Lead Left Interview – Tom Cassidy (Part 2)

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This week we chat with Tom Cassidy, Managing Director, US Bank. Mr. Cassidy is responsible for private equity Sponsor Finance Group originations and has been in the leveraged finance world for over thirty years. Before US Bank, he worked at JP Morgan Chase and at BNP Paribas. ***Second of two parts –*** ***View part one***

The Lead Left: What's your view on energy related borrowers?

Tom Cassidy: Energy has not been an area of focus for us with PE firms and we have very little exposure to Energy related credits in Sponsor Finance.

TLL: Are you seeing deterioration in covenants? Structures?

TC: In the lower middle market we are seeing the non-bank direct lenders offering unprecedented leverage to companies with less than $20mill ebitda. Covenant lite has not been a factor in the lower middle market.

TLL: Back to your private equity clients, how do they view US Bank when it comes to leading deals? Can you remain competitive with the non-banks?

TC: We lead two thirds of our transactions for PE clients. Our clients value the strength of US Bank, our commitment to a long term relationship and the deep experience of our Sponsor Finance and Loan Capital Markets professionals. Our PE clients are attracted to the commitment we have to building a deep relationship over the long term with their portfolio companies by providing best in class credit and debt capital markets, treasury services, foreign exchange, derivatives and private banking services.

TLL: From an ebitda perspective, what's your target market?

TC: Our core market in Sponsor Finance is $15million-$50million ebitda issuer size.

TLL: Does US Bank have any strategy on broadly syndicated deals?

TC: Our debt capital markets group has a very experienced team that has built a business that is number five in the book runner corporate loan league tables the past 2 years. In Sponsor Finance, we will continue to work closely with our debt capital markets colleagues to grow our broadly syndicated loan activity with PE clients.

TLL: Who do you compete with? Partner with?

TC: Our active competitors in this space range from large regional banks to unregulated direct lenders.

TLL: What's the size of your middle market loan portfolio?

TC: We currently finance over 120 PE owned companies in our Sponsor Finance and Asset Based Groups.

TLL: How many originators do you have?

TC: We have a team of 35 people in the Sponsor Finance Group including our underwriting and portfolio management team and 7 senior relationship managers.

TLL: Tom, what's been the biggest surprise for you this year?

TC: The disintermediation of the traditional bank underwriters for $250million-$1billion size sponsor financings by the non-bank direct lenders. The magnitude of funds raised by the unregulated direct lenders the past 2 years is obviously the key driver of this phenomenon.

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