At $2.3B, Calypso's record unitranche demonstrates larger capacity for jumbos

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The $2.3 billion unitranche loan supporting **Thoma Bravo**'s acquisition of **Calypso Technology** has set a new record for size, but what's even more notable is that the credit was assembled as new issue, not incrementally, like other recent unitranches that crossed the $2 billion threshold (**MRI Software**, $2.2B, **Diligent**, $2.1B, **Risk Strategies**, $2B).

Additionally, the Calypso credit comes at a time when current blended rates in the syndicated market have made it difficult for unitranche providers to compete. Borrowers rated B3 are sticking first-lien spreads of L+350-375, and second-liens in the L+600s. **Applied Systems** (B3) printed a second-lien at L+550, according to sources.

Calypso is priced at L+600 with a 98 discount. The maturity and floor were not known at press time, but using an average seven-year maturity, the all-in yield is somewhere between 6.49% (no floor) and 7.28% (1% floor).

Compare that to average new issue yields of roughly 4.5% to 5.5% for large-cap single B loans and high yield, respectively.

Lenders to Calypso likely are protecting their investment against refinancing risk with significant call premiums.

Could Thoma Bravo have found better pricing in the syndicated market? Absolutely. But private club deals still offer certain advantages. There's no ratings hassle, no bank meeting, and working with a smaller group of lenders is easier in any situation. Thoma Bravo chose to finance **ConnectWise**, **Instructure** and **AxiomSL** with large unitranche financing.

The L+600 spread is at a premium to the other $2B credits listed above, however those were arranged pre-Covid and smaller at origination.

As we recently noted in our quarterly report, lenders have pegged capacity for new jumbo unitranches at $2 billion to $3 billion, and possibly more. Several elements are driving capacity higher: At least a dozen managers can now hold at least $400 million; investors are hungry for yield; and there's not enough supply to go around.