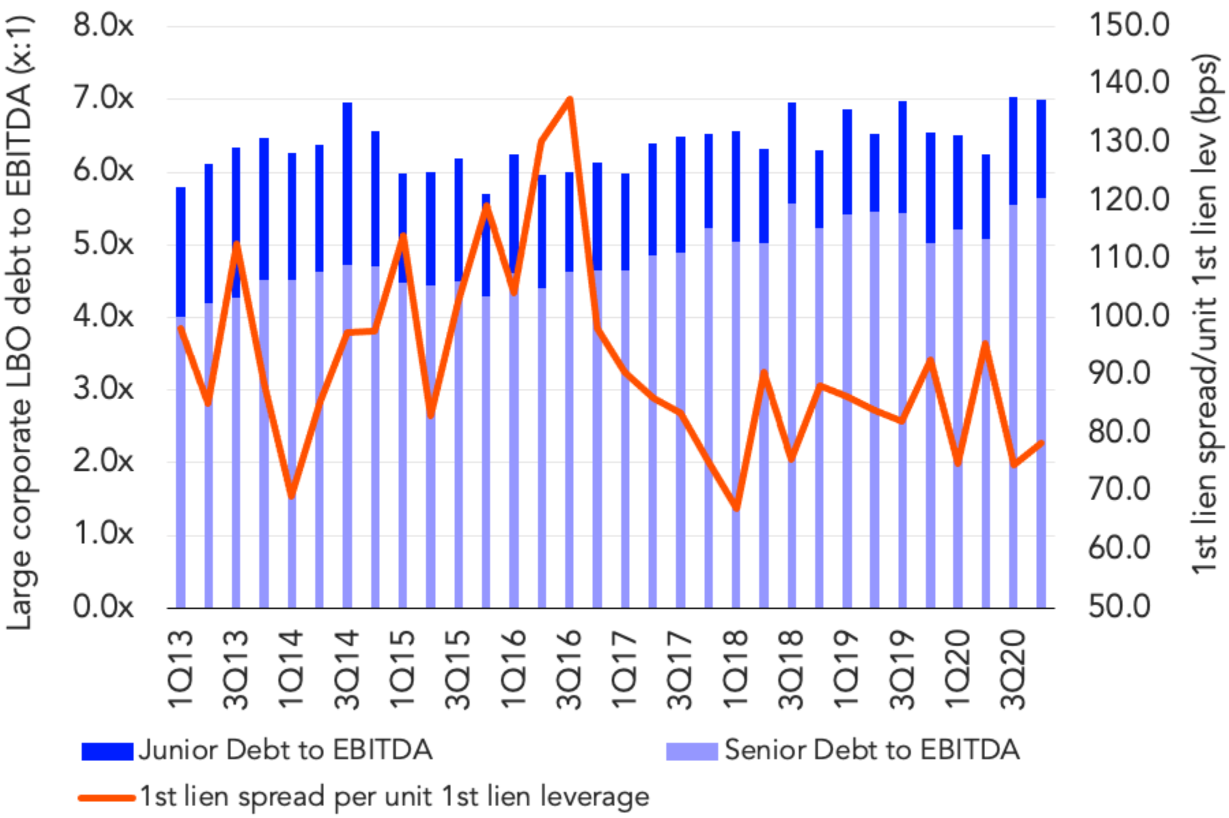
THE LEAD
https://theleadpc.com/leveraged-loan-insight-analysis-11-9-2020/

LBO leverage multiples stay aggressive in 4Q20

LSEG | November 12, 2020



After remaining extremely light the past two quarters, LBO activity has picked up, as private equity sponsors are putting more money to work. Through the end of last week, there was US$16.5bn in completed US LBO volume, 19% higher than year-ago levels.

Meanwhile, leverage multiples on large corporate LBO deals remain high, averaging around 7x so far in 4Q20, the same average as 3Q20. Valuations remain high, with purchase price multiples in the 13.5x area for large corporate LBO deals. Investor demand has been mostly strong with the 1-800 Contacts LBO loan, at 10.2x levered, getting upsized during syndication and the second-lien tranche getting flexed 75bp lower from launch.

Investors have pushed back on some LBO deals as well, sending spreads higher. This has allowed the average LBO first-lien spread per unit first-lien leverage to move a bit higher, from 74.5bp in 3Q20 to 78bp so far in 4Q20.