Lending began to rebuild in July, add-ons drove 60% share

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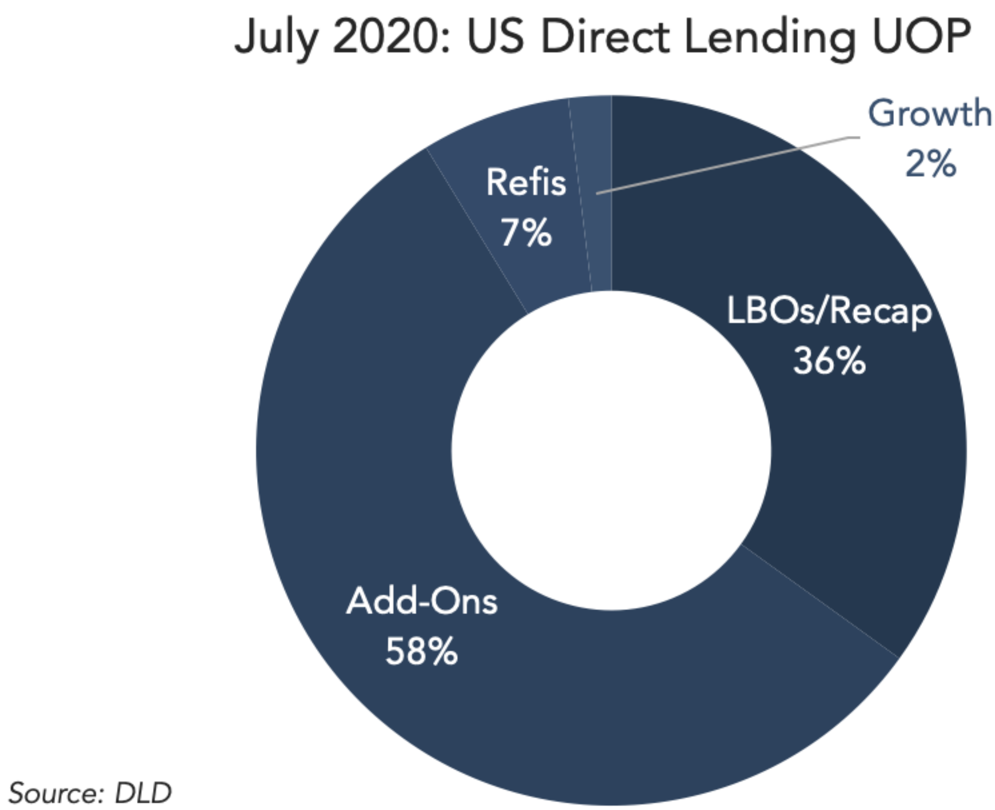
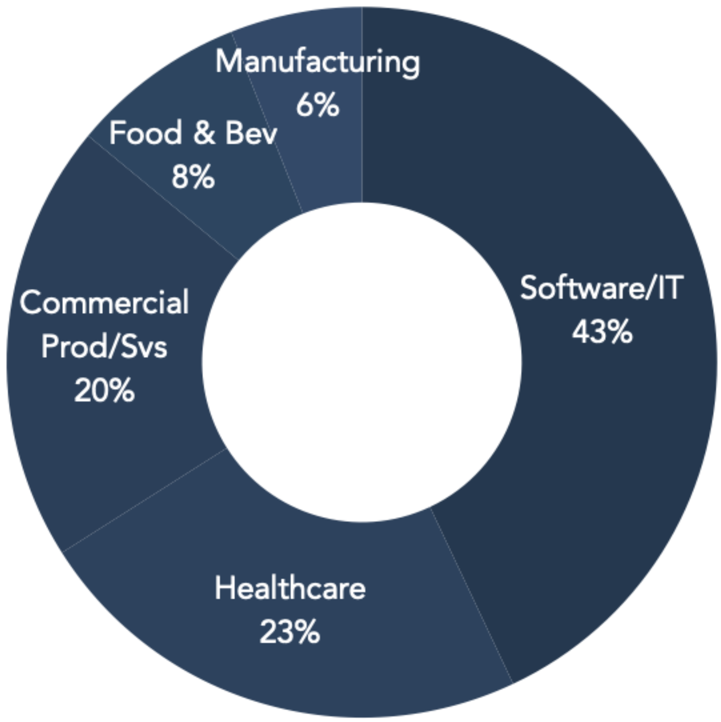


July 2020: Active Industries



Source: DLD

There's no clear path forward yet, but lending began to slowly rebuild in July. The second quarter gave arrangers more time to evaluate portfolio company exposure to Covid-19, and while performance was down, it wasn't as bad as many were expecting, based on *DLD*'s conversations with managers.

Of the deals tracked in July *by DLD*, nearly 60% supported add-on M&A, building upon the share from June.

Not only are add-ons easier to sign from a credit perspective, they also have been less cumbersome to execute logistically, when travel is restricted and senior executives are accessible by video only. The anchor relationships are already in place.

Buyouts are down, but not out. LBOs/recaps accounted for 36% of July business, according to *DLD*.

Sponsors are hunting the lower middle market for pandemic-resistant industries like enterprise software, insurance/financial services, non-elective healthcare services and products, as well as transportation & logistics, and food & beverage.

These types of companies haven't fallen in value, lenders say. To the contrary, some are seeing higher purchase price multiples than before. Afterall, if they can thrive during a global pandemic, they must be bulletproof.

What's out: travel, entertainment, retail, restaurants, oil & gas.