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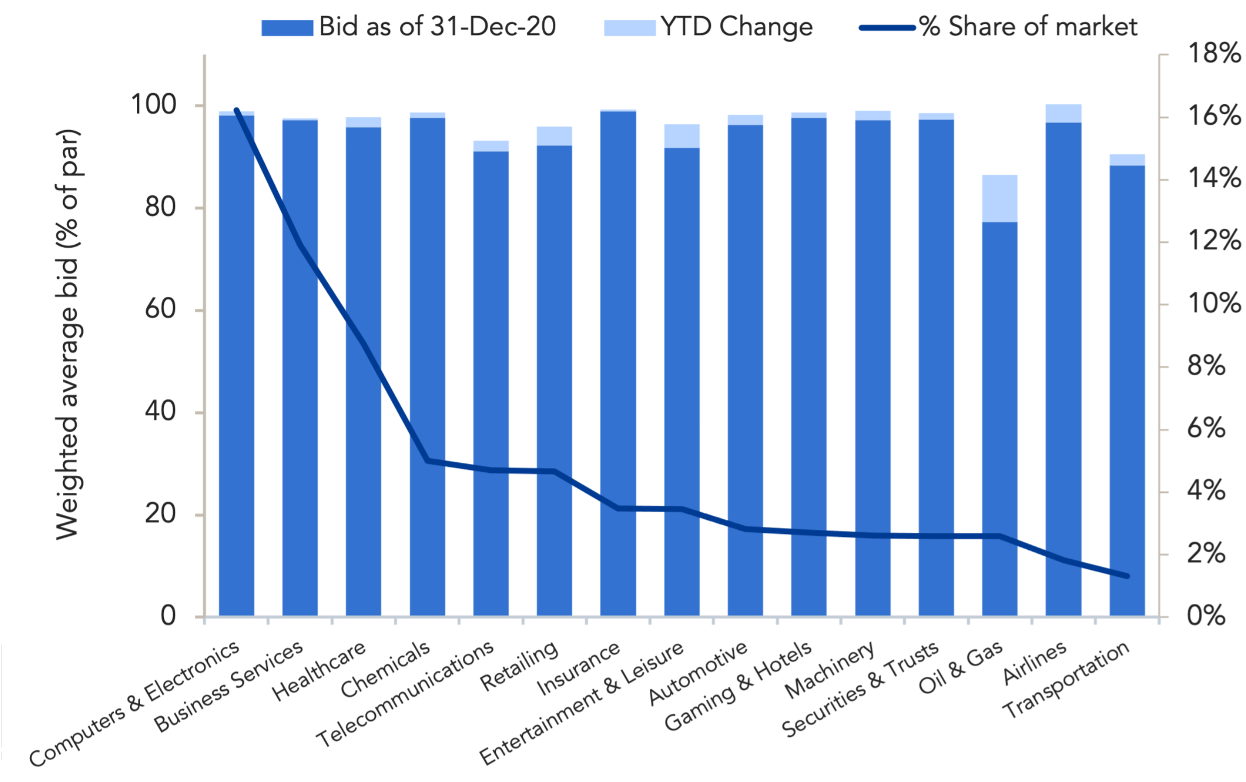
Sectors most impacted by pandemic outperform in the loan secondary market year-to-date

Debtwire | May 19, 2021



Source: Debtwire Par

Average bids on term loans have increased modestly this month, landing at 97.13 as of 18 May. Demand for loans has been strong in 2021, with average bids increasing 168bps from the 31 December figure, during which time 77% of loans traded higher. Additionally, 83% of loans currently trade at 98 or higher, with 16% of the figure trading above par. The pace of recovery has eased in recent months, however, as more of the market trades at elevated valuations. For instance, so far in May, average bids have ticked up only 10bps from the 30 April figure, which itself was only a 24bps increase over the March average.

With 60% of Americans having now received at least one dose of the coronavirus (COVID-19) vaccination and a return to the pre-COVID economy appears within reach, sectors that were negatively impacted by social distancing measures and stay-at-home orders stand to see an outsized benefit.

Indeed, year-to-date it has been some of those industries which have outperformed the overall gain in the loan secondary market. Sectors such as entertainment & leisure suffered throughout the pandemic, with average bids dipping as low as 79.41 on 31 March 2020. Entertainment & leisure loans have gained nearly five points in the secondary market this year having recovered much of the ground lost during the pandemic, landing at an average bid of 96.39. Opportunities still exist in the sector, however, as before the coronavirus shut down much of the market, entertainment loans were bid in the 99-area, leaving plenty of room for future appreciation as the economy continues to reopen.

A similar dynamic can be found in the transportation, retailing, gaming and hotel and airline industries. Both the retailing and airlines sectors have seen average bids move up over three points this year, though both are trading more in line with historical levels, leaving less room for price appreciation in the coming months.

Looking at individual borrowers, some of the biggest movers this year include **AMC Entertainment**, which saw its TLB due 2026 trade up to an average bid of 89.54 from 63.98 in December, **Equinox**'s TLB due 2024 which ticked up to 88.92 from 66.32 and **Cineworld**'s term loan due 2025 that has improved to an average bid of 84.78 from 67.48.

(Past performance is no guarantee of future results.)