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Total leverage on large corporate US LBO loans remains high in 4Q19, but senior leverage declines

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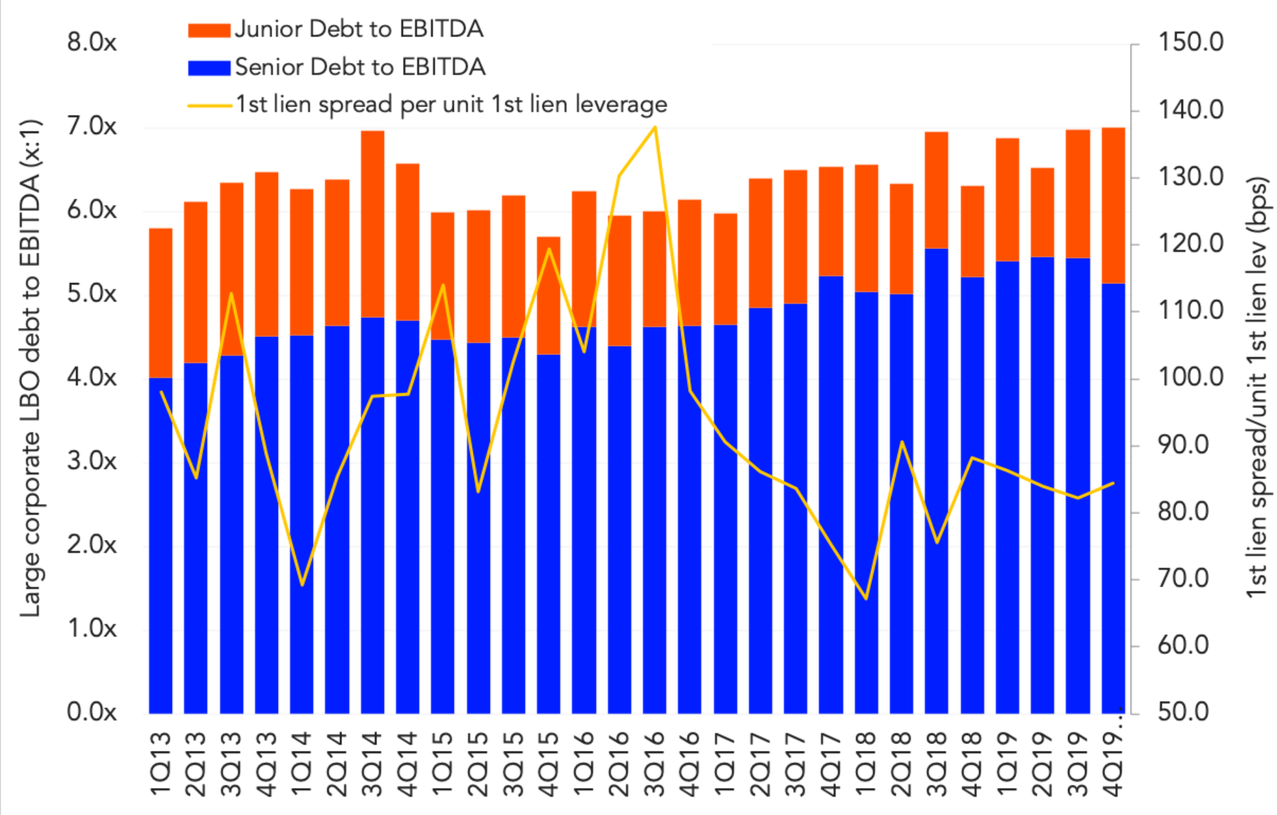

At a time when investors have been pushing back on pricing and structure on riskier loans, total leverage on US LBO deals remains high. So far this quarter the average total debt to EBITDA level for large corporate LBO deals is near 7.0 times, a similar level to 3Q19. Although total leverage remains high, senior leverage has declined as more LBO deals have contained an unsecured bond component. The average first-lien debt to Ebitda level on large corporate LBO deals is 5.1 times so far in 4Q19, the lowest level since 2Q18's 5.0 times. Investors have been getting compensated a little more on LBOs this quarter. The average first-lien spread per unit first-lien leverage on large corporate US LBO deals has increased to 84bp in 4Q19, from 82bp last quarter. The higher spreads are largely due to LBO issuers with a B3 corporate rating by Moody's, where the first-lien spread per unit first-lien leverage has increased to 90bp in 4Q19 from 82bp last quarter.