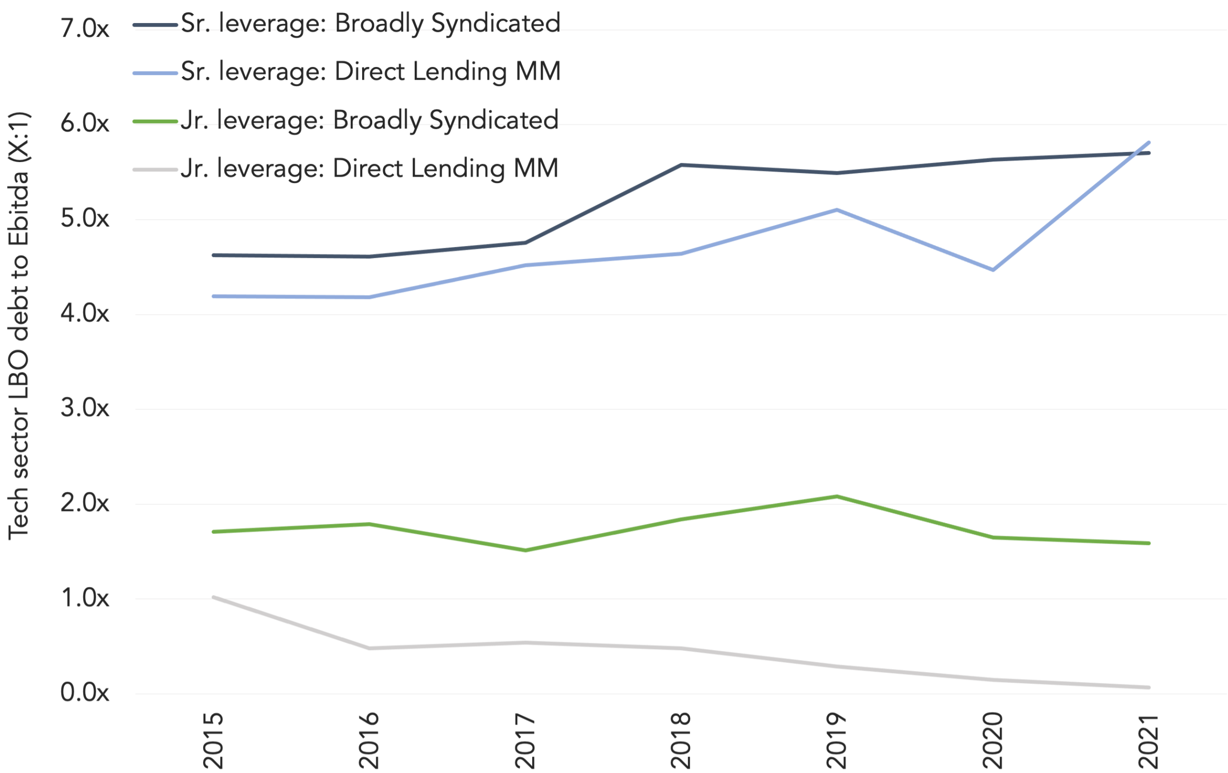
THE LEAD
https://theleadleft.com/leveraged-loan-insight-analysis-5-2-2022/

Unitranches help move senior leverage higher on direct lender middle market technology sector LBO deals

LSEG | May 5, 2022



The increasing popularity of the unitranche loan structure backing direct lending middle market LBOs in the technology sector drove senior leverage levels higher than those in the broadly syndicated market last year.

Tech sector deals have seen persistently high purchase price multiples in recent years. To help meet those rising multiples, unitranche loans, which usually have no junior debt in the stack and typically offer higher leverage, have been utilized more often, especially in the direct lending middle market. Last year, the unitranche structure was used on 51% of technology sector LBO deals in the direct lending middle market, compared to 30-35% the prior two years.

This impacted senior leverage on direct lender technology sector LBO deals, which increased to an average of 5.8x last year, slightly higher than the 5.7x level tracked in the broadly syndicated market. Meanwhile, junior leverage on direct lender middle market tech sector LBO deals averaged an all-time low of 0.7x last year, as far fewer of these loans included a junior component.

(Past performance is no guarantee of future results.)