Bankers feast on LBO Wallet in Europe

2018 YTD leveraged loans revenue has already surpassed FY 2017

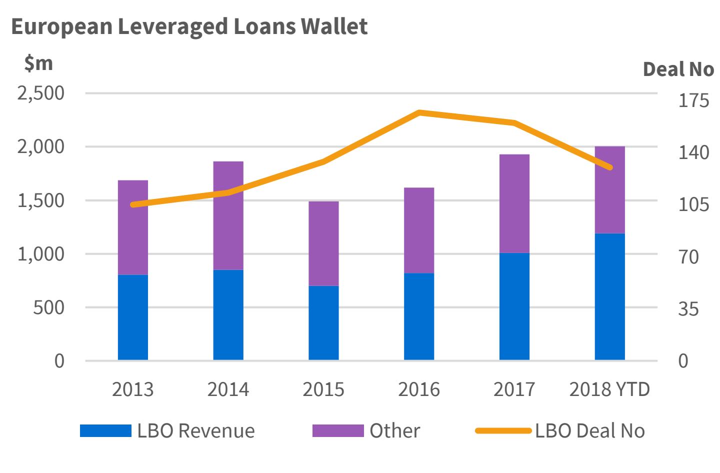
New LBOs drive leveraged loans revenue to a record high

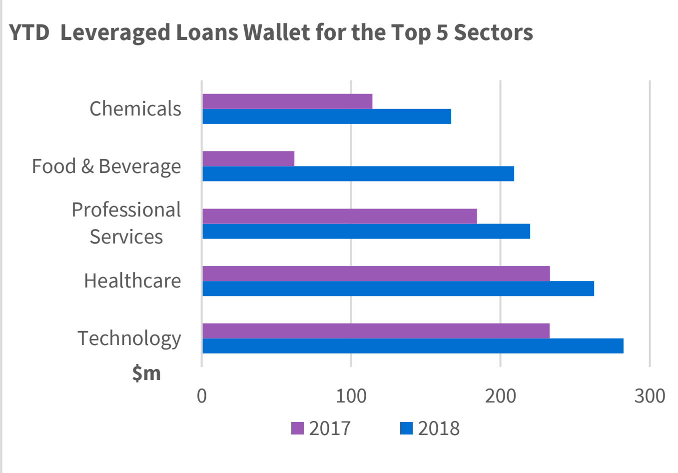
Whilst 2017 is well-established as the vintage year for leveraged loans in Europe in volume and activity, with $303.6bn via 583 deals, 2018 is already setting a new wallet benchmark, with a record $2.0bn in fees generated this YTD. Revenue for 2018, with only a month to go, is already up 4% on full year 2017.

Last year's market activity was dominated by refinancings and amendments, which accounted for a 57.5% and 21.0% share of leveraged loans volume and wallet, respectively. On the other hand, 2018 has proven to be the year of new LBO loans. These have totaled $79.1bn through 127 deals, driving share up by 15.8 percentage points from full year 2017, and have accounted for 58.6% of Europe's 2018 YTD leveraged wallet. The share of refinancings volume on the other hand, have shrunk to 37.2% with around half the volume and activity of 2017.

Jumbo deals and loose covenants

Even if the activity level for new LBOs is marginally trailing behind 2017 YTD by 6 deals, volume and wallet have jumped by 42% and 44%, respectively. Jumbo deals which account for 63.9% of New LBO volume, increased their share year on year by 16.8 percentage points, and have undeniably been the impetus behind the record wallet jump this year. Less stringent covenant requirements, as well as favourable terms, have also contributed to new LBO growth. Disclosed cov-lite facilities, for instance, accounted for nearly half of new Jumbo LBO volume in 2018.





Who are the biggest fee payers?

Technology, with $282m of fees paid, tops 2018 YTD with a 14.1% share, closely followed by healthcare and professional services with 13.1% and 11.0%, respectively. Jumbo cross border deals, like Refinitiv and BMC, as well as ZPG plc which was solely distributed in Europe have significantly helped the technology wallet to jump by 21% year on year. Financial sponsors, whom so far this year have contributed 80.2% to the leveraged loans revenue, have been the main actors on the market. KKR via 9 deals is the biggest fee payer for the region, with $156m paid, whilst Macquarie Infrastructure and CVC complete the top 3 with a 6.6% and 6.4% share, respectively. As Bankers feast on rising revenues this year, 2019 is already looking more challenging due to the growing concerns of regulators and politicians on looser terms for investors, as well as a growing apprehension on EBITDA add-backs. These external factors will obviously have an impact on revenue generation in 2019.

Please contact us at DealogicCortexSupport@dealogic.com if you have any questions or comments.

Data source: Dealogic as of 27 November 2018