

Q4 2024

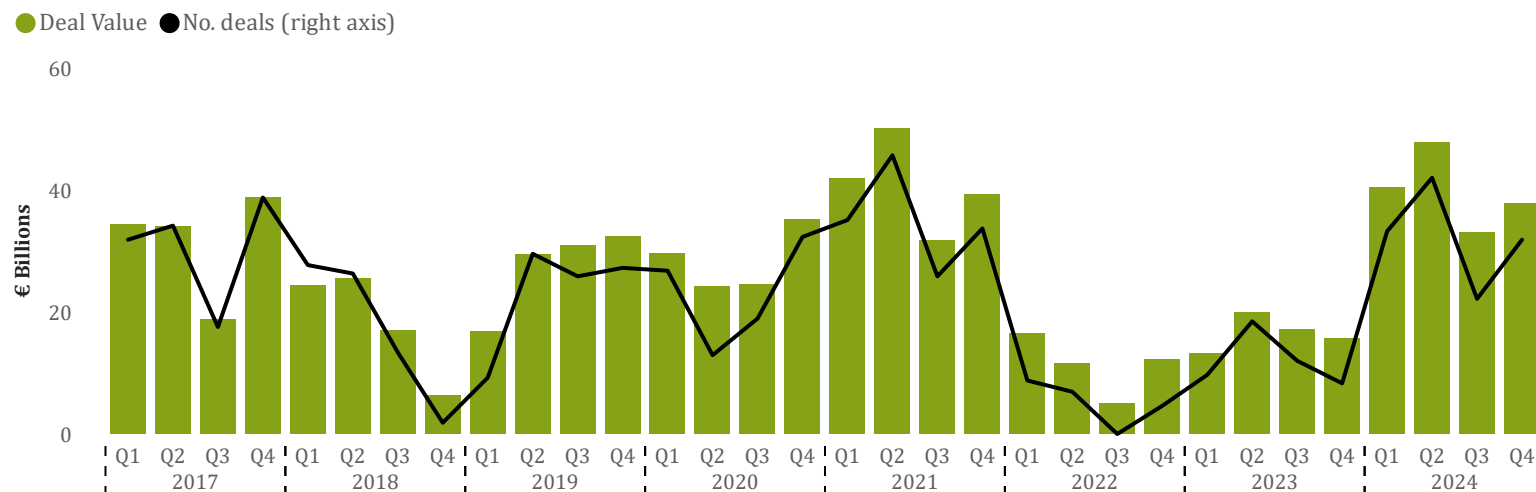
# European High Yield and Leveraged Loan Report

European Leveraged Finance



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## 1.1 European High Yield Bond Issuance



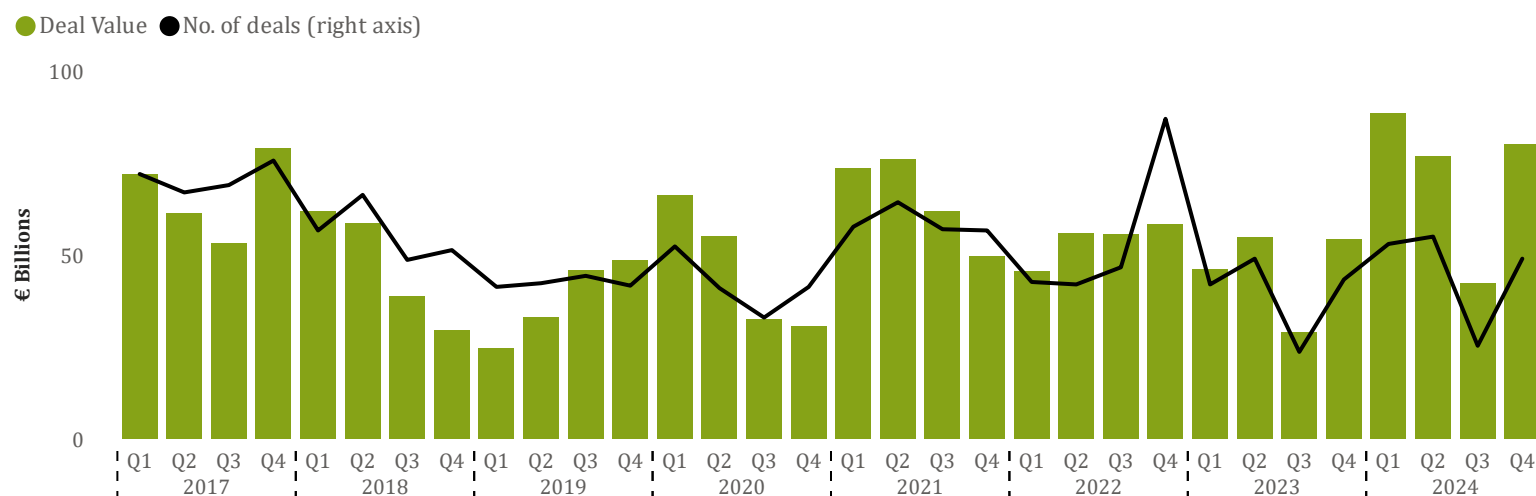
### European high yield bond issuance fully recovers after two challenging years

European high yield bond issuance generated €37.7bn in proceeds during Q4 2024. This represented an increase of 139.7% from Q4 2023 and an increase of 14% from Q3 2024.

In 2024, high yield bond issuance reached a total of €159bn in proceeds. The amount is the second highest in our records, just below the all-time-high amount issued in 2021 following the economic recovery from the COVID-19 pandemic (€162.8bn). The lower issuance levels in 2022 and 2023 were driven by high inflation and tighter monetary policy from central banks.

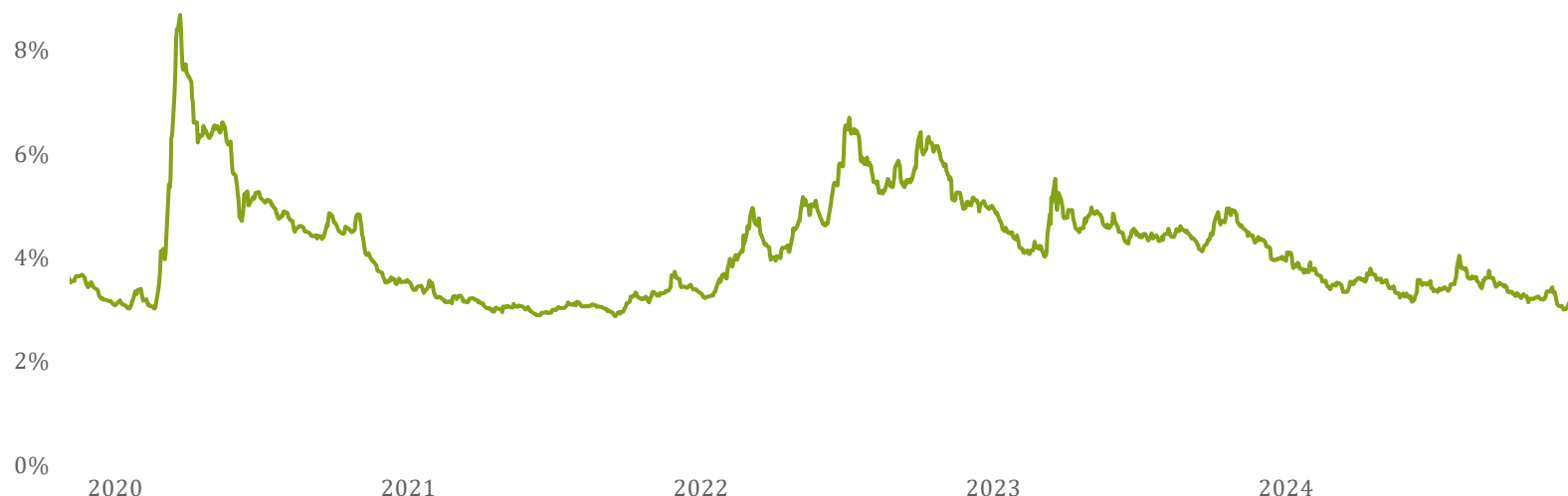
In Q4 2024, European leveraged loan origination exhibited an increase of 47.7% YoY against Q4 2023, and an increase of 89.8% compared to Q3 2024. This strong fourth-quarter issuance contributed to total European Leveraged Loan issuance reaching a record €287bn for the year.

## 1.2 European Leveraged Loan Issuance



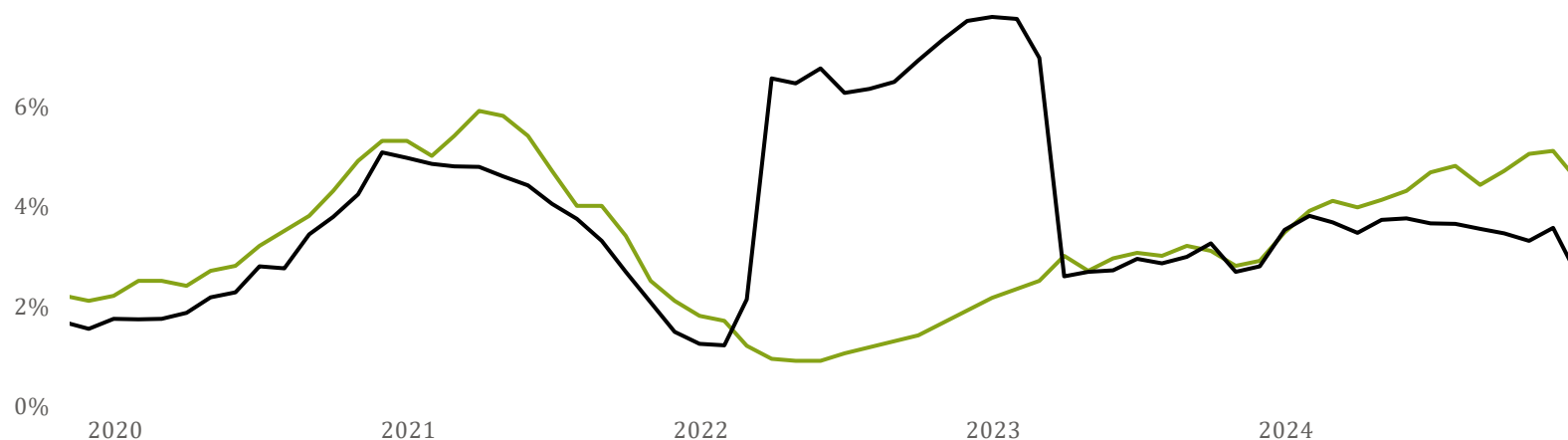
Source: Dealogic

### 1.3 ICE BofA Euro High Yield Index Option-Adjusted Spread (%)



### 1.4 European High Yield Bond Default Rates

● Standard and Poor's ● Moody's



Source: Bank of America [1.3] and Moody's [1.4]

### European high yield bond spreads continuously tightening since 2023

During Q4 2024 the European high yield option-adjusted spread showed limited variability, with a peak at 3.42% at the beginning of October that ended the quarter at 3.11%.

S&P's trailing 12-month speculative-grade bond default rate started the quarter at 4.7%, peaked at 5.1%—its highest level since March 2021—before declining to 4.5% by quarter-end. Moody's reported a similar trend, with the speculative-grade bond default rate reaching 3.56% in November before falling to 2.59% by the end of the fourth quarter.

Fitch reported a trailing 12 months European leveraged loan default rate of 4.1% in December 2024, down from 4.39% in December 2023.

According to Octus (formerly Reorg), 97% of the European leveraged loan deals examined in 2024 were covenant-lite.



# Leveraged Finance Overview

## Issuance Highlights

European leveraged finance issuance (leveraged loans and high yield bonds) rose from €75.4bn in Q4 2023 to €117.9bn in Q4 2024, driven primarily by a sharp increase in leveraged loan activity. Leveraged loan issuance reached €80.2bn in Q4 2024, up from €54.2bn in Q4 2023. Meanwhile, high yield bond issuance totaled €37.7bn, marking a 139.7% year-over-year increase. This strong fourth quarter contributed to European leveraged finance issuance reaching a record annual high of €446.9bn. Leveraged loan issuance reached an all-time high of €287.8bn for the year, while high yield bond issuance totaled €159bn—just below its 2021 peak of €162.8bn.

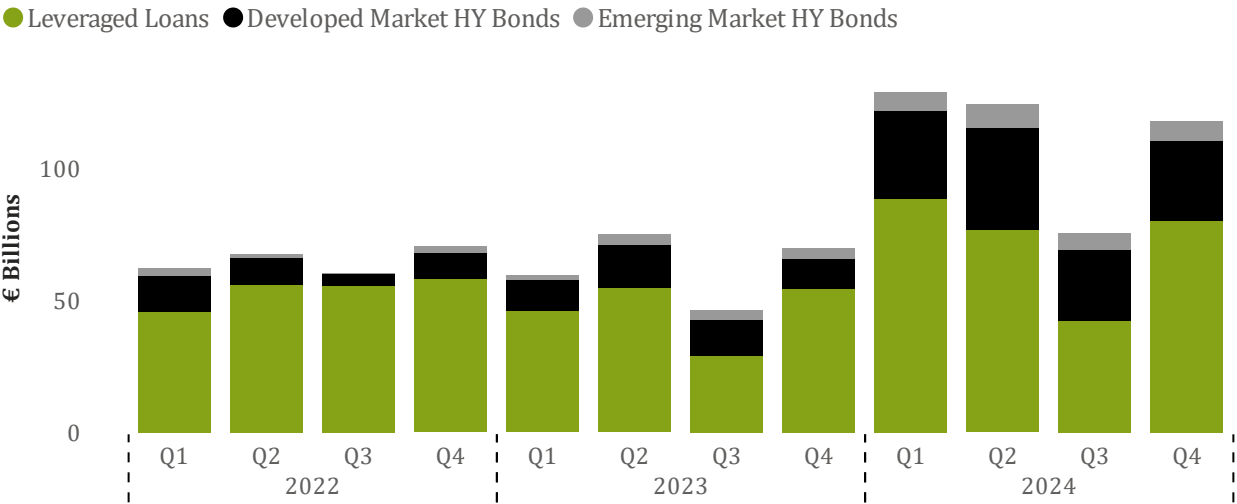
In Q4 2024, the average deal size for high yield bonds was €431 million in developed markets and €394 million in emerging markets. For the full year 2024, the average deal size for leveraged loans reached €526.3 million, the highest on record. Additionally, the average deal size for emerging market high yield bonds was €409.2 million, also the highest on record, while the average deal size for developed market high yield bonds stood at €449.8 million, setting another record.

## Credit Standards and Loan Demand

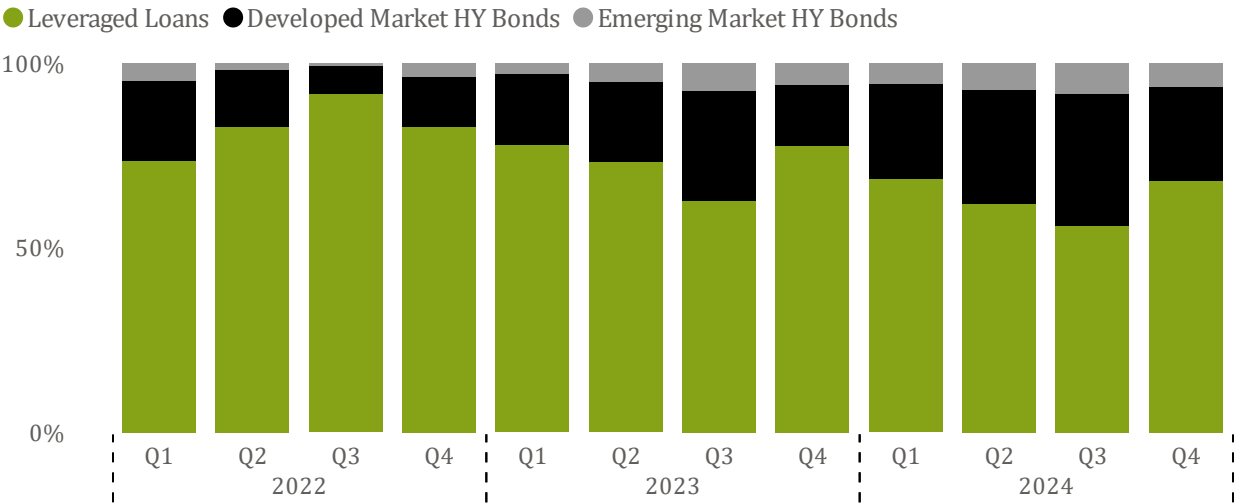
According to the European Central Bank lending survey, credit standards for loans to large firms and SMEs tightened throughout Q4 2024. Industry and firm-specific outlook, along with the general economic situation, have significantly contributed to the tightening of bank credit.

The ECB lending survey revealed that overall loan demand increased, primarily driven by higher demand from large enterprises. However, net demand for loans declined among SMEs. The main explaining factor for this trend was interest rates.

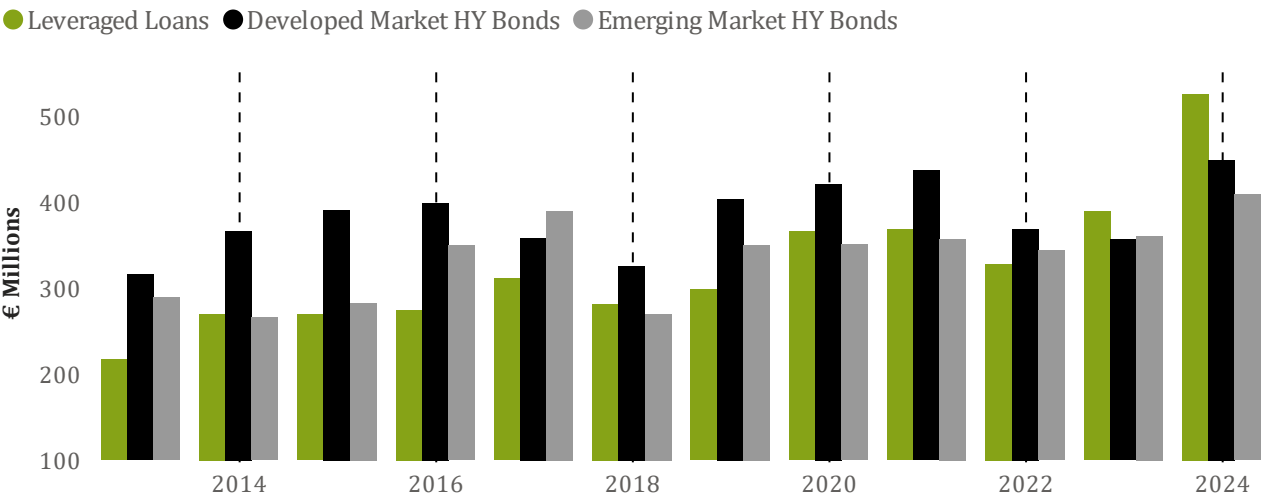
2.1 European Leveraged Issuance by Type



2.2 European Leveraged Issuance Percentage, by Type



2.3 European Leveraged Finance Average Deal Size

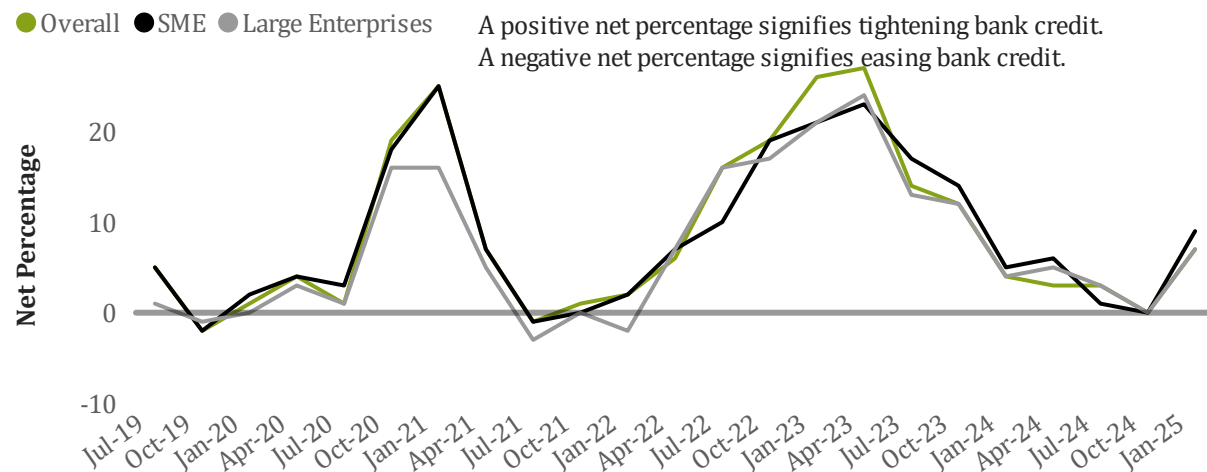


2.4 Global Comparison High Yield Issuance (€ Billions)

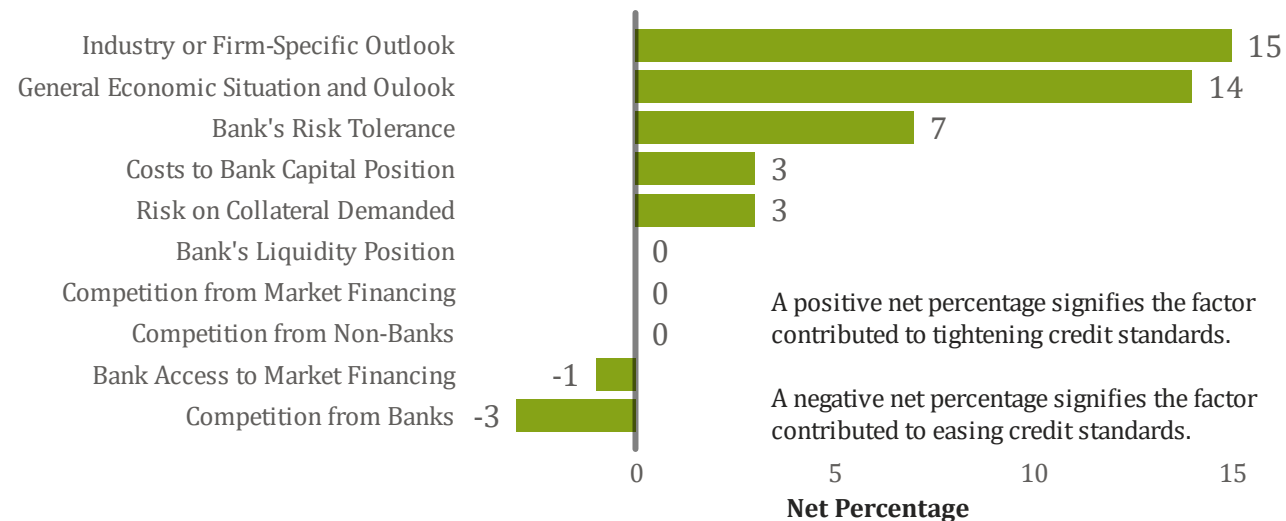
Year	2023				2024			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Americas	34.7	48.9	37.9	32.5	67.8	57.0	66.2	39.9
Asia	7.8	6.4	4.9	9.2	6.2	8.4	6.1	5.3
Europe	13.2	20.0	17.2	15.7	40.3	47.9	33.1	37.7
Total	55.8	75.3	60.1	57.4	114.4	113.3	105.3	82.8

Region	2021	2022	2023	2024
	343.9	95.1	154.0	230.8
Americas	58.0	23.0	28.3	26.0
Asia	162.8	45.3	66.2	159.0
Europe	564.8	163.5	248.5	415.8
Total				

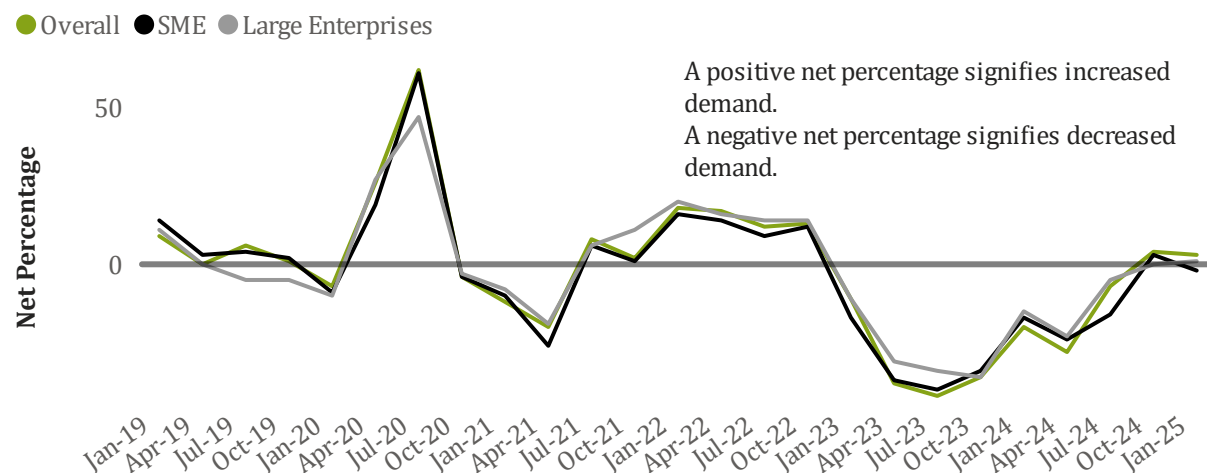
## 2.5 Bank Credit Standards



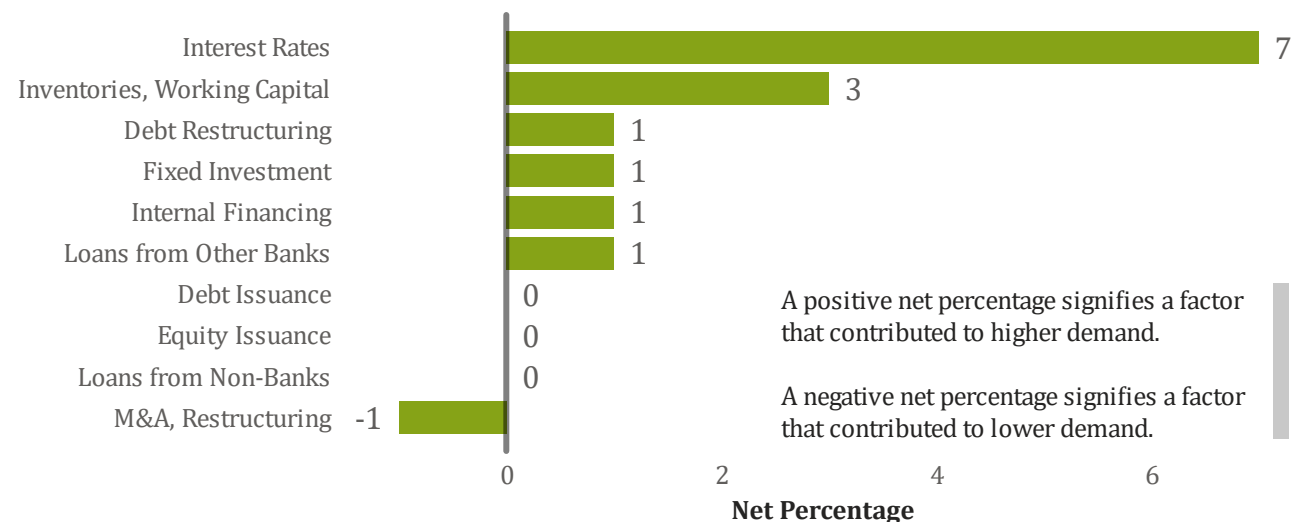
## 2.6 Factors Affecting Bank Credit Standards : December 2024



## 2.7 Loan Demand



## 2.8 Factors Affecting Loan Demand: December 2024





# Leveraged Loans

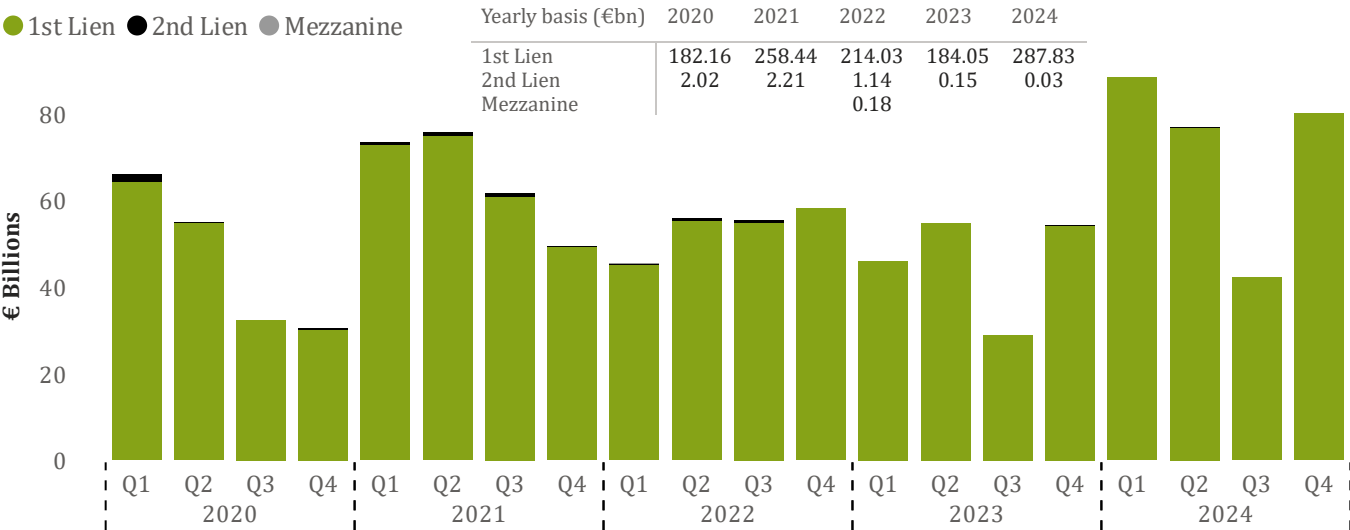
## Issuance: Leveraged Loans

In Q4 2024, total leveraged loan origination including first lien, second lien, and mezzanine financing reached €80.2bn, an increase compared to the previous quarter (€42.3bn), and a 48% YoY increase from Q4 2023 (€54.3bn). The fourth quarter amount was of exclusively 1st lien loans, since no 2nd lien loans nor mezzanine loans were issued.

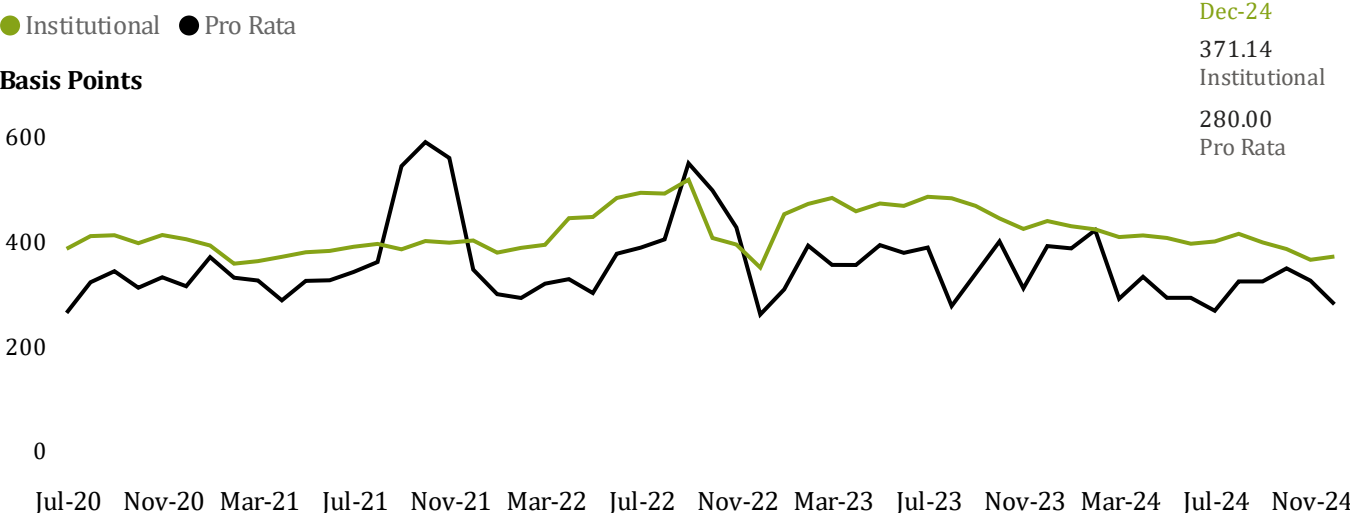
In Q4 2024, institutional spreads, as measured by a 3-month rolling average, tightened from 385.42 basis points in October to 371.14 basis points in December. Pro-rata spreads experienced a more pronounced tightening, dropping from 348.5 basis points in October to 280 basis points by the end of the quarter. Consistent with previous quarters, institutional spreads remained above pro-rata spreads throughout 2024.

The Computers & Electronics sector emerged as the leading sector by loan origination amount in Q4 2024, while the Food & Beverage and Healthcare sectors saw significant declines compared to the previous quarter (respectively 92% and 50%).

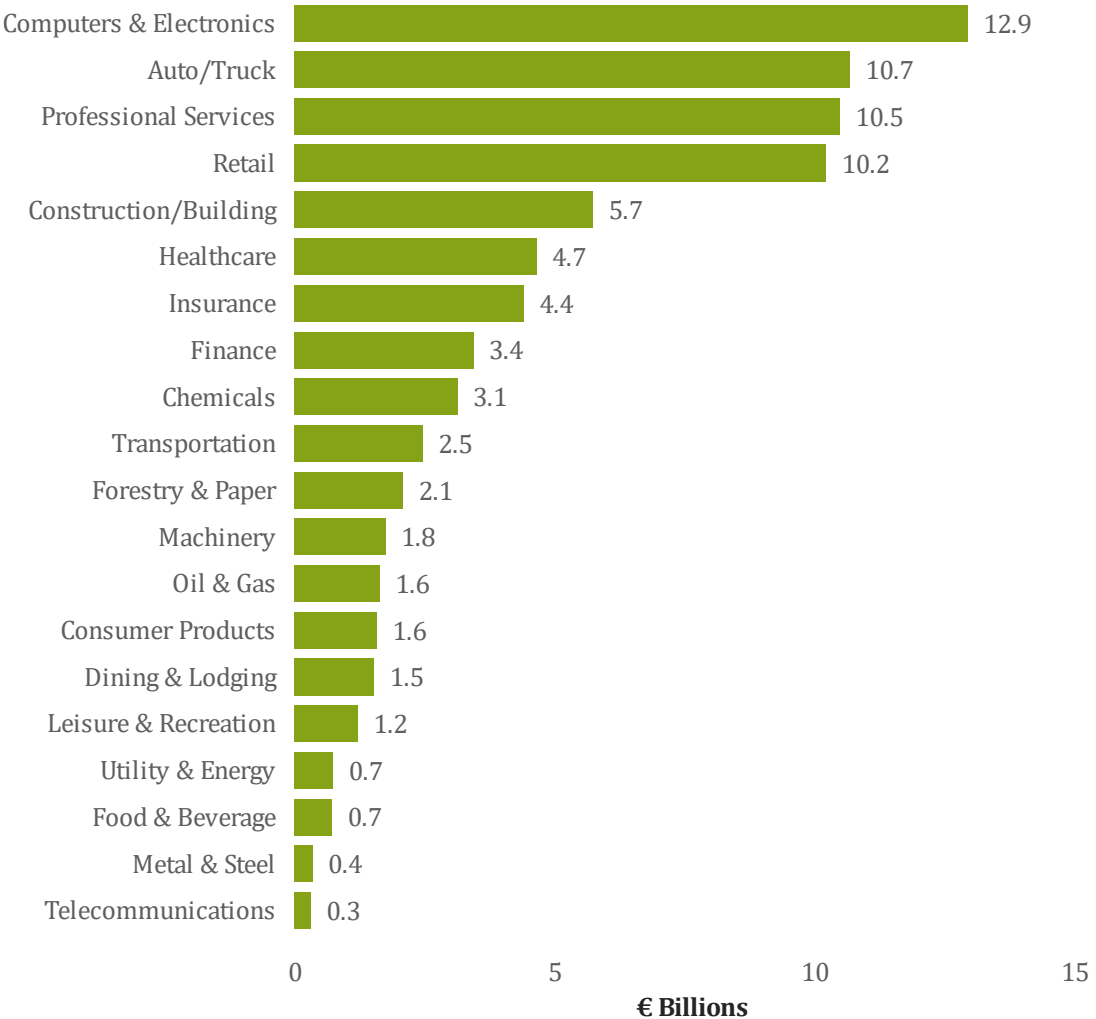
3.1 European Leveraged Loan Issuance by Type



3.3 Institutional and Pro Rata Spreads (3-month rolling average)



3.2 European Leveraged Loan Issuance by Industry: Q4 2024 (Top 20)



# High Yield Bonds Overview



# High Yield Bonds Overview

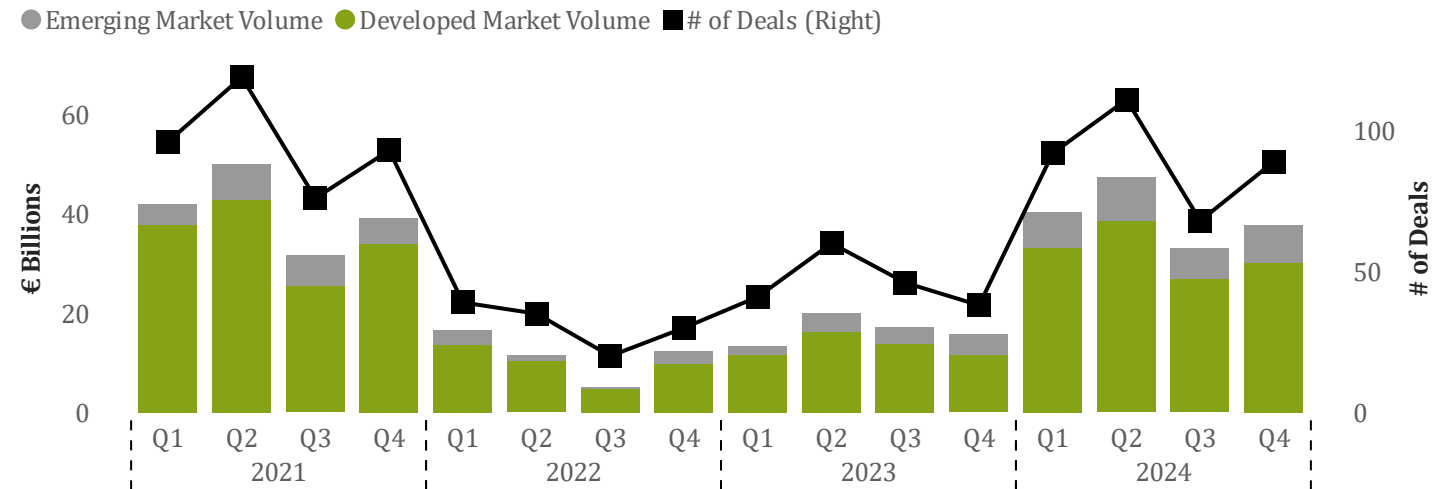
## Issuance: High Yield Bonds

Primary high yield bond issuance totaled €37.72bn (on 89 deals) in Q4 2024, a 139.8% increase from €15.7bn (on 48 deals) in Q4 2023, and a 14% increase compared to Q3 2024. In 2024, issuance by firms located in European developed markets represented 81.4% of the total (€129.08bn), while firms in European emerging markets represented the remaining 18.6% (€29.47bn).

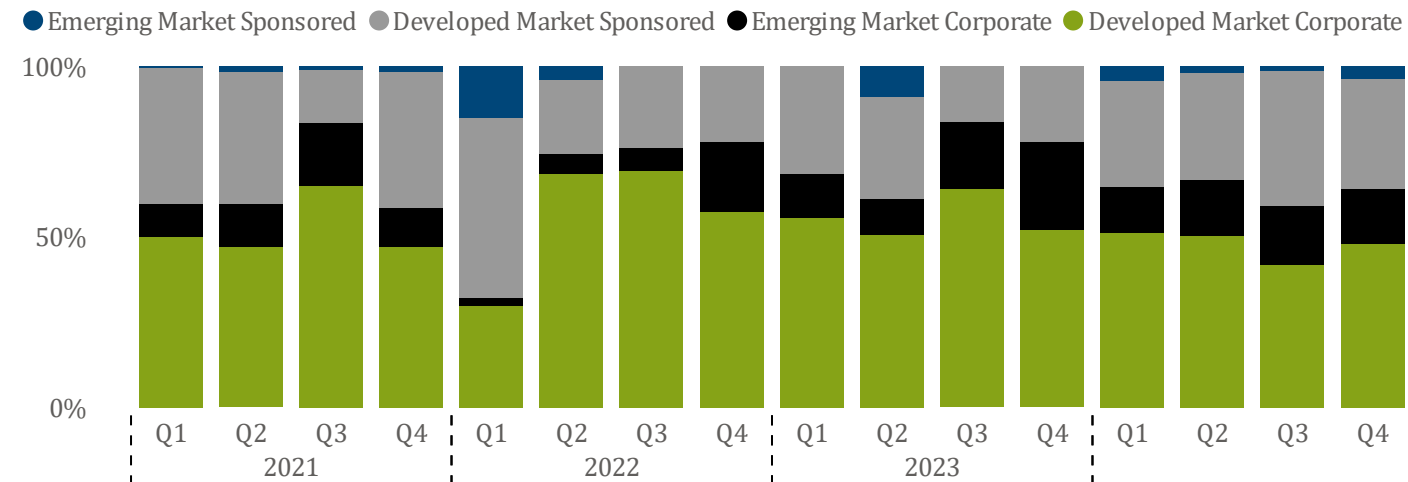
In Q4 2024, the primary use of proceeds was refinancing, accounting for 54.2% of total issuance, followed by general corporate purposes (23.1%) and LBOs/MBOs (8.9%). On a full-year basis, refinancing represented 53.24% of total use of proceeds—the highest share since 2010, when it reached 64.14%. Meanwhile, the share of MBOs/LBOs, general corporate purposes, and acquisitions has steadily declined since 2021.

In 2024, three sectors accounted for 60.9% of the high yield market by outstanding amount : Financial, Consumer Discretionary and Communications with €231bn, €130bn, and €122bn of the total outstanding value respectively.

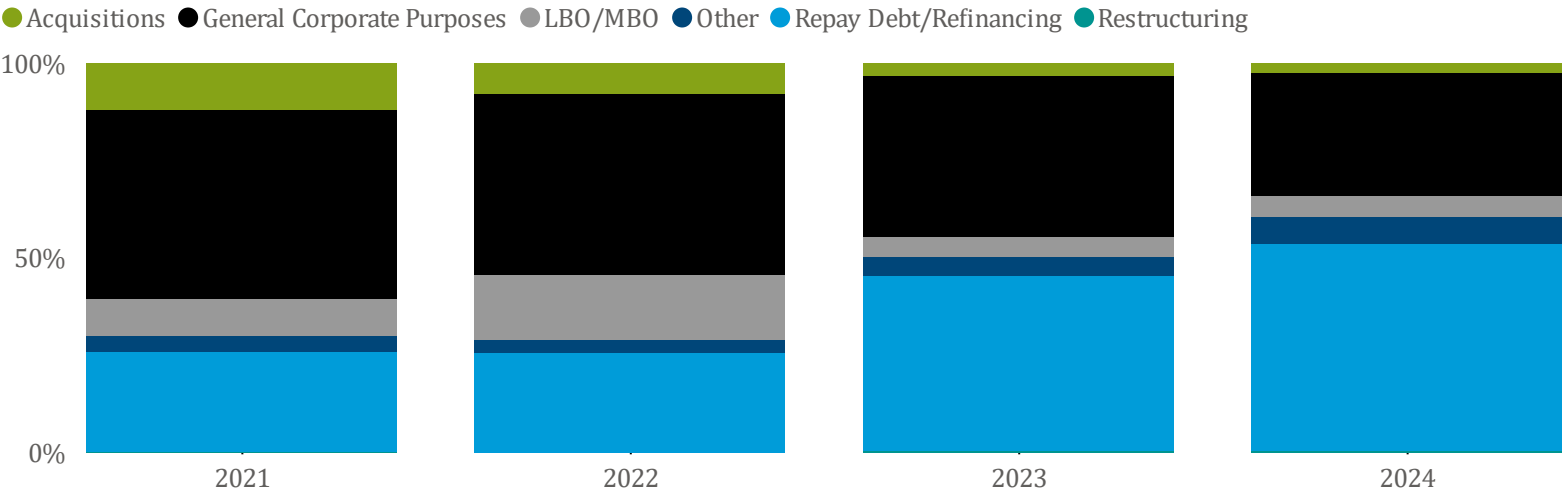
#### 4.1 European High Yield Issuance, Developed and Emerging Markets



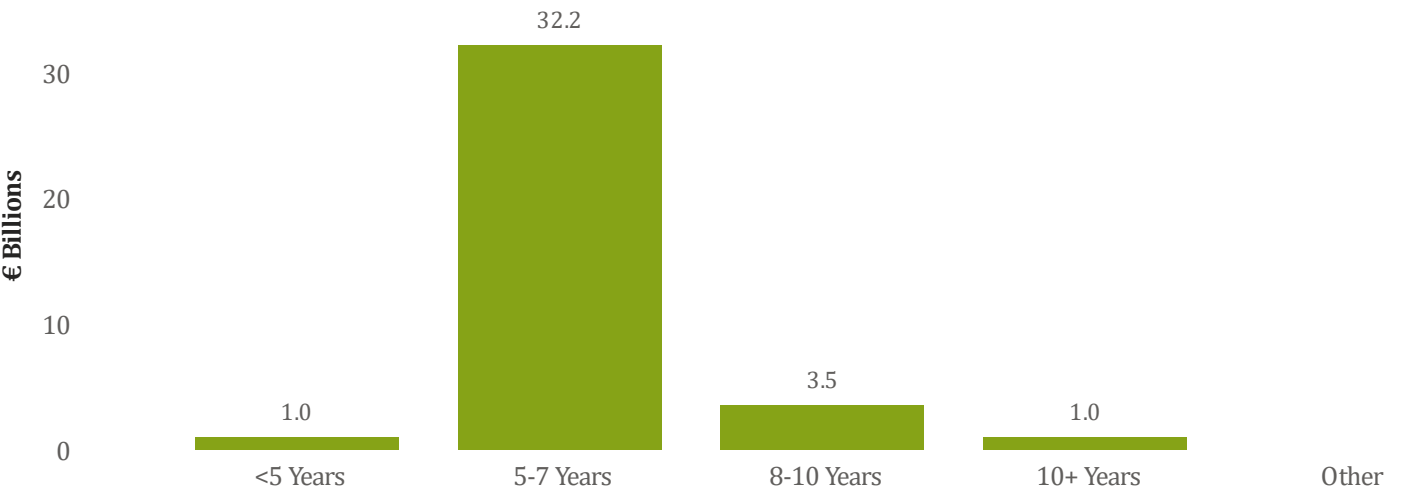
#### 4.2 European High Yield Issuance, Sponsored vs Corporate



4.3 European High Yield Issuance, Use of Proceeds

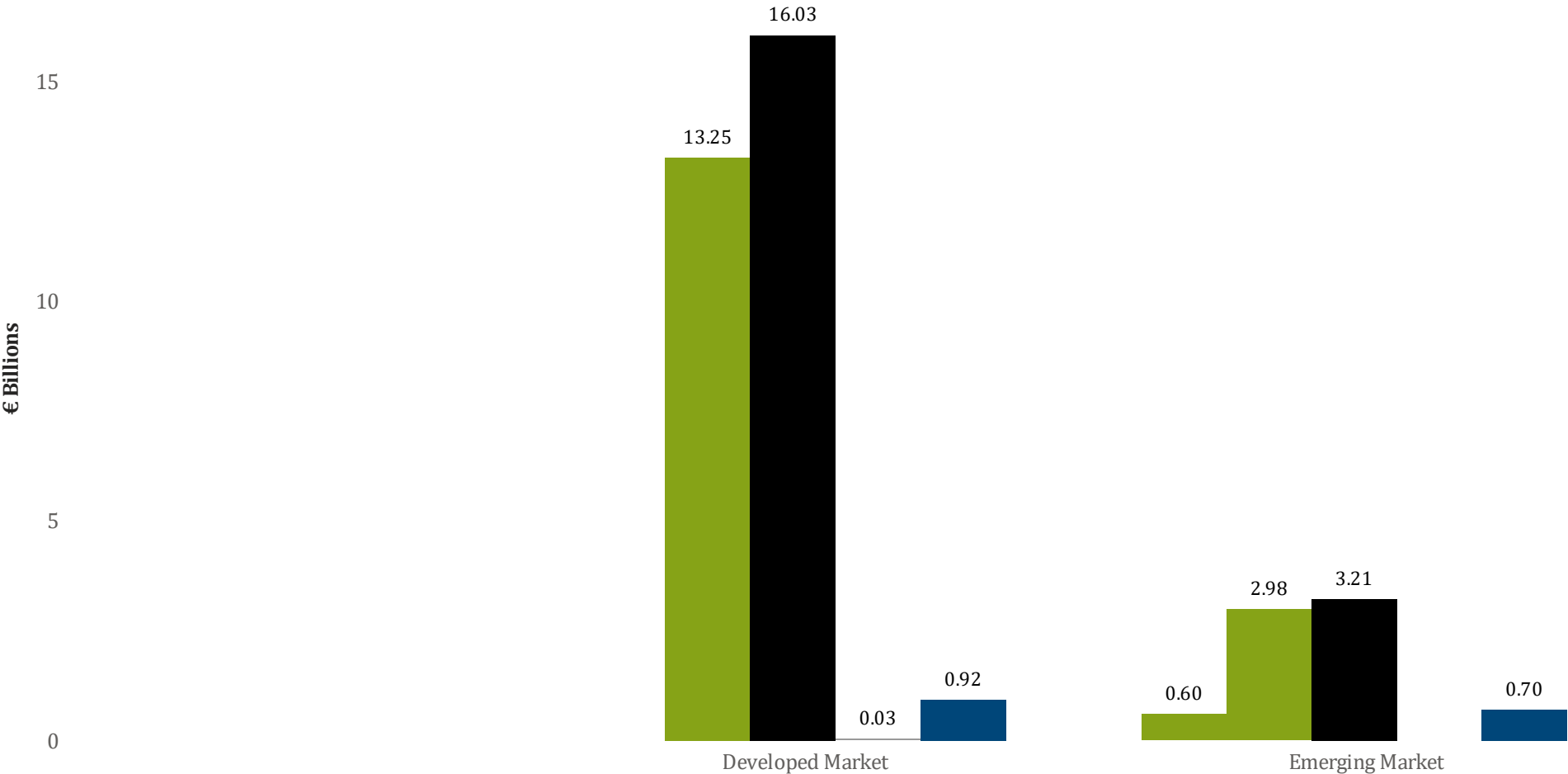


4.4 European High Yield Issuance by Tenor: Q4 2024



4.5 European High Yield Issuance by Rating: Q4 2024

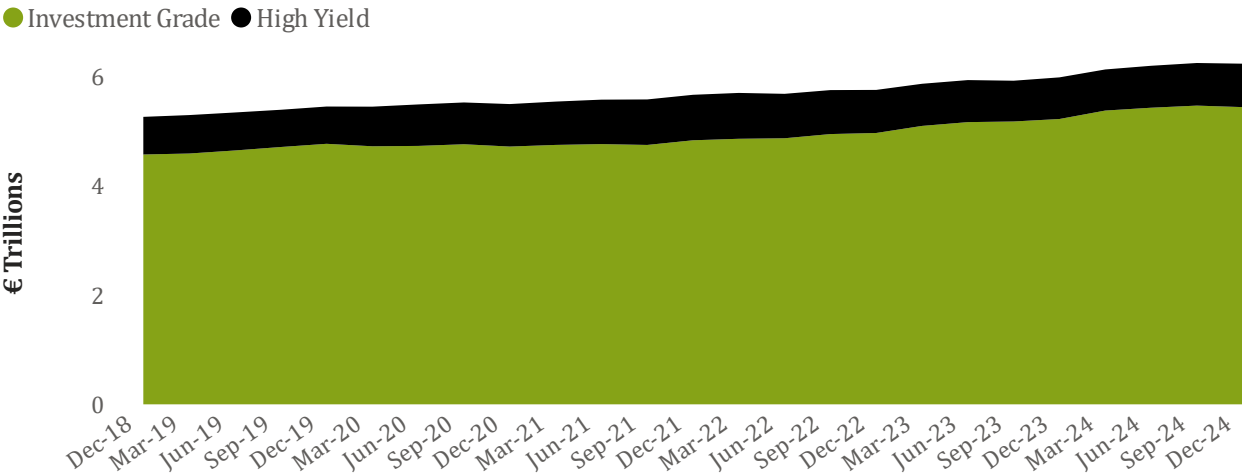
● BBB ● BB ● B ● CCC ● Not rated



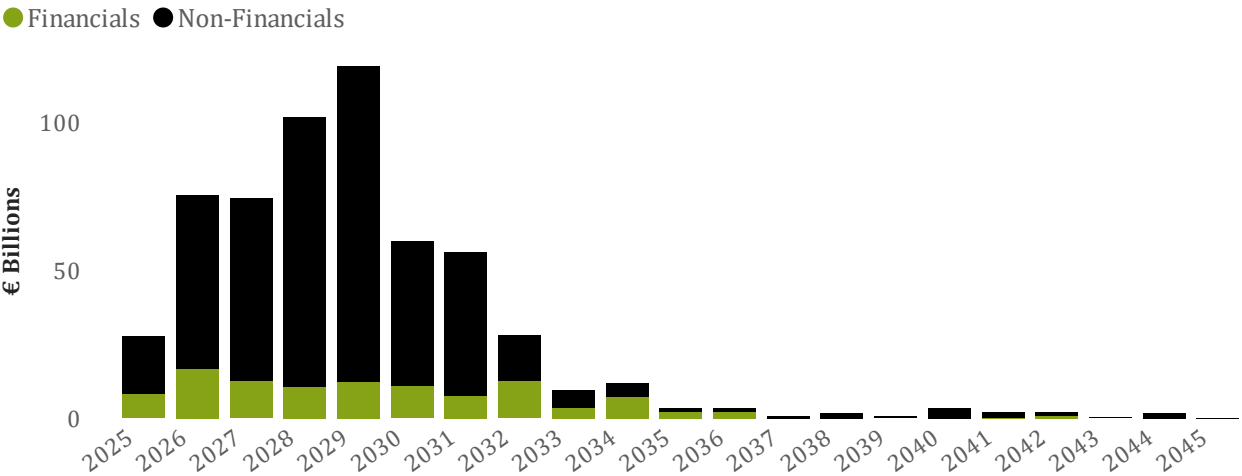
\*Corporate Bond Issuance denotes corporate and sponsored bonds, excluding government bonds.



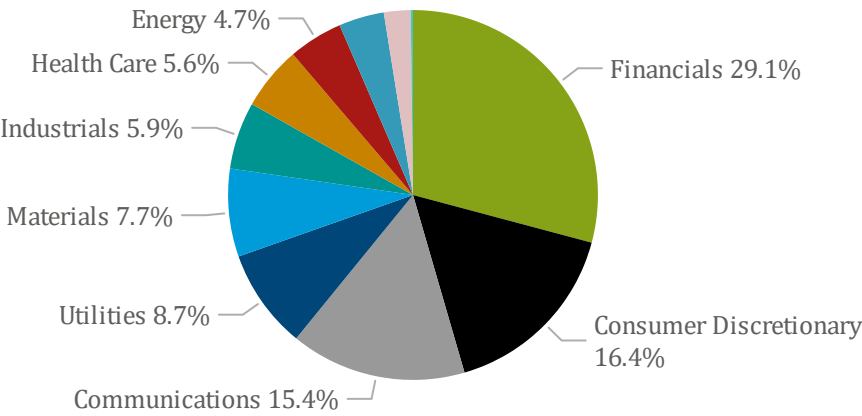
4.6 European Corporate Bonds Outstanding



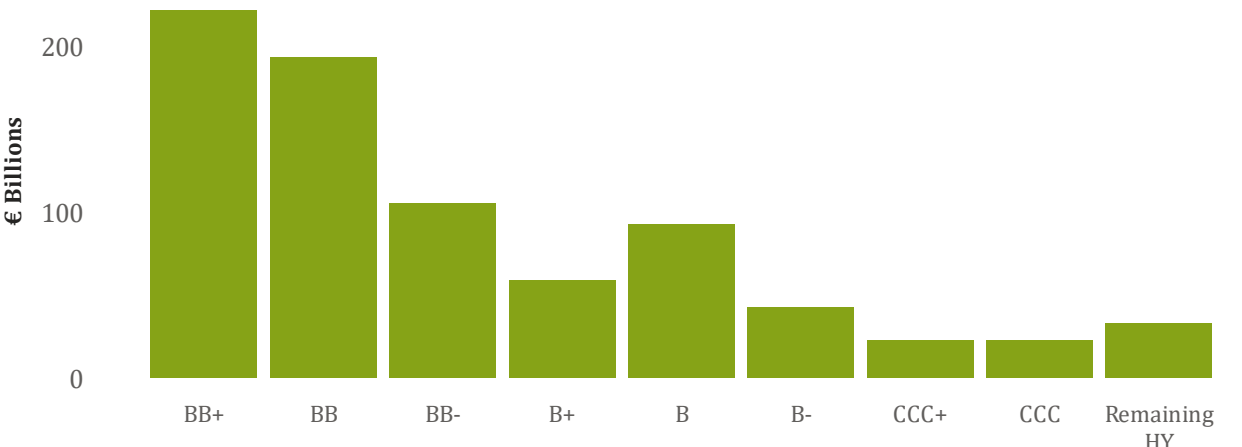
4.7 European Corporate High Yield Maturity Wall



4.8 European Corporate High Yield Outstanding by Sector: December 2024



4.9 European Corporate High Yield Outstanding by Current Rating: December 2024



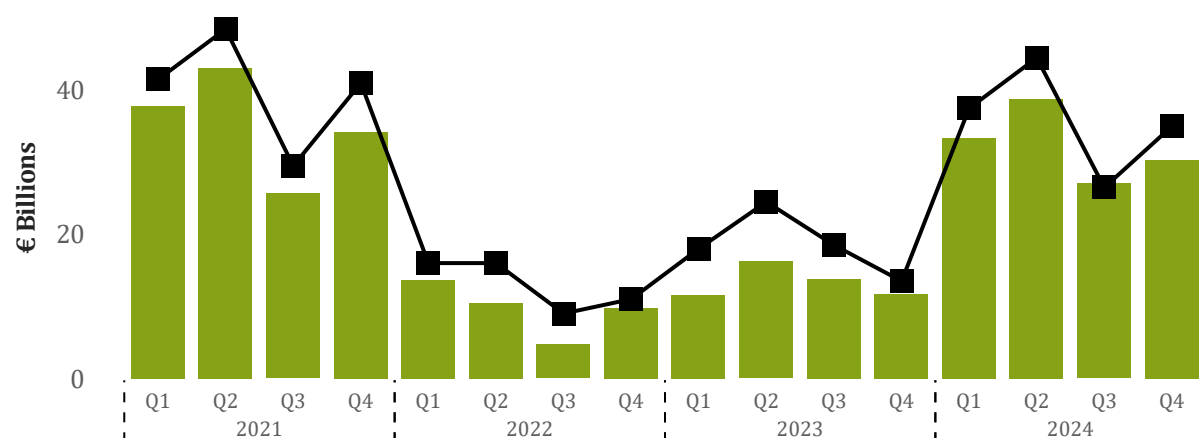
# European Developed Market High Yield Bonds

# afme / Developed Market High Yield Bonds

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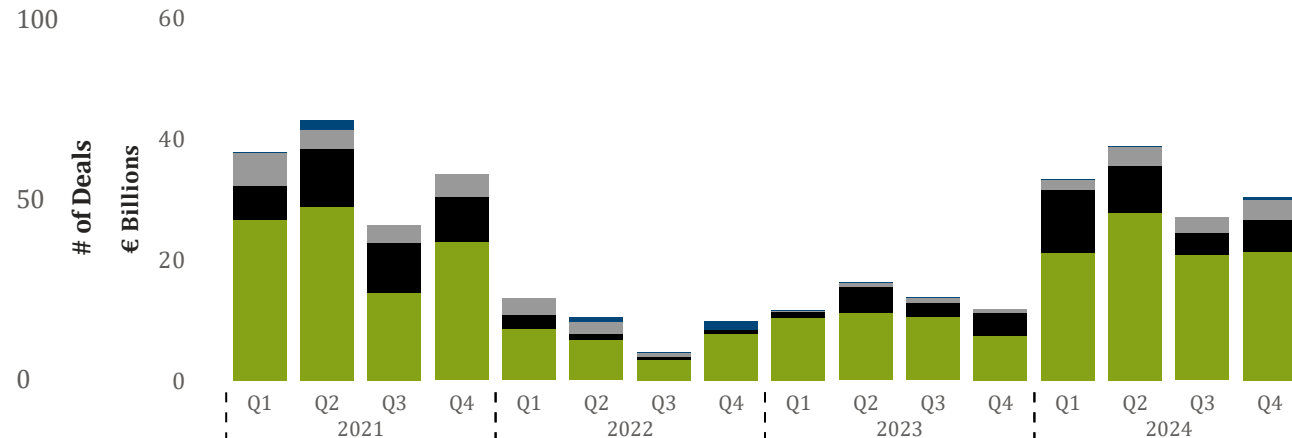
## 5.1 European Developed Market High Yield Issuance

Developed Market Volume # of Deals (Right)

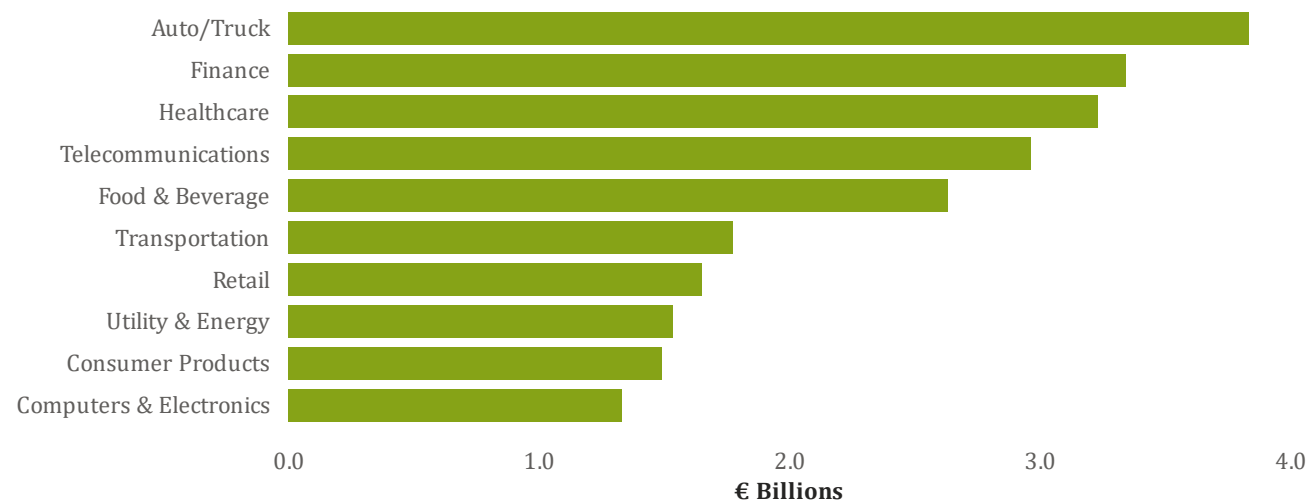


## 5.2 European Developed Market High Yield Issuance by Currency

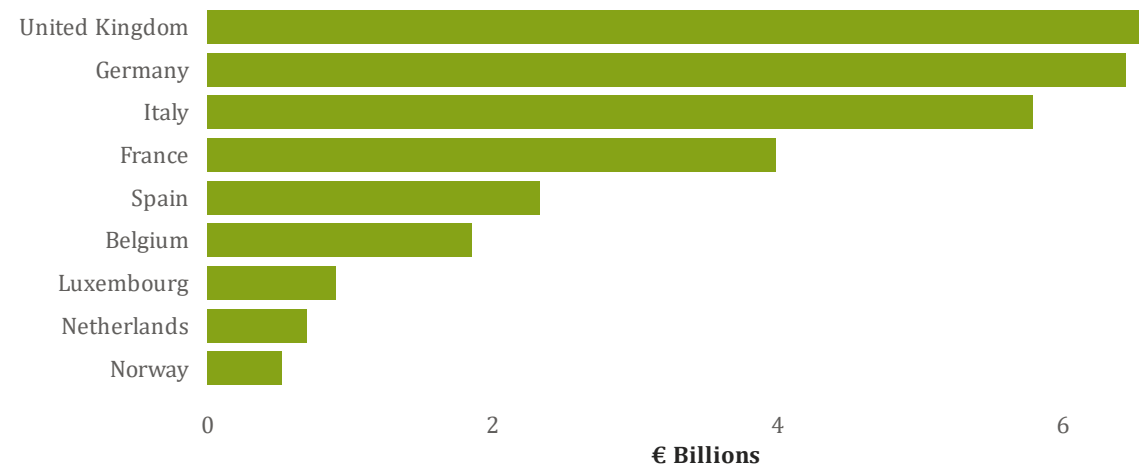
EUR USD GBP Other



## 5.3 European Developed Market High Yield Issuance by Industry: Q4 2024 (top 10)



## 5.4 European Developed Market High Yield Issuance by Country of Risk: Q4 2024 (top 9)

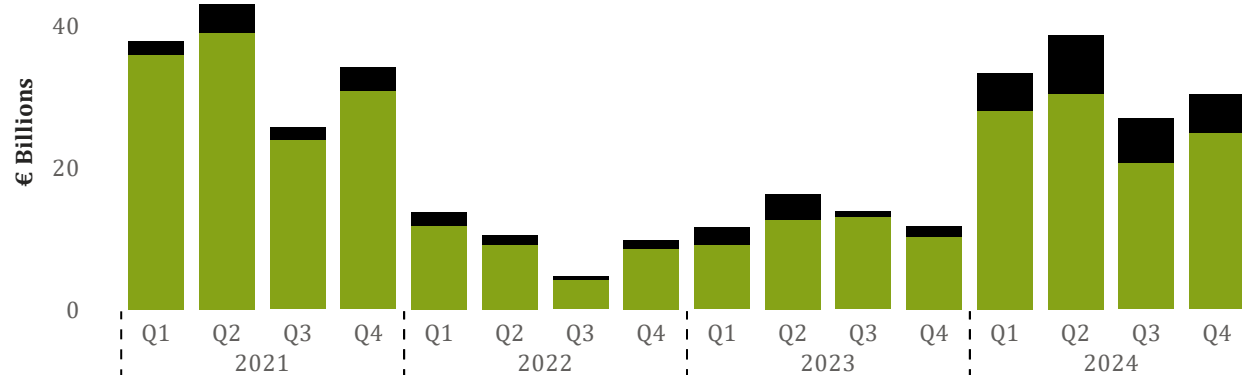


# afme / Developed Market High Yield Bonds

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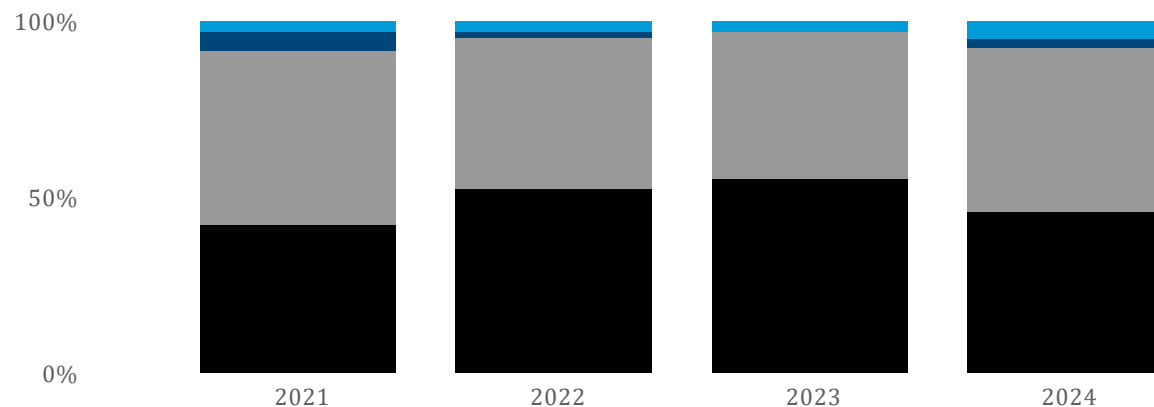
## 5.5 European Developed Market High Yield Issuance, Fixed vs. Floating

● Fixed ● Floating



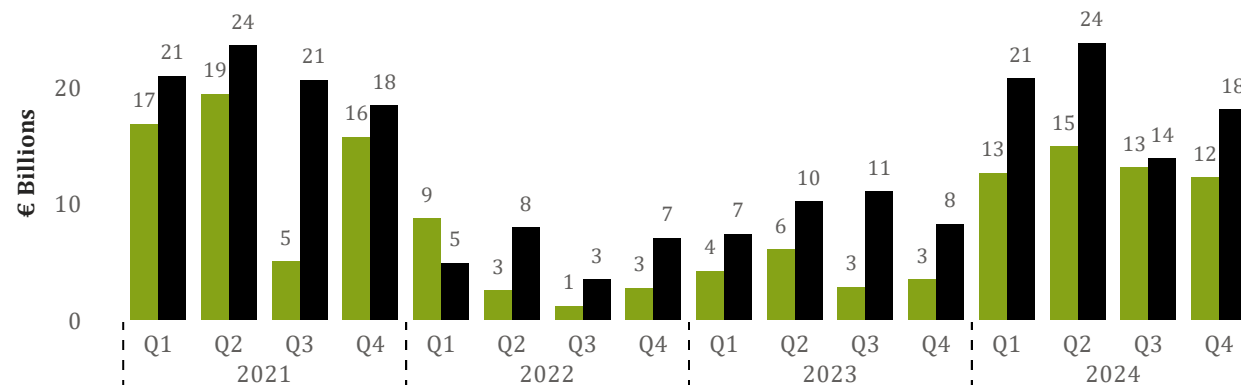
## 5.7 European Developed Market High Yield Rating Distribution at Issuance

● BB ● B ● CCC ● Not rated



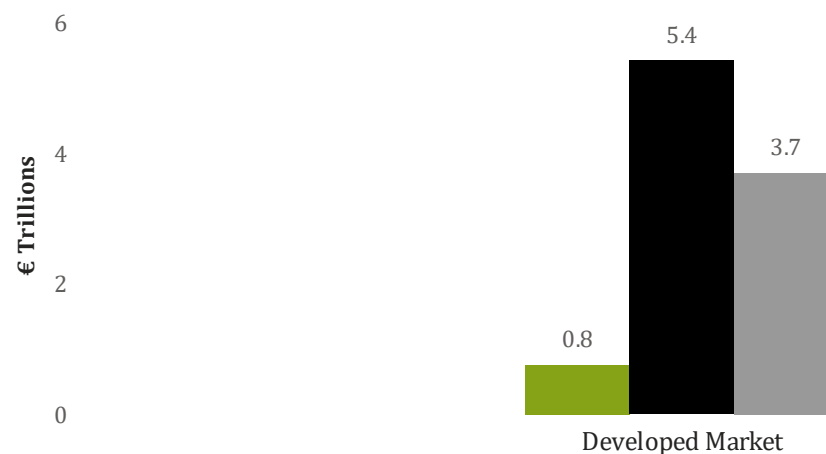
## 5.6 European Developed Market High Yield Issuance, Sponsored vs. Corporate

● Sponsored ● Corporate



## 5.8 European Developed Market Corporate Bonds Outstanding: Q4 2024

● High Yield ● Investment Grade ● Non-Rated





# afme / Developed Market High Yield Bonds

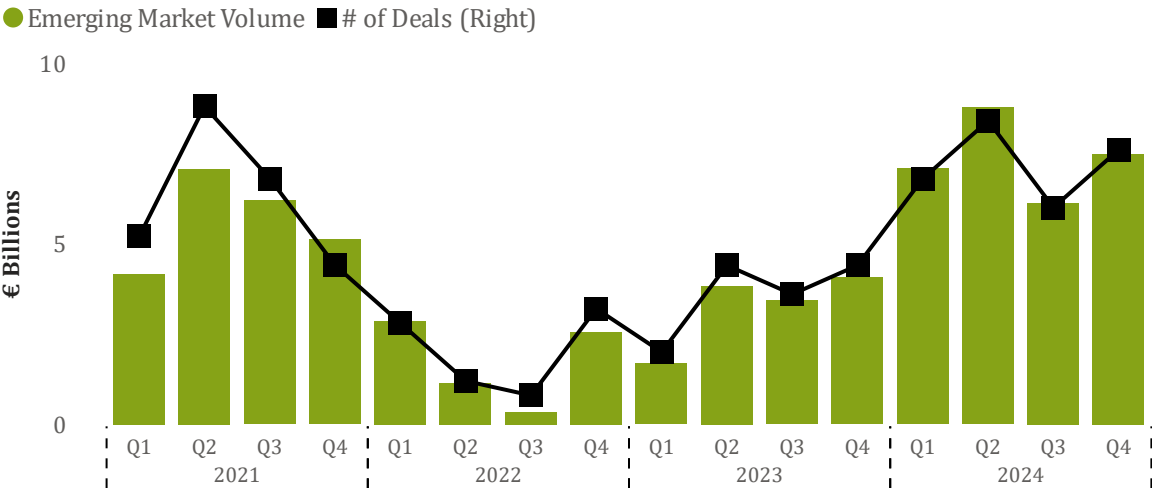
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## 5.9 European Developed Market High Yield Issuance (30 most recent)

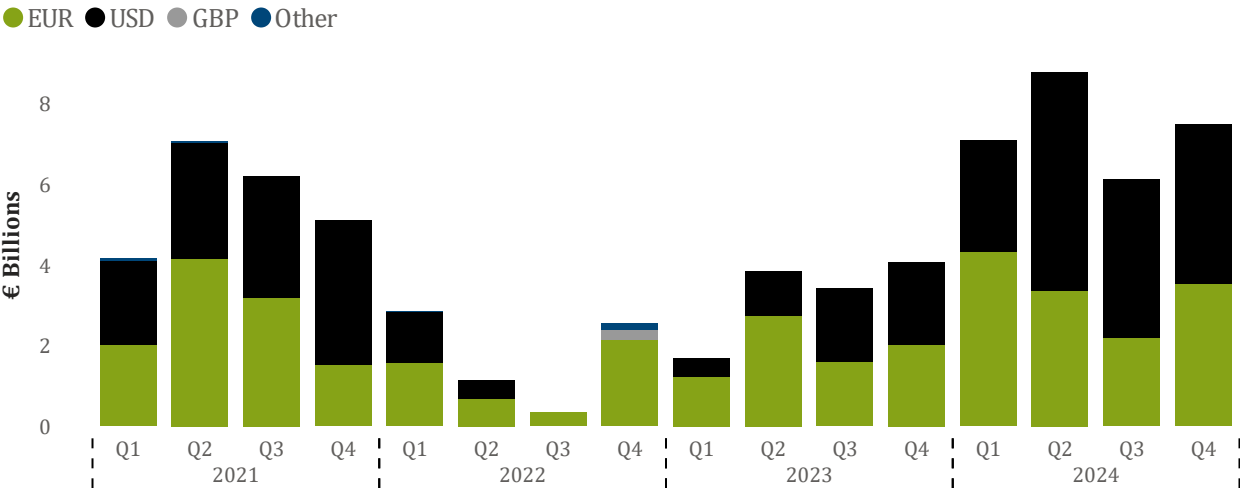
Issuer	Industry Group	Date	Currency	Amount (billion)	Coupon	Moodys	S&P	Fitch
ACG Metals Ltd	Mining	12/19/2024	USD	0.19	14.75			
Groupe Bertrand	Dining & Lodging	12/16/2024	EUR	0.08	6.65			
Vivion Investments SARL	Real Estate/Property	12/13/2024	EUR	0.25	6.5		BB+	
Grifols SA	Healthcare	12/12/2024	EUR	1.30	7.125	B2	B+	BB-
CD&R Firefly Bidco plc	Oil & Gas	12/12/2024	GBP	0.38	8.625	B2	B	
Samsic SAS	Professional Services	12/11/2024	EUR	0.09	5.283			
Samsic SAS	Professional Services	12/11/2024	EUR	0.02	5.703			
Virgin Media O2 Vendor Financing Notes V DAC	Telecommunications	12/11/2024	GBP	0.48	7.875	B2	B-	B+
Creditas Financial Solutions Ltd	Computers & Electronics	12/6/2024	USD	0.06	10.5			
Galaxy Bidco Ltd	Insurance	12/5/2024	GBP	0.42	8.125	B2	B	
Flos B&B Italia SpA	Consumer Products	12/3/2024	EUR	0.55	3-mth Euribor +387.5	B2	B	B
Asmodee Group AB	Consumer Products	11/29/2024	EUR	0.34	3-mth Euribor +375	B2	B	
Asmodee Group AB	Consumer Products	11/29/2024	EUR	0.60	5.75	B2	B	
Arrow Global Finance Ltd	Finance	11/28/2024	EUR	0.40	3-mth Euribor +550	B2	B	B+
Arrow Global Finance Ltd	Finance	11/28/2024	EUR	0.25	7.625	B2	B	B+
Arrow Global Finance Ltd	Finance	11/28/2024	GBP	0.30	9.625	B2	B	B+
Hoist Finance AB	Finance	11/28/2024	Other	0.06	3-mth STIBOR +250	Ba1		
IRCA SpA	Food & Beverage	11/27/2024	EUR	1.12	3-mth Euribor +375	B2	B-	B+
Aston Martin Capital Holdings Ltd	Auto/Truck	11/27/2024	GBP	0.12	10.375	B3	B-	B
Gruenenthal GmbH	Healthcare	11/26/2024	EUR	0.50	4.625	B1	BB-	BB+
Monte dei Paschi	Finance	11/22/2024	EUR	0.75	3.625	Ba2		BB+
Garanti BBVA	Finance	11/21/2024	USD	0.71	8.125	B2		B+
Iliad Holding SAS	Telecommunications	11/20/2024	EUR	0.60	5.375	B2	B+	BB-
Iliad Holding SAS	Telecommunications	11/20/2024	USD	0.81	7	B2	B+	BB-
TGS ASA	Oil & Gas	11/20/2024	USD	0.52	8.5	Ba3	BB-	
TUI Cruises GmbH	Leisure & Recreation	11/19/2024	EUR	0.38	5	B2	B+	B+
B&M European Value Retail SA	Retail	11/19/2024	GBP	0.30	6.5	Ba1	BB+	
Ellevio AB	Utility & Energy	11/13/2024	Other	0.13	3.768		BB+	
Ellevio AB	Utility & Energy	11/13/2024	Other	0.22	4.29		BB+	
DDM Debt AB	Finance	11/4/2024	EUR	0.03	9.5		NR	CCC-
Neinor Homes SAU	Real Estate/Property	10/31/2024	EUR	0.33	5.875		BB-	BB-
Somacis PCB Industries	Computers & Electronics	10/31/2024	EUR	0.55	3-mth Euribor +450	B2	B	
Boparan Finance plc	Food & Beverage	10/31/2024	GBP	0.47	9.375	B3	B	B

# European Emerging Market High Yield Bonds

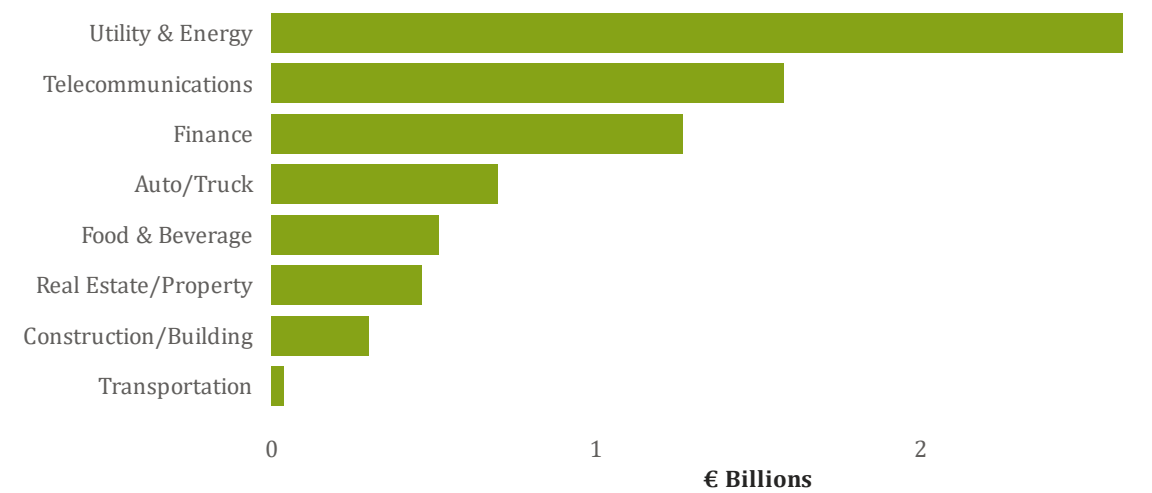
6.1 European Emerging Market High Yield Issuance



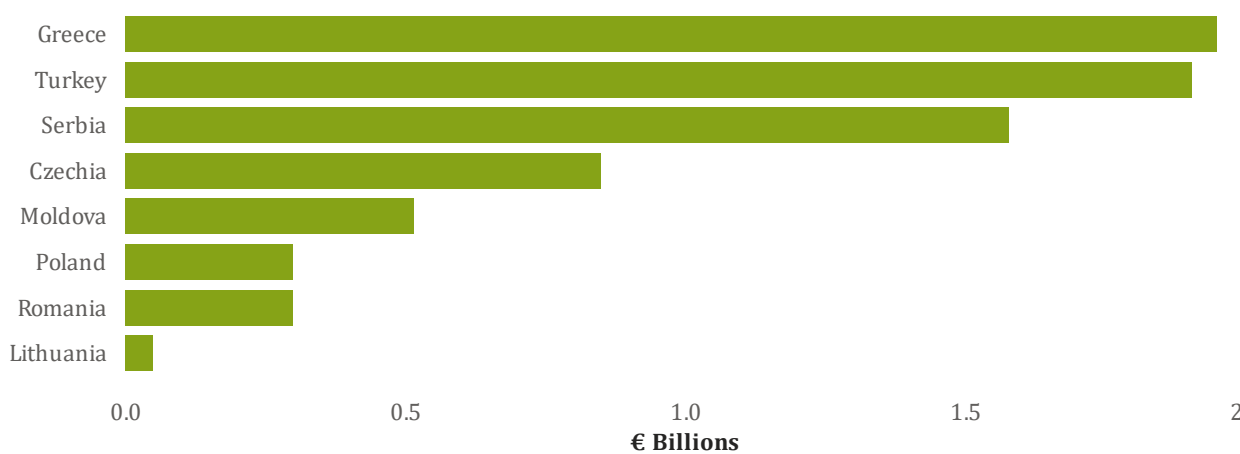
6.2 European Emerging Market High Yield Issuance by Currency



6.3 European Emerging Market High Yield Issuance by Industry: Q4 2024



6.4 European Emerging Market High Yield Issuance by Country of Risk: Q4 2024

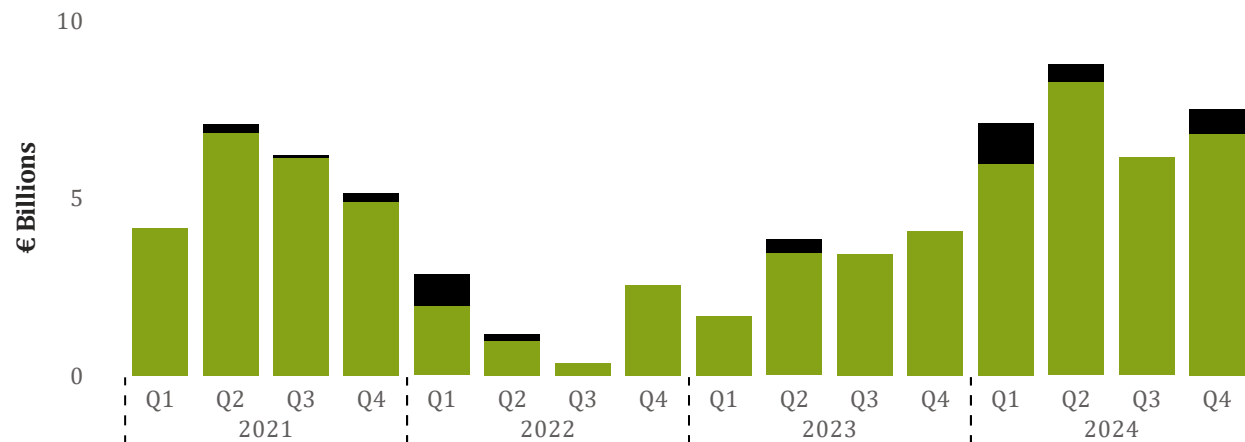


# afme / Emerging Market High Yield Bonds

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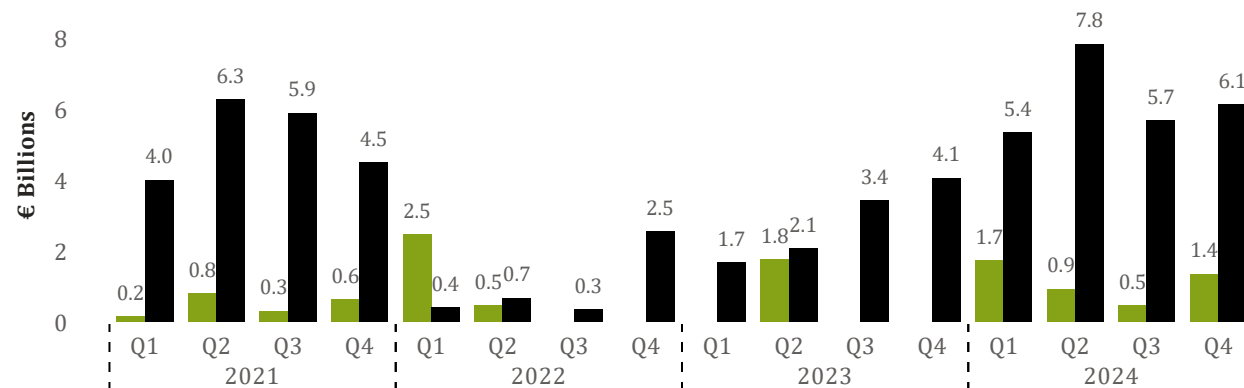
## 6.5 European Emerging Market High Yield Issuance, Fixed vs. Floating

Fixed Floating



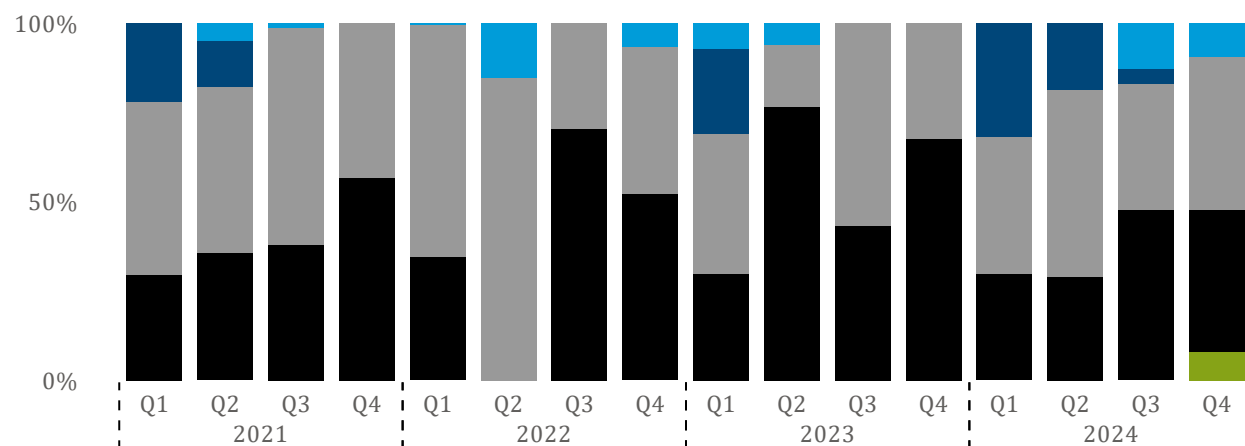
## 6.6 European Emerging Market High Yield Issuance, Sponsored vs. Corporate

Sponsored Corporate



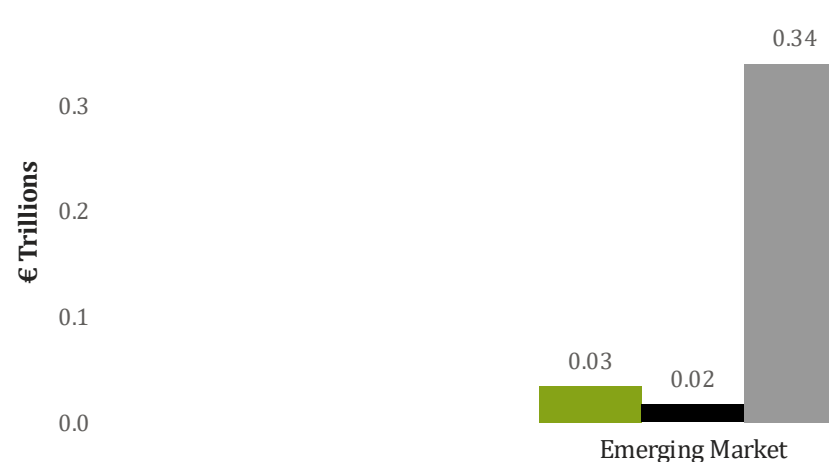
## 6.7 European Emerging Market High Yield Rating Distribution at Issuance

BBB BB B CCC C Not rated



## 6.8 European Emerging Market Corporate Bonds Outstanding: Q4 2024

High Yield Investment Grade Non-Rated



## 6.9 European Emerging Market High Yield Issuance

Issuer	Industry Group	Date	Currency	Amount (billion)	Coupon	Moody's	S&P	Fitch
Eurobank SA	Finance	12/5/2024	EUR	0.60	3.25	Baa2		
CSG	Auto/Truck	12/4/2024	USD	0.70	6-mth Sofr +700			
CEC	Finance	11/19/2024	EUR	0.30	5.625			BB
CPI Property Group SA	Real Estate/Property	11/14/2024	EUR	0.05	7	Ba1	BB+	
Aragvi Finance International DAC	Food & Beverage	11/12/2024	USD	0.52	11.25		B	B+
CPI Property Group SA	Real Estate/Property	11/4/2024	EUR	0.05	6	Ba1	BB+	
CPI Property Group SA	Real Estate/Property	11/4/2024	EUR	0.05	7	Ba1	BB+	
Zorlu Enerji Elektrik Uretim AS	Utility & Energy	11/4/2024	USD	0.18	11	B3		B+
Public Power Corp SA	Utility & Energy	10/23/2024	EUR	0.60	4.625		BB-	BB-
Telekom Serbia (Srbija) AD	Telecommunications	10/21/2024	USD	0.83	7		BB-	B+
Zorlu Enerji Elektrik Uretim AS	Utility & Energy	10/18/2024	USD	0.73	11	B3		B+
Air Baltic Corp AS	Transportation	10/17/2024	EUR	0.04	14.5		B+	B
Siauliu Bankas AB	Finance	10/17/2024	EUR	0.05	8.75	Ba3		
Metlen Energy & Metals SA	Utility & Energy	10/9/2024	EUR	0.75	4		BB+	BB+
United Group BV	Telecommunications	10/9/2024	EUR	0.75	6.5	B2	B	
Turkiye Sinai Kalkinma Bankasi	Finance	10/9/2024	USD	0.32	7.125	B1		
GDZ Elektrik Dagitim AS	Utility & Energy	10/7/2024	USD	0.36	9	B2		BB-
Ronesans Holding AS	Real Estate/Property	10/3/2024	USD	0.31	8.5		B+	
MLP Group SA	Construction/Building	10/2/2024	EUR	0.30	6.125	Ba2		BB+

# Credit Quality

## Credit Quality

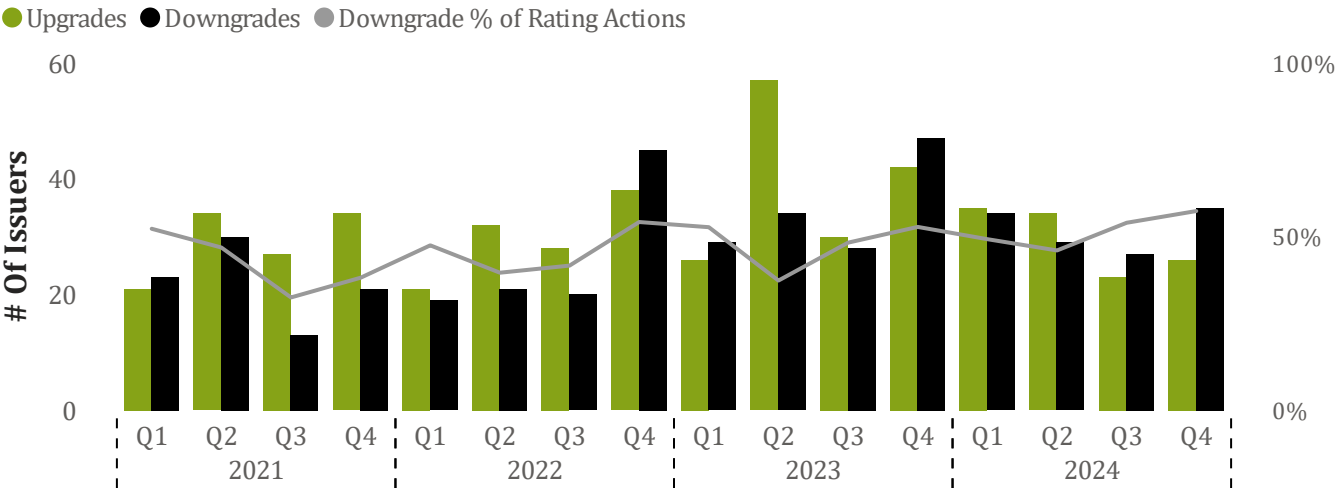
S&P's trailing 12-month speculative-grade bond default rate started the quarter at 4.7%, peaked at 5.1%—its highest level since March 2021—before declining to 4.5% by quarter-end. Moody's reported a similar trend, with the speculative-grade bond default rate reaching 3.56% in November before falling to 2.59% by the end of the fourth quarter. Moody's and S&P reported 4 bond defaults during Q4 2024, two of them were caused by Distressed Exchange, and the two others by Missed Payments.

S&P reported 26 upgrades and 35 downgrades during the fourth quarter in Developed European markets. Upgrades were mostly related to Consumer products companies and Banks, while downgrades were spread across different sectors, mostly affecting Chemicals, Packaging & Environmental Services and Media & Institution. In contrast, in Emerging European markets, S&P issued 10 upgrades—primarily in the Sovereign and Telecommunications sectors—while recording just one downgrade in Chemicals, Packaging & Environmental Services. Meanwhile, in Q4 2024, Moody's reported a rise in rating actions compared to the previous quarter, with 24 upgrades and 34 downgrades.

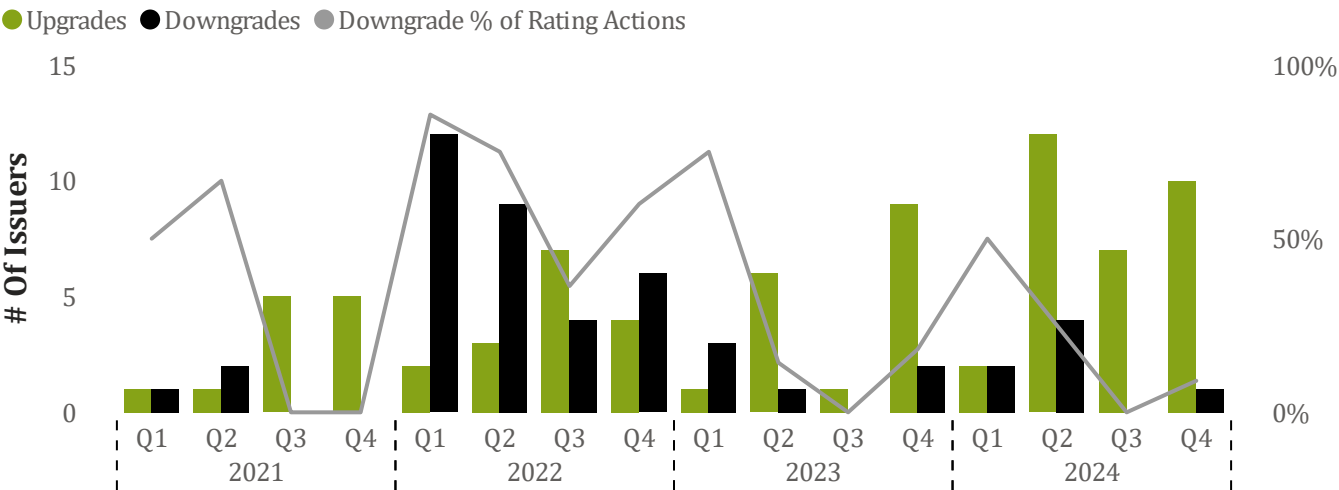
According to Fitch, the European leveraged loan trailing 12 months (TTM) default rate stood at 4.1% in December 2024, down from 4.39% in December 2023.

According to Octus (formerly Reorg), 97% of the European leveraged loan deals examined in 2024 were covenant-lite.

7.1 S&P Developed Europe Issuer Rating Actions



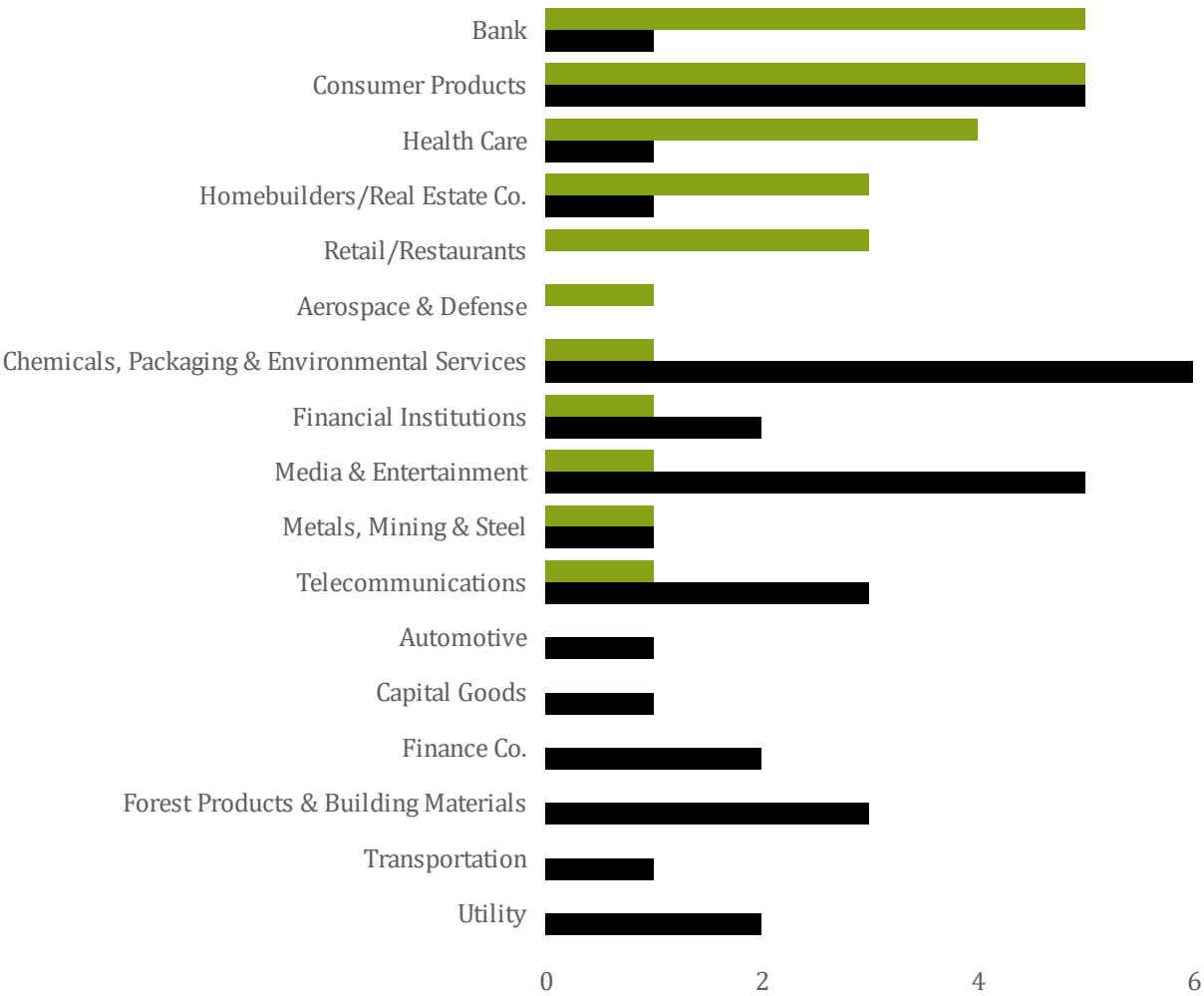
7.2 S&P Emerging Europe Issuer Rating Actions





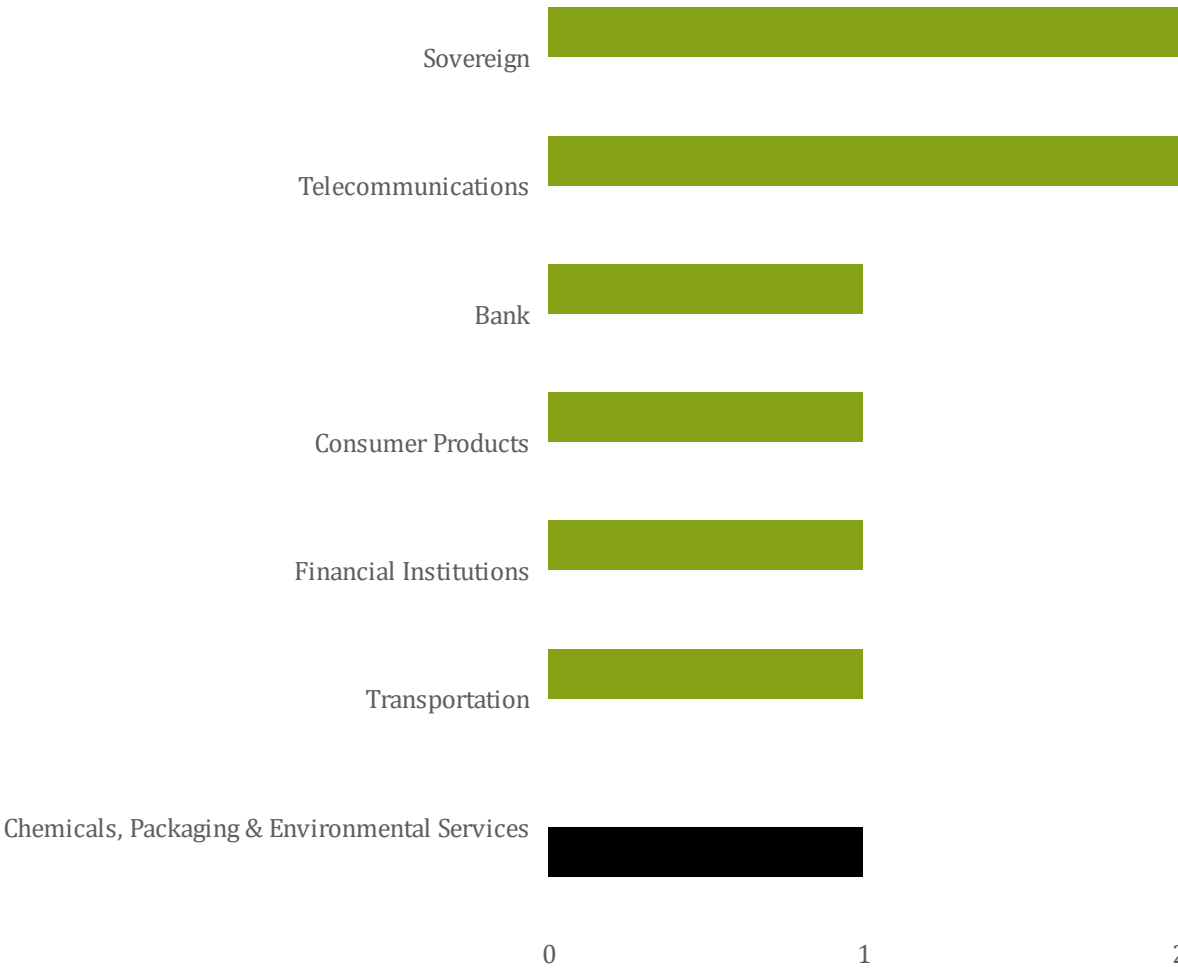
7.3 S&P Developed European Industry Rating Actions by # of Ratings: Q4 2024

● Upgrades ● Downgrades

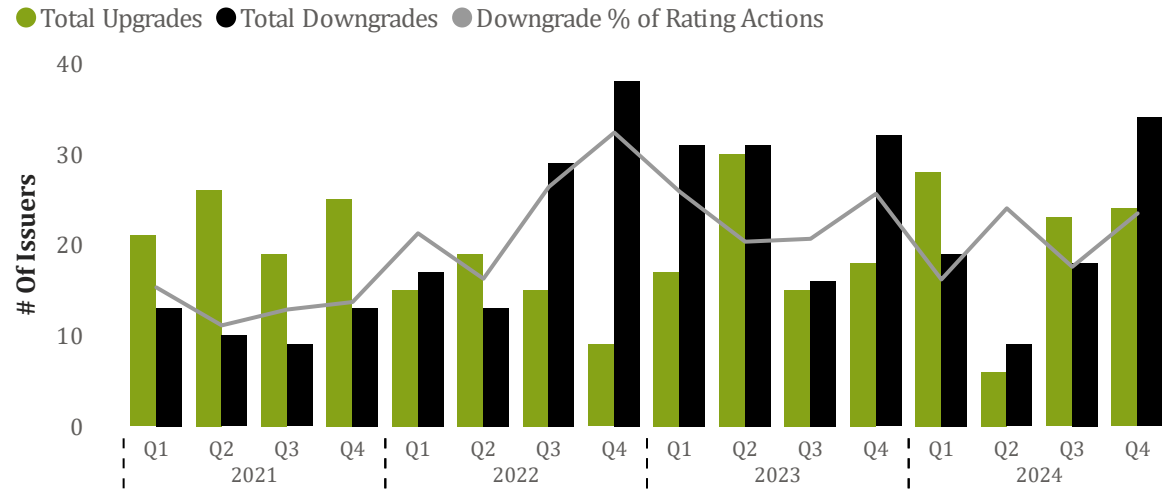


7.4 S&P Emerging European Industry Rating Actions by # of Ratings: Q4 2024

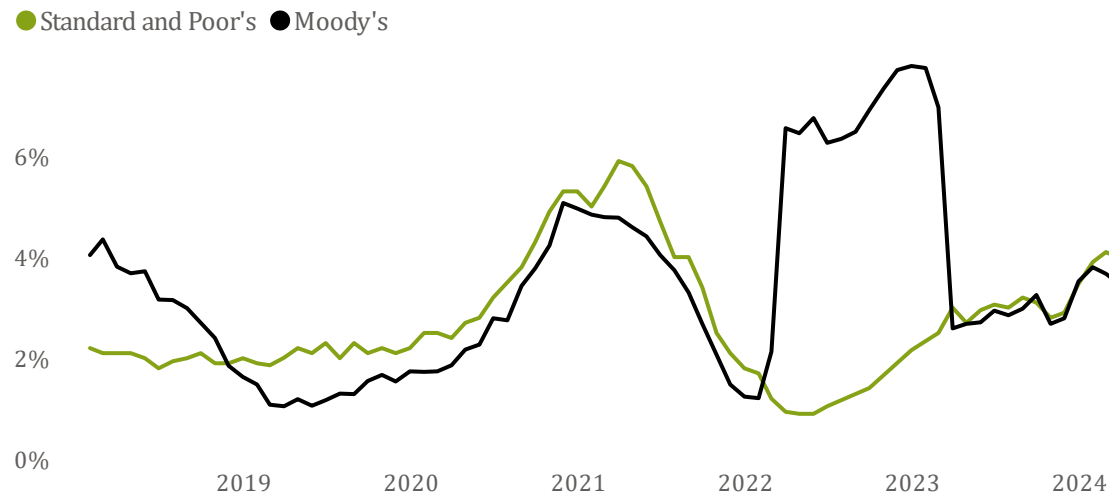
● Upgrades ● Downgrades



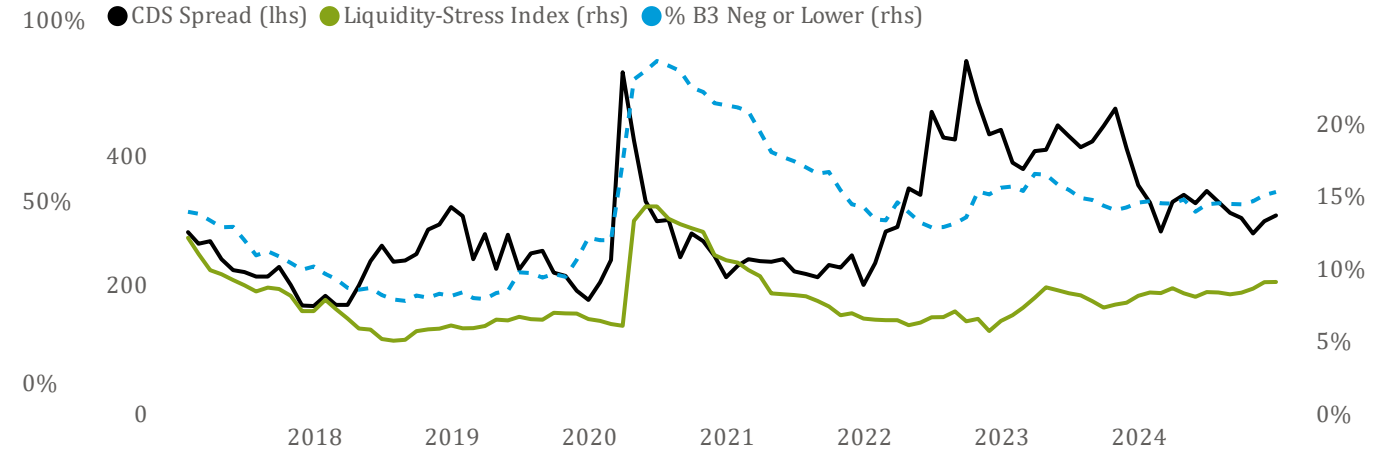
## 7.5 Moody's: Europe Issuer Rating Actions (corporate)



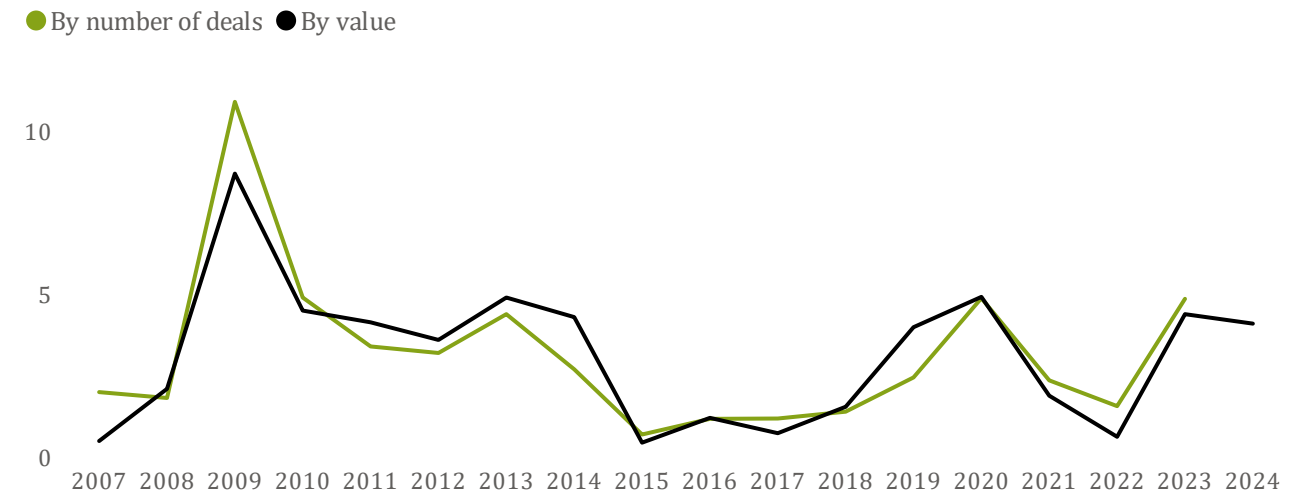
## 7.7 European High Yield Default Rates



## 7.6 High Yield Bond CDS Spreads vs. Liquidity-Stress Index and High Yield Bonds Rated B3 Neg and Lower in Europe



## 7.8 Fitch: European Leveraged Loan Default Rates

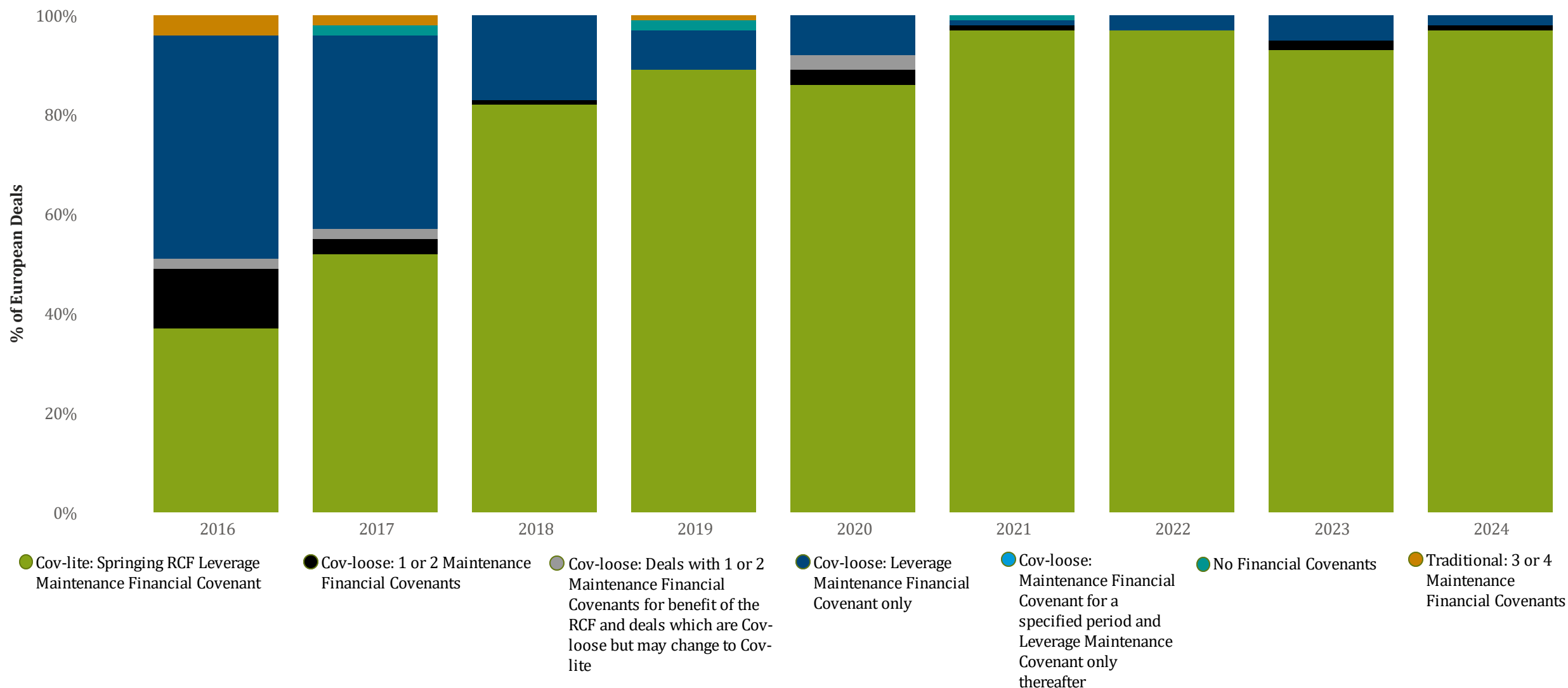


\*Adjusted includes c\* and cc\* rated issuers as if those had already defaulted.

7.9 European Defaults

Issuer	Industry Group	Country	Date	Reported By	Reason
DEMIRE Deutsche Mittelstand Real Estate AG	real estate finance : reit	Germany	Nov-2024	Moody's	Distressed Exchange
CD&R Vialto UK Intermediate 3 Ltd.	Media and Entertainment	U.K.	Nov-2024	S&P	Missed Payments
iQera Group SAS	Financial institutions	France	Oct-2024	S&P	Missed Payments
Sprint HoldCo B.V.	Media and Entertainment	Netherlands	Oct-2024	S&P	Distressed Exchange

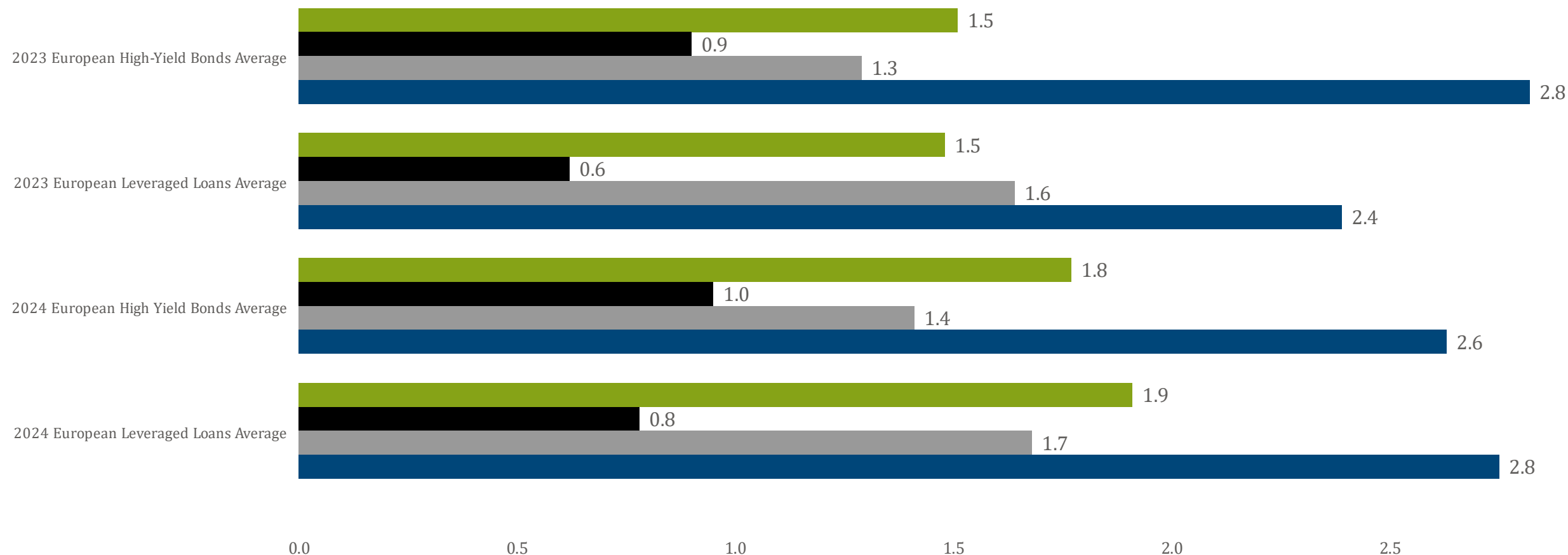
## 7.10 Financial Covenant Packages in European Leveraged Loans 2016 - 2024



\* Figures based on Octus calculations for European deals

### 7.11 Minimum Day-One Capped Basked Capacity - Europe

● Transfer to Unrestricted Subsidiaries ● Shareholder Payments ● Additional Structurally Senior Debt ● Additional Senior Secured Debt



# Relative Value and Total Return

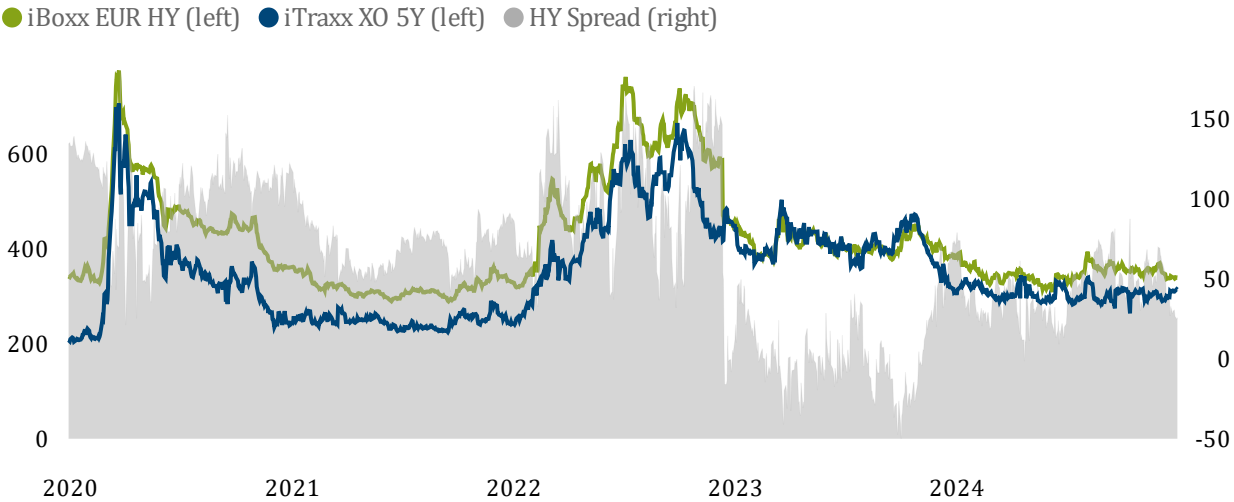
## Returns

During the fourth quarter of 2024, a majority of the asset classes tracked in this report experienced a quarter-on-quarter price increase (11 out of the 19). The top performer was the US HY Distressed with a total return of 5.62%, followed by the Euro HY B Rated that recorded a gain of 2.13%. The MSCI had the largest negative return, with a loss of 8.15%, followed by U.S. Treasuries, with a negative return of 3.34%.

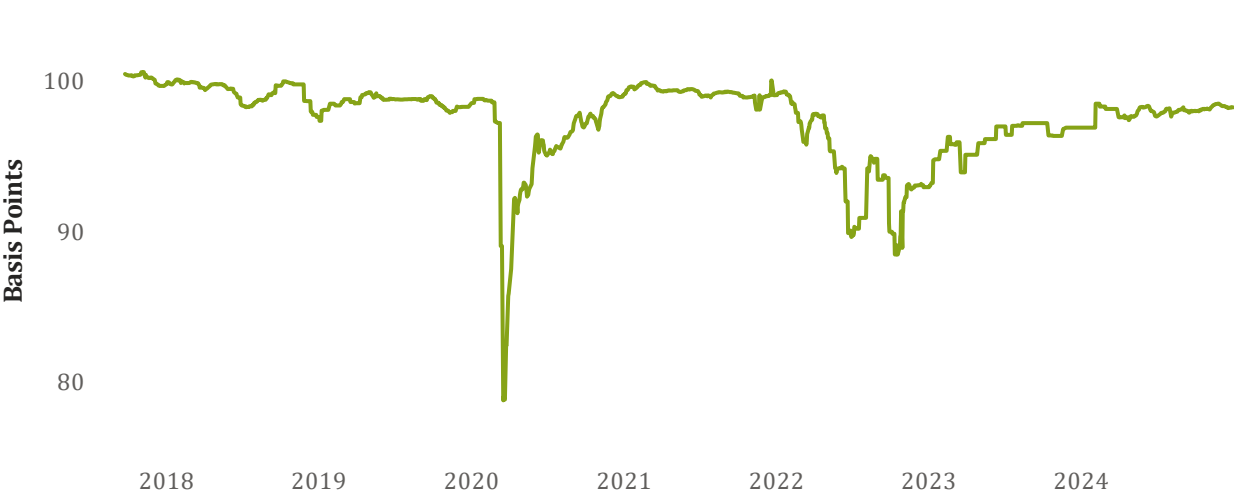
The relative value spread between the cash (iBoxx EUR HY) and synthetic (iTraxx XO 5Y) references tightened during the fourth quarter, from 50bps at the end of Q3 2024 to 25bps in December 2024.

The leveraged loan price reference (EURO Lev 40) remained relatively stable at approximately 98bps in Q4 2024. Over the year, it began at 96bps, rose by 2bps in early February, and then fluctuated around 98bps for the remainder of the year.

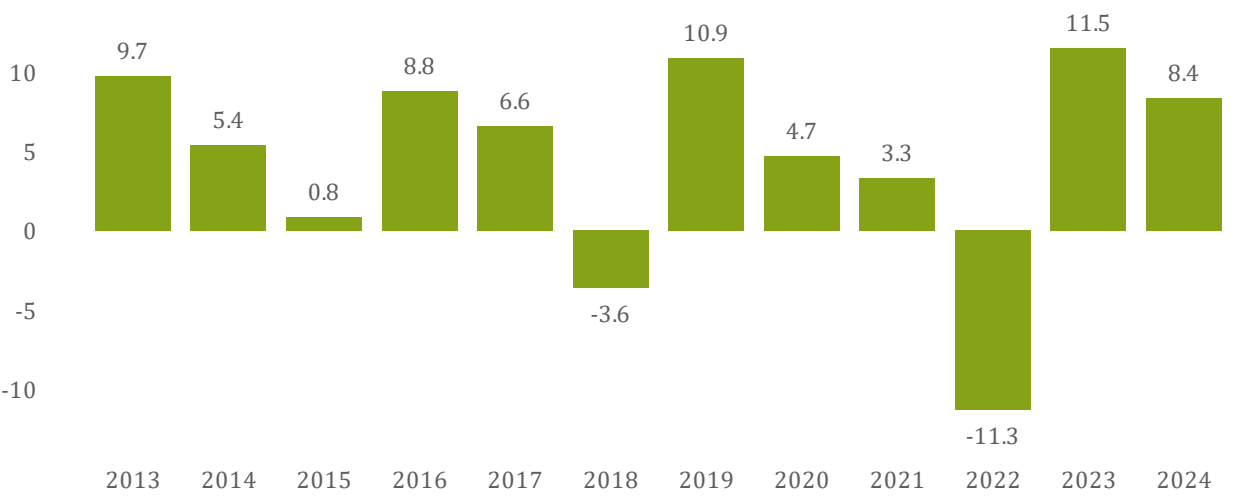
8.1 Relative value: European High Yield Bonds, Cash vs. Synthetic



8.2 Relative value: European Leveraged Loans, Cash (EURO Lev40)



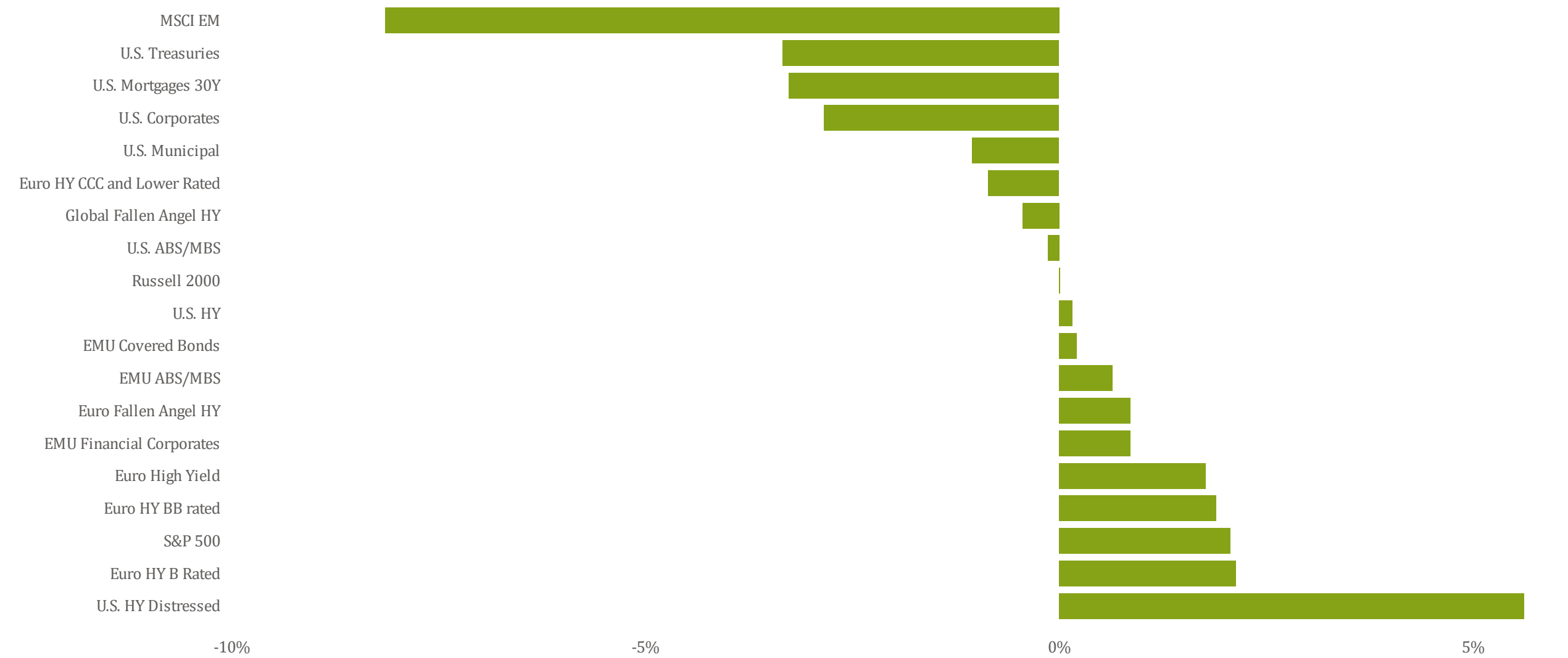
8.3 European High Yield Bonds Total Return



Source: Eikon [8.1] and [8.2] and Bloomberg [8.3]



8.4 Asset Class Total Return: Q4 2024



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