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Lead Left Interview – Tom Cassidy

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This week we chat with Tom Cassidy, Managing Director, US Bank. Mr. Cassidy is responsible for private equity Sponsor Finance Group originations and has been in the leveraged finance world for over thirty years. Before US Bank, he worked at JP Morgan Chase and at BNP Paribas.

The Lead Left: Tom, you've had over three decades of experience in covering private equity sponsors. What are they telling you today about the deal environment?

Tom Cassidy: It's been a challenging year for deal flow, as a number of our Private Equity clients have not closed a new platform transaction this year. The main challenge is transactions are "priced to perfection" and at the current valuation multiples there is no room for portfolio company underperformance to achieve a satisfactory return. However, add-on activity by our PE clients continues to be strong.

TLL: Do you think the lack of economic growth has been a drag on PE investing?

TC: The targets we have reviewed are for the most part good companies that are performing well. However, PE clients are cautious with their critical operating assumptions given the low growth in many sectors of the economy. Thus it has been difficult for our clients to meet the sell-side asking price.

TLL: What kind of strategies are your clients employing to grow their businesses?

TC: A major theme we have seen is overcapitalizing new platforms to build the brand, broaden a regional distribution model to a national strategy and/or fund strategic add on acquisitions.

TLL: We've been writing about add-ons. What different ways do your clients approach this?

TC: We continue to finance a large number of strategic add-on acquisitions for client platform companies. Typically characterized by a strong regional player in a fragmented industry with a strong management team with the skill, systems and controls to run a larger enterprise.

TLL: Talk about your bank's leveraged lending strategy. Has this effected your ability to compete on the more highly leveraged transactions?

TC: We focus on PE firms that are relationship oriented, that are focused on investing in industries that line up with the core industries we finance at US Bank, that value the benefits of working with a strong well capitalized financing partner like US Bank and that are not pushing leverage beyond historical norms. We have a cash flow loan structure strategy in the US Bank Sponsor Finance Group. In addition, our Asset Based Finance Group has a very strong business and we are working closely with our ABF colleagues to broaden our offering to middle market PE clients.

TLL: Tom, talk about industries. What do you guys like and dislike?

TC: In the Sponsor Finance Group, we have a concentration in consumer, industrial, transportation, distribution and financial institutions. In addition, the Specialty Industries Group at US Bank specializes in Sponsor media and communications transactions.

To be continued the week of Nov 14

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