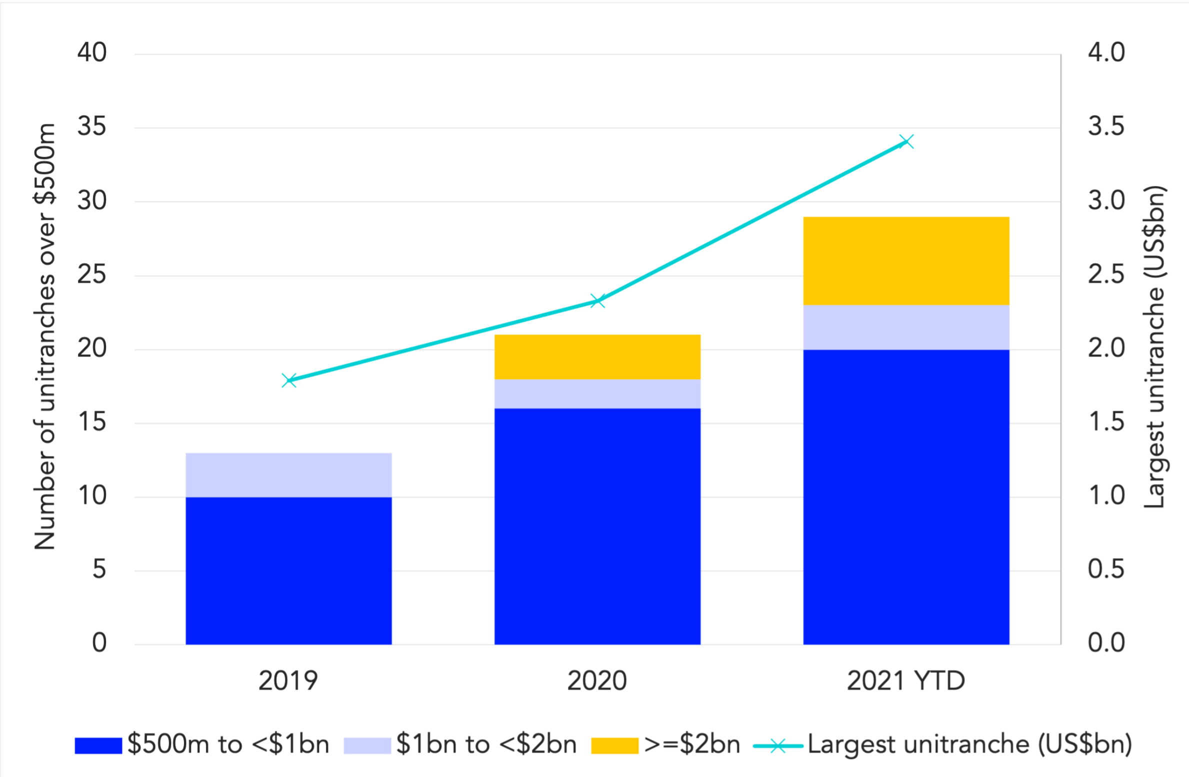
Unitranches continue to grow in size and scale

LSEG | September 16, 2021



The size and depth of the direct lending market has grown dramatically in recent years, with mega unitranches increasing in frequency. These larger deals have helped private lenders take market share from the broadly syndicated market and highlighted their growing scale.

Back in 2019, there were 13 unitranches that exceeded US$500m, with only 3 topping US$1bn. This year, there has already been 29 unitranches over US$500m, with 6 of them surpassing the US$2bn mark. Prior to 2021, the largest deal was the £1.875bn (US$2.33bn) financing for Ardonagh Group. But that record has been blown away this year more than once.

The current recordholder is Galway Insurance's US$3.41bn unitranche backing a refinancing and add-on acquisition. This was on the heels of Inovalon's US$3bn unitranche package. Though larger deals have raised concerns about increased risk, private lenders say the manner in which the asset class negotiated the pandemic last year plus the jump in mega unitranche deals is evidence of the staying power of the asset class, highlighting to sponsors the scale and durability of the offering.

(Past performance is no guarantee of future results.)