Morningside, LSV Back Special Sits Pref Deal

Europe-focused Springwater will invest the funds in opportunities brought about by market dislocation.

By **Rod James,** Secondaries Investor
July 5, 2022

A European special situations manager has raised preferred equity in a deal that brings back memories of transactions consummated during the height of the coronavirus crisis.

Morningside Capital Management and **LSV Advisors** have made a preferred equity investment in a €100 million European private equity portfolio managed by Springwater Capital, according to a statement seen by *Secondaries Investor*. Springwater will use the capital to invest in opportunities brought about by current market dislocation.

"Given the strength of our current pipeline, this transaction enables us to further invest in high quality opportunities whilst simultaneously expanding our LP base," said Martin Gruschka, founding partner of Springwater.

Mercury Capital advised on the deal.

Springwater targets Western European companies with revenues of between €100 million and €1.5 billion, according to its website. It looks for carve-out opportunities and businesses that are overleveraged, undergoing restructuring or have run out of private equity money, among other types of transaction, according to its website.

Springwater did not disclose the size of the preferred equity tranche or which funds hold the assets.

In March, *Secondaries Investor* reported that Toronto-headquartered GP-led secondaries specialist Morningside was close to wrapping up fundraising on its first vehicle, after years of deal-by-deal investing. It is not clear whether the Springwater deal was backed out of the fund, which is understood to focus on single-asset deals.

New York-headquartered LSV is investing its Special Opportunities Round VI, *Secondaries Investor* understands. The fund closed in 2022 with more than $700 million in commitments.

The volume of preferred equity deals spiked during the second quarter of 2020, in part because general partners were looking for extra capital to take advantage of add-on opportunities brought about by covid-19. Fifty-six percent of buyers said they offered preferred equity during the first half of 2020 compared with 21 percent at the end of 2019, according to Evercore.

As *Secondaries Investor* has reported, the market downturn in the first half of this year has led to an increase in conversations around preferred equity as GPs look to make add-on acquisitions, defend companies under stress and use structuring to bridge pricing gaps on LP-led and GP-led deals.

Source: www.SecondariesInvestor.com