

REFINITIV LPC'S I-Grade Snapshot

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BLOOD-CURDLING LOANS

A specter is haunting the markets: the looming ghost of inflation. Spooking the bond market are the twin fangs of rate rises and QE tempering likely to prompt fleeing investors to loans (at least to leverage).

Yeah, it could be a blood bath, but this terrifying scenario mostly suggests things could get better and busier and crazier. Because let's call a dagger a dagger, it's been a hell of a year (quite literally).

More than US\$934bn of US leveraged loan volume was recorded in the first three quarters, already topping the full-year volume of 2020 and 2019, according to Refinitiv LPC data. A record US\$1.4trn of volume was issued in 2017.

Investment grade bankers, very much blasé about inflation, will get their spooks from TV, or YouTube or [Heidi Klum's](#) gruesome Halloween special instead, while they work on Libor transitions. Because what is scarier than a Libor-less world when it's the only thing we've come to know?

"It's a part of all our client discussions," said one banker.

Four new loans tied to SOFR, the Libor-alternative rate supported by the Alternative Reference Rates Committee, were completed this week.

The financings, which together amount to US\$9.86bn, include loans for aircraft manufacturer Boeing, retail property real estate investment trust Simon Property Group, cosmetics company Estee Lauder and engineering firm Valmont Industries.

The credit agreements were signed ahead of the cessation of Libor origination scheduled for the end of 2021. At least three of the four deals are based on term SOFR, generally considered to be preferable compared to daily simple SOFR because rates are known in advance of the interest period and do not need to be computed daily, as they do with daily simple SOFR.

Boeing's US\$3.06bn 364-day revolving credit facility dated October 25 was one of the first loans tied to SOFR from a major US blue chip company to be launched to syndication. Citigroup is administrative agent.

Simon Property completed a US\$3.5bn revolver that will mature on January 31, 2026. JP Morgan, Bank of



America, PNC Bank and Wells Fargo bank are joint lead arrangers and bookrunners of that facility.

Estee Lauder signed a US\$2.5bn five-year RCF on October 22, and Valmont finalized a US\$800m five-year revolver on October 18. JP Morgan is administrative agent for both those deals.

In September, automotive company Ford and pharmaceuticals firm Johnson & Johnson each announced facilities tied to SOFR. The combined size of those two companies' credit agreements amounts to US\$25.5bn.

INVESTMENT GRADE LOANS

- Insurance company Hartford Financial Services Group has signed a US\$750m five-year revolving credit facility. Dated Wednesday, the facility's size may be increased by up to US\$500m. Bank of America is the administrative agent. Hartford is rated Baa1 by Moody's and BBB+ by S&P Global Ratings.
- Insurance company Brown & Brown has signed US\$1.05bn of loans. The amended and restated credit agreement, dated Wednesday, comprises an US\$800m revolving credit facility and a US\$250m term loan. Both feature an October 27, 2026 maturity date. JP Morgan is the administrative agent. Brown & Brown is rated Baa3 by Moody's and BBB- by S&P Global Ratings.
- Aircraft manufacturer Boeing has signed a US\$3.06bn 364-day revolving credit facility. Dated Monday, the facility uses term SOFR as

its reference rate. The RCF replaces Boeing's US\$3.073bn 364-day revolver that was dated October 26, 2020. Citigroup is the administrative agent. Boeing is rated Baa2 by Moody's and BBB- by S&P Global Ratings and Fitch Ratings.

- Investment management company Affiliated Managers Group has signed US\$1.6bn of loans. Dated Monday, the senior unsecured financing comprises a US\$1.25bn five-year revolving credit facility and a US\$350m five-year term loan. The revolver's size may be increased by up to US\$500m, and the term loan's by up to US\$75m. Bank of America is the administrative agent. Affiliated Managers Group is rated A3 by Moody's and BBB+ by S&P Global Ratings.
- Retail property real estate investment trust Simon Property Group has amended and extended its US\$3.5bn revolving credit facility. The unsecured multi-currency revolver's reference rate will now be tied to SOFR, having transitioned away from Libor. JP Morgan, Bank of America, PNC Bank and Wells Fargo are joint lead arranger and bookrunners. The company is rated A- by S&P Global Ratings.
- Technology company Kyndryl Holdings, the managed infrastructure services business to be spun off from IBM, has signed US\$3.65bn of loans. The agreement comprises a US\$3.15bn senior unsecured five-year revolving credit facility and a US\$500m senior unsecured delayed-draw term loan that will mature three years after funding. JP Morgan is the administrative agent. Kyndryl is rated Baa2 by Moody's and BBB- by S&P Global Ratings.



- Retailer Kohl's has signed an unsecured US\$1bn five-year revolving credit facility. Wells Fargo is the administrative agent. Kohl's is rated Baa2 by Moody's and BBB- by S&P Global Ratings.
- Cosmetics firm Estee Lauder has signed a US\$2.5bn five-year revolving credit facility with US dollar pricing tied to term SOFR. Up to US\$750m of the RCF may be drawn in pounds, euros, yen or Swiss francs. Funds drawn in US dollars will be subject to a margin over term SOFR that is based on the company's debt rating plus a 10bp credit spread adjustment. JP Morgan is the administrative agent. Estee Lauder is rated A1 by Moody's and A+ by S&P Global Ratings.
- Details have emerged on the loans backing London-headquartered oil and gas field services company Petrofac's refinancing plan, including a US\$500m bridge-to-bond and a US\$180m revolving credit facility. The US\$500m one-year bridge loan has a six-month extension option and is initially provided by Goldman Sachs with NatWest as agent. The refinancing will be used to repay debt under the borrower's existing US\$610m RCF and £300m of commercial paper issued under the Covid Corporate Financing Facility, as well as to pay a £77m penalty imposed after the recently concluded Serious Fraud Office investigation into bribery at the company.
- Dutch engineering consultancy firm Arcadis has refinanced its existing credit facilities into a €500m sustainability-linked revolving credit facility. The RCF, which is provided by Arcadis' existing lender group, has a five-year maturity with two one-year extension options.
- German forklift truck and materials handling group Kion has signed a €1bn syndicated revolving credit facility that includes sustainability criteria. The financing, which is for five years plus two one-year extension options, replaces an existing €1.15bn RCF that was due to mature in 2023.
- British broadcaster ITV will link its future bank and debt capital market financings to its carbon emissions targets, including the refinancing of its existing £630m revolving credit facility, which is currently out for tender. ITV's targets include the reduction of Scope 1 and 2 emissions by 46.2%, in line with a 1.5 degree science-based emissions scenario; and Scope 3 emissions by 28% in line with a well below 2 degree emissions scenario; by or before 2030.
- Telecom Egypt has secured a US\$500m medium-term syndicated loan that will be used to support its capital expenditure and refinance existing short-term facilities. First Abu Dhabi Bank and Mashreq Bank were mandated as joint coordinators, underwriters, bookrunners, and initial mandated lead arrangers of the facility. FAB is also the facility agent, while Mashreq is designated account bank and the documentation agent.

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