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BDC newly originated second lien exposure climbs in 2Q21

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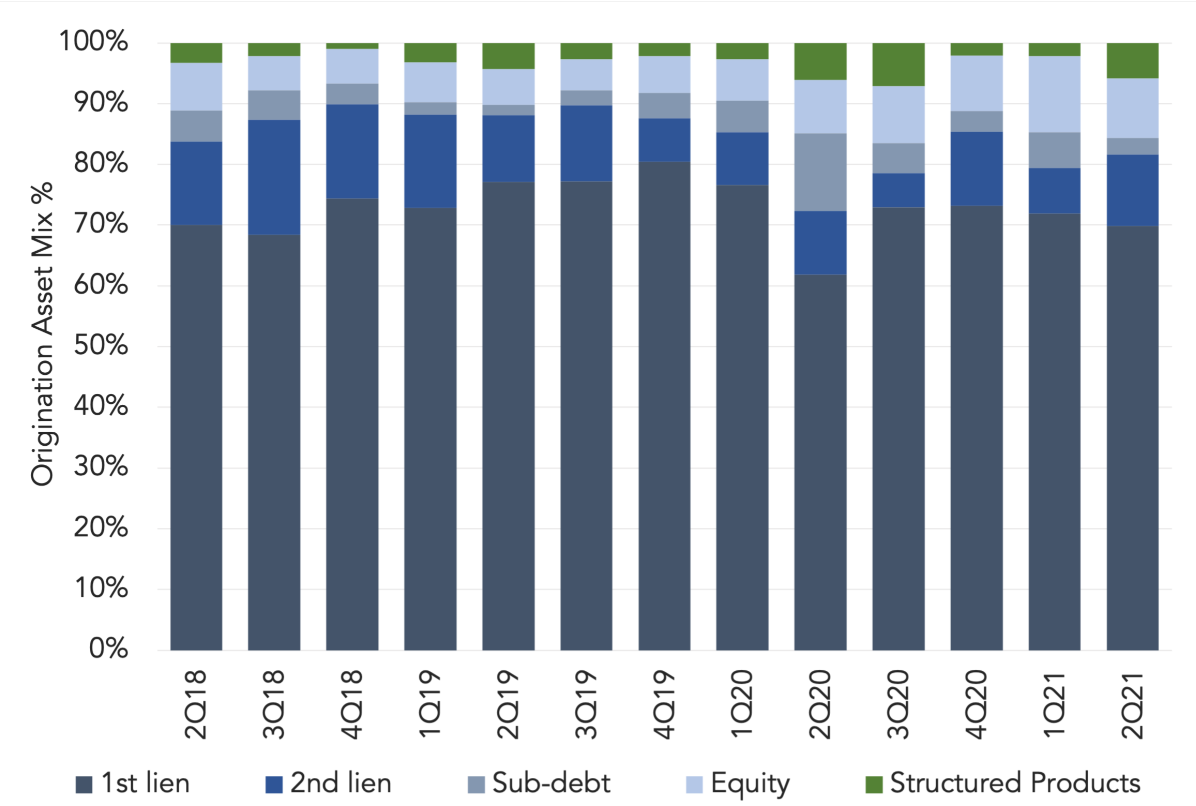

BDC's increased their second lien exposure to 12.1% of new originations in 2Q21, up from the 7.5% tracked in 1Q21. In comparison, first lien assets were relatively flat at 71.6% of originations, while equity positions slipped to 10%.

At the fund level, second lien originations as a share of overall originations varied widely across BDC's, ranging from 0% to over 40% of assets originated in 2Q21. BDC's are comfortable with second lien structures for select borrowers and with favorable terms. Craig Packer, Owl Rock Capital Corporation President and CEO said in their most recent earnings call "…Our second lien exposure is around 17%. I'd be very comfortable taking that number into the 20s and mid-20s, I mean, even high 20s in a certain kind of deal environment.

We get shown a lot of second lien opportunities, we just say no to almost all of them." One deal that passed the test in 2Q21 was Owl Rock's investment in a US$410m second lien facility to finance Conair Holdings leveraged buyout, priced at 750bp over Libor.

(Past performance is no guarantee of future results.)