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COVID-19 hits unitranche issuance in 1Q20

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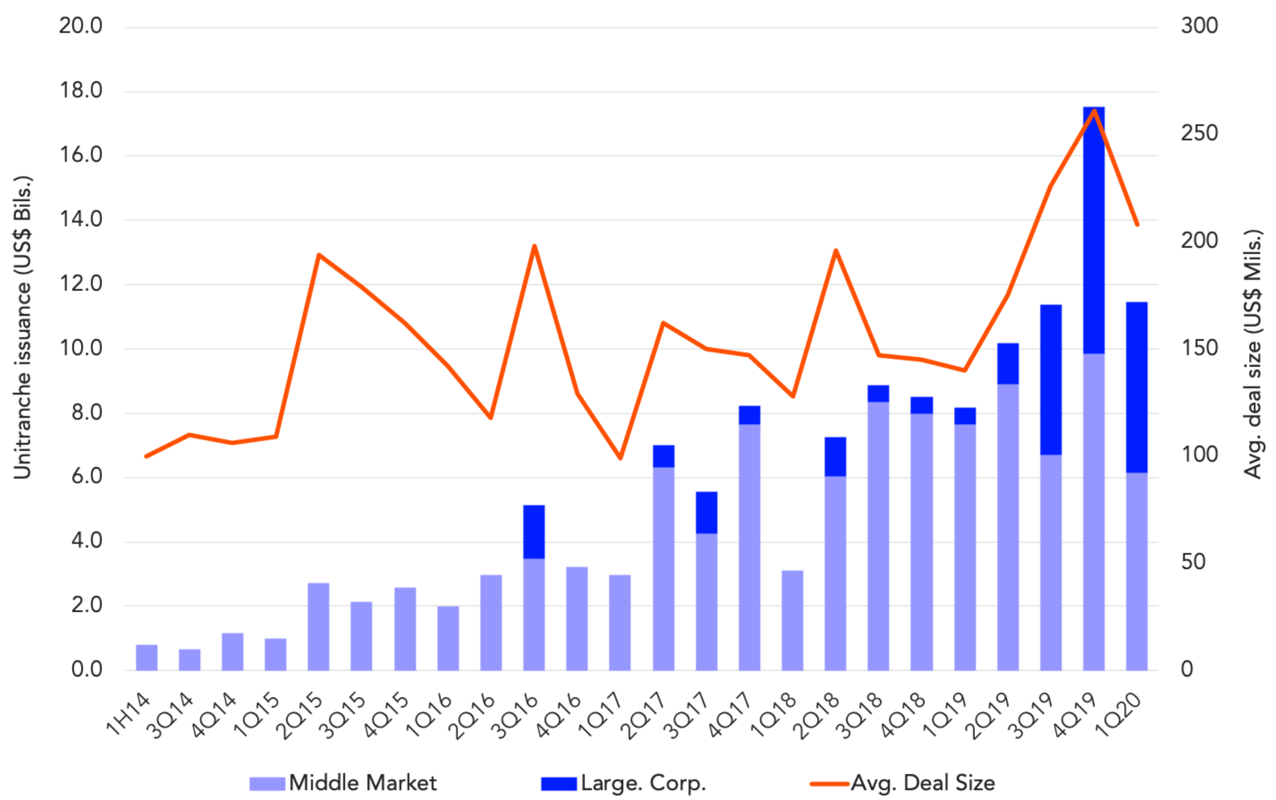

After growing for three straight quarters and hitting an all time record high in 4Q19, unitranche volume took a steep hit in 1Q20. Total U.S. unitranche issuance fell to US$11.5bn in 1Q20, down 35% from 4Q19's record high of US$17.5bn. The "mega tranche" trend that exploded in 4Q19 at US$7.7bn continued early on in 1Q20 with deals like MRI Software and GS Pretium, but came to an abrupt stop in March resulting in large corporate unitranche issuance falling to $5.32bn. Meanwhile, middle maket unitranche issuance of US$6.15bn, fell to the lowest level tracked in seven quarters as middle market lenders were more reserved on higher levered transactions in 1Q20. Unitranche issuance is likely to be constrained for the remainder of the year as direct lenders are unlikely to commit the same large hold levels they were earlier in 2019. "I think you are going to see direct lenders clubbing up deals much more and lowering their hold level to keep more dry powder to help portfolio companies," said a source. Meanwhile, some direct lenders with surplus cash are capitalizing on the current market dislocation. For example, in mid-April Apollo, Owl Rock, Sixth Street Partners, and Benefit Street Partners to name a few, stepped up to provide Airbnb with a US$1.0bn loan priced at LIB+750 with a 97.5 OID. While, GSO Capital Partners provided a $750M loan to Alnylam priced at LIB+700.