

Leveraged loan market continues to grow

There are a number of leveraged loan deals in the works this month, and more in the pipeline for September. Companies that are shopping for acquisitions, and a number of private equity houses with LBOs in the works, are turning to the leveraged market for funding, and the market looks set to continue growing as autumn approaches. Bankers will soon market a \$1.5 billion term loan for the buyout of New York nutritional supplements maker NBTY by The Carlyle Group. Bank of America Merrill Lynch, Barclays and Credit Suisse are the arrangers, and price talk is at 400 basis points over Libor. The Carlyle Group is contributing \$1.6 billion in equity to the LBO and arrangers have set up \$900 million in unsecured notes and an additional \$200 million revolver for the buyout. Plus, there is the high-yield debt package being put together by Credit Suisse for New Zealand firm Rank Group's purchase of US food services packager Pactiv. Deal details have not been released, but could include \$5 billion in leveraged loans and high-yield bonds. The financing would constitute 85% of the total acquisition value. Bank of Ireland, GE Capital, and BMO Capital Markets will also soon be marketing a \$100 million term loan for Irving Place Capital's acquisition of Alpha Packaging. Price talk for the loan is at 500 basis points, with an original issue discount (OID) of 98.5. Plus, UBS is working on a \$195 million revolver for private equity house Leonard Green's \$500 million buyout of New York's Aspen Dental. On the other side of the picture, investor interest just keeps growing. Institutional investors have purchased \$87.4 billion in leveraged loan paper so far this year, up from \$71 billion in 2008, according to Barclays Capital. And firms are ramping up staff to help prep for the wave of new issuance. Cantor Fitzgerald announced last week that it had hired eight new staff for its leveraged finance team in New York and London. And Knight Capital Group just hired three members of the credit research team at investment banker FBR Capital Markets in order to beef up its leveraged market analysis and research.