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US institutional discounts widen, but remain at wide levels

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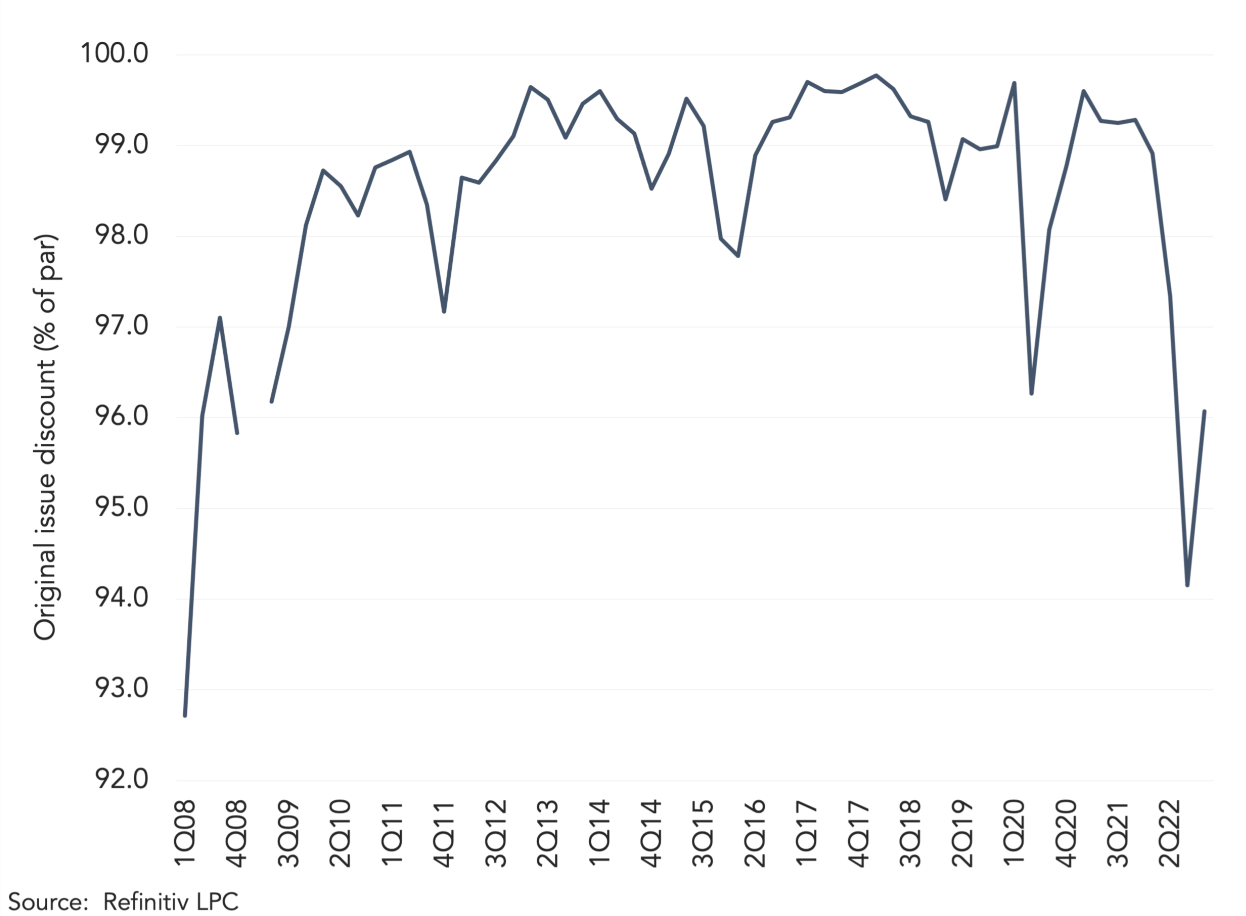

After reaching levels not seen since the credit crisis in 3Q22, discounts on US first-lien institutional term loans have tightened this quarter. The average original issue discount (OID) is 96.07 so far in 4Q22, tighter than 3Q22's average of 94.15, but still at historically wide levels. While the market continues to grapple with hung jumbo deals that were underwritten earlier in the year, investors have been receptive to higher quality credits in the institutional market and in some cases, issuers have been able to tighten discounts during syndication. Ba2/BB rated Summit Materials tightened its OID to 99 on its US$510m refinancing deal. The discount was originally guided at 97-97.5 and was later updated to 98.5 before settling at 99. Another Double-B rated issuer, Axalta Coating Systems tightened its OID to 99 from guidance of 97.5-98.5. Tighter discounts have been coupled with slightly lower spreads in 4Q22, however, with rising SOFR rates, average yields have widened. The average yield, assuming a three-year to repayment on first-lien institutional yields of 9.81% so far this quarter, is up from 9.45% in 3Q22.

(Past performance is no guarantee of future results.)