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Leveraged Loan Insight & Analysis – 7/14/2014

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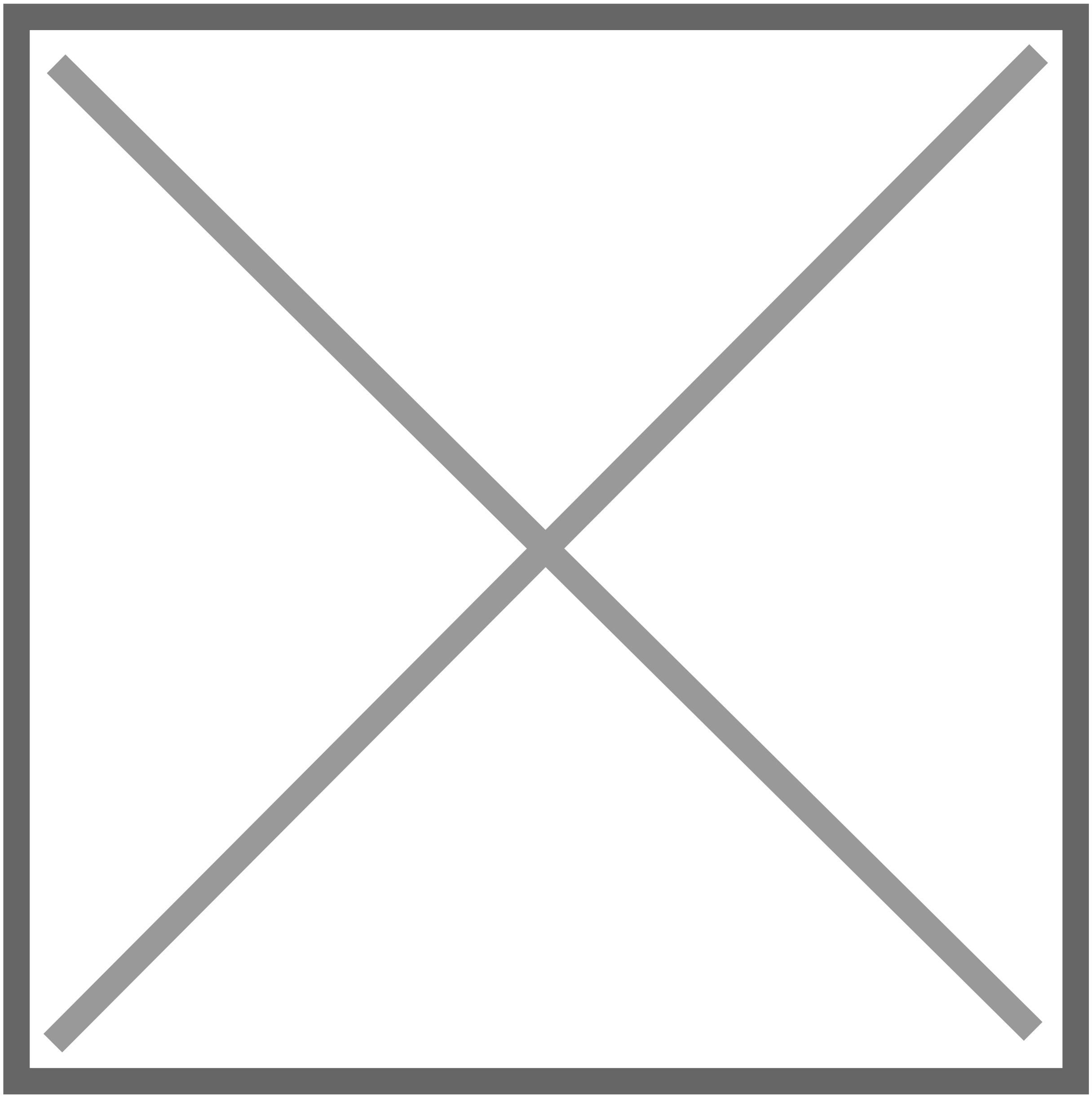

LBO volume is strong in 2014, already reaching $47 billion in 1H14 with a significant amount of deal volume in the pipeline. As private equity backed buyout activity accelerates, leverage levels have too. In 1H14, the average debt to EBITDA for large corporate LBO deals spiked to 6.33 times, up from 6.23 times in 2013 and 5.86 times in 2012. In fact, 2014 is the second highest year on record for LBO leverage levels, behind the 7.05 times seen in

2007. Many deals exhibited leverage greater than 7 times including Wencor, Electronic Funds Source, Phillips-Medisize, Skillsoft, IMG Worldwide, and Checkout Holdings to name a few. In the institutional middle market, leverage also crept up in 1H14 to 5.25 times, up from 5.1 times in 2013 and 2012. However, dealflow has been rather limited compared to the large corporate market. Several very aggressively levered deals really dragged the average up including ABILITY Network, Genex, Institutional Shareholder and Pregis Corp. Lofty purchase price multiples and availability of capital among both lenders and sponsors continue to set the stage for rising leverage levels.

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Contact:
Fran Beyers
frances.beyers@thomsonreuters.com