

CR TRENDLINES TOPICAL REPORT

Large Sponsor Covenant Analysis, Now with Credit Stats

This report updates our table of year-to-date terms for the most active sponsor groups—such as Apollo, Blackstone, Carlyle, CVC, KKR, and TPG—versus mid-sized PE firms and public companies. This month we add a breakout of three pro forma credit statistics for M&A-related loans:

- Average EBITDA adjustment in the lender presentation to market the deal to managers
- Average pro forma adjusted debt to EBITDA ratio
- Average pro forma adjusted debt to EBITDA ratio through the free and clear tranche

As expected, the so-called “big boy” sponsors inked deals with the loosest covenant terms as well as the most aggressive adjustments and highest out-of-the-blocks leverage.

YTD Covenant and Credit Stats, Large Versus Mid-sized Sponsored Deals

As of: 6/22/2017	Issuers backed by Large Sponsors	Issuers backed by Mid-Sized Sponsors	Public Issuers
Average EBITDA of Issuers (\$M)	254.63	146.54	425.03
Credit Stats (M&A Deals Only)			
Average EBITDA Adjustment	35%	25%	22%
Average Adjusted Pro Forma Debt/EBITDA	5.70	5.38	4.53
Average Adjusted Pro Forma Debt/EBITDA, Through Free & Clear	6.64	6.10	5.42
MFN Carve Outs			
Percentage with a Sunset	38%	5%	10%
Percentage of MFN Yield Protection at 50 bps	81%	88%	90%
Percentage of MFN Yield Protection at 75 bps	19%	5%	0%
Percentage with an MFN Carveout	57%	17%	7%
Average MFN Carve Out Cap Percentage of Initial Loan Amount	13.1%	14.2%	10.3%
Asset Sales Sweep			
Percentage with an Asset Sales Sweep Step Down	43%	21%	13%
Springing Tests			
Percentage with an RC Springing Covenant	67%	67%	17%
Average Threshold for Springing Covenant	34%	32%	25%
Percentage of Thresholds set at 30%	14%	54%	60%
Percentage of Thresholds set at 35%	86%	39%	20%
Percentage of Thresholds set at Other	0%	7%	20%
Percentage with First Lien Leverage Test	93%	71%	40%
Average First Lien Leverage Initial Test	6.95	6.68	6.38
Average Headroom at Close to Initial Test	2.87	2.23	NA

Covenant EBITDA Adjustments			
Percentage of Loans That Allow Uncapped Adjustments	43%	17%	23%
Average Time Horizon to Achieve Adjustments (Months)**	22.00	18.49	15.36
Free & Clear Tranche**			
Average Hard Cap as a Percentage of Pro Forma EBITDA at Close	0.91	0.74	0.65
Percentage of Loans with a Grower Component to the F&C Incremental Tranche	77%	39%	11%
For Loans with Grower Components, Percentage with 1x	90%	78%	100%
For Loans with Grower Components, Percentage with 0.75x	10%	22%	0%
Soft Call Periods			
Six months	71%	79%	73%
12 months	29%	19%	17%
Other	0%	2%	10%
Percentage with Soft Call Primary Purpose Limitation*	100%	90%	63%
*Soft call applies only if primary purpose of refinancing is to reduce pricing			
**Measured either from (1) the time of the action taken or (2) the EBITDA measuring period			

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