M&A/Buyout deals outnumber refinancings, sending pricing higher

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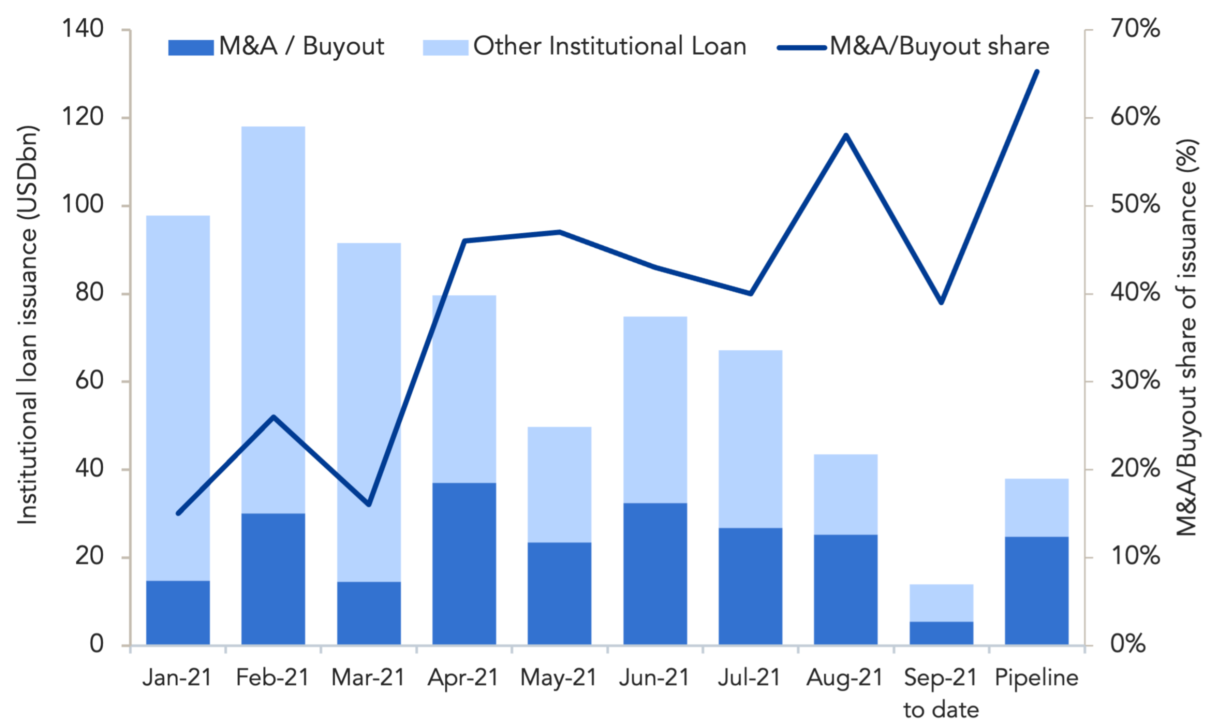

Source: Dealogic, Debtwire Par

With institutional issuance slowing to USD 43.6bn in August, its lowest level in the year to date (YTD), a steady flow of M&A and buyout related financings (USD 25.2bn or 58% of monthly issuance) and a slowdown in refinancing transactions (USD 12.2bn or 28% of issuance) contributed to an overall increase in loan pricing. Borrowers looking to finance acquisitions with debt have regularly had to pay a premium.

Wahoo Fitness, for example, issued a USD 225m TLB due 2028 to support its buyout by Rhone Group. The fitness technology company was forced to widen pricing from talk of Libor+ 525bps-550bps and a 99 OID to L+ 575bps and a 97 OID in order to complete the transaction. **Eastman Tire Additives** similarly saw pricing flex during the syndication process, with final pricing of L+ 525bps and a 98 OID landing wide of initial talk at L+ 475bps-500bps and a 99 OID. Proceeds support the acquisition of **Eastman Chemical Company**'s tyre additives business by One Rock Capital Partners.

Of the more than USD 38bn of institutional loans currently in syndication, well over half are allocated towards M&A and buy-out purposes. Issuers including **DexKo Global** and **PS Logistics** are expected to price buyout related loan financings in the coming days, with margins talked in the L+425bps area. Average margins on first lien M&A/buyout loans currently in syndication stand at 389bps, with initial talk as tight as L+ 200bps on **Catalent Pharma**'s USD 450m TLB add-on to fund its acquisition of **Bettera Holdings**, and as wide as L+500bps on **Team Services Group**'s USD 90m incremental TLB to fund a tuck-in acquisition.

(Past performance is no guarantee of future results.)