

Finance Finesse



Low Interest Rates Spark Refinancing

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Throughout 2012, many sources told *Mergers & Acquisitions* that there was more re-financing action. Businesses are able to negotiate better deals with lower interest in the current lending environment, resulting in many companies refinancing their loans. Kris Roglieri of Albany, N.Y. commercial lender Prime Commercial Lending, is seeing lower interest rates for asset-based lines of credit when compared with rates a few years ago.

Interest rates for middle-market companies are in the low-to mid-single digits, based on the London Interbank Offered Rate (Libor), compared to a few years ago, when interest rates were in the high single-digit to low-teens range, Roglieri says.

Companies are taking advantage of the lending environment by refinancing, sources told *Mergers & Acquisitions*.

Packaging company Diamond Packaging Holdings LLC is one of those companies, and recently refinanced its loans, using the proceeds to buy out a 50 percent partner. Prime put together a \$34 million capital stack, including \$24 million in senior debt with a revolving credit line, term debt for equipment and the partner buyout, plus equity, mezzanine financing and junior debt for the deal.

Many lenders want to lend against assets like receivables or equipment because they're more predictable, making Diamond an attractive deal.

Prime has worked on several other refinancing transactions lately. One of the company's clients, Camsing Global, which makes promotional products, refinanced to acquire a smaller company competing in the same space.

Banks that gave out credit lines to companies five or six years ago are sometimes looking to exit those loans, Roglieri says. Prime worked on one recent deal

in which an auto parts manufacturing facility in Detroit, which he declined to name, had its credit line slashed by a bank that was taken over by the Federal Deposit Insurance Corp., because the company's revenue was affected after the 2008 recession.

Several other companies have announced refinancing transactions in the past few months.

For example, crystal company Waterford Wedgwood, a portfolio company of private equity firm KPS Capital Partners LP, raised \$167.5 million in financing, including a \$117.5 million asset-based revolving credit facility and a \$50 million term loan. The recapitalization proceeds were used to refinance debt and fund a distribution to stockholders.



Kris Roglieri

Finance firm Oxford Finance LLC closed a \$16 million senior-secured term loan and a \$4 million revolving line of credit to refinance two nursing facilities in Rhode Island.

Interest rates are expected to hold steady through 2013, indicating that the refinancing trend may continue. **MA**

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