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Middle Market LBO issuance hits post credit crisis high at $24B

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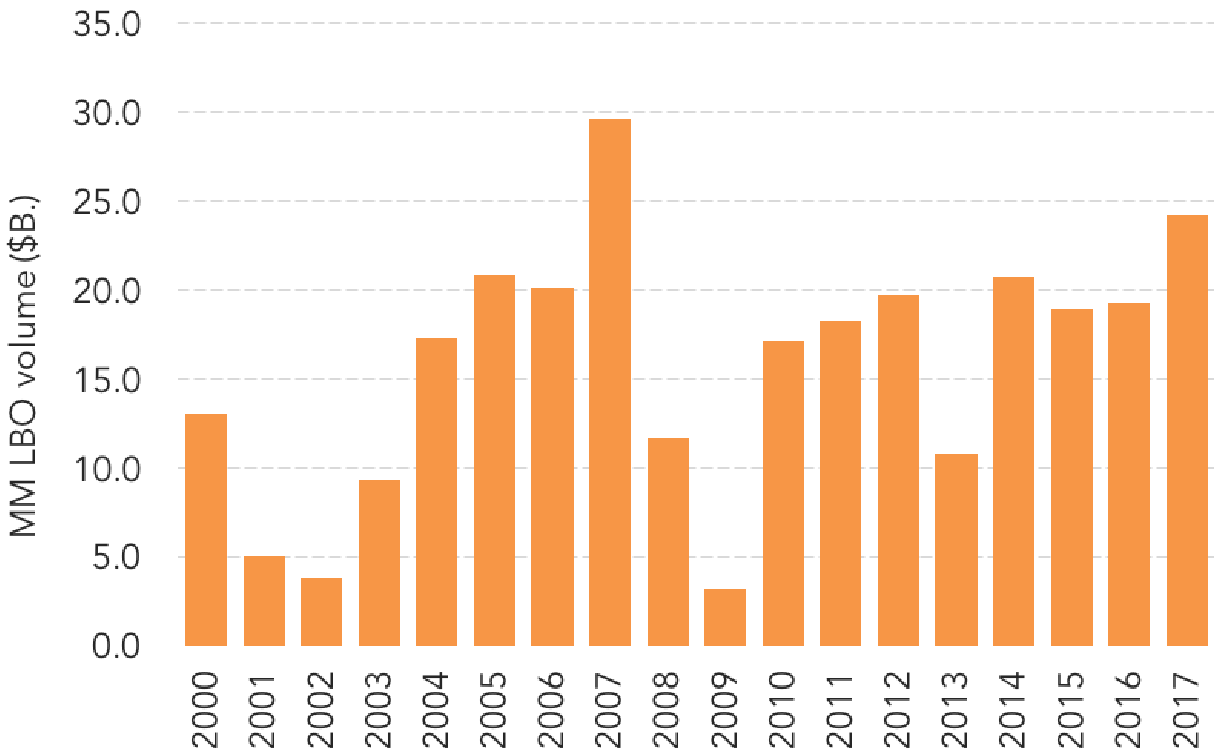

Despite lenders complaining of a supply demand imbalance for most of the year, middle market LBO issuance is actually quite robust in 2017. Year to date, syndicated middle market LBO loan issuance has already reached US$24.2B, the highest level tracked post credit crisis and the second highest level on record behind 2017's US$30B. And these figures don't even take into account all the buyout financings getting done via sole lender transactions which is likely substantial given all the capital direct lenders have amassed over the last 2-3 years. With valuations on larger companies being super inflated due to record highs in the stock market, many large sponsors have gravitated down the size spectrum to acquire smaller companies. This has contributed to inflated purchase price multiples on middle market issuers to new record highs. In fact, the average purchase price mutliple on middle market issuers in 3Q17 of 10.8 times even surpassed large corporate buyouts at 10.5 times. Add-on acquisition financings have also been very robust in the middle market with US$10.6B logged year to date, which is also the highest level tracked post credit crisis, but still below the US$15B tracked in 2006 and 2007. With purchase price multiples being so high, many sponsors have executed on add-on financings to justify paying aggressive valuations. So far in 4Q17, purchase price multiples remain very inflated with both large corporate and institutional middle market LBOs (EBITDA> $40M) being bought at an average of 12.3 times EBITDA.

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