

DEBT CAPITAL MARKETS UPDATE – HEARD ON THE STREET

In light of recent market volatility, Bridgepoint is providing a real time update of what we are hearing from our close capital markets relationships

“Plenty of concern that another shoe will drop but haven’t seen an implosion or real changes in the market yet. We have portfolio companies on high alert for sourcing delays and should know a lot more in a few weeks. If there are mass quarantines, deals will be impacted.”

– *Private Debt & Equity Fund*

“No change to credit appetite based on recent market moves. We are seeing an impact on deposit rates and the advantages of locking in long term interest rates. If panic was a good idea last week, the underlying logic/fundamentals probably haven’t changed.”

– *Money Center Bank*

“Spreads are up 50bps for our outstanding term sheets. One of our biggest competitors is waiting to issue term sheets for a week until they get more market visibility. Business as usual for us.”

– *Publicly Traded Private Debt Fund*

“Our appetite for risk hasn’t been altered by the virus. We are still in the market seeking to make investments. In many ways shallow disruptions like this can lead to increased opportunities for our sort of patient capital.”

– *Structured Debt & Equity Fund*

“No changes in market conditions...yet. Starting to see some noise from multi-national companies, with significant operations in China or with large supply chains. The situation there is real and starting to cause some disruption. For US-based operations we are not seeing much yet, but I believe that could change.”

“Leveraged finance activity remains robust and competition is pervasive. We have a few portfolio companies in market we are trying to sell, and our view is that now is still a very good time to sell / raise capital.”

– *Private Debt & Equity Fund*

“Right now, it is likely too early to tell, good issuers shouldn’t have a problem.”

– *Publicly Traded Debt Fund*

“It is too early to tell what impact the coronavirus will have on the debt market. Of course, everybody is naturally more cautious right now, but it shows that there is just more volatility in the world. Most people view it as a short-term problem. We see it as cash flow delay instead of cash flow destruction and do not think earnings and cash flow are permanently impacted at this stage.”

– *Money Center Bank*

“During the current market volatility and late stages of the economic cycle, cheap money persists, which is in fact, also highly levered. Shocks will happen and be more severe given the late cycle stage. Owners should be thoughtful about who enters their capital structure and make sure their partners are long-term focused and not holding highly levered funds that could lock up in times of volatility or overreact. Bridgepoint is advising current and prospective clients to act quickly to capture cheap money late in the economic cycle and to always know your lenders well.

– *Matt Plooster, Managing Director, Bridgepoint Investment Banking*

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Non-Sponsor Lender Leverage Tolerance

