THE LEAD
https://theleadpc.com/leveraged-loan-insight-analysis-662016/

Leveraged Loan Insight & Analysis – 6/6/2016

LSEG | June 7, 2016

Large arrangers have gained enough confidence to arrange and syndicate second lien facilities this quarter in the leveraged loan market. So far in 2Q16, US$2.4bn in second lien tranches have closed, a 60% improvement from the US$1.52bn last quarter. And several second liens have even been used to finance dividend recaps – a testament to how much the leveraged loan market has changed from just one quarter ago. Both Avantor and Vencore are out shopping second lien facilities to help fund dividends to their sponsors.June 6 2016 tr Pricing on second lien facilities is still a bit elevated at around 11%, but sources say to expect it to tighten. National Veterinary Associates was able to upsize its add-on second lien loan by $20M with a spread of only 700bps over Libor. And both Netsmart and Verisk Health reverse flexed pricing on their second lien facilities this quarter. In the middle market, second lien facilities continue to be clubbed up or pre-placed rather than syndicated. So far only US$202m in middle market second lien tranches have been syndicated. However, market sources indicate there is no shortage of investors in the middle market looking for yield and willing to take these facilities down with big hold sizes.

Contact: Fran Beyers
frances.beyers@thomsonreuters.com