Lead Left Interview – Fran Beyers

THE LEAD | September 26, 2016

This week we chat with Fran Beyers, Senior Market Analyst at Thomson Reuters LPC. Thomson Reuters LPC has been a leading provider of loan market news, data and analysis for over 30 years. Fran has been with LPC since 2009 providing analysis and market commentary on the middle market.

The Lead Left: Fran, you've recently started closely tracking the direct lending market. That's a great service. Tell us about this initiative and how it differs from LPC's public middle market stats that we all subscribe to?

Fran Beyers: Yes, Randy, That's our *MM Sponsored Private Deal Analysis.* Thomson Reuters LPC is well known for its league tables which form the basis for our volume and pricing stats. That's available via our flagship product, LoanConnector. We track about $150-200 billion annually in middle market loan issuance that is either syndicated or clubbed up.

But as many folks in this market know all too well, the smaller the deal, the harder it is to get terms. Most data providers can capture terms on larger middle market deals with at least $40 million of EBITDA or greater. In those cases the syndication is wider and often the deal gets rated which provides transparency.

TLL: And it's frustrating because those transactions don't always represent accurately leverage or pricing for truly middle market deals.

FB: That's why we developed this product. We are looking to capture data on club and sole lender deals in the leveraged space where very limited information is available.

TLL: What are your screening criteria?

FB: Our data base is comprised of deals for sponsor-backed issuers as small as $3 million in EBITDA up to $70 million, with an average of around $20-25 million. While some of these "private" deals may still be out in the media, the deals are almost always unrated and the terms are not made public.

TLL: How do you gather the data?

FB: This initiative involves going out to the club/direct lenders and collecting these sensitive terms. We continue to keep all the deal details private, but we produce an in-depth, aggregated market analysis for our clients.

TLL: The club middle market has been private for years. What made you to take this on now?

FB: Believe it or not, this effort was driven by the lenders in the leveraged middle market. This cycle has seen a proliferation of direct lending driven by strong fundraising efforts. It's also been coupled with a pullback from regulated players. But before investors write big checks to these funds, they want to see more transparency around terms and market conditions. They're always asking to see data from an objective third party data provider.

TLL: Absolutely. This is something we've been advocating for almost a decade.

FB: You weren't alone. We had several lenders ask us to take on this initiative given our track record in handling data and producing analysis. I started collecting the data in 2013 and have been working off of reverse inquiry ever since.

TLL: How much of the market are you capturing?

FB: We started in 2013 with a modest group of lenders tracking roughly $30 billion in unrated middle market sponsor-backed deals. As we continued to add lenders to the cohort over the last few years, this has grown to $70 billion in annual senior loan volume.

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