

2023 Sponsors Outlook

By: Jeff Greenip

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Investment Banking



On behalf of the entire Jefferies Financial Sponsors Group, we thank you for the trust you put in us to deliver for you.

Recently, Jefferies CEO Rich Handler, and President Brian Friedman, wrote in our quarterly Jefferies Insights newsletter about how “our value proposition is built on three pillars that set us apart from other leading firms.”

1. We provide differentiated insights
2. We believe relationships matter
3. We are a firm built on immediacy and client service

In volatile and challenging markets, these features of our firm are even more essential for our clients. With that in mind, we wanted to share a few strategies for 2023 that our Sponsors Group is ready to discuss in more detail.

M&A Strategies

Across the M&A landscape, we closely monitor:

- Busted auctions
- Potential take private opportunities, especially those driven by shareholder activism or enabled by using structured equity to build a toe hold position
- Companies with portable cap structures
- Continuation funds that include a sponsor minority investment for value validation
- Corporate carve-outs and divestitures
- Companies seeking capital in advance of a delayed IPO
- PIPEs
- Sponsors’ targeting realizations to support fundraising efforts
- Stressed/distressed companies in need of capital
- Distressed M&A

We believe sponsors are incredibly well positioned to seize many of these opportunities and can play offense in these markets.

In 2023, Jefferies will have more private company summits focused on specific industry verticals to help clients better target resources and build deeper relationships with management teams.

Private Capital Advisory Strategies

Private equity is more strategic than ever regarding growth and Jefferies has assembled one of the largest banking teams providing advisory services and innovative products to sponsors, including:

- Continuation vehicles, which have grown exponentially, as Jefferies has signed or closed 20 transactions totaling \$8.5 billion in equity value over the last 15 months. We expect secondary market activity to remain robust this year, especially given sponsors' focus on returning capital to LPs without the need for acquisition financing
- Preparing GPs to access the public markets and identifying new growth areas, including M&A opportunities, especially in credit
- GP stakes sales
- GP secondary tenders
- A relatively new rated securitization product to expand the universe of potential LPs to include insurance companies

Leveraged Finance Strategies

Across the leveraged finance landscape, we are working closely with sponsors on:

- Refinancings and amend and extends that may involve creative capital markets solutions
- Debt buybacks
- Offering our leading direct lending capabilities, while also helping sponsors expand their direct lending relationships
- Arranging intellectual property loans, A/R financing and mezzanine debt

Most importantly, we remain open for business and will continue to provide underwriting commitments for syndicated deals.

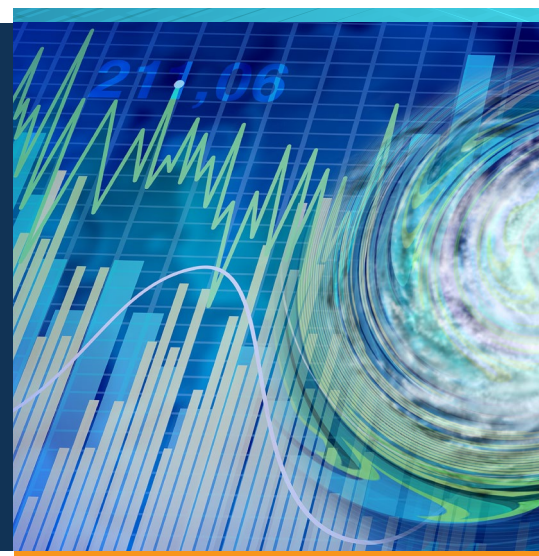
Equity Strategies

IPO readiness requires extensive preparation, that's why we offer IPO boot camps to ensure our clients are prepared well in advance of an offering. We are incorporating converts and equity derivative strategies as part of follow-on secondary discussions and remain active with sponsors on follow-ons and block trades.

As challenging as last year was, Jefferies enters 2023 optimistic and grounded in some hard-earned wisdom that Rich Handler and Brian Friedman shared in the most recent Jefferies Insights. They wrote:

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We have stopped waiting for a 'return to normalcy' because, after being beaten over the head for a combined 55 years at Jefferies, it is crystal clear to us that volatility, crosscurrents, surprises and challenges are what is normal.



As always, you can count on Jefferies to help you navigate these uncertain times in 2023 and beyond.

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