

# LMA Loan Operations Committee Update

Chair: Doug Laurie – Barclays

Alan Briggs – RBS

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Jerry Causton – HSBC

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# Trends in the European Market

Chair: Doug Laurie – Barclays

Yasmine Bassili – Goldman Sachs International

Ian Borman – Winston & Strawn London LLP

Jane Gray – Covenant Review



## Trends in the European Market

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**Chair:** Doug Laurie, *Director* - Barclays



**Yasmine Bassili**, *Managing Director* -  
Goldman Sachs International



**Ian Borman**, *Partner* - Winston & Strawn  
London LLP



**Jane Gray**, *Head of European Research* -  
Covenant Review



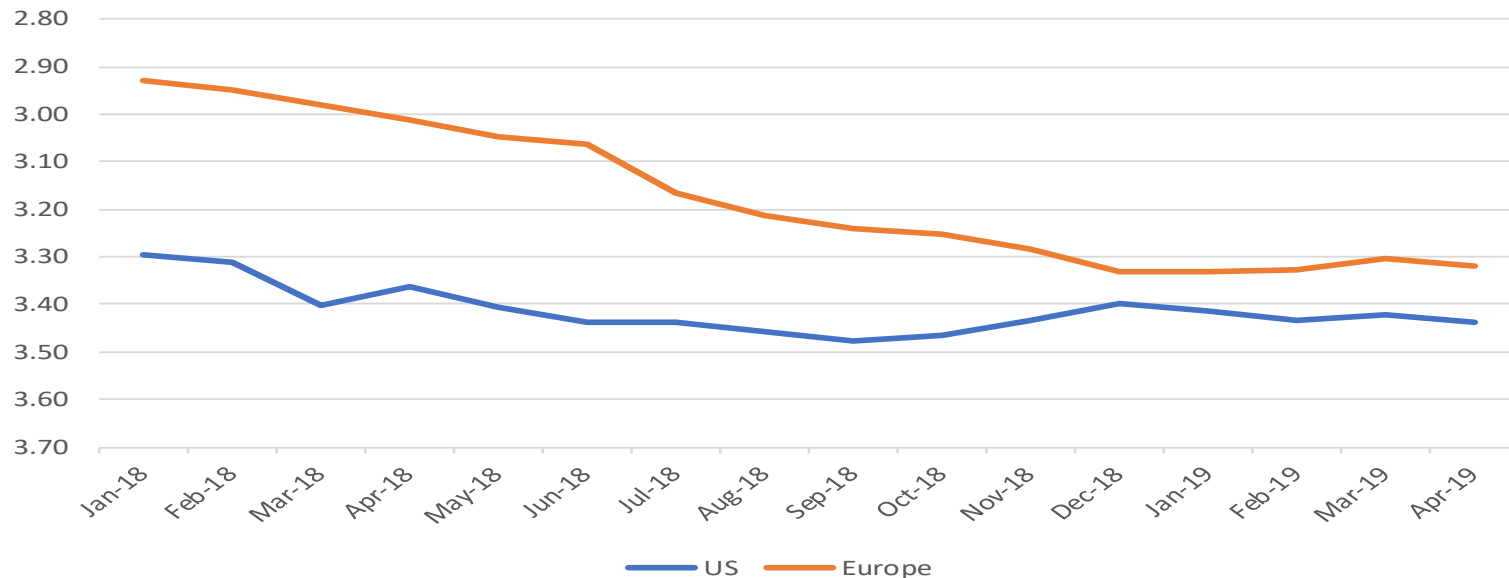
# Agenda

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- 2019 State of the UK / US Loan Markets
- What are the key themes / messages in 2019
  - Activity vs deals to market
  - Has there been further deterioration in Covenant terms
  - Transfer provisions and the impact on Operations & the Secondary market

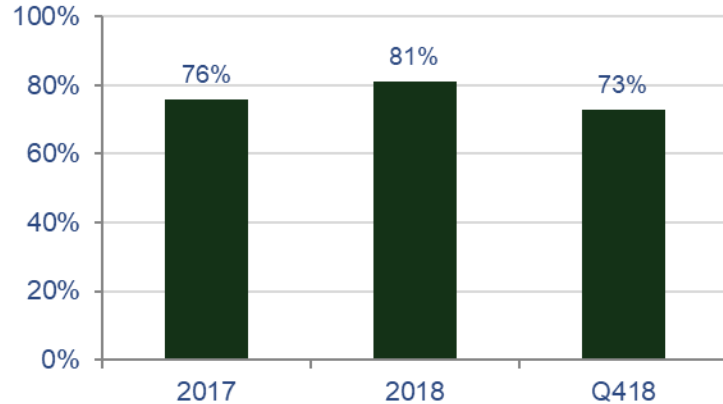
# Documentation Scores

Composite Documentation Score, US vs. Europe  
Trailing LTM Average

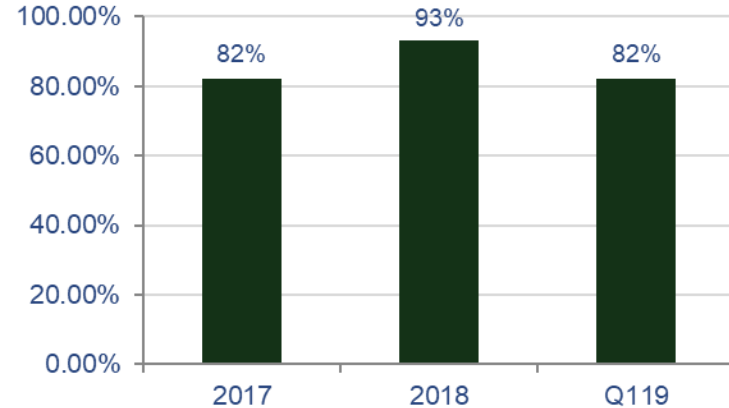


# Predominance of the Cov-lite Instrument

% of deals that are Cov-lite in Europe

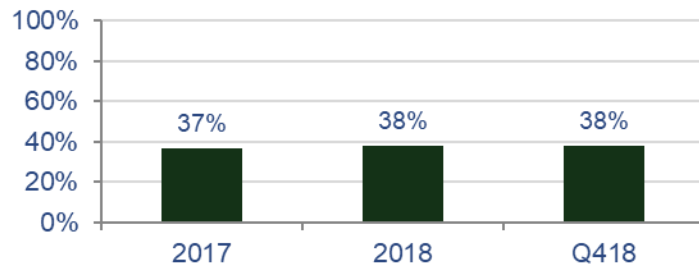


% of deals that are Cov-lite in the US

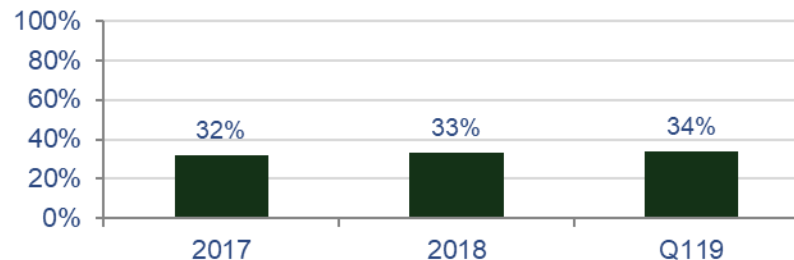


# Cov-lite: “Spring” Threshold and Headroom Metrics

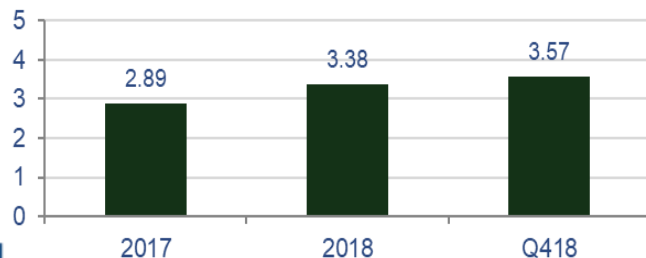
Average spring in Europe



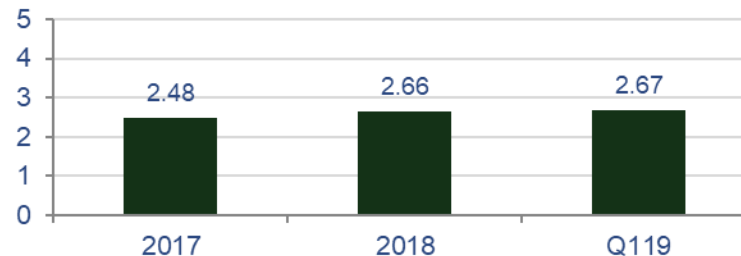
Average spring in US



Average headroom in Europe

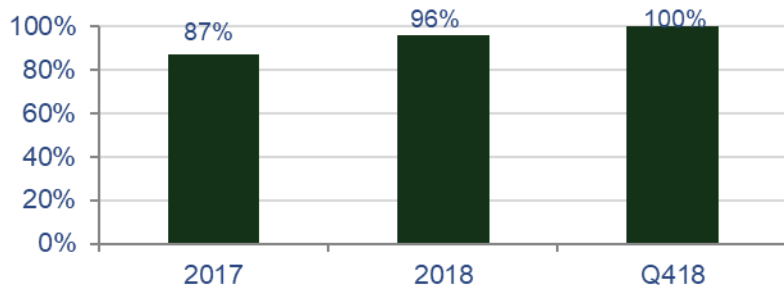


Average headroom in US

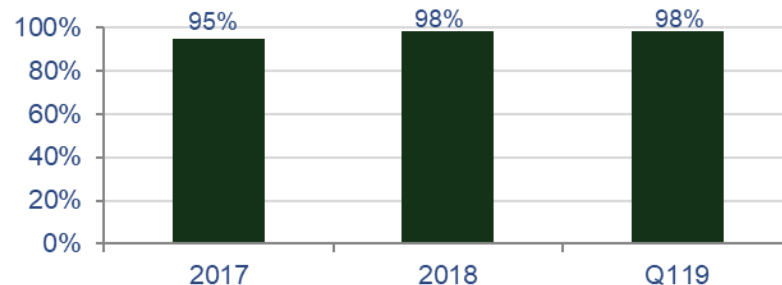


# Incremental Debt Capacity Through Free and Clear Baskets

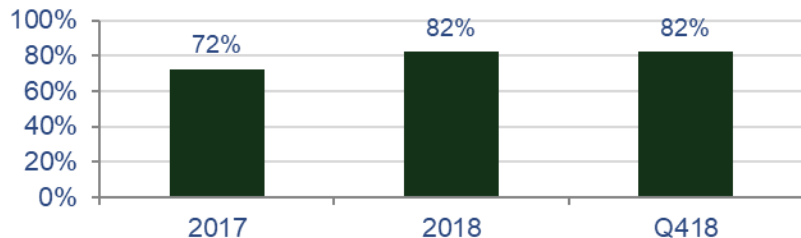
% of European deals with a freebie



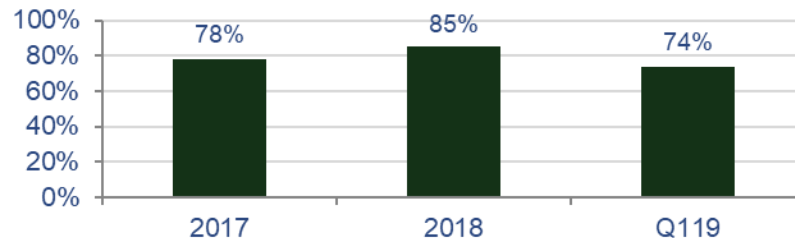
% of US deals with a freebie



Average freebie as a % of EBITDA in Europe



Average freebie as a % of EBITDA in US

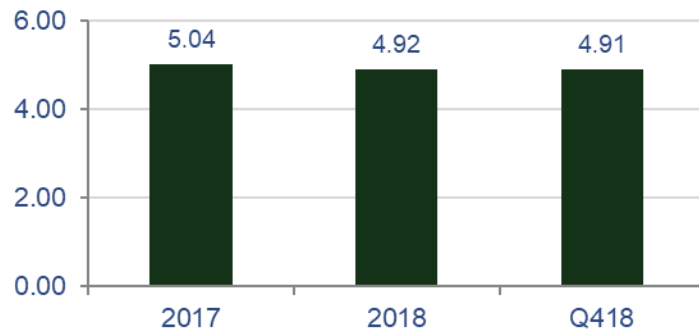




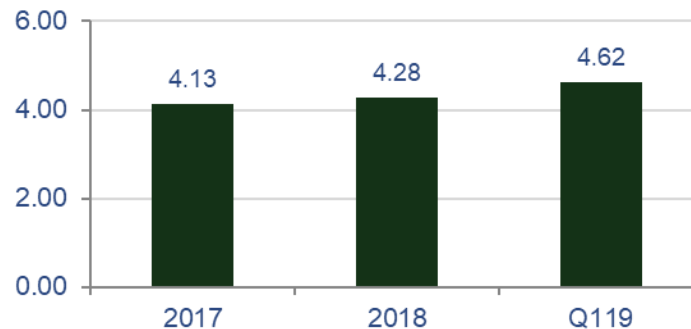
# Incremental Debt Capacity: Ratio-based Capacity

- In Europe in 2018, 96% of deals YTD include a ratio-based carveout for permitted debt. This compares to 97% of 2018 deals in the US
- Of those deals, the vast majority (79%) were based on net first lien leverage – in the US, 78% are based on a first lien leverage
- Higher ratios in Europe reflect the higher opening leverages

**Average net first lien leverage ratio level in Europe**

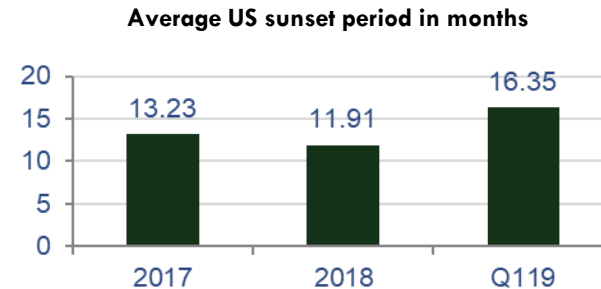
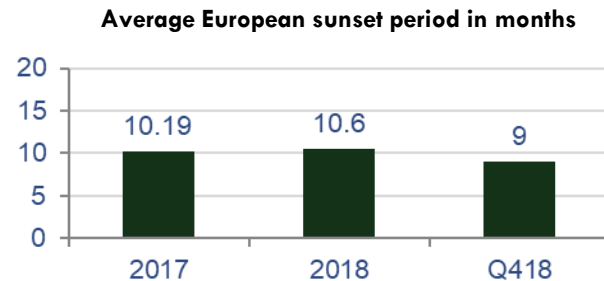
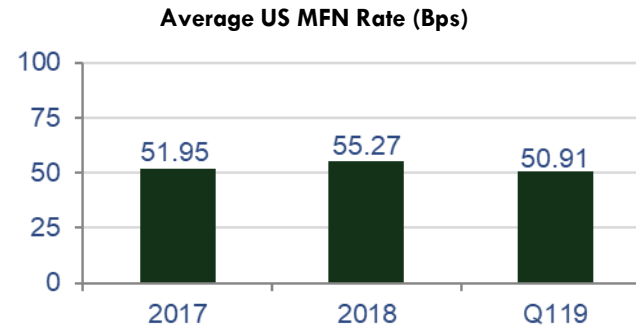
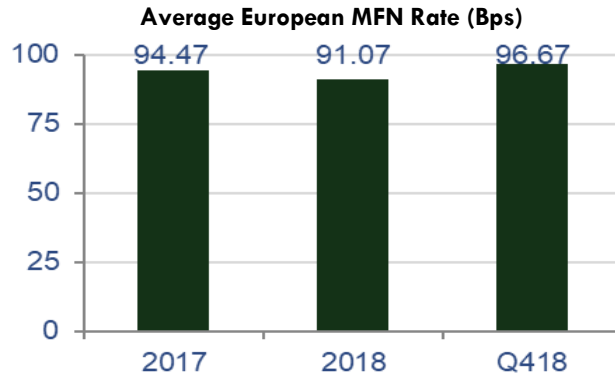


**Average net first lien leverage ratio level in US**



# MFN Provisions

- MFN provisions are significantly weaker in Europe. Margin-only MFN has reached 41% in Europe



# EBITDA: Adjustments for Synergies

		2017	2018	Q119
EUROPE	% of deals with uncapped EBITDA adjustments (synergies & cost savings)	50%	25%	20%
US	% of deals with uncapped EBITDA adjustments (synergies & cost savings)	36%	49%	33%
EUROPE	Time period for EBITDA adjustments (months)	17	18.51	18.42
US	Time period for EBITDA adjustments (months)	18.63	21.21	20.73

# Restricted Payments: Ratio Carveout

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	% of deals using a net first lien test uncapped	Delevering on net first lien uncapped	Delevering on net total uncapped	Delevering required in the US
2017	25%	0.72	1.19	1.09
2018	15%	0.82	1.40	0.87
Q119	36%	0.75	1.33	0.96

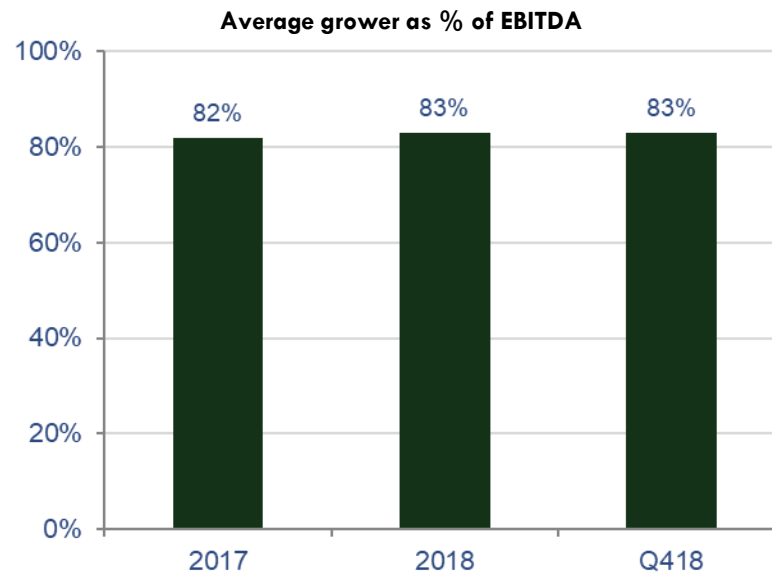
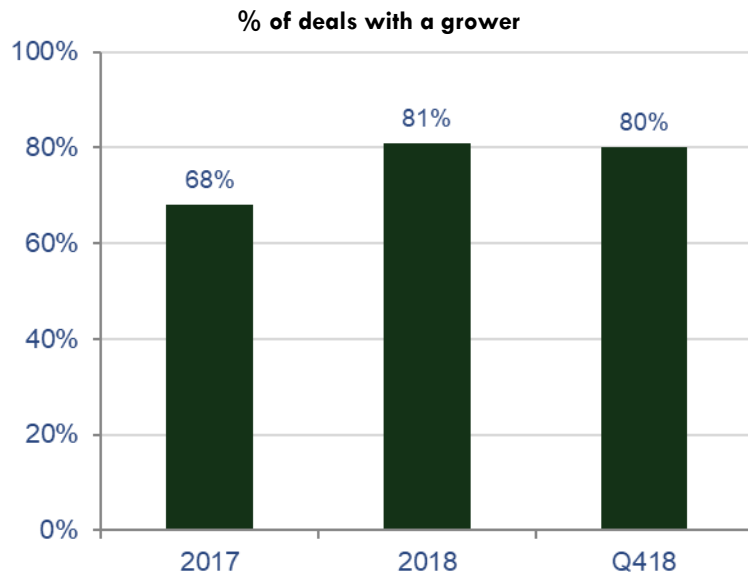
# Restricted Payments: Builder Basket / Available Amounts

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	% of deals using a 2x fixed charge coverage ratio	Delevering required on first lien tests	Delevering required on net total leverage tests	Delevering required in the US
2017	18%	0.17	0.86	0.03
2018	31%	-0.09	0.88	0.01
Q119	27%	-1.20	0.69	0.11

# Incremental Debt Capacity: Turns of Leverage & EBITDA Growers

- Turns of general purpose extra debt capacity on top of opening leverage (€/\$ amounts) in 2018: US: 1.63x vs. Europe: 1.08x

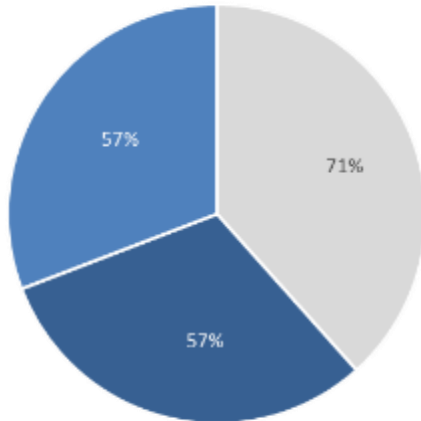


# Transfer Restrictions in Today's Sponsor Deals

	2017	2018	Q418
Loan to own restrictions	49%	71%	73%
Restrictions fall away on limited EoDs	70%	83%	91%
Consent requirement falls away on limited EoDs only	48%	98%	91%
No deemed consent period	1%	27%	18%
Deemed consent: Average numbers of business days	7.6	8.1	8.5

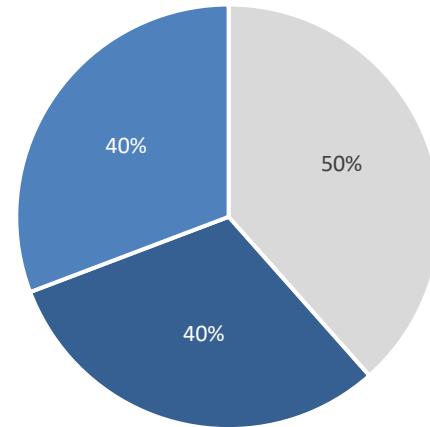
# Most Flexed Terms

2019 Early Bird Most Flexed Terms



■ EBITDA ■ RP Ratio Test ■ Reporting

2019 Launched Deals Most Flexed Terms



■ JDP Ratio Test ■ Margin ■ "No worse"