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MEDIA & MARKETING

Dave & Buster's Sold in \$570 Million Deal

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By Peter Lattman

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Dave & Buster's Inc. is changing hands, with Wellspring Capital Management agreeing to sell the chain of restaurants that double as videogame arcades to Oak Hill Capital Partners in a \$570 million deal.

New York-based Wellspring took Dave & Buster's private in 2006 for about \$257 million in cash plus debt. It replaced the company's founders with new management, expanded the chain and last year filed to take it public again. But the public markets have been unreceptive to restaurant stocks, leading to the sale to Oak Hill instead of an IPO.

The transaction, which is expected to be announced Monday, is the latest in a barrage of deals in which private-equity firms are selling their companies to one another. These so-called secondary leveraged buyouts hold great appeal for the private-equity ecosystem. Sellers can book profits and return cash to investors, while buyers can put money to work. Meanwhile, investment bankers earn millions of dollars of fees advising and lending on these transactions.

The deals are also less complex than selling to a public firm or via a public offering. But some investors in private-equity funds have a skeptical views of these deals, arguing that they're done for efficiency's sake and don't realize an asset's maximum value.

Among the at least half-dozen deals announced over the past two weeks: TPG agreed to buy American Tire Distributors Holdings Inc. for about \$1.3 billion from three buyout shops led by Investcorp; and Oak Hill purchased nuts-and-bolts manufacturer Hillman Group from Code Hennessy & Simmons for \$815 million.

Founded in 1982, Dallas-based Dave & Buster's operates 56 locations across 24 states. The company, whose logo is "Eat, Drink & Play," appeals to an older crowd than the kid-friendly Chuck E. Cheese's outposts, owned by CEC Entertainment Inc.

As for Oak Hill, it has been among the more active private-equity firms in recent weeks. Last month the firm, in which Texas billionaire Robert Bass is the anchor investor, sold drugstore chain Duane Reade to Walgreens Co.

In the past three weeks, it has acquired three companies—Via West Inc., owner of broadband hosting centers, Hillman, and Dave & Buster's.

Such deals are being made possible by the improving economy and the recovery in the corporate-lending markets, which permits buyers to line up financing to fund these purchases.

For the Dave & Buster's acquisition, Oak Hill is expected to write a \$240 million check and borrow the rest from J.P. Morgan Chase [JPM +1.51% ▲](#) & Co. and Jefferies & Co.

Wellspring, run by managing partner Greg Feldman, is expected to earn roughly three times its original investment on the sale, according to a person familiar with the firm.

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