



# Leveraged Lion Capital

## Fixed Income Research Report

12.02.2020

## LLC Portfolio Review

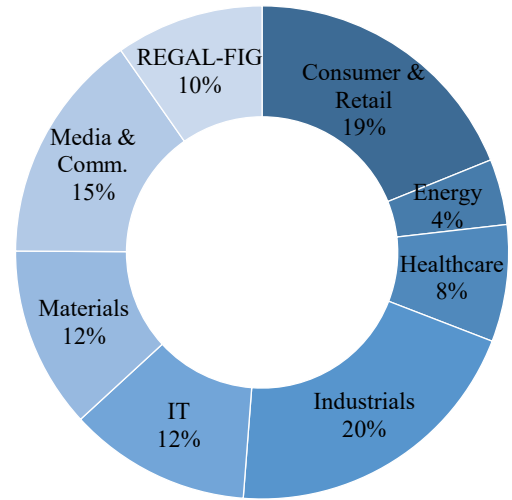
### Portfolio Characteristics

Number of holdings	27
Average price	99.27
Average YTM	6.33%

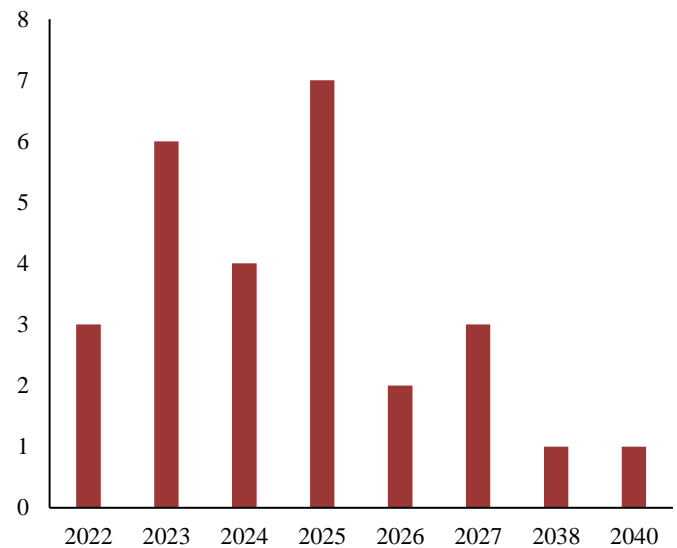
### Credit Quality (# of holdings)

<b>Bank Loans</b>	<b>54.19%</b>
BB+	5.26%
BB	15.79%
BB-	10.53%
B+	21.05%
B	36.84%
<b>High Yield Corporates</b>	<b>25.49%</b>
BB-	42.86%
B+	14.29%
B	28.57%
B-	14.29%
CCC-	0.00%
<b>Cash &amp; Cash Equivalents</b>	<b>20.32%</b>

### Sector Allocation (% of total assets)



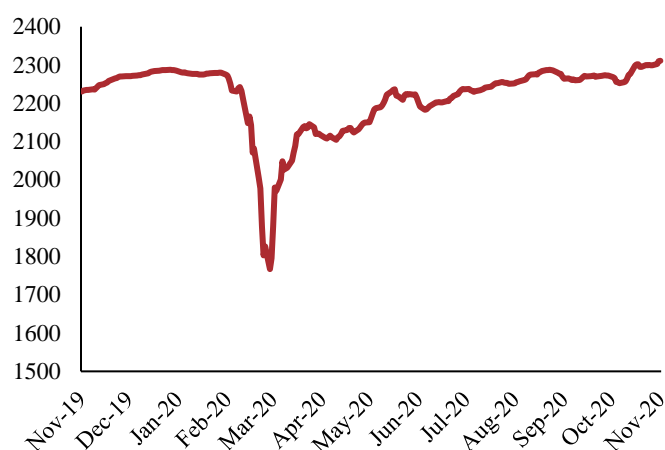
### Maturity Distribution (# of holdings)



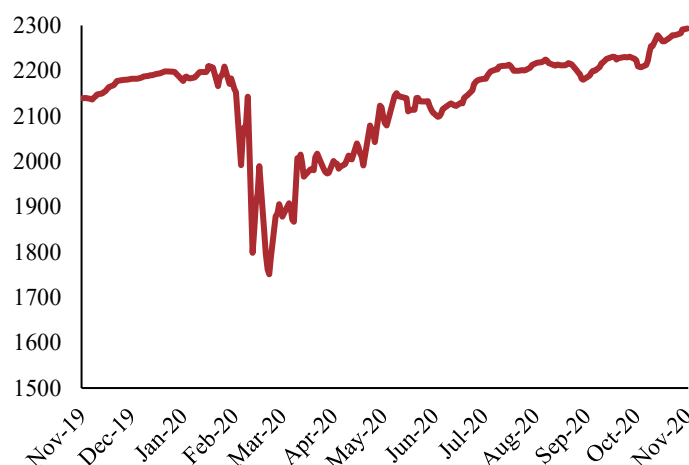
### Loan & HY Bond Market Recap

- The high-yield markets were red-hot this week, recording the highest issuance total that we have seen in nine weeks. Looking at the leveraged loan market, there were eight loan deals this past Thursday that amounted to \$5.47 bn of total issuance
- In addition, there were a few new M&A deals that came to market this past week, including Clearlake Capital Group's acquisition of nThrive's tech segment and Home Depot's plan to acquire HD Supply for \$8.00 bn
- In high-yield, inflows rose to about \$1.2 bn from \$490 mm this past week, more than double what they were a week prior

### S&P/LSTA US Leveraged Loan 100 Index



### Bloomberg Barclays US Corp HY Index



### Notable Moves in Secondary Market

- In the secondary markets, the LSTA 100 Index increased by 0.47% and the Bloomberg Barclays High Yield Index traded up 0.63%
- The largest gainers in the US high-yield space this week included CCF Holdings LLC's 2023 notes (+90.71%) and Transocean Inc.'s 2041 notes (+41.53%)
- The biggest losers in the US high-yield market this past week were Service Properties Trust's 2029 notes (-12.46%) and Vantage Drilling International's 2023 notes (-9.99%)

#### S&P/LSTA U.S. Leveraged Loan 100

#### Bloomberg Barclays U.S. Corp HY

	S&P/LSTA U.S. Leveraged Loan 100	Bloomberg Barclays U.S. Corp HY
1-month	1.87%	3.16%
YTD	1.64%	4.94%
Index value	2310.86	2293.18
52-week high	2310.86	2293.18
52-week low	1766.72	1750.98

Source: LevFin Insights, S&P Global

# Leveraged Lion Capital

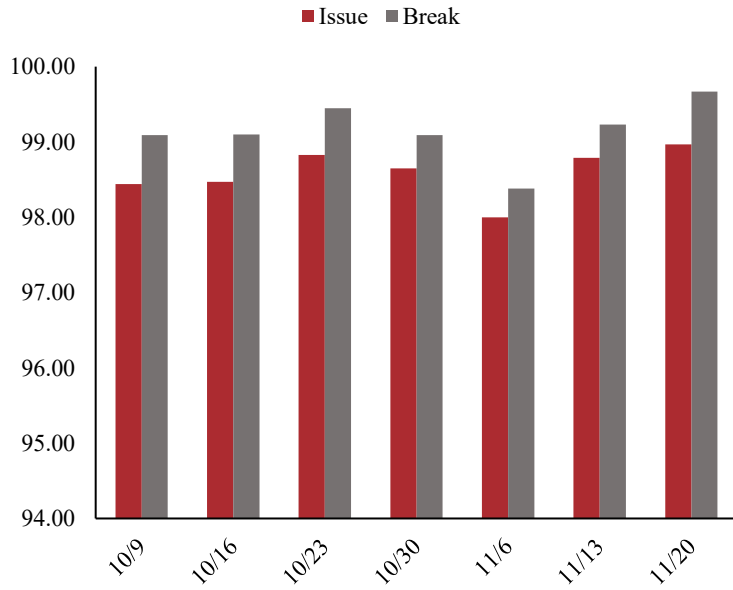
Fixed Income Weekly Report

+1.38%

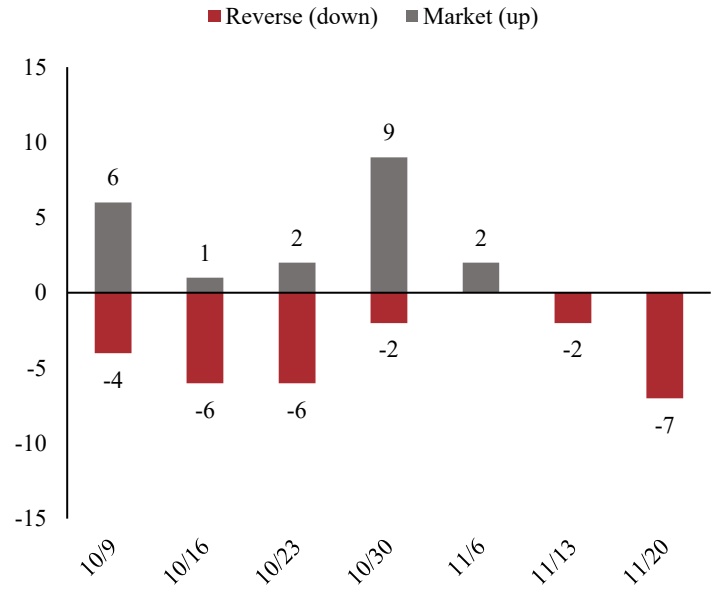
# LLC

December 2<sup>nd</sup>, 2020

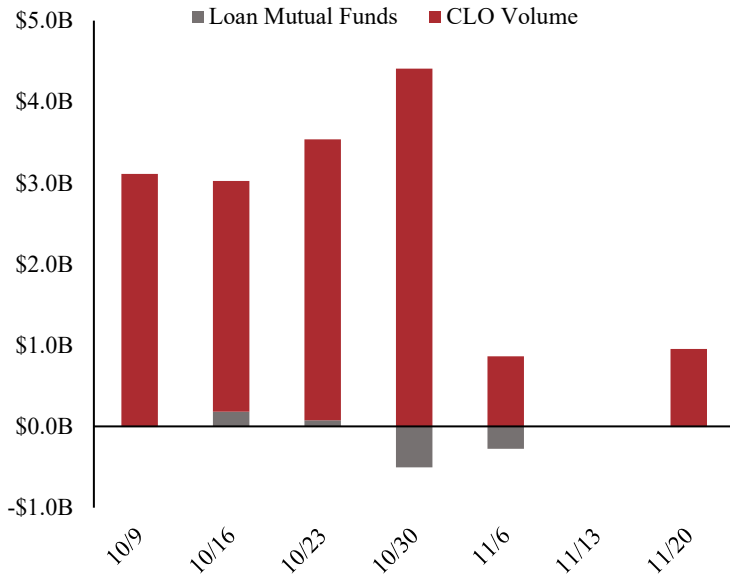
## Prices (first-lien deals)



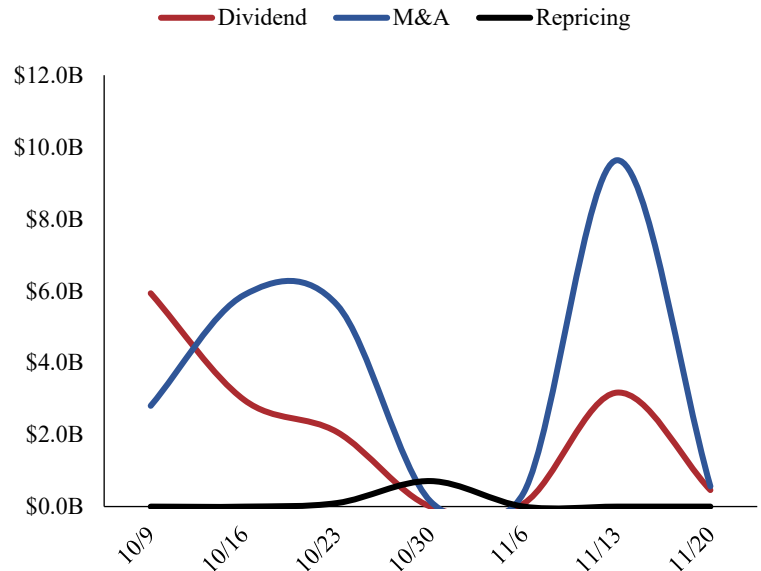
## Flex Activity



## Fund Flows

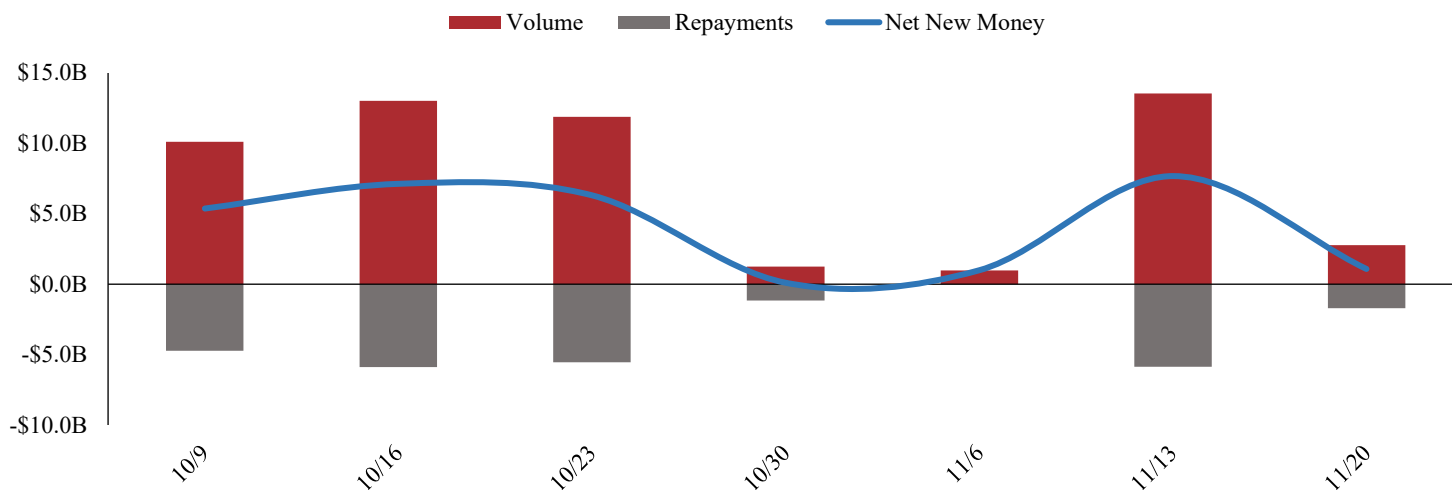


## Launched Deal Volume by Purpose



Source: LevFin Insights

### Net Launched Volume



### Recent Leveraged Loan Deals

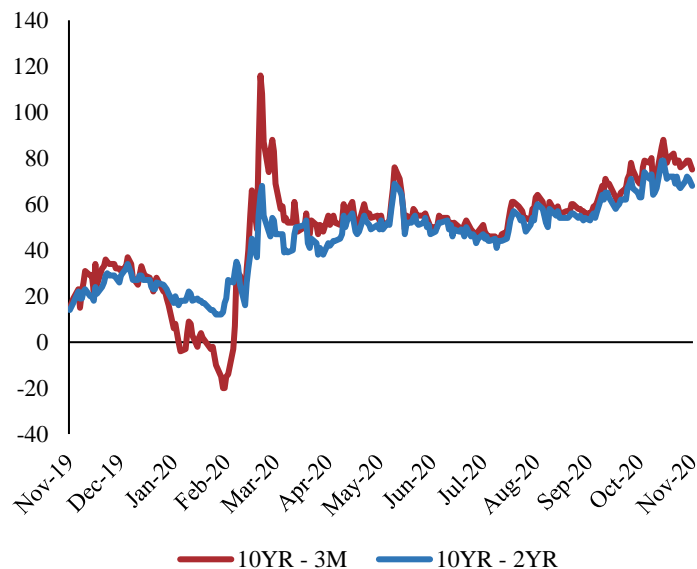
Company	Purpose	Tranche Size	Spread (bps)	OID
Albaugh LLC	GCP	\$100.00 mm	L+350	99.03
Ancestry.Com Inc	LBO	\$1,850.00 mm	L+400	99.00
Claros Mortgage Trust	GCP	\$325.00 mm	L+500	97.38
Imprivata	Dividend	\$745.00 mm	L+375	99.00
Mattress Firm	Refinancing	\$550.00 mm	L+525	97.50
Packers Holdings LLC	Dividend	\$410.00 mm	L+400	99.50
Agiliti (Universal Hospital Services)	M&A	\$200.00 mm	L+300	99.03

### Recent High-Yield Bond Deals

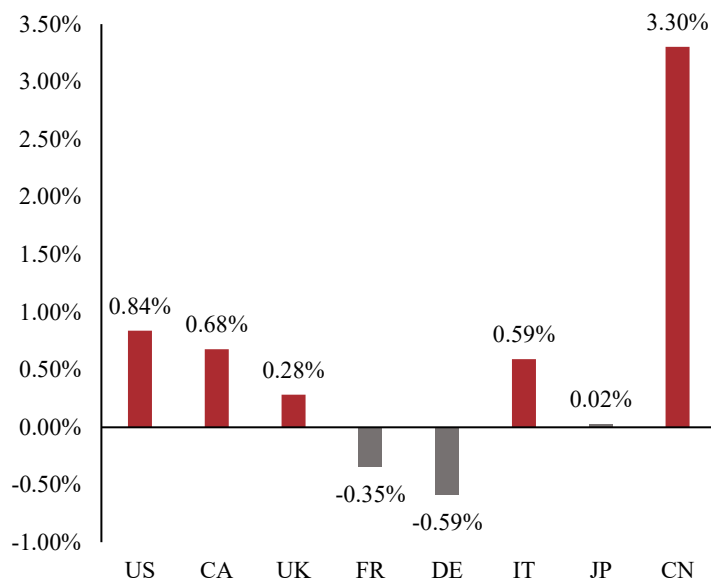
Company	Purpose	Tranche Size	Coupon	Issue Price
American Bath Group LLC	LBO	\$335.00 mm	7.000%	100.00
Carnival Corporation	GCP	\$1,450.00 mm	7.625%	100.00
Double Eagle Development	Refinancing	\$650.00 mm	7.750%	100.00
Medical Properties Trust	Refinancing	\$1,300.00 mm	3.500%	100.00
Presidio Inc.	M&A	\$125.00 mm	4.875%	104.00
Sinclair Broadcast Group	Refinancing	\$750.00 mm	4.125%	100.00
Bausch Health Companies	Refinancing	\$1,000.00 mm	5.000%	100.00
Syneos Health	GCP	\$600.00 mm	3.625%	100.00

Source: LevFin Insights

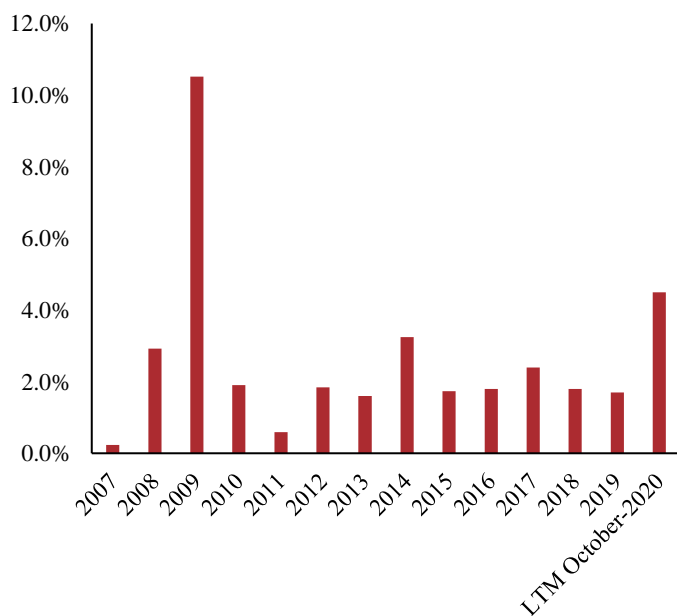
### Treasury Yield Curve Spreads



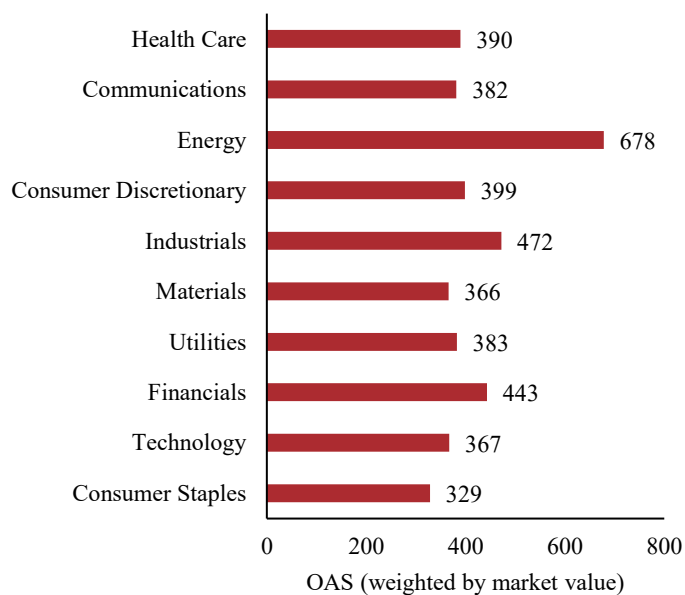
### 10-year Government Bond Yields



### Historical Default Rate



### HY OAS by Sector



Source: LevFin Insights & St. Louis Fed

## Special Topics & Notable Developments

### A New Wave of Leveraged Buyouts

- According to Bloomberg, at the end of June, private equity leveraged buyout activity in North America was just shy of 60% less than where it was the year prior. However, over the past couple of weeks that activity has kicked back into gear. The current total is just around 30% off last year's pace, a clear progression
  - Since there have been both high investor demand in fixed income markets and a large amount of "dry powder" the new wave of LBO transactions could close the year on a strong note
  - Dry powder, or unused cash in the hands of private equity firms, totals a record of about \$1.60 trillion as of November 2020. This cash pile paired with the resurgence of the leveraged loan market bodes well for LBO volume moving into FY2021
  - This past week, Blackstone launched its planned LBO of Ancenstry.com Inc. (the US-based genealogy company). As a result, the firm saw over \$10.00 bn of buyer demand for a \$2.80 bn debt offering, according to Bloomberg. The demand for this case is a sign that more of the dry powder that is sitting around could be put to use sooner than later

### Lowest CCC Yields in Six Years

- Continuing the trend that we have recognized over the past couple of weeks, yields on CCC-rated debt has fallen to the lowest level since 2014. As prices have generally risen in the secondary markets (especially in areas where investors seek higher yield), yields on these risky securities have dropped to around 7.80%. On November 24, 2014 these same CCC yields sat at 7.73%
  - This trend is one to keep an eye on, as it will most likely revolve around investor demand in the secondary markets
  - The major risks surrounding the trend are rather obvious given the current state of the pandemic. Investor sentiment seems to revolve around some mix of vaccine news and other pandemic-related updates. At this point, it will be interesting to observe a credit market response to additional positive or negative news in the near future

### LLC Holding-Specific News

- In Healthcare, according to TRACE Market Flow data, Bausch Health's high-yield debt trading volume was double its typical amount on November 30<sup>th</sup>, 2020. The total trading volume was \$16.00 mm
- In IT, Casa Systems' debt was recently given a "stable" outlook by both Moody's and S&P, the first outlook action assigned to the term debt
- In REGL/FIG, Carnival Corp. was weakened by recent news coming out of China declaring that when international cruise routes open in December, only Astro Ocean International Cruise Co. has been granted a permit to sail there. Some of the larger companies like Carnival will have to wait even longer before sailing in those waters

*Source: Bloomberg, LevFin Insights*