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# How Big is the Middle Market? (Third of a Series)

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Last week we looked at sponsored middle market loan volume to come up with an idea of how large the midcap universe is. Before run-offs and refinancings, we came up with a figure of $410 billion.

Now we turn our attention to the sponsored middle market refinancing cliff. As our *Chart of the Week* highlights, about $238 billion in loans mature over the next six years, peaking at a quarterly rate of $14 billion during 2Q 2021.

According to Fran Beyers at Thomson Reuters LPC, this represents syndicated loan maturities. “We don’t track maturities of the private club transactions,” she told us. “Since there’s about the same level of issuance between clubs and syndicates, I would assume the maturities are similar. So double the $238 billion and you’re at $476 billion of total middle market maturities.

“It’s important to note the refinancing cliff is somewhat overstated,” Fran continued. “That’s because we can’t track amortization or excess cash flow recaptures. Also if a direct lender refinances a deal it won’t show up unless they submit it for league tables.”

To get a sense of how much the upcoming maturities exceeds total outstandings, we looked at the equivalent numbers for the broadly syndicated institutional market. According to LPC, the sum of maturities for large caps is $1.523 trillion. Compare that to LPC’s estimate of total institutional outstandings of $925 billion – a 1.65: 1 ratio.

If you use the same ratio for middle market sponsored maturities of $476 billion, you get about $290 billion in outstandings. That compares reasonably well with the $340 billion figure (net of refinancings and runoff) we arrived at last week.

What about the non-sponsored middle market? As we’ve shown, this is mainly revolving credit capacity. But as the big institutional market includes some corporate financings, let’s throw in the $377 billion of non-sponsored midcap maturities as well. With the 1.65:1 ratio that’s $228 billion. Add the sponsored $290 billion gets you to $518 billion.

Another interesting source of data is Fitch. They report that the institutional middle market represents 14% of total institutional outstandings of $1 trillion, or $140 billion.

We know from LPC data that the syndicated sponsored market is about 50% institutional (TLBs and second liens) and 50% pro rata (RCs and TLAs). So if you take Fitch’s $140 billion and double it, that’s their equivalent for syndicated middle market loan outstandings, or $280 billion. Take out the 20% or so that’s undrawn RCs and that gets you down to funded debt of $224 billion.

Finally, let’s assume there’s an equal volume of non-syndicated, clubby deals. Double the $224 billion and you’re at $450 billion.

So using these methods we've ranged the middle market universe between $450-$518 billion.

*Next week conclude our series examining where middle market loans are being held*