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# Citing coronavirus, caution, US corporates draw heavily on revolving credits EXCLUSIVE

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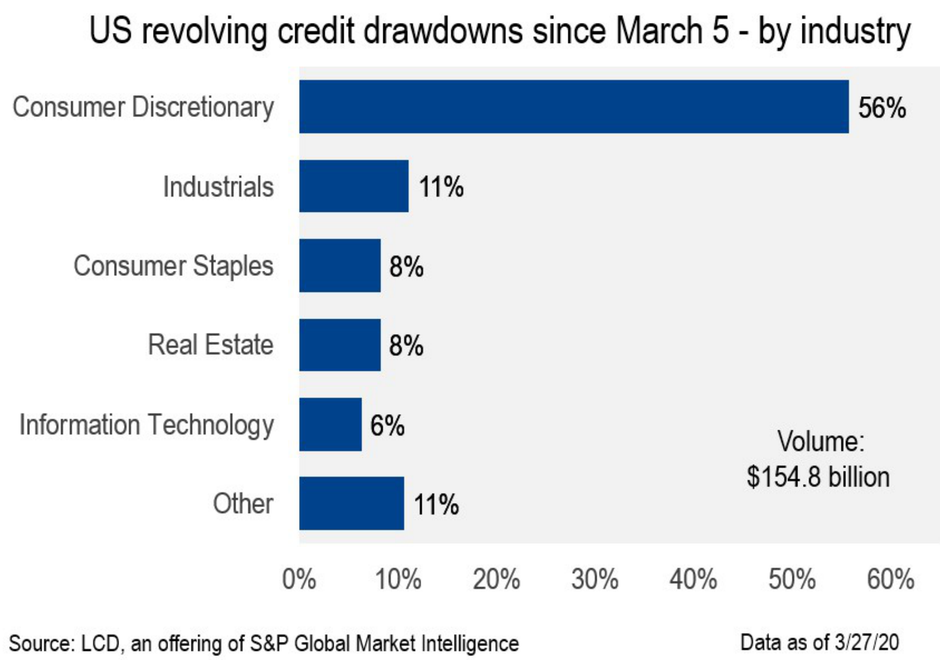
By LCD News

In response to the global coronavirus pandemic, and the resulting economic turmoil, U.S. corporations across the investment grade and speculative grade sectors have been drawing down on existing revolving credit lines in huge numbers, often citing the coronavirus, and an abundance of caution.

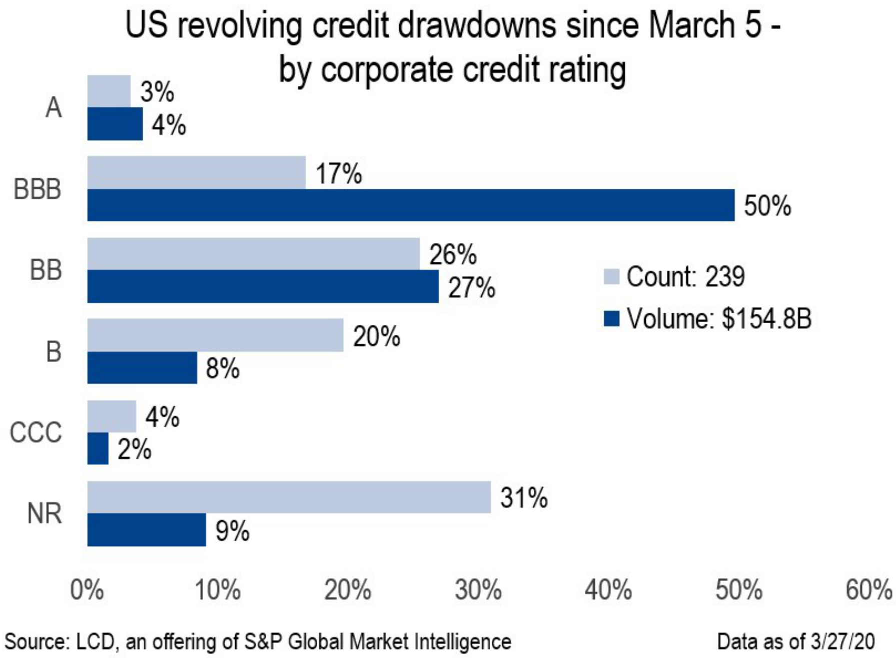
Under normal circumstances these credit lines could go largely untapped.

Since March 5, LCD has tracked $154.8 billion of such drawdowns via some 240 credit facilities.

On March 27 alone, LCD captured $15.9 billion of RC draws, across 33 facilities.

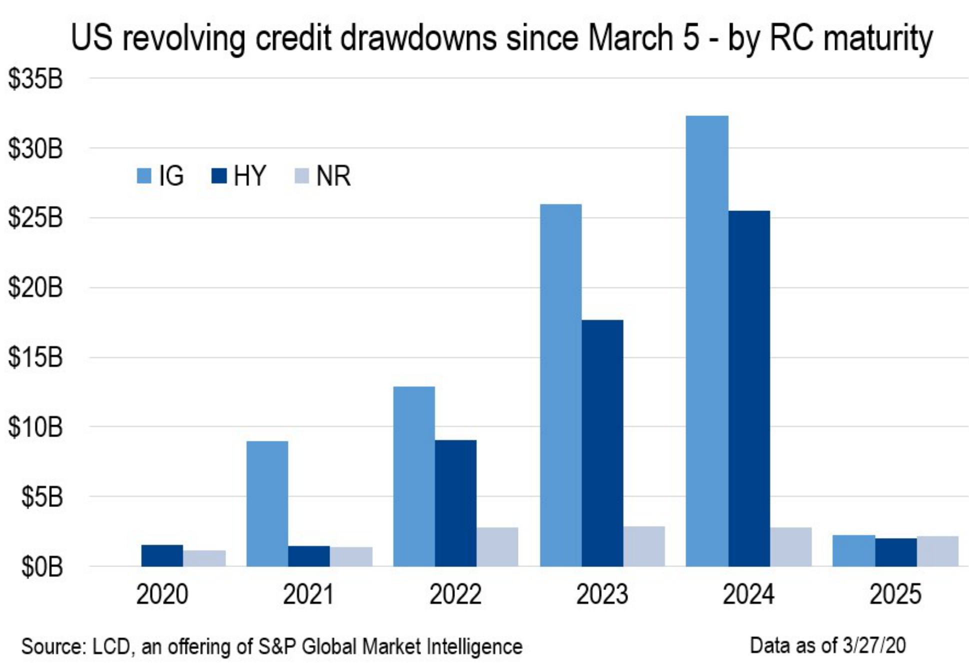



By broad industry sector, Consumer Discretionary accounts for more than half of all RC drawdowns since March 5. This broad segment includes Retail, Restaurants, Automobile Manufacturers and Casinos/Gaming.




Since March 5, better-quality, investment grade issuers have comprised half of the RC drawdown activity, according to LCD. Some 8% of the overall drawdown activity (by volume) is via loan issuers in the lower-rated, single-B category. These issuers are under particular scrutiny now as the specter of downgrades is of considerable concern in the U.S. leveraged loan market because CLOs — by far the largest single investor segment in the $1.2 trillion asset class — have thresholds as to how much CCC rated debt they can hold (usually that's 7.5%).

Indeed, BofA Securities strategists estimated on March 26 that nearly 30% of U.S. CLOs are now carrying assets in excess of thresholds on that debt, as $45 billion of loans in CLO portfolios have been downgraded or put on Negative Watch since late February.




The bulk of the RC drawdown activity entails revolving credits that mature in 2023 and 2024. Generally speaking — and decidedly in the speculative grade section of the loan credit market — many debt issuers refinanced or otherwise extended credit facilities over the issuer-friendly environment in 2018 and much of 2019, so near-term maturities of this debt are relatively limited.

The bulk of this drawdown activity is detailed via SEC filings.

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