Lead Left Interview – Tom Lesch

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This week we chat with Tom Lesch, Director, Livingstone. Livingstone is a global M&A and debt advisory firm with six international offices including Chicago. Its core industry sectors include Business Services, Consumer, Healthcare, Industrial and Media & Technology.

The Lead Left: Tom, it's been a while since we last talked. What's new at your firm?

Tom Lesch: Livingstone has continued to grow internationally and domestically. In May we announced the opening of an office in Stockholm giving us 6 offices on three continents. In the U.S., we continue to grow our team in Chicago and recently completed the buildout of our office in the River North neighborhood. We are also opening an office in Los Angeles later this year.

TLL: What does it mean to be an international middle market firm?

TL: We all know the world is getting smaller and so it's harder to be relevant if you don't have global reach. Being global isn't that unique as you go up market, but in our space – enterprise values between $25-$250 million – it's pretty rare. Some groups fake it through partnership and JV arrangements, but in my opinion, it's not the same as operating as one brand/one team.

TLL: What are the advantages over a more domestic oriented firm?

TL: Our reach provides access to a much bigger network of lenders, acquirers, and financial sponsors. Given the ongoing volatility in Europe, we've certainly noticed a spike in cross border transactions and our access to capital and foreign expertise has been extremely advantageous to clients exploring cross-border sales or financings.

TLL: How is your debt advisory practice doing?

TL: Quite well, thank you. We have expanded our European practice and we are also looking to grow our U.S. practice. As you can imagine, it's a very interesting time in the debt markets as macro factors are making the debt markets aggressive but yet also unpredictable.

TLL: What can you tell us about financing competition in the market right now?

TL: I would actually use the term "hyper-competitive" to explain what's going on in the marketplace – too much capital chasing too few deals. To win financings, lenders are pushing the envelope on terms and structures. As is typical in this kind of market, if you're not willing to stretch, there's almost always someone who will.

TLL: Sounds like a great time to be a borrower.

TL: It is. Financing terms are increasingly more favorable to issuers and they are also benefiting from lower pricing, larger hold-sizes, and competitive structures. We advise clients to be choosy while they still can.

TLL: How do you see the dynamics of the broadly syndicated market impacting the middle market?

TL:. There's always a trickle-down effect, as large cap sponsors try to employ "big boy" terms to smaller transactions. It always comes down to a deal-by-deal analysis by investors. Sometimes the more aggressive terms stick, sometimes not.

TLL: Can you elaborate on the GE sale?
TL: Since GE announced it was spinning GE Capital off in April, everyone has been focused on the potential outcome of the sale, particularly the sale of GE Capital Sponsor Finance, home of GE Antares, to CPPIB. Certainly that's a big platform with real scale. It'll be interesting to see, given the size of leveraged loans going on their books, how current and prospective GE borrowers react to new ownership.

TLL: How do you see this playing out?
TL: For high quality PE backed deals we anticipate that the market leaders such as Madison, NXT and Golub will look to opportunistically take market share by putting out aggressive structures to win new business from GE. Add that to an already hyper competitive market and sponsors should be very pleased with the debt markets through the end of the year.

To be continued the week of August 3

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