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August amped up deal flow in lower middle market; Busy season ahead

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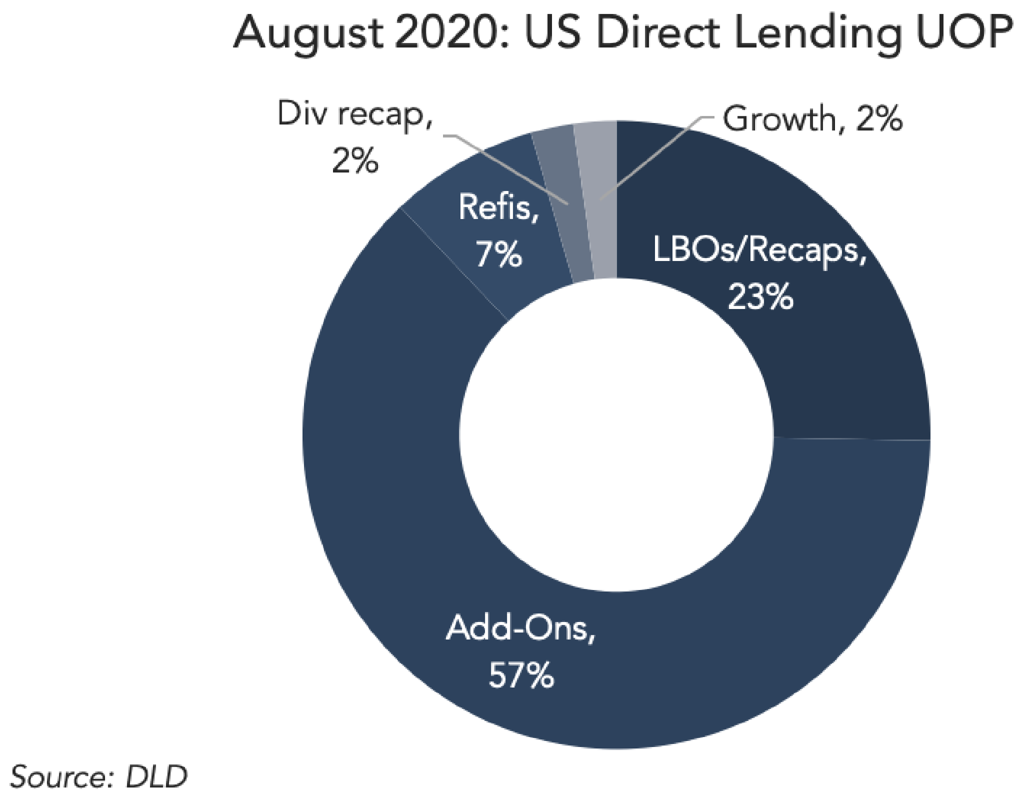

Lower middle market deal flow amped up in August, with volume exceeding July as lending found its footing amid calmer secondary prices and outflows. Quarter-to-date volume overtook 2Q weeks ago. Final numbers will be available in our upcoming Quarterly Report.

(See chart above)

Better conditions and demand for strong credits drew refinancings. A hunger for paper even encouraged a few dividend recaps including Diligent Corp's $1.3 billion unitranche via Golub Capital.

Buyout volume has been gaining ground on increased auction interest, lenders say. Investors have seen how companies performed through Covid; there hasn't been much capital deployed in the past six months, and there's some impetus to execute ahead of the election and any potential tax changes that could result.

Upmarket, unitranche loans in the past month have spilled over $2 billion for the first time. MRI Software set a new record of $2.01 billion in August, but was quickly replaced by Risk Strategies this week, at $2.04 billion. Although both arrived there incrementally, the record amounts show a vote of confidence among lenders even as they have cutback on holds.

Bullhorn this week executed a $940 million unitranche loan through a portability provision within its existing credit agreement, plus incremental debt, according to sources. Proceeds support the buyout of the recruitment software company by Stone Point Capital. The financing includes dollar, sterling and euro tranches.