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Tech loan issuance slows as credit markets turn selective

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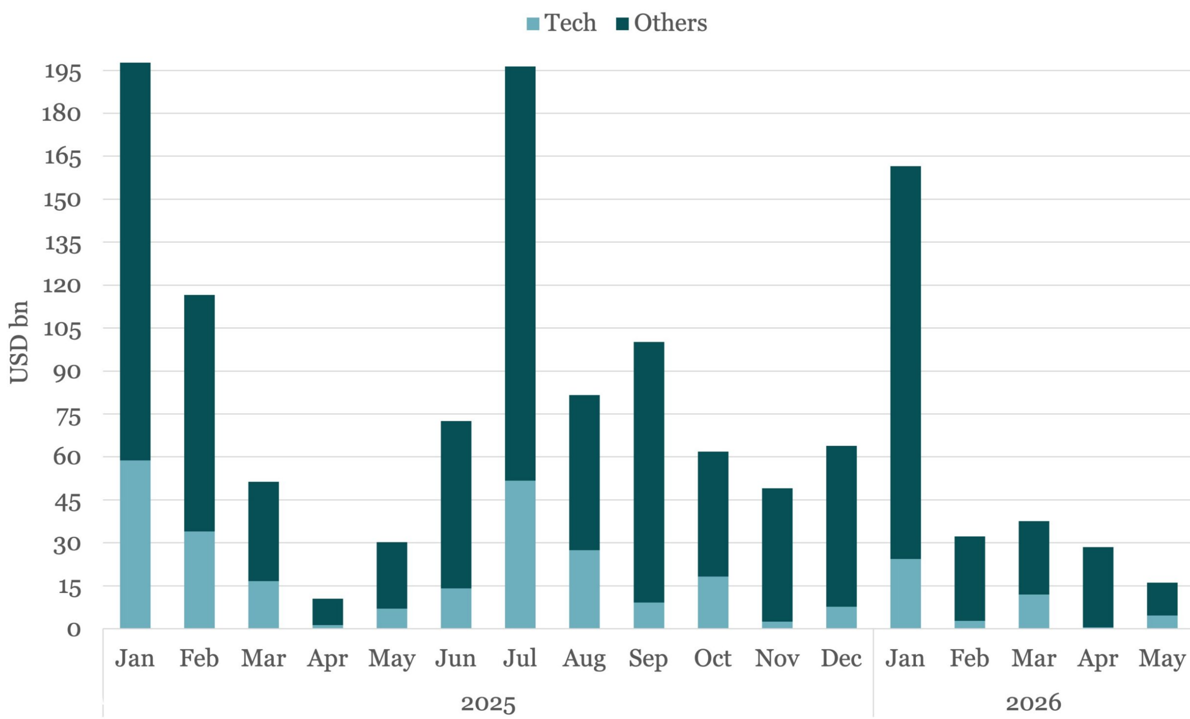
Tech issuance falls to just USD 550m in April



Source: Debtwire, Markit, data correct as at 13-May-26

Technology issuance in the institutional leveraged loan market fell to just USD 550m in April, marking the sector’s lowest monthly volume in the past four years. The last comparable level was recorded in December 2022, when issuance was USD 447m.

The tech sector, which has accounted for more than 23% of total leveraged loan issuance over the past three years, has begun to show signs of strain this year, as concerns around AI disruption intensified towards the end of January and have continued to grip investors.

The sector began the year on a strong footing, generating USD 24.4bn in issuance out of a total USD 161bn in January. However, momentum quickly faded as concerns resurfaced following the release of new AI tools in late January, including Anthropic’s Claude Cowork, which demonstrated the capability to perform complex tasks such as legal workflows, fueling investor anxiety around the long-term viability of SaaS-based companies.

Sentiment in the secondary loan market deteriorated sharply, with the share of tech loans trading above par falling from 46% on 7 January to just 13% by 30 January. Over the same period, the proportion of non?tech loans trading above par also declined, dropping from 56% to 26%.

Since then, the tech sector has shown limited signs of recovery, with the share of loans trading above par falling to as low as 2% on 6 April before modestly rebounding to 11% on 8 May. In contrast, the broader market has staged a recovery, with the share of non?tech loans trading above par steadily increasing from a low of 18% on 1 April to reach 47% by 8 May.

Against this backdrop, other sectors continued to execute deals despite macroeconomic uncertainty driven by the ongoing conflict in the Middle East.

Industrials led overall activity with USD 5.7bn in issuance, the highest among all sectors, followed by utilities and energy at USD 5.1bn, while construction ranked as the third most active sector with USD 4bn in volume.

Notable non?technology transactions in April included Sealed Air's USD 7.15bn debt package to finance its buyout by Clayton, Dubilier & Rice, as well as a USD 1bn loan backing 2PointZero Group's acquisition of Traverse Midstream Partners. In addition, construction company Amentum Government Services completed a USD 3.9bn refinancing of its existing debt, while transportation firm AIT Worldwide Logistics raised USD 1.9bn to fund its leveraged buyout by Greenbriar Equity Group.

Despite the decline in tech loan issuance, investors have continued to support data center financing at a record pace through the high?yield (HY) bond market. HY bond issuance rose to USD 35.3bn in April, up from USD 23.3bn a month earlier. Of this, 53% or USD 18.6bn was allocated to fund data center?related deals for technology companies.

Looking ahead

Looking ahead, although technology issuance remained weak in April, early May has already seen a modest pickup in activity, including data center-related transactions in the loan market. CoreWeave, for instance, priced a USD 3.1bn term loan B in the first week of May to support the acquisition and deployment of graphics processing units, backed by contracts with OpenAI and Cohere.

Transactions such as CoreWeave underscore that while tech borrowers are facing difficulty accessing the syndicated loan market, capital remains available for issuers with resilient business models, particularly those viewed as well?positioned to navigate AI?driven disruption and less exposed to external pressures such as energy costs or supply chain disruptions stemming from the ongoing conflict in the Middle East.

(Past performance is no guarantee of future results.)