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Deals with no LIBOR floor or 0% floor decline slightly in July

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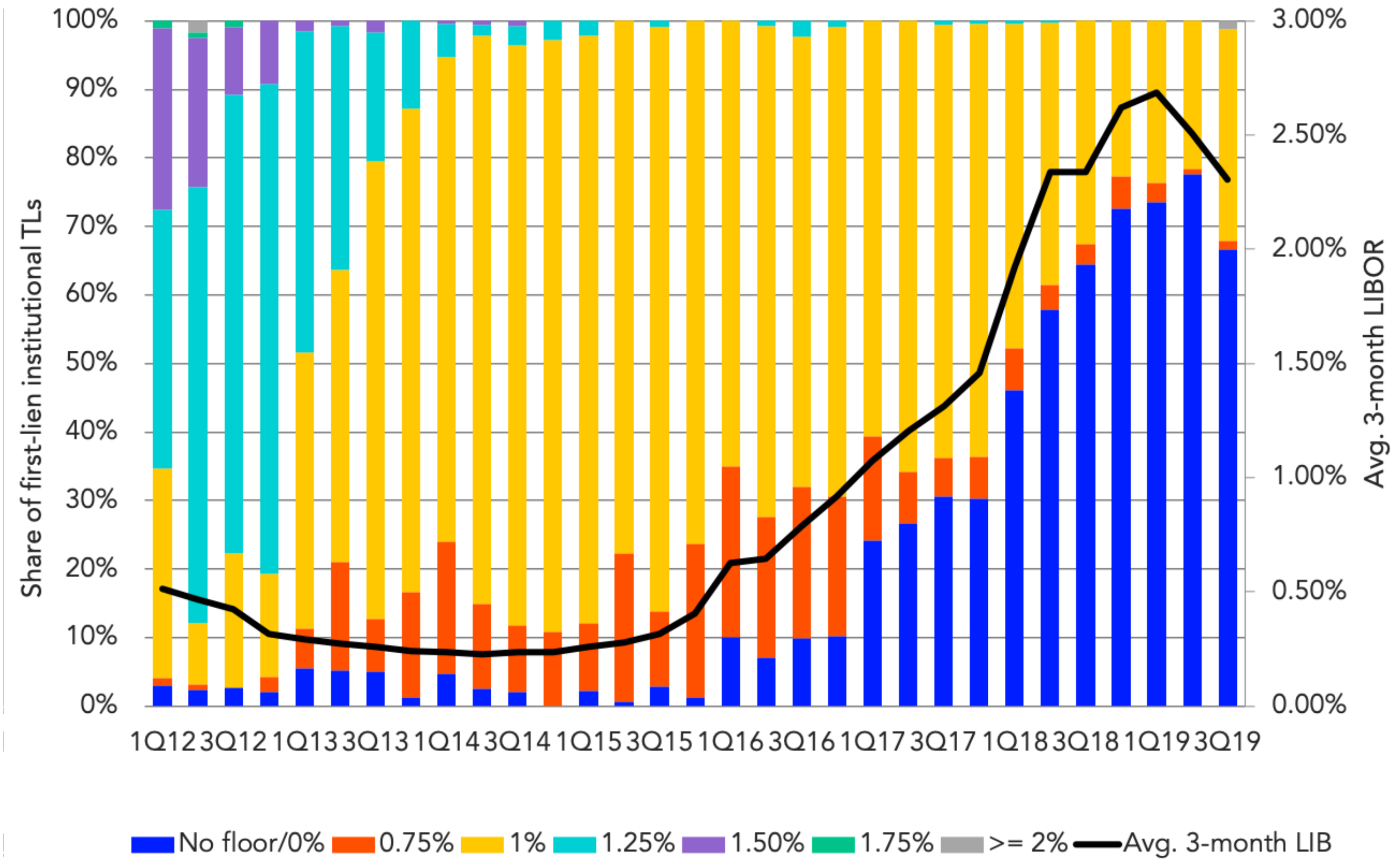

Libor rates have been on the decline this year. As of July 24, the 3-month Libor rate was 2.27%, 54bp below its 2018 year-end level. So far in July, the average Libor rate is 2.3% down from 2.51% in 2Q19. And investors might be taking note. While the share of first-lien institutional term loans without a floor or with a 0% floor continued to increase through last quarter, there has been a bit of a shift this month. The share of deals without a floor or with 0% floor has declined slightly to 67% in July from 78% in 2Q19. Moreover, some deals have flexed up their Libor floors, which had not been customary in the market for a while. Most recently, the dollar portion of the financing backing the buyout of Nestle's Skin Health unit by a consortium led by EQT Partners and Abu Dhabi Investment Authority (ADIA) increased the Libor floor to 1% from 0% at launch. Nuvei, Waterbridge, Teneo and Heritage Power also made the same change. In June, P&L Developments flexed the floor from 0% to 2%, a level not seen in the market for a long time.

Contact: Diana Diquez
diana.diquez@thomsonreuters.com