Leverage multiples on LBO deals rebounds in 4Q20

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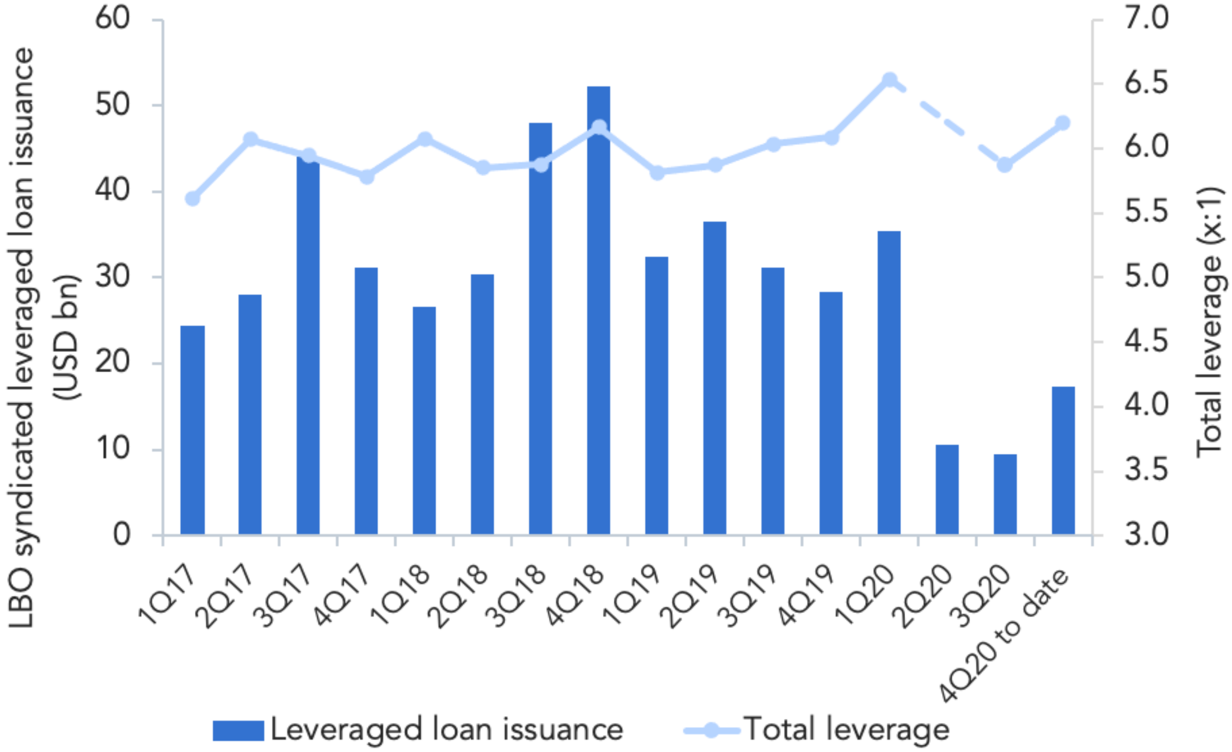

Source: Debtwire Par

Leveraged loan activity backing LBOs has picked up this quarter, following subdued deal flow in 2Q20 and 3Q20 due to the COVID-19 pandemic. Fourth quarter syndicated leveraged loan issuance backing buyouts is currently at USD 17bn, already topping volumes in the prior two quarters. Recent LBO loan deal flow is boosted by the rebound in US private equity activity in 3Q20, with US buyout investment totaling USD 69.5bn from 260 deals in 3Q20, up from USD 21bn and 232 deals in 2Q20, according to *Mergermarket*.

On top of this, total leverage levels on LBO deals hitting the primary loan market have shifted back higher in 4Q20, averaging 6.2x, based on the universe of deals tracked by *Debtwire*. Portfolio managers say this reflects high valuations remaining a feature of the market despite the pandemic, especially in sectors not impacted by social distancing. Also facilitating the recent increase in leverage is the debt markets remain welcoming to borrowers, despite several deals being postponed last week, with CLO formation in particular continuing to drive demand for loans.