



BLUESTONE CAPITAL PARTNERS ADVISES MERLIN INTERNATIONAL ON ITS DEBT REFINANCING AND RECAPITALIZATION

Merlin International (“Merlin” or the “Company”), headquartered in Vienna, Virginia, completed a refinancing of its credit facilities, providing the Company with additional overall debt availability and lower interest costs, while also facilitating a range of operational and shareholder objectives. Regions Bank provided the senior facility and Gladstone Capital, a Business Development Company (“BDC”), provided the subordinated debt to complete the refinancing.

Merlin is a leading provider of comprehensive information technology solutions to federal government agencies, particularly healthcare organizations including Health and Human Services (“HHS”) and Veterans Affairs (“VA”). The Company focuses on cyber security, infrastructure and network operations, and enterprise applications, and focuses on identifying emerging technologies that effectively change the dynamic of how federal government agencies can meet their mission requirements.

Bluestone has been a trusted advisor to the Merlin team for over three years, advising the management team on its recapitalization in 2014 and providing periodic updates on the credit markets, enabling the Company to take advantage of the improved lending environment in its recent refinancing. Bluestone’s constant interaction and dialogue with debt providers, coupled with its unique combination of professionals that possess significant expertise and experience in structuring leveraged transactions, enable Bluestone to provide unmatched support to companies seeking cost-effective and flexible solutions in today’s robust financing environment.

Merlin’s refinancing highlights some important considerations for businesses seeking to execute a leveraged transaction in the government services M&A market:

There are a broad range of debt capital sources available for businesses in the government services sector:

The relative stability in federal spending over the past two years, coupled with the predictable cash flows government services companies provide, has continued to attract capital providers to the government services market. While the number of traditional senior banks focused on the sector has continued to steadily increase, there has also been tremendous expansion of new non-bank lending institutions that offer significant flexibility to address a wide range of growth capital and liquidity solutions for middle-market companies and business owners. Furthermore, recent regulations have constrained the flexibility of traditional senior banks, in some cases making these non-bank lenders very appealing alternatives and/or supplements to traditional senior lenders. With this competitive lending environment, well-positioned businesses have ready access to debt capital with favorable structures, pricing terms, and covenant requirements.

The availability of debt capital provides options for business owners considering an alternative liquidity event:

Government services businesses are able to access debt capital to support a wide range of strategic initiatives beyond making acquisitions or providing working capital for organic growth. While capital markets can change quickly, particularly for those companies at the lower end of the middle-market, the current lending environment enables business owners to implement a number of alternative exit strategies including ESOP’s, management buyouts, and dividend recapitalizations. These liquidity solutions are ideal for businesses with unique characteristics that make a traditional sale more difficult, or for individual business owners looking to diversify their risk while continuing to maintain control of their businesses.

About Bluestone Capital Partners

Bluestone Capital Partners is a boutique investment banking firm that provides advisory services to middle market companies on mergers and acquisitions, divestitures, and other corporate finance transactions. Over the past two decades our principals have advised on more than 150 transactions in the aerospace, defense, and government technology and services markets, representing billions of dollars of shareholder value.



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