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THE WALL STREET JOURNAL.

EXCHANGE --- SVB Financial Nears Deal for Venture Arm

By Lauren Thomas
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English

SVB Financial Group, the former parent of Silicon Valley Bank, is closing in on a deal to sell its venture-capital and credit-investment arm out of bankruptcy.

Two front-runners are vying in the bidding process for SVB Capital, as it is known, according to people familiar with the matter: a duo of Anthony Scaramucci's SkyBridge Capital and Atlas Merchant Capital, and San Francisco private-equity firm Vector Capital.

A court decision on a winner is expected in the next few weeks.

The business could fetch anywhere between $250 million and $500 million, the people said, cautioning that a transaction still isn't guaranteed and would need to be reviewed by the creditors' committee too. Bankers at Centerview Partners have been advising the parent company on the process.

In March, Silicon Valley Bank failed and was taken over by regulators, kicking off a mini-banking crisis that later took down Signature Bank and First Republic.

SVB Financial Group filed for chapter 11 protection in New York bankruptcy court, paving the way for a sale of its assets after the **technology**-focused lender at the core of its business was seized by regulators.

Toward the end of March, First Citizens Bancshares, one of the nation's largest regional banks, stepped in to buy many of the loans and deposits of Silicon Valley Bank.

SVB Securities, the investment-banking arm of SVB Financial, was given permission in July to sell itself to founder Jeff Leerink and eight senior managers, for $100 million.

SkyBridge, founded by Scaramucci, manages over $1.8 billion, including roughly $580 million in digital-asset investments, according to its website. Scaramucci in 2017 was famously ousted as then-President Donald Trump's communications director after only 10 days.

Vector is a private-equity firm focused on middle-market **technology** and **technology**-enabled businesses. Atlas Merchant Capital, based in New York and London, offers debt and equity investment strategies in both public and private markets.

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Court Clears Sale Of SVB Securities To Firm Insiders

By Alexander Saeedy
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Silicon Valley Bank's former parent company won court approval to sell its investment-banking business for approximately $100 million, according to court papers, the first sale of a company with ties to the bank since it collapsed in March.

SVB Securities, the investment-banking arm of parent SVB Financial, was greenlighted to sell the assets to Jeff Leerink, the investment bank's founder, as well as eight senior managers. The sale is also backed by billionaire Seth Klarman's Baupost Group, one of the world's largest hedge-fund firms.

MoffettNathanson, an equity research firm affiliated with SVB Securities, won't be sold as part of the transaction, court papers show.

When Silicon Valley Bank collapsed this spring and was taken over by federal regulators, the bank's parent company, SVB Financial, filed for chapter 11 protection to ease a sale of its remaining assets. It was the largest bankruptcy filing stemming from a bank failure since Washington Mutual in 2008.

SVB Securities was one of the most valuable assets that SVB Financial put up for sale. SVB Financial bought healthcare investment bank Leerink Partners for $280 million in 2019 and later rebranded it as SVB Securities. Leerink continues to run the combined business, which he founded as Leerink Swann in 1995.

SVB Securities had rapidly added to its ranks over the past few years by poaching bankers from rivals, but several of those bankers have since left, including a team of 11 **technology** bankers who joined Moelis in April.

Silicon Valley Bank failed in March after rising interest rates triggered huge losses on its investments and customers panicked, withdrawing more than $40 billion of deposits in a single day. Regulators decided the bank couldn't continue to function and stepped in to seize it.

After SVB Financial filed for bankruptcy protection, it said it would begin to sell assets to help repay its creditors.

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Business News: Silicon Valley Bank Resumes Lending at Slower Pace

By Yuliya Chernova
539 words
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B3
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Silicon Valley Bank, which was recently acquired by First Citizens BancShares, has resumed lending to the startup and venture market, though less aggressively than in the past.

SVB's slowdown in lending is contributing to a sharply decelerating venture-debt market, which means there are fewer sources of financing at the very time more startups are struggling.

"The economy and the fundraising environment are headwinds on loan origination," said Marc Cadieux, a 30-year-veteran of SVB who was named president of its commercial banking division in June. "Fewer companies are able to clear that key underwriting bar -- do you still have the support of venture investors behind you," he said.

The SVB loan book is expected to decline by about 8% by year-end, assuming the venture market remains depressed, said Craig Lockwood Nix, chief financial officer of First Citizens, during its first-quarter earnings call in May. First Citizens acquired SVB in March after the bank failed and was taken over by federal regulators.

As of March 31, SVB had a loan book of $66 billion, with about a quarter of that issued to **technology** and healthcare companies and 55% to venture and private-equity funds. By April 30, it had declined 9% to $62 billion, according to First Citizens' first-quarter earnings presentation.

Nix said most of the contraction would likely come in the borrowing by venture and private-equity funds, while loans to tech and healthcare companies would remain steady. That contrasts with several years of loan expansion at the legacy SVB business.

SVB continues to originate loans in all of its lending segments, Cadieux said. "The priority is to be there for our clients in whatever way they need us," he said. SVB is aware of how critical venture debt is to the startup and venture community, and the bank continues to extend credit in cases where a company is close to being able to turn a profit, he said.

Yet changes in the market are forcing SVB and other lenders to be more cautious. Banks, in general, tightened credit standards amid weaker economic prospects in the first quarter, according to a survey by the Federal Reserve.

Lenders typically expect unprofitable startups to demonstrate that they are likely to raise additional venture funding. That is harder to do now when venture investors have grown more risk-averse and equity funding volumes have rapidly declined.

U.S. startups raised $12.7 billion in venture debt via 952 deals through mid-June, compared with a full-year total of $64.6 billion through 3,012 deals last year, per research firm PitchBook Data.

Venture debt also shrank as a share of total venture funding. Venture debt represented just 16% of all venture funding through mid-June, according to a WSJ Pro analysis of PitchBook numbers. In all the full years 2012 to 2022, venture debt accounted for between 22% and 34% of overall venture funding, per the data.

A venture-debt contraction could have longer-term ramifications for the startup market, said Olav Sorenson, a professor at the UCLA Anderson School of Management. Startups rely more on venture debt when the overall market cools, he said.

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