Lead Left Interview – Kevin Griffin (Part 2)

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This week we continue our conversation with Kevin Griffin, CEO and Chief Investment Officer of MGG Investment Group LP. MGG is a private, specialty finance group focused on direct lending. Kevin is a veteran private lending investor and former managing director and Credit Committee member at Highbridge Principal Strategies. ***Second of two parts – View part one*****.**

The Lead Left: Kevin, give us an example of credit solutions you've provided?

Kevin Griffin: We bought debt in the sports and media space at 50 cents on the dollar, taking out the incumbent lender that had leveraged the business way too much. Our structure included heavy amortization and over time and a heavy warrant component. The fixed costs were high, there was a lot of cash going out to non-productive uses. We'll help cut costs and get refinanced out.

In another case, we financed a food and beverage company – this one was sponsored –with about $100 million revenues and $11 million ebitda. The management team has a twenty-year history, but it's essentially a new company. We'll help the sponsor build and grow it – an industry we have experience in for nearly a decade.

TLL: How do you source your opportunities? Are you seeing quality deal flow?

KG: We're not big believers in golf outings and dinners. Four of us spend lots of time doing select conferences. We dig a layer deeper than most. Half of the flow comes from mom-and-pop investment boutiques. Right now our pipeline is about seven pages long, though we'll concentrate on a fraction of that. We should end up doing 12-15 deals this year.

Quality is what you make of it. For example, the beverage concessions business I spoke to you about. They have 10-15 year contracts. If people are flying, then they're also eating and drinking. We're in the right locations with good operators.

TLL: What do you think of the common complaint that there's too much capital in the market?

KG: I've been doing this for twenty years. With a $2 billion fund, that's a very different type of business. We're solving some type of short-term turbulence. We stay true to what we do. That means it's tough to scale. We're not looking to be a mega firm; we're comfortable in the middle market.

TLL: What are you worried about looking at 2017?

KG: There's always turbulence in healthcare. There will be opportunities there since the risks are poorly understood.

TLL: Does that mean a favorable outlook for distressed investing?

KG: My restructuring friends have been pretty quiet for the past decade. Banks will become more viable. Over time they will become more competitive. It's a cycle.

TLL: How much do you have invested today?

KG: We have roughly $400 million loan principal outstanding.

TLL: And who are you competing with?

KG: There's anybody, and there's nobody. Lots of people are trying to do what we do.

TLL: Since starting your own firm, what has been the toughest question to answer?

KG: Why I left Highbridge. Some people didn't understand the motivation. But they quickly got comfortable.

Other than that, I've been amazed how bullish people are so far this year. And, in my view, how short-sighted. These investors have cash and have no idea what they're doing. For them, it's simply a race to deploy assets under management.

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