

**OVERVIEW & ANALYSIS**

PRIVATE CREDIT MARKET METRICS			
	2Q17	1Q17	Δ
Piper first lien index	6.31%	6.53%	(0.22%)
Piper unitranche index	8.75%	8.72%	0.03%
Piper subordinated index	11.36%	11.54%	(0.18%)
Average leverage through first lien debt	3.62x	3.52x	0.10x
Average leverage through unitranche debt	5.11x	4.94x	0.17x
Average leverage through subordinated debt	5.39x	5.36x	0.03x

Data set includes financings completed in 2Q2017 and 1Q2017, provided by over 50 middle market lending institutions.  
 Source: Piper Jaffray

**This joint report by Debtwire Middle Market and Piper Jaffray provides credible intelligence on pricing and credit metrics in the private debt market. We surveyed over 50 middle market lending institutions, including private credit funds and BDCs, on pricing and leverage for first lien, unitranche and subordinated deals completed during 2Q17.**

*Commentary provided by Piper Jaffray*

**Continued Investor Demand for New Deals**

Approximately USD 40bn of loans were issued during the 2Q17 in the middle market for sponsored and non-sponsored deals, split evenly between refinancing and new money deals. Sponsor-backed deals accounted for USD 16.2bn during the quarter.

The middle market continues to experience the supply/demand imbalance which has been a recurring theme since 2H16. Lenders are navigating through highly competitive market conditions as the global search for yield and fundraising for private credit vehicles has led to stronger investor demand for new paper despite a limited pipeline. The imbalance has resulted in a highly aggressive market with sponsors and borrowers demanding issuer friendly terms such as lower spreads, increasing leverage levels and deteriorating documentation terms.

**Financial Sponsors are Keen to Deploy Capital**

2Q17 sponsored M&A was at the highest level in a year with USD 9.1bn completed deals. Financial sponsors have shown a propensity for deal making despite the policy uncertainty with the new administration. As a result, new money deals have driven over 70% of middle market sponsor lending in 2017. This marks a change from the opportunistic refinancings and dividend recapitalizations that were rampant earlier this year. Despite the shift to new money deals, the supply still significantly lags investor demand.

“There were so many refinancing deals done in the lower interest rate environment in 1H17, we expect momentum to shift towards M&A in the back half of the year,” said James Chiarelli, Piper Jaffray’s managing director and co-head of debt capital markets.

**Where Are We Headed?**

Lenders began the year filled with optimism that the Trump administration’s pro-business policies would lend to an increase in deal activity. However, expectations have been abated as companies wait to see the outcome of ongoing legislative deliberations over tax, regulatory and trade reform. The outcome of these policies could have a varying impact across different industries.

The middle market lender community, though remains moderately positive for the second half of the year. Fundraising remains robust in the middle market with USD 29bn across CLOs, private debt funds and BDCs year-to-date, which is a 40% increase over 1H16. For the M&A deals that get done, there will continue to be downward pressure on pricing for the leveraged loans that support those deals, added Chiarelli.

Average pricing on private credit first lien deals tightened 30bps to 6.31% at the end of 2Q17 from 6.64% at the end of 2016, according to Piper Jaffray.

### SELECT FINANCINGS IN SPOTLIGHT

**\$240M Credit Facility**  
((\$15M RCF / \$225M 1<sup>st</sup> Lien Term Loan)



**Has Acquired:**  
**TRC**  
THE RITEDOSE CORPORATION

**Lender:**  
**midcap**  
FINANCIAL LLC

June 2017

#### JUNE 2017: ACIG CAPITAL & HUMANWELL COMPLETE ACQUISITION FINANCING FOR RITEDOSE

- Ritedose is a leader in blow-fill-seal (BFS) manufacturing of small fill volume pharmaceutical unit dose sterile and non-sterile liquids. Ritedose specializes in manufacturing inhalation products, eye drops, eardrops and unit dose oral liquids on behalf of its customers and under its own label.
- AGIC Capital-led consortium with Humanwell Healthcare Group has acquired The Ritedose Corporation (“TRC”) from Olympus Partners for \$605 million.
- A \$240 million credit facility, comprised of a \$15 million RCF and \$225M term loan, was provided by MidCap Financial to finance the acquisition of TRC.
- Piper Jaffray & Co. served as exclusive financial advisor and sole lead arranger on the committed debt financing.

**\$190M Global Debt Financing**



**Sponsor:**  
**PROPEL**  
EQUITY PARTNERS

**Lenders:**  
Bank of America Merrill Lynch | THL Credit | PNC

June 2017

#### JUNE 2017: ALEX BRANDS COMPLETES \$190M DEBT FINANCING

- Poof-Alex Holdings, LLC (“Alex Brands” or the “Company”) designs, manufactures and markets a broad toy offering under the Company’s ten iconic, owned brands, including Alex, Janod, Slinky and Poof. The Company’s products are sold primarily through mass, specialty, and e-commerce channels throughout United States and Europe.
- The new credit facilities, comprised of an ABL facility, European working capital facility, senior secured term loan and subordinated term loans, provide Alex Brands with significant dry powder to execute its organic growth and acquisition strategies.
- Piper Jaffray & Co. served as the lead debt placement agent to Alex Brands.

**\$75.5M Senior Secured Facility**



**VISION MEDIA**

**Sole Lead Arranger and Admin Agent**  
AB Private Credit Investors



**Sponsor:**  
**CenterGate**  
CAPITAL

June 2017

#### JUNE 2017: VISION MEDIA COMPLETES \$75.5M DEBT FINANCING

- Vision Media is a premier provider of digital and physical asset management solutions to entertainment studios and consumer product companies.
- Vision Media is a portfolio company of CenterGate Capital.
- Proceeds from the credit facility were used to refinance Vision Media’s existing indebtedness and provide committed capital for multiple growth initiatives.
- AB Private Credit Investors served as sole lender, lead arranger and administrative agent.

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