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US LevFin issuance slips in February amid softer, more volatile market backdrop

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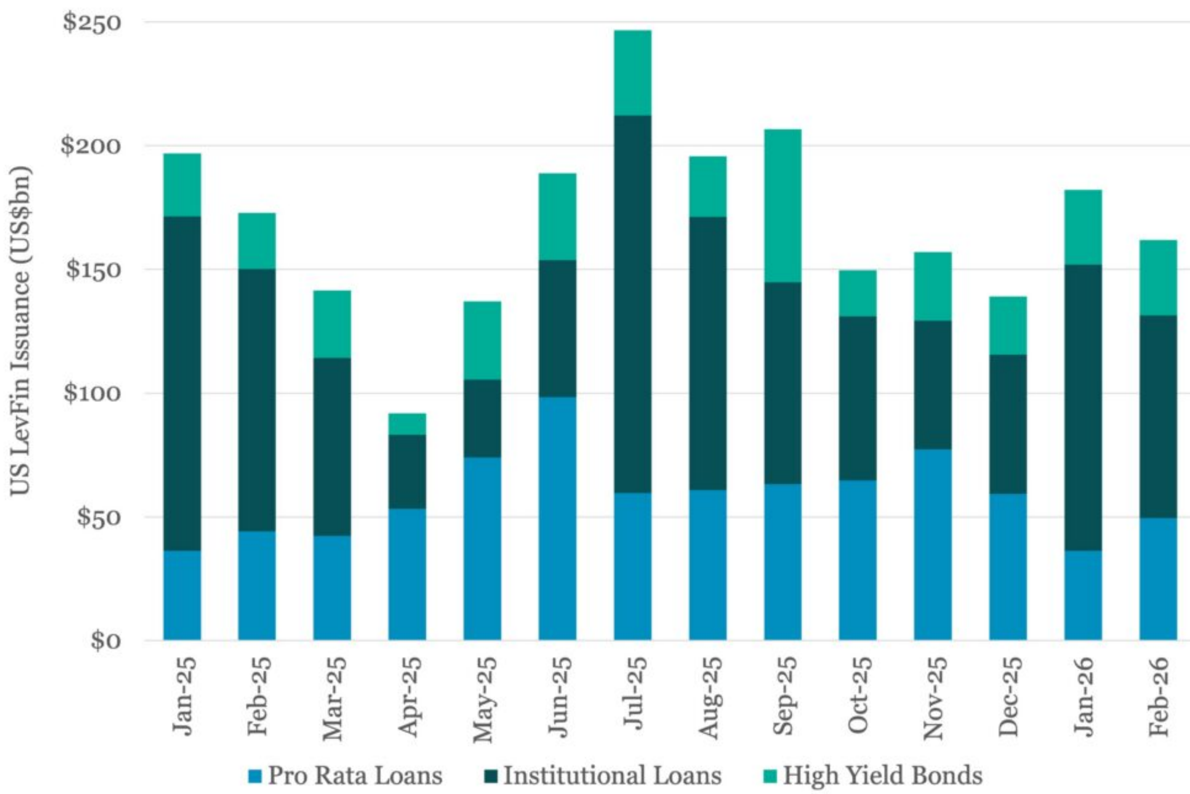

Source: LSEG LPC, LSEG Data & Analytics

US LevFin issuance topped US$160bn in February, although business slipped 11% from January amid a noticeably weaker market backdrop. Bank loans came back following a somewhat slower month (US$50bn) and high-yield bonds matched January's issuance (US$30bn), while institutional loans, which drive the majority of the overall business, fell 30% to US$82bn. Year-to-date issuance numbers tell the same story: LevFin issuance reached US$344bn through February, off about 7% from the same period last year, with gains in bank loans and high-yield bonds partially offsetting a steeper decline in institutional loan issuance. Some developments from February and into March have been proven indicators of a more challenging market: the most highly opportunistic and aggressively structured transactions tend to be the most adversely impacted and the first to fall away when financing conditions shift against borrowers. Institutional loan repricings fell 55% to US$34bn in February, as a softer secondary market removed much of the economic incentive for issuers that had been considering the trade, while certain AcqFin situations required some market flex or downright struggled. Alliance Ground International's (B2/B) approximately US$900m buyout loan cleared this week at S+450bp with a 98 OID (9.3% yield to three-year call), or 50-75bp wide of initial guidance, while Arclin's (B2/B) US$1.1bn acquisition loan priced at S+450 and 92 to yield approximately 12% after a couple rounds of revisions. Alliance’s term loan was marginally upsized to fund the increased OID pursuant to market flex, while Arclin’s (along with the adjoining secured bond) was heavily downsized during syndication, with most of the unsold debt recast as a US$645m bank term loan that was held among the underwriters.