

## Fifth Street Bolsters PE Lending Platform

**CEO is optimistic about the firm's PE lending business, having secured \$76.3 million in new financing.**

By Kelly Holman

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The leveraged debt market may be sluggish, but don't tell that to **Fifth Street Finance Corp.**, which secured \$76.3 million in new financing to support its private equity lending business.

Fifth Street, a White Plains, N.Y.-based specialty lender, sold 8.2 million shares of its common equity at \$9.25 a share through an offering arranged by **Wells Fargo Securities LLC, UBS** and **Stifel, Nicolaus & Co.** It also expects to place an additional 1.2 million shares through an overallotment option with the underwriters.

"We have just completed what some may say is the most successful follow on in years," said **Leonard Tannenbaum**, chief executive of Fifth Street Finance. "We had great participation and now have the capacity to double the size of the portfolio in one of the best lending environments I've ever seen."

The capital-raise, part of Fifth Street's strategic plan to secure SBIC status, stands to bolster Fifth Street's lending platform by as much as \$300 million when combined with new financing from the **SBA** and other sources of funding, according to Tannenbaum.

Fifth Street, which raised \$141 million in an initial public offering last year, already has an undrawn \$50 million credit line with the **Bank of Montreal**.

Tannenbaum is optimistic about the company's business, despite the challenges faced by some mid-sized corporate lenders such as embattled **CIT Group**. "What we've seen is stabilization across the portfolio and the cost-cutting [measures]

coming through. I would not say we're printing money, but we're doing much better than expected."

Fifth Street said in a company newsletter last month that its "green shoots have sprouted!"

The newsletter noted that healthcare services, manufacturing and high-end retail were the industries where the most economic improvement was taking place, while recovery in consumer goods, entertainment, restaurants and travel companies still lagged.

Fifth Street, which boasts a \$220.1 million market capitalization on the New York Stock Exchange, will use \$16.5 million of the new financing for repaying debt. It will use the remainder of capital to finance private equity deals involving mid-sized businesses. Most recently, Fifth Street provided \$24 million in debt to support **Riverside Partners'** acquisition of Baltimore-based healthcare technology company **IZI Medical Products Inc.** in April.

"We invest in conjunction with private equity sponsors across a variety of industries, a large proportion in healthcare, and we will continue investing alongside our sponsors where we have relationships," says Tannenbaum.

Fifth Street is also a key lender to Newport Beach, Calif.-based private equity firm **Marwit Capital**, which acquires businesses valued up to \$50 million. The finance company, meanwhile, typically targets businesses that generate \$10 million to \$15 million in annual cash flow.

On Friday, Fifth Street's stock traded at \$9.65 per share. Over the past year, its shares have ranged from \$5.02 to \$11.48 apiece.