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Middle market LBO direct lending surges to new heights

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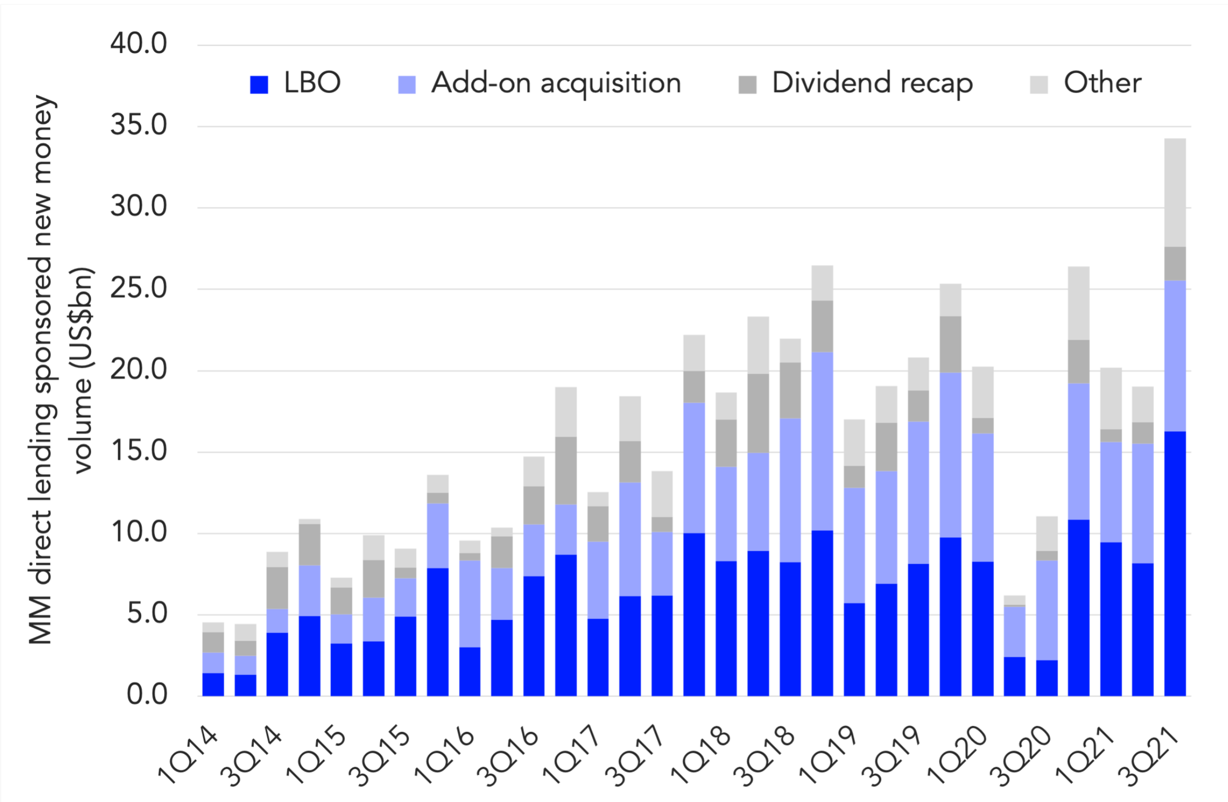

It was a record setting quarter for middle market LBO direct lending in 3Q21, with volume surging to US$16.3bn, nearly double the 2Q21 level and 50% above the prior record set in 4Q20.

On a year-to-date basis, the US$33.9bn of middle market direct lending LBO volume posted in 1-3Q21 is just shy of the full-year record of US$35.7bn recorded in 2018. From a competitive vantage point, direct lenders continued to win market share over the syndicated market. Direct lenders saw 3.8x more middle market LBO volume than the syndicated market in 3Q21.

Outside of LBOs, add-on acquisitions also bolstered middle market new money direct lending activity, increasing to US$9.2bn in the most recent quarter, with dividend recaps at US$2.1bn and other purpose deals at US$6.6bn. The market dynamics that have supported LBO and add-on acquisition activity, readily available financing and sponsors looking to put money to work, remain in place and activity is expected to remain elevated through year-end.

(Past performance is no guarantee of future results.)