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Leveraged Loan Insight & Analysis – 5/9/2016

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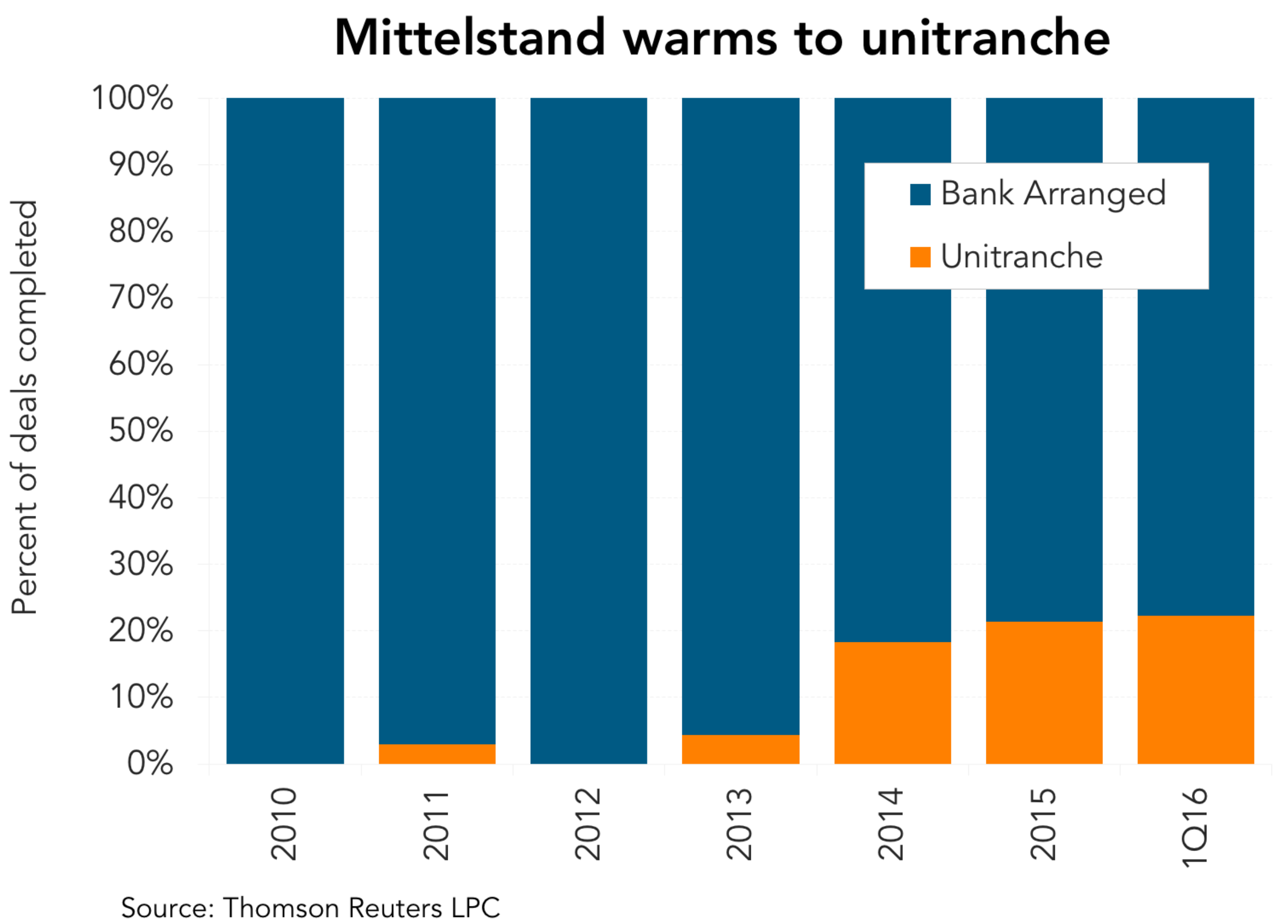
The share of unitranche financings in the Mittelstand leveraged loan market has risen to 22% of of total issuance on a deal count basis in the first quarter of 2016, an all-time high according to numbers compiled by Thomson Reuters LPC. Mittelstand is the middle market for the Germany, Austria and Switzerland region, comprising corporates with annual revenues of less than €1.5 billion. Typically more conservative than other European borrowers, Mittelstand borrowers only began issuing unitranche facilities in 2011 and remain far behind UK and French borrowers in terms of volume and number of deals.



German regulator BaFin loosened regulations in May 2015 to allow German regulated direct lending funds to originate loans, opening the market further to direct lenders. Initially the domain of companies backed by private equity sponsors, a recent trend among non-sponsored companies borrowing unitranches has emerged. In the Mittelstand market German sushi company, Natsu Foods, backed the acquisition of Dutch sandwich company,Qizini Group with a unitranche financing in September 2015. That was followed in January 2016 by German fastening maker, Joh Friedrich Behrens' bond refinancing which was backed by a unitranche financing provided by Swiss asset manager, Patrimonium. With additional participants entering the market on both the borrower and lender sides, unitranche is likely to gain greater traction in the Mittelstand market.

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