Leveraged Loan Insight & Analysis – 10/6/2014

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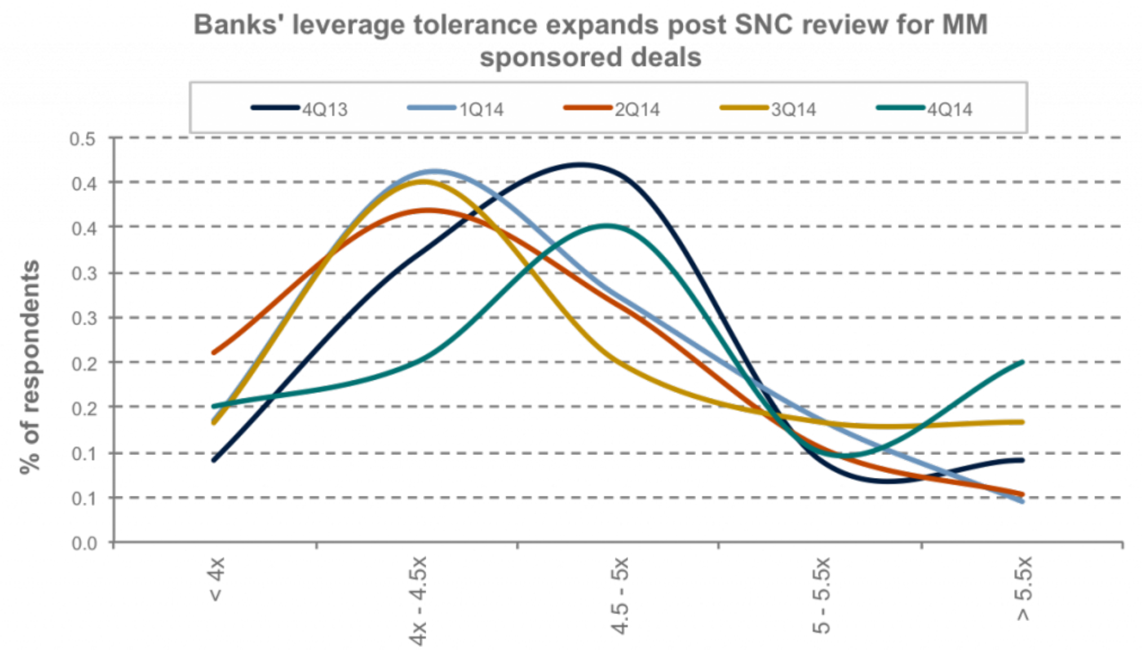
Banks appear to be getting a bit more comfortable with leverage on middle market sponsored deals post their SNC review this year. Every quarter, Thomson Reuters LPC asks banks what is their maximum leverage cap for middle market sponsored-backed deals. And while the majority of respondents said they were only willing to lend up to 4 to 4.5 times debt to EBITDA over the past few quarters, that metric appears to be going higher this quarter as banks have more clarity on the SNC review process.



In 4Q14, the majority of banks' leverage tolerance went up by half a turn with another 30% reporting they were willing to go beyond 5 times. Most middle market banks said their review process was "as expected" and the first SNC review demonstrated that " the ability to de-lever via cash flow" to be the more important driver rather than 6 times leverage threshold. And as competition to win sponsored business remains fierce, it appears banks may be a bit more willing to loosen their leverage tolerance relative to earlier this year in order to compete.
Underliers

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