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Issuers largely continue to win out on flex, but investors are pushing back on riskier credits

Similar to previous months, flex activity in August continued along the path of being mostly a borrower friendly market. Thomson Reuters LPC's Flex Factor scored -0.6 in August, the fifth straight month in issuer friendly land. The Flex Factor aggregates price and structural flex activity on institutional loans in order to gauge investor sentiment. In August there were 19 reverse flexes against 7 upward flexes.

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As issuers continued to win out on negotiations the market loosened enough to see more riskier deals come to market. The last 7 flexed deals were all upward flexes showing investors were pushing back when the credit posed too much risk. One of these was auto supplier Inteva Products div-recap loan. The B1/B rated company originally came to market with a US$250m term loan B priced at LIB+525-550bp, 99 OID and floor of 1%. But the terms changed drastically with the spread ballooning to LIB+850bp and the floor bumped up to 1.25%. In addition, the commitment was decreased to US$180m and call protection strengthened. Meanwhile, Bowlmor AMF and California Pizza Kitchen saw their second-lien loans flexed higher in recent weeks. With sources saying their pipelines are building post-Labor day, it remains to be seen how an influx of supply might factor into the risk equation.

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