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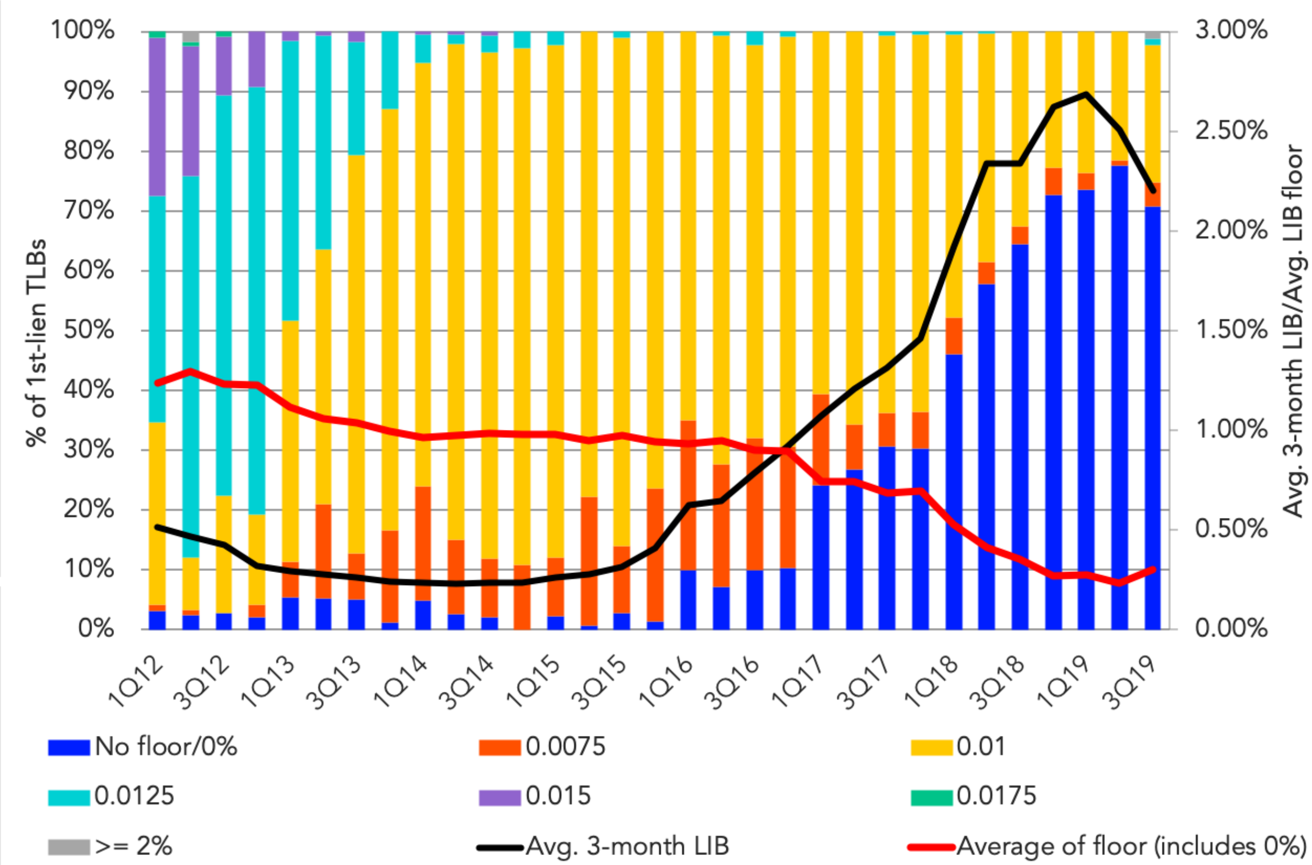
As Libor declines, Libor floors begin to trickle back

LSEG | September 25, 2019



As interest rates continue to decline, Libor floors are on investors' minds once again. As of September 24, the 3-month Libor rate was 2.11%, 69bp below its 2018- year-end level. So far in 3Q19, the average Libor rate is 2.20%, down from 2.51% in 2Q19. If Libor continues to decline, Libor floors which have been irrelevant for a while, might stage a comeback. Some signs of this are already emerging in the market. 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 in 3Q19. The share of deals without a floor or with 0% floor has declined slightly to 71% in 3Q19 from 78% in 2Q19. Moreover, some deals have seen upward price flexes on their Libor floors this quarter. The latest ones to do so are Sotheby's, Aldevron and ADT Corp., which all saw an increase of the floor from 0% to 1% during syndication.