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Leveraged Loan Insight & Analysis – 7/13/2015

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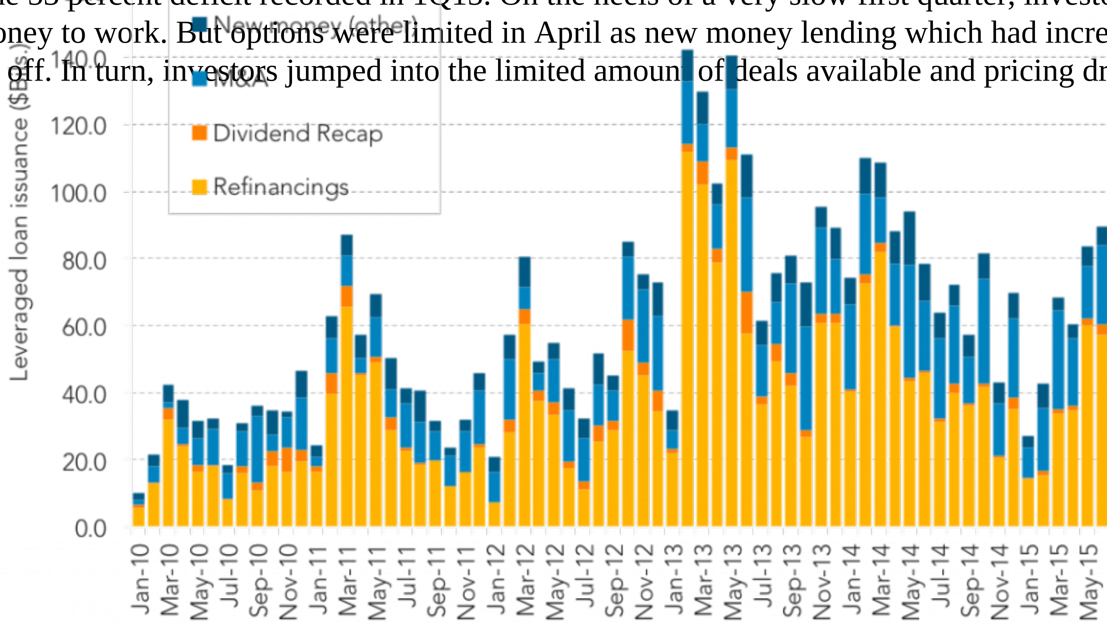
After a very slow start to the year, leveraged lending picked up in 2Q15. Issuance of $233.3 billion was up 69 percent from 1Q15 levels. While issuance was down year-over-year, it only trailed by 10 percent, a lot lower than the 53 percent deficit recorded in 1Q15. On the heels of a very slow first quarter, investors were hungry to put money to work. But options were limited in April as new money lending which had increased in March, trailed off. In turn, investors jumped into the limited amount of deals available and pricing dropped.



Issuers took advantage of this and a new repricing wave made its way into market. Refinancings jumped to almost $60 billion in May, its highest level since March 2014. For the quarter, refinancings were up 2.4 times from 1Q15 levels. Sponsors also took advantage of the demand and supply imbalance and hit the market with more dividend recaps. At $7 billion in 2Q15, loan issuance backing dividend recaps more than doubled the total recorded in 1Q15. While opportunistic deals were on the rise in 2Q15, leveraged M&A issuance was almost flat at $58.9 billion. However, major announcements were made and the pipeline filled with M&A financings, prompting investors to pull back from refinancings and riskier credits as they wait for new issue deals to hit market in the second half.

THE NEW LOAN MARKET – READY OR NOT, HERE IT COMES –
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