Leveraged Loan Insight & Analysis – 5/11/2015

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Roughly one third of banks and non-banks polled at TRLPC's 3rd Annual Middle Market Loan Conference last week reported that sponsored M&A deal flow will most likely not materialize over the next two months. The percentage grew to 36 percent of respondents expecting that deal flow will not pick up at all in the non-sponsored or corporate M&A segment either. Where are the optimists? Fifty-eight and 56 percent of respondents respectively expect a moderate pick-up in activity in both segments. May 11 2015 TRAlthough a minority, 14 percent and eight percent respectively expect a significant pick-up in deal flow. Financing conditions are ripe but valuations remain high and sources don't expect to see them come down at anytime soon. With higher multiples and lower leverage in large part due to banks implementing Leveraged Lending Guidance, sponsors have been less willing to pull the trigger as a buyer. However sponsors have been sellers and sponsor to sponsor transactions make up a large chunk of sponsored M&A transactions. Given the implementation of Leveraged Lending Guidance, sponsors have undergone an education process as to what their lenders' new tolerance may be and ultimately the guidance may also lead to a shift away from traditional players and structures for credits that are out of the box.

Source: Thomson Reuters LPC's 3rd Annual Middle Market Loan Conference