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Toys ‘R’ Us bankruptcy pushes DIP loan issuance to the highest level since 2009

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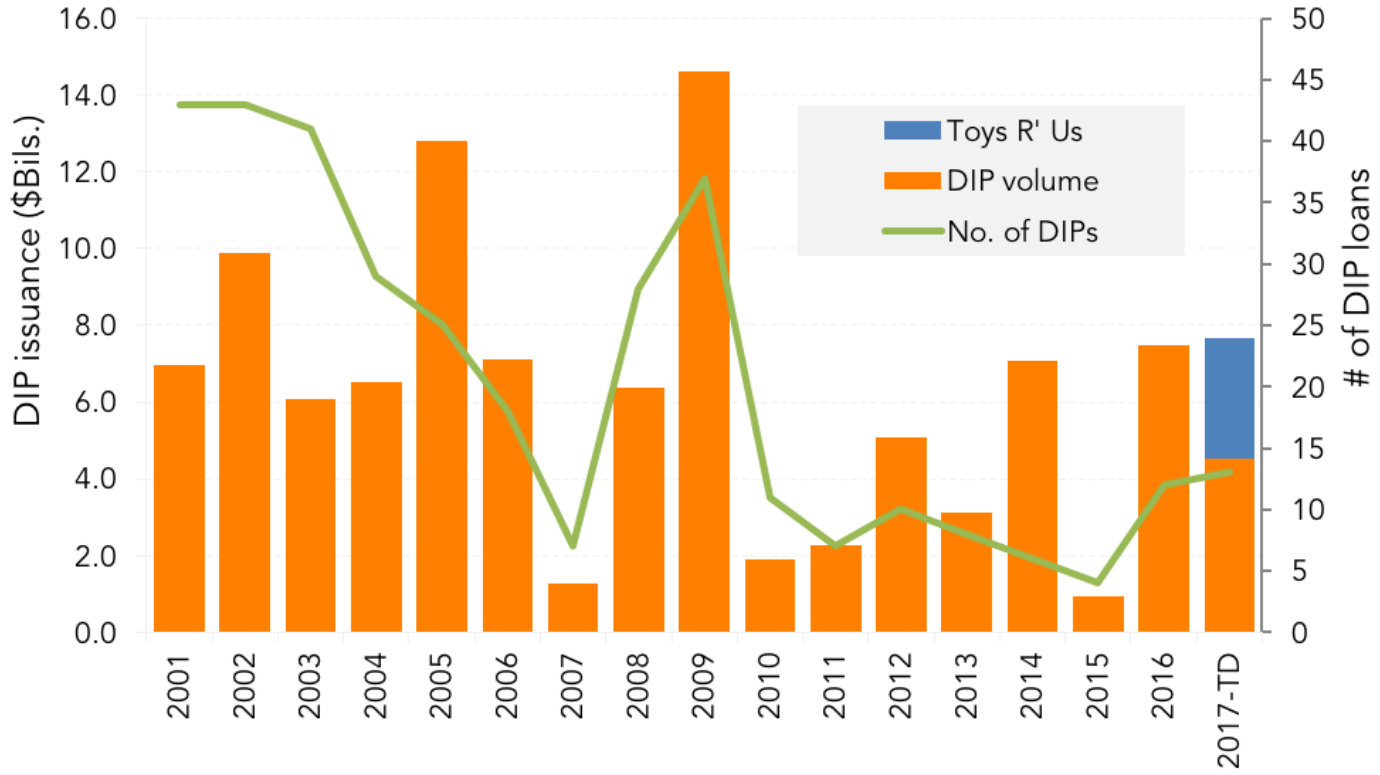

Toys ‘R’ Us launched a US$3.125bn debtor-in-possession (DIP) facility this week after filing for Chapter 11 protection on Monday. If the deal goes through at the launch amounts, it would bring year to date DIP loan issuance to US$7.6bn across 13 deals. That would top last year’s total of US$7.5bn across 12 deals. It would also be the highest amount of DIP loan volume since 2009 when there was US$14.6bn of DIP issuance across 37 deals. The company is restructuring around US$5bn of debt which makes it one of the largest ever bankruptcies in the retail space. Many retailers have been struggling to keep up with others that have been more successful with e-commerce like Amazon.com. Retailers now comprise 57% of DIP loan issuance this year. In response to Toys ‘R’ Us’s bankruptcy filing, Fitch Ratings updated its loan default rate to 1.8% from 1.7%, and said the retail loan default rate could reach as high as 12% by year-end.

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