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Borrowers and sponsors alike capitalize on opportunistic loan market

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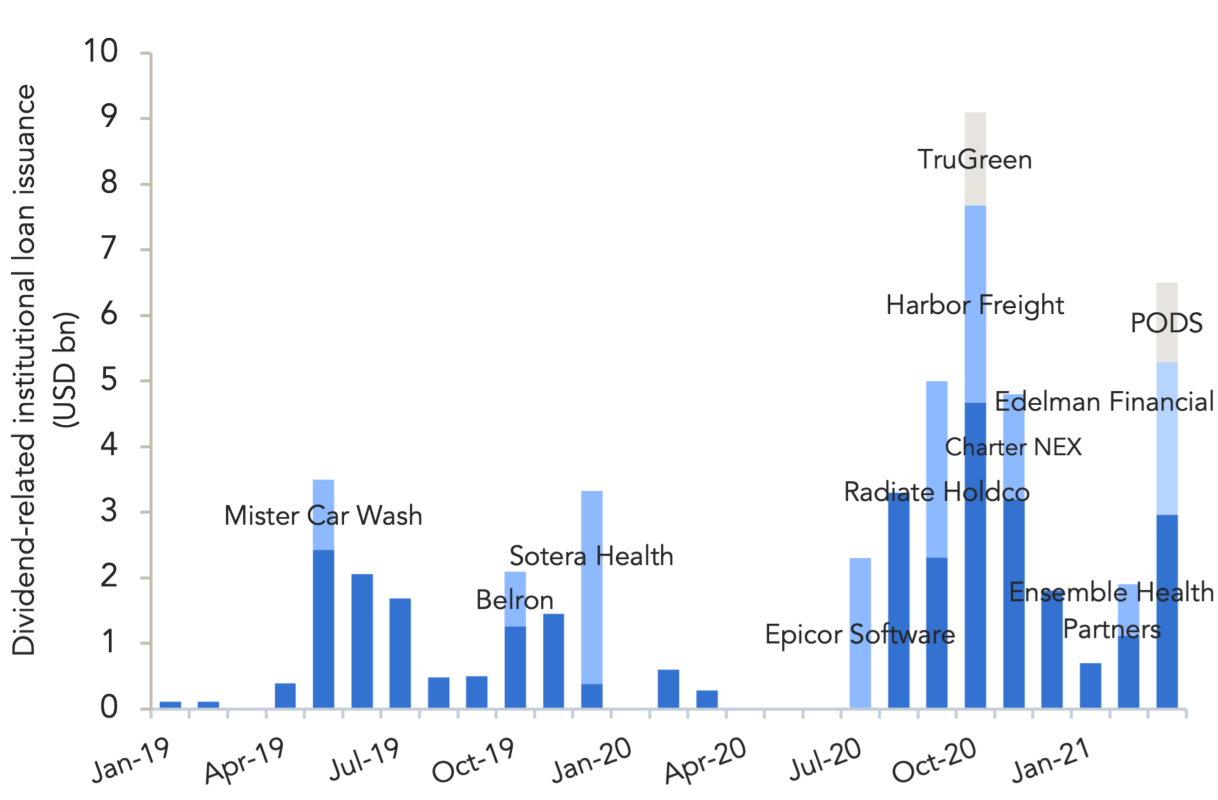

Source: Debtwire Par

Opportunistic deals have continued to flood the loan market in March, as a lack of new loan supply has allowed borrowers and sponsors alike to capitalize on investor appetite for paper. Of the USD 93bn of institutional loans to price in March, only 27% was allocated towards new money purposes and an even more paltry figure of just 20% issued for M&A for buyout activity. Year-to-date, refinancing transactions have accounted for the remaining 73% of deal flow, with loan repricings representing over half of that figure.

Dividend recapitalizations have similarly swung back into favor after a spike in the July to October 2020 timeframe that saw more dividend deals price than in all of full-year 2019. Similar market dynamics have contributed to the recent trend – in March ten deals worth roughly USD 6.5bn were completed that included a dividend-related use of proceeds. The trend looks set to continue, as the primary issuance pipeline includes five dividend-related deals worth over USD 3.7bn currently working through syndication.

Edelman Financial recently completed a USD 2.476bn dividend recapitalization and refinancing transaction in which the company amended and extended USD 1.9bn of existing first and second lien term loan facilities, as well as adding on USD 900m of incremental debt to fund a distribution to shareholders. The Hellman & Friedman and Warburg Pincus owned issuer faced pushback over documentation and priced the first lien facility 25bps wide of talk, at Libor+ 325bps and a 75bps floor. Also allocating this month, **PODS Enterprises** issued a USD 1.215bn TLB due 2028 at L + 300bps and a 99.5 OID to refinance its outstanding TLB due 2024 and fund a distribution to financial sponsor Ontario Teachers' Pension Plan.

(Past performance is no guarantee of future results.)