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Syndicated MM sponsored lending volume reached $13.6bn in 2Q19

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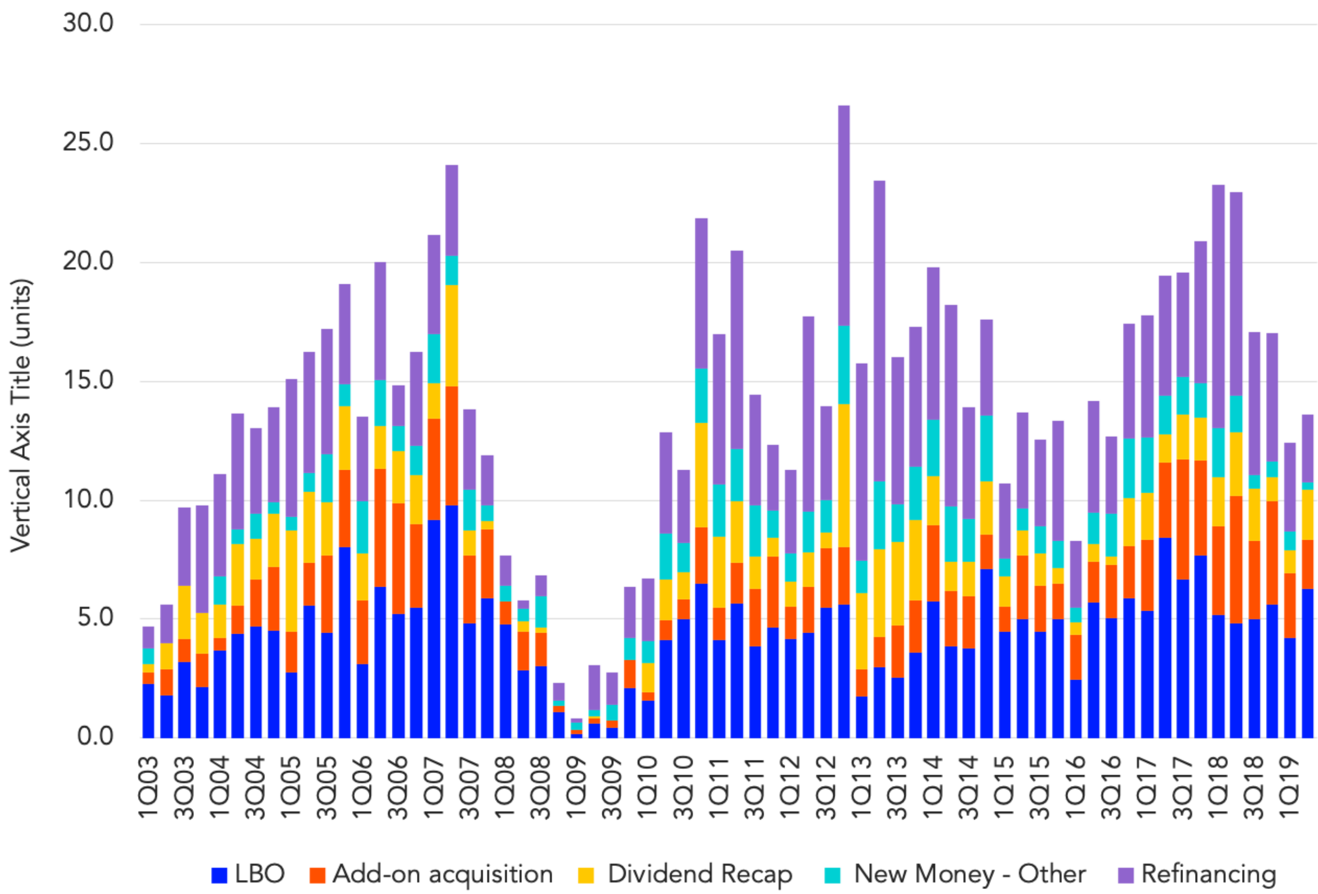

Syndicated middle market sponsored lending volume improved somewhat in the second quarter, but not nearly enough to match 2017-2018 levels. Issuance grew 10% quarter over quarter to US$13.61bn in 2Q19, but was still over 40% lower than 2Q18 levels. The lack of refinancing actvity was the biggest driver of lower volumes as refinancing issuance of US$2.9bn hit the lowest quarterly level tracked since 1Q16. All-in-yields on institutional middle market deals did tighten to 7.72% in 2Q19 from a lofty 8.06% in 1Q19, but the drop was largely due to a decline in Libor while spreads remained somewhat elevated which deterred sponsors from repricing last quarter. New money lending of US$10.74bn rose 23% over 1Q19's three-year low with LBO financings dominating. Syndicated middle market LBO issuance of US$6.3bn led the way, hitting the highest quarterly level since 4Q17. However, several institutional investors, namely CLOs, are growing more cautious on middle market LBO financings given weak ratings and aggressive structures that mirror broadly syndicated deals. In fact, total leverage levels on institutional middle market loan financings have hit a new record high in 1H19 at 5.04x/6.02x (1st lien / total debt to EBITDA), up from 5.22x/5.87x in 2018. LBO deals syndicated to the institutional loan mart in particular were aggressive in 2Q19 with total leverage well over 6.0x for names such as Golden State Medical Supply (6.5x), Wrench Group (6.7x), Quick Base (over 7.5x), Worley Claims Service (7.0x), and API Technologies (7.0x).

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