Insights

October 2022 Debt Advisory Market Update

Private debt market update

September was the worst month in recent history for the loan market as lenders continue to struggle with inflation and uncertainty

Commentary

- Broadly syndicated leveraged loans lost 2.27% in September, their worst performance since the Great Recession
  - Some of this is simply fear-driven trading volatility that will have less of an effect on the private markets, but it is indicative of the current mindset of the lending community
  - For the year loans have lost 3.25%; while this is disappointing, the loan market has significantly outperformed both the bond market (-14%) and equities (-25%), a testament to its stability in volatile markets
  - As is usually the case in volatile markets, larger and higher-rated credits saw significantly less selling
- The primary markets didn’t prove much better with global M&A volume sinking to a decade low $642 billion in Q3 and US M&A volume declining to $278 billion; both are down over 40% from Q2
  - Similarly loan issuance posted its lowest quarterly volume since Q4 2009
- Arrangers in the broadly syndicated market continue to take their lumps most recently on the $16.5 billion LBO of Citrix
  - The $4.55 billion TLB for the LBO of Citrix pricing at 91 cents on the dollar
  - The financing also included a $4 billion secured notes offering priced at 83.561 to yield 10% and a $3.95 billion 2nd Lien bridge
  - Collectively arrangers lost over $500 million just on the TLB and bonds given they owned the debt in the mid-90s

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