

CLEAR VIEWPOINTS

From Industry Leaders We Know and Respect

PKF Clear Thinking
A PKF O'Connor Davies Company

Q: You are currently sourcing, underwriting and executing new special situations transactions. What compelled you to join Sandton Capital and this industry?

A: I was initially drawn to Sandton by the opportunity to work with a small, experienced team capable of deploying flexible capital across the capital structure. Working with a team that I could learn from and collaborate with was very important to me. From the firm's co-founders to analysts, we work together internally to share ideas and find the best solutions for all parties involved.

In terms of the industry, I was attracted to the intensity, complexity and dynamic nature of special situation investing. We often receive calls for situations that require a capital solution within weeks. From that initial call, we need to quickly understand the business, the reason for the capital need, meet with the management team, grasp the capital structure and legal aspects and determine if we can help the company. From there, we start with a blank sheet of paper and try to devise the best investment structure. I find this challenge of quickly understanding a business, its capital needs and structuring an investment to help the company incredibly compelling. Starting from scratch and working collaboratively with the team is both intellectually stimulating and rewarding.

Q: Is there a business philosophy that you live by?

A: I'm a big fan of Adam Grant's book *Give and Take*. Throughout my career, I've had the privilege of meeting incredible people who have supported me, both in sports and finance. While not a formal business philosophy, I strive to embody the principles of a giver, helping others whenever I can. This approach is especially important in an industry known for its competitiveness, where everyone is vying for top positions or marginal gains. Whether it's taking the time to mentor a new analyst, assisting in placing a deal

that's not suitable for us or facilitating introductions over drinks, I actively seek opportunities to support others, even when there's no direct benefit to myself or Sandton. My experience in finance has taught me that it's a small world, and relationships are paramount.

I've learned that by being generous with my time and knowledge, I not only contribute to the success of others but also foster a network of strong relationships that can be invaluable in the future. This philosophy has served me well, leading to meaningful connections and collaborations that have enriched my career.

Q: Can you share your view of the current lending climate – regulated banks vs. non-regulated/private credit lenders?

A: We've identified two key themes reflecting the challenges in today's lending environment. Firstly, there's been a notable increase in banks seeking to strengthen or reduce the size of their balance sheets. This trend is largely driven by regulatory pressures and the strains faced by regional banks. While last year's focus was on issues in commercial real estate (CRE) and banks seeking liquidity, this year has seen a significant shift. Although CRE remains a concern, this year we have observed banks placing greater emphasis on their commercial and industrial (C&I) positions. The combination of higher interest rates and inflation has made it increasingly difficult for small and medium-sized businesses, prompting banks to realize that some of their positions are not easily remedied. Concurrently, commercial banks are implementing more stringent standards for new loans, leading to an increase in private credit and alternative lenders stepping in to fill the gap.

The second theme we have observed is in the private equity (PE) and private credit space. We have seen smaller PE funds and independent sponsors facing tough decisions in terms of portfolio management, often unable to provide ongoing support to struggling



David Meckler | Principal, Sandton Capital Partners

David Meckler is a Principal at Sandton Capital Partners, one of the leading alternative investment firms focused on illiquid special situations in the middle market. At Sandton, David sources, underwrites and executes new transactions. In this capacity, he has worked with banks, borrowers and advisors throughout the U.S., and has been involved in transactions worth hundreds of millions of dollars.

Prior to joining Sandton Capital, he worked on the cross-asset sales desk at Goldman Sachs. Before Goldman, David received his MBA from Wharton, and before that, he played 10 years of professional hockey for the Los Angeles Kings Organization and the Red Bull Hockey Organization in Germany & Austria. He holds an MBA from Wharton and is a graduate of the University of Chicago and Yale University.

businesses. This dynamic has intensified stress in the private credit market, forcing lenders to navigate this challenging landscape. In situations like this, we have been able to step in and find a solution that benefits both the sponsors and incumbent lenders.

Q: What are Sandton Capital Partners' competitive advantages?

A: Sandton Capital Partners boasts several competitive advantages in our field. Firstly, our specialization in small and mid-sized companies sets us apart. This focused approach allows us to develop a deep understanding of the unique needs and challenges faced by businesses in this market segment, giving us an edge over larger competitors with broader focuses.

Moreover, we prioritize partnering with management and owners of businesses experiencing challenging times, focusing on looking beyond past issues and developing solutions that enable the company to succeed going forward.

Another key advantage – we pride ourselves on offering creative solutions and exit routes to companies in need. Our ability to structure deals creatively and provide viable exit strategies enhances our appeal as a capital partner for businesses seeking funding.

Additionally, Sandton Capital Partners distinguishes itself through our hands-on strategic support model. We actively engage with portfolio companies, providing valuable guidance and assistance to help them overcome challenges, implement growth strategies and enhance performance.

Finally, our agility in providing flexible capital and executing deals swiftly further cements our competitive position. This capability is particularly advantageous in situations where timing is critical or traditional financing options are limited.

Q: How does Sandton Capital Partners find deals? Where are referrals coming from?

A: Sourcing is the lifeblood of our business; as such, we make a dedicated and concentrated effort to cultivate meaningful relationships across our industry. This includes special assets groups from commercial banks around the country, turnaround advisors, bankruptcy attorneys, investment banks, non-bank lenders and accountants.

With offices strategically located in New York, Houston, Los Angeles and North Carolina, we ensure our presence spans the nation, enabling us to forge and strengthen relationships while continuously expanding our network.

We are also active participants in many industry events with organizations such as the Turnaround Management Association (TMA), Secured Finance Network (SFNET), American Bankruptcy



Institute (ABI) and Association for Corporate Growth (ACG).

Q: Is there a deal you've recently completed that you really enjoyed working on? Why?

A: We recently funded a \$30 million senior secured credit facility to a global data center infrastructure company operating in the U.S., Norway and Australia. The company identified a unique data center asset in Ohio to purchase and needed quick and flexible capital to close the transaction. This deal was particularly rewarding because the company recognized a unique market dislocation and needed a capital partner capable of swiftly and creatively deploying funds.

The initial transaction demanded thorough market analysis and innovative problem-solving to craft a solution that benefited both parties. From our initial discussions, we collaborated closely with the company to develop a mutually beneficial structure and efficiently deploy capital within a few weeks.

Our partnership has continued to evolve, with each subsequent round of financing requiring us to think creatively and come up with new structures that work for all parties involved.

As an investor, it has been both exhilarating and challenging to be at the forefront of this emerging industry and to deploy capital across various regions and across the capital structure. It has also been exciting to partner with a skilled management team and help them execute their vision.

Q: What do you think the future of lending will look like?

A: Looking ahead, the future of lending is likely to be shaped by several factors. Regulation will continue to play a significant role, influencing banks' lending practices and borrowers' access to capital. Technological advancements, such as AI, will likely

streamline lending processes and improve risk assessment.

Furthermore, I expect the role of non-traditional lenders, like private credit and alternative lenders, to continue to grow as they fill the gaps left by traditional banks. These lenders offer more flexible terms and faster access to capital, appealing to borrowers who struggle to meet traditional lending criteria.

I also feel the partnership between PNC Financial Services and TCW Group reflects a growing trend and what the future may look like as commercial banks and asset managers collaborate to meet the needs of middle-market companies.

Overall, the future of lending will likely be characterized by a mix of traditional and non-traditional lenders, driven by regulatory changes, technological innovations and evolving borrower needs. Smaller lenders may need to find ways to adapt and compete in this changing landscape.

Q: Our readers may be surprised to learn that you played professional hockey for more than 10 years; how have athletics shaped who you are today?

A: I think if anyone saw me on the ice or at the gym today, they would be surprised as well. But seriously, hockey has truly shaped who I am. At the highest level, it taught me the power of hard work and what can be accomplished if you constantly push yourself to your limit mentally and physically. When I retired and went back to university as a 30-year-old, it was very challenging. I had been out of school for a very long time and had a long way to go to finish college and pursue an MBA. It was equally challenging to start an entirely new career in finance at 33. Fortunately, hockey had taught me how to prepare, how to persevere and how to work hard to accomplish my goals. Hockey also taught me how to work with a team, how to manage failure and how to manage success.

The discipline and dedication I learned through hockey has been invaluable in my professional life. The ability to set goals, stay focused and push through adversity has helped me excel in challenging situations. Additionally, the experience of working with a team toward a common goal has translated seamlessly into my work at Sandton, where collaboration and teamwork are essential.



Overall, I believe that my sports background has been instrumental in shaping my character and success, both on and off the ice.

Q: What are some of your personal interests?

A: My main interest is spending time with my family. I have three boys under six, and so I devote all my free time to them. My older boys both play hockey and I am usually at an ice rink somewhere coaching or watching them play. We also do a lot of fun activities together. We go camping, fishing, hiking, biking and rollerblading. Outside of that, my passions are exercising and cooking, but I rarely have time for either of those anymore.

(Initial interview responses provided in June 2024)

About PKF Clear Thinking LLC

PKF Clear Thinking LLC offers advisory services that help companies succeed, at any stage of their life cycle, with clear direction and practical, actionable solutions. The Firm engages with healthy companies to create value and works with troubled companies to preserve value. Our track record and years of experience working on hundreds of successful engagements has propelled us to become a trusted and respected advisor.

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