Leveraged Loan Insight & Analysis – 7/28/2014

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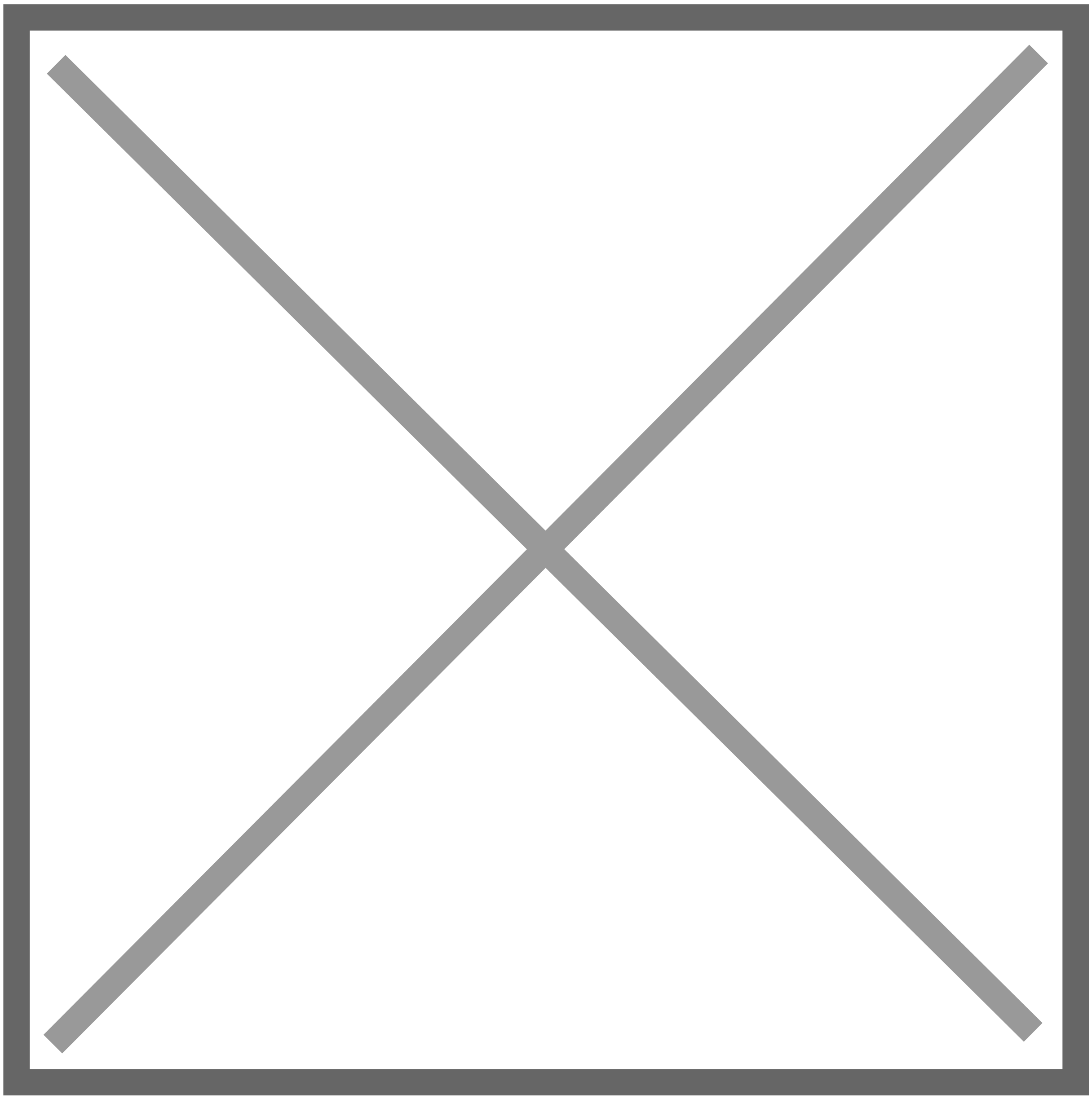

The middle market is quite a diverse market place and yields vary based on lender type and EBITDA size. In 2Q14, moving down market to lend TLBs to smaller private middle market issuers resulted in a nice 70bps premium for first lien deals over rated, public middle market institutional deals.

However, while there is a premium for private credits, traditional middle market players have also been seeing a tightening of yields due to all the fundraising getting done in the middle market. Private middle market TLB's yielded 6.46% in 2Q14, down from 6.54% in 1Q14. And yields on middle market private term loan As collapsed in 2Q14 as banks fiercely competed for those leveraged deals that fit the new Leveraged Lending Guidance criteria. Private term loan A yields dropped to only 5.19% in 2Q14, down from 5.84% in 1Q14. Second lien yields also tightened in the private end of the middle market. Yields on second liens dropped to 9.66% in 2Q14 from 10.10% in 1Q14. Mezzanine still seems to be priced at a nice premium to second lien. The average all in yield was 13.23%, a whopping 3.6% premium over second lien tranches. But in all fairness, size is a driver as the average EBITDA for the mezzanine deals collected by TRLPC in 2Q14 was $19 million compared to roughly $40 million for second lien capital structures.

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