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Leveraged Loan Insight & Analysis -1/9/2017

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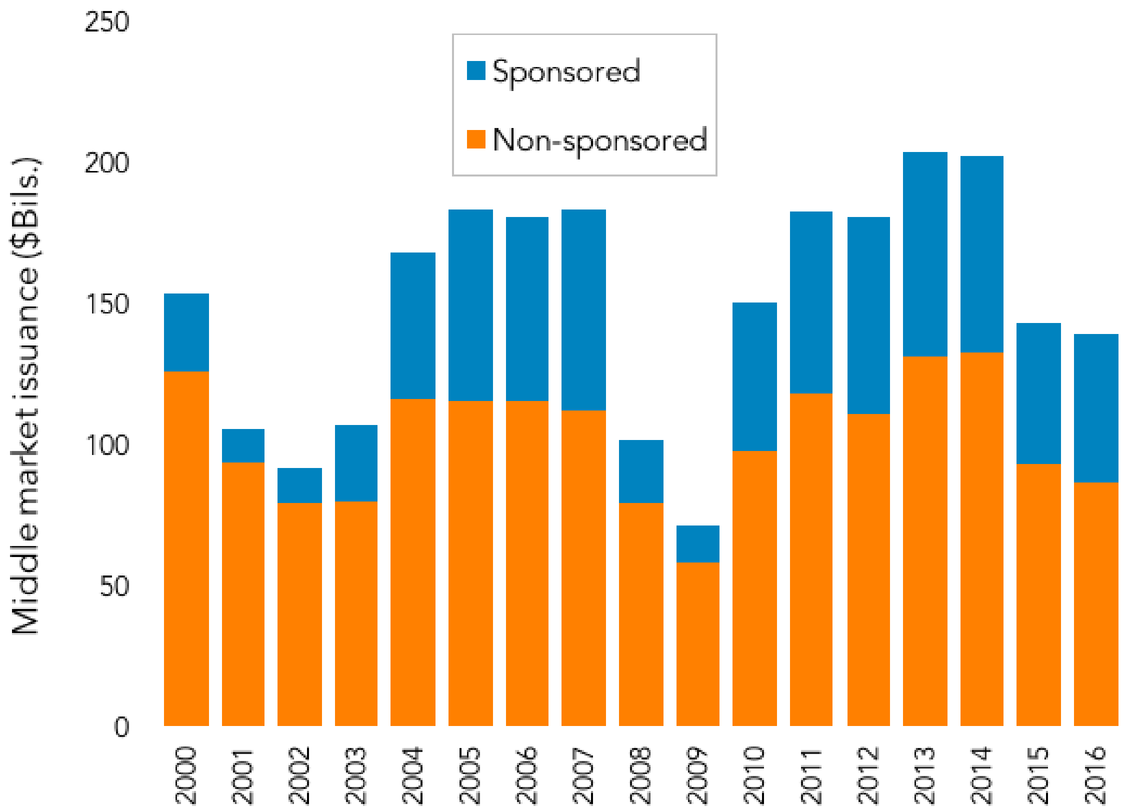
2016 middle market syndicated loan issuance lowest since 2009

Middle market syndicated loan issuance only reached US$139bn in 2016, down 3% from 2015 levels and the lowest annual level tracked since 2009. Several factors drove the lower levels. The non-sponsored market was the biggest culprit as issuers had no incentive to hit the market to refinance as long term financings were locked in during previous years. Furthermore, slow growth and uncertainty surrounding the economy and macro events such as the election and Brexit deterred issuers from taking on debt for M&A or upsizing working capital and capex facilities. Sponsored issuance, on the other hand, was up annually at US$53bn, but only modestly.



The syndicated market continued to lose market share to direct lenders/alternative capital providers resulting in much of the dealflow being self-syndicated amid pockets of managed capital and going unreported. But across the board, sponsors still struggled to make the LBO math work and lenders complained all year of a huge supply demand imbalance in this market segment. Lenders are optimstic for a modest pick up in activity in 2017.

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