Twitter Inc

Banks prepare to hold $12.7bn Twitter debt on books until early 2023

Lenders concede they will struggle to drum up demand until Elon Musk unveils detailed strategy

Elon Musk has taken the helm of Twitter after firing its chief executive and has ordered staff to work around the clock on charging for verified accounts © EPA-EFE

Antoine Gara, **Eric Platt** and **Ortenca Aliaj** in New York 6 HOURS AGO

Banks that lent $12.7bn to Elon Musk for his $44bn Twitter takeover are preparing to hold the debt until early next year as they wait for the billionaire to unveil a clearer business plan they can market to investors, according to three people with knowledge of the plans.

Barring an unexpected rally in credit markets this year, the group of lenders, led by Morgan Stanley, Bank of America and Barclays, have conceded they will be stuck holding the debt on their books for months or even longer and will probably end up incurring huge losses on the financing package.

The banks have in recent weeks held short discussions with several large credit investors as they attempt to gauge the demand for the debt and the discounts they will ultimately need to offer to offload it. The conversations have been informal and some investors said they were given the impression the deal would not come to market quickly.

The seven lenders are wagering it will be easier to appeal to creditors after Musk presents a clear strategy for Twitter, including the size of cost cuts and estimates for the company's financial performance in 2023 and 2024.

The $12.7bn in debt has been split between a $6.7bn term loan, along with $3bn each of secured bonds and unsecured debt, obligations that are ultimately expected to be financed as fixed-rate bonds.

A sharp sell-off in credit markets has saddled banks with more than $35bn of debt from takeovers that they have been unable to sell to investors.

Musk's $44bn buyout of Twitter closed on Thursday with the banks having to stump up the $12.7bn themselves — $200mn more than the $12.5bn they had agreed to lend in April.

The group of banks, which also includes MUFG, BNP Paribas, Mizuho and Société Générale, did not attempt to sell the debt to institutional investors before the deal closed, as is customary, given legal wrangling between Musk and Twitter. They are now contending with one of the largest "hung" financings ever.

Musk has taken the helm of the company after firing chief executive Parag Agrawal and ordered staff to work around the clock to explore implementing monthly fees for verified Twitter accounts.

"My guess is Twitter has a lot of fat," said one debt buyer. "In the case of Twitter and Elon Musk, there are material things he can do to change the business."

Bankers hope to get a better sense of the yields being demanded by investors when they start marketing a portion of the $5.4bn in debt they have pledged to fund Apollo's takeover of Tenneco. Three people briefed on the matter said they planned to start doing so this week. The deal to purchase the car parts supplier was announced in February.

Tenneco, along with a handful of small but risky credit sales planned for this week, should give bankers a better sense of the yields investors are demanding to lend to junk-rated businesses.

“Unlike the last several weeks where everything was double-B to get done, we’re starting to test single-B land,” Roberta Goss, a senior managing director at asset manager Pretium, said, referring to the quality of debt banks are beginning to market.

Twitter’s bankers are hoping a period of market stability could mitigate losses on the financing package that could stretch to $1bn. If markets were to become much more hospitable, they could choose to try to offload the debt quickly.

This article has been amended to clarify the structure of the $12.7bn in debt