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Middle market loan issuance jumps 23% in 2017 to $170B

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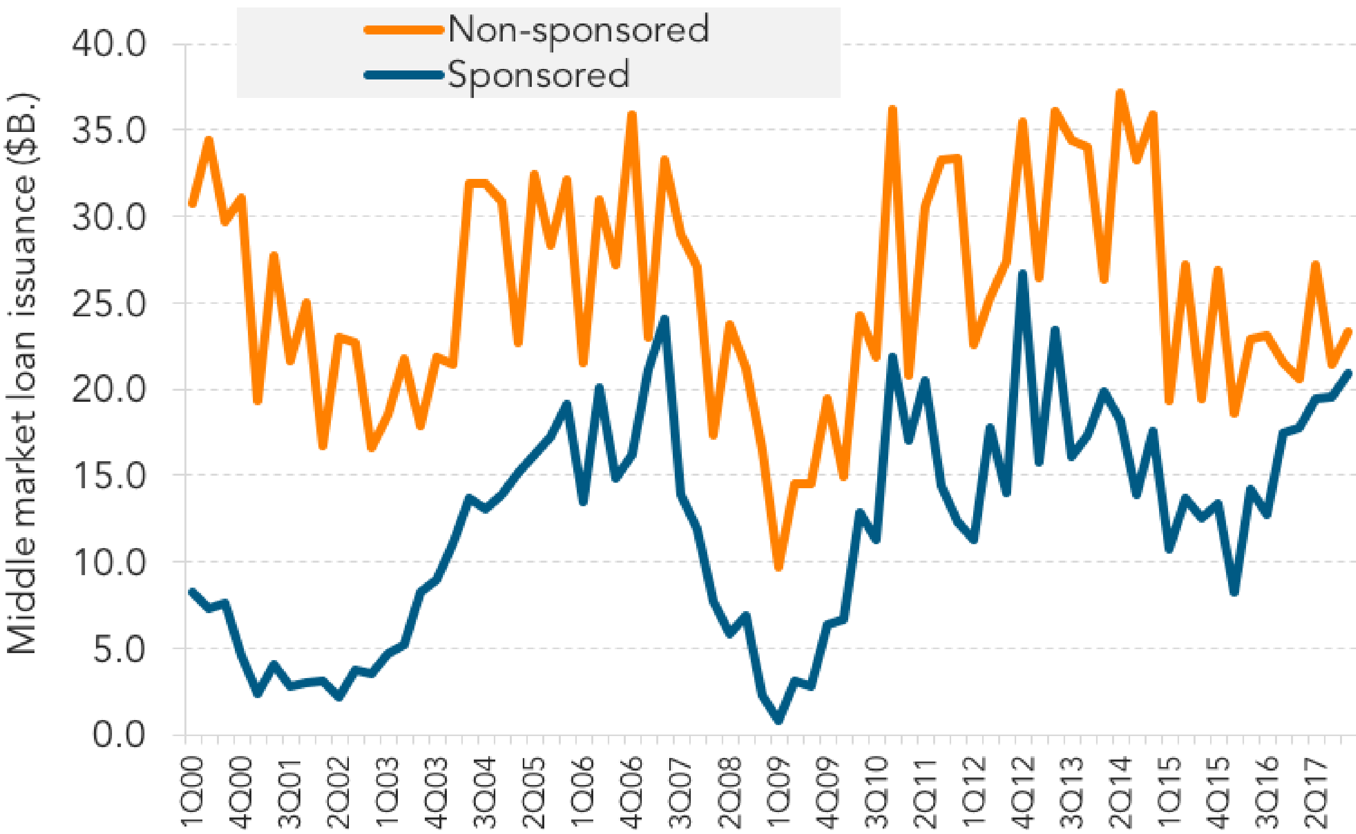

Middle market lending heated up in 2017 and is poised to remain even hotter in 2018. Issuance hit $170 billion in 2017, up 23% from 2016's weak levels. The sponsored market is driving most of the momentum as LBO issuance of $28bn hit the second highest level on record, only 5% shy of 2007 all time record high of roughly $30bn. PE sponsors are flocking to the middle market to snap up any availble assets they can find and the abundance of capital available from direct lenders is only helping their cause. Despite the pick up in activity, lenders continue to say dealflow is insufficient to soak up the record amount of capital floating around the space. Non-sponsored lending was not very hot in 2017 as issuers remained cautious and on the sidelines awaiting concrete action around proposed policies. 2017 volume of US$92.5bn was disappointing and only up a mere 7% from 2016's weak levels. But in 4Q17, issuers did finally pull the M&A trigger with middle market corporate M&A issuance reaching US$4.4bn, the highest quarterly level tracked post credit crisis – a sign of increased confidence and optimism regarding economic growth. General tone for middle market lending in 2018 is conditions will remain very issuer friendly and extremely competitive for lenders to win business. The influx of capital is showing no signs of abating and lenders are already sensing that terms and conditions are worse than 2017 levels.

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