

# HEALTHCARE SECTOR & DEBT MARKET UPDATE

August 3, 2020

## Week in Review

### Institutional Loans:

The loan market picked up substantially last week with 11 deals launching, comprised of a mix of M&A and opportunistic transactions. Also notable for the week, a number of middle market deals – which had been largely absent in recent months – began testing the market once again. Overall, July ended up being rather slow, with just over \$12.0 billion of volume for the month. However, on a positive note, investor demand remained strong during this period and, with the exception of smaller B3 deals or strongly COVID-impacted issuers, the majority of deals were well-oversubscribed and saw strong aftermarket support. In the healthcare industry, Huntsworth (B3/B-), a provider of healthcare marketing and communication services, is in market with a \$300.0 million first term loan to back its buyout by CD&R. The acquisition was announced in March 2020, and the financing will include a £75 million privately placed second lien term loan. Price talk on the first lien term loan increased last week to L+600 with a 0% floor and 93-94 OID (7.63–7.84 % AIY), up from L+525 with a 0.50% floor and 96 OID.

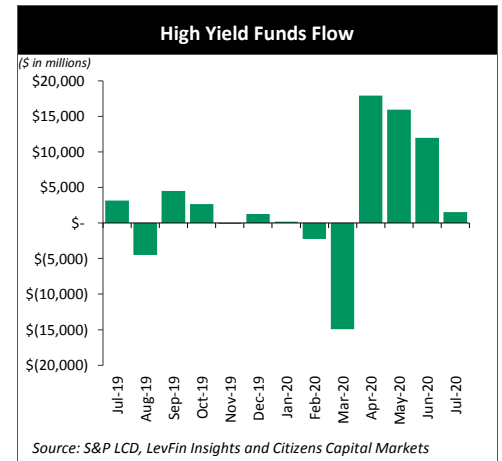
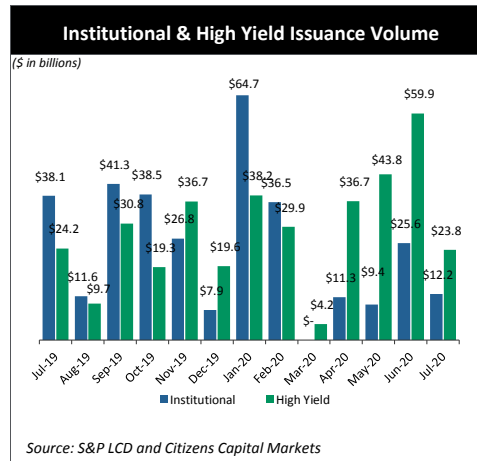
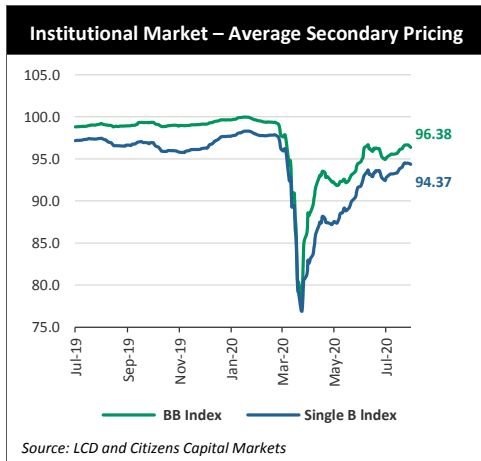
### High Yield:

The primary market remained active last week with 8 issuers accessing the market for ~\$7.0 billion in total proceeds, pushing monthly volume north to \$23.8 billion, representing one of the strongest July's in history. Also notable, throughout July we saw a shift from the COVID-inspired liquidity financings to more "regular way"- longer term, unsecured - paper. Tenor diversification remains broad, ranging from 5.0 to 10.5 years, and many issuers are electing to go out further on the curve to lock in long-term attractive capital at near-historic low rates. Yields on the overall high yield, double-B, and single-B indices are 5.81%, 4.43%, and 6.62%, respectively; 10 bps, 11 bps, and 14 bps tighter week-over-week. For the week ended July 29<sup>th</sup>, Lipper reported an inflow of \$295.0 million, representing the 4<sup>th</sup> consecutive week of inflows. The outlook for this week is for primary activity to accelerate as issuers exit earnings season blackouts and look to take advantage of the strong market backdrop.

### Investment Grade:

Investment grade volume totaled ~\$25.0 billion last week, resulting in ~\$67.0 billion of proceeds raised for the month. In contrast to the record-breaking month seen in the high yield market in July, investment grade activity for the month ranked as the 4<sup>th</sup> slowest July in the past decade. Despite slowness, investor demand remains strong and on average new issue order books were well oversubscribed last week.

Sources: S&P LCD, ThomsonReuters LPC, LevFin Insights, Citizens Capital Markets



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