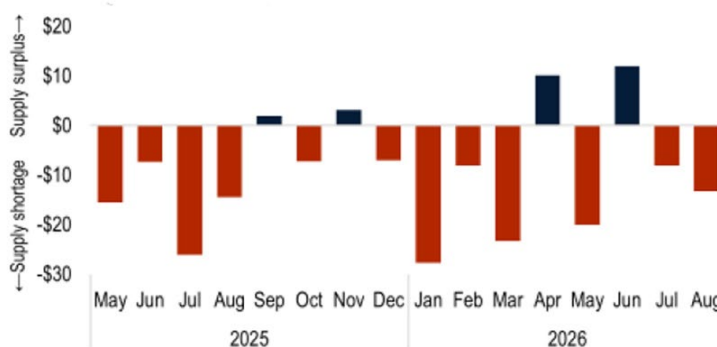


According to a recently published report by Pitchbook, a database of private company transactions, the market for large corporate loans is the primary engine that funds business buyouts and acquisitions. In August, the amount of new loans issued specifically for M&A slowed down to just \$2.0 billion, a sharp drop from \$6.3 billion in July. This slowdown largely reflects a typical late-summer pause, as well as dealmakers acting cautiously in an uncertain economy. Most of the month's loan activity consisted of companies simply refinancing their existing debt rather than buying new businesses.

US Leveraged Loan Market

Supply vs. Investor Demand (\$B)



Source: Pitchbook

Despite the quiet summer, the underlying lending environment is shifting in favor of business owners looking to sell or grow. Investors poured money into loan funds in August, creating a \$13.3 billion shortage of available loans to buy. Because lenders have more cash than places to put it, borrowing costs are dropping, with average loan yields falling to 8.05%. For business owners planning a transaction this fall, this means buyers will have an easier time securing the cheaper financing needed to fund a strong acquisition offer.

However, lenders remain highly selective about who receives this cheaper capital. For example, loans for software companies rebounded strongly in August after a slump earlier this year, proving that lenders will eagerly fund the right industries. But the gap in borrowing costs between highly rated, stable businesses and riskier ones remains wide. If you own a consistently profitable, resilient business, buyers can secure aggressive funding to pay a premium for your company. Vulnerable companies will face skeptical lenders and significantly higher capital costs.

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NOTICE:

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