# HEALTHCARE SECTOR AND DEBT MARKET UPDATE

3 May 2021

## *April 2021 - In Review*

**Pro Rata Bank Loans:**

Despite strong bank demand, volume in the pro rata bank market remains muted, with YTD volume of only $52 billion, which is flat with volume for the same period last year. Amend & extends and acquisition-related upsizes are benefiting from strong lender reception, as banks are becoming increasingly willing to stretch on pricing and structure in order to drive loan growth, particularly for existing credit relationships. Average BBB pricing for new bank transactions currently sits at L+143 and average BB pricing is L+190.

**Institutional Loans:**

Four months into the year, the institutional market remains very issuer-friendly. YTD new issue volume totaled ~$238 billion, up nearly 145% year-over-year, and April was poised to be the most active month in the last five years. While YTD activity has been comprised of a mix of acquisition-driven and opportunistic financings, deals in Q2 have begun to tilt toward more M&A transactions. The forward calendar is beginning to dip as arrangers pull deals forward to take advantage of accommodative markets.

The Healthcare sector was very active in April, with 13 transactions coming to market representing over $10.8 billion of total volume. Use of proceeds comprised a mix of M&A-driven deals and refinancings, including a few deals that successfully executed both add-ons and repricings of existing tranches. Highlights from some key Healthcare transactions for the month include the following:

- Off the back of strong demand for its $125.0 million incremental first lien term loan, **Surgery Partners** (B3/B-) late last week added an amend & exend of its existing $1.424 billion first lien term loan to the transaction. Pricing on both tranches cleared at L+375, with a 0.75% LIBOR floor and included 99.5 OID on new money and a 25 bps amendment fee on the extended tranche, which represents a 25 bps net increase to the existing tranche's pricing in return for 2 years of additional tenor. Proceeds from the add-on will be used to refinance an existing non-fungible incremental term loan issued last year with pricing of L+800 and a 1.0% LIBOR floor.

- Leonard Green- and Ares-backed **Press Ganey** (B3/B), a data analytics company serving healthcare organizations, allocated its $180.0 million fungible add-on first lien term loan and repriced its existing ~$180.0 million first lien term loan due July 2025. The loans priced at L+375, with a 0.75% LIBOR floor and OID of par on the existing tranche and 99.5 on the new money. Proceeds will be used to partially finance an acquisition.

- **Insulet Corp.** (B2/B), a medical device company that makes insulin-delivery systems, completed a $500.0 million covenant-lite term loan inside price talk at L+325, with a 0.50% LIBOR floor and 99.75 OID. Proceeds will be used along with a $60.0 million revolver for general corporate purposes.

- **Mission Veterinary Partners** (Midwest Veterinary Partners LLC) (B-/B3), which operates a network of general practice animal hospitals, completed a $525.0 million financing comprised of a $20.0 million revolver, $340.0 million first lien term loan, privately-placed $75.0 million delayed draw first lien term loan, and $90.0 million privately-placed second lien term loan. Pricing on the first lien term loan cleared at L+400, with a 0.75% LIBOR floor and 99.5 OID. Proceeds will be used to refinance existing debt and to finance acquisitions.

**High Yield:**

The high yield primary market continues to benefit from favorable monetary policy, solid inflows, and yield/spread compression. High yield primary volume in April totaled over $50 billion, easily surpassing the previous April record and placing this April as the 5th busiest month of all time, with refinancing dominating use of proceeds as issuers take advantage of strong market conditions. YTD new issue volume has surpassed $200 billion, versus ~$110 billion for the same period last year, with new issue pace now almost double that of last year's pace. The expectation for May is for a slightly slower new issue market, with a more robust M&A calendar supplementing slower debt refinancing flow.

*Source: S&P LCD, LevFin Insights, and Citizens Capital Markets*

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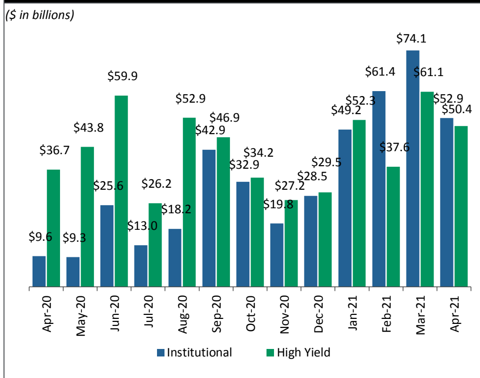
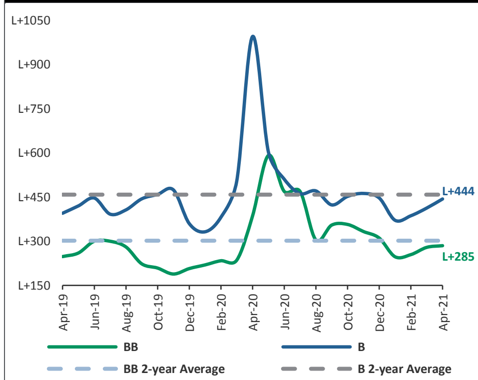
## Institutional & High Yield Issuance Volume



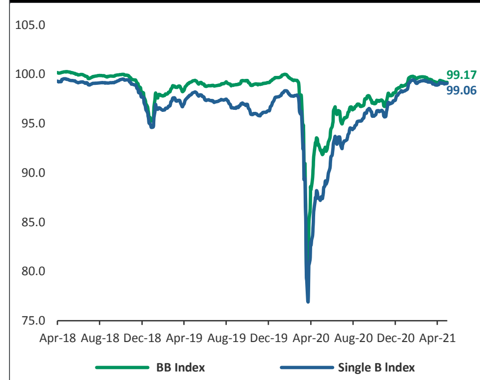

*Source: S&P LCD and Citizens Capital Markets*

## Institutional New Issue Pricing




*Source: S&P LCD, LevFin Insights, and Citizens Capital Markets*

## Institutional Market – Average Secondary Pricing




*Source: S&P LCD and Citizens Capital Markets*

## Recent Institutional Term Loan Issuances – Healthcare

| Date | Borrower | Sponsor / Ticker | Industry | Purpose | Corp. Ratings | Tenor | Cov-Lite | Amount | Pricing: Drawn | Pricing: Floor | Pricing: OID | Pricing: All-In Yield |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| In Market | ANI Pharmaceuticals | NASDAQ:ANIP | Healthcare: Pharma & Life Sciences | Acquisition | B2/B+ | 6.0 | Y | $300 | L+525-550 | 0.75% | 98.50 | 6.38-6.63% |
| In Market | Cordis | H&F | Healthcare: Medical Devices | LBO | B2/B- | 7.0 | Y | $350 | L+450-475 | 0.75% | 99.00 | 5.50-5.75% |
| In Market | Therapy Brands | KKR | Healthcare: Technology | LBO | B3/B- | 7.0 | Y | $235 | L+400-425 | 0.75% | 99.50 | 4.88-5.13% |
| Apr-21 | Surgery Partners | NASDAQ:SGRY | Healthcare: Facilities | Amend & Extend | B3/B- | 5.5 | Y | $125 | L+375 | 0.75% | 99.50 | 4.67% |
| Apr-21 | Surgery Partners | NASDAQ:SGRY | Healthcare: Facilities | Amend & Extend | B3/B- | 5.5 | N | $1,424 | L+375 | 0.75% | 100.00 | 4.50% |
| Apr-21 | Insulet | NASDAQ:PODD | Healthcare: Medical Devices | Refinancing | B2/B | 7.0 | Y | $500 | L+325 | 0.50% | 99.75 | 3.81% |
| Apr-21 | Press Ganey | Ares / LGP | Healthcare: Technology | Repricing | B3/B | 5.3 | Y | $180 | L+375 | 0.75% | 99.50 | 4.63% |
| Apr-21 | Press Ganey | Ares / LGP | Healthcare: Technology | Repricing | B3/B | 5.3 | Y | $180 | L+375 | 0.75% | 100.00 | 4.50% |
| Apr-21 | ImageFIRST | Calera Capital | Healthcare: Services | Refinancing | B3/B | 7.0 | Y | $220 | L+450 | 0.75% | 99.50 | 5.38% |
| Apr-21 | ImageFIRST | Calera Capital | Healthcare: Services | Refinancing | B3/B | 7.0 | Y | $50 | L+450 | 0.75% | 99.50 | 5.38% |
| Apr-21 | Mission Veterinary | Shore Capital | Healthcare: Facilities | Refinancing | B3/B- | 7.0 | Y | $340 | L+400 | 0.75% | 99.50 | 4.88% |
| Apr-21 | US Renal Care | Bain / Summit / Revelstoke Capital | Healthcare: Services | Corp. Purpose | B3/B- | 7.0 | Y | $225 | L+550 | 1.00% | 98.50 | 6.88% |
| Apr-21 | Jazz Pharmaceuticals | NASDAQ:JAZZ | Healthcare: Pharma & Life Sciences | Acquisition | Ba3/BB- | 7.0 | Y | $3,100 | L+350 | 0.50% | 99.50 | 4.13% |
| Apr-21 | Jazz Pharmaceuticals | NASDAQ:JAZZ | Healthcare: Pharma & Life Sciences | Acquisition | Ba3/BB- | 7.0 | N | €625 | L+350 | 0.00% | 99.50 | 3.81% |
| Apr-21 | Pacific Dental | Not Sponsored | Healthcare: Services | Refinancing | B1/B | 7.0 | - | $600 | L+350 | 0.75% | 99.25 | 4.44% |
| Apr-21 | OB Hospitalist | Gryphon Investors | Healthcare: Services | Dividend Recap | NR/NR | 3.5 | N | $100 | L+425 | 1.00% | 99.50 | 5.38% |
| Apr-21 | RadNet | NASDAQ:RDNT | Healthcare: Facilities | Refinancing | B2/B | 7.0 | Y | $725 | L+325 | 0.75% | 99.50 | 4.13% |
| **Average** | | | | | | | | | **L+390** | **0.75%** | **99.50** | **4.78%** |

*Source: S&P LCD, LevFin Insights, and Citizens Capital Markets*

## Recent High Yield Issuances – Healthcare

| Pricing Date | Company | Industry Sub Group | Security | Rating | Tenor | Call Feature | First Call Price | Amount Issued | Coupon |
|---|---|---|---|---|---|---|---|---|---|
| 27-Apr-21 | PRIME HEALTHCARE SERVICE | Medical-Hospitals | 1st lien | B2 / B- / B | 5 | NC1.6 | 103.625 | $150 | 7.250% |
| 22-Apr-21 | JAZZ SECURITIES DAC | Medical-Drugs | Secured | Ba2 / BB- / BB+ | 8 | NC3 | 102.188 | $1,500 | 4.375% |
| 8-Apr-21 | LANNETT CO INC | Medical-Drugs | 1st lien | B1 / B / NR | 5 | NC2 | 103.375 | $350 | 7.750% |
| 8-Apr-21 | ORGANON FINANCE 1 LLC | Medical-Drugs | Secured | Ba2 / BB / NR | 7 | NC3 | 102.063 | $2,100 | 4.125% |
| 8-Apr-21 | ORGANON FINANCE 1 LLC | Medical-Drugs | Sr Unsecured | B1 / BB- / NR | 10 | NC5 | 102.563 | $2,000 | 5.125% |
| **Average** | | | | | | | **102.763** | **$1,220** | **5.725%** |

*Source: Bloomberg, Citizens Capital Markets Research*

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