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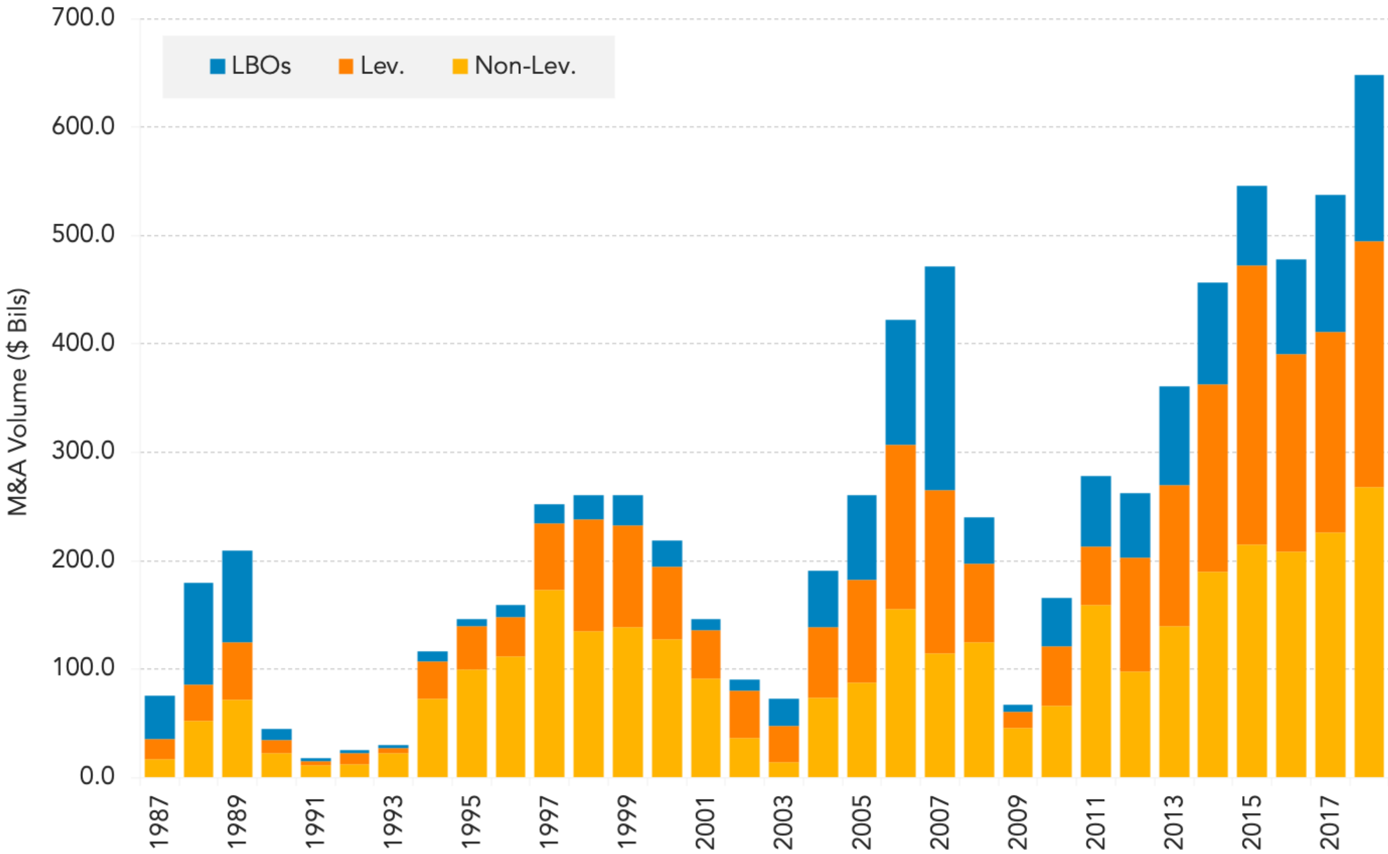
2018 US M&A loan volume sets new record at over US$648Bn

LSEG | January 10, 2019



At over US$648bn, US syndicated M&A loan volume set a new record in 2018, topping 2017's high of US$537bn. The strong results were spread across market segments as corporate issuers looked to augment organic growth with strategic acquisitions and private equity sponsors aggressively looked to put money to work among both large and small target buyouts. In the high grade space over US$267.5bn in M&A loan volume was completed during the year, outpacing 2017's record setting US$226bn. Jumbo acquisition financings for Broadcom, Comcast and Cigna were readily absorbed by the market as relationship names continue to garner lender support, especially if they had a bit more cushion or flexibility amid signs of growing volatility in the capital markets. While the high grade market takes longer to react to any instability, lenders note that looking to 2019, they are keeping an eye on where volatility may pop up in the investment grade space, and whether timing and access to capital markets may impact new M&A opportunities. At the opposite end of the credit spectrum, leveraged corporates raised nearly US$228bn in M&A loan financing in 2018, a total second only to the US$257.6bn raised in 2015. But it was the return of the jumbo buyout deals which seemed to define the 2018 US leveraged loan market best. At US$153bn, 2018 LBO financing is second only to the US$206.5bn raised in 2007. Despite aggressive borrowing terms, rising leverage levels and thin spreads, jumbo deals for Refinitiv and Envision set the benchmark for carefully coordinated executions post Labor Day, allowing the market to heave a sigh of relief while begrudging the lack of any substantive pushback which could have allowed for better lender terms. By year end, the tone in the market did show signs of being overheated, prompting adjustment on select deals – with rumours of changes eating into flex terms and arranger fees on occasion – amid broader capital markets volatility.

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