

US Leveraged Loan and Private Credit Webinar

October 18, 2023



PitchBook LCD News and Research



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The Credit Pitch

from PitchBook | LCD

Each Saturday Headline charts/commentary:

- Private credit
- Syndicated leveraged loans
- High yield
- CLOs
- Credit market fundraising/staffing
- Investment grade bonds
- Number crunching
- Links to LCD Research reports

<https://get.pitchbook.com/credit-pitch/>

The Credit Pitch

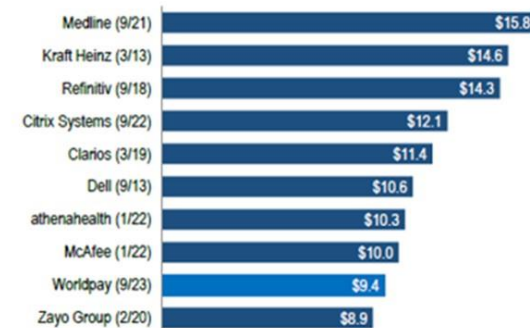
September 16, 2023

Leveraged loan, private credit, and high-yield bond news from PitchBook LCD

Leveraged loans

The global leveraged finance market received a huge boost this week in what will be a massive, \$9.4 billion credit package backing the LBO of payment processes provider Worldpay, by private equity firm GTCR. The deal is one of the [largest leveraged financings](#) in years and adds a much-needed shot of profitable M&A volume to the traditional, bank-led syndicated loan market, which has been competing mightily for business with the red-hot private credit segment.

Biggest LBO financings post-Global Financial Crisis (\$B)

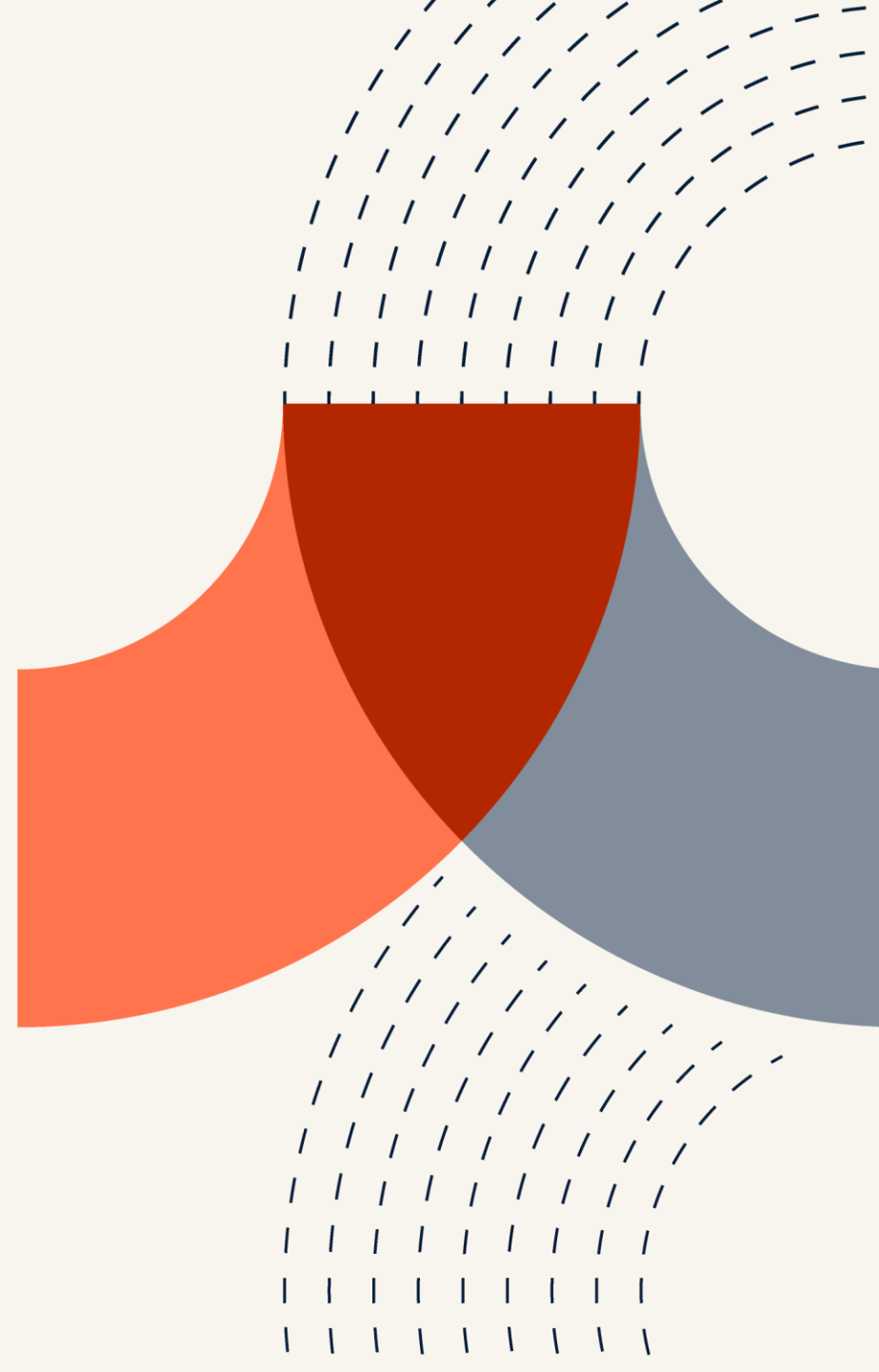


Source: PitchBook | LCD

Worldpay is the latest bit of encouraging news for the

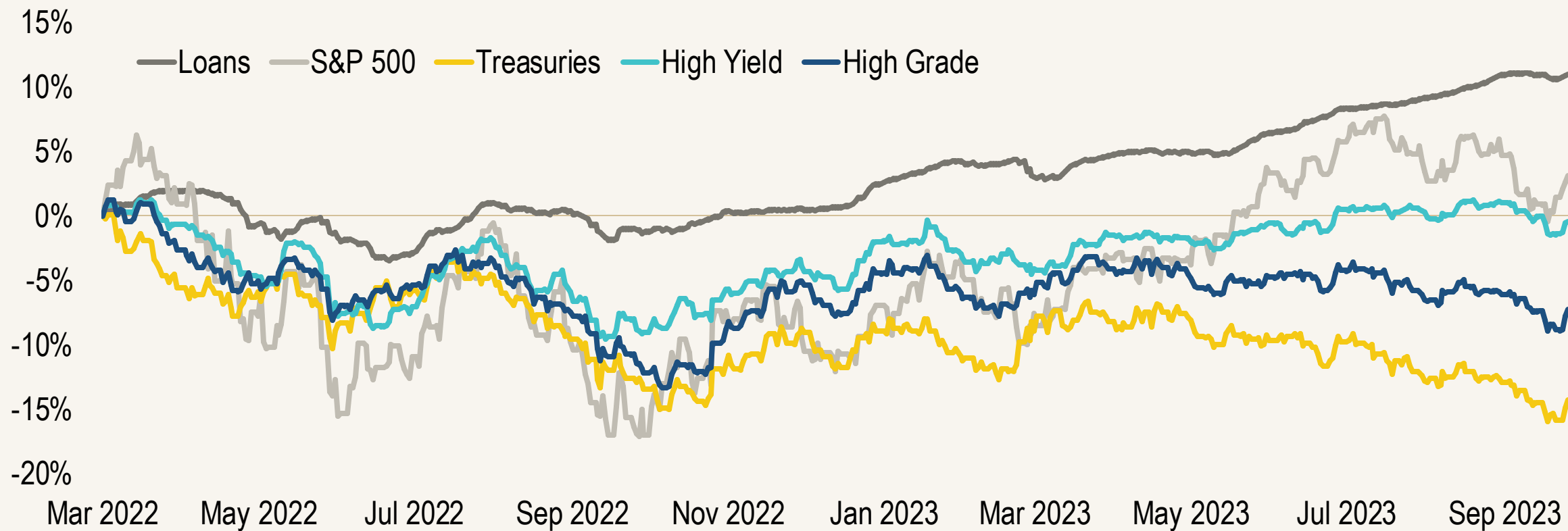
US Leveraged Loans

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Global Head of Credit Research



Loans outperform in a rising-rate environment

Returns by asset class, Mar. 16, 2022 - Oct. 11, 2023



Sources: PitchBook | LCD; Morningstar; S&P Dow Jones Indices • Data through Oct. 11, 2023

Secondary rally underpinned by strengthening investor demand

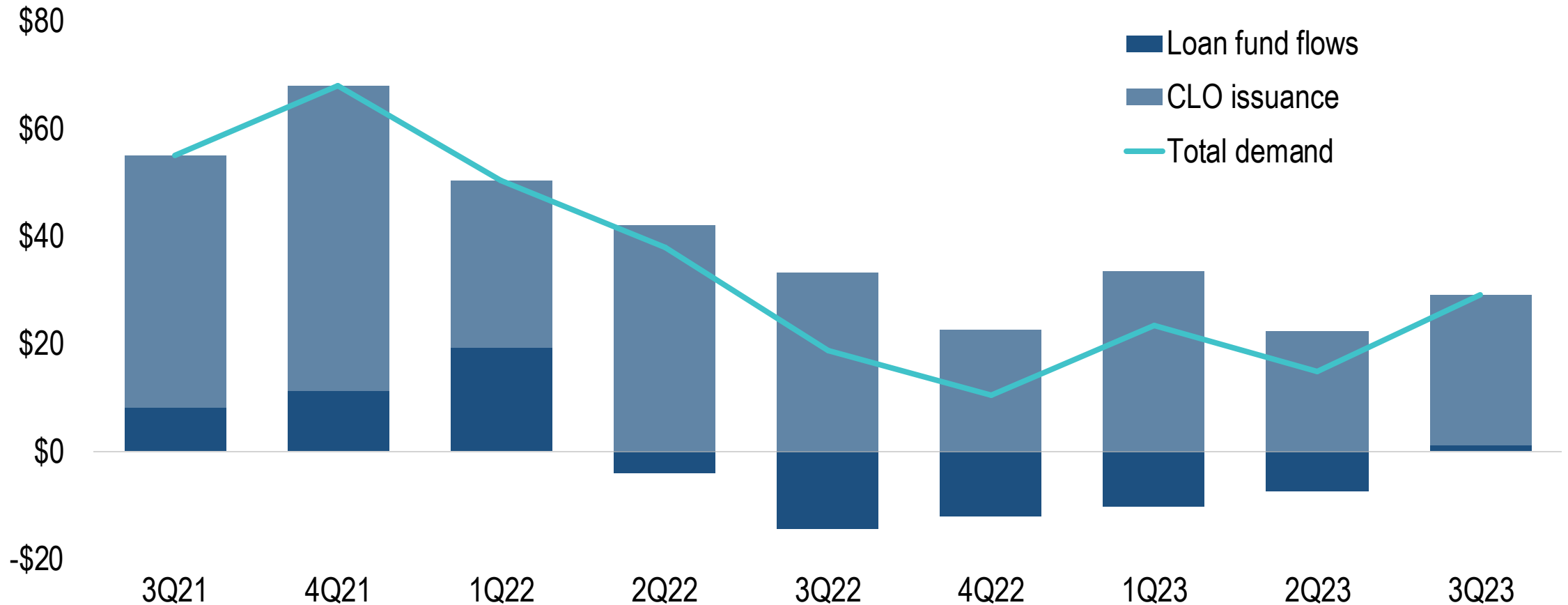
Weighted average bid of US leveraged loans



Sources: PitchBook | LCD; Morningstar LSTA US Leveraged Loan Index • Data through Oct. 12, 2023

Demand at the highest level since 2Q22

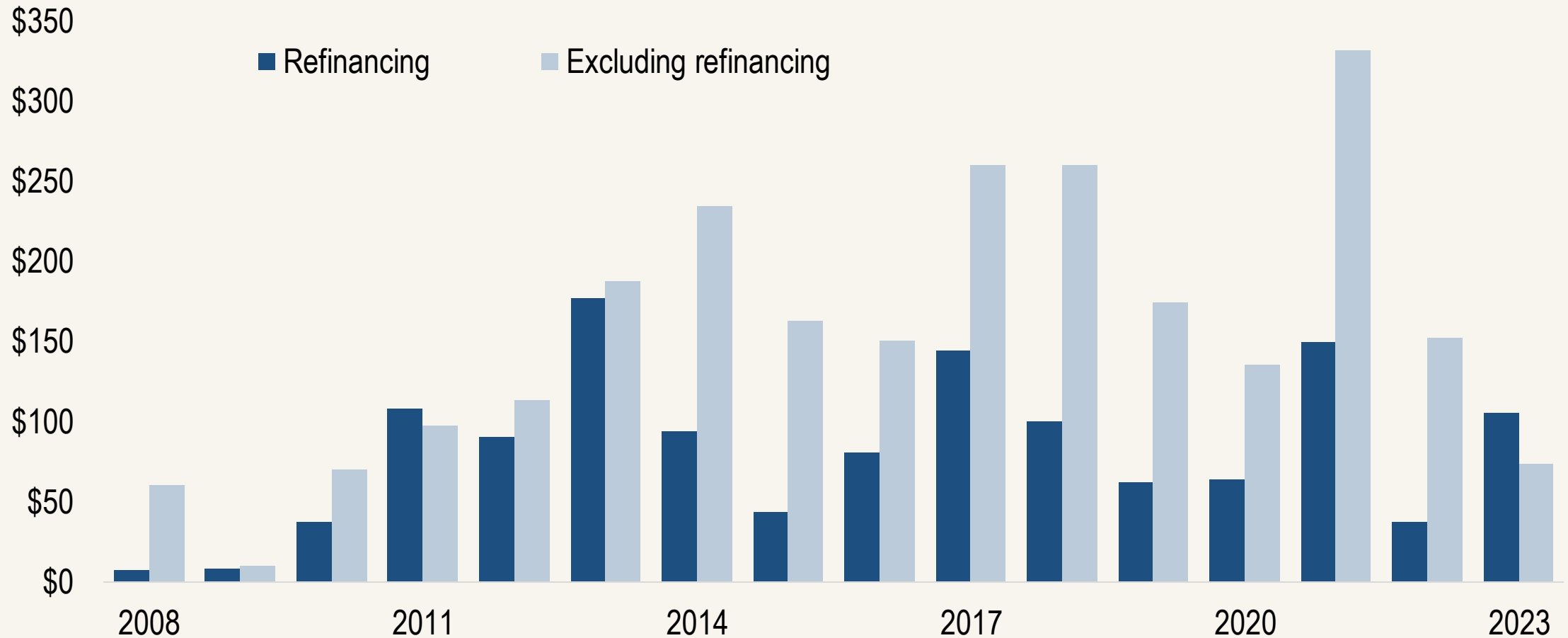
US leveraged loan market – measurable investor demand (\$B)



Sources: PitchBook | LCD; Morningstar Direct • Data through Sept. 30, 2023
Fund flows data includes monthly reporters.

For 2023 overall, new-issue volume at 13-year low

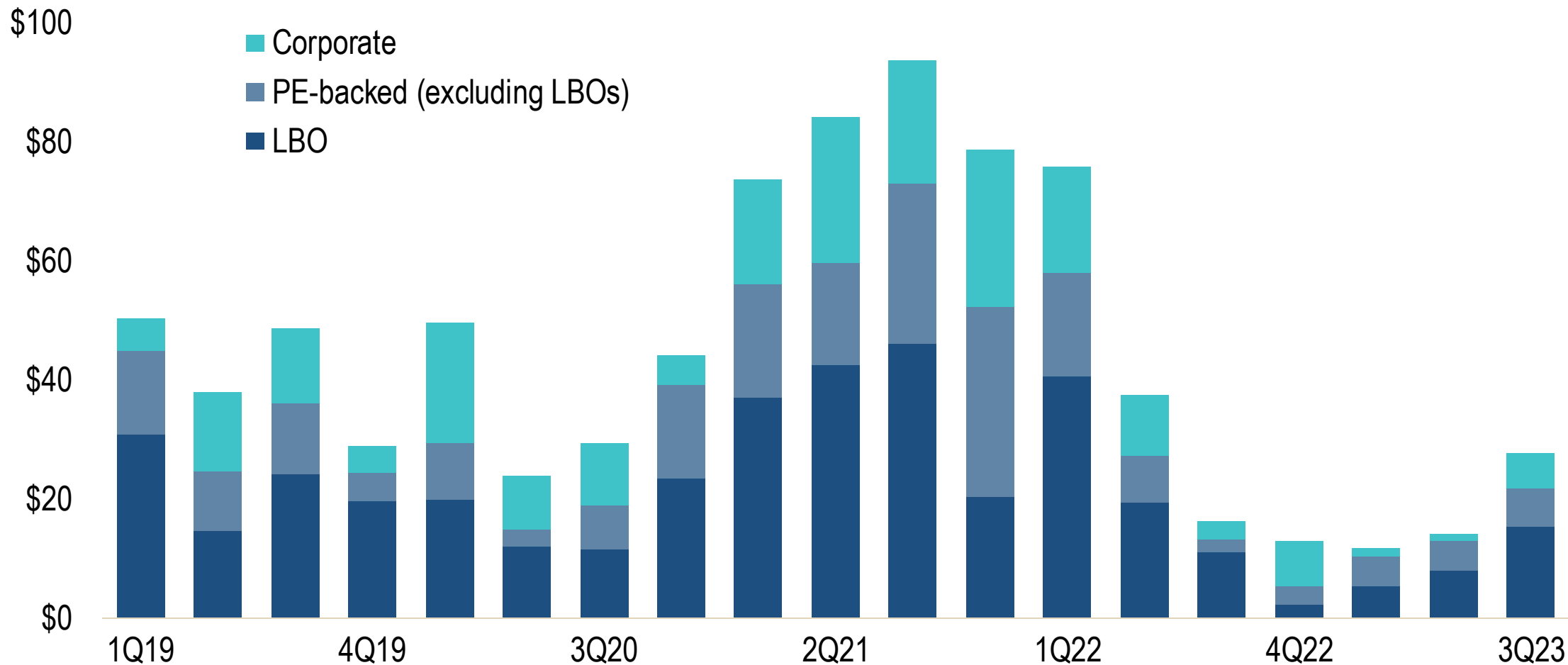
Year-to-date institutional loan volume (\$B)



Source: PitchBook | LCD • Data through Sept. 30, 2023

Net supply finally sees a sizeable increase in 3Q23

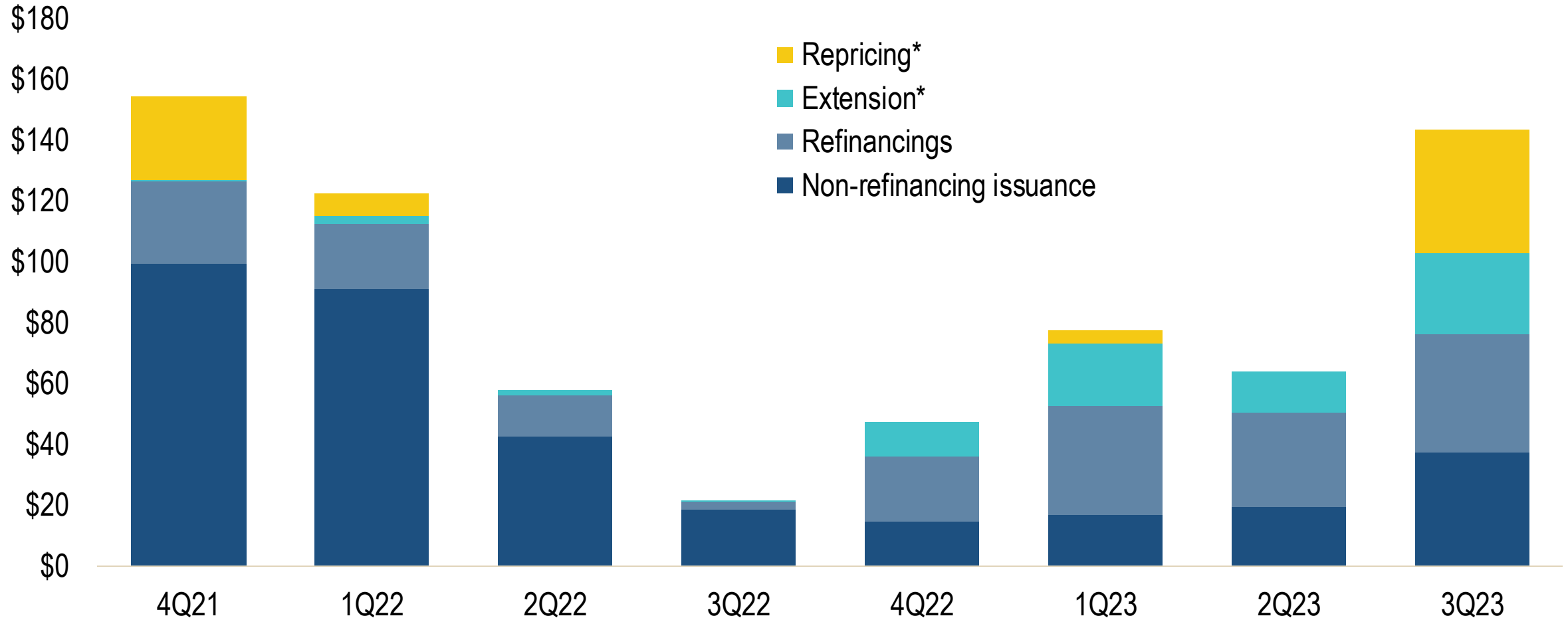
US institutional loan volume backing M&A (\$B)



Source: PitchBook | LCD • Data through Sept. 30, 2023

As investor demand strengthens, opportunistic activity rises ...

US institutional loan volume (\$B)

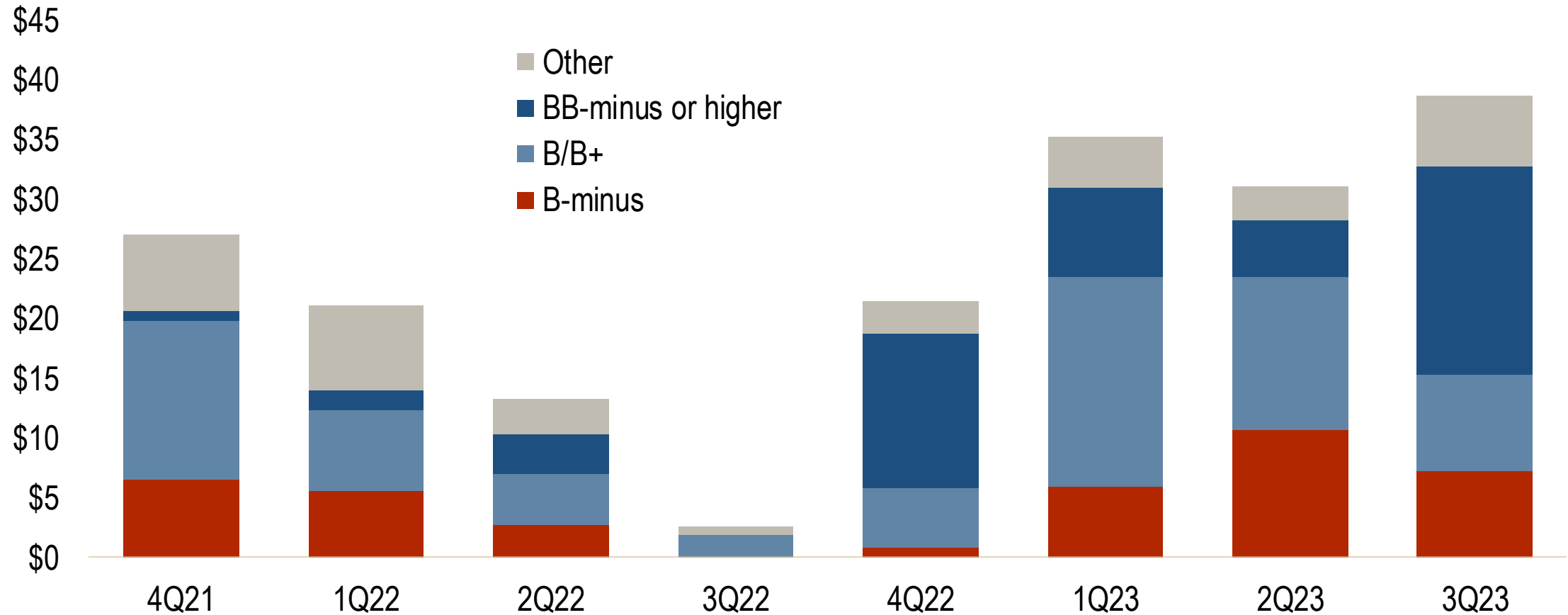


Source: PitchBook | LCD • Data through Sept. 30, 2023

*Reflects repricings and extensions done via an amendment process only

... But not every borrower has the same opportunities

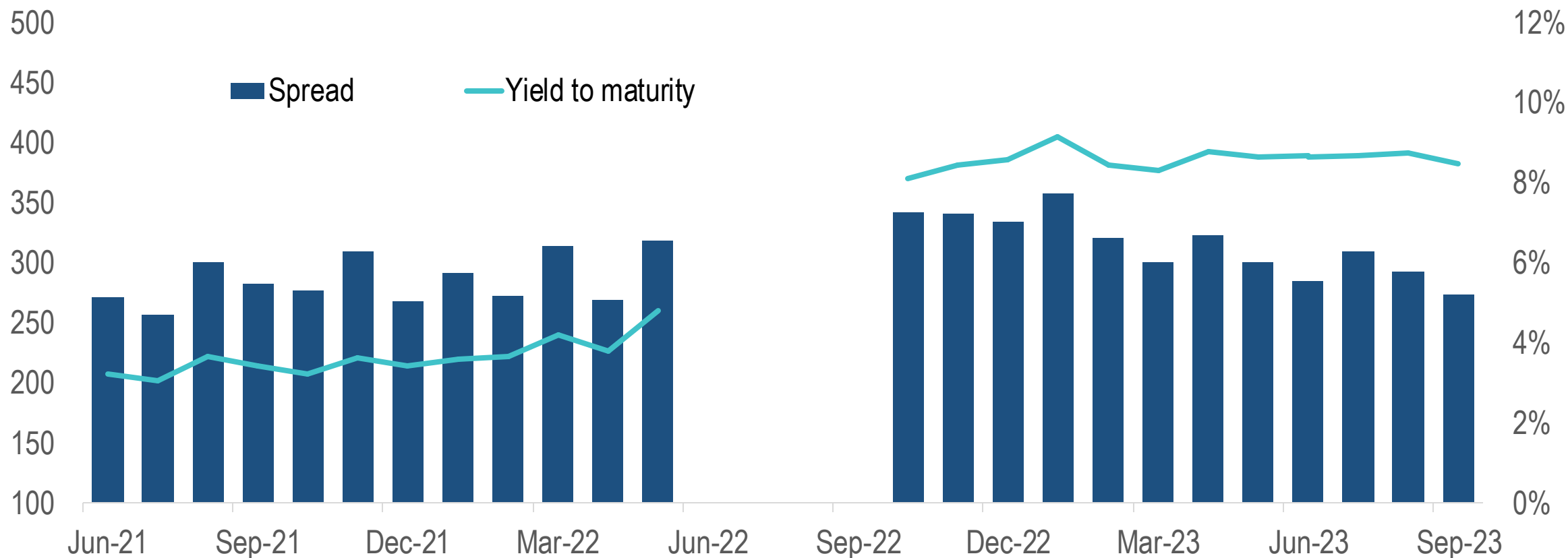
US refinancing institutional loan issuance volume by borrower rating (\$B)



Source: PitchBook | LCD • Data through Sept. 30, 2023

BB spreads dip to 2023 lows, but yields are elevated

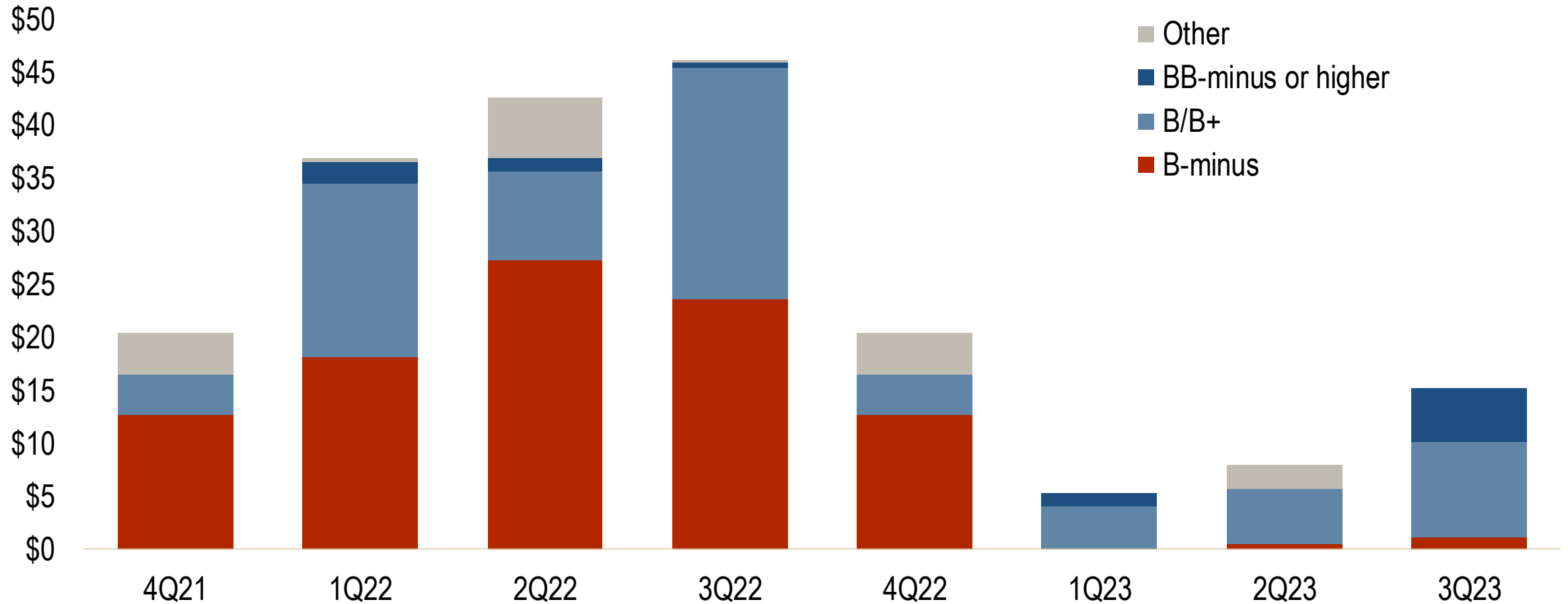
Average new-issue spread, yield to maturity for US leveraged loans - Rated
BB/BB-



Source: PitchBook | LCD • Data through Sept. 30, 2023

LBO doors re-open for better-quality borrowers ...

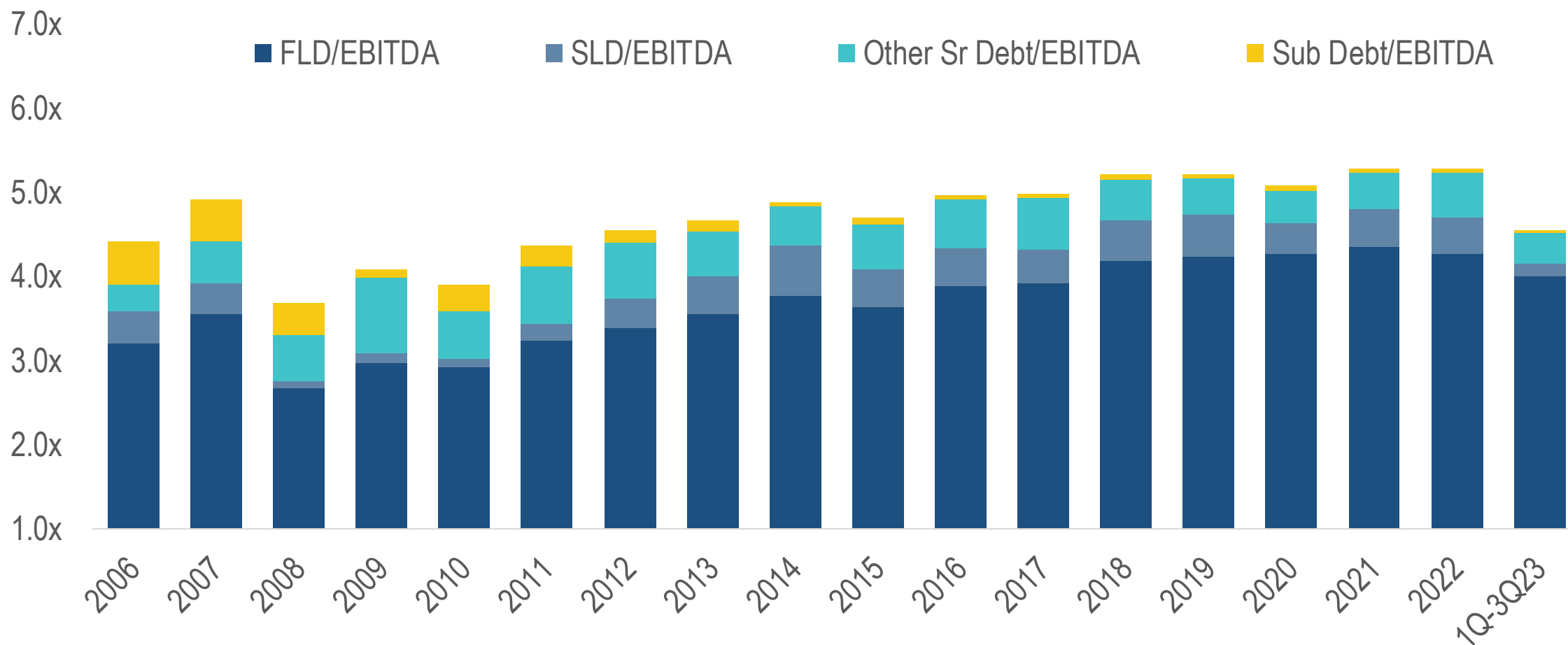
US LBO institutional loan issuance volume by borrower rating (\$B)



Source: PitchBook | LCD • Data through Sept. 30, 2023

... Pushing leverage levels to an 11-year low

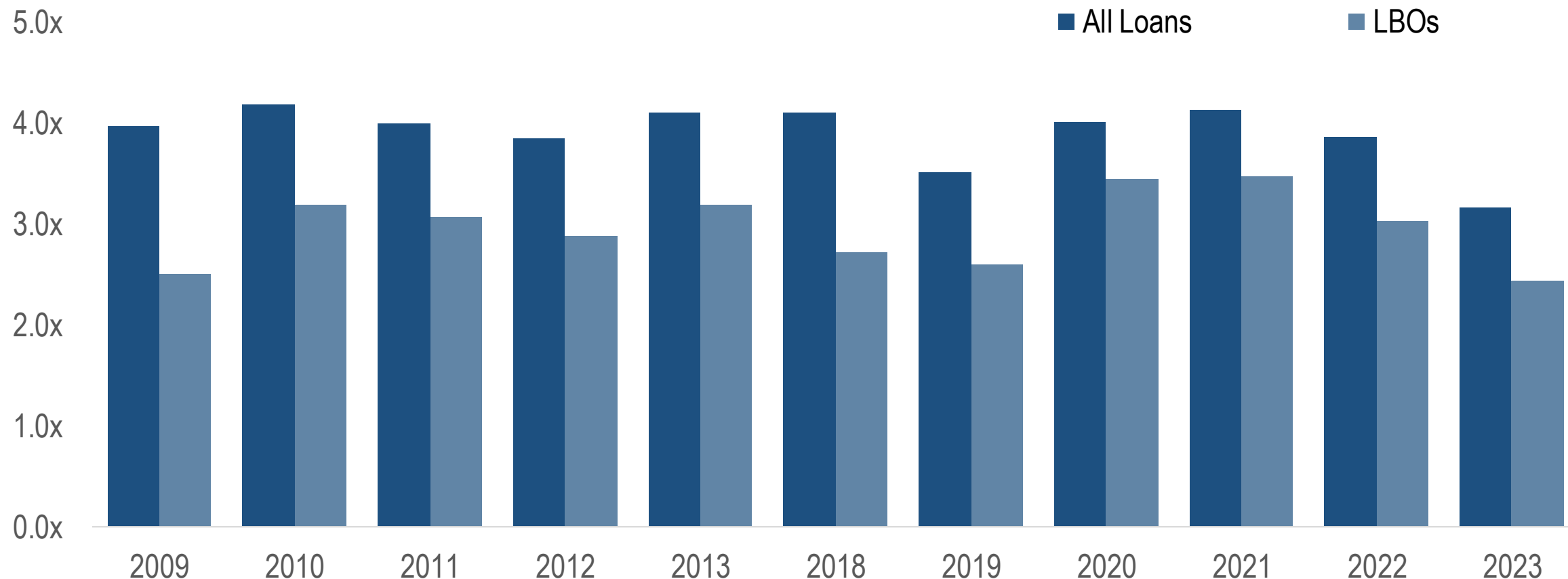
New-issue loans: average debt multiples



Source: PitchBook | LCD • Data through Sept. 30, 2023

Rising rates compress coverage ratios ...

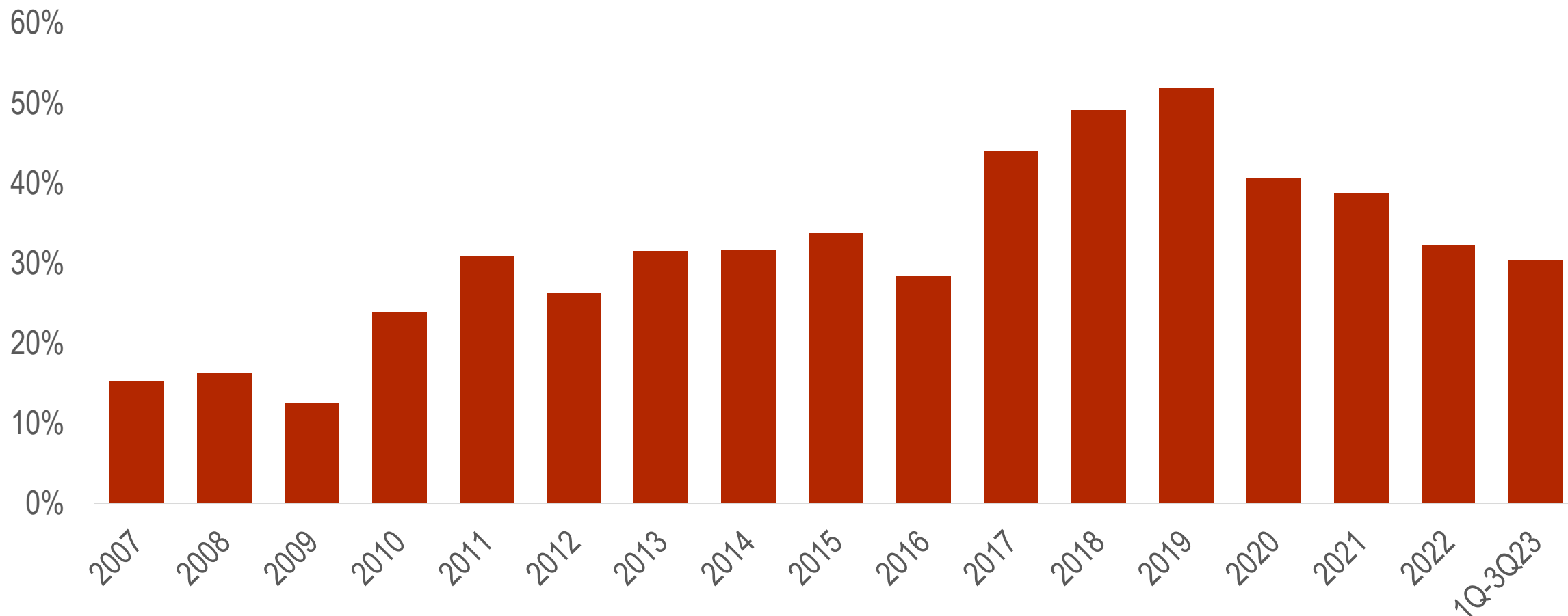
New-issue loans: average EBITDA / cash interest ratio



Source: PitchBook | LCD • Data through Sept. 30, 2023

... Putting EBITDA adjustments under more scrutiny

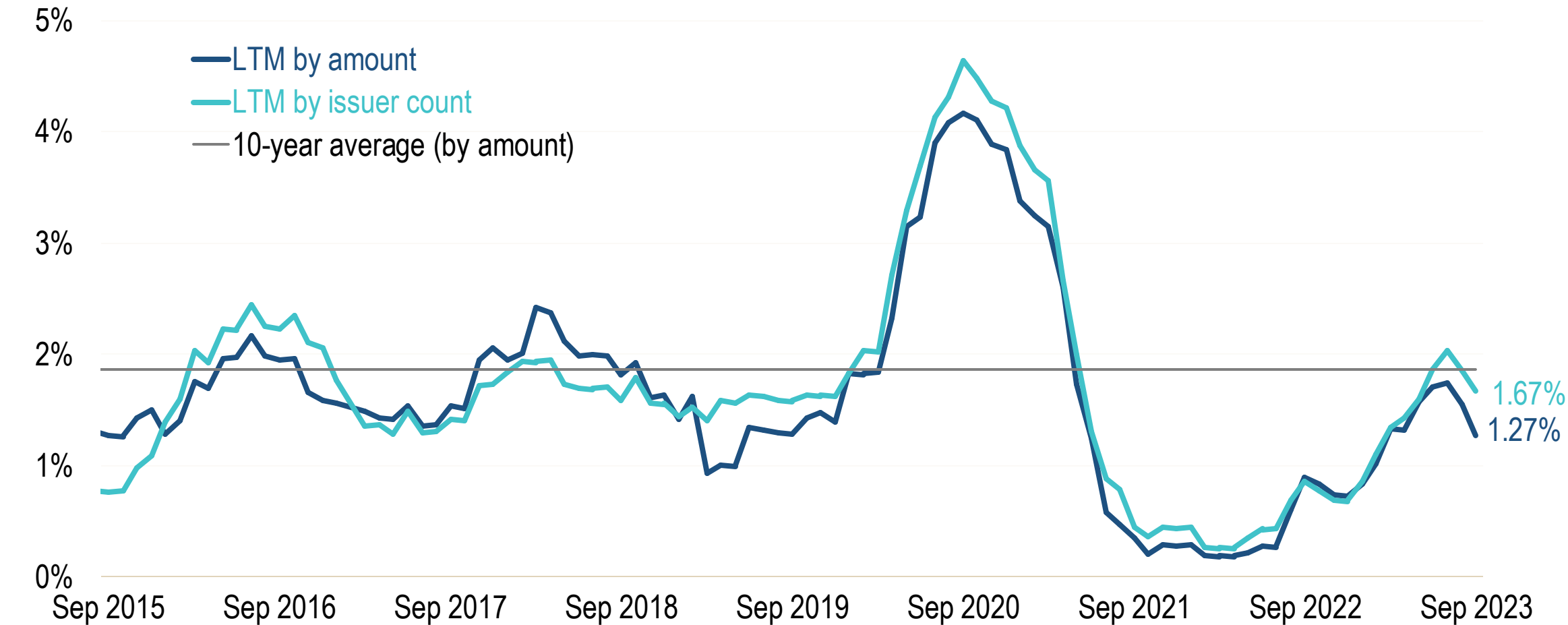
M&A-related new-issue loans with EBITDA adjustments



Source: PitchBook | LCD • Data through Sept. 30, 2023

Loan default rates ease off recent peaks, but are expected to rise

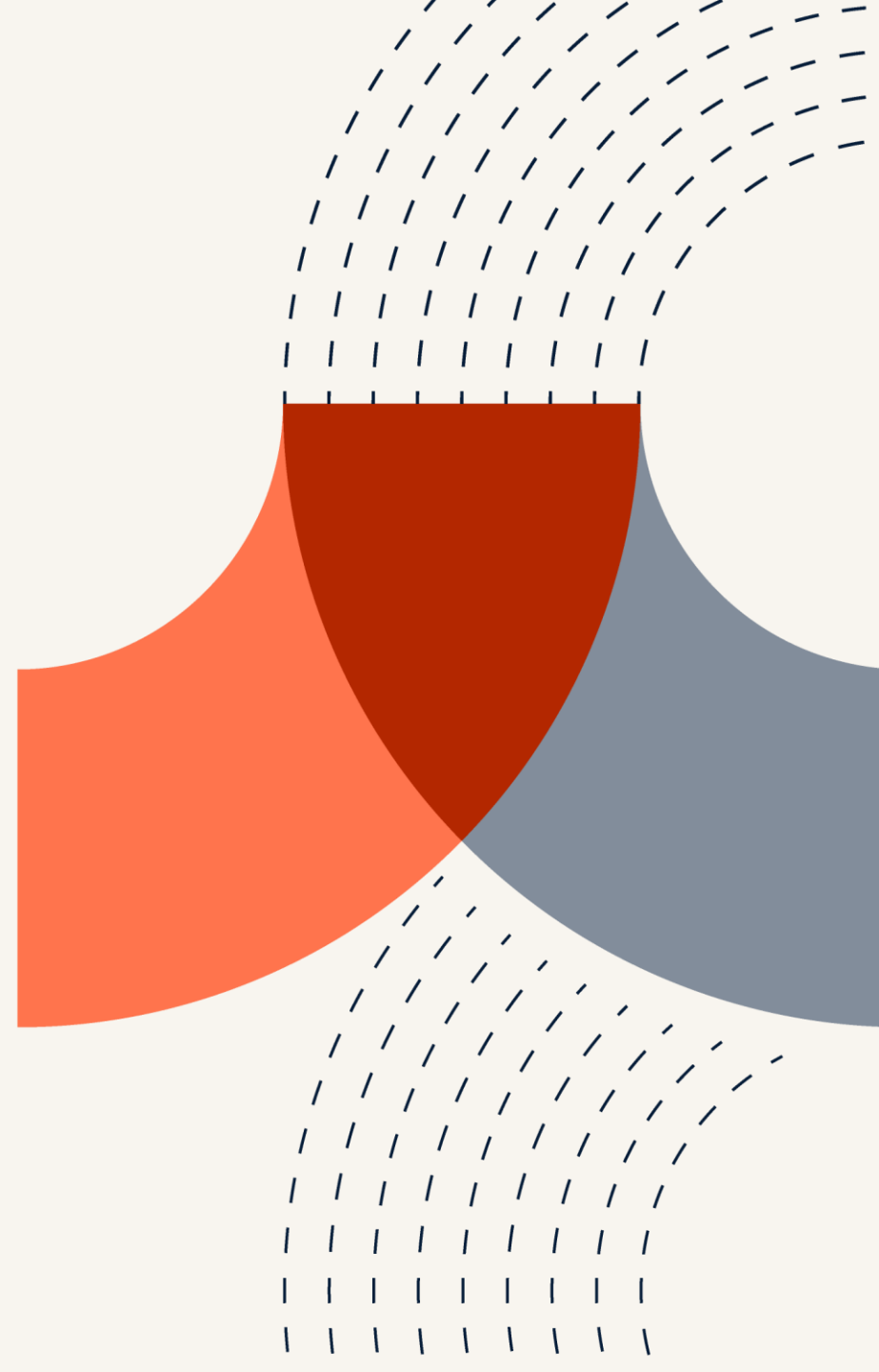
US leveraged loan default rate



Sources: PitchBook | LCD; Morningstar LSTA US Leveraged Loan Index • Data through Sept. 30, 2023

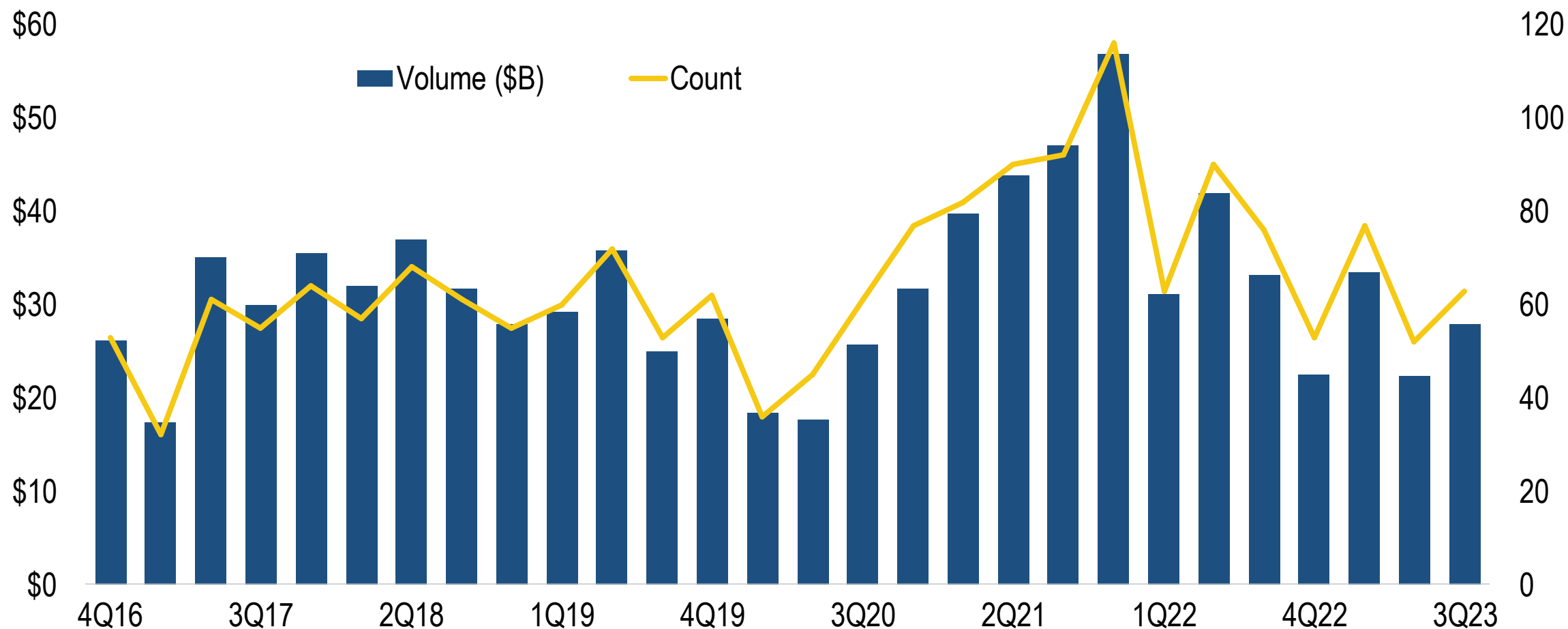
US CLOs

Glen Fest – Sr. Reporter, CLOs



Issuance picks up in 3Q23 as arbitrage conditions improve

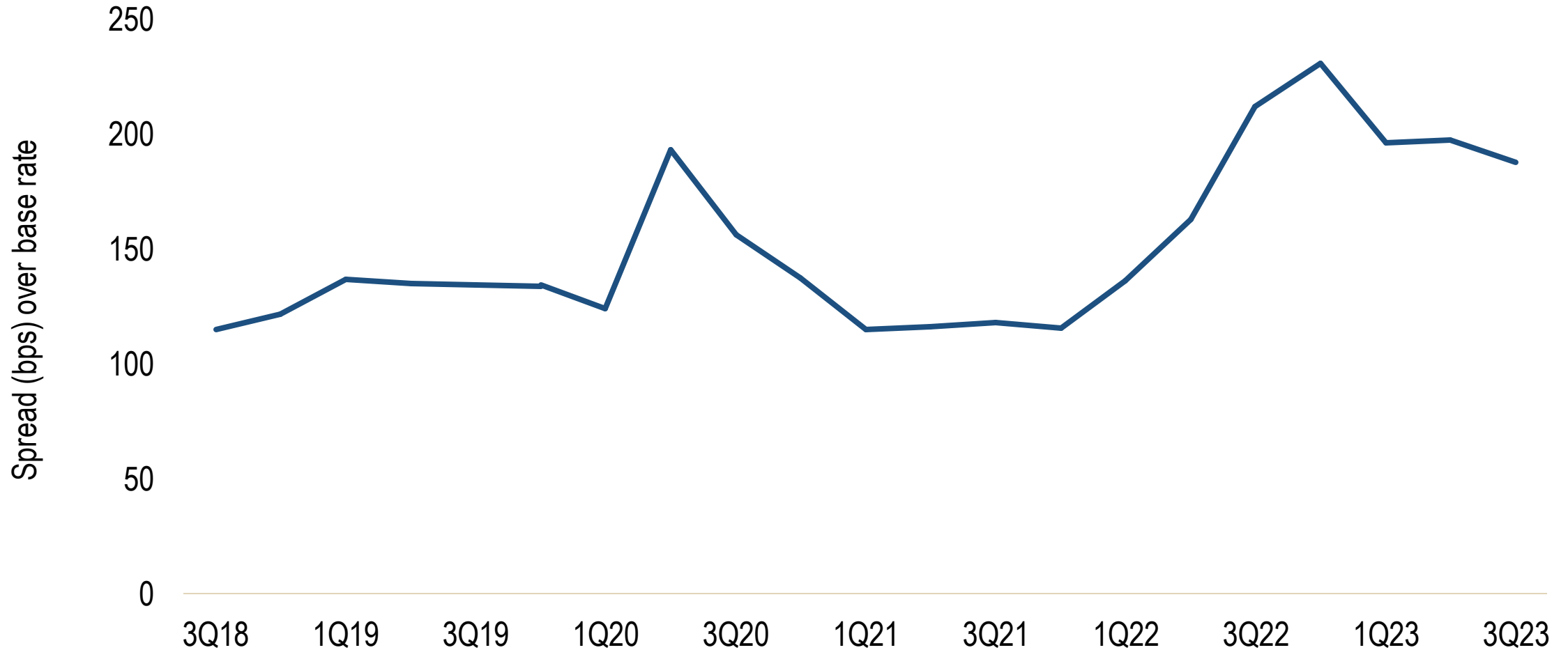
US CLO issuance – quarterly



Source: PitchBook | LCD • Data through Sept. 30, 2023

New-issue BSL CLO spreads tighten

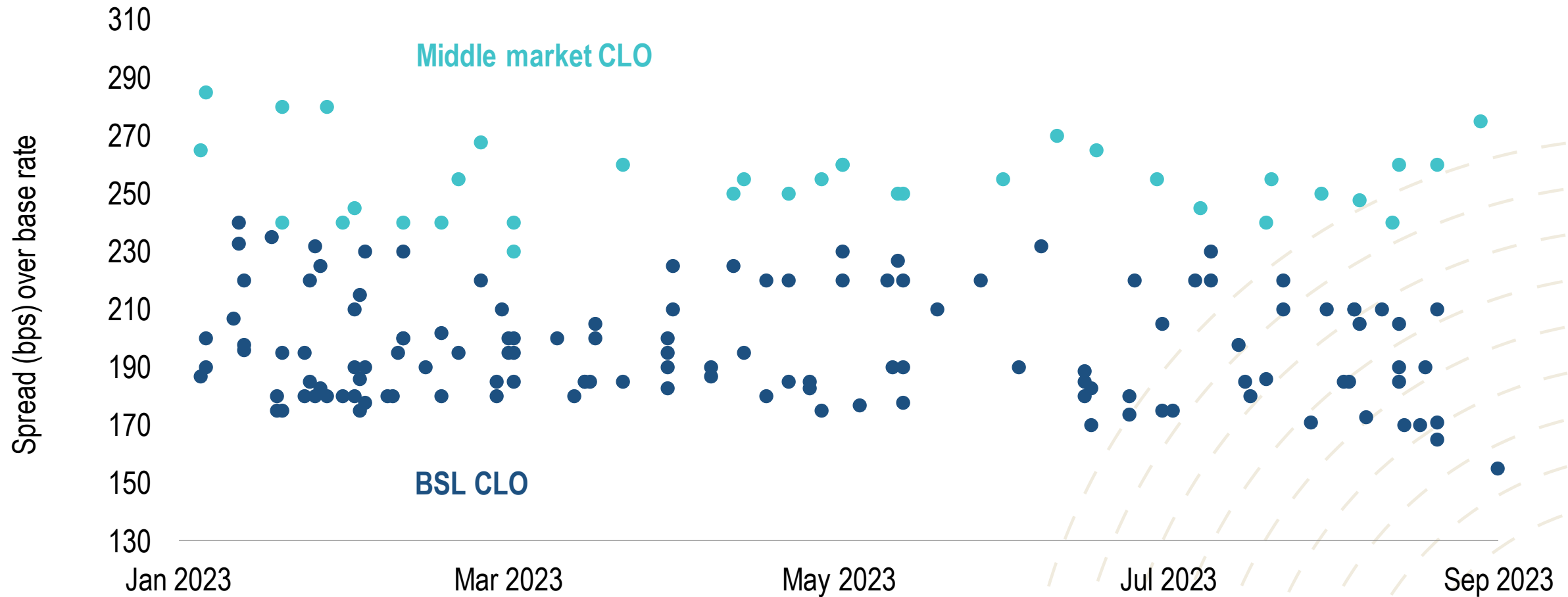
Average US CLO AAA spread



Source: PitchBook | LCD • Data through Sept. 30, 2023 • Excludes middle-market CLOs

The middle market/private credit premium, on display

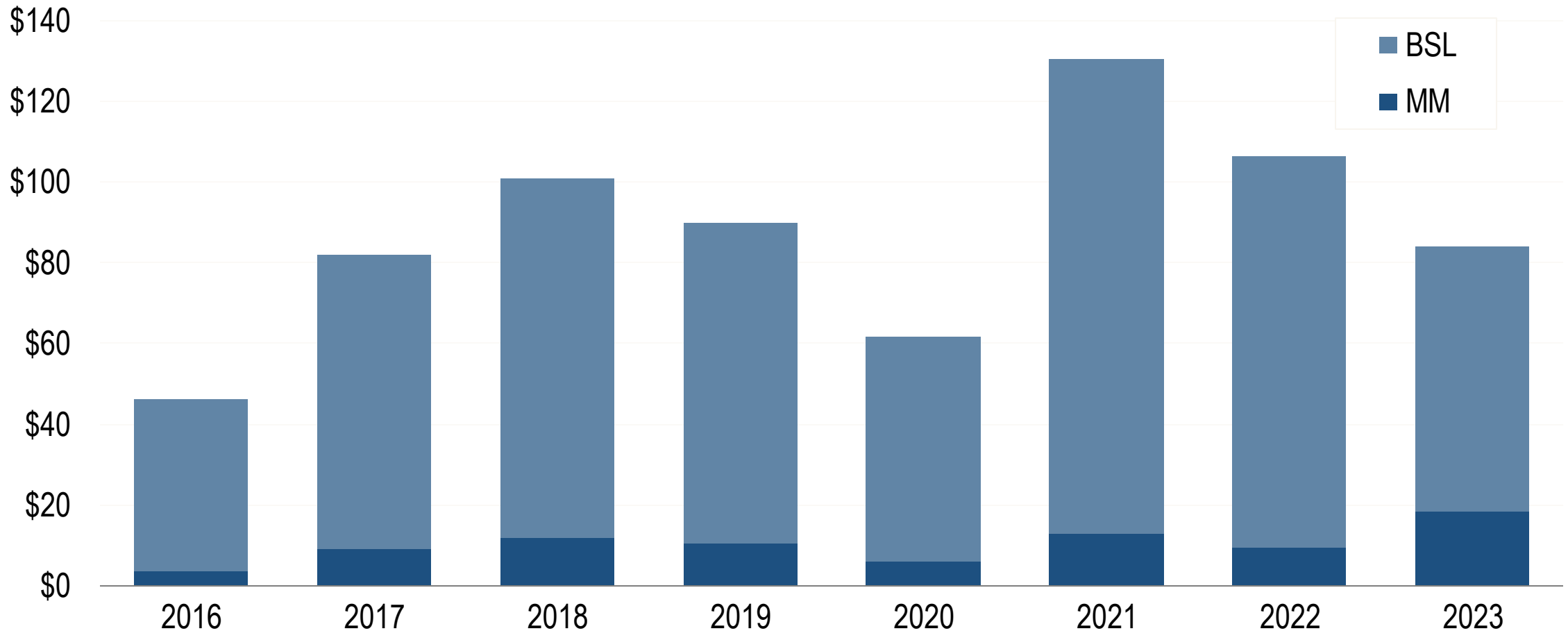
US CLO AAA coupon – MM vs BSL



Source: PitchBook | LCD • Data through Sept. 30, 2023 • Chart excludes static CLOs

Diverging paths for BSL and MM/Private Credit CLOs

US CLO volume (\$B): January–September



Source: PitchBook | LCD • Data through Sept. 30, 2023

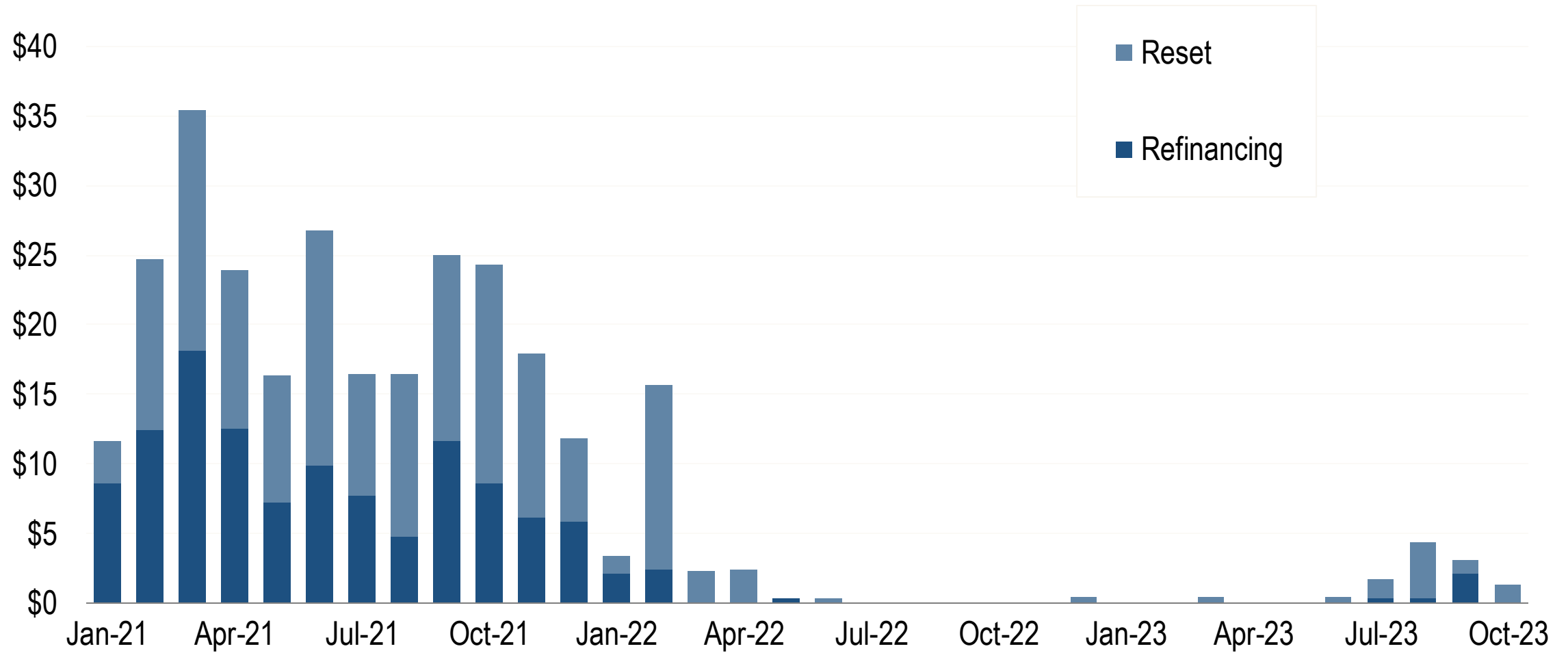
Most active issuers carry dual MM/BSL CLO platforms

YTD most active CLO managers, by total volume (\$M)

Manager	BSL CLO volume	MM CLO volume	Total volume
Golub Capital Partners	\$904	\$3,412	\$4,316
BlackRock Capital Investment Advisors	\$1,768	\$951	\$2,719
Bain Capital Credit	\$1,948	\$398	\$2,345
Palmer Square Capital Management	\$2,215		\$2,215
Ares CLO Management	\$1,191	\$870	\$2,062
Barings LLC	\$1,412	\$497	\$1,908
CVC Credit Partners	\$1,906		\$1,906
Octagon Credit Investors	\$1,868		\$1,868
AllianceBernstein	\$402	\$1,357	\$1,759
CIFC Asset Management	\$1,350	\$399	\$1,750

Source: PitchBook | LCD • Data through October 12, 2023

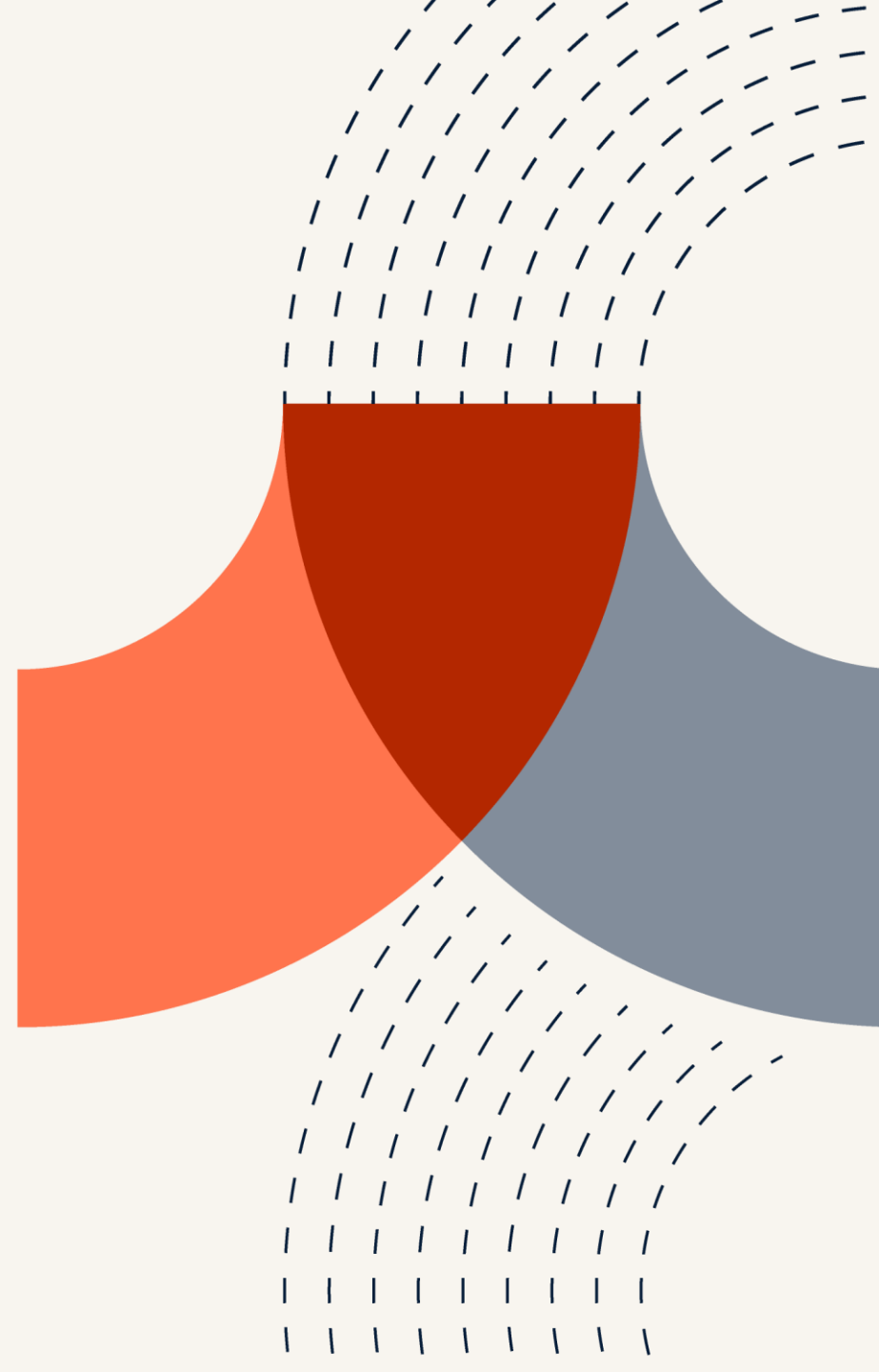
US CLO market reset & refinancing volume, monthly



Source: PitchBook | LCD • Data through Oct. 16, 2023

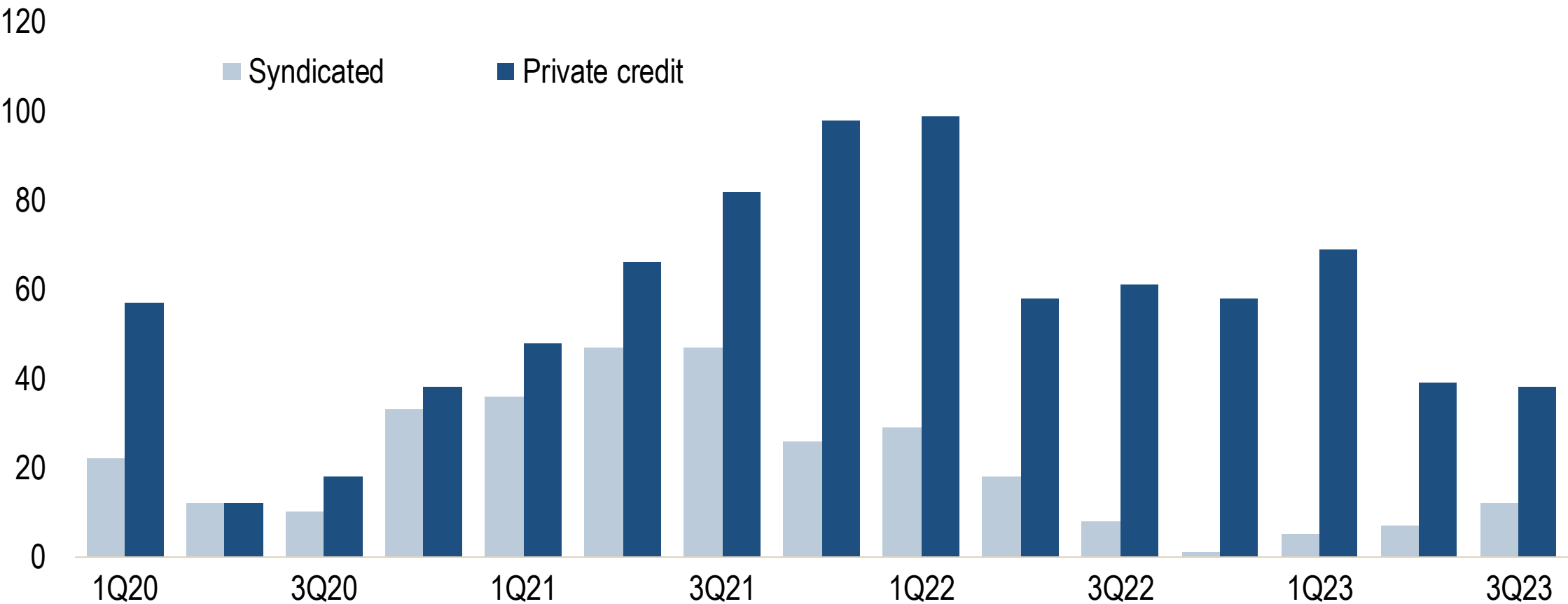
US Private Credit

Abby Latour – Editorial Lead
Private Credit, LCD



Syndicated loan LBOs have grown, though lag those by private credit

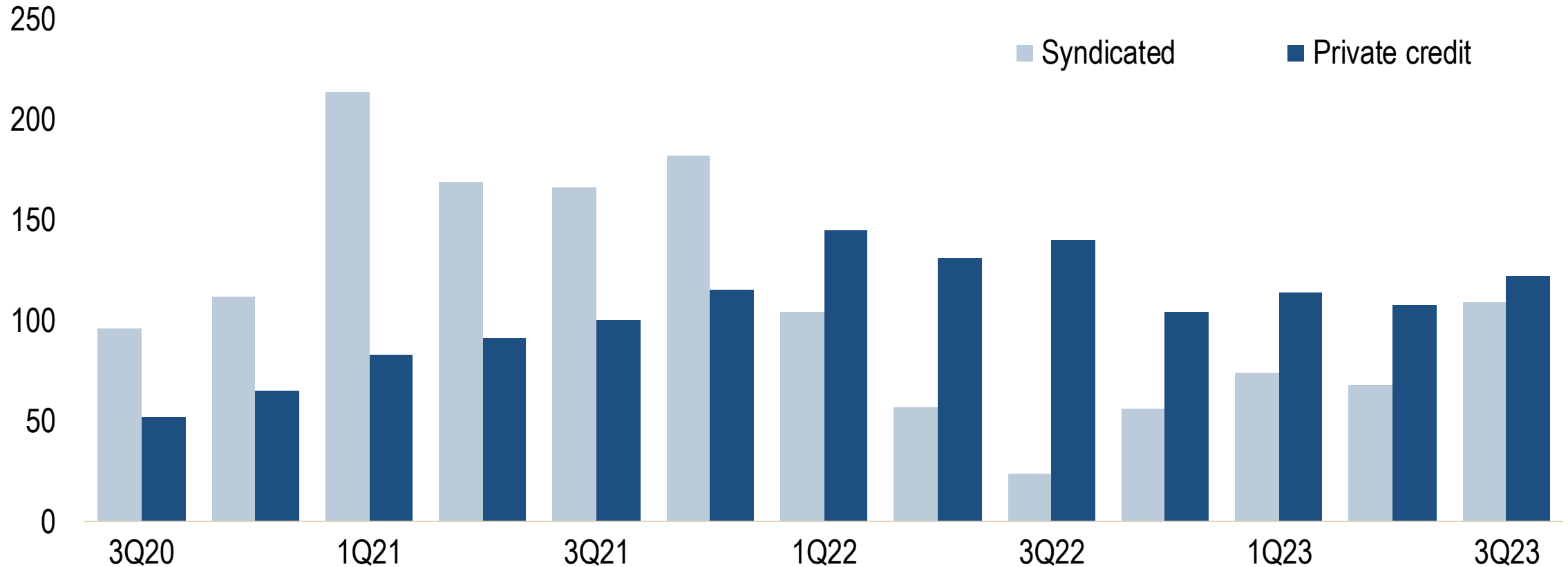
Count of LBOs financed in BSL vs private credit markets



Source: PitchBook | LCD • Data through Sept. 30, 2023
Private credit count is based on transactions covered by LCD News

Non-LBOs: Syndicated loans nearly catch private credit in Q3

Count of non-LBOs financed in BSL vs private credit markets

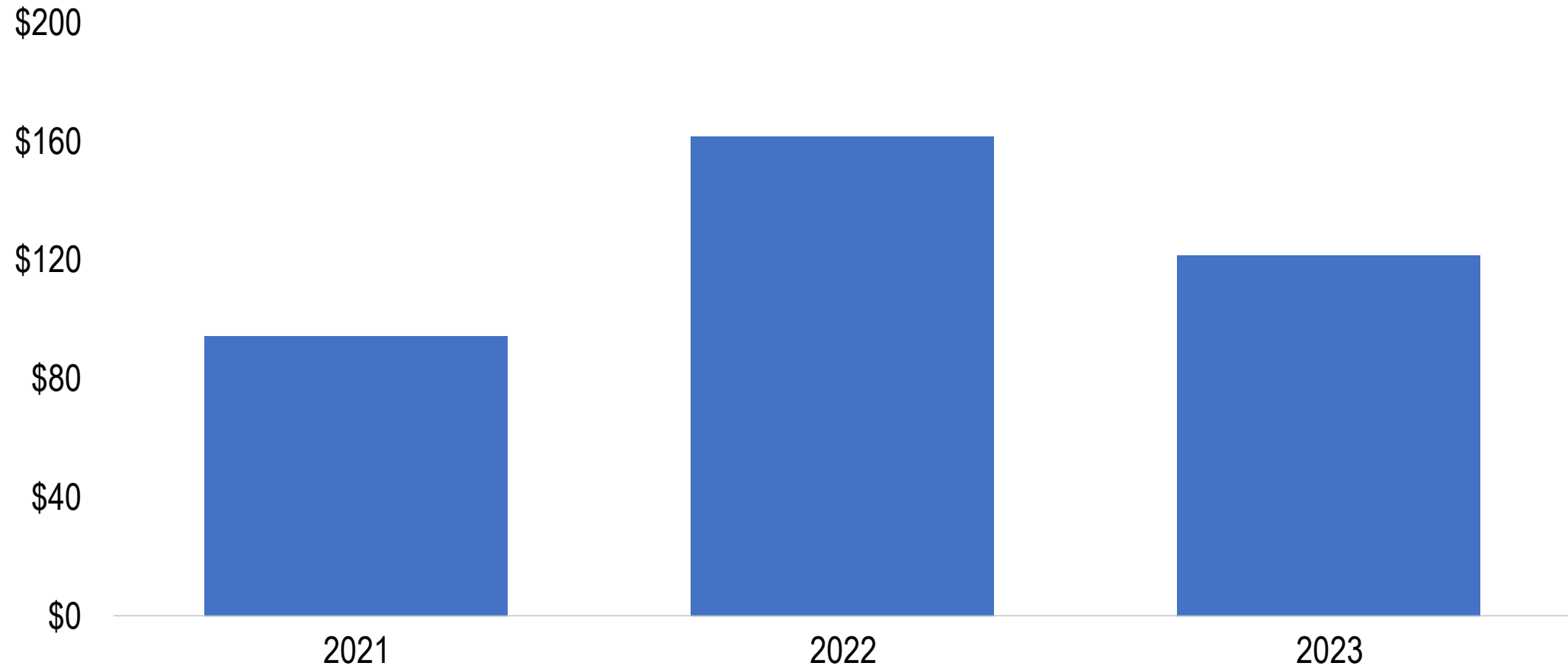


Source: PitchBook | LCD • Data through Sept. 30, 2023

Private credit count is based on transactions covered by LCD News

Private credit volumes in 2023 expected to decline from 2022

Direct lending volume estimate: Jan - Sep (\$B)



Source: PitchBook | LCD • Data through Sept. 30, 2023
Direct lending analysis is based on transactions covered by LCD News

The story of private credit in Q3: Refinancings of large syndicated loans

Largest unitranche issuance tracked by LCD			
Issuer	Launch date	Total amount (\$M)*	Sponsor
Finastra	Aug-23	5300	Vista Equity Partners
SoftBank Group	Mar-22	5100	Not Sponsored
Information Resources	May-22	4500	Hellman & Friedman
Risk Strategies	Jul-23	4450	Kelso & Co.
Risk Strategies	Jun-22	3780	Kelso & Co
Inovalon	Sep-21	3500	Nordic Capital, Insight Partners and 22C Capital
Galway Insurance	Oct-21	3400	Harvest Partners
Hyland Software	Sep-23	3400	Thomas Bravo
ManTech International	May-22	2850	Carlyle Group
Guidehouse	Nov-21	2850	Veritas Capital
Risk Strategies	Nov-21	2830	Kelso & Co
Stamps.com	Jul-21	2775	Thoma Bravo
Coupa Software	Dec-22	2600	Thoma Bravo
Radwell International	Dec-22	2600	Greenbriar Equity Group, CVC
MRI Software	Feb-22	2560	Not Sponsored
* Includes add-ons			

Sources: PitchBook | LCD, market sources • Data through Sep. 29, 2023

Now that Finastra, Hyland Software have refinanced, what's left?

Largest 2024 loan maturities				
Borrower name	Original loan amount* (\$B)	Current S&P issuer rating	Sector	Sponsor
Team Health	2.8	CCC+	Health Care Services	Blackstone Group
Qlik Technologies	1.4	B-	Software	Thoma Bravo
Air Methods Corporation	1.3	CCC	Health Care Services	American Securities Capital
ClubCorp Inc	1.2	CCC+	Hotels, Restaurants & Leisure	Apollo
Digicel Ltd	1.1	NR	Telecom Services	Not Sponsored
Equinox Fitness Clubs	1.0	CCC-	Hotels, Restaurants & Leisure	Not Sponsored
Securus Technologies Inc	0.9	CCC+	Telecom Services	Platinum Equity
CBS Radio	0.8	CCC-	Media	Not Sponsored
Research Now Group Inc	0.7	CCC-	Software	Not Sponsored
SunSource Inc	0.7	B	Trading Companies & Distributors	Clayton, Dubilier & Rice

Sources: PitchBook | LCD; Morningstar LSTA US Leveraged Loan Index • Data through Oct. 3, 2023 • *Reflects amount at issuance, as tracked by the LLI

Hungry for deals, private credit looks to near-term Index loan maturities

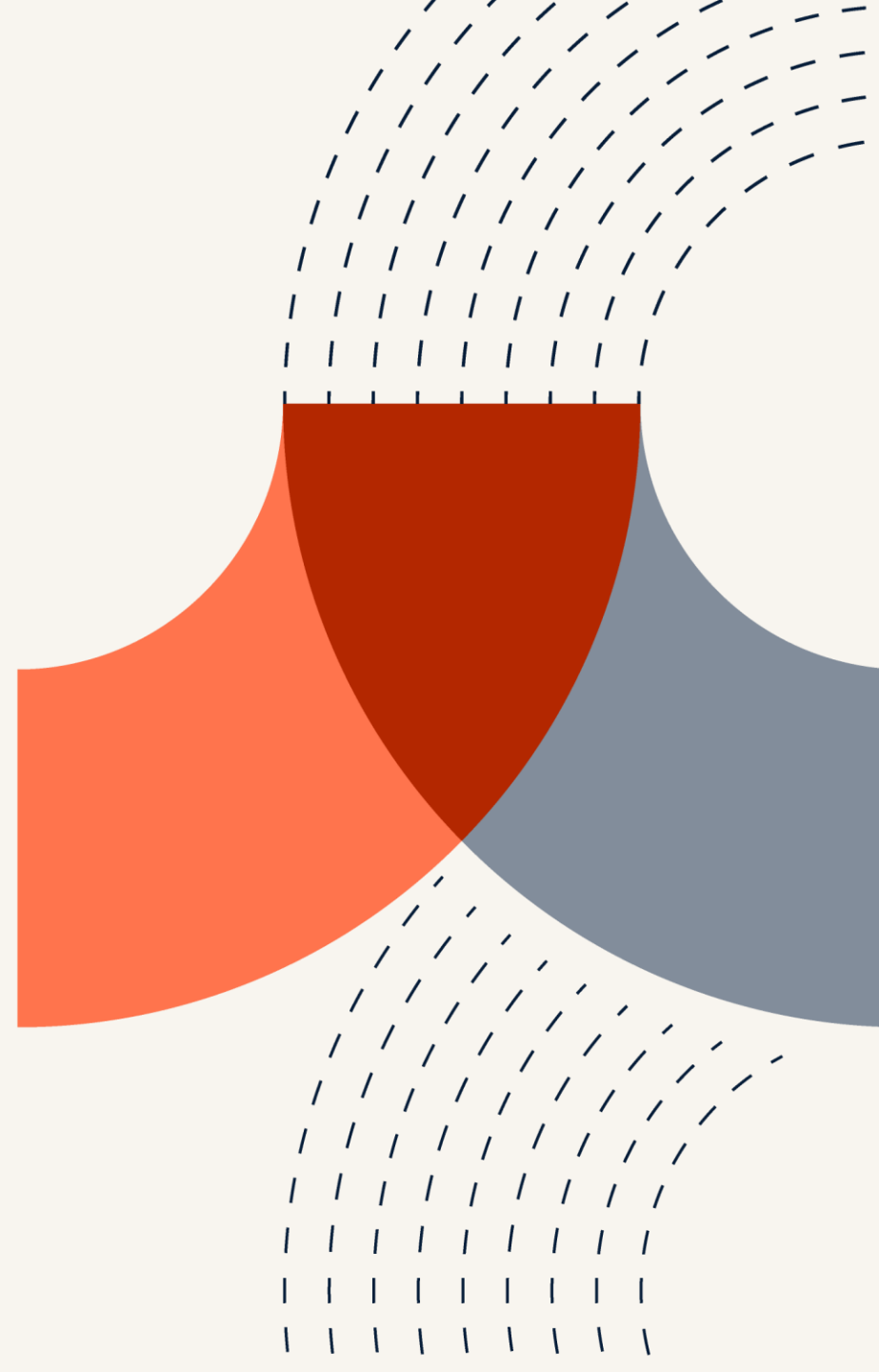
Largest 2024-2025 loan maturities, borrowers rated B-minus

Borrower name	Original loan amount (\$B)	Sector	Sponsor
BMC Software Inc	2.9	Software	KKR
PetVet Care Centers	2.2	Health Care Services	KKR
Verifone Inc	2.2	Electronic Equipment & Components	Francisco Partners
Prolamina Corp	2.0	Containers & Packaging	Pritzker Organization
Husky Injection Molding	2.1	Machinery	Platinum Equity
Rocket Software, Inc.	1.8	Software	Bain Capital
Veritas Software Corporation	1.7	Software	Carlyle Group
Qlik Technologies	1.4	Software	Thoma Bravo
NEP Inc	1.3	Media	Carlyle Group
Boyd Corp	1.3	Automobile Components	Goldman Sachs

Sources: PitchBook | LCD; Morningstar LSTA US Leveraged Loan Index • Data through Oct. 3, 2023

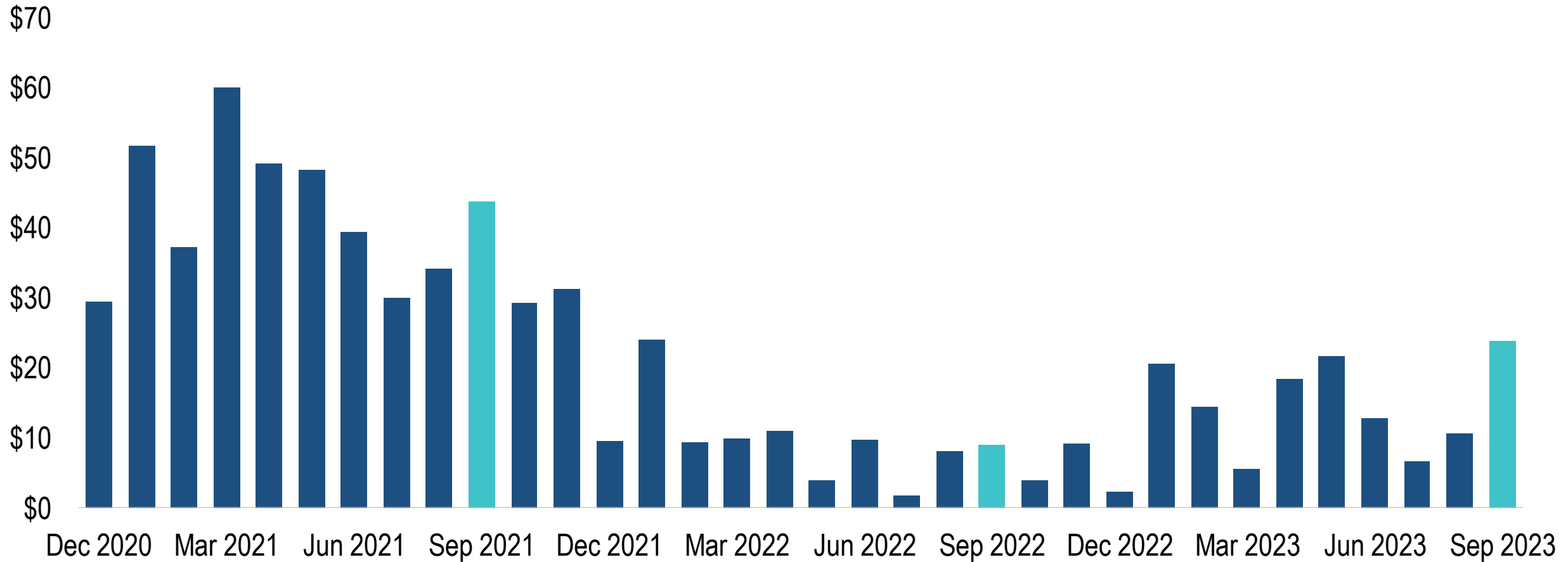
US High-Yield Bonds

John Atkins— Managing Editor,
US High Yield Bonds, LCD



Clearing low bars, September issuance hits 20-month high

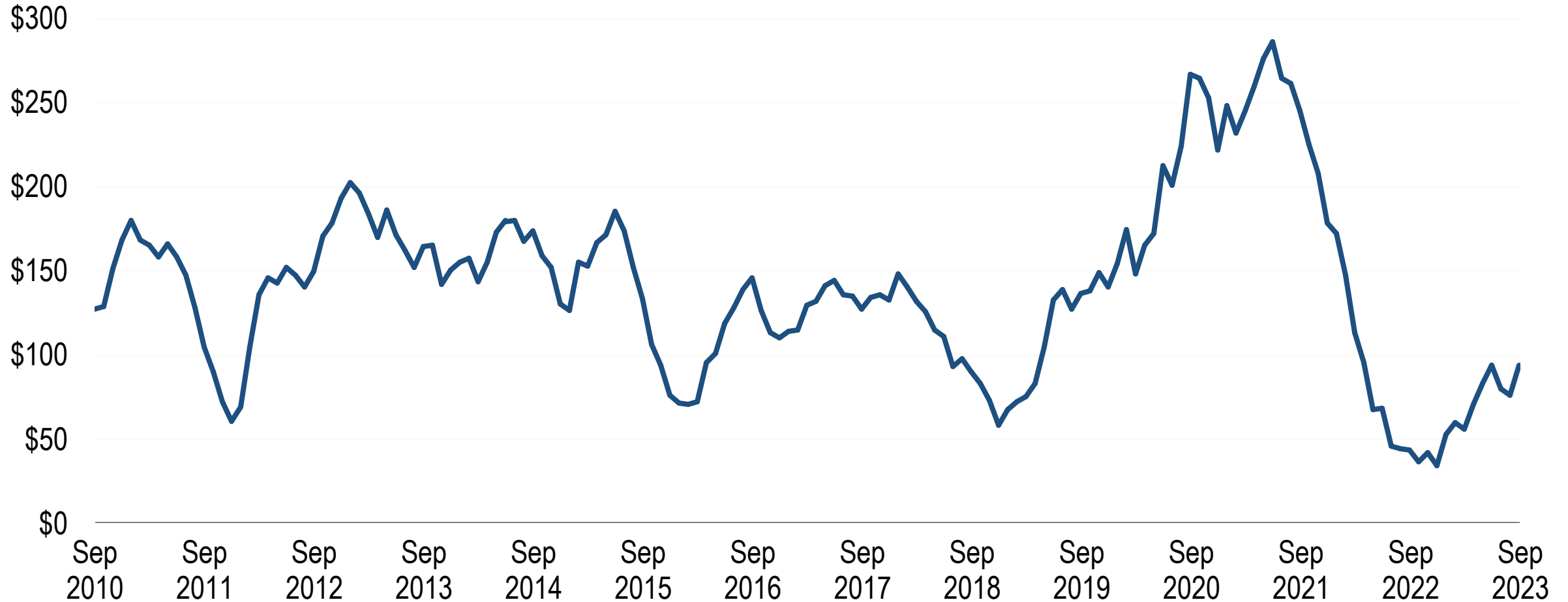
US high-yield issuance (\$B)



Source: PitchBook | LCD • Data through Sept. 30, 2023

Sputtering liftoff so far, from low 2022 base

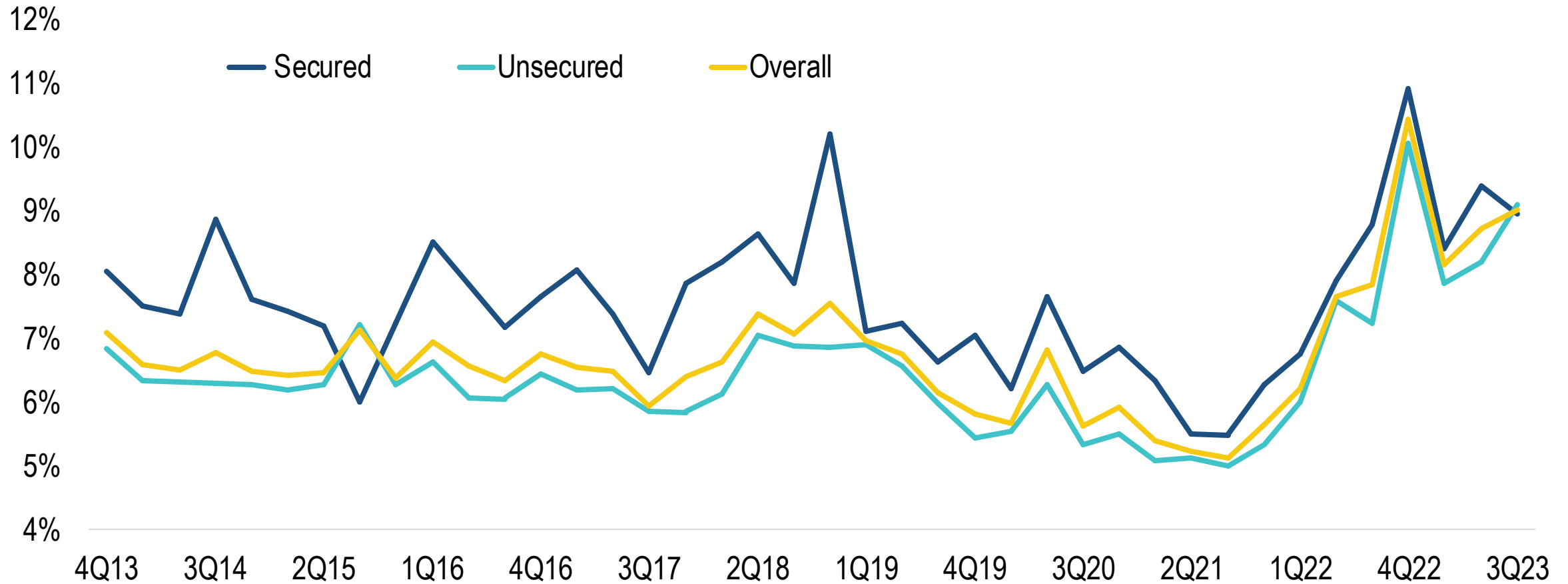
Rolling 6-month US high-yield bond issuance (\$B)



Source: PitchBook | LCD • Data through Sept. 30, 2023

Borrowing costs rise steadily as Fed hawks hold sway

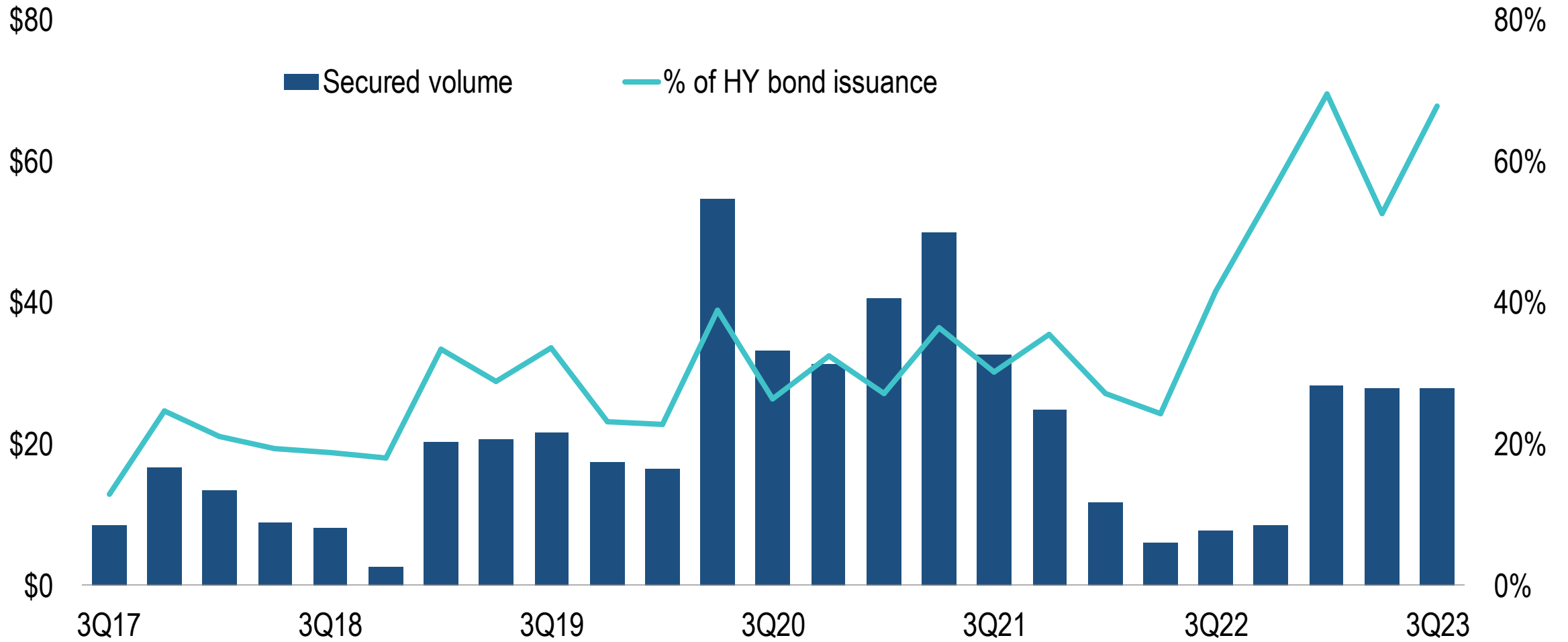
New-issue yields for US high-yield bonds



Source: PitchBook | LCD • Data through Sept. 30, 2023

Secured bonds spur revival, as unsecured issuance flags

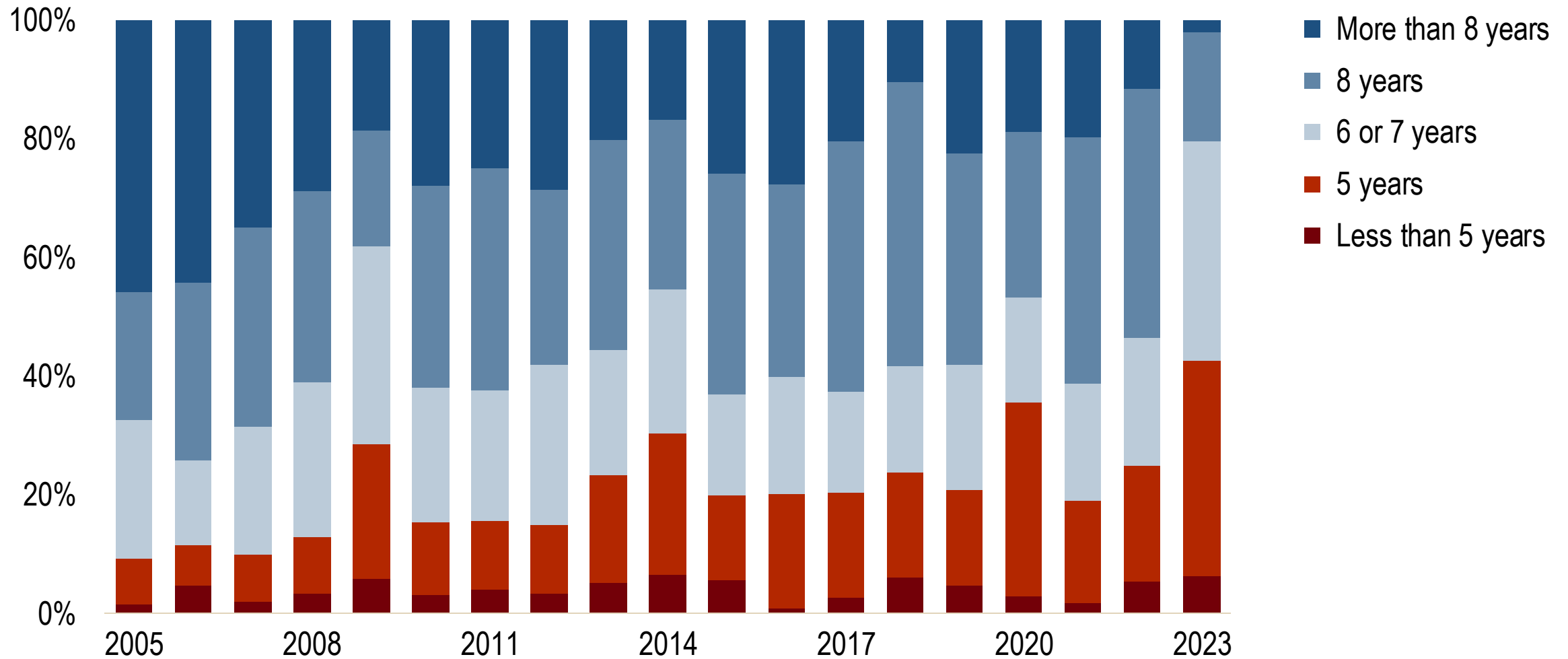
Secured HY bond volume (\$B)



Source: PitchBook | LCD • Data through Sept. 30, 2023

Borrowers cluster in short maturities as costs soar

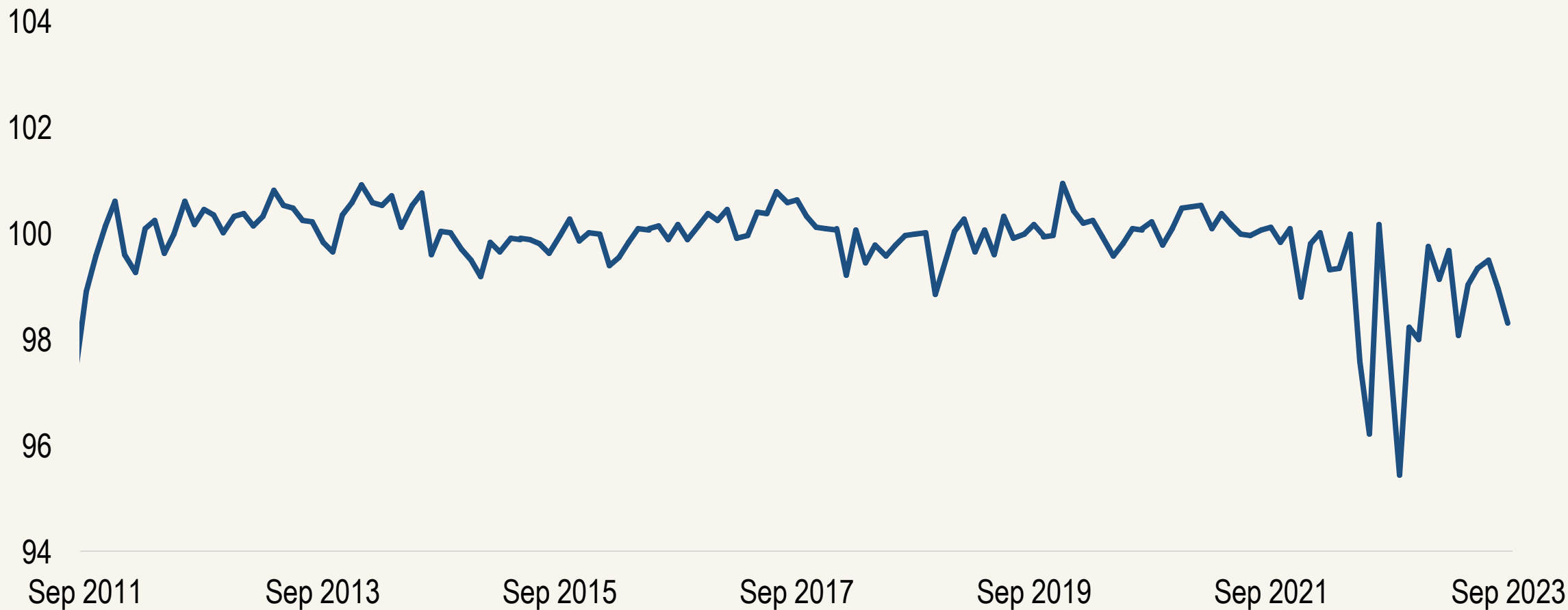
US HY bond tenor share by count, Jan. 1 – Sept. 30



Source: PitchBook | LCD • Data through Sept. 30, 2023

Pricing strays from par as investors wring concessions

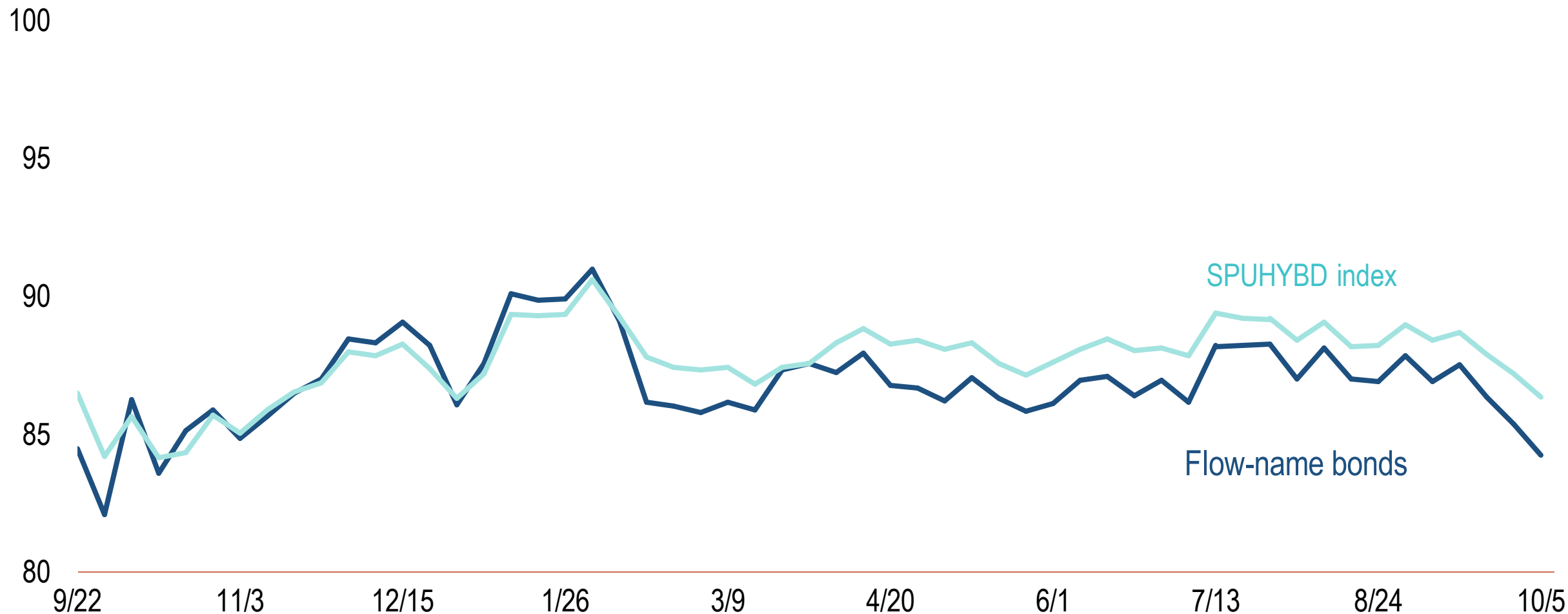
New-issue price for US high-yield bonds



Source: PitchBook | LCD • Data through Sept. 30, 2023

After bobbling for six months, prices swoon into Q4

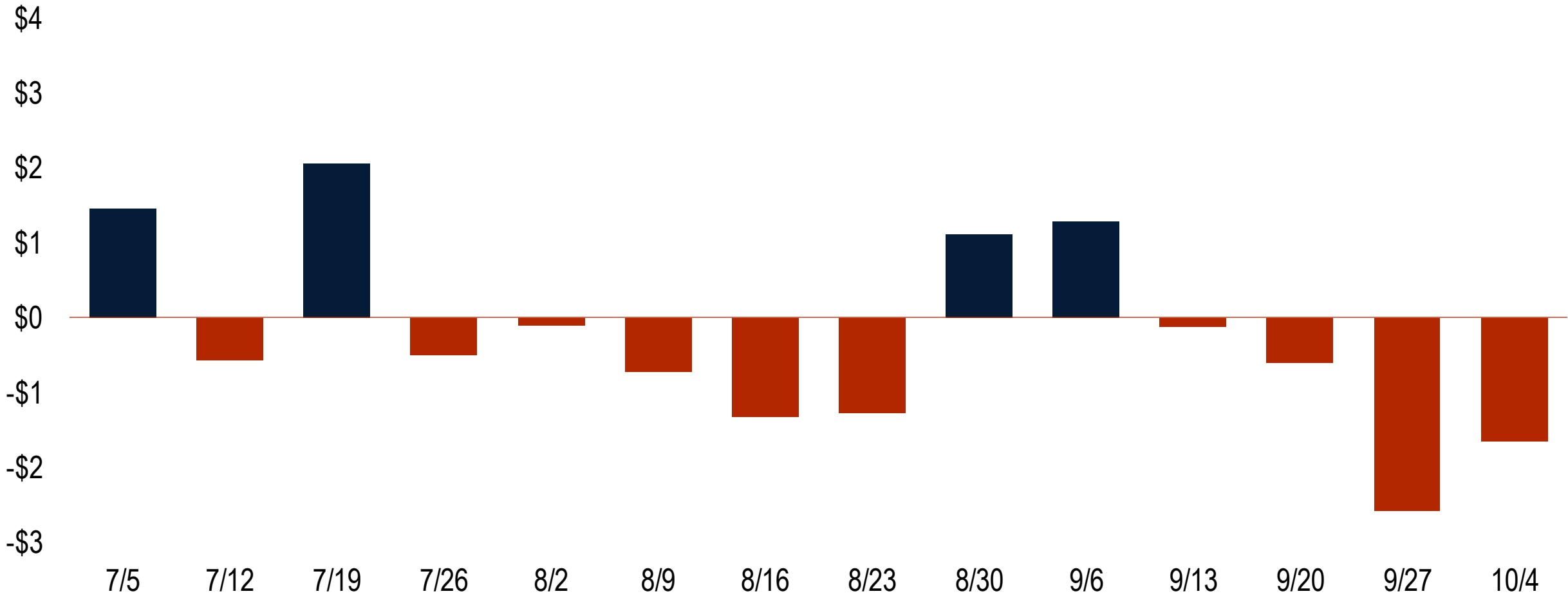
Average price: LCD flow names vs SPUHYBD index



Source: PitchBook | LCD; S&P US High Yield Corporate Bond Index • Data through Oct. 5, 2023

Investors exit funds at fastest clip since the banking crisis

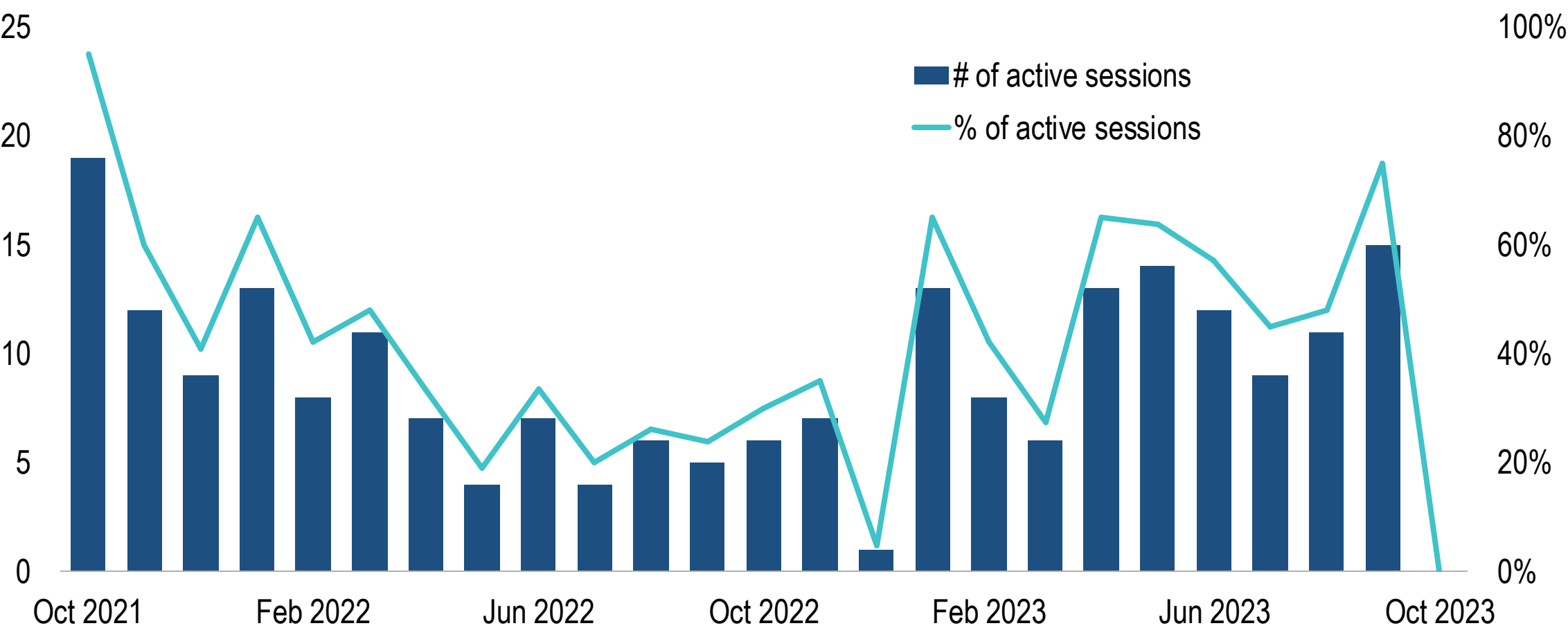
US high-yield fund flows (\$B)



Source: Morningstar Direct • Data through Oct. 5, 2023

Flaring September activity fizzles in early October sessions

Active HY bond sessions per month



Source: PitchBook | LCD • Data through Oct. 9, 2023

The background features a repeating pattern of large, light beige squares. Each square contains a smaller, concentric dashed circle. The circles are colored in a light orange or peach hue. The squares are separated by a grid of solid grey lines. The overall design is minimalist and modern.

Q & A



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