

CR TRENDLINES TOPICAL REPORT

By the Numbers: Largest Sponsors vs. Rest of the Field

In this report, Covenant Review looks at the extent to which the largest and most active Private Equity firms are able to secure more aggressive terms on M&A-driven loan agreements in the year-to-date than smaller sponsor groups and corporate issuers. The sample includes loans of single B issuers for which Covenant Review analyzed final documents—the few BB loans of recent vintage are excluded from the mix because these loans are naturally more issuer-friendly. To provide a comparison, we divide the sample into two categories: (1) loans from the largest and most active sponsors such as Apollo, Bain, Blackstone, Carlyle, CVC, KKR, TPG, and Vista (PEI's full list is [here](#)) and (2) loans from less active sponsor groups and corporate issuers. Naturally, in any given period not all sponsors will have M&A-related executions to include in the data set.

As this table illustrates, some terms are fairly universal. The primary purpose limitation to soft call provisions that limits the fees to just transactions designed to lower the loan's pricing is one example. Others—for example MFN sunsets and asset sale sweep step downs—are largely reserved for the more active sponsors. Unsurprisingly, the more active sponsors not only tend to have larger and more widely syndicated deals, they also have the most leverage with the market players.

M&A-Driven First Lien Loans of Single B Rated Issuers (YTD)		
	Large Sponsors	Other Sponsors / Corporate Issuers
Average Issuer Pro Forma Adjusted EBITDA (MM)	\$397	\$261
Incremental Tranche / MFN		
Average Free & Clear Incremental Dollar Cap / Pro Forma EBITDA	0.96x	0.70x
Percentage with a Sunset	87.5%	16.7%
Percentage with a Dollar Carveout	87.5%	17.6%
Soft Call		
Percentage at Six Months	75.0%	62.5%
Percentage at 12 Months	25.0%	37.5%
Percentage with Primary Purpose Limitations	100.0%	87.5%
EBITDA Adjustments		
Percentage with Uncapped EBITDA Adjustments	75.0%	25.0%
Average EBITDA Adjustment Cap For Loans with Caps	20.0%	20.4%
Asset Sale Sweep		
Percentage with an Asset Sale Sweep Step-Down	75.0%	11.1%
Springing RC Covenants		
Percentage with a Springing Covenant	75.0%	58.8%
Average Usage Trigger	35.0%	28.0%
Average First Lien Ratio Cap For Springing Covenant	7.35x	6.18x
Average Headroom at Closing Date	3.04x	1.98x

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