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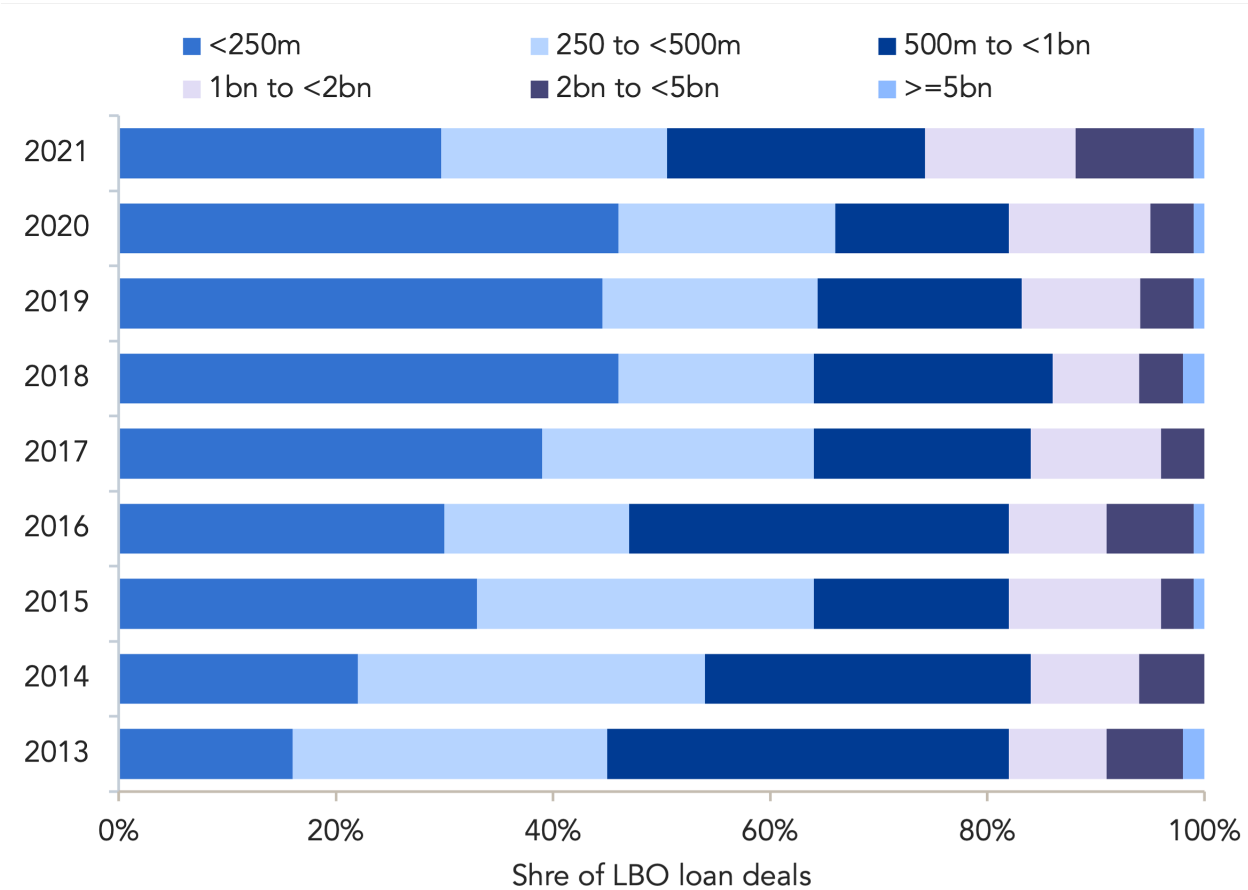
Jumbo loan buy-out financings make up increased share of market in 2021

Debtwire | January 26, 2022



Source: Debtwire Par

Leveraged loan and high-yield bond issuance backing buy-outs set a record in 2021, increasing 95% over the 2020 figure to USD 240.3bn. Leveraged loans accounted for USD 212.7bn of issuance, up 98% from last year, while HY bonds made up the remaining USD 27.6bn for a year-over-year (YoY) gain of 75%. Combined issuance slowed to USD 13.9bn in the fourth quarter, having set a new quarterly issuance record of USD 67.7bn in 3Q21. Fourth-quarter loan issuance backing buy-outs declined 20%, while bond volume slumped 89% quarter-over-quarter.

Financing activity exploded amid record private-equity (PE) buy-out activity, which recorded 2,431 buy-out deals worth USD 647bn, marking a record year. Low interest rates and a backlog of buy-outs shelved during the pandemic helped fuel the red-hot market this year.

Larger average deal sizes from issuers such as **Medline Industries** (USD 7.8bn) and **PAREXEL International** (USD 4.1bn) helped push loan issuance 19% above the previous high set in 2018 (USD 178.5bn), as larger buy-out financings returned to the market. Compared with 2020, when 18% of loan buy-out financings were USD 1bn in size or greater, the 2021 figure increased to an impressive 25% – the highest proportion in recent years. At the same time, the share of deals in the sub-USD 500m range fell to 50% from 67% last year.

Looking ahead, the trend towards larger buy-out financings is expected to continue. **Athenahealth** is currently in the market for USD 6.75bn of loan financing to support its USD 17bn buy-out by Hellman & Friedman and Bain Capital. The JPMorgan-led financing consists of a USD 5.75bn TLB facility and a USD 1bn delayed draw term loan, as well as USD 2.5bn of unsecured debt. Also of note is the USD 3.3bn sale of **Tropicana**, **Naked Juice** and other brands to PAI Partners from **PepsiCo**. The deal is supported with USD 2.4bn of first- and second-lien loans.

(Past performance is no guarantee of future results.)