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Leveraged Loan Insight & Analysis – 8/3/2015

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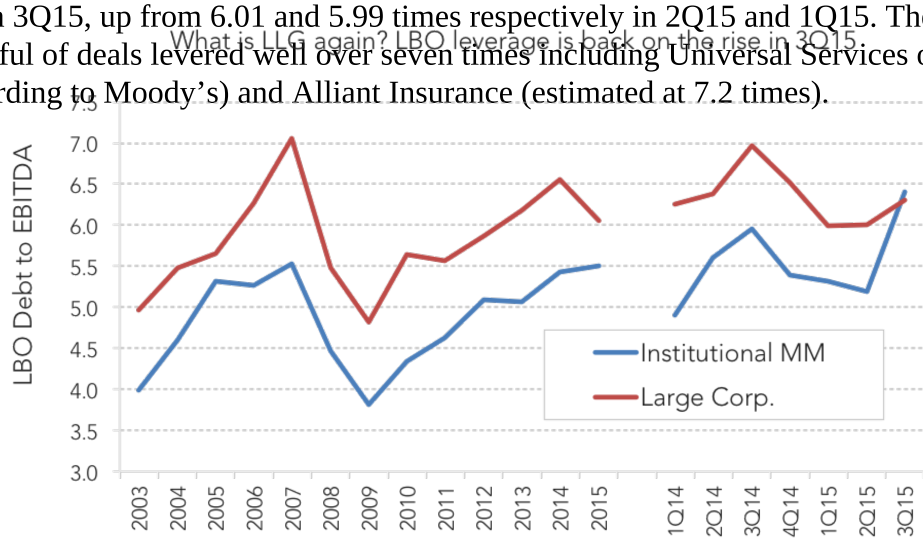
After a temperate first half, buyout deals to hit market in 3Q15 are pushing the boundaries with regards to leverage levels. Although deal flow remains light, large corporate LBO leverage levels have risen to 6.3 times so far in 3Q15, up from 6.01 and 5.99 times respectively in 2Q15 and 1Q15. The upward trend is driven by a handful of deals levered well over seven times including Universal Services of America (estimated at 8 times according to Moody's) and Alliant Insurance (estimated at 7.2 times).



Smaller deals are also exhibiting a shift to aggressive structuring as the average leverage for institutional middle market buyout deals skyrocketed to 6.4 times in 3Q15, up from just 5.2 times and 5.32 times in 2Q15 and 1Q15. The driver behind the jump continues to be lofty purchase price multiples. Despite net revenue of a mere $150 million, MediaOcean is being purchased at an enterprise value of over $700 million implying an estimated purchase price multiple of over 17 times. Equally, EagleView Technology, another issuer with sales of only $150 million, is being purchased by private equity for $750 million, implying an estimated purchase price multiple of 15.5 times.

THE NEW LOAN MARKET – READY OR NOT, HERE IT COMES –
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