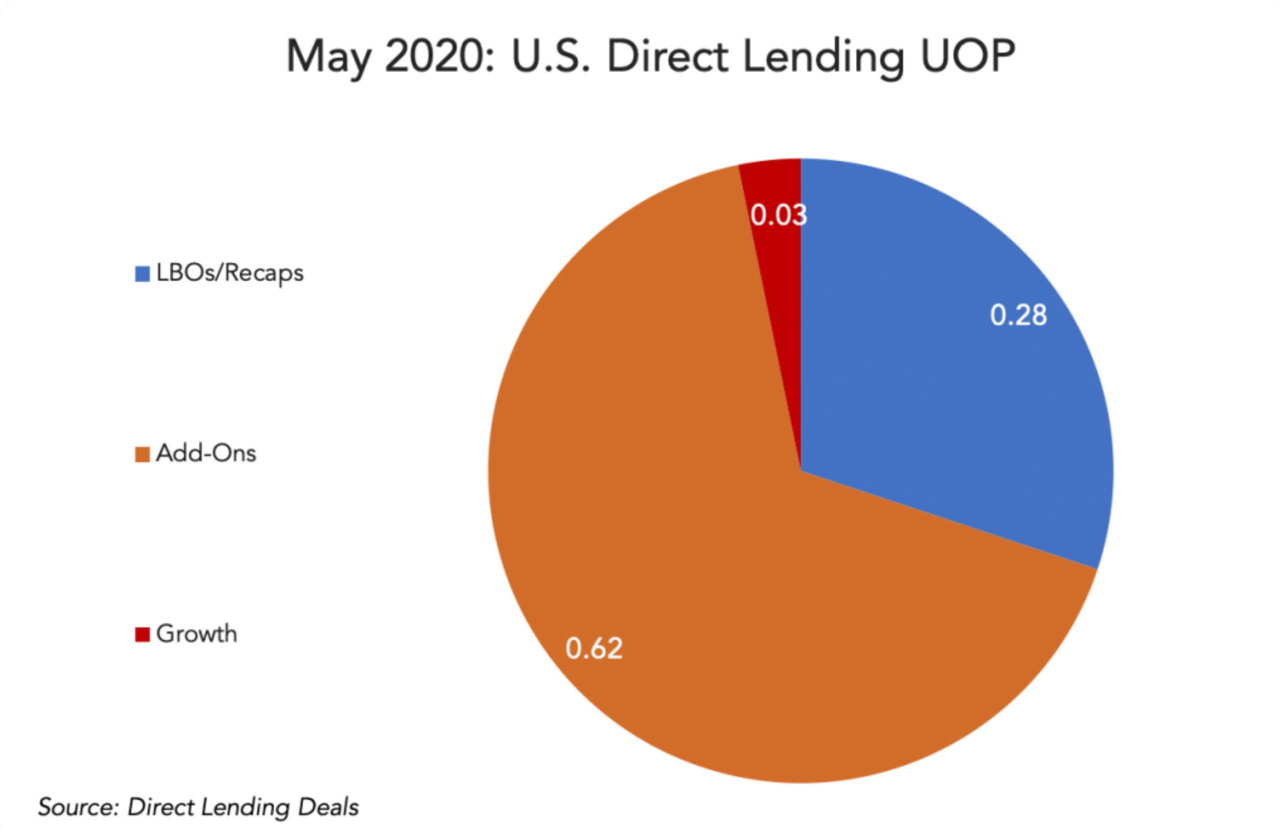
THE LEAD
https://theleadleft.com/dl-deals-news-analysis-6-15-2020/

May 2020: U.S. Direct Lending UOP

KBRA DLD | June 18, 2020



After outpacing M&A add-on activity for the past six months, LBOs fell in May, to a 28% share of direct lending loans, as tracked by DLD. Add-ons accounted for 62%, up from 37% in April. Opportunistic refinancings and dividend deals were absent altogether last month.

Halfway through June, and the trend hasn’t changed much. LBOs account for 26% of the tally so far, trailing the 56% for add-on activity. What is new, however, is the emergence of bankruptcies.

DLD has tracked two in June, one a pure direct lender deal, the other more of a middle market club loan by banks. In both cases, the borrowers were in trouble long before the pandemic hit. Covid-19 was the straw that broke the camel’s back.

Lenders know that upcoming second quarter results will be rough. What they don’t know yet is how rough, or for how long.