# Leveraged loans & high yield bonds backing buyouts decline in 2022

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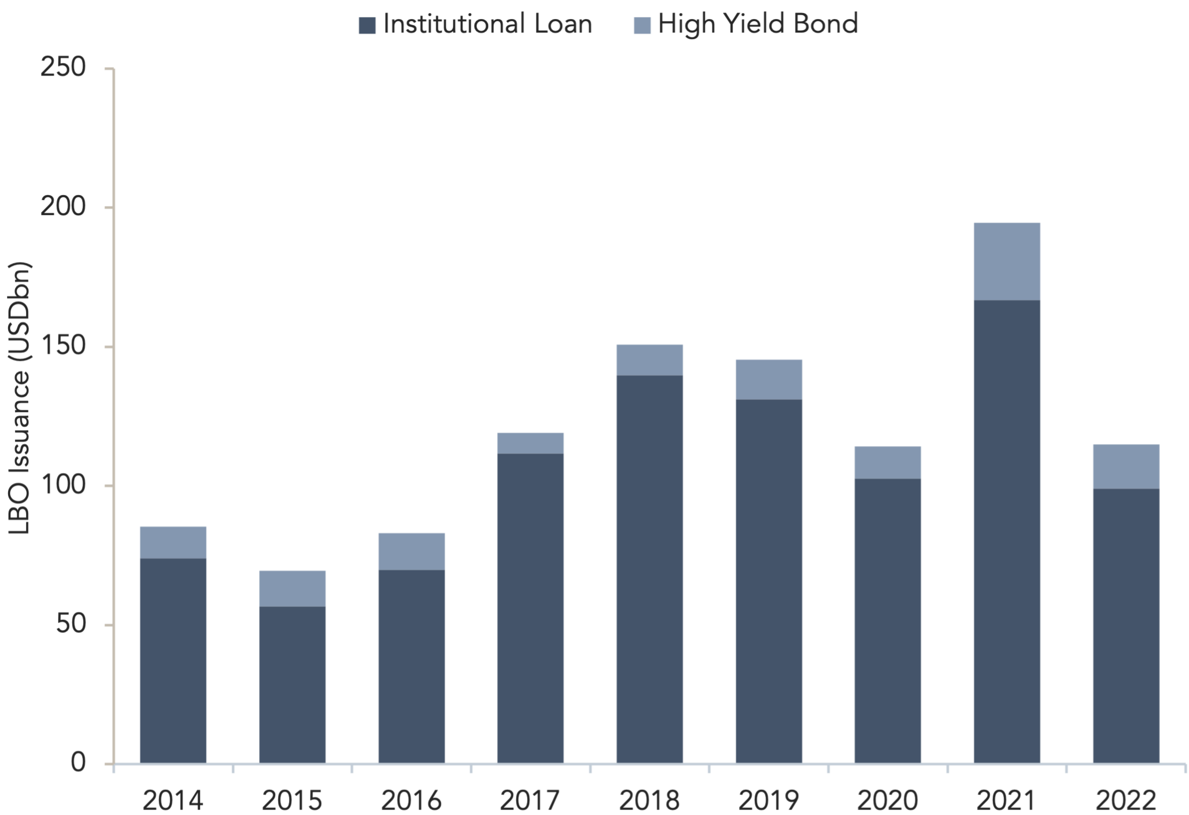


*Source: Debtwire Par*

New issuance in the leveraged loan and high yield bond markets took a dive from last year's totals as the pressures besetting the market remained persistent. Institutional loan issuance declined 68% to USD 294.4bn, while high yield bond volume tumbled an astounding 78% to just USD 96.5bn. To put it bluntly, 2022 saw the lowest level of institutional loan and high yield bond issuance in the last ten years.

While faring better than the overall markets, economic uncertainty and persistently high levels of inflation kept institutional leveraged loan and high yield bond issuance supporting buyouts from meeting last year's expectations of a booming market. At USD 99.1bn, institutional loan issuance supporting buyout activity declined by 41% compared to last year, while high yield bond volume of USD 15.8bn marks a 43% year-over-year slide.

The year started off strong following record leveraged loan and high-yield bond issuance in 2021, and a bursting pipeline of deals when approximately USD 2.6trn of M&A activity was announced, according to Mergermarket.

Large buyout financings supporting **Athenahealth**'s USD 17bn buyout by a Bain Capital and Hellman & Friedman, as well as **McAfee Corp**'s USD 14bn take-private by a consortium of investors, were completed early in the year – before the Federal Reserve's rate hiking expedition began. In fact, in both the loan and bond markets, approximately half of total buyout issuance in 2022 came in the first quarter.

Leveraged buyout activity tapered off as investors demanded higher yields on debt and banks stopped underwriting transactions because of steep losses on deals financed before conditions soured, and companies were once again forced to reconsider transformative deals until the market can better support them. For instance, both Athenahealth and McAfee priced loans at an OID (original issue discount) of 99.5, before secondary market conditions worsened. **Nielsen**, on the other hand, priced the loan supporting its USD 16 buyout by Evergreen Coast Capital and Brookfield Business Partners in November at an OID of 89.

*(Past performance is no guarantee of future results.)*