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LBO deal flow drops sharply in 2020; fewer large transactions hits new money loan supply

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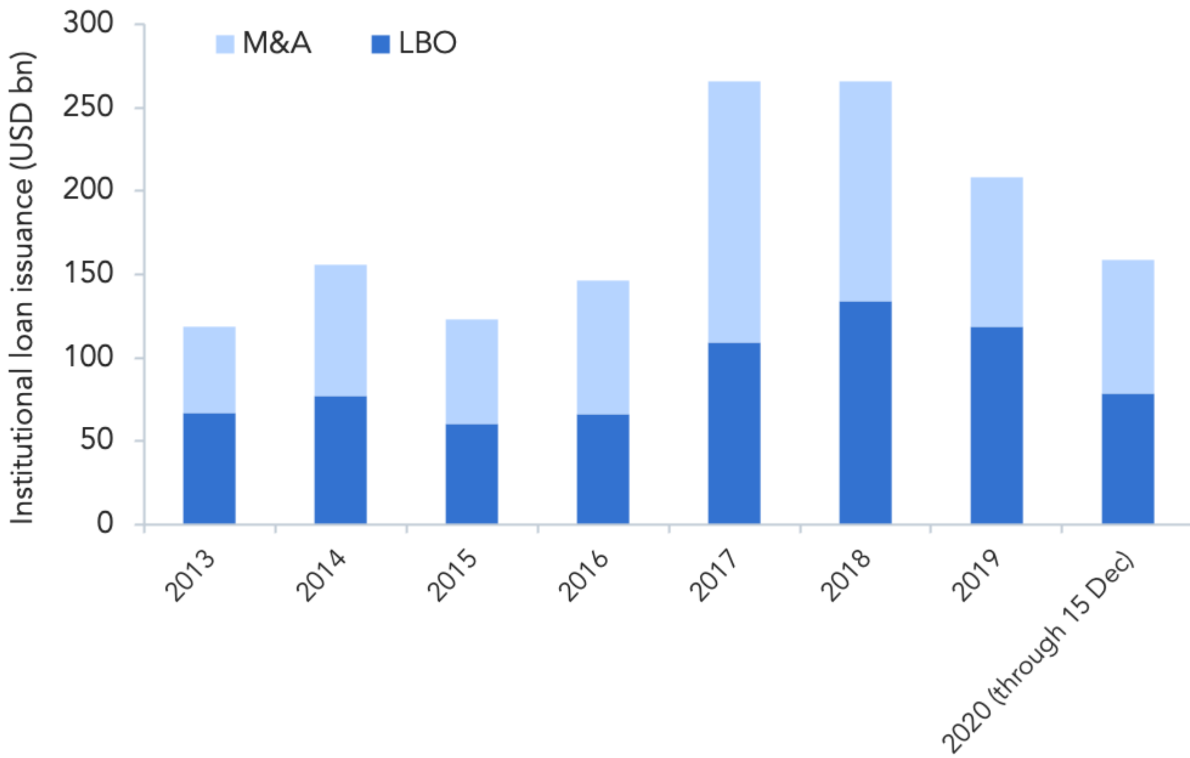

Source: Debtwire Par

As we approach the end of 2020, LBO financings have helped boost loan supply this quarter, with syndicated institutional loans backing buyouts climbing to USD 28.7bn, a sharp jump from the USD 8.9bn recorded in 3Q20. Despite the increase in deal flow this quarter, LBO institutional loan issuance is at just USD 79bn year-to-date and is set to fall well short of the USD 119bn posted in full-year 2019.

Loan portfolio managers point to the lack of multi-billion dollar buyout financings in 2020 compared to prior years. So far in 2020 there have been 25 LBO financings with an institutional loan component greater than USD 1bn compared to 31 in 2019. In fact, 2020 is poised to post the lowest number of large LBOs since 2016. Looking at even larger deals, the number of these transactions USD 2bn or more in size has declined to five from 11 last year, translating into less opportunity for portfolio managers looking to pick-up paper.

On a more positive note, however, the number of USD 1bn-plus deals has rebounded in 4Q20, reaching the highest level since the first quarter of this year and is now more on par with pre-pandemic levels seen in 2019. But despite the recent uptick in LBO deals, it has not been enough to make up for the lower activity in prior months.