Direct to Consumer

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We mentioned last week Apollo's $1.8 billion financing for New Media Investment Group's acquisition of Gannett & Co. It seemed like one of the largest non-bank buy-out deals ever. A banker friend of *The Lead Left* agreed:

"You remember Ares' *Qlik* deal in 2016." she said. "That was a shock to the market when it happened. While there have been a number of larger buyouts led by the non-banks, the $1 billion-plus transactions have been fewer than some expected."

Can you point to others? "Earlier this year there was a UK deal for the *Daisy Group*, also led by Ares," she told us. "That was £1 billion, buying out a minority partner." Daisy Group is in the telecom services space.

Refinitiv's Leela Parker nicely summarized the issue in a note last week [link]:

"Direct lenders with deep pockets and increasing scale are stepping up to provide billion dollar-plus commitments to fund large sized mergers and acquisitions," she writes, "in a sign that the private debt markets are now open to large as well as middle market companies."

Besides the New Media deal, Ms. Parker cited a $1.25 billion Goldman Sachs Private Credit and HPS unitranche financing for software solutions *ION Group*. The loan helped ION's purchase of BC Partner's Mergermarket, now called Acuris. (Debtwire, an Acuris company, is a content partner for The Lead Left).

The ability of direct lenders to write bigger checks has been well-documented in this space and elsewhere. The next frontier, when it comes to mega-financings, is the ability of non-banks to underwrite and distribute that paper. Even if "distribute" means apportioning whatever you can't hold to friends of the sponsor and arranger.

That was the case with Qlik; Golub, TPG's Sixth Street Partners and Varagon were co-arrangers. Ironically, as Ms. Parker details, big banks turned down the first deal, but jumped in soon after with a traditional term loan B refinancing sold to the BSL market.

Our *Chart of the Week* highlights how the number of LBO loans over $1 billion has steadily grown since the Great Recession. While the share being arranged by direct lenders is no doubt small, it's clear issuer-friendly conditions have supported this trend.

It's also clear that issuers and arrangers of credit can tap both public and private markets, according to which will work best for the situation.

"Borrowers are economic animals," LSTA Executive Director, Lee Shaiman told Refinitiv in the article, "and they are going to access the market that best suits them at that moment in terms of borrowing terms, speed of execution and pricing."

From the Editor: The Lead Left will be on its annual August break and will return the week of Sept 2. Enjoy the rest of your summer!