# Institutional loan issuance shrinks as issuers ride out higher pricing environment

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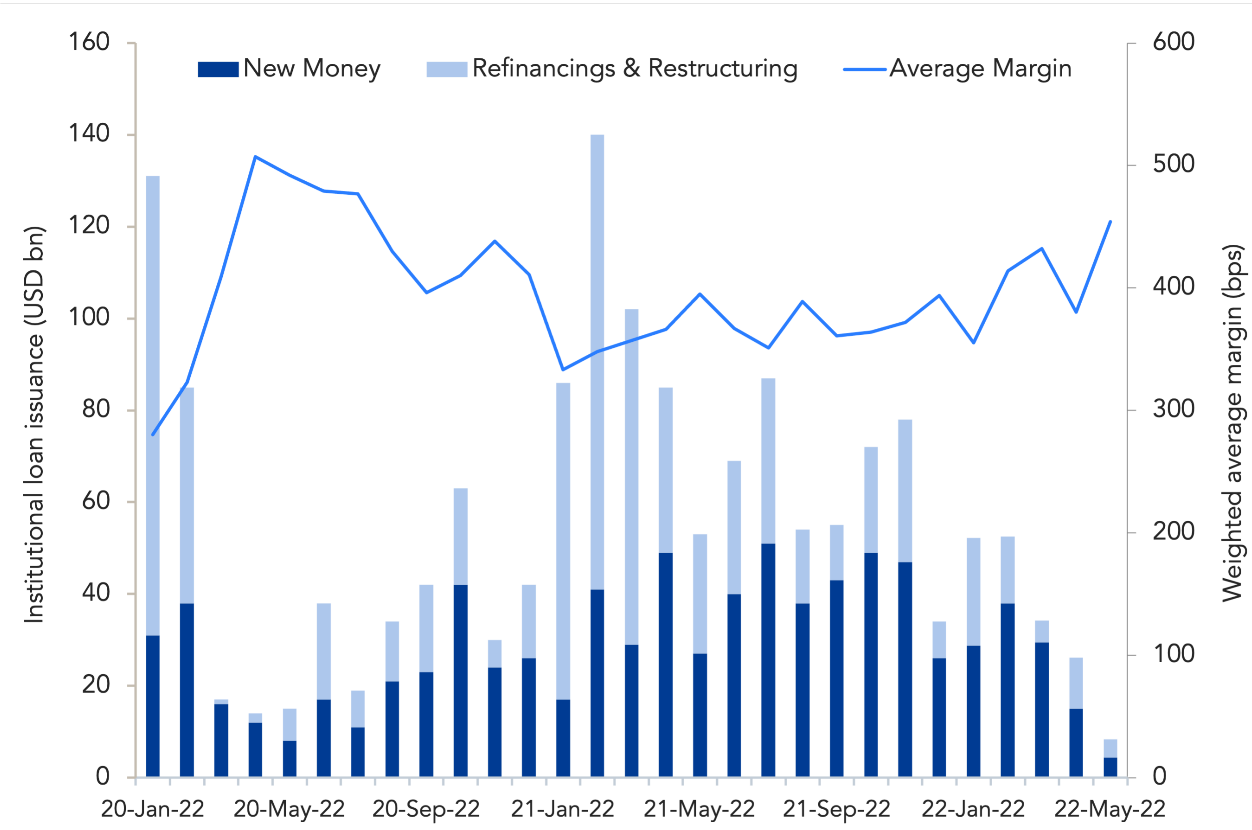


*Source: BofA US HY Index, Debtwire Par*

In the face of a host of macroeconomic headwinds, not limited to persistently high levels of inflation, rising interest rates, an ongoing war in Ukraine and supply-chain issues, and notwithstanding the emergence of the world economy from a two-year global pandemic, investors are demanding increased compensation to keep the loan market open for business. So far in May, average margins on first-lien institutional loans have soared to 454 basis points (bps), a fresh post-pandemic high from 432bps seen in March.

Several recent deals have seen margins land at significantly wide levels. For instance, **Syniverse Technologies** completed a USD 1.025bn TLB due 2027 earlier this week, pricing at SOFR+ 700bps. The deal, which is to refinance debt in connection with the company's minority stake acquisition by **Twilio**, saw pricing widen from initial guidance of SOFR+ 500-525bps. Also of note, **Lightstone Generation** recently completed an amend and extend of its USD 1.463bn term loan debt, pushing out maturities three years to 2027 and pricing the facilities at SOFR + 575bps, around a 200bps difference over the existing loans priced in 2018 at LIBOR+ 375bps.

At only USD 26.1bn in April, issuance tumbled 24% month-over-month, and is down to approximately half that seen in January, when the market was still a more accessible space and average pricing hovered around 355bps. Two weeks into May, and persistently high inflation – with the Consumer Price Index registering an 8.3% average increase in prices in April, stepping down slightly from March's 8.5%, but failing to meet analyst hopes and expectations of a monthly figure of 8.1% – has kept issuers sidelined, with only USD 8.3bn registered in the month to date.

Many issuers willing to test the waters have in fact chosen to wait for fairer weather, with recent term loan Bs for **Bombardier Recreational Products** and **Gaming Capital Group** cancelled because of market conditions.

*(Past performance is no guarantee of future results.)*