Global leveraged finance activity booms, with momentum set to continue in 2022

LONDON, Nov. 17, 2021 /PRNewswire/ -- The global leveraged finance market has seen a spike in activity this year, and the momentum is likely to continue into 2022. The upswing is largely due to private equity sponsors seeking new M&A activity while taking dividends out of their portfolio companies and refinancing debt, according to the newly released 2022 Leveraged Finance Outlook from Leveraged Commentary & Data (LCD). The report also reveals that ESG-related leveraged loan and high yield bond issuance is on the rise also, particularly in Europe.

As the year-end approaches, LCD has assembled a high-level outlook on the key trends in the leveraged finance market, and how these are likely to play out in 2002. One of the biggest surprises since the global pandemic hit in March 2020 has been the sheer resilience of the global leveraged finance markets, as companies have been able to secure seemingly bottomless financing via leveraged loans and high-yield bonds.

Taron Wade, Director at Leveraged Commentary & Data (LCD) said: "This access to fresh capital is helping to keep default rates low and is encouraging market innovations, such as the recent focus from investors to include environmental, social and governance terms and conditions on deals. Private capital is also playing a larger role in lending to leveraged companies."

Key highlights from the report:

- Among the many records already seen in 2021, the U.S. leveraged loan market set a new issuance mark of $509 billion in mid-October, surpassing the prior full-year high in 2017 of $503 billion.
- Loans and bonds in the U.S. combined now exceed $3 trillion outstanding, according to S&P Dow Jones Indices, and the European leveraged loan market has grown to over €250 billion, from less than €15 billion in 2002 when LCD began tracking this data. Leveraged finance volume in the U.S. alone this year has topped $1 trillion.
- But there are challenges ahead for leveraged borrowers and lenders, intermediaries and data providers – such as LCD – to tackle, like the administrative burdens of the transition from existing interbank offered base rates on new deals issued and those outstanding.
- And with the liquidity taps turned on, credit risk will rise in the system as lower-rated borrowers increasingly seek fresh capital.

To request a copy of the report, please contact pressinquiries.mi@spglobal.com.

Note to the editor:
In response to concerns recently raised by the European Commission regarding the pending merger between S&P Global and IHS Markit, S&P Global has committed to divest Leveraged Commentary & Data. Please see the press release for more information

About Leveraged Commentary & Data (LCD)
Leveraged Commentary & Data (LCD) is the premier provider of global leveraged loan news, research, indices and related analysis; providing highly differentiated and proprietary data and insight on the leveraged lending asset class including U.S. and European loan, high-yield bond, collateralized loan obligation (CLO) and mid-market/direct lending segments.

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