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DL Deals: ACProducts Deep Dive

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KKR Capital Markets used hard call premiums starting at 103 on **ACProducts**, a B/B2 credit that had more of a hybrid distribution strategy this month, to protect the attractive L+650 spread from being taken out quickly via repricing. The move is reminiscent of **Qlik Technologies** in 2016, however today's repricing play is thinner.

Direct lending competition for jumbo mandates has pressured margins, which are narrower now against syndicated loans than they were when Qlik emerged as the first large mandate won by nonbanks. Despite formidable hard calls, banks swiped Qlik in year two with a 525 bps pricing reduction to L+350, from L+875. Assuming ACProducts could reprice to L+350 a year from now, the savings is a slimmer yet still significant 300 bps, although 200 bps would be eaten away by the 102 hard call scheduled in year two.

Many had thought the cyclical nature of the home building sector would prove to be a major stumbling block for the cabinet manufacturer. Not so much. After initially talking the issue price at 99-99.50, KKR settled the level at 102, a reflection of strong demand for M&A paper, particularly if it's priced about 270 bps higher than the current single-B average. As noted everywhere, repricings have blanketed the broadly syndicated market. January's tally of $95 billion was the second-largest monthly total since 2002, according to *LCD*, a unit of *S&P Global Market Intelligence*.