Opportunities abound: loan repricing hits historical high in 2024

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Following a muted couple of years for the leveraged loans primary market, deals that include a repricing component or that are solely focused on repricing have dominated activity since the start of the year, reaching historical highs of almost USD 155bn in value in 1Q24. This is more than double the amount of such deals closed during the whole of 2023. The trend appears to have continued through the second quarter of 2024, with repricing exercises reaching USD 110bn as at 11 June.

On average, margins in 2Q24 have fallen 50 basis points (bps) following repricing. **Green Street Advisors**, a California-based financial services company, closed the best repricing deal in April, trimming 125bps from its SOFR+ 650bps USD 455m loan signed in 2022 to S+ 525bps. Seven more firms have shaved 100bps when repricing current debt: **BrandSafway**, **Talen Energy**, **Qlik Technologies**, **American Airlines**, **Pactiv Evergreen**, **SPX FLOW** and **CEVA Sante**.

With nearly half of leveraged loans trading above par on the secondary market, companies are taking advantage of favourable terms to reduce their borrowing costs. During 1Q24, there were 13 repricing exercises completed by healthcare firms for a total of USD 21.2bn, which represents 14% of the repricing total during the period and equals all repricing deals done during the last quarter of 2023. Technology, media and telecoms (TMT) companies completed 17 repricings for USD 19.7bn of debt between January and March 2024 (or 13% of all deals by value).

More recently, 2Q24 has been dominated by the TMT sector, with computers & electronics companies contributing 23% of all deals by value or USD 25.7bn. Leisure companies placed second in the quarter, repricing USD 11.7bn of debt, with nine tranches closed thus far.

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