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Private Market Talks:

Structured Capital in Focus with Strategic Value Partners' Brian Himot

September 5, 2025

In this episode, partner and Private Funds co-head Howard Beber takes the host seat in a dynamic conversation with Brian Himot, head of structured capital at Strategic Value Partners (SVP). With more than $22 billion in assets under management, SVP is a leading global alternative investment firm focused on private credit, private equity and event-driven opportunities.

Brian shares his path from tax lawyer to building SVP's structured capital platform, where his team delivers flexible, tailored financing solutions for founder-led and sponsor-backed businesses. Together, he and Howard dive into the nuances of hybrid capital, weigh the advantages of sponsor vs. non-sponsor deals, and discuss why aligning with business owners on long-term growth is essential. They also explore how market volatility and shifting global dynamics are influencing deal flow, and what the next five years could bring for structured capital.

Howard Beber: Welcome back to *Private Market Talks*, a Proskauer podcast. I'm your host, Howard Beber. Today, our guest is Brian Himot, Head of structured capital at Strategic Value Partners. Strategic Value Partners, SVP, is a global alternative investment firm founded in 2001 and is headquartered in Greenwich, Connecticut. With over $22 billion in assets under management, SVP specializes in unlocking value through investments in private credit, event-driven transactions, hard assets and special situations across private equity and private credit markets.

The firm is known for its hands-on approach to portfolio management, combining deep due diligence with operational expertise to drive strategic transformation in mid- and large-cap companies. SVP maintains a diversified investment footprint across sectors such as energy, industrials, real estate, and technology, and employs over two hundred professionals and operates globally with offices in North America, Europe and Asia.

As with all our episodes, you can get a full transcript of this episode and other helpful information at privatemarkettalks.com, and if you enjoyed the episode, drop us a note. We would love to hear from you. And now, my conversation with Brian Himot. Brian, welcome to *Private Market Talks*.

Brian Himot: Thanks for having me, Howard.

Howard Beber: Brian, why don't we start off by telling the audience a little bit about yourself and your journey to becoming the head of Structured Capital at SVP?

Brian Himot: Sure. I started my career as a lawyer. I was a tax attorney for several years before I moved on to Wall Street. I started out working on a trading desk before I ultimately went onto the buy side. I've been in credit my entire buy-side career, focusing on the opportunistic part of the market as my career developed. The private credit world became a bigger and bigger part of my focus before I ultimately joined SVP in 2022 to build out our private credit platform.

Howard Beber: That's great. Thank you for that background. Before we zero in on the structured capital aspect of SVP, maybe you can just give us a high-level about SVP General Strategy and Investment focus.

Brian Himot: SVP has a broad platform. We're focused on opportunistic credit and special sits PE. We started as a credit hedge fund strategy before we moved into more mainline private equity, and the structured capital business is a very natural outgrowth of that mainline private equity platform. When I'm walking into a meeting, whether it's with a founder, private equity firm or a banker, my goal is to deliver the entire firm is to find ways where we can partner, whether it's with one of our portfolio companies, a situation where our operating skills can be additive or a situation where we can be a capital provider.

On the private equity side, we have a portfolio of 19 businesses, and over 100,000 employees. And the strategy, it's significantly evolved over the last 25 years, including a couple of recent take privates and tender offers that we completed. The portfolio includes things like Revelyst, which was a recent take private of a leading outdoor consumer enthusiast brand business, or SH 130, which is a toll road in Texas.

As a firm, we have 20-plus operating partners who are well-versed in deep operational transformations. We have a large real estate franchise. We own businesses like Washington Prime, as well as multifamily, office and other retail assets. And then we also have aligned ourselves by asset verticals in specific industries, including aviation, where we have our Deucalion platform or power through our Levagion platform.

Howard Beber: Thank you for that. That was a great background. Why don't we move over now to your area, to structured capital, which I have found in my career is more of a term of art than science, so maybe you can help us explain what structured capital means to you and to SVP.

Brian Himot: I started at SVP three years ago to build out our hybrid capital team, and the heart of what we do is junior capital, so preferred equity, junior debt, but we can also execute on complicated senior financings as well. We have seven people on the team soon to be eight. We have someone joining us, a senior deal member joining us, in August in both the US and Europe.

And we have led ten deals with north of $2 billion of transaction value. We've built real expertise in our business, partnering with high-quality, not-sponsored companies. These are businesses that are looking for capital. They don't like running high leverage balances, but at the same time, they're looking for something that's an alternative to the dilution that they would find if they ran a straight common equity sale.

We will also provide straight debt capital, but we're not in the regular way direct lending business. These types of situations that we're involved in, they're more complicated and there's some reason why the situation is not a fit for your regular way and cheaper lenders. You know, we're not a volume shop. We're doing, you know, a limited number of deals per year.

But these are situations where we can really lean into the situation, and we do it with knowledge and conviction that we can deliver, because we focus on sectors that we know. And it's that certainty that leads our counterparties to pay a premium for our capital.

Howard Beber: What are you looking for in a profile of a core deal? What's your sweet spot in terms of size and industry and geography?

Brian Himot: Across everything we're doing, we're looking for high-quality businesses. We generally are focusing on more sizable businesses north of 50 of EBITDA. I'd say the sweet spot is 50 to 250 of EBITDA. From a geographic perspective, most of what we do is in North America, the U.K., and Northern Western Europe. We're agnostic in terms of the exact type of instrument that we're investing in.

A lot of what we do is pref equity, junior debt, hybrid capital. But look, we can also do first lien stretch unitranche debt as well. We don't walk into a situation with a preconceived notion of what the instrument needs to be. It's more about the circumstances. You know, our value add is we can be flexible and we can be fast.

And those are the types of situations that we're looking for from an industry perspective, we're generalists. We don't organize ourselves on my team across industries. That said, as a firm, we have a lot of experience and asset intensive businesses. So, things like packaging, building materials, industrials, transportation infrastructure. But look, we've also done deals in the consumer space. We've done deals in the health care pharmaceutical space. So, we don't limit ourselves but there are certain, certainly areas where, you know, we have developed a core expertise.

Howard Beber: Do you prefer sponsor deals? Non-sponsor deals?

Brian Himot: We'll do both. I mean, there are some key differences as we look at sponsored versus non-sponsored. I mean, the obvious is when you're dealing with a sponsored deal you have an owner who has a discretionary pool of capital where, in theory, if they need to, they can support it with follow-on investment. You often don't have that in non-sponsor deals.

But there are trade-offs, and, you know, one isn't necessarily better than the other. What we have found is that sponsor deals tend to be more competitive. There is more often an intermediary sitting in between you and the counterparty who is running the process. And that generally makes, you know, the terms a little bit more watered down from our perspective.

They’re out there running a broad competitive process, and it’s hard to have the types of direct engagement that you see in the non-sponsored space. With non-sponsor deals, they’re more bespoke. You typically have a founder-owned business. They’re highly aligned. This business has been their life’s work, developing and growing. And from a process perspective, we generally see those founders being highly involved in the capital raising process.

You’ve got a person who is running a $150 million EBITDA business, and they don’t want to go out and talk to 20 counterparties. They want to talk to three, four or five counterparties that they can really get to know. And they want those counterparties to be credible and to be able to deliver a solution.

And then they want to pick the person that they feel most aligned with and most comfortable with and it’s not necessarily the person that’s providing the cheapest cost of capital. It’s the person that they feel understands, respects their business, and it can grow with the business. One of the big things that we see in the sponsor market is if you’re out there trying to do volume, a large volume of transactions, it’s much easier to do that in the sponsor market when you’re dealing with non-sponsors. You’ll do one to maybe three deals with the founder. But generally speaking, this is their life’s work, and so it’s a very labor-intensive process to source these investments. Whereas if you’re trying to do 30 or 40 deals a year, it’s just hard to do that in the non-sponsor world. For us, we’re not a volume shop, so that’s less of a consideration.

And we found that we can find very high-quality businesses that we can have just a very direct dialogue with the owner of the businesses we are working on a potential transaction. Within the non-sponsored space, there’s a wide variety of setups that we see. The one area where we find particularly attractive is there’s a group of owners out there who are debt averse.

This is their life’s work, as I said. And they’re not looking to lever these businesses up to the hill. But they need money. They need capital for growth. They need capital to recap out the business. Oftentimes, there might be more than one family member that has an equity stake in the business. And, you know, different members of the family have different priorities.

And so, they need some capital to take out, a brother or sister who's looking for liquidity. And so, their option really is they're looking to sell a minority common equity stake, and the preferred equity or the structured equity solutions that we can offer them are a better alternative for them than selling a minority common equity stake. It's less dilutive, governance or the controls from their perspective are often better and the ability to recap out our capital and replace and redo their capital structure is often easier for them versus a traditional minority equity stake. And so, you know, when you put all of that together, you know, as I said, we'll do both. We have done sponsor deals, and we'll continue to do sponsor deals. But I would say, you know, we have developed a real expertise around these structured equity deals for non-sponsors that we find to be very attractive.

Howard Beber: So, would you say your secret sauce in the deal flow world is your flexibility and products? Your creativity, your ability to really build relationships with founders in a way that others, perhaps, have a broader reach and are doing more on an annual basis, cannot.

Brian Himot: It's hard work on the sourcing side. There's no silver bullet in terms of how you find these. And I also think that the SVP platform is very additive to this effort. When you are meeting with a founder who spent their entire life building their business, and you're walking into that room with a deep appreciation and knowledge of the industry, and you can be very conversant in the challenges and opportunities that they're facing.

It just makes you so much more credible than someone who's coming in, coming in cold to a given situation. And so, given our private equity side of the business and having those 19 portfolio companies, it gives us such a leg up when we walk into those situations.

Howard Beber: Thank you for that. How much do you work with Co-Investors or syndicate deals post transaction?

Brian Himot: Yeah, a lot of what we do is with other investors, whether it's our co-investors or other investors. I mean, there's situations where our counterparties want to have more than one capital party in the structure, and so having one or two people in a deal is advantageous from their perspective. We're not doing large, syndicated deals. But yeah, a number of the deals that we're doing, there are other people in the deal. And then similarly with our LPs, a big part of the conversation is co-investment opportunities. Yeah.

Howard Beber: Interesting. That started in the private equity world and has now moved over to the private credit world.

Brian Himot: Absolutely.

Howard Beber: This has been great. Thank you. It would be great for our audience if you can maybe go through a recent deal that you guys have done without giving away any sensitive information, obviously, but to explain the issues and how some creative structure maybe resolved issues or got you to a place where you got to do a deal that was advantageous both for you guys and for the company.

Brian Himot: One of our most recent junior capital deals that we did at the beginning of this year is a great example of some of the themes I've been talking about. We provided a €200 million preferred equity investment in a founder-owned building products company earlier this year. The business is called Välinge. It's owned by Darko Pervan. And Darko is a leading figure in the flooring space.

He was responsible for the development of laminate floors back in the 70s, and today he has led the development of flooring technology that's used in the installation of all the laminate and vinyl floors that you see in apartment buildings, in homes today. Darko owns two different businesses. Välinge is a licensing business that owns the technology that's used for flooring installation.

He owns 51% of the business. His 49% partner in that business is the Kirkby Family Office. This is the family that owns the LEGO franchise. And then Darko separately owns another business called Bjelin. He 100% owned this business, and that business is a manufacturing entity that is a leading manufacturer of high-quality oak veneer flooring. And the €200 million of capital that Darko needed was to complete the build out of his manufacturing operations on the Bjelin side and on the Välinge side of the ledger, Välinge is a highly cash-generative business. It's a market leader. And what it does, there's only two or three people that have this flooring installation technology. They're leading market share. The business has been growing double-digit CAGR over the last decade. And this is in the most highly attractive part of the flooring sector. Vinyl flooring has been taking share from all other forms of flooring over the last several years and the outlook is, it'll continue to do so, so it's a really well-placed business. The business itself has very low leverage because, again, it gets back to what I was saying before. You have an ownership that doesn't like to run their businesses with max leverage. And at the same time, you have a manufacturing business that is still in ramp up mode, and so it's not optimally placed to have a high debt burden on it.

So, the solution that we gave him was a preferred equity piece of paper that combines all of the best features of debt and equity. If you put yourself in the founder's shoes, he owns 51% of the Välinge licensing business. He doesn't want to dilute himself further by selling minority common equity. And at the same time, he doesn't want to raise debt.

And so, what we are able to give him is a is a really nice solution that gives him equity-like capital, without the dilution that would come if he just sold straight common. And the reason that's important is the paper is structured in a way that it provides some flexibility in terms of how he runs his business, but also how he manages capital structure as he's looking out over the next couple of years, potentially IPOing this business.

The way we structured the investment, it gives him a lot of flexibility to go down any of those possible routes. And then the last piece of it, when I was talking about the broader SVP platform and how it plays a role in sourcing, was there was a really nice strategic tie-in. So Pfleiderer, which is one of the SVP portfolio companies that makes wood-based products, is a major supplier on his manufacturing side of the business, providing high-density fiberboard.

And so, there are potential additional partnership opportunities there as well. And so, the way that something like this comes together is, again, Darko wants to meet with a couple of highly credible counterparties. We walk into that room with a deep appreciation of what he's building in the flooring sector, as well as already having commercial relationships and knowledge of his manufacturing business. And it just makes it a very easy decision for him to select us as a partner. You know, even if we're not providing the cheapest, most watered-down terms.

Howard Beber: Yeah, that sounds like it was an excellent match right there.

Brian Himot: Yeah, absolutely.

Howard Beber: That's great. Thank you for sharing that. Why don't we shift a little bit, moving away from the structure and the products, into the market? And how the market is impacting your business. I think everybody knows the exit environment is slow, which I would assume is actually not a bad thing for deal flow, but not a great thing for exits for your just in portfolio companies. So how are you looking at the current market dynamics in that regard?

Brian Himot: Yeah, within the structured capital space, it's been interesting. So, on the first lien side of the market, we've just seen it get more and more competitive. There have been inflows from BDCs. There's been inflows from Insurance Capital. And that has led to a crowding-out effect in the first lien market. We're seeing players stretch on leverage, stretch on terms, stretch on pricing from lenders that you wouldn't typically expect that to come from.

So, look, we're still active in the first lien market, but we've definitely seen that market get more and more stretched over the last three to four years. And it's predominantly a function of those large inflows that you've come to see in that part of the market. But what's interesting is that's true of anything that has a first lien associated with it.

When you get into the junior market, whether it's junior debt, preferred equity, structured equity, there has not been that same dynamic. It's less crowded and we've generally seen better opportunities in that space. And so, I think overall the supply demand picture within the market has increased junior capital as a portion of our pipeline. And look, it is the core of what we're looking to do.

And then within that junior capital opportunity set, I think the market forces have made the opportunity set more attractive for us. And the reason I say that is, in Q4 of last year, post-election, there was a tremendous amount of optimism in the market about what 2025 was going to bring. And so, we had owners who were evaluating their options.

They were thinking about the prospects of IPOing their business or selling the business, selling a minority stake. And there was the hope of better times ahead in 2025. And then, as we entered 2025 Q1, you saw the tariff rhetoric heat up. We had Liberation Day and put aside the actual moves in the markets, just that optimism about their ability to transact we saw quickly wash away, and that created more urgency to transact. And so, the idea that if they just waited an extra three or six months, they were going to be able to hit a hot market window and sell equity or sell the business at attractive terms. There was on the whole less conviction in that feeling. And so, it created the desire for owners to, it created the impetus for owners to transact. And that has provided a real tailwind for us.

Howard Beber: You mentioned less competition, maybe fewer market entrants in the lower down in the balance sheet where you're playing. What do you attribute to that?

Brian Himot: I think a big part of it gets back to what I was saying before, that it's hard to do it in volume. And if you are a manager that is looking to do 30 or 40 deals a year, it's difficult to do that in scale. These are all bespoke.

There's not a lot of repeat business just by the nature of who your counterparties are, and it's much easier to have a team that covers sponsors and does repeat business with a number of sponsors. If you're trying to deploy a large volume of capital. And then the second piece is, these are highly bespoke. There's not a tight, narrow box. We get two covenants. First lien, all of our deals are in this tight LTV band. Everything looks different. And you walk into the room and you ask yourself two questions. You ask yourself, "What is the quality of this business and what is our counterparty trying to achieve?" And you work backwards from those two big questions into a solution versus just coming with a defined playbook and trying to see how many times you can deploy that playbook.

Howard Beber: I think that's good advice for just about anybody. Thank you for that. All right. So, you mentioned earlier Liberation Day and tariffs. I probably couldn't be a financial podcast without at least asking the question, what's your view on the global impact and the uncertainty surrounding the global markets? What's your view on all of that for deal flow and for going forward?

Brian Himot: You said it well, the environment is volatile. It's volatile economically and geopolitically. You look at the public markets. They've been resilient. Equities are up. Credit spreads are still in the low three hundreds. You had a very brief window where the stock market sold off post-Liberation Day. But then you quickly saw a strong recovery. And so, if you were to only look at the public markets, it would tell you a very different picture from what's going on behind the scenes.

If you look at the macro picture, there's persistent concerns around inflation and what that means for what the Fed is going to do with rates. And then you have something like the Big Beautiful Bill, which is providing more deficits, spending fuel to the market, your tax incentives and tariffs that are inflationary. And we see rates remaining persistently elevated.

And the common refrain that we hear when we talk to owners of businesses is just uncertainty. It's hard for them to manage their business when they don't know what the macro-outlook is going to be six to nine months from now when they're making capital budgeting decisions. And so, it's really created an opportunity for us, as I said, because we are finding good businesses that are generally low-levered.

And so, it's a good setup for us to lean into that uncertainty. But we're doing it with caution because, when you have this much uncertainty and this much volatility, you always have to have that in the back of your mind.

Howard Beber: Is your focus shifting a little bit to businesses where the tariffs might not have as big an impact?

Brian Himot: It depends. Look, there's no free lunches. And so, you have to ask yourself, "What is the fundamental challenges and opportunities facing a business?" So, you look at something like a software business, which is not a space that we are particularly active in. And so, you have software businesses that are not squarely within the crosshairs of tariffs.

And so, you'd say, absent everything else, that would be an attractive place to focus. That said, you have the looming threat of AI and what that means for all of those software businesses and the disruption that that means for that entire sector, and makes us ask ourselves, "Where is our expertise lie and where do we feel most confident about the prospects for an industry and the defensiveness of a given business within that industry?"

And so, you can't say we are not looking at any tariff-impacted businesses. You look at something like a Välinge. It sells into the flooring market. There are tariff impacts to that sector writ large. But when you are partnering with one of the leading companies in the sector that is focused on the fastest growing part of the flooring market and is taking share from the legacy parts like soft flooring, the legacy sectors within the flooring market, and it creates a superior risk reward proposition all in, even if there is some looming tariff uncertainty around the sector overall versus going to something like a software business that's squarely within the crosshairs of AI disruption and saying, "Hey, the business may not be facing any tariff impact," but then it has this large uncertainty in the face of what AI means for the business that you're taking on instead, right now.

Howard Beber: Those are good points. Thank you for that. All right. We're getting to the final segment here. So now it's crystal ball time. If you look into your crystal ball, what are you seeing for the next five years for structure capital for opportunities and challenges?

Brian Himot: I think the, one of the biggest things that we see is continued understanding of what the product is. We walk into rooms all the time, speaking to a founder who tells us that they're looking to take on a minority investor. And we explain to them what our product is and how it compares to common equity. And you see the light bulb turn on about all the advantages that our product represents versus the alternative that they were previously considering.

And that conversation happens time and time again. And so, we are starting to see more understanding within the banking community about what this product is. We're starting to see investment bankers proactively educating their clients about this product, and so is being one of the groups that is leading the development of this, this hybrid capital space. It really positioned a strongly to continue to capitalize on that.

And just the overall structured capital or hybrid capital opportunity set, you can just see it gaining more mindshare. Every month there's a new group at any given investment bank that is out there focusing on these types of hybrid capital solutions. And the most common refrain that we hear from those groups is, we have this strong group of investment bankers that have great mindshare with their clients.

And we just need to educate our partners about what this product is and why it's such a good fit for their clients. And so, look, we're still in the second inning of that happening. And so that provides a huge tailwind for our opportunity set.

Howard Beber: That's exciting. So, you're bullish on structured capital going forward.

Brian Himot: Absolutely.

Howard Beber: All right my favorite question I'll wrap up here with or maybe my favorite two questions. If you're counseling a young professional who might be looking to get into structured capital, what are you telling them?

Brian Himot: The first thing I'm telling them is learned how to underwrite a business. We spend a lot of time talking about structuring pref equity, stretch unitranche, all of these fancy terms. But most of our time as a team is spent doing research on companies and asking ourselves the hard questions on whether we think a business is a good business. Understanding the industry, understanding the competitiveness of a business within that industry, and so being able to thoughtfully think through those fundamental questions and being able to effectively communicate those thoughts in writing and verbally is key to what we do. All of the structuring around that, look, it's obviously important, but having that fundamental building block skill of being able to understand and convey the quality of a business is absolutely critical.

Howard Beber: Any special advice? The old, "I wish somebody would have told me this before I started."

Brian Himot: I'd say just ask the question. Early in my career, I spent a lot of time spinning my wheels when I would have been better off just asking the question. And I see it from junior team members all the time. Ask, what exactly is the assignment? Why are we doing something?

Don’t be afraid to speak up. The senior members of the team are invested in everyone’s success. But that requires the ownership of the junior team member to speak up and just ask the question.

Howard Beber: That is good advice again for any industry. Brian, I’ve enjoyed the conversation. I really appreciate the thoughts and insights you’ve given. I want to thank you for joining us on *Private Market Talks*.

Brian Himot: Thanks for having me. This is great.

Howard Beber: Of course, and I want to thank our listeners for listening to this episode. And again, if you enjoyed the episode, drop us a note at privatemarkettalks.com, and keep an eye out for our next episode coming your way next month. Thank you.

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