US syndicated lending reached US$2.9trn record in 2021
– Ioana Barza

January 4, 2022 – US syndicated lending reached a US$2.9trn record in 2021, nearly doubling 2020's activity levels and surpassing 2018's US$2.6trn high.

"I was surprised there was not more volatility in the loan market given all the noise but that is because at the end of the day default rates remained very low, lower than anyone predicted they would be, and credit is key; everything else is less important," said one underwriter.

In addition to rapid growth, the market continued to undergo big changes.

"2020 was going to be the year for sustainability-linked facilities and it didn't happen because borrowers were focused on liquidity and not anything else," said a second underwriter.

In 2021, US ESG loan volume jumped to US$237.8bn, from 2020's US$18.4bn and 2019's US$15bn.

"KPIs are substantive, real, and stretch. We are making sure it is an appropriate test showing continued improvement. Volume will continue to be strong," added the underwriter.

US new money lending reached US$1.1trn in 2021 and included US$619bn in M&A-related financings, which ranked second only behind 2018's US$648bn.

"Going into year-end, we thought we would see more issuance to lock in Libor but we started to see a steady drumbeat of SOFR so that didn't seem to come to fruition as we thought it might," said one investment grade underwriter. "2022 will be all SOFR: does the market figure out what the right convention should be when pricing these loans?"

US investment grade lending surpassed US$1.1trn, beating 2018's US$1trn record on the back of intense competition and aggressiveness on the part of banks and borrowers. Investment grade refinancings reached US$787bn, surpassing 2018's US$756bn and eclipsing 2020's US$448bn.

"We saw an upsurge in triple-Bs in 2021 because they didn't have access in 2020 and we will see that portion of the market go back to refi every year across the triple-B space. Because if I realized I can't access the market when it implodes, I will make sure I access the 5-year market all the time," said a second investment grade lender adding, "Companies will also re-evaluate liquidity considerations. The attitude across treasurers will be to protect myself from a liquidity point of view. Right now, I will take the capital and if I don't need it, I can cancel it in the future."

In addition, nearly US$200bn in investment grade M&A financings, or the third busiest on record, were included in the mix. Acquirers wanting funding continued to access the loan market on a case by case basis depending on the amount of time between deal announcement and close, and the arbitrage between loans and the callable front end of the bond market.

"Volatility has re-energized M&A and it makes financing certainty that much more important," said a third investment grade underwriter. "In 2022 we will continue being busy and seeing demand for committed financings but CEO confidence and jumbo deals are sector specific. We see strong balance sheets but companies want to understand what is possible from regulatory perspective and don't want to get involved in a big legal battle."

2017's US$1.69trn record was surpassed in leveraged finance, which also reached a record US$1.77trn in combined leveraged loans and high yield bond issuance in 2021. High yield bond issuance made up US$463bn which beat 2020's prior record by 14%. Leveraged loan issuance reached US$1.3trn, nearing 2017's US$1.4trn record.

"The biggest surprise on the positive side was how quickly the market got back to normal and how aggressive any (credit) funded and how strong CLO and retail flows remained despite all going on in the backdrop," said one leveraged underwriter.

Leveraged pro rata lending reached a record US$537bn, surpassing 2018's US$514bn record. Institutional loan issuance, at US$769bn, nearly doubled 2020's levels and ranked second only to 2017's US$919bn record.

"These trends from 2021 are likely to continue: Strong CLO formation and inflows to retail (loan funds)," said one asset manager. "It feels like the (visible) demand side as well as Separate Managed Account (SMA) and other money is looking for 4%-plus return. All the demand factors will be in place and supply will come to meet it."

New issue CLOs surpassed US$182bn, far outpacing 2014's US$125bn record in addition to CLOs refinancing at record pace. In an expected rising rate environment, the CLO investor base will continue to diversify and, with large players in the market, triple-A spreads are expected to tighten.

"It feels like it was a banner year in the sense that it was a banner year yet we still saw 4.5% returns to the investor in the (loan) asset class," said one leveraged bank underwriter. "A banner year often is just a lot more unbalanced to the issuer side, meaning more repricings. But this year, we saw a good balance across all kinds of uses (of proceeds) which is a little unusual."

LBO-related loan financings jumped to US$196bn in 2021, approaching 2007's US$206bn record. Direct lenders also increased market share by providing mega unitranches in the broadly syndicated market.

"The market is growing enough and default cycles are benign enough where the syndicated market and direct lending market can co-exist without pain right now," said one leveraged underwriter. "If either variable changes – growth slows down or the credit cycle gets more negative – the two markets would be more in conflict. But I don't see why the private debt market would shrink. All sponsor firms and traditional asset managers are dipping their toes further into that space."

Another added, "There is no magic bullet that anybody has to fight this disintermediation or offset it because every investor is getting involved especially as yields in traditional places investors go from public equities to investment grade debt are so compressed."

However, loan yields could come down as well given a manageable forward calendar.

“This means we will see opportunistic issuance, refis, repricings or dividend deals,” said one underwriter. “I have to believe throughout the year, with all the dry powder in PE hands, we will see more LBO activity announced. I don’t know if it will hit a record, or if we see a couple of mega deals, but I feel confident we will have a steady diet of US$3bn to US$5bn enterprise value LBOs.”

With rolled back GDP growth expectations, valuations could come down which would help the PE community, said a second asset manager. “They are concerned with how they make money in a 3-4-5-year time frame, not this quarter.”

“Rates are expected to rise through next year. Does that create opportunities?” asked one asset manager. “If we think back a few years, we saw this play out in 2015-2016 where we saw increased volatility and saw valuations snap back 20-25%, which led to large transactions. We could see something like that happen again.”

For a current list of SOFR and BSBY based comparables, visit us at www.loanconnector.com

For the longer report, see the January 10 issue of *Gold Sheets*.

Follow us: @LPCLoans.

Sign up for our reports at loanconnector.com.

	2020 Issuance ($Bils.)	**2021 Issuance ($Bils.)**	**% change (%)**
US Total Issuance			
Overall	1,543.02	2,887.70	87%
Investment Grade	605.52	1,137.60	88%
Leveraged	711.01	1,305.70	84%
Institutional	397.63	789.96	99%
LBO*	84.31	186.41	121%
BSL LBO Total Lev.	6.9x	7.0x	
HY Bonds	406.17	463.36	14%
IG Bonds	1,855.81	1,455.34	-22%
US New Money Issuance**			
Overall	578.16	1,120.26	94%
Investment Grade	158.01	350.34	122%
Leveraged	348.66	591.60	70%
Institutional	211.74	398.33	88%

**Excludes bridge loans*
***Includes only new financings, such as M&A, LBO, dividend payments, and incremental fund raising*

2021 Overall Bookrunner

Rank	Bank Holding Company	Bookrunner Volume	# of Deals	Market Share
1	BofA Securities	409,080,863,059.98	1388	13.81%
2	JP Morgan	373,732,942,417.84	1227	12.62%
3	Wells Fargo & Co	244,027,963,862.98	988	8.24%
4	Citi	226,778,514,139.35	582	7.66%
5	Barclays	120,308,278,917.19	486	4.06%
6	Goldman Sachs & Co	119,826,600,035.71	404	4.05%
7	US Bancorp	86,393,734,553.34	462	2.92%
8	Mitsubishi UFJ Financial	81,791,886,279.74	397	2.76%
9	Morgan Stanley	75,562,622,882.15	256	2.55%
10	Deutsche Bank AG	75,092,389,819.13	323	2.54%

2021 Leveraged Bookrunner

Rank	Bank Holding Company	Bookrunner Volume	# of Deals	Market Share
1	BofA Securities	152,130,796,559.61	702	11.90%
2	JP Morgan	109,413,784,948.37	593	8.56%
3	Wells Fargo & Co	91,510,387,868.31	465	7.16%
4	Goldman Sachs & Co	64,722,961,074.46	307	5.06%
5	Barclays	64,466,213,230.30	324	5.04%
6	Credit Suisse AG	60,592,851,566.12	290	4.74%
7	Citi	48,930,663,385.23	253	3.83%
8	Deutsche Bank AG	47,441,815,759.39	259	3.71%
9	Jefferies	39,951,589,737.45	175	3.12%
10	Truist Financial	39,721,721,631.18	249	3.11%

2021 Investment Grade Bookrunner

Rank	Bank Holding Company	Bookrunner Volume	# of Deals	Market Share
1	JP Morgan	216,241,822,438.80	496	16.84%
2	BofA Securities	189,692,375,316.65	529	14.77%
3	Citi	153,343,039,676.33	283	11.94%
4	Wells Fargo & Co	124,791,260,287.36	420	9.72%
5	US Bancorp	53,486,883,756.75	243	4.17%
6	Goldman Sachs & Co	47,608,226,657.87	64	3.71%
7	Barclays	47,481,367,974.46	131	3.70%
8	Mizuho Financial Group Inc	43,197,783,895.42	146	3.36%
9	Mitsubishi UFJ Financial	41,115,524,732.76	150	3.20%
10	Morgan Stanley	38,786,916,054.09	66	3.02%

Refinitiv LPC was founded as Loan Pricing Corporation in 1985 with a mission to be the premier global provider of loan market news, data and analysis to the credit markets worldwide. We develop and deliver state-of-the-art information products and services to meet the market's growing needs. Today, LPC offers news, data and analysis covering every region and market sector around the world. Products and services include print publications and online news, analysis, valuation services and interactive databases. LPC's global coverage is supported by its offices in New York, London, Hong Kong, Sydney and Tokyo. For more information, contact Ioana Barza at ioana.barza@lseg.com.