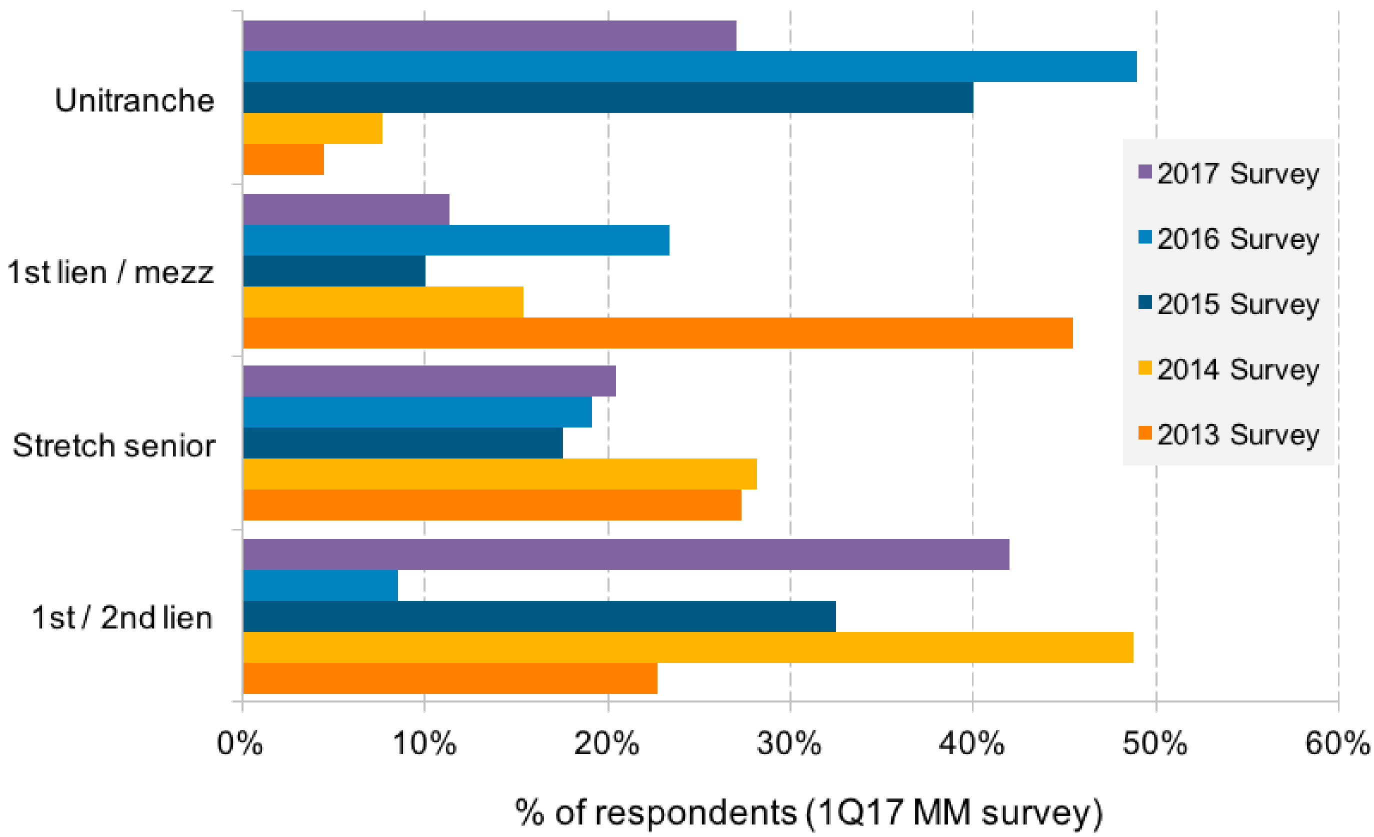
THE LEAD
https://theleadpc.com/leveraged-loan-insight-analysis-2272017/

Leveraged Loan Insight & Analysis – 2/27/2017

LSEG | March 1, 2017

Unitranche loses favor in 1Q17 as sponsors gravitate toward second-lien



A recent middle market lender survey revealed that sponsors are favoring the first/second lien structure according to 42% of respondents. Meanwhile, in the survey carried out by Thomson Reuters LPC, 27% said the unitranche is the most favored structure by sponsors today. This is a meaningful departure from this time last year when half of the buyside and sellside survey respondents said sponsors preferred the unitranche structure. More onerous call protection, higher pricing and the need for covenants are typical of the unitranche. But with so much capital available in the market, unitranche providers are getting pushed on both pricing and structure. “Sponsors don’t have to worry about certainty of close right now, they can pretty much pick any execution they want,” said a direct lender. “Unitranche used to be priced at a premium relative to other structures, but now sponsors are just blending the first and second lien pricing and expecting unitranche lenders to match it,” said a Business Development Company (BDC) lender. “Furthermore, we are getting asked from sponsors to do covenant-lite on the unitranche which you typically do not see.”

[Register to join TRLPC’s 5th Annual Middle Market Loan Conference]