

# PitchBook | LCD CLO Weekly Review

## Napier Park places US CLO deal after year's absence

**L**CD confirmed pricing of eight primary-market US CLOs last week, including the first deal of 2023 for Napier Park Global Capital.

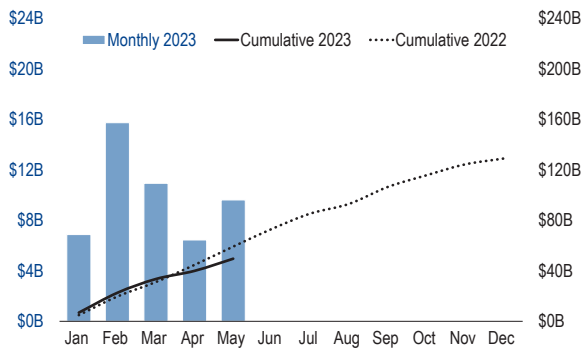
In Europe, two CLOs priced, including Credit Suisse Asset Management's first European deal since the rescue of Credit Suisse.

*Continued on page 2*

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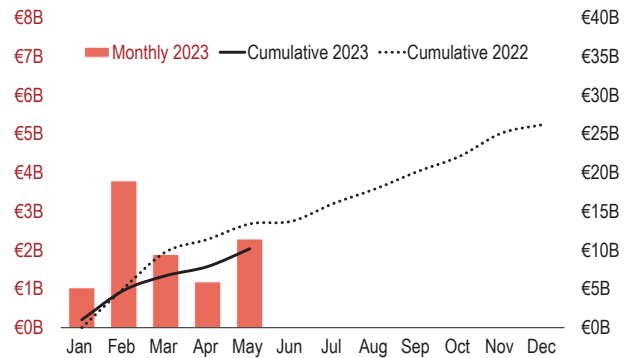
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### US CLO issuance



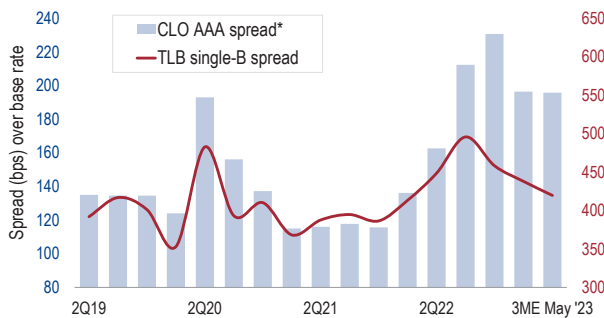
Data through May 30, 2023  
Source: PitchBook | LCD

### European CLO issuance



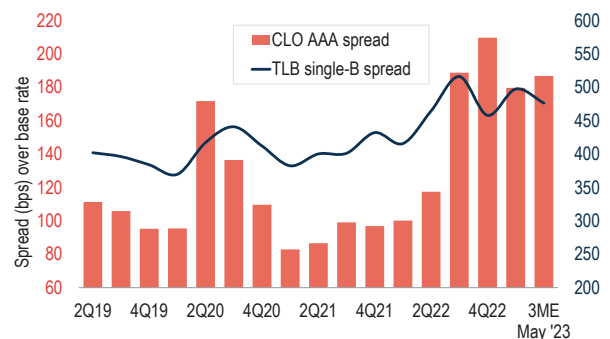
Data through May 30, 2023  
Source: PitchBook | LCD

### US CLO AAA spread vs TLB spread



\*Excludes middle-market CLOs  
Data through May 30, 2023  
Source: PitchBook | LCD

### Europe CLO AAA spread versus TLB spread



Data through May 30  
Source: PitchBook | LCD

CLO new-issue volume	US			Europe			Global			
	Year	US (\$B)	Count	Manager count	Euro (€B)	Count	Manager count	Global (\$B)	Global (€B)	Count
2022	128.97	282	104	26.21	67	44	156.72	148.77	349	148
YTD 2022	58.50	119	73	13.39	32	28	73.28	66.78	151	101
YTD 2023	49.61	114	76	10.18	27	25	60.56	56.09	141	101

Data through May 30, 2023  
Source: PitchBook | LCD

### US: Back in the mix

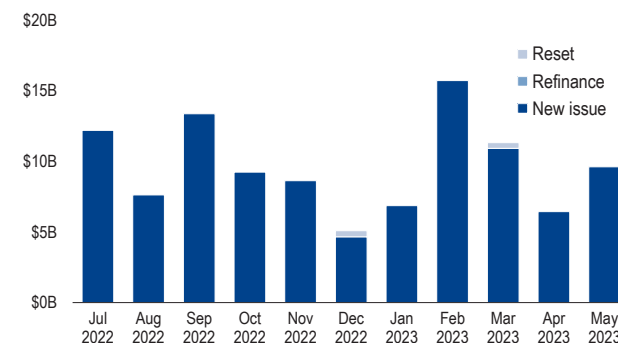
Napier Park’s deal, the \$404 million Regatta XXV Funding CLO, was the first CLO print for Napier Park since pricing its \$507.2 million Regatta XXII Funding on May 6, 2022. Napier Park is among several 2022 issuers who have taken a more deliberate approach to deals in 2023, with the ‘arb’ spread between liabilities and receipts on loan investments sitting near three-year lows for BSL CLOs.

Last week’s eight pricings totaling \$3.192 billion, as the market rebounded from a slow mid-May period, with just two deals priced May 16-22. Month-to-date issuance is at \$9.62 billion across 23 transactions. May’s total represents the third-highest monthly volume in 2023.

BSL AAA spreads remain widely varied among manager tiers, with the gap reaching between 178 and 227 bps against the Sofr benchmark last week.

Middle market CLO activity made up two of the eight deals last week. At \$10.7 billion of volume this year, these private credit transactions have already nearly matched the full-year

US CLO total volume



Data through May 30, 2023  
Source: PitchBook | LCD

2022 tally of middle market pricings (\$11.98 billion) and are on pace to eclipse the record \$22.53 billion total in 2021.

### New issue heats up

RBC Capital Markets on May 23 priced the \$410.07 million HPS Loan Management 2023-18, managed by HPS Investment Partners LLC.

Last 10 Priced CLOs – US	Manager	Size (\$M)	AAA coupon (bps)
Birch Grove CLO 6	Birch Grove Capital LP	489	220
Carlyle US CLO 2023-2	Carlyle CLO Management LLC	393	178
Oaktree CLO 2023-2	Oaktree Capital Management	400	190
Woodmont 2023-12 Middle-Market CLO	MidCap Financial Services Group	403	250
Golub Capital Partners CLO 67	GC Investment Management	393	250
Sculptor 31 CLO	Sculptor Loan Management LP	301	227
Regatta XXV Funding CLO	Napier Park Global Capital	404	190
HPS Loan Management 2023-18	HPS Investment Partners CLO	410	220
Ballyrock CLO 24	Ballyrock Investment Advisors	449	177
Palmer Square Loan Funding 2023-1	Palmer Square Capital Management	424	170

Data through May 30, 2023  
Coupon reflects spread over base rate.  
Source: PitchBook | LCD

Latest Refi/Resets – US	Manager	Arranger
Audax Senior Debt CLO 4 Reset	Audax Management Company	Bank of America
Brightwood Capital MM 2020-1 Reset	Brightwood Capital Advisors	GreensLedge Capital Markets
Deerpath Capital CLO 2018-1 Reset	Deerpath Capital Management LP	GreensLedge Capital Markets
Northwood Capital 22 Refinance	Angelo Gordon & Co	Barclays Capital
Monroe Capital MML CLO X Reset	Monroe Capital Management	Deutsche Bank
BlackRock Elbert CLO V LLC Reset	BlackRock Capital Investment Advisors LLC	Natixis
Antares CLO 2018-2 Reset	Antares Capital Advisers	Deutsche Bank
ABPCI Direct Lending Fund CLO VI Reset	AB Private Credit Investors	MUFG Securities Americas
Golub Capital Partners CLO 18(M)-R2 Reset	GC Investment Management	SMBC Nikko
Benefit Street Partners XXII Reset	Benefit Street Partners	Citigroup

Data through May 30, 2023  
Source: PitchBook | LCD

The firm's third CLO issue of the year came with the triple-A notes set at Sofr+220 bps.

Nomura on May 24 priced Napier Park's Regatta deal (above). Terms included a triple-A spread of 190 bps over term Sofr.

On May 25, Goldman Sachs priced the \$393.05 million Carlyle US CLO 2023-2, which had the tightest AAA spread (178 bps) of the week. The deal marked the second CLO offering this year from Carlyle US CLO Management LLC.

Golub Capital (through affiliate GC Investment Management) sponsored its second middle market CLO deal of the year through Natixis. The \$392.5 million Golub Capital Partners CLO 67(M) CLO priced on May 25 with a primary triple-A coupon of Sofr+250 bps.

BofA Securities priced two deals last week. BofA was lead arranger on the \$300.7 million Sculptor 31 CLO, a broadly syndicated CLO managed by Sculptor Loan Advisors LLC. The Sculptor deal priced on May 25 with AAAs at 227 bps, and NatWest Markets served as co-placement agent.

On May 26, BofA priced the \$402.9 million Woodmont 2023-12 middle market CLO transaction, a static deal issued by MidCap Financial Services Capital Management LLC with the primary AAA floating-rate notes set at 250 bps over Sofr. The transaction was the second CLO print of 2023 for MidCap.

Morgan Stanley on May 26 priced the \$400 million Oaktree CLO 2023-2, the second CLO offering this year from Oaktree Capital Management LP. Terms included a primary triple-A coupon of Sofr+190 bps.

Also May 26, Goldman Sachs priced the \$488.85 million Birch Grove CLO 6, with a primary triple-A spread of Sofr+220 bps. The deal is managed by Birch Grove CLO Management, an affiliate of Birch Grove Capital LP. The deal is limited to a four-year reinvestment period running through July 2027.

### **Stress tests may factor into bank CLO demand**

BofA Securities said it believes forthcoming stress tests for the big banks could provide another impetus for increased bank demand for CLO AAA paper, albeit on a timetable no earlier than the second half of next year.

In a May 19 report, BofA said bank demand for CLO debt "should pick up on an incremental basis" from Fed-required bank stress test results that could dictate strategies to de-risk fixed-rate bond exposures, which played a role in recent regional bank failures.

"This year's CCAR stress test, potential changes to the regulatory regime & next stress test in June 2024 will be key events to watch on the bank front," the firm said.

Interest-rate risk in bond holdings was a "critical factor" in the compression of net interest margins at Silicon Valley Bank, First Republic Bank and Signature Bank, "with the securities (& loan book) portfolio being fixed at yields struck in 2021," BofA stated.

"Having floating-rate income is likely going to be a priority for some banks as they look to offset interest rate risk" from fixed-rate products in their securities portfolios, the firm said. "CLO AAA [paper] offers one of the few rare scalable opportunity sets for floating-rate income."

Such a tactic would add to another recent market factor boosting CLO demand. BofA in March noted that large institutions benefited from deposit gains of approximately \$120 billion following an outflow of regional bank deposits in the weeks following the failure of SVB.

A rebound in bank demand would be welcome news for issuers. Banks are the traditional buyer base for primary CLO deals, but largely bowed out of the market in the second half of 2022 in the wake of last fall's CLO bond sell-off in the UK, as well as the June 2022 results of stress tests for US banks that prompted large institutions to focus on boosting stress-capital buffers.

### **Improved equity cash distributions boost Eagle Point earnings**

Eagle Point Credit Co. (NYSE: ECC) realized an increase in net investment income in the first quarter, driven by improved cash distributions from its CLO equity portfolio.

The company said net investment income improved to \$0.32 per weighted average common share in the latest period, compared to \$0.29 per share during the fourth quarter of 2022.

Latest Refi/Resets – Europe	Manager	Arranger
Madison Park Euro Funding XV Reset	Credit Suisse Asset Management	Jefferies LLC
Trinitas Euro CLO II Reset	Trinitas Capital Management	BNP Paribas
St. Paul's CLO IX Reset	Intermediate Capital Group	Jefferies LLC
Barings Euro CLO 2019-1 Reset	Barings LLC	Citigroup
Penta CLO 3 Reset	Partners Group Management	JP Morgan
Segovia European CLO 3-2017 Reset	HPS Investment Partners CLO	Bank of America
Dryden 39 Euro CLO 2015 Reset 2	PGIM Inc	Morgan Stanley
Blackrock European CLO VIII Reset	Blackrock Investment Management	Credit Suisse
Sound Point Euro CLO II Reset	Sound Point Capital	Credit Suisse
Barings Euro CLO 2019-2 Refi	Barings (UK) Ltd	Jefferies LLC

Data through May 30, 2023

Source: PitchBook | LCD

Last 10 Priced CLOs – Europe	Manager	Size (€M)	AAA coupon
Contego CLO XI DAC	Five Arrows Managers	381	185
Madison Park Euro Funding XIX CLO	Credit Suisse Asset Management	396	190
Signal Harmonic CLO I DAC	Signal Capital Partners	322	210
Margay CLO I	M&G Investment Management	394	195
Palmer Square European CLO 2023-1 DAC	Palmer Square Capital Management	398	190
Anchorage Capital Europe CLO 8	Anchorage Capital Group	399	195
BlackRock European CLO XIV	Blackrock Investment Management	392	185
AlbaCore Euro CLO V	AlbaCore Capital Group	348	190
CVC Cordatus Loan Fund XXVII CLO	CVC Credit Partners Investment Management	442	190
Canyon Euro CLO 2022-1	Canyon Capital	404	180

Data through May 30, 2023

Coupon reflects spread over base rate.

Source: PitchBook | LCD

GAAP net income, inclusive of unrealized mark-to-market gains, came in at \$20.1 million, or 35 cents a share, for the three months ended March 31.

The company received \$42.3 million in recurring cash distributions from its investment portfolio during the quarter, of which \$39.6 million came from waterfall payments from Eagle Point's CLO equity holdings.

“Despite the financial doom and gloom prognosticated by many over the past year — think of all the headlines you’ve read even in the last quarter — our portfolio of CLO equity has done exactly what it was designed to do, generate solid recurring cash flows for the benefit of our investors,” said Tom Majewski, Eagle Point CEO, in a conference call with equity analysts.

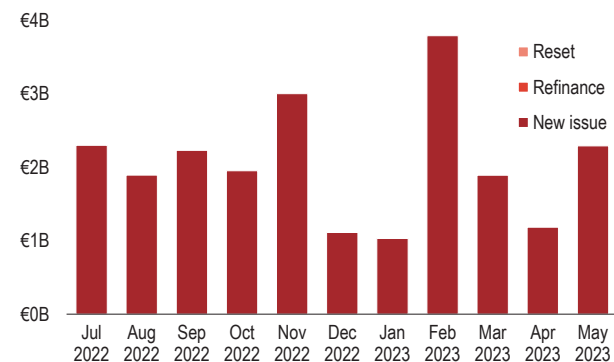
## Europe: Rangebound

Two CLOs priced in Europe last week, the first of which came from Credit Suisse Asset Management, which printed its first European CLO since the forced rescue of Credit Suisse by UBS.

At 190 bps, pricing across the triple-A notes on the Natixis-led €395.6 million Madison Park Euro Funding XIX CLO for CSAM was in line with the last non-debut CLO to clear the market, namely the €398.25 million Palmer Square European CLO 2023-1, which priced on May 5.

CSAM's latest offering also features a fixed-rate triple-A tranche sized at €12 million and paying 4.5%, and is the first deal to do so since Barings Euro CLO 2023-1 (€12.2 million at 5%) in early February, according to LCD data.

## Europe CLO total volume



Data through May 30, 2023  
Source: PitchBook | LCD

Further down the stack, pricing came in at 315/390/620/900/1,175 bps from the floating-rate double-A to single-B notes, while at 7.05%, the fixed-rate double-A tranche is marginally the widest observed on a deal so far this year.

The second deal to clear the line was the BofA Securities-led €380.6 million Contego CLO XI for Rothschild subsidiary Five Arrows Managers. NatWest Markets, which has featured as co-placement agent over recent weeks on deals, including M&G in Europe and Sculptor in the US, was also co-placement agent on this deal, which priced at 185 bps across the triple-A notes.

The double-A to double-B notes here came in at 300/390/630/885 bps on a discount margin basis, while the single-B notes were structured in delayed-draw format. The debt tranches were rounded off by a fixed-rate double-A tranche paying 7%.

With little to drive pricing tighter, triple-A spreads remain rangebound for now. “CLOs, for the more established managers, will price in the range of 185-195 bps at the moment,” commented one banker. “There doesn’t feel like there’s so much demand that it will drive down spreads, but there is a healthy balance where supply is being absorbed.”

Indeed, while there is understood to be only a handful of big-ticket investors currently in play — those committing €100 million or more — sources say there is a good amount of smaller-ticket investors active, committing €20-30 million on deals.

Issuance is understood to remain light over the coming weeks, with at least another deal expected to clear the line before the market migrates to Barcelona during the week of June 12 for the Global ABS conference.

## Redemption story

In a research note published last week, Fitch wrote that roughly a third of the 288 Fitch-rated non-static CLOs were out of their reinvestment periods.

This included 29 CLOs that are “far out” of their reinvestment periods and may be more exposed to ratings volatility due to their greater exposure to forthcoming loan maturities.

Of that number, 24 CLOs are two years out of reinvestment, three are three years out and two are four years out.

“In the absence of any flexibility to extend the WAL and a related inability to participate in amend-and-extend exercises, deals remain exposed to assets maturing in 2024 and 2025, which are the most exposed to refinancing risk in the current economic scenario,” Fitch said.

CLOs “far outside” their reinvestment have proportionally larger exposure to loans with near-term maturities in 2024 and 2025, accounting on average for 9% and 23% of portfolios, respectively, the agency stated.

“‘BBB’ and ‘B’ category ratings for deals a long time out of RP continue to benefit from large BDR (breakeven default rate) cushions but these are lower than for deals still in their RP, which, in combination with greater exposure to short-term maturities, might lead to more volatility at the bottom of the capital structure,” Fitch said.

Soon to be off Fitch’s list of CLOs “far out” of their reinvestment periods is Cairn CLO VI, a 2016 vintage that has been out of its reinvestment period since July 2020, which Cairn announced last week that it will redeem.

Cairn first announced that it was exploring the potential redemption of the vehicle at the end of April, and last week the retention holder directed the issuer to redeem the rated notes in whole.

The optional redemption will be affected through “the liquidation or realization of the collateral” on July 10, according to a regulatory filing.

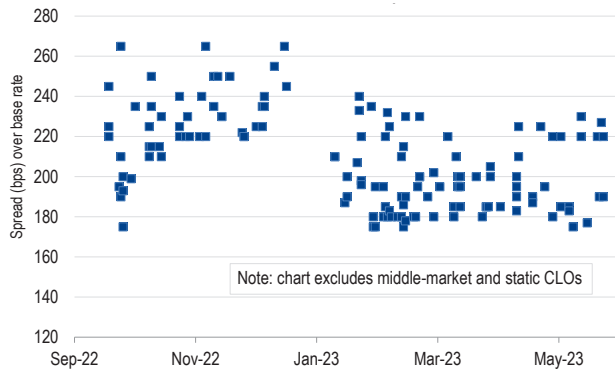
The €362.93 million vehicle originally priced in June 2016 and was refinanced in July 2018, with the triple-A notes pricing at 79 bps.

In September last year, Fitch upgraded the vehicle’s class D-R notes, while Moody’s followed suit in November by upgrading the class C-R and D-R notes, on the back of amortization-driven deleveraging.

— Glen Fest/Michael Rae

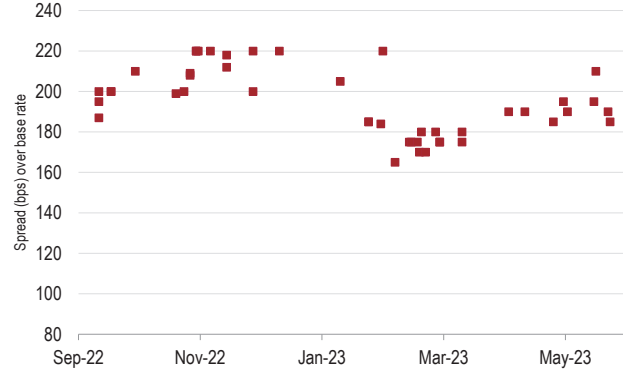
# CLO dashboard

## US CLO AAA coupon



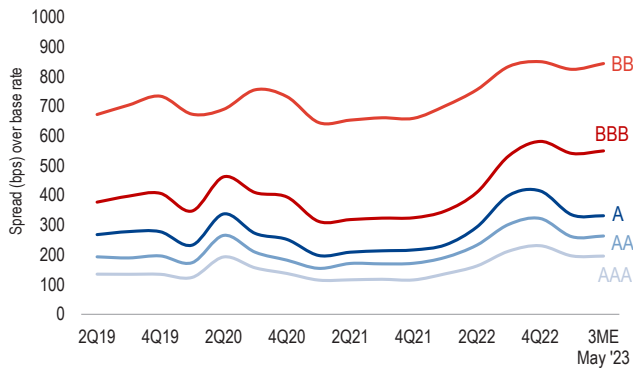
Data through May 30, 2023  
Source: PitchBook | LCD

## Euro CLO AAA coupon



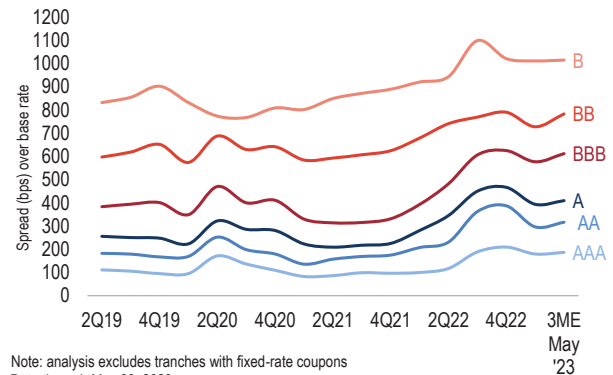
Data through May 30, 2023  
Source: PitchBook | LCD

## Average US CLO coupon across the stack



Excludes middle-market CLOs  
Data through May 30, 2023  
Source: PitchBook | LCD

## Average Euro CLO coupon across the stack



Data through May 30, 2023  
Source: PitchBook | LCD

### US CLO average coupon across the stack and weighted average cost of capital

Date	AAA	AA	A	BBB	BB	WACC
Last 3 months (Spread over base rate)	196	264	332	550	844	274
Change from prior quarter (bps)	-1	2	-3	9	19	5
Change from a year ago (bps)	49	55	72	168	103	67

Data through May 30, 2023  
Source: PitchBook | LCD

### Europe CLO average coupon across the stack and weighted average cost of capital

Date	AAA	AA	A	BBB	BB	WACC
Last 3 months (E+)	187	317	410	612	783	292
Change from prior quarter (bps)	7	20	16	35	55	17
Change from a year ago (bps)	75	80	72	149	58	68

Data through May 30, 2023  
Source: PitchBook | LCD

# Loan snapshot

## Largest deals allocated in the last 30 days – US

Issuer	Size (\$B)	Rating (CCR)	Purpose	Spread	New-issue yield	Break yield
Copeland Corporation	2.75	BB-/B1	LBO	300	8.53%	8.50%
KinderCare Education LLC	1.33	B/B3	Refinancing	500	11.62%	11.44%
Wyndham Hotels & Resorts	1.14	BB+/Ba1	Refinancing	225	7.75%	7.68%

Note: yield calculations are based on current base rate.

Data through May 30, 2023

Source: PitchBook | LCD

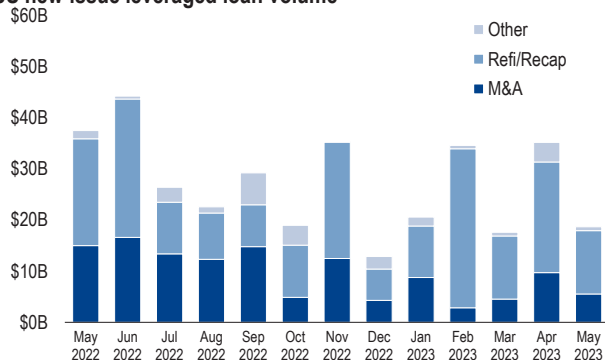
## Largest deals allocated in the last 60 days – Europe

Issuer	Size (€M)	Rating (CCR)	Purpose	Spread (E+)	New-issue yield	Break yield
TMF Group	0	B/B2	Refi	450	8.25%	0.00%
Monbake Grupo Empresarial SAU	0	NR/NR	Refi	475	8.55%	8.44%
Action Nederland B.V.	0	BB-/Ba3	Refi	375	7.34%	0.00%

Data through May 30, 2023

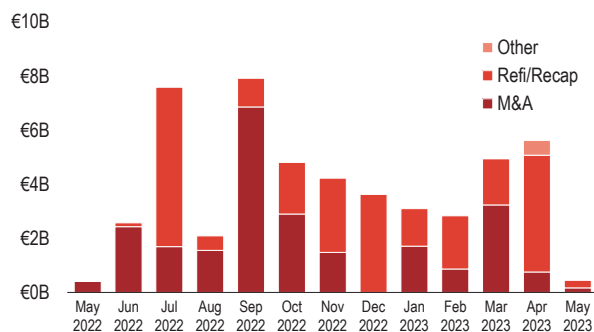
Source: PitchBook | LCD

### US new-issue leveraged loan volume



Data through May 30, 2023  
Source: PitchBook | LCD

### European new-issue leveraged loan volume



Data through May 30, 2023  
Source: PitchBook | LCD

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