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Share of LBOs levered 7x or more edges higher in 2019

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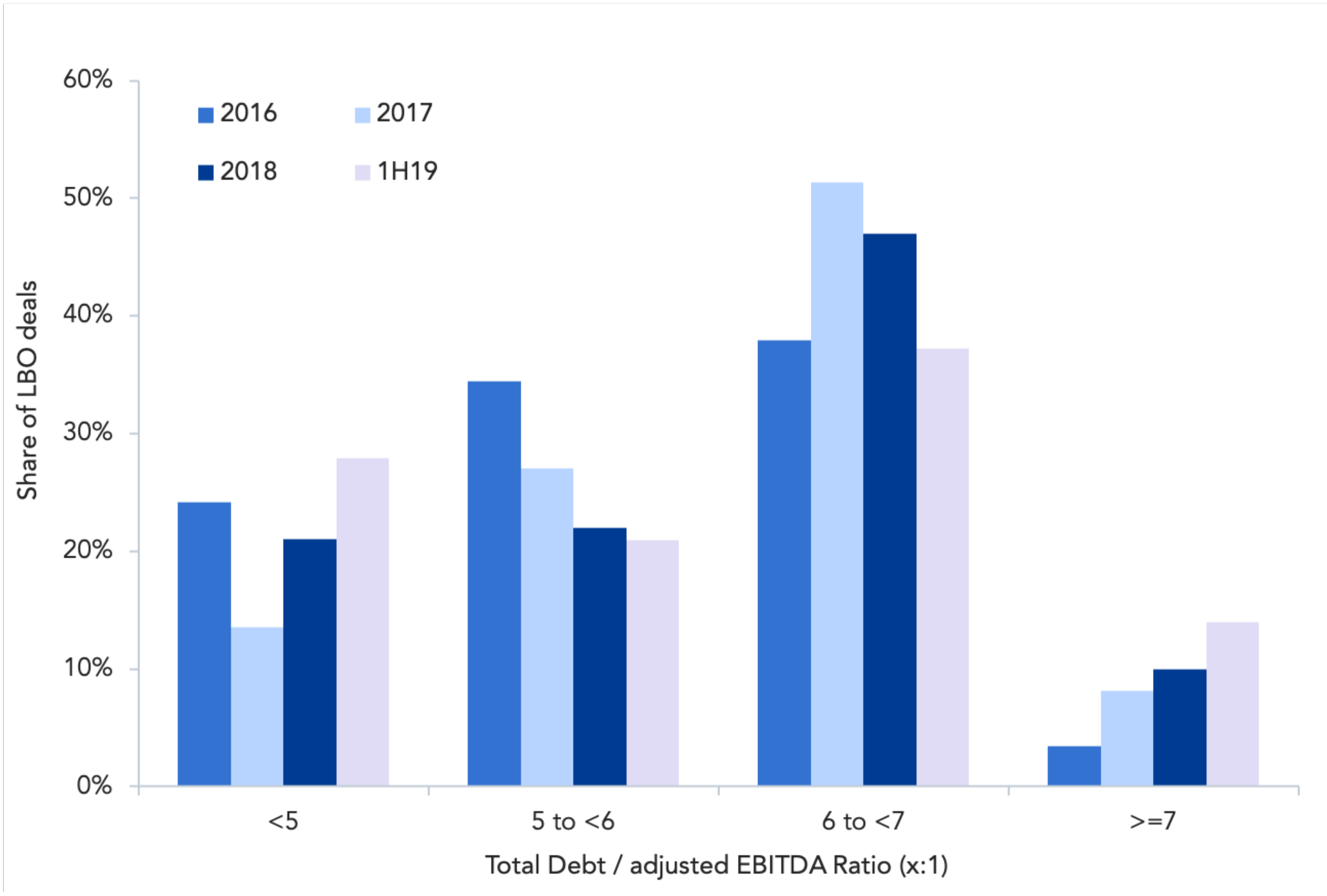

Source: Debtwire Par

Lender appetite for LBO loans was strong in 1H19, with leveraged loan issuance backing LBOs amounting to USD 75.7bn. The institutional loan component, the focus of buysiders' attention, totaled USD 60.8bn. On the other hand, high yield bond volume backing LBOs jumped to USD 9.1bn in 1H19, up from USD 2.3bn in the same period last year.

Adjusted leverage on LBOs averaged 5.9x in 1H19, similar to the 6x recorded in 2018. Digging deeper, we see that over half of LBO deals were levered 6x or more in 1H19, with 14% in the 7x or greater category. While the share of deals levered more than 6x has pulled back this year, there has been a further rise in the share of deals leverered 7x or more.

However, larger EBITDA addbacks have pushed leverage even higher on an unadjusted basis. In turn, lenders say they do their own due diligence to determine the addbacks and EBITDA assumptions they think best reflect the realities of individual credits.

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