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Technology loans remain popular amid heightened selectivity

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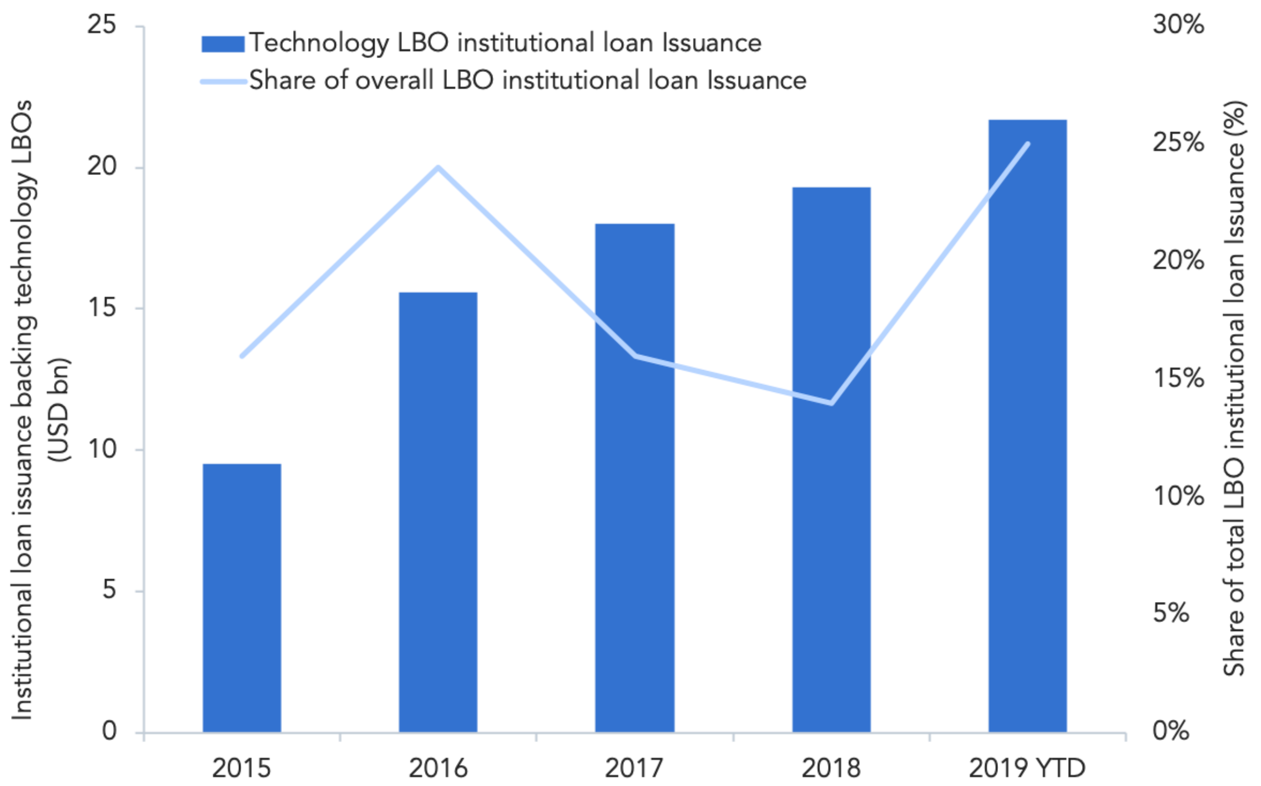

Source: Debtwire Par

Technology deals remain popular in the loan market, with institutional loans backing technology LBOs climbing to USD 21.7bn year-to-date, already surpassing the USD 19.3bn recorded in full year 2018 and setting a new record.

The share of total LBO loan financings represented by the technology sector has trended upwards in recent years, with the sector accounting for 25% of LBO institutional issuance in 2019, up from 14% in 2018 and 16% in 2017.

Despite the busy market for technology deals, buysiders say there is now more selectivity around these deals due to the high valuations and leverage, plus the belief we are in the latter part of the credit cycle. “People are cautious because every story feels the same. Tech took off 5 years ago and we did all the big deals and they did well but it’s a repeated credit story about being embedded and their recurring revenue, and every credit story sounds identical. It’s hard to get your arms around what all these companies do. It sounds very similar unless you are a very deep tech analyst and can really distinguish”, cautioned one buysider.

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