, there is an increasing demand from sponsors for alternative forms of finance to support the leverage (albeit at a lower level than otherwise might have been hoped) for their deals. One form of finance that appears to be gaining increasing popularity for the financing of mid-market buy-outs is unitranche loan finance. From a borrower's perspective a unitranche loan facility combines what would traditionally be separate senior and subordinated debt elements into a single secured loan facility with a single blended interest rate. Much like second lien finance back in the early part of the 2000s, this is a financing technique that has perhaps, to date, been more widely seen in the US as a viable funding alternative. The question is, will it become more prevalent as a funding alternative in the UK/European markets?

The simpler unitranche structure provides a number of benefits to sponsors, not least by helping to reduce execution risk and potentially providing access to an incrementally higher debt multiple. With the environment for acquisitions (at least in the right sector and with the right underlying economic performance/opportunity) becoming increasingly competitive, the speed and certainty with which a sponsor can close a deal is still a key differentiator between bidders. Unitranche loan facilities reduce both the risks of dealing with separate finance providers and shortens the amount of time spent negotiating separate senior and mezzanine loan facilities. Because unitranche loan facilities are often provided by a single lender/group of lenders under one document matrix rather than multiple clubs, the ongoing administration of the loan can often also be more straightforward for a borrower.

However, sponsors considering unitranche structures will need to carefully analyse whether the benefits outweigh the added cost. The blended interest rates used in unitranche structures are (currently) typically around 10–12% which indicates that the cost of the senior tranche is placed much closer to the mezzanine tranche than it might be in more traditional leveraged finance structures. That said, for the right deal, it may well be considered to be a compelling financing alternative. The increased liquidity within mezzanine funds in the UK market particularly, is increasing the pressure on those funds to lend to appropriate credits in order to find opportunities to place their capital and generate returns. Whilst, at the time of the European Mezzanine Finance conference in London late last year, mezzanine funds appeared to be quite bullish about being able to fill the senior liquidity credit gap with compelling one-stop mezzanine finance solutions, we have yet to see that become the reality in a meaningful sense. Although it remains to be seen; perhaps unitranche is the next logical step?

For additional information, contact Phillip Slater at 20 3116 3663 or pslater@reedsmith.com, or Nicholas Williams at 20 3116 2628 or nwilliams@reedsmith.com.

Events

London – The London Private Equity Team will be hosting, in connection with BVCA, an Oktoberfest client event at The Broadgate Tower on 25 October. This event will provide an opportunity for more than 100 members of leading private equity networks to meet and learn about the clients and contacts of Reed Smith's European Private Equity Team. A keynote address will be presented addressing the trends and outlooks across the private equity industry across continental Europe and abroad, as well as a BVCA course training information program. For more information, contact James Cross at 20 3116 2627 or jcross@reedsmith.com.



Transaction Highlights

Recent Deals Across the Team

RIT Capital Partners plc

LANSDOWNE
PARTNERS LIMITED

Advised **RIT Capital Partners plc** and **Lansdowne Partners** in connection with their further investment in Infinity SDC Limited. Infinity is the UK's fastest growing data centre operator and boasts an impressive portfolio of sites in prime locations close to London. Infinity designs, builds and manages highly efficient data centre facilities, helping to minimise clients' energy costs and carbon footprints. Infinity is an award-winning company with clients that include some of the UK's leading banks, global insurers and telecommunications companies. Perry Yam and James Cross advised on the deal.

groupe
primavista

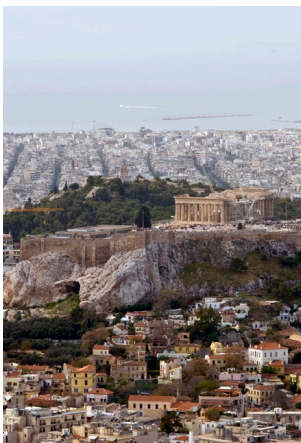
Advised **Primavista** (backed by Activa Capital and LFPI) on its latest acquisition. Primavista, leader in photography for schools and maternity hospitals, and lead marketer for future and young parents, has acquired Secret de Polichinelle, the French leader in birth announcement e-cards. Secret de Polichinelle owns www.naissance.fr and www.faire-part.com and reached double digit growth in recent years. This acquisition allows Primavista to complete its range of products related to pregnancy and parenthood. It is also in line with the group's strategic move towards e-business, and its objective of becoming a leader in its sector on the web. Primavista saw growth of 7% in the last year and Partners and investors in Activa Capital and LFPI Gestion are confident that this new transaction will help boost the group's results further. Emmanuel Vergnaud, Mickaël Levi and Charlotte Hazan advised on this transaction



Advised a **UK-based IT solutions** provider, Trinity Expert Systems Limited, on a £10 million IT outsourcing deal with insurance provider, Guardian Financial (owned by leading European private equity firm, Cinven). As part of the arrangement Trinity will be supplying the entire IT infrastructure for Guardian's insured life and pensions business, taking over from a disparate group of providers and subcontracting parts of the service. This led to a complex suite of contracts which we were required to negotiate in a short space of time to ensure Guardian complied with its FSA requirements. David Ashmore, from the Employment group, advised on some novel TUPE issues. London Corporate Partner, Sakil Suleman and Corporate Associate Alexandra Nelson advised on this transaction.

Reed Smith News

Capabilities Expand in Greece: Alliance with Papapolitis



Reed Smith and Athens-based law firm Papapolitis & Papapolitis (P&P) announced a formalized strategic alliance in September. Following two years of an informal working relationship, the new alliance will allow the two firms to join forces and work together on the large projects and transactions anticipated in Greece as a result of the economic situation and ongoing structural reforms. The alliance will draw upon each firm's strengths and resources in specific areas to meet client needs.

Reed Smith has a well-established Greek office in Piraeus, as noted by leading legal directories *Chambers and Partners* and *The Legal 500*, in the areas of shipping, life sciences, commercial disputes and corporate matters. P&P holds a leading position in the Greek market and is known for its high-quality advice in banking, finance, capital markets, corporate and M&A, dispute resolution and real estate. P&P has received numerous awards and is routinely rated as a leading firm and recommended by legal directories such as *The Legal 500* and *IFLR1000*. "With this new alliance, we have an even stronger platform in the Greek legal market and an ability to deal with even larger and more complex projects serving our clients' growing needs," said John Reece, Reed Smith's office managing partner in Greece.

Reed Smith Recognition

London



THE LORD MAYOR'S 2012
**SOCIAL INCLUSION
AWARD WINNER**

Reed Smith London was presented the 2012 Dragon Award for Social Inclusion in the Lord Mayor's Dragon Awards 2012 – 04.October.2012.