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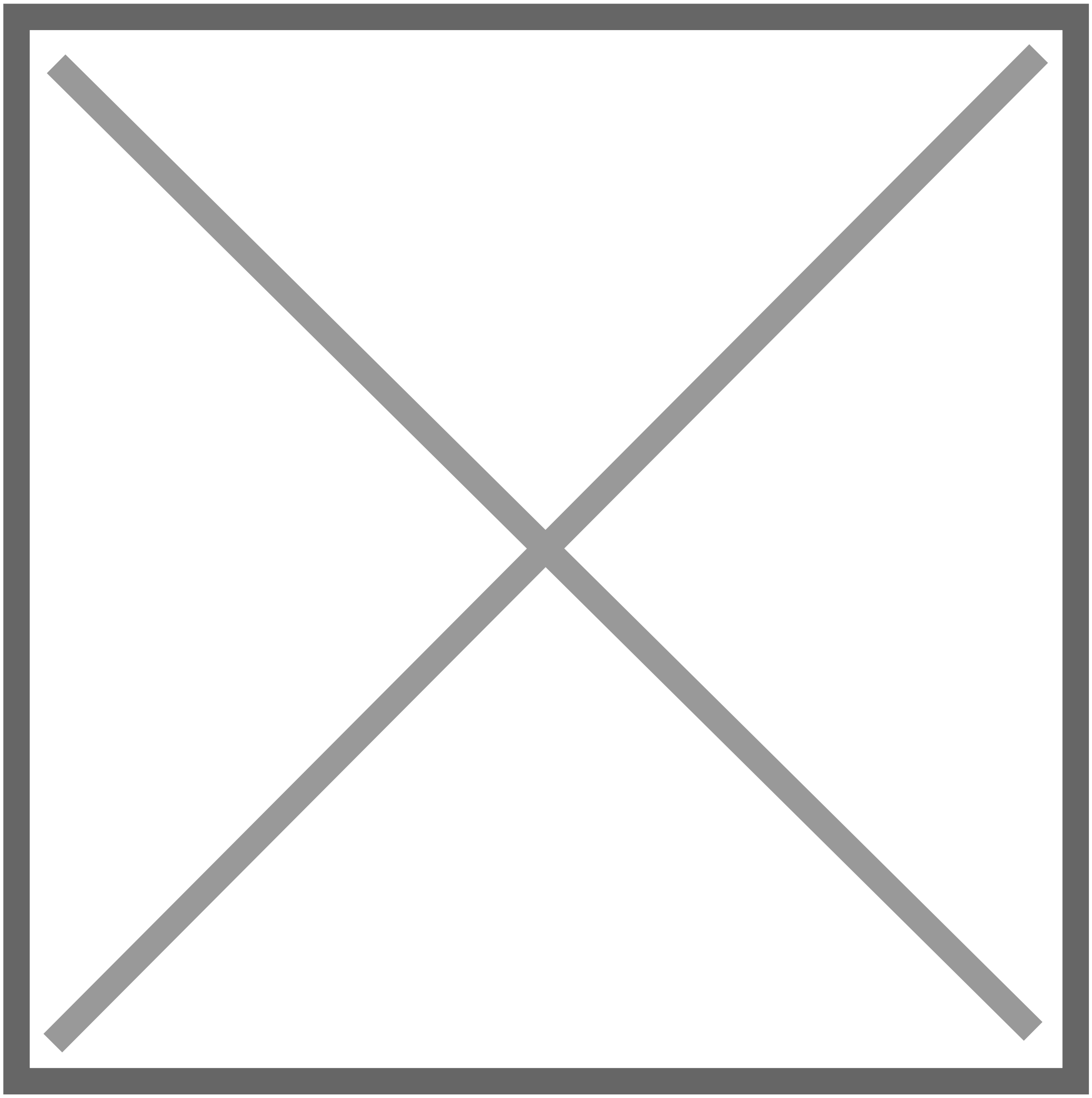
Leveraged Loan Insight & Analysis – 6/30/2014

LSEG | July 1, 2014



High-yield bond issuance in Europe has outpaced leveraged loan issuance so far in 2014, inverting a trend that has stood firm in Europe for decades. High-yield bond issuance in Europe has hit $131.8 billion

after two quarters of new all-time highs, while leveraged loans have only managed $78.7 billion so far this year. This trend has been exacerbated by borrowers and private equity firms going directly to the high-yield bond market to fund takeovers and buyouts, when they normally would go to the leveraged loan market first and refinance in the high-yield bond market. In May, German private equity firm Triton funded their buyout of GEA’s Heat Exchangers business with 525 million euros of high-yield bonds, although the company did raise a 475 million euro revolver in the leveraged loan market. French private equity firm PAI Partners is eyeing the high-yield bond market as well to fund its buyout of French nursing home provider DomusVi. The recent availability of second lien facilities and covenant-lite loans in the leveraged loan market has the ability to reverse this trend, but only time will tell. – Alex Lembcke, Thomson Reuters LPC

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