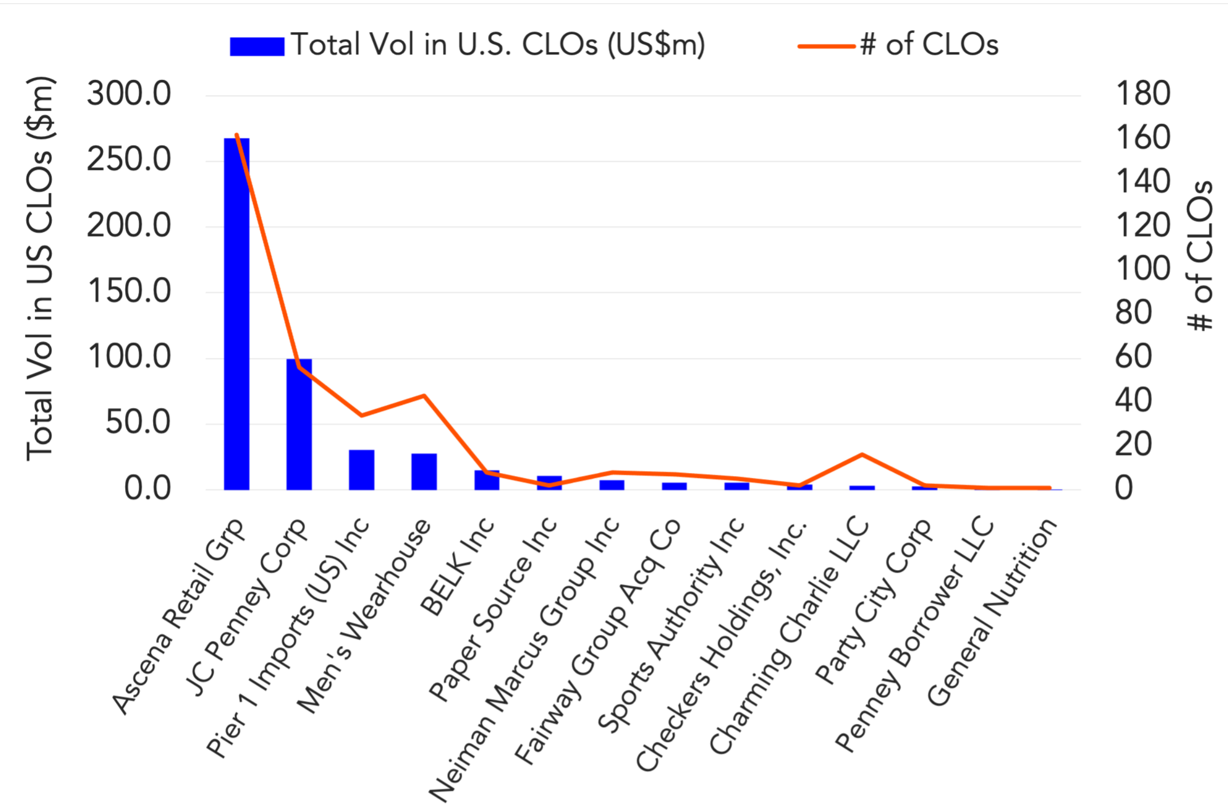
US$480.5m of defaulted loan debt in the retail and supermarkets sector held in active U.S. CLO collateral

LSEG | March 4, 2021



There was US$480.5m of defaulted loan debt from 14 different borrowers in the retail and supermarkets sector that was held in active US CLOs as of the end of January. However, only two issuers accounted for three fourths of the total: Ascena Retail Group Inc. and JC Penney Corp, with US$267.5m of defaulted loans held across 162 CLOs, and US$99.6m held across 56 CLOs, respectively.

Both companies filed for Chapter 11 protection in the middle of the pandemic: Ann Taylor parent Ascena Retail filed on July 23, 2020 with US$1.272bn of loan debt, while JC Penney filed on May 15, 2020 with US$1.521bn of loans. Retail has been hard hit during Covid, with 12 companies with US$10.49bn of institutional leveraged loan debt defaulting in 2020. In 2021, department store retailer BELK Inc missed an interest payment on February 5 despite a recent US$225m capital infusion in late January, and holds US$1.55bn of loan debt.

The retail and supermarkets sector is the third largest defaulting sector in CLOs after oil and gas (US$990.3m), and healthcare (US$582.9m), and the average bid for defaulted retail loans in CLOs is 26.72. Ascena's prepetition term loan is bid at 19.65 as of March 3, but its DIP facilities are bid in the 109 context. Meanwhile, JC Penney's prepetition term loan due 2023 is bid at 0.25, but its DIP facilities are bid between 100-123.