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Leveraged Loan Insight & Analysis – 3/23/2015

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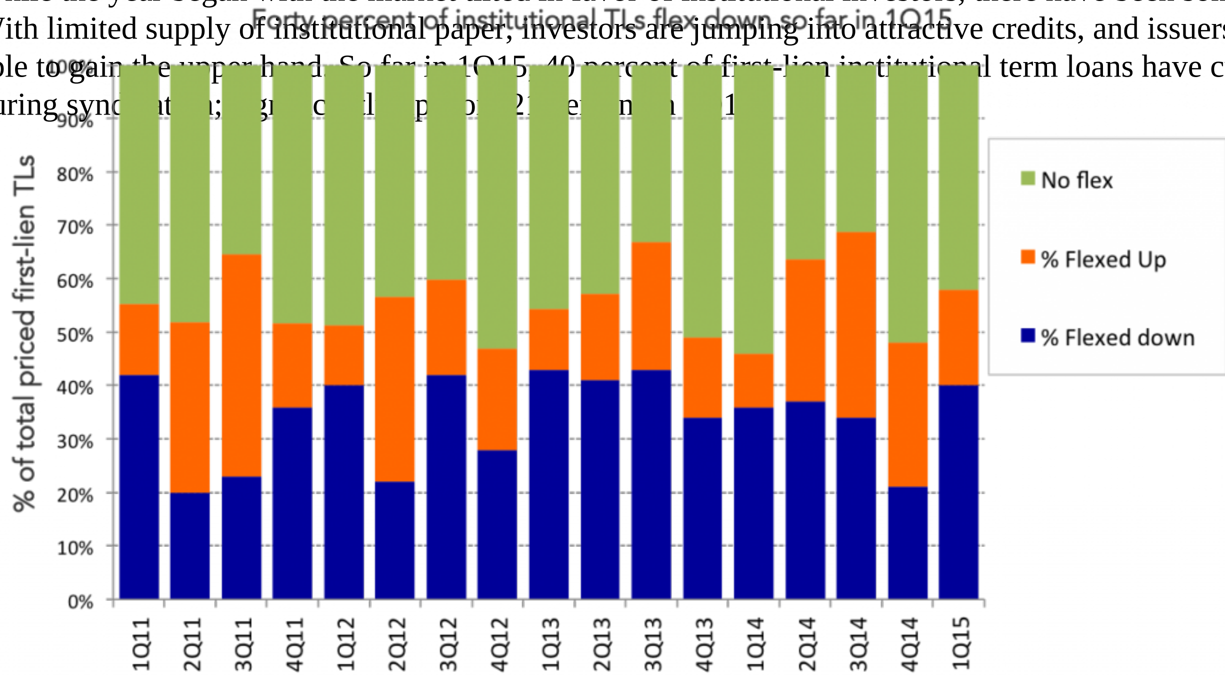
While the year began with the market tilted in favor of institutional investors, there have been some changes. With limited supply of institutional paper, investors are jumping into attractive credits, and issuers have been able to gain the upper hand. So far in 1Q15, 40 percent of first-lien institutional term loans have cut pricing during sync[illegible]



This is the highest quarterly share since 3Q13, when 43 percent of first-lien institutional TLBs flexed down. On the other end, only 18 percent of the total priced term loans have flexed up this quarter, down from 27 percent in 4Q14. The shift is also evident in average yields. The average first-lien institutional term loan yield, assuming a three-year term to repayment is 5.46 percent in March, much tighter than the 6.24 percent recorded in February. For the quarter, yields are in the 5.9 percent area, down from 6.11 percent in 4Q14, but still at relatively high levels. While investors are favoring some deals, riskier assets are still facing pushback. Oil and gas deals, like C&J Energy, for instance have had to offer deep discounts to pass the finish line. And Fortescue Metals Group pulled a $4.88 billion loan extension and a $2.5 billion notes offering after investors pushed back on pricing.

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