

Golub Moves To Number One On The League Tables

The financial market's near-collapse in late 2008 ensured a bleak outlook for 2009, and this was especially true for lenders. The threat of companies indiscriminately crumbling under the weight of highly leveraged balance sheets sent droves of mid-market lenders diving for the sidelines in late 2008, where they remained, triaging their portfolios, for much of 2009.

Undeterred, **Golub Capital** was primed to pick up market share surrendered by the competition. The New York-based lender continued to build on the momentum it generated in 2008, when it became the No. 3 ranked lead arranger of LBO loan facilities of up to \$100 million (after not even placing among the top-20 ranked LBO lenders the year before), according to Thomson Reuters LPC league tables.

In 2009, Golub Capital closed a total of 14 sponsor-backed transactions, making it the No. 1 ranked bookrunner for LBO loans in the middle market. Indeed, the firm closed more transactions than GE Capital and CIT Group—the No. 2 and No. 3 ranked senior lenders—combined.

“There were a lot of people relying on us to go forward and support them,” said **Andy Steuerman**, a senior managing director at Golub

Capital. “Firms that were still active were desperate to get deals done, and the certainty of close that we offered meant everything to them.”

And it didn't stop there. In 2009, Golub Capital grew its assets under management to \$4 billion, continuing the firm's growth rate of approximately \$1 billion per year since 2006. The firm also raised a total of \$270 million across two separate funds, hired a slew of professionals and support staff, and formed several new sponsor relationships to boot.

For clients, Golub Capital proved willing to go the extra mile to move nimbly, even in challenging situations. One example was the firm's \$23.5 million one-stop loan facility (branded as GOLD facilities by the firm) backing **Cortec Group's** acquisition of Katena Products Inc., a designer of ophthalmic surgical instruments.

It was an attractive deal given that Katena Products was already a market leader and demand for its products continued to increase thanks to an aging global population in need of eye care. But there were some challenges, too. The founder and president of Katena Products, as well as the CEO, were both seeking to retire through the deal, and there was no certainty

SNAPSHOT:

Firm: Golub Capital

Office Locations: Chicago, New York, Atlanta

Products: Senior debt, subordinated debt, one stop loans, secondary loan funds

Loan Sizes: Underwrites and syndicates senior loans up to \$200 million. Hold sizes range from \$10 million to \$75 million per deal

Total Headcount: 100

Year Founded: 1994

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WHY THE FIRM WON

- Invested \$340 million in 14 transactions, and was ranked the No. 1 lead arranger of LBO-backed senior loans of \$100 million or less. Golub Capital closed more transactions than the No. 2 and No. 3 ranked senior lenders combined.
- Raised a total of \$270 million across two separate funds, including the firm's first dedicated mezzanine vehicle.
- Hired 17 new professionals at a time when many other lenders were focused on headcount reduction.
- Grew assets under management to \$4 billion, continuing the firm's growth rate of approximately \$1 billion per year since 2006.

around the CFO position, either. The instability in the executive ranks would have been enough to convince most lenders to head for the door.

However, the trust built through Golub Capital's relationship with

Cortec Group, coupled with the lender's own due diligence, allowed it to see the situation in a different light. Golub Capital closed the credit facility by early September 2009, despite having only been approached for the deal around July.

More than 60 percent of Golub Capital's debt facilities last year backed deals led by repeat Golub Capital clients, including **Arcapita**, **Catterton Partners**, **The Riverside Company** and **Sentinel Capital Partners**. New relationships built last year included ones with **Atlantic Street Capital**, **Friedman Fleischer & Lowe** and **Wachovia Capital Partners**.

On the fundraising front, Golub Capital last year held a \$120 million first close on the \$350 million-targeted **GC 2009 Mezzanine Fund**, its first dedicated mezzanine vehicle. The firm's prior debt funds were more diversified.

"There is a significant group of investors that prefers standalone mezz, and in the past they've declined to

participate in our blended funds," said **Lawrence Golub**, president of Golub Capital. "Our goal here is to give investors who want a pure play the opportunity to have one."

The firm also held a \$150 million final close on **GEMS Fund LP**, its third investment pool dedicated to the secondary loan market. This fund close came just a year after Golub Capital closed a \$200 million predecessor fund, **GC2009 Opportunity Fund I LP**. The later fund is already fully invested and has posted an IRR of more than 40 percent, Golub said. The GEMS fund, meanwhile, was about 50 percent invested as of March 2010.

In addition to its private partnerships, Golub Capital in 2009 made significant progress toward forming a publicly traded business development company, which could hit that market as early as April 2010. Rather than converting its entire business to a BDC structure, **Golub Capital BDC LLC**, as it is called, will be treated as yet another source of capital at Golub Capital's disposal. According to a November

regulatory filing, Golub Capital BDC could raise as much as \$172.5 million from its IPO.

New hires were another significant part of Golub Capital's story in 2009. All told, the firm hired 17 employees—a mix of investment professionals and support staff—to bring headcount to an even 100.

Among last year's hires was **Christina Jamieson**, who serves as the new co-head of Golub Capital's broadly syndicated loan investment business and heads the research group. Jamieson came to Golub Capital from Van Kampen Investments, a subsidiary of Morgan Stanley. The firm also hired **Brian Boczkowski**, previously of GE Antares Capital, as a senior vice president focused on underwriting, executing and monitoring investments.

Golub Capital hopes to maintain its strength and momentum as it heads into the new year, and as of the end of February the firm had about \$1.3 billion in fresh capital ready to invest in senior loans.—A.N.

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