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Written by Jose Roberto Castro

Loan Highlights FY24

Leveraged refinancing boosts loans to best year since 2021

Geopolitical uncertainty in the fourth quarter cooled loan market issuance in the Americas, EMEA and Asia-Pacific (APAC) regions, but not enough to significantly impair 23% year-on-year (YoY) growth, according to *Dealogic* data.

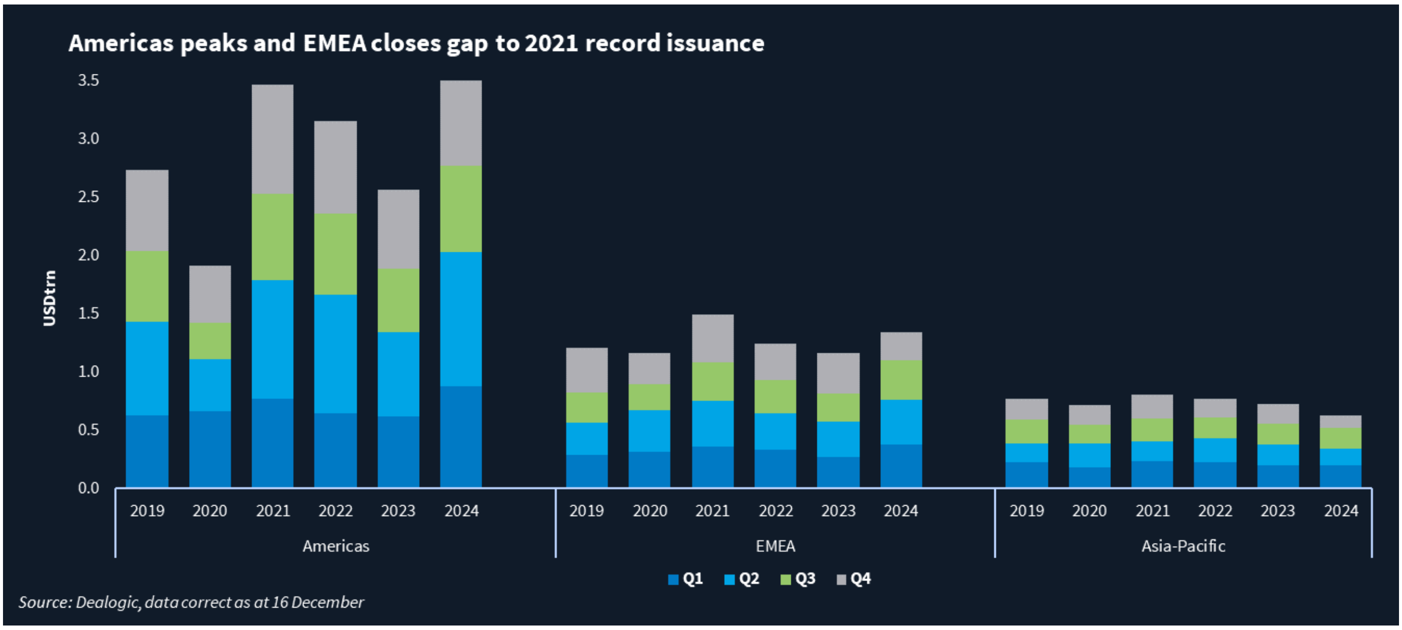
During a year when loan markets responded to interest-rate cuts in most major economies around the world, high volumes in 2024 have been based largely on refinancing existing leveraged debt. This combination has carried volume in the Americas to an all-time high, while EMEA soared to its best year since the post-pandemic boom of 2021.

The Americas added USD 738bn in 4Q24 for a full-year total of USD 3.5trn, the highest number recorded in *Dealogic*'s database. Volume, which tends to edge up slightly over the final couple of weeks of the year, has already surpassed 2021's USD 3.47trn. FY24 volume has risen 37% in YoY comparisons, despite the slowdown in 2H24, when the USD 741bn and USD 738bn printed in third and fourth quarters, respectively, made up the region's lowest quarterly volumes of the year.

Recovery has also been the watchword in EMEA markets, with FY24's sum of USD 1.34trn-equivalent standing 15% above FY23's total. This means 2024 had the second-highest volume of the past six years, sitting behind only 2021 (USD 1.5trn). As was the case in the Americas, EMEA's 4Q24 volume (USD 246n-equivalent) represents its worst quarterly return of the year.

Figures for APAC, which had reached USD 625bn at the time of writing, may yet increase before year-end, giving the region volume of around USD 700bn, close to that of the previous two years. Volumes in 1Q24-3Q24 were in line with those of 2022 and 2023.

Combined, the three regions' FY24 issuance totals USD 5.5tn, 23% above last year. This figure is higher than 2022 (USD 5.16tn), but 5.2% down on 2021's USD 5.8tn.



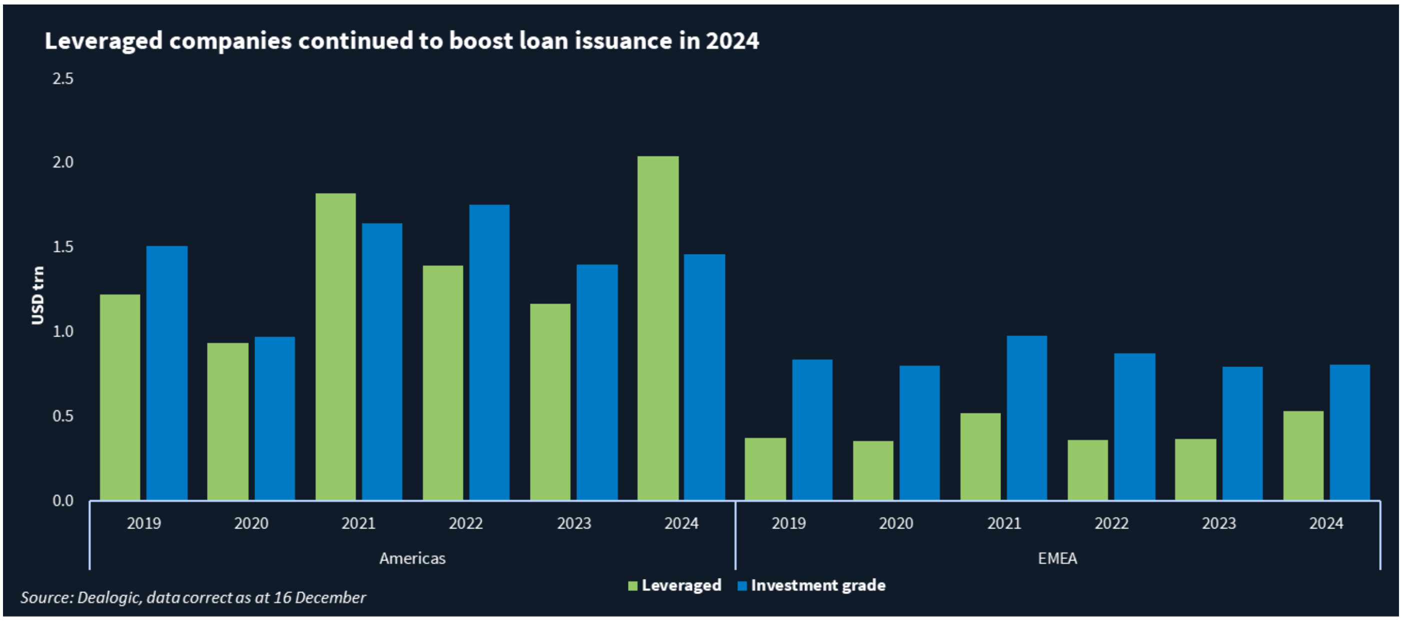
Leveraged deals power growth

Following a period of dominance by investment-grade (IG) deals, the loan market revival has been propelled by leveraged transactions. For the first time in six years, the volume of leveraged loans printed across the three regions (USD 2.78trn) was higher than IG deals (USD 2.69trn).

This can be attributed primarily to the Americas, where the gap between IG and leveraged loans reached USD 583bn in 2024. America's leveraged loan issuance surged an impressive 75% in YoY comparisons.

In the EMEA region, *Dealogic* data shows that investment grade still lead, but the gap was the closest of its database, with leveraged loans accounting for 40% of this year's total issuance. EMEA's FY24 leveraged loan issuance hit USD 533bn, rising a hefty 46% in YoY comparisons to the highest figure of the past six years.

IG loans amounted to USD 1.46trn in the Americas region, 4.4% more than last year. In EMEA, the growth rate was only 1.8%.



Refinance, refinance, refinance

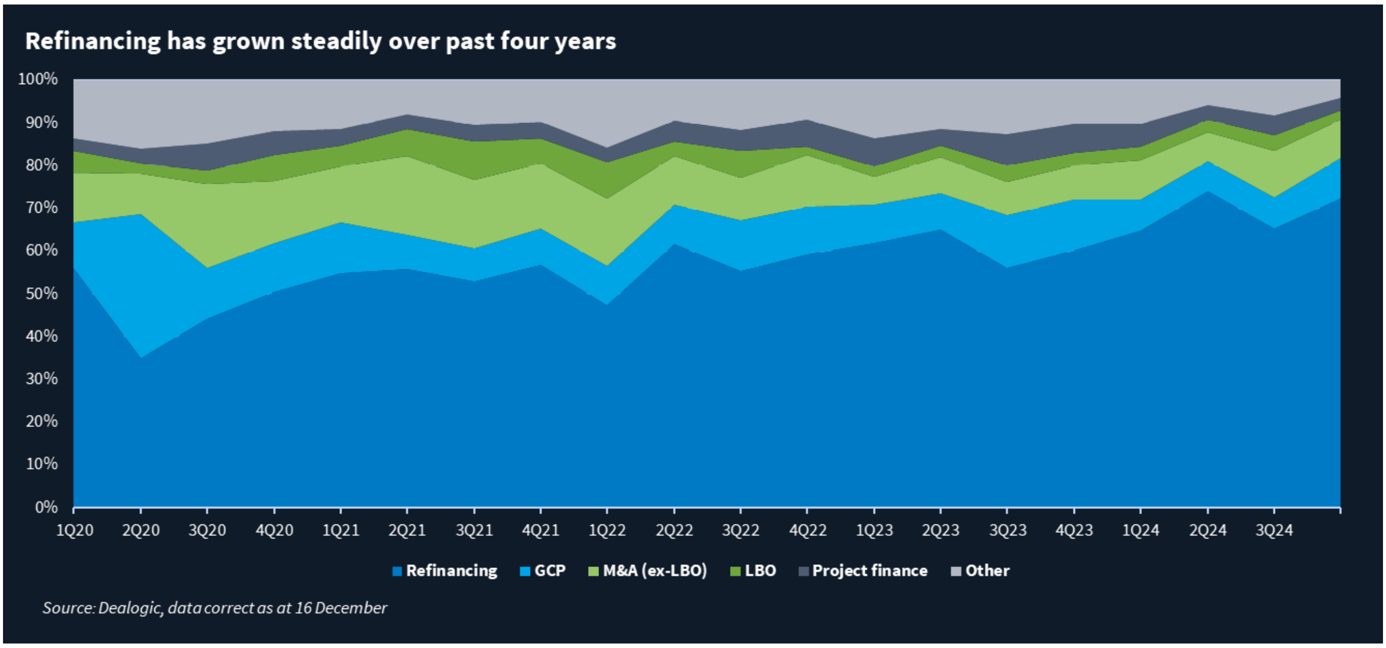
The 2024 boom in issuance across different sectors of debt markets continues to be accelerated by refinancing. After several years of restrictive monetary policies, companies that had been desperate to renew and extend deals have found opportunities to extend maturities at better prices than those available for similar deals in 2023.

The biggest wave of refinancing in recent times is driving markets. In 4Q24, 72% of loans had refinancing as their main use of proceeds. This figure stands in stark contrast with previous years. The quarterly rate, which varied between 35% and 56% in 2020, has been growing consistently since then, peaking at 74% in 2Q24.

Despite a revival in 3Q24 - the first full-quarter result following the Fed's decision to cut US interest rates - space for LBOs and M&A remains scarce. Together, they accounted for only 13% of total issuance in 4Q24.

M&A activity, including LBOs as a share of total issuance, remains a long way removed from the golden days of cheap money. In 3Q20, for example, they combined for 34% of total issuance, with refinancing representing only 44%.

insights@iongroup.com

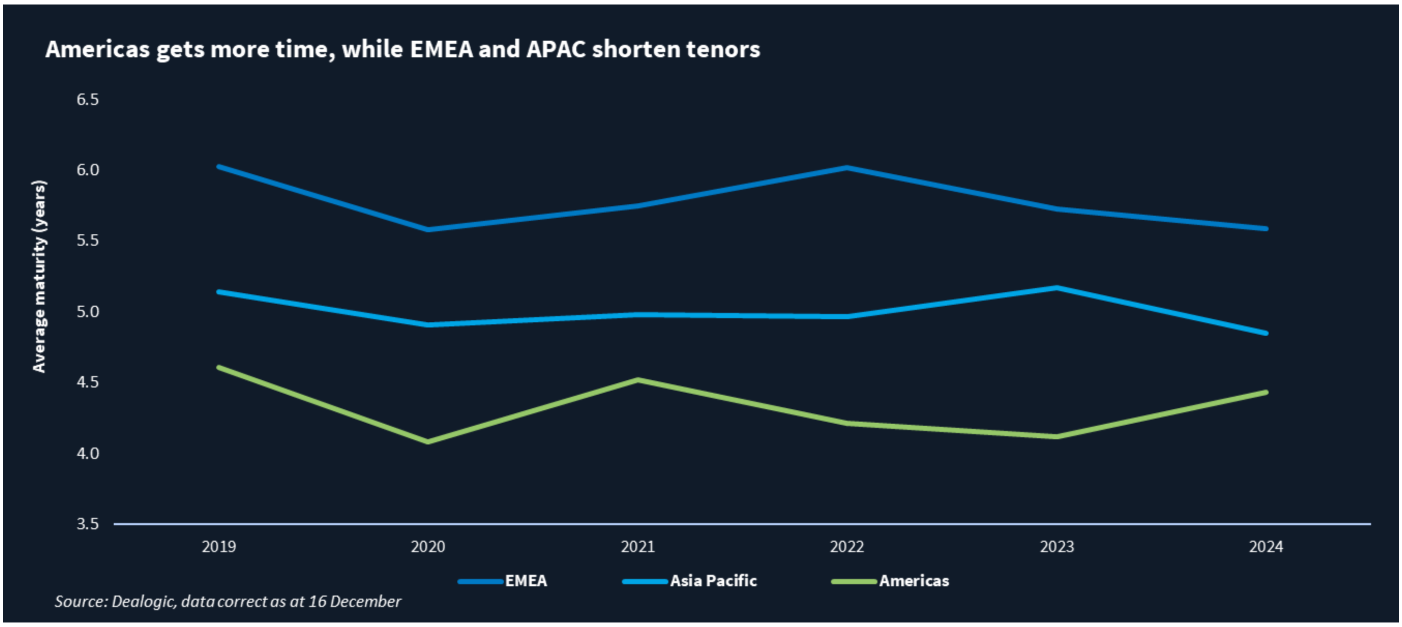


Tenors tightening

Fourth-quarter deals have reversed the rest-of-year trend of borrowers locking themselves into slightly longer maturities. More expansive monetary policy has brought a semblance of predictability, and tenors that had been lengthening in the first three quarters of 2024 are now shorter than at end-3Q24 in all regions. Tenors are also tighter in YoY comparisons in EMEA and APAC.

Average tenors in EMEA, which stood at 5.71 years at the end of the third quarter - almost in line with the 2023 average - are now at 5.59 years. In APAC, tenors have reduced to 4.85 years at FY24 from 4.91 years at 9M24, consolidating a trend. The figure for 2023 was 5.18 years.

Conversely, tenors in the Americas are still lengthening. The FY24 average of 4.43 years is longer than 9M24's 4.36 years and 2022's 4.13 years.

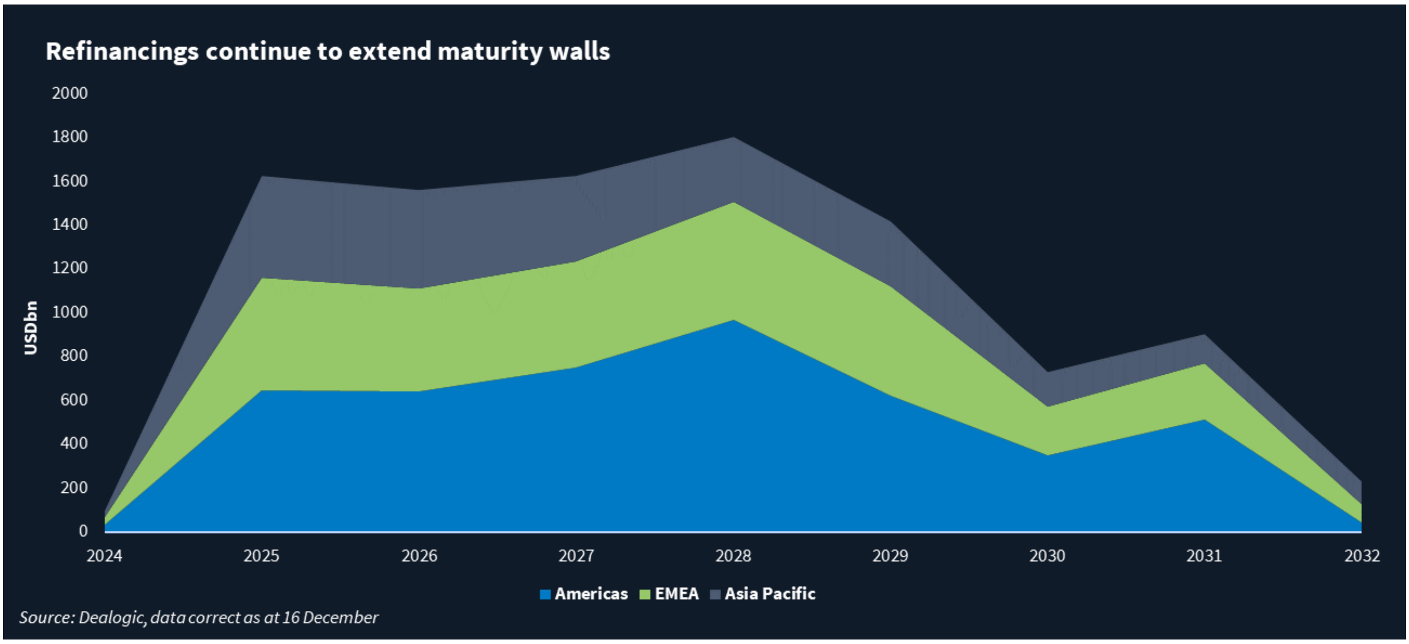


Even with tenors in new deals shortening, the refinancing wave continues to provide considerable relief to borrowers and their maturity walls.

Across the three regions, the share of outstanding debt due in 2024, 2025 and 2026 has fallen to 1%, 14% and 27%, respectively, from 4%, 18% and 31% at the end of the third quarter.

At the end of 1Q24, half of the outstanding loan volume was due by end-2027 and 74% by 2029. As of 4Q24, these figures had decreased to 41% and 68%, respectively.

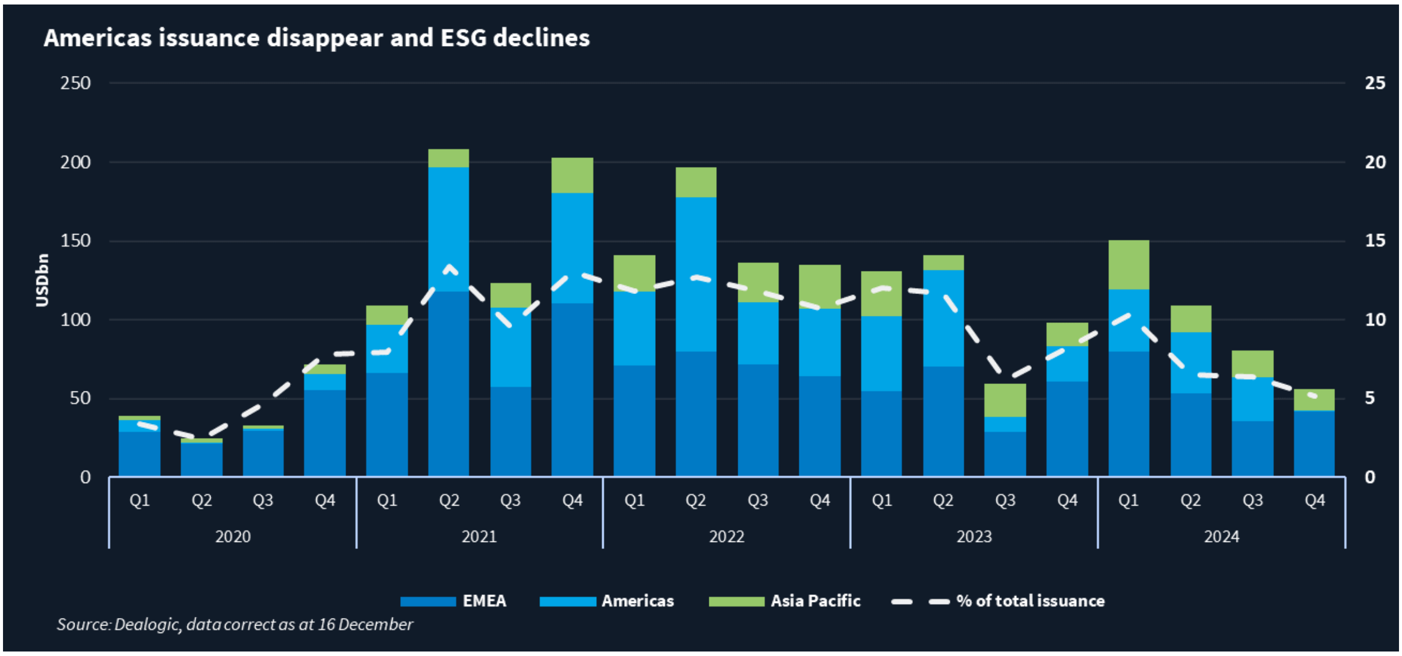
As a result of shorter tenors put in place, the Americas region has the closest maturity wall, with 64% of the outstanding balance due by 2028 compared with 78% by the end of 1Q24. In EMEA, debt due by 2027 has dipped to 39% from 47%, but outstanding debt due by 2028 has climbed to 53% from 51%. In APAC, half of the pile is due by 2028, a decrease from 55% at the end of the first quarter.



Americas pauses, ESG struggles

In 4Q24, issuance of environmental, social and governance (ESG) loans endured its weakest volumes since 3Q20. A major factor in this has been Americas' virtually non-existent printing of sustainable debt. Amid fears that the Securities and Exchange Commission is to heighten sector scrutiny, and in the aftermath of Donald Trump's re-election win, ESG volume in Americas totalled less than USD 1bn in 4Q24.

According to 16 December *Dealogic* data, ESG issuance across the three regions in the fourth quarter this year has slumped 36% quarter-on-quarter (QoQ). Even if late submissions improve the scenario, FY24 issuance of USD 390bn appears unlikely to get close to last year USD 429bn. ESG's share of the market has declined to 5.14%, its lowest level since 2020.



The Americas election result has had a marked effect on global issuance, while other regions have been only stable since then. EMEA, which remains the key ESG market, printed USD 41bn in the fourth quarter, higher than the previous three months (USD 36bn). The FY24 figure amounts to USD 210bn, still behind 2023's USD 214bn, while APAC has shown insipid growth to USD 78bn this year from USD 74bn in 2023.