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SBO share of buyout issuance slips

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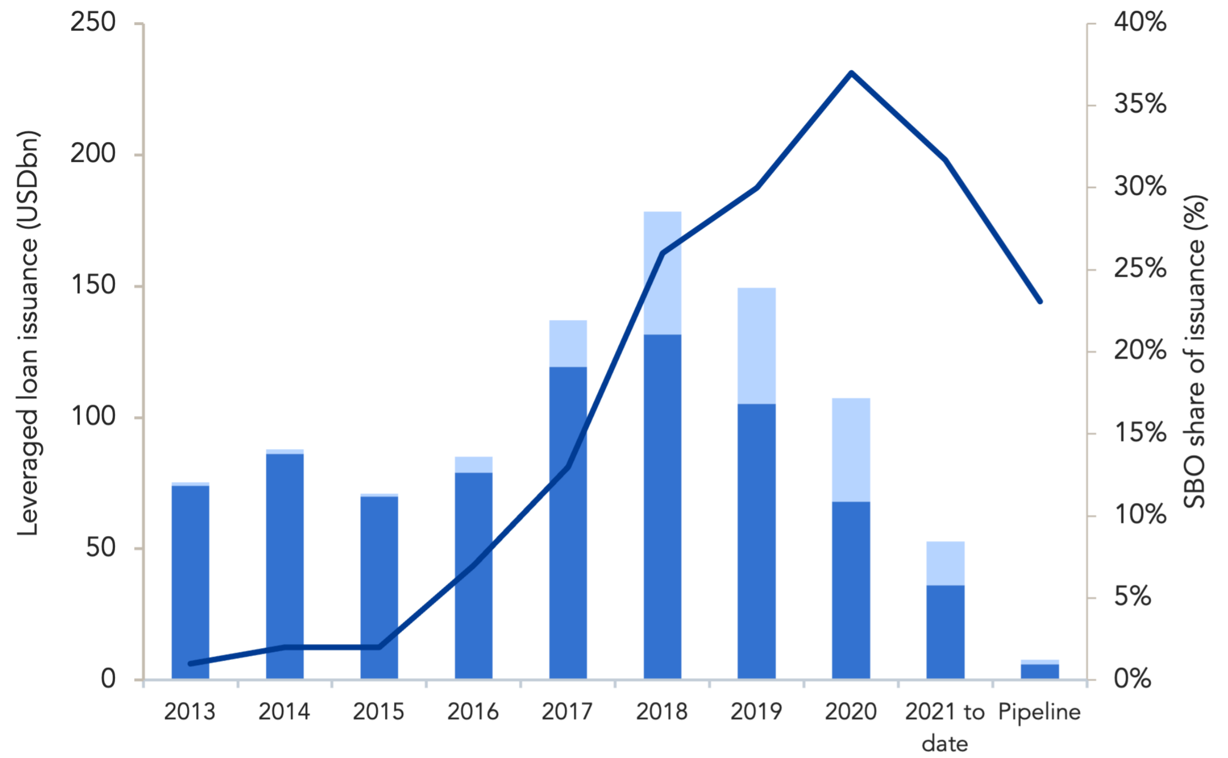

Source: Debtwire Par

Sponsor-to-sponsor buyouts have been commonplace in the first several months of 2021, accounting for roughly 32% of buyout-related leveraged loan issuance. While buyout activity set records in 1Q21 in terms of both deal value (USD 161bn) and count (485 deals), according to Mergermarket, leveraged loans issued to finance this activity struggled at times to keep up with demand from lenders, though deal flow has picked up recently, with a healthy pipeline of loan deals expected to wrap up in the weeks ahead.

Some good news for lenders looking for new money lending opportunities, however, can be seen when looking specifically at April loan issuance supporting buyouts – of the USD 18.5bn of leveraged loans issued for this purpose, just 21% were SBOs, the lowest proportion yet this year. On the other hand, LBO loan volume (excluding SBOs) rose to its highest level this year, at USD 14.6bn.

The largest LBO loan completed year-to-date is **CoreLogic**, which supported its take-private buyout by Insight Partners and Stone Point Capital with USD 4.5bn in leveraged loans and an additional USD 750m high yield bond component. Pricing landed at the tight end of talk (Libor+ 350bps with a 50bps floor and 99.5 OID) on the company’s downsized USD 3.25bn TLB due 2028 completed earlier this month. **The Michaels Companies** was also in the market in April with a USD 2.95bn loan package backing its acquisition by Apollo Global

Management. The USD 1.95bn TLB was upsized at the expense of a secured note offering during syndication, before pricing at the tight end of talk.

Such financings have been welcomed by investors hungry for yield in a tight pricing environment, and the trend away from sponsor-to-sponsor deals looks set to continue in the coming weeks, as only 23% of the USD 7.9bn of buyout loans currently working through syndication are slated for SBO transactions.

STG Partners' acquisition of **McAfee**'s Enterprise business recently allocated. The financing is composed of a USD 2.25bn TLB and USD 575m second lien facility and is rounded out by a USD 125m revolver. Cabinetworks is expected to complete its USD 1.4bn TLB due 2028 later this week, with proceeds slated to back the company's buyout by Platinum Equity.

(Past performance is no guarantee of future results.)