Leveraged Loan Insight & Analysis – 7/25/2016

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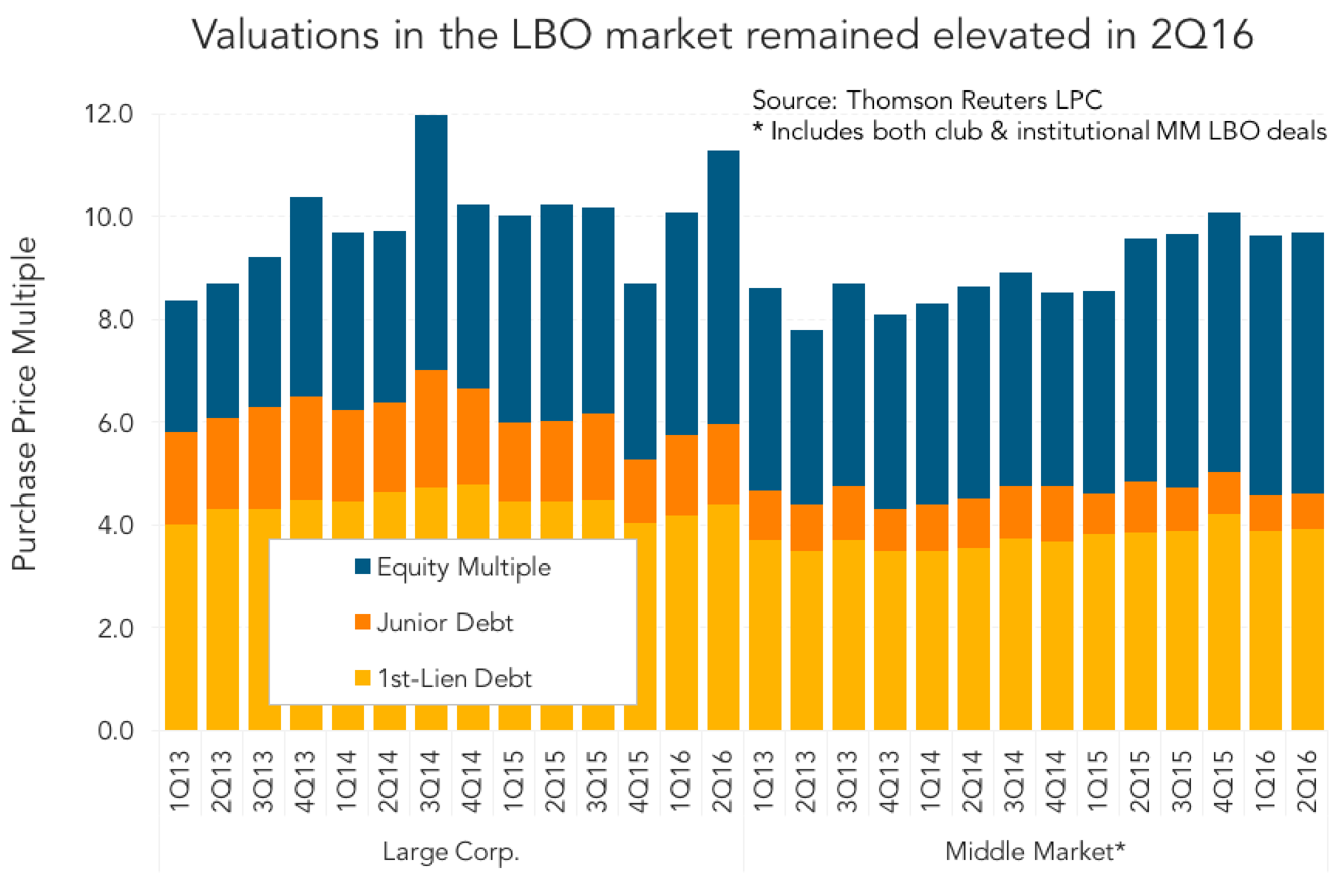
The PE-backed LBO market continued to remain inflated and aggressive in 2Q16. The average purchase price multiple on large corporate LBO deals was elevated at 11.3 times while middle market deals also saw lofty valuations at 9.7 times. Historically middle market LBOs exhibited average purchase price multiples closer to 8 times but that started to rise into the mid-9x area in 2Q15 and never came back down. But with average leverage capped in the 6 to 6.5 times area across both markets, sponsors had to kick in sizeable equity contributions.



Both the large corporate and middle market saw record high equity checks in 2Q16 at 44% and 52% respectively. In 2H16, it is likely that inflated valuations are here to stay given several factors including high public equity market valuations, lack of assets for sale and significant levels of unspent private equity capital commitments. Buyout and mezzanine fundraising totaled $93 billion in 1H16 which is slightly behind 2015 levels but still quite robust.

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