October LBO financing conditions show strength, despite mixed pricing outcomes in bifurcated market

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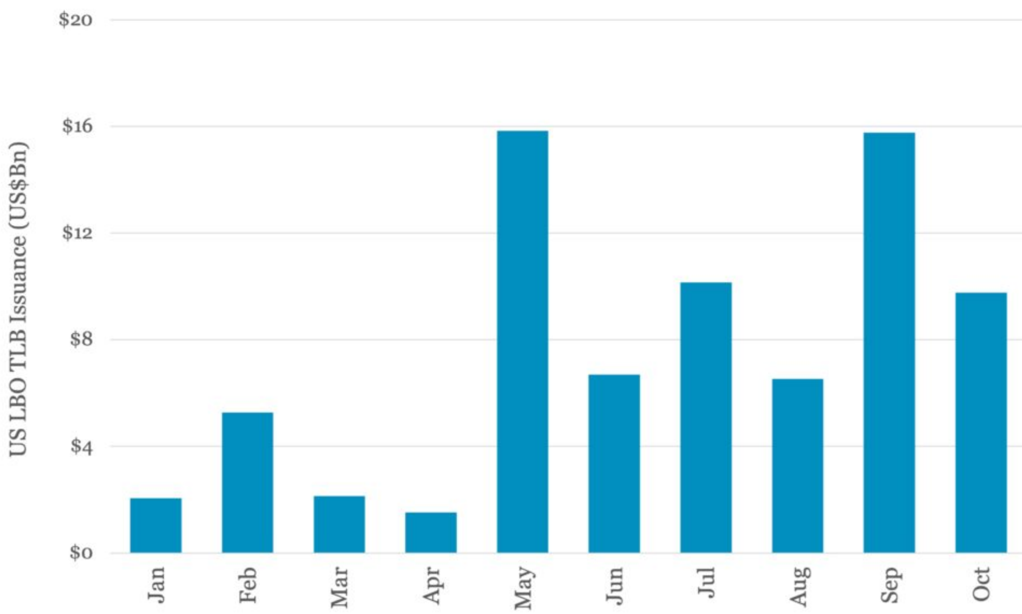

With more than US$32bn of LBO term loan B issuance successfully placed in 3Q24, LBO financing activity has emerged similarly strong in 4Q24. At least 10 LBO term loans totaling US$9.8bn priced and allocated in October, nearly on par with the US$10.1bn raised in July. And while issuance has continued to plug along, a host of variable syndication outcomes suggests investors remain receptive in a market where not all single-B credits are treated equally. Among the 10 LBO prints for October, three issuers flexed pricing wider, five tightened, and two managed to print within original guidance. And of the five reverse flexes, only one issuer tightened on spread while the remaining four reduced OID marginally. The only spread reduction came from R1 RCM (B3/B- issuer ratings), which printed at S+325 to yield 8.6% (versus S+350-375 guidance) and required several documentation changes, mostly around the incremental facilities basket. Therakos (B2/B) cleared at S+525 and 96 to yield 12.2% and required extensive revisions, including reduced tenor, increased amortization, and steeper call protection, among other changes. Arrangers for Rise Baking (B2/B) pivoted during syndication, opting to privately place the term loan B after the transaction failed to gain enough traction in the broadly syndicated loan market; the TLB was ultimately downsized by US$250mm, while the adjoining secured bond was upsized by the same amount, with the term loan clearing at S+500 and 98.5 to yield 10.8%. Ticking fees have also emerged on select transactions, such as Kidde Global Solutions (B1/B-) and Golden State Foods (B2/B), which afforded arrangers the flexibility to launch syndication sooner, under more accommodating conditions, and well ahead of any potential market fallback stemming from this week’s US presidential election. Despite all these mixed directional outcomes on new-issue pricing, the October LBO cohort collectively trades approximately 60bp above issuance (98.875 average bid versus 98.25 average OID), with not a single facility trading below issuance as of last week.