

## 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<br>Large Sponsors | Issuers backed by<br>Mid-Sized Sponsors | Public Issuers |
|--|-------------------------------------|---|----------------|
| Average EBITDA of Issuers (\$M)                              | 254.63                              | 146.54                                  | 425.03         |
| <b>Credit Stats (M&amp;A Deals Only)</b>                     |                                     |   |                |
| 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           |
| <b>MFN Carve Outs</b>  |                                     |   |                |
| 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%          |
| <b>Asset Sales Sweep</b>                                     |                                     |   |                |
| Percentage with an Asset Sales Sweep Step Down               | 43%                                 | 21%                                     | 13%            |
| <b>Springing Tests</b>                                       |                                     |   |                |
| 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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### Disclosure:

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