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Page: 86
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Unitranche borrowers catch a BSL wave

EUROPE Sponsors line up cheaper syndicated loans

Europe is enjoying a stream of unitranche refinancings hitting the broadly syndicated market, with borrowers making the most of strong pricing conditions in the public arena.

Refinancing deals from Spanish fertility group IVI-RMA, German cloud-based HR software company PERSONAL & INFORMATIK and Netherlands-headquartered testing company NORMEC have followed swiftly on from French insurance broker APRIL, and the platform is set for more to come.

"Right now there are more options open, syndicated deals are much cheaper, so I'd say a fair amount of these names are looking to do something in the short to medium term," said a leveraged finance banker.

With more deals taken away from direct lenders and refinanced with cheaper syndicated solutions, the function of private credit markets is being examined.

"I think private credit is having an existential sort of discussion, because they're losing deals," said a CLO portfolio manager. "The public markets are clearly open and pricing more aggressively than we've seen in the past two years."

However, Aymen Mahmoud, co-head of the London finance, restructuring and special situations group at McDermott Will & Emery, believes private credit is well positioned to ward off any assault. "Banks are picking up some refinancings of private credit deals from a very low starting point," he said.

"This is not trending to them taking meaningful market share from private credit firms and in fact we still expect the market to continue to move towards private credit. Public markets frequently react to almost every bit of bad news to become subdued and borrowers will need more certainty than this affords."

Nevertheless, market participants agreed that sponsors are continuing to run a dual-track process, evaluating the broadly syndicated loan and direct lender options.

"The flow has shifted as more refinancings have come into the public market from private credit and those refinancings are taking up a market offering cheaper financing solutions," said the banker.

The CLO manager agreed that for the moment the pendulum has swung towards broadly syndicated loans ahead of unitranches.

"Ultimately, I think the sponsor is going to go with the most efficient capital structure, ie, what's the cheapest debt," said the CLO manager.

DEAL CHATTER

IVI-RMA (B2/B/B+) priced its seven-year loan, split between €565m (increased from €550m) and US$500m tranches, at 450bp over SOFR/Euribor, with a 0% floor and a 99.5 OID. The deal pays down a direct lender loan that carries a margin just under 600bp.

The niche nature of the business means lenders have taken their time to understand the credit, while discussions have also taken place over the potential loosening of covenants around the deal.

"It is a new sector, so it takes time for investors to go through the work," a second banker said. "But I think in general we see pretty good engagement and people who have done the work are pretty positive about the credit."

Moody's said adjusted gross leverage of the company stood at 7 times at the end of 2023, and that is expected to improve to 6 times by the end of 2024.

Barclays, *Bank of America* and *KKR* are the physical bookrunners for the euro leg. *KKR* is the sole US dollar physical bookrunner.

P&I is offering a €455m TLB. A third banker close to the deal said about €300m of the trade will be used to refinance an existing private loan. The remainder, along with new incremental PIK notes, will fund a dividend distribution.

HG Capital-owned P&I is rated B3/B. Moody's adjusted debt to Ebitda for the company was 6.3 times as of June 2023 and it expects it to fall to below 6 times by mid-2024.

"Credit pricing in the market for B2/B names is currently low to mid 400s with a bit of OID," said the third banker. "Anything that's B3 will need a premium so probably mid-to high 400s with a point of OID. It is attractive pricing for the credit at this level."

P&I's covenant-lite five-year loan is guided to pay 425bp–450bp over Euribor, with a 0% floor and a 99.5 OID. It carries 101 soft call protection for six months.

Goldman Sachs is sole physical bookrunner, alongside passive bookrunners *Jefferies*, *Mizuho*, *NatWest*, *SMBC*, *UBS* and *UniCredit*.

Astorg-owned Normec (B2/B) is offering a €665m seven-year trade, split between a €565m TLB and a €100m delayed draw TLB that is fungible with the TLB once drawn. The DDTL is being sold as a pro rata strip.

Pricing is guided at 425bp over Euribor with a 0% floor and a 99.5 OID. It comes with 101 soft call protection for six months.

Normec is a provider of testing, inspection, and certification services. Astorg, in partnership with management, acquired a majority stake in the firm from Summit Partners in 2020.

HSBC and *JP Morgan* are joint physical bookrunners. *Goldman Sachs* , Jefferies, *RBC*, *SMBC* and *UniCredit* are joint bookrunners.

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