NEWS

Monroe Capital's Moser Sees 'Plenty of Opportunity' in Retail

BY CAROL KO, BLOOMBERG BRIEF

Andy Moser, the former head of **Salus Capital Partners**, has assumed a new role at **Monroe Capital** as head of the retail /consumer lending division, where he will broaden his focus beyond brick-and-mortar retailers to include wholesalers, transportation companies and other distribution channels in the consumer goods supply chain.

Andy Moser

"There will be plenty of opportunities in retail. Technology will drive a lot of the successes or failures, and retailers will have to spend a lot on investments. That capital has to come from somewhere," Moser said in a Dec. 10 phone interview.

Monroe's retail division will focus on loans ranging from $10 million to $35 million, with the ability to write checks of up to $100 million.

"We can go competitively lower in pricing because we have flexibility due to Monroe's varied permanent capital structures, and at the same time we can price risk where it makes sense," Moser said.

Moser says his background working in asset-based lending at GBFC, a division of the Gordon Brothers Companies, has informed his underwriting in the retail sector, enabling him to make better assumptions about what the liquidated inventory and assets of a company may actually be worth.

"A strength of mine has been to find and extract value and liquidity for the borrower," he said.

His industry knowledge also may enable Monroe to say yes to risky deals that other lenders decline.

"Inventory to us is what receivables are to other people," Moser said. "We get our fair share of flow and new transactions from folks that don't like inventory and don't understand it."

Moser's focus at Monroe will shift toward longer-duration deals. "We'll still look at underperforming companies, turnarounds and debtor-in-possession loans, but we'll need to see duration in the credit, 12 to 18 months of liquidity and a reason for being there," said Moser.

"We're looking for undermanaged — not mismanaged — companies," he added.

Under Moser's leadership, middle-market lender Salus Capital Partners issued turnaround loans to numerous smaller retailers, including **Frederick's of Hollywood**, **Delia's** and **Bluefly**. The lender worked with struggling companies with liquidity shortfalls, and several of them filed for bankruptcy shortly after receiving a lifeline, including teen clothing stores **Comark** and **Cache**.

Salus's largest transaction under Moser's leadership — and its largest transaction to date — was its turnaround loan to electronics retailer **RadioShack**, which filed for bankruptcy on Feb. 5 after efforts to revive its business failed.

Looser Leverage Restrictions May Shake Up Flagging BDC Sector

BY CAROL KO, BLOOMBERG BRIEF

Business development companies may be one step closer to higher leverage limits as legislation to expand credit access for small businesses works its way toward a vote by the House of Representatives.

In November, the House Financial Services Committee passed HR 3868, the Small Business Credit Availability Act, by a vote of 53 to four.

Still, the bill's future remains up in the air, as it may expire before the House and Senate get a chance to review it.

The bill would increase the ratio of debt to equity BDCs must maintain from 1:1 to 2:1.

Many BDCs are trading below book value and are barred from tapping the equity markets for capital without shareholder approval. They therefore are unable to raise additional debt without breaching the 1:1 coverage ratio.

Proponents of the legislation say that the measure is designed to counteract this weakness in the model and enable BDCs to lend to larger companies with more cash flow.

"That higher leverage certainly should not be applied to smaller companies," said **Sean Coleman**, chief credit officer of **Franklin Square Capital Partners**. "I think the market will limit it. I don't think people will automatically go to 2:1 — most will try to stay below 1 to begin with just to be careful."

It's unclear whether there was a statistically measurable rationale behind the original 1:1 limit, so the likelihood of an increase in defaults or deterioration in credit quality under a 2:1 ratio is unclear, according to **Fitch** analyst **Meghan Neenan**.

"We tend to view more leverage negatively, but we may get comfortable with it if you can reduce risk. It would require a lot more data from BDCs," Neenan said.

"I'm cautious on who will use it wisely. I think there will be good stewards and bad stewards," said **Brad Marshall**, senior managing director of **GSO Capital Partners**.

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