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Yields bifurcate within the single-B category

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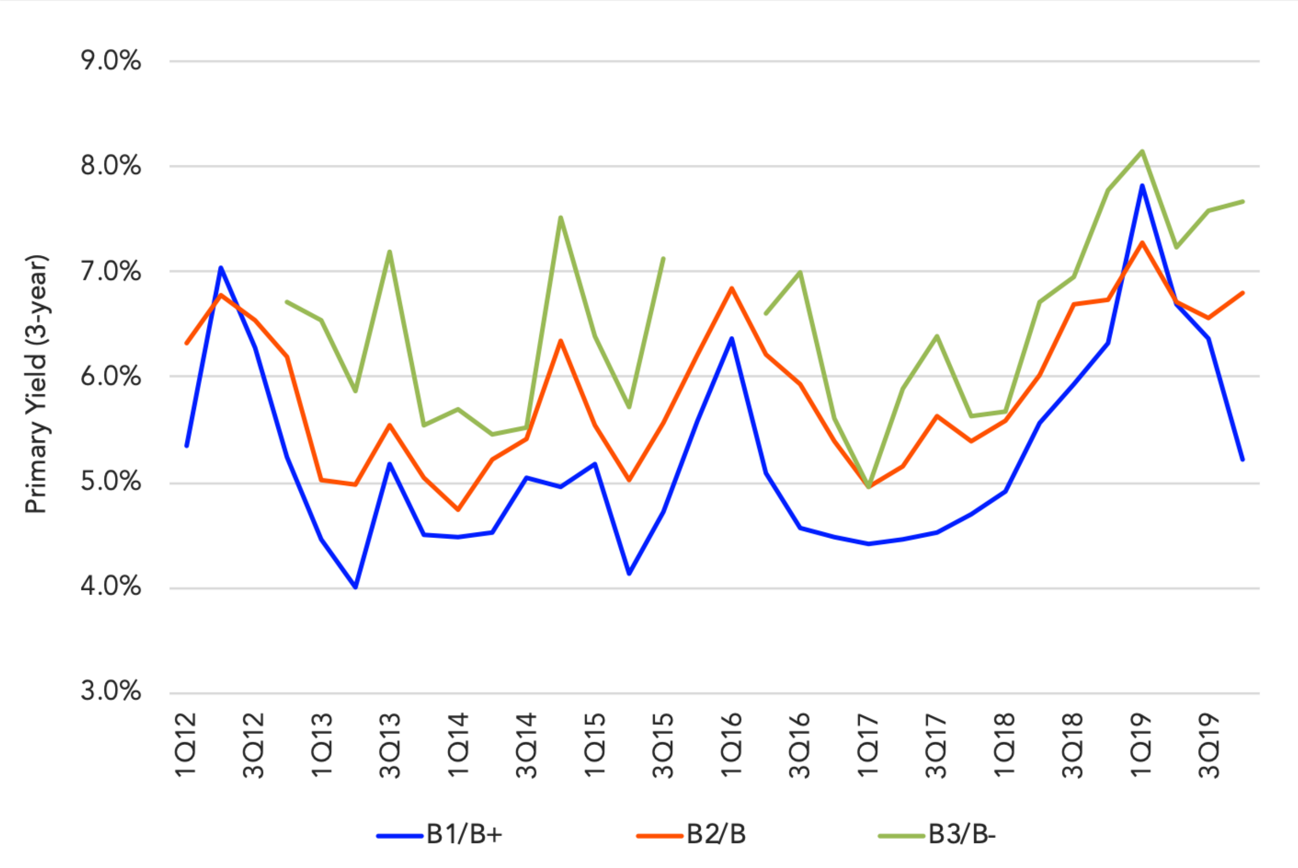

Investors took a cautious approach and became more selective in the latter part of 2019. In turn, the yield premium between double-B and single-B rated issuers widened significantly. The bifurcation has also trickled down into the single-B category as there has been a wide differential between higher-rated B1/B+ issuers and lower-rated ones. The average primary yield, assuming a three-year term to repayment on first-lien institutional term loans for B1/B+ rated issuers, is down over 100bp in 4Q19 relative to 3Q19 and is at its lowest level in almost two years. On the contrary, yields have widened slightly for lower-rated B2/B and B3/B- rated issuers in 4Q19. While the recent wave of repricings has been mostly for double-B rated issuers, some single-B issuers have also tapped the market to reprice deals. B1/B+ rated EW Scripps and CBS radio are looking to cut pricing to 250bp over Libor on their existing deals. B2/B+ rated Everi Holdings tapped the market to reprice its deal to 275bp over Libor, and B3/B rated issuer Refinitiv, which is under possible upgrade by Moody’s and on CreditWatch positive by S&P, repriced its loan to 325bp over Libor, a 50bp cut.