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Interest coverage ratios move lower

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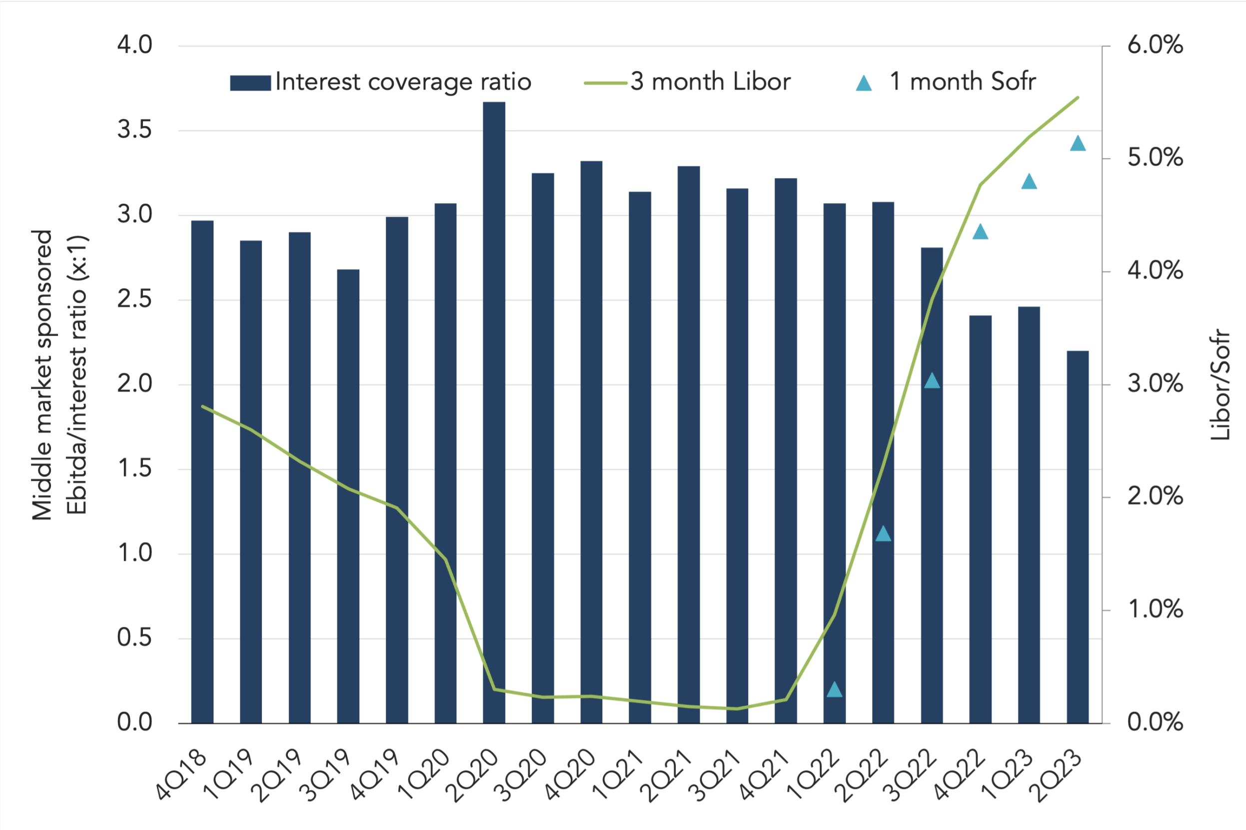

Source: Refinitiv LPC

Interest coverage ratios have come come under pressure as base rates have moved sharply higher in the last 15 months. The average interest coverage ratio on new middle market sponsored loans slipped to 2.20x in 2Q23, the lowest level since LPC started tracking this data in 2018. A year-ago, this metric was at 3.08x. There is of course variation by leverage, with higher levered borrowers not surprisingly having lower interest coverage ratios. Interest coverage averaged 3.0x for issuers levered less than 4x, 1.97x for companies levered 4 to 6x, and 1.49x for borrowers levered more than 6x.

(Past performance is no guarantee of future results.)