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FORWARD FOR SPECIALTY FINANCE | Q4 2023 DEALS OF THE YEAR ISSUE

**2023 DEALS  
OF THE YEAR**

**MUSIC ROYALTIES  
AS AN ASSET CLASS**

**FINANCING THE  
LEVERAGED ESOP**

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N/A

DEAL TYPE: ABL

SLR CREDIT SOLUTIONS AND WELLS FARGO | SKULLCANDY



**SLR Credit Solutions closed a secured first lien term loan in concert with a revolving line of credit from Wells Fargo for Skullcandy, a lifestyle audio brand known for its headphones and earbuds.** Skullcandy used proceeds from the financing to refinance existing debt and provide enhanced flexibility.

Wells Fargo came across this deal because of its relationship with Skullcandy's equity sponsor. During initial discussions with Skullcandy and the sponsor, Michael Vasquez, a managing director at Wells Fargo, realized the availability needed to refinance the company's existing credit facilities and provide adequate liquidity was beyond the scope of a bank credit facility. Faced with such an issue, Vasquez reached out to SLR, where his former colleague, Joseph H. Wells, serves as managing director, to team up on the opportunity. Once SLR reviewed the potential deal, it partnered with Wells Fargo to propose the financing package in a matter of weeks.

"Once the deal was signed, the collateral diligence and legal diligence were the prima-

ry gating items," Wells says. "Fortunately, we have done many other deals with Wells Fargo, so we were able to lean on that historical experience to streamline the process. Skullcandy is a well-known consumer brand with a very strong management team and premium products. We are thrilled to invest in the business and excited to support their growth."

The deal is a split lien asset-centric financing arrangement, whereby SLR has a first lien on the non-working capital assets and Wells Fargo has a first lien on the working capital. It was a natural fit for Wells Fargo, which often provides this type of financing in the middle market. Similarly, it was "a great representation of the split lien asset-centric financings for which SLR Credit Solutions is well-known," Wells says. "Our value proposition was to provide incremental liquidity, and we did so by stretching on the bank's collateral – working capital assets – and also the brand/IP value. Moreover, our relatively small term financing next to a large bank revolver leads to a compelling blended cost of capital to the company/sponsor."

This deal was attractive for Wells Fargo because Skullcandy has been a customer of the bank for the last decade.

"We like the business, industry, management and the sponsor," Vasquez says.

SLR and Wells Fargo have a history of working together on similar deals, as well as first in, last out transactions, across numerous industries.

