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Thomson Reuters financial unit sale marks the largest LBO financing since 2013

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Tuesday's announcement that Blackstone is buying a 55% stake in Thomson Reuters Financial and Risk business in a deal that values the unit at US$20bn makes it the largest LBO deal since 2013. That year saw buyout deals of US$28bn for HJ Heinz and US$25bn for Dell Computer. The size of the debt financing backing the Thomson Reuters deal is estimated at US$13bn and will likely include a mix of loans and bonds. Looking at the loan size only, HJ Heinz's US$13.2bn loan and Dell's US$9.1bn loan were the two largest financings logged post-crisis. By comparison, last year's largest LBO loan financing was Staples Inc's US$5.2bn loan. At US$126bn, 2017 had the highest amount of LBO loan issuance since 2007's US$208bn as the growing economy fueled opportunities. The failure for issuance to return to 2007 peak levels can be attributed to the lack of mega deals, which were very common during the buyout boom of 2006-2007. With market conditions humming and investors' appetite for loans extremely strong, time will tell whether the Thomson Reuters deal earmarks a return to mega buyouts or is simply an outlier. High valuations and extreme competition from corporates continue to be major roadblocks in private equity's ability to buy assets. Absent the Thomson Reuters deal, the average purchase price for an LBO deal this quarter is just under US$1.6bn, on par with 2017's average but well below 2007's average of US$3.4bn.

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