

US LevFin Wrap — Warner Bros' loan takes the crown as market gathers steam (9fin)

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From the ices of March to the bloom of May.

After overcoming a period of intense volatility, the leveraged finance market is marching onward aided by fitful signs that US and Iran are moving closer to an elusive agreement to open the Strait of Hormuz.

There was no bigger testament to the improved mood than to see [Warner Bros Discovery](#) wrap up its massive \$15bn debt transaction this week. The \$13bn US dollar portion was the largest ever single-tranche offering priced on record in the syndicated loan market, [according to 9fin data](#).

The deal's upsizing and eventual pricing benefited from tightening credit spreads across the high-yield and leveraged loan market. High-yield spreads narrowed by 4bps to 307bps this week, a stone's throw away from the post-GFC tights of 295bps reached in January, according to JP Morgan research.



"I think this is a really good time, because rates have come down and spreads are back close to tight. It seems the big deals are actually doing well if you look at some of the book sizes," said a PM.

Market participants pointed to the execution of Warner's (albeit investment grade) loan as ample indication of the investors' appetite for new paper.

The JP Morgan-led cross currency financing package was increased by around \$9bn from its initial \$6.2bn-equivalent size, ultimately landing with a [US\\$13bn TLB due 2033](#) and [€1.717bn TLB due 2033](#) at spreads of 250bps and an OID of 99.75. That was from price talk of 275bps-300bps over and an OID of 99.

At the time of the loan's launch [on 19 May](#), sources said the company wanted to make the most of favorable market conditions, a decision that received its just reward this week.

Basking in the light

As those conditions persist, bankers and dealmakers are now hoping that cuspiers and lower rated offerings can draw a warm welcome from lenders too.

Even though the US-Iran conflict has yet to reach a clean resolution, investors are increasingly willing to participate in the primary. It has helped that many of the companies being mooted for potential deals have not shown a significant hit from inflation and elevated energy prices.

"A lot of the credits we've looked at have had a modest impact from rising prices, but it hasn't been super detrimental to their businesses. I think people are willing to look past it," said a

sellsider. "It's a little head scratching because the conflict isn't over and the AI concerns everyone was worried about are still there. But people have put it to the wayside for now."

Bankers have had plenty of opportunity to test the waters during recent conferences. Goldman Sachs wrapped up its flagship leveraged finance conference on Thursday (28 May), while Barclays finished its own shindig last week.

[Participants at the Goldman conference said](#) it still remains a tough time for borrowers with trickier stories as investors flock towards deals that are easier to understand, easier to model and insulated (at least for now) from the questions AI has yet to answer.

But if you were willing to sift through the primary, there were green shoots to be found.

[Raising Cane's](#) was able to upsize its [TLB due 2033](#) by \$100m to \$500m and tighten OID slightly to 99.625, even [after the chicken restaurant chain reported](#) a decline in same store sales after showing relentless momentum in previous years.

On the extreme end of the risk spectrum, [Shutterfly](#) finally came to market this week after *9fin* [reported](#) in early May that underwriters had been in discussions with lenders to refinance the [Apollo](#)-backed company's existing debt.

The custom photo printing services company [kicked off](#) its \$1.875bn offering via Barclays on Friday. The deal was split into a [\\$1.15bn SSN](#), a [\\$500m first-lien TLB](#) and a [\\$225m second-lien TLB](#).

In terms of other deals, [Cushman & Wakefield](#) launched a [\\$847.5m term loan B due 2033](#) at SOFR+250bps and an OID of 99.75 to roll over the commercial real estate service company's existing TLB due 2033.

And with any market trading at tight spreads, there was the usual barrage of loan repricings from the likes of [Savers Value Village](#), [Hill Top Energy Center](#), [Pro Mach](#) and [TIC Solutions](#).

There is plenty of more supply to come to the primary market, with major deals being signed this week.

Notably, [Fertitta Entertainment](#) announced its acquisition of [Caesars Entertainment](#) on 28 May. Morgan Stanley and Goldman Sachs are leading the group of 10 banks that provided committed debt financing to back the deal, [9fin reported](#).

[Atlas Air Worldwide](#) [tapped Goldman Sachs](#) to lead a syndication of \$650m in term loan debt for an acquisition of a minority stake in Air Atlanta. And [CVC Capital Partners](#) struck a [\\$4.3bn deal](#) to acquire a majority stake in [International Flavors & Fragrances'](#) food ingredients division.

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