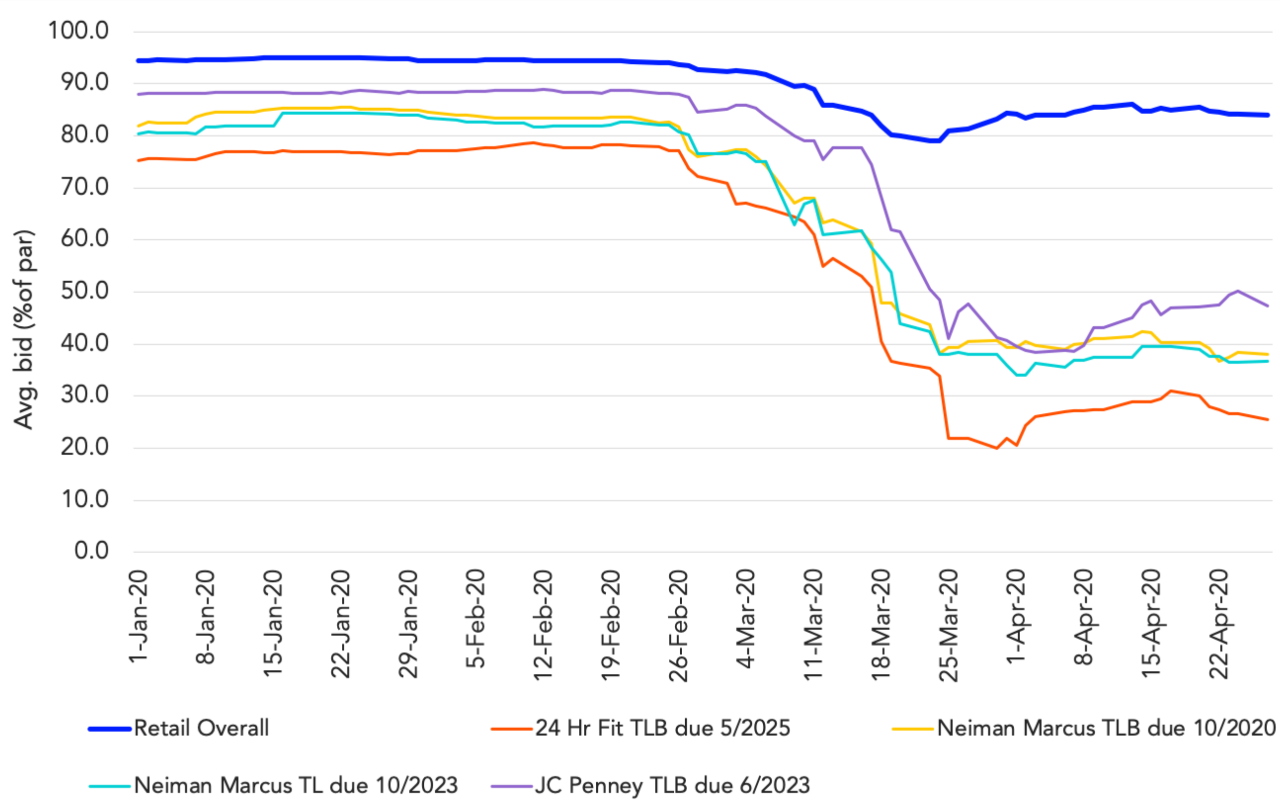
THE LEAD
https://theleadleft.com/leveraged-loan-insight-analysis-4-27-2020/

Retailers expected to file Chapter 11 in the coming weeks as loan bids drop between 46%-66% this year

LSEG | April 30, 2020



The retail sector, hit hard by the coronavirus economic shutdown, has seen a flurry Chapter 11-related activity in the last several weeks. Last week, 24 Hour Fitness hired a restructuring advisor, while JC Penny, forced to close 850 of its department stores, has been exploring Chapter 11 protection since at least April 15, following a failed attempt earlier in the year to push out the maturity date on some of its debt. Meanwhile, Neiman Marcus Group – which has temporarily closed a majority of its brick and mortar stores – recently finalized a US$600m financing package and is expected to file Chapter 11 as early as Monday May 4. The overall average bid for loans in the retail sector in North America ended April 27 at 84, down from 94.48 at the start of the year, according to data from LSTA/Refinitiv LPC MTM Pricing. Meanwhile, average bids for existing bank debt for these issuers are down between 46-66% since the start of the year, but up between 1.8% and 16.3% in April as several of the loans traded up following Chapter 11 or restructuring news. Retail continues to come under pressure by the ratings agencies – it was the third largest sector among bank loans downgraded into CCC territory or below in the last 30 days since April 20. All three of Neiman's existing bank loans are rated CC by S&P, JC Penny's issuer rating is CC by S&P, and 24 Hour Fitness TLB is rated Caa3 by Moody's.