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Lenders Offer Deeper Discounts to Clear Primary Market Transactions

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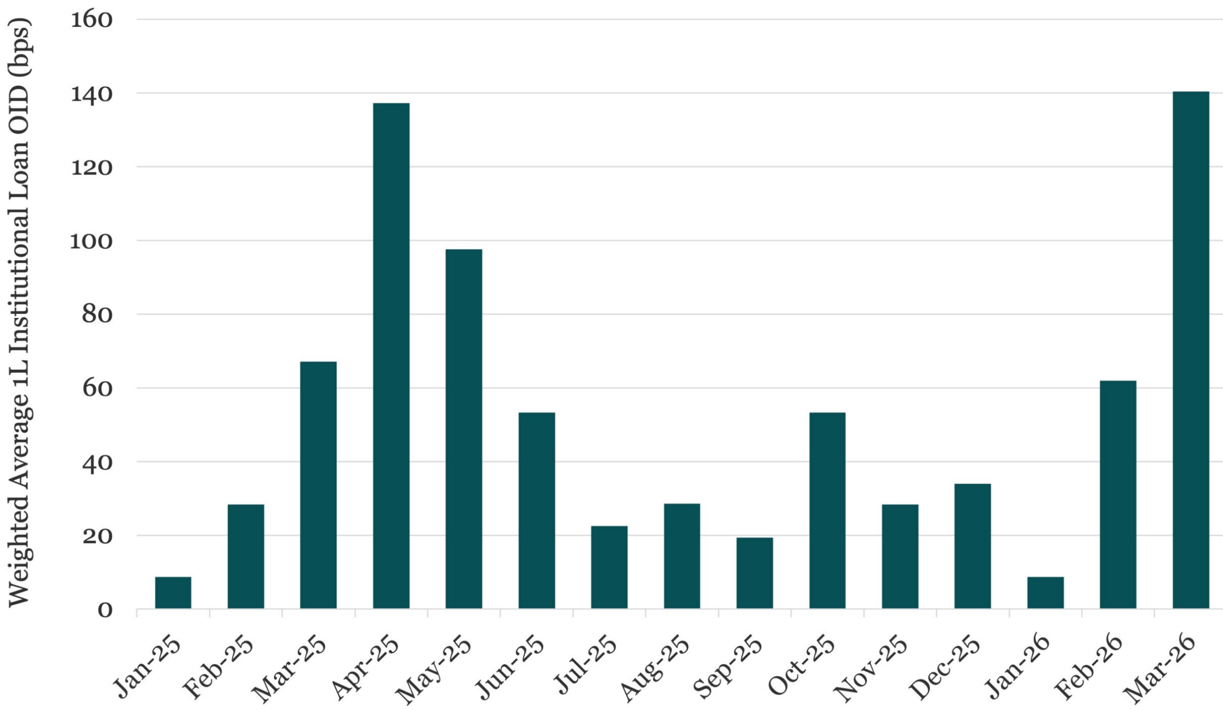

Source: Bloomberg Data

Click here to access Bloomberg's US Leveraged Finance Chartbook

Amid subdued deal flow and continued volatility in the secondary market, lenders have increasingly relied on deeper original issue discounts (OIDs) to successfully syndicate new leveraged loan transactions. In March, the OID (original issue discount) on US institutional leveraged loans jumped to an average of 140bps from 62bps the month prior, marking the deepest discount since April of last year.

The sharp increase in discounts reflects a notable shift in issuance dynamics. In January, approximately 72% of volume was driven by repricing activity, allowing most deals to clear at or near par, with an average discount of just 9bps.

By contrast, more than one-third of March issuance was tied to committed M&A financings, which typically require more aggressive pricing to attract investor demand in a difficult market. This includes the $6.125 billion Term Loan B backing the $55 billion Electronic Arts buyout, which was allocated at an issue price of 98.5 (a 150bps discount).