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Dividend financings see a resurgence within opportunistic loan market

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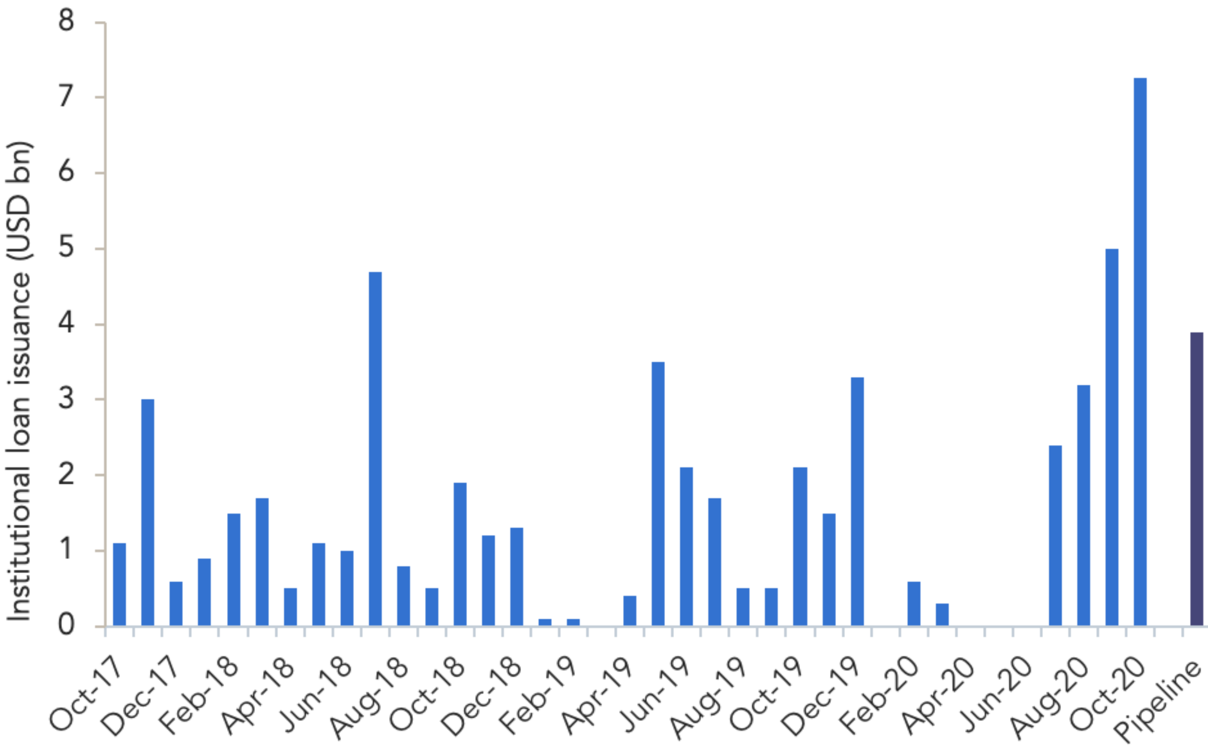

Source: Debtwire Par

Following several months defined by a lack of new loan supply, opportunistic deals have begun to flood the market as borrowers and sponsors alike capitalize on investor appetite for paper. Since returning to the market in July, dividend recapitalization transactions have steadily gained steam, with USD 10.6bn of deals with a dividend-related component pricing in the third quarter. So far this month, 12 dividend deals worth USD 7.3bn have been completed, with another five financings totaling roughly USD 3.9bn currently in syndication. Altogether, the July through October 2020 timeframe has seen more dividend deals price than all of last year.

Harbor Freight's recently priced USD 3bn TLB is a prime example. The Libor+ 325bps loan was offered at an OID (original issue discount) of 99, with proceeds slated to refinance the company's existing debt and fund a dividend payment. The deal mark's Harbor Freight's fifth such dividend financing since 2010. One notable deal currently in the syndication pipeline is **TruGreen**'s USD 1.425bn loan package due on 29 October. The borrower plans to pay a USD 349m dividend to sponsor Clayton, Dubilier & Rice as well as refinance its outstanding first and second lien term loans.

Opportunistic refinancings have also been on the rise in recent months, with the USD 19.4bn recorded in September marking the highest monthly refinancing level seen since before the coronavirus (COVID-19) pandemic disrupted debt markets in March. Borrowers such as **Chobani** have taken advantage of market dynamics to push out debt maturities and reduce financing costs across the capital stack. The company's roughly USD 1bn loan and bond refinancing package will extend access to capital through 2028 from the company's previous loan maturity in 2023.

An additional USD 14.2bn of refinancing transactions have been completed this month, with a further USD 9bn across seven deals in the pipeline, including deals for **Multiplan Corp**, **PetSmart** and **Avantor**.