

Q4 and full year 2021

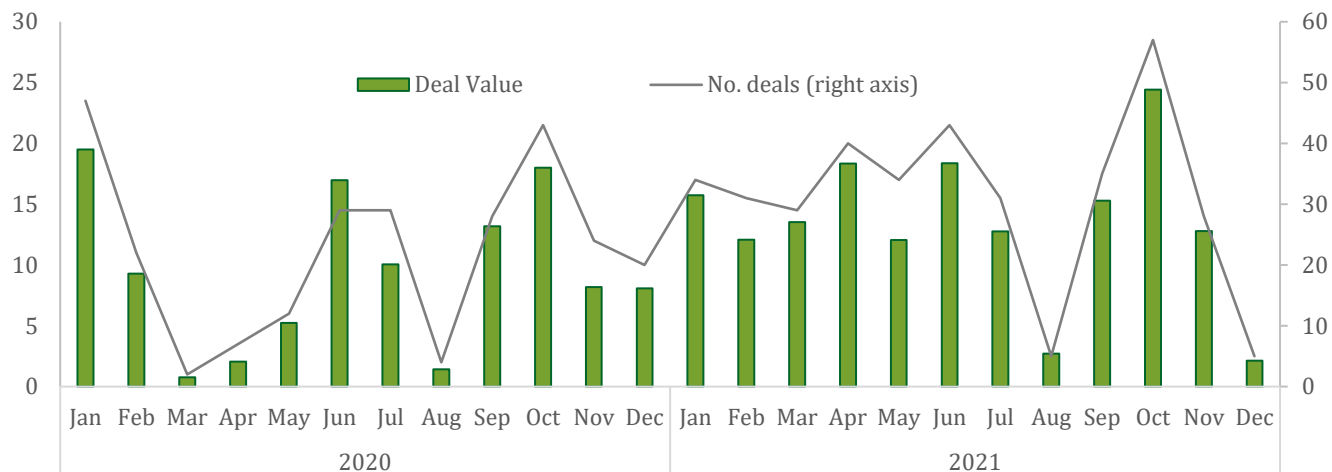
European High Yield and Leveraged Loan Report

European Leveraged Finance

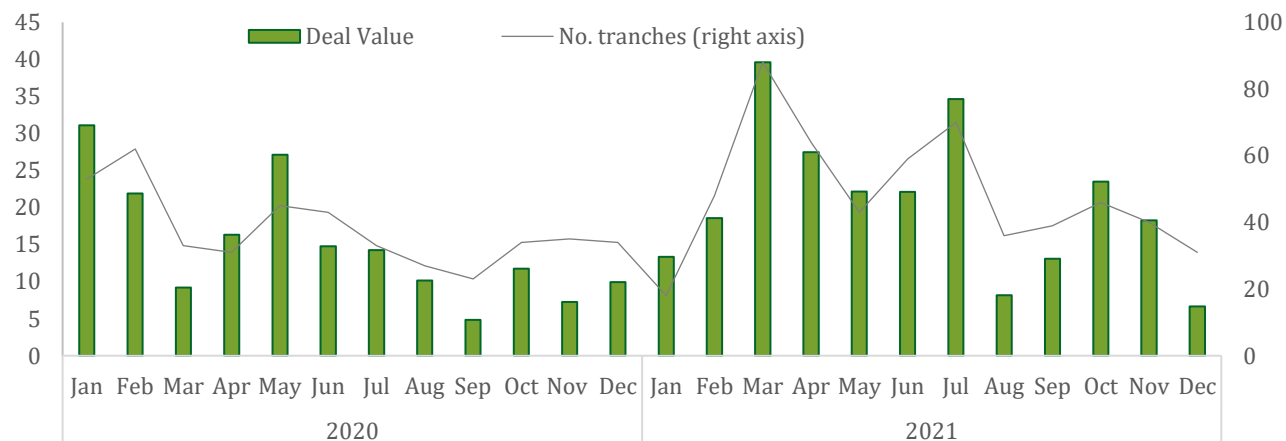


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1.1 European High Yield Bond Issuance (EUR bn)



1.2 European Leverage Loan Issuance (EUR bn)



Source: Dealogic

In 4Q'21, the primary high yield bond market peaked in October 2021, with monthly amounts higher than anytime in the last two years, followed by a sharp seasonal decline in December 2021.

High yield bond issuance in 4Q'21 increased 27.9% QoQ and 14.7% YoY. (See top chart).

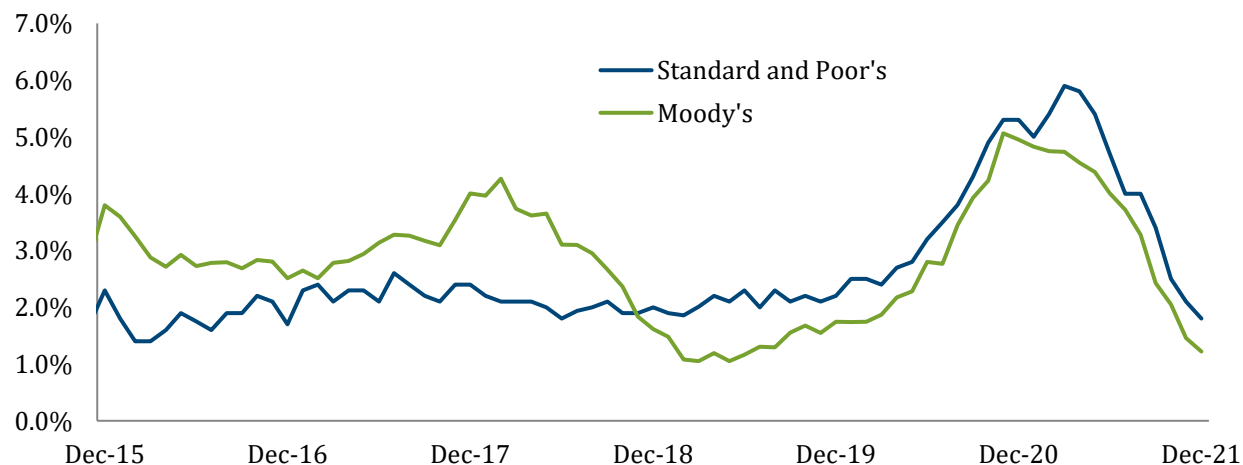
Preliminary data for the first two months of 2022 indicates that high yield bond issuance decelerated to a €15bn supply in January and February 2022, the slowest start of the year since 2016.

In 4Q'21, quarterly supply of leverage loans stood at €48.8, down 13.4% from 55.8 bn in 3Q'21, but up 71.9% from €28.1 bn in 4Q'20. (See bottom chart.)

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



1.4 European High-yield bond default rates



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

European high yield spreads increased from 304 bps in 3Q'21 to 331 bps in 4Q'21. Most recently, spreads have continued to increase to 445bps as of early March 2022, on the back of ongoing geopolitical tensions.

S&P reported the trailing 12-month speculative-grade bond default rate at 1.8% in December 2021, a decrease from 5.3% in December 2020. Moody's reported the speculative-grade default rate at 1.22% in September 2021, down from 5.0% in December 2020.

Fitch reported a decrease in European Leveraged Loan default rates (by value) to 1.9% in December 2021 from 4.92% in December 2020.

According to Reorg, all of the European leverage loan deals examined in 4Q'21 were covenant-lite.

According to Covenant Review, 68% of all leveraged loan deals reviewed in 4Q'21 contained an ESG feature, compared to 55% of all deals reviewed in 3Q'21.

Leveraged Finance Overview

Issuance Highlights

European leveraged finance issuance (leveraged loans and high yield bonds) accumulated €87.7 billion in proceeds in 4Q'21, a 1.3% increase from €86.6 billion in 3Q'21, but a 40.5% increase from €62.4 billion in 4Q'20.

The high yield bond share of European leveraged finance market issuance increased to 44.8% in 4Q'21 from 35.5% in 3Q'21 but down from 54.9% in 4Q'20.

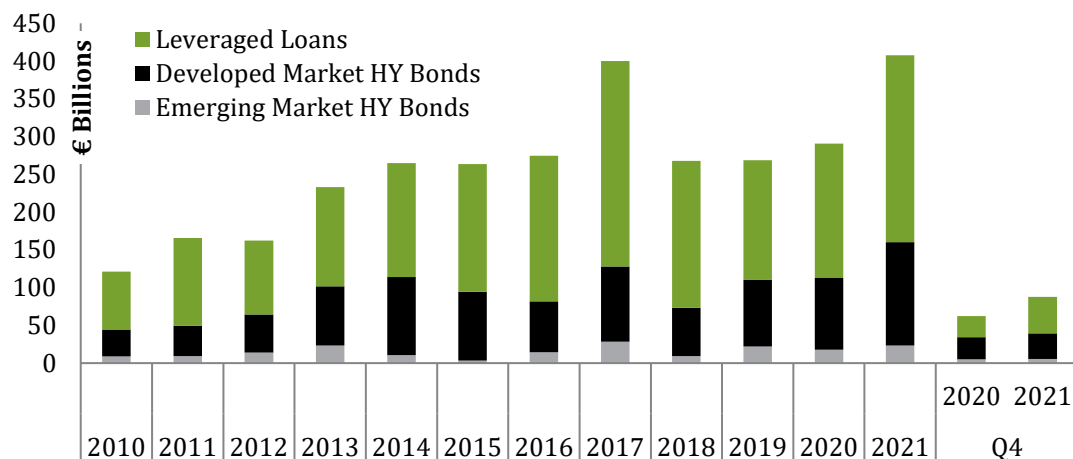
Credit Standards and Loan Demand

According to the January 2022 European Central Bank lending survey, credit standards for loans have slightly tightened in 4Q'21 for SMEs, but eased for large enterprises, compared to the October 2021 survey. Banks' risk tolerance was the only factor contributing to tightening impact on credit standards for loans to enterprises. In contrast, the general economic outlook, banks' liquidity position, risk on collateral demanded and industry or firm-specific outlook had a net positive easing impact.

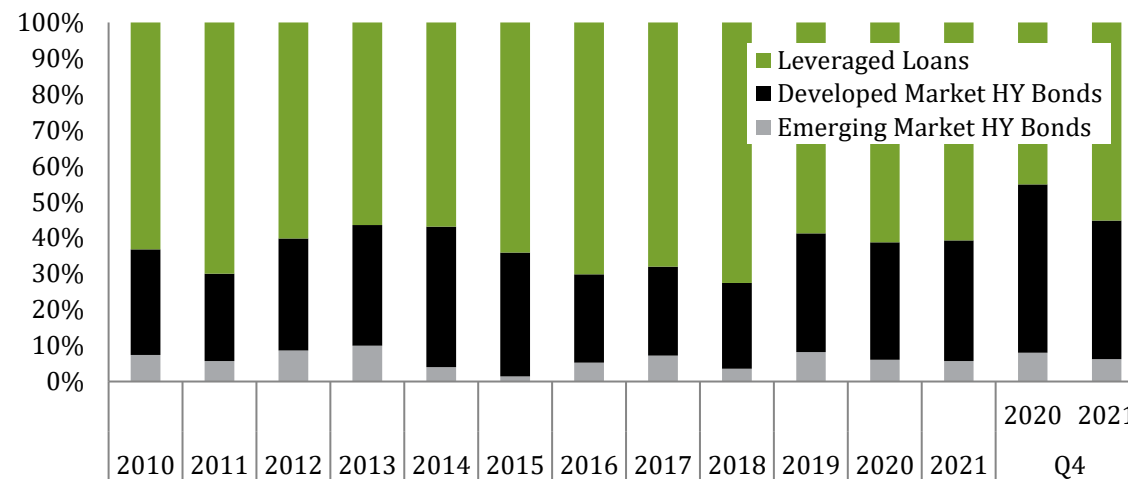
Net demand for loans to enterprises increased significantly in 4Q'21. The factors contributing to the increase in loan demand were inventories and working capital, fixed investment and M&A.

Leveraged Finance Issuance

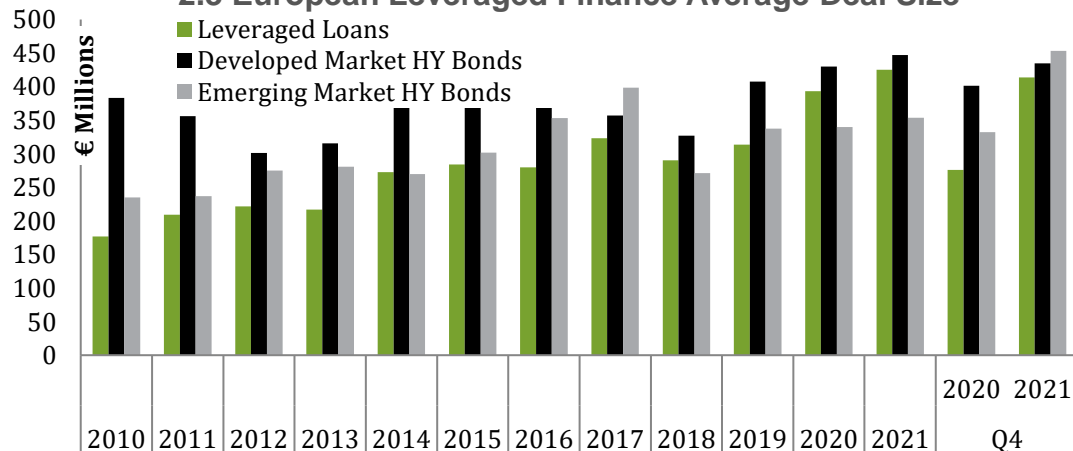
2.1 European Leveraged Issuance by Type



2.2 European Leveraged Issuance Percentage, by type



2.3 European Leveraged Finance Average Deal Size



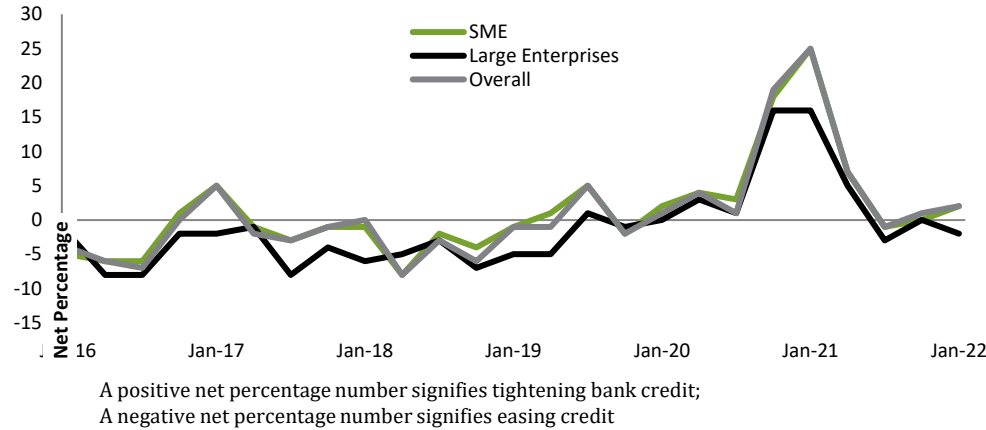
2.4 Global Comparison High Yield Issuance

EUR bln	2021					2020					Prior years			
	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year	2019	2018	2017	2016
United States	112.7	98.5	79.5	50.1	340.7	56.4	114.0	97.4	72.9	340.8	199.8	115.8	218.3	192.0
Europe	41.33	49	30.7	39.3	160.2	29.5	24.2	24.7	34.3	112.7	110.7	73.5	128.0	82.0
Asia Pacific	21.3	20.3	9.3	5.1	56.0	26.8	7.7	17.2	13.4	65.2	94.1	49.8	75.8	27.7

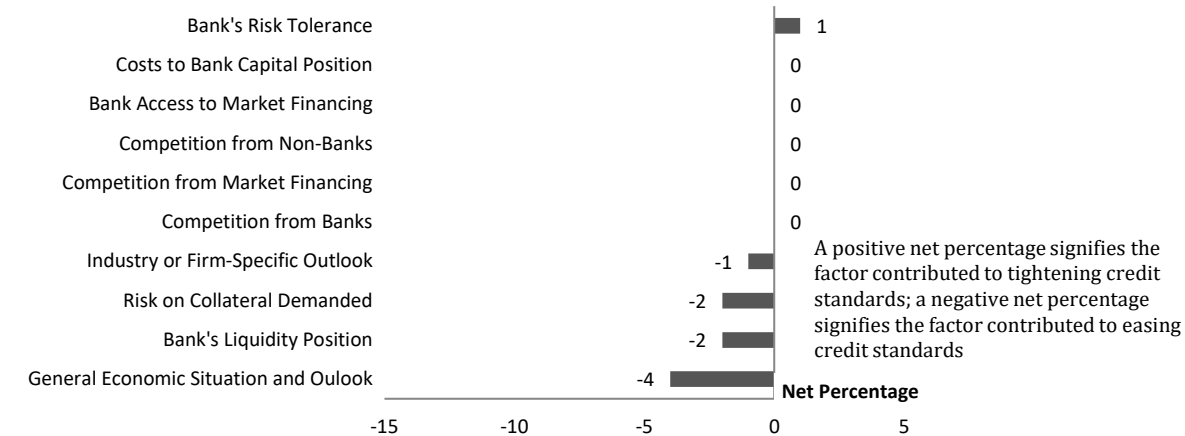
Source: Dealogic

Credit Standards and Loan Demand

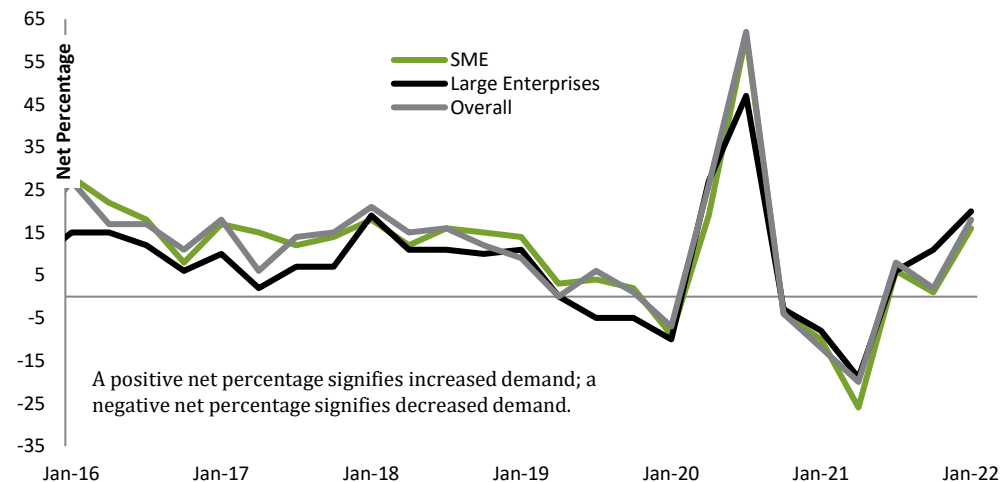
2.5 Bank Credit Standards



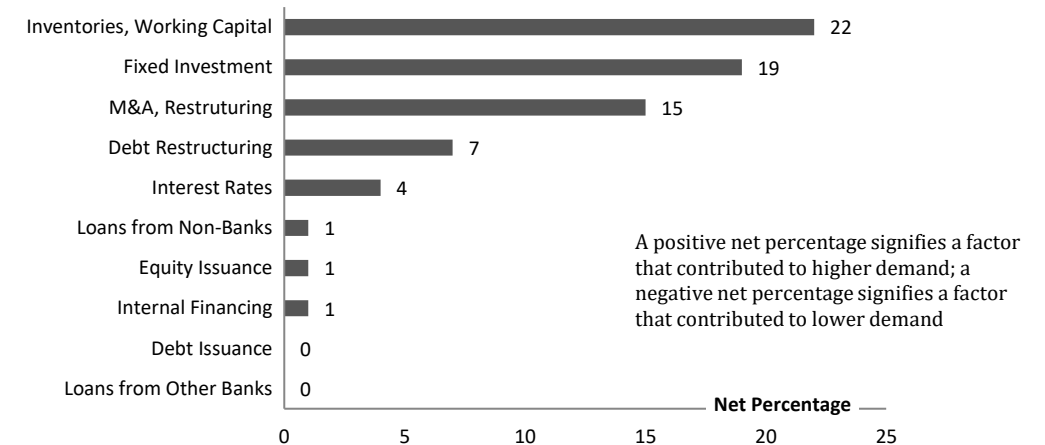
2.6 Factors Affecting Bank Credit Standards: January 2022



2.7 Loan Demand



2.8 Factors Affecting Loan Demand: January 2022



Source: ECB

Leveraged Loans

Issuance: Leveraged Loans

Leveraged loan issuance, including first lien, second lien, and mezzanine financing, totaled €48.4 billion on 117 tranches in 4Q'21, down 13.4% from €55.8 billion on 145 tranches in 3Q'21 but up 71.9% from €28.1 billion on 102 tranches in 4Q'20.

All of the leveraged loans issued in 4Q'21 were 1st lien loans. There were no 2nd lien or mezzanine loans financed in 4Q'21.

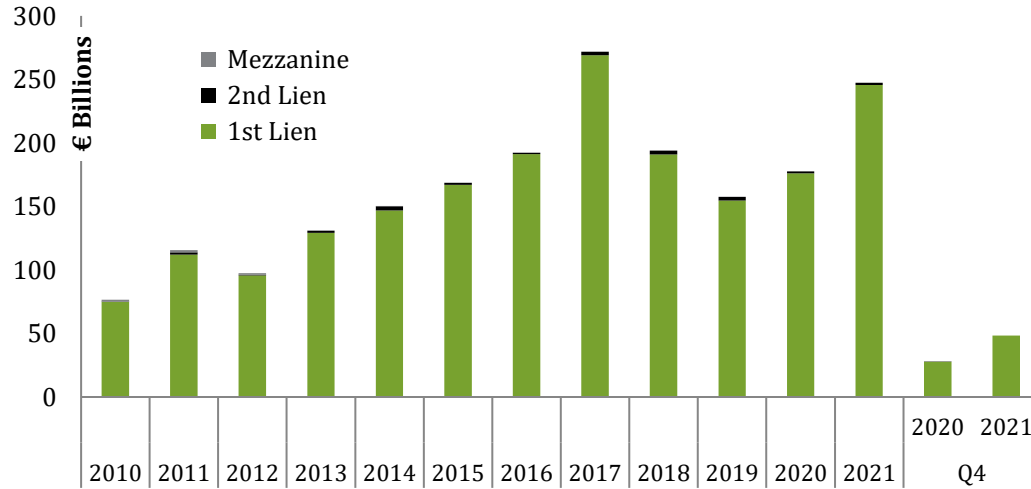
Pricing spreads for institutional loans widened by 19 basis points (bps) q-o-q and 17 bps y-o-y. Spreads for pro rata loans widened by 107 bps q-o-q and by 100 bps y-o-y.

In 4Q'21 €1.3 billion of amend-and-extend ("A&E") loans were financed, down from €10 billion in 3Q'21 but up from €0.1 billion in 4Q'20. There were €0.8 billion in loans amended to reduce pricing ("A&R") in 4Q'21, down from €5.2 billion in 3Q'21 and up from €0.3 billion in 4Q'20.

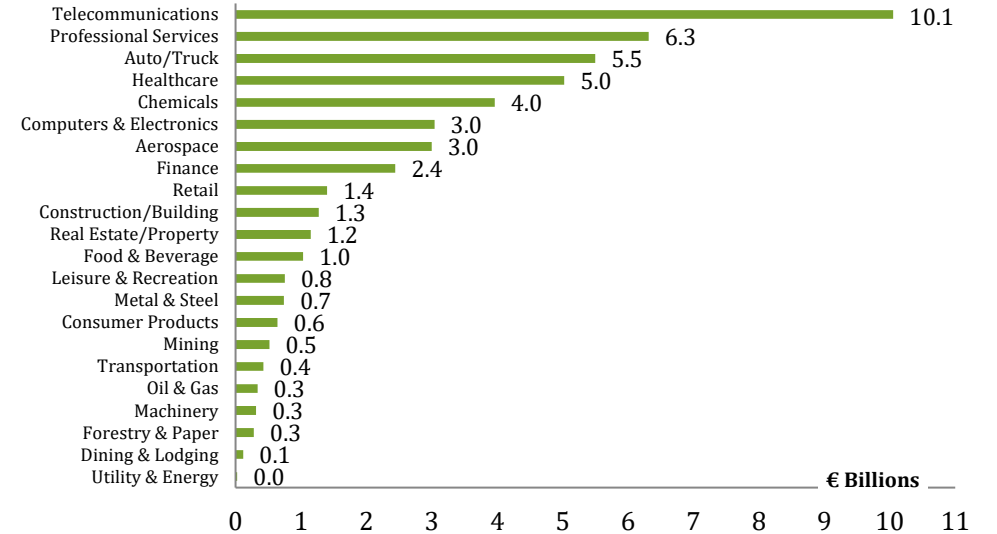
The top three sectors accounted for 45.2% of leveraged loan issuance in 4Q'21; the leading sector was Telecommunications (€10.1 billion or 20.8% of total), followed by Professional Services (€6.3 billion, 13.06%), and Auto/Truck (€5.5 billion, 11.37%), with the balance split between 19 other sectors.

25.5% of deals financed in 4Q'21 were issued for refinancing and/or repayment of debt, down from 46.5% in 3Q'21 and slightly up from 25.1% in 4Q'20. LBO/MBO was the second largest use of proceeds in 4Q'21 with €17.4 billion, followed by Acquisitions with €15.7 billion.

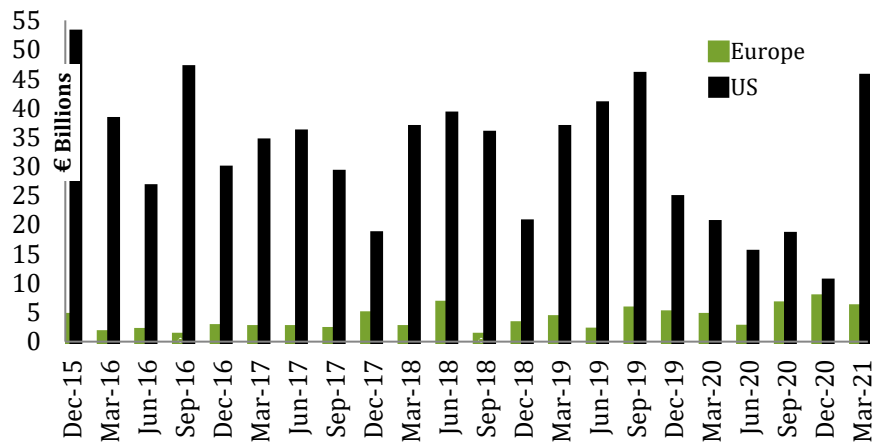
3.1 European Leveraged Loan Issuance By Type



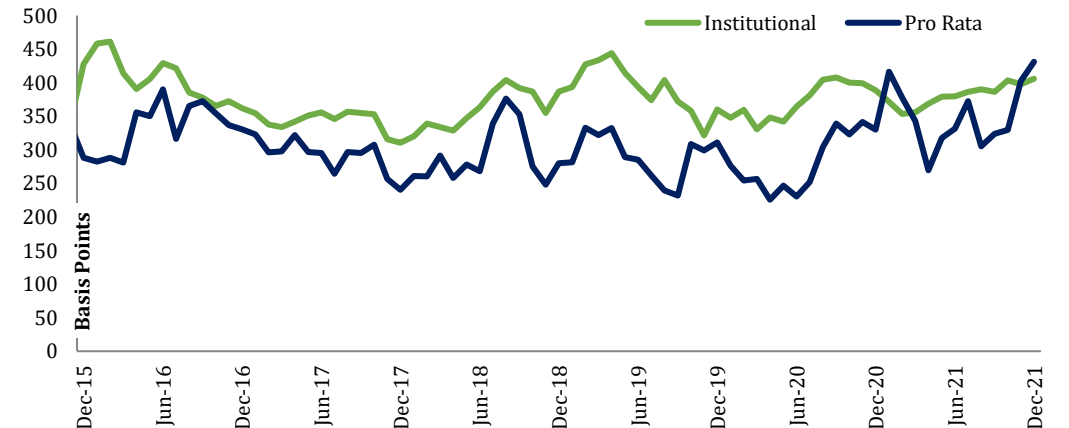
3.2 European Leveraged Loan Issuance by Industry: Q4 2021



3.3 Forward Pipeline of Leveraged Loan Market

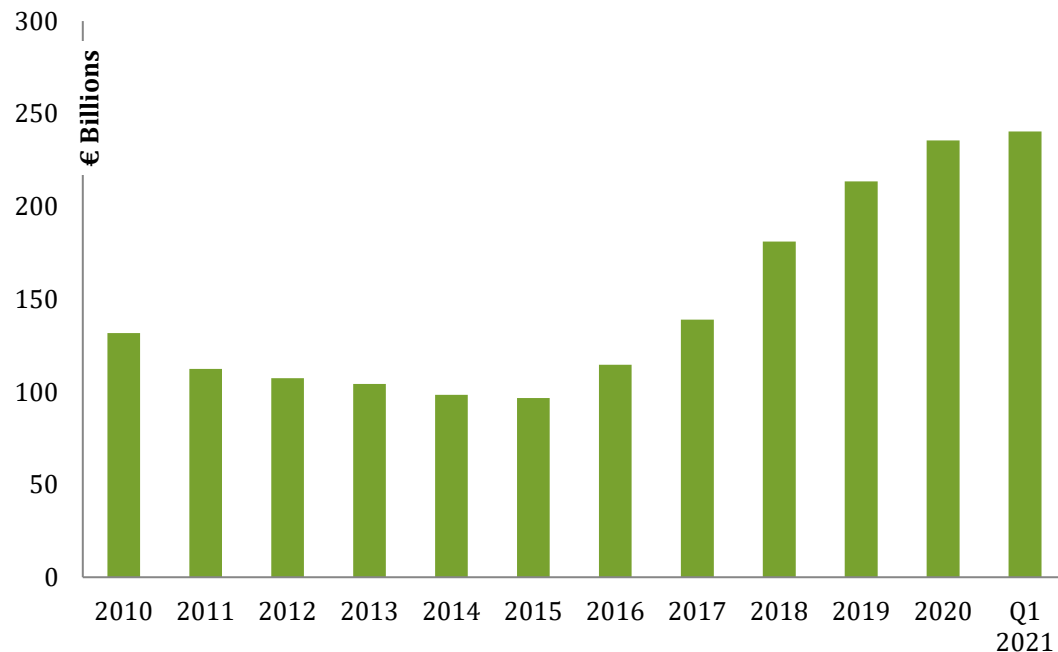


3.4 Institutional and Pro Rata Spreads (3-month rolling average)

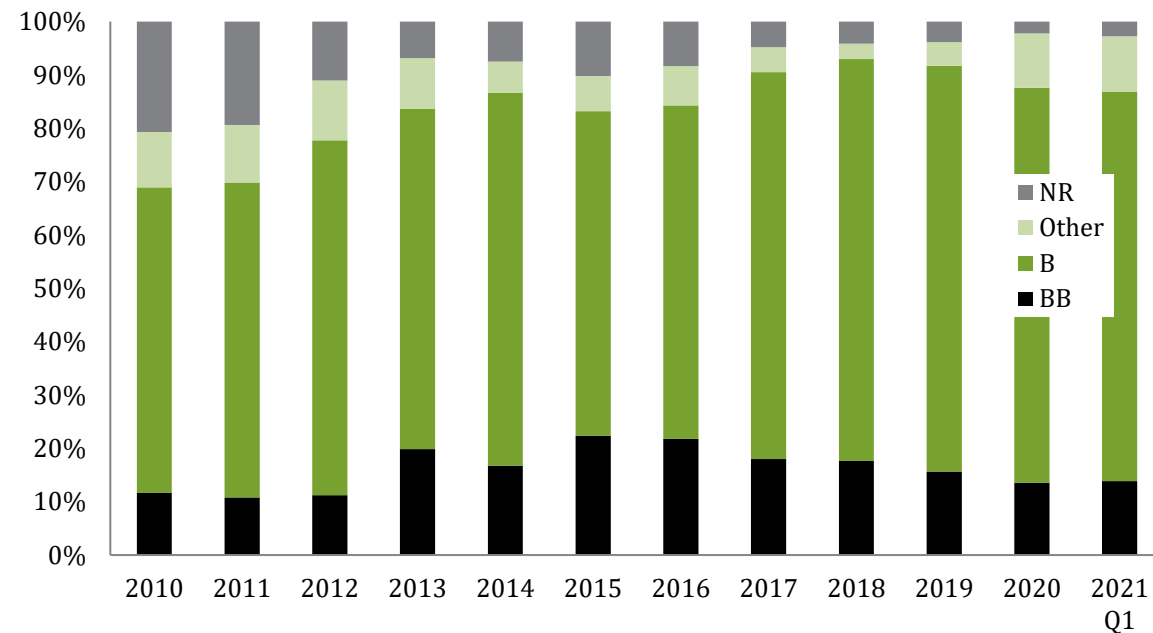


Source: Dealogic [3.1], [3.2] and [3.4], S&P LCD [3.3; data available only as of Q1 2021]

3.5 ELLI Total Institutional Loans Outstanding



3.6 S&P ELLI Ratings Diversification



Source: S&P LCD. Data available only as of Q1 2021

High Yield Bonds Overview

Issuance: High Yield Bonds

Primary high yield bond issuance totaled €39.3 billion on 90 deals in 4Q'21, a 27.9% increase from €30.7 billion on 71 deals in 3Q'21 and a 14.7% increase from €34.3 billion on 87 deals in 4Q'20. Developed market Europe issuance accounted for 86% of the 4Q'21 issuance (33.9 billion on 78 deals) while the 14% remaining (€5.4 billion on 12 deals) was issued by Emerging market Europe firms.

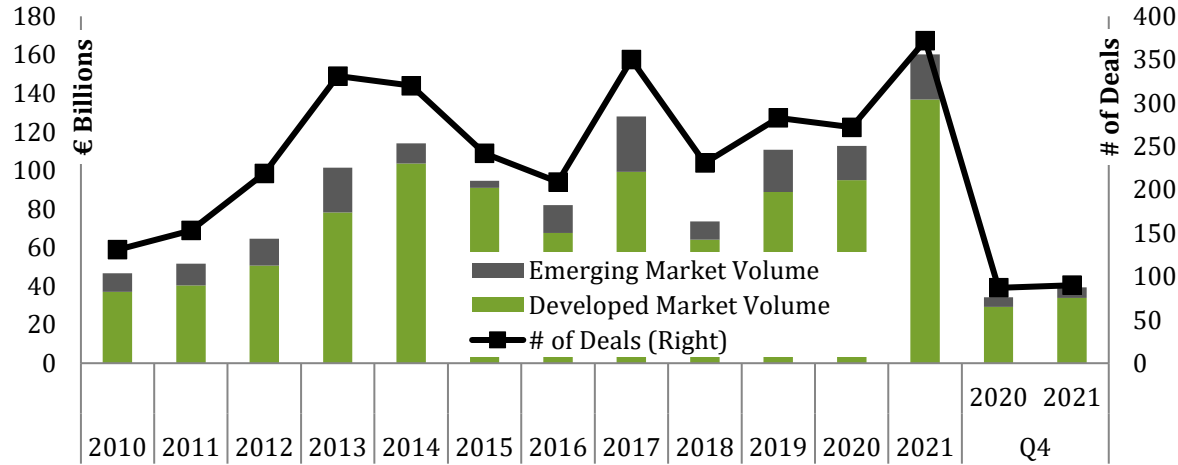
The leading use of proceeds for high yield bond issuance in 4Q'21 was general corporate purposes, at €13.2 billion, which was lower than €15.3 billion in 3Q'21 and than €26 billion in 4Q'20.

Three sectors accounted for 50.4% of the total high yield bond issuance volume in 4Q'21 in developed market Europe: the Telecommunications sector led issuance with €8.33 billion (24.6% of total), followed by Finance with €6.09 billion (18% of total), and Professional Services with €2.67 billion (7.9% of total). In Emerging Market Europe, the top three sectors were: Finance (€1.74 billion or 32% of total), followed by Utility and Energy (€1.34 billion, 24.7%) and Metal and Steel (€0.69 billion, 12.7%).

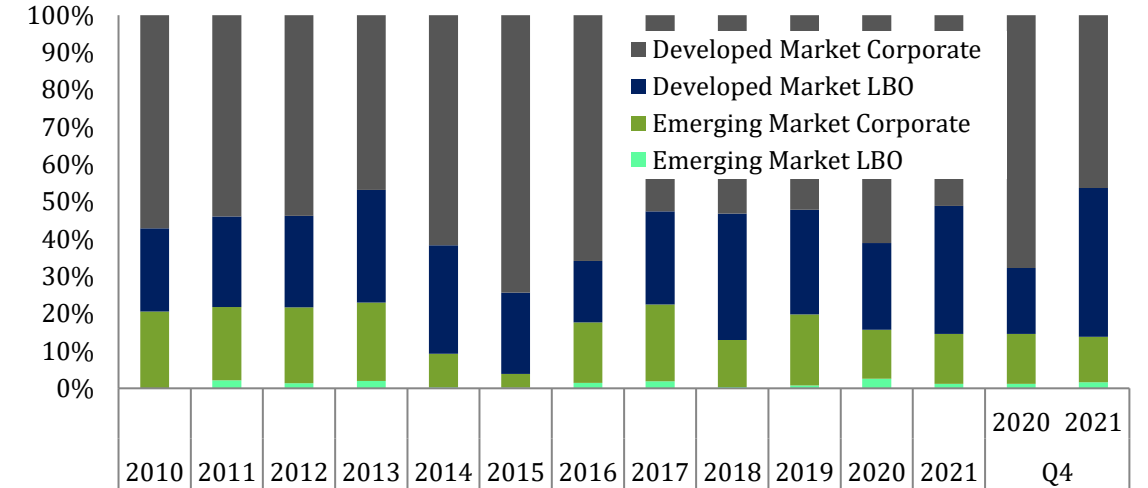
The proportion of USD-denominated issuance decreased to 28.8% of all issuance in 4Q'21, down from 35% in 3Q'21 but up from 21.3% in 4Q'20.

High Yield Bonds Overview

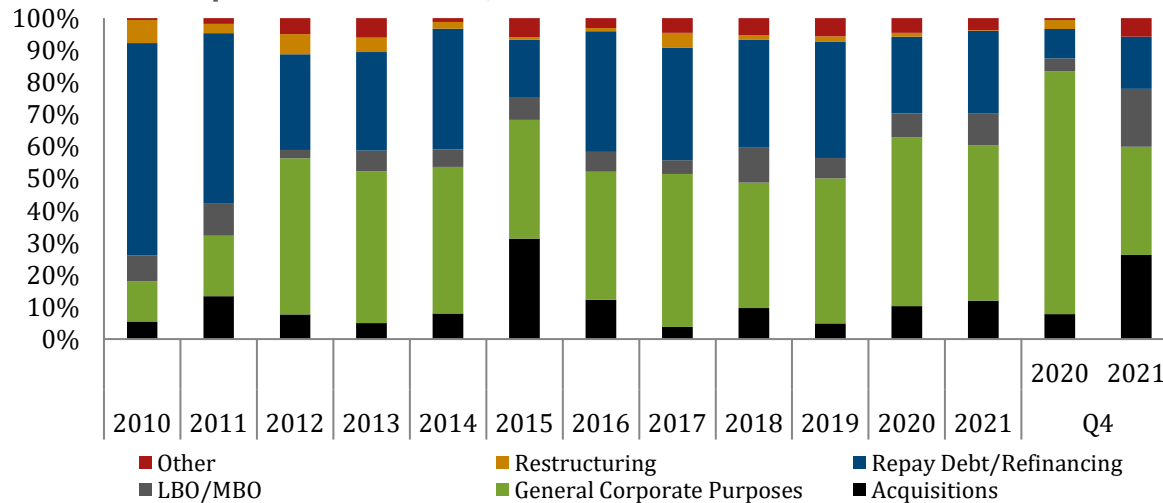
4.1 European HY Issuance, Developed and Emerging Markets



4.2 European HY Issuance, Sponsored vs Corporate

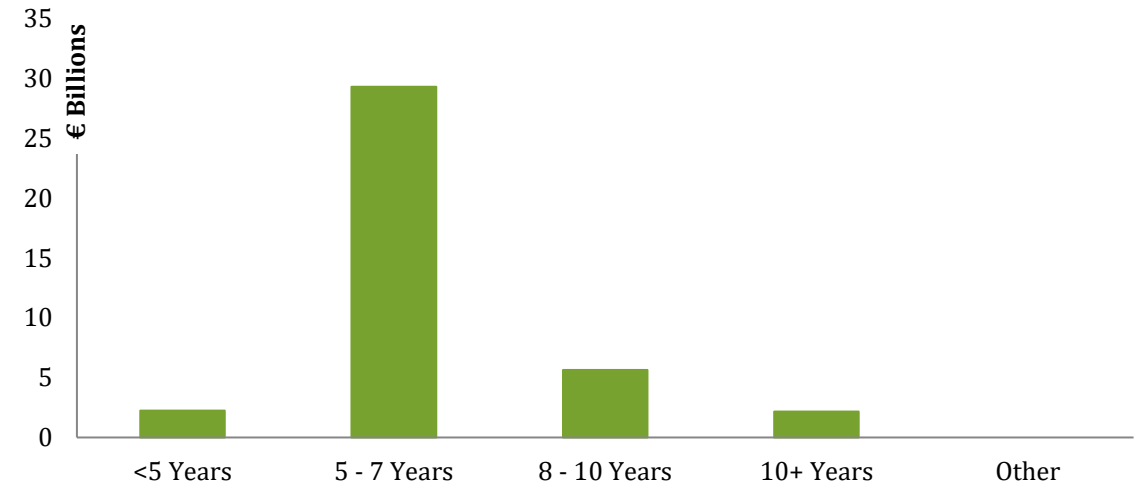


4.3 European HY Issuance, Use of Proceeds



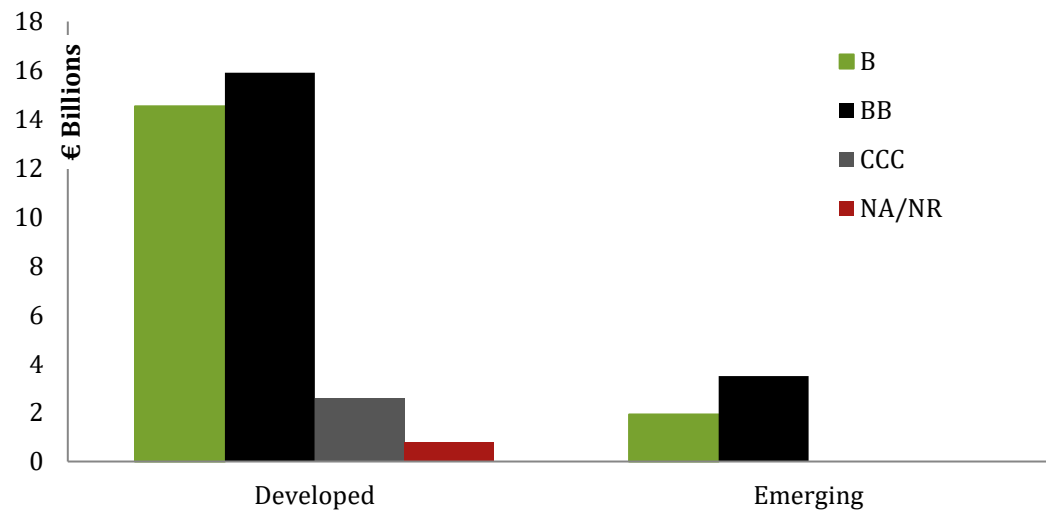
Source: Dealogic

4.4 European HY Bond Issuance by Tenor: Q4 2021



High Yield Bonds Overview

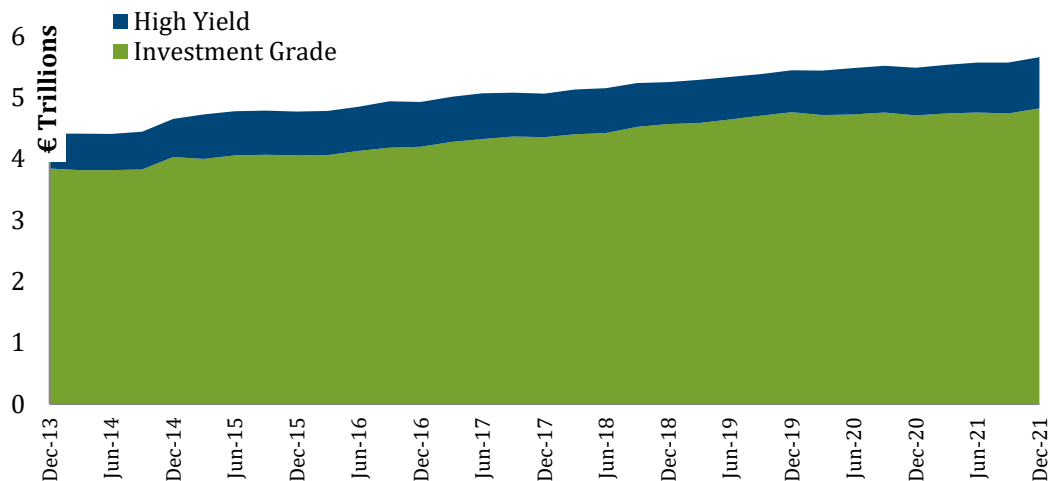
4.5 European High Yield Issuance by Rating: Q4 2021



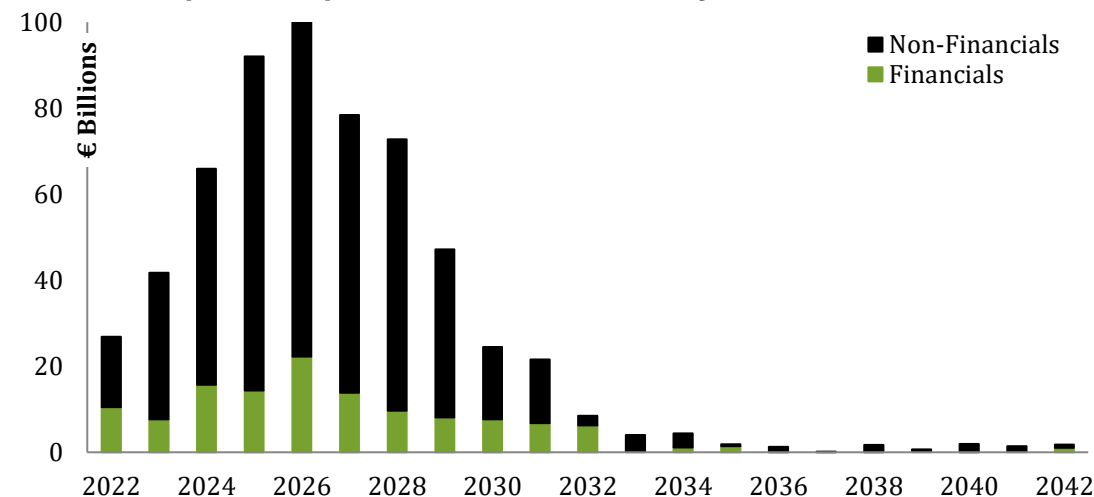
*Corporate Bond Issuance denotes corporate and sponsored bonds, excluding government bonds.

High Yield Bonds Overview

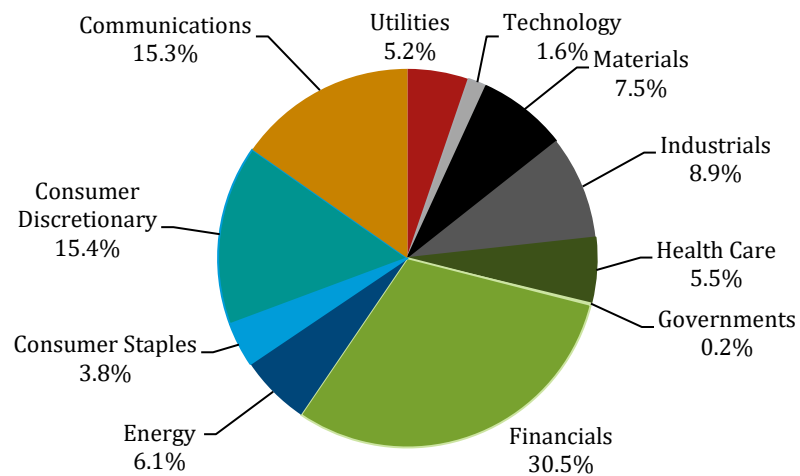
4.6 European Corporate Bonds Outstanding



4.7 European Corporate HY Bonds Maturity Wall

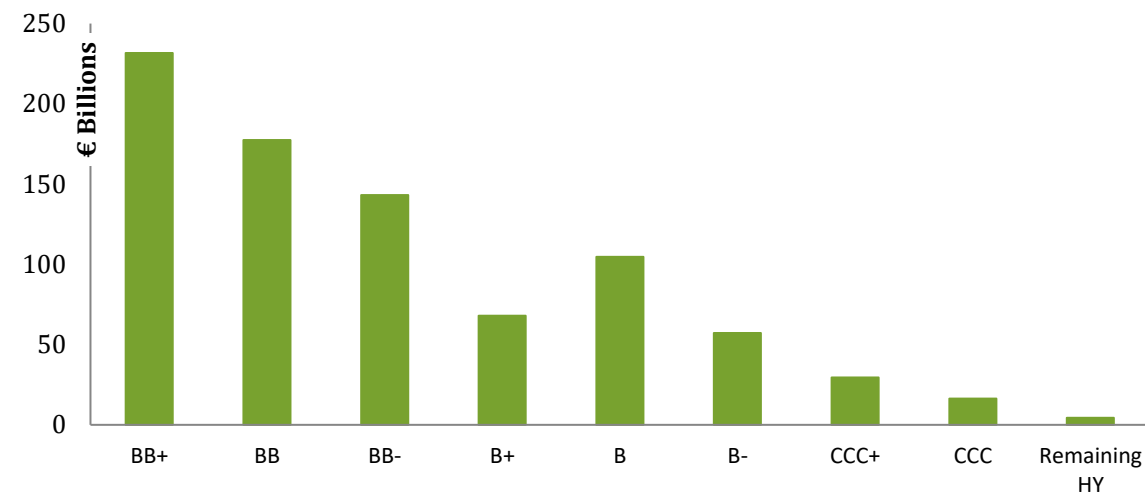


4.8 European Corporate HY Bonds Outstanding by Sector



Source: Bloomberg

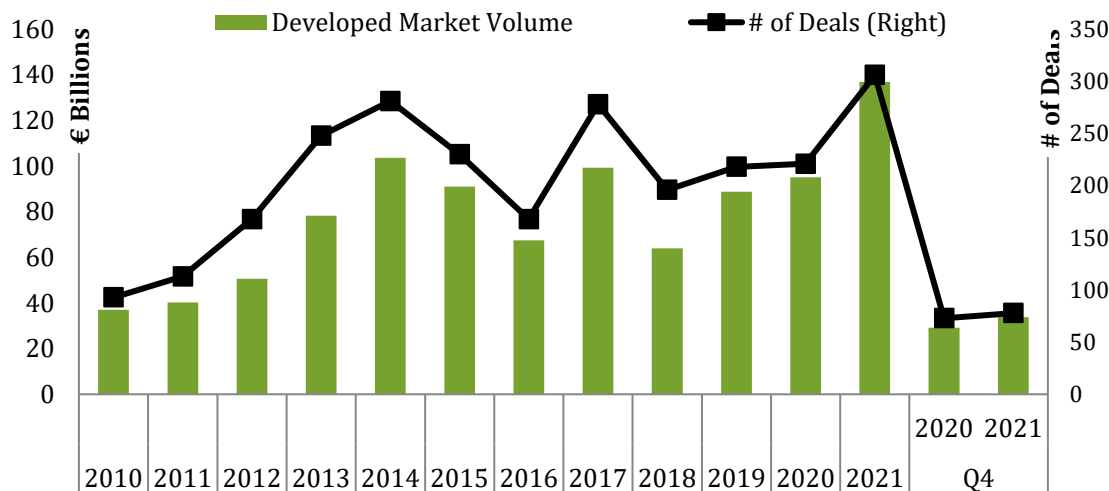
4.9 European Corporate HY Bonds Outstanding by Current Rating



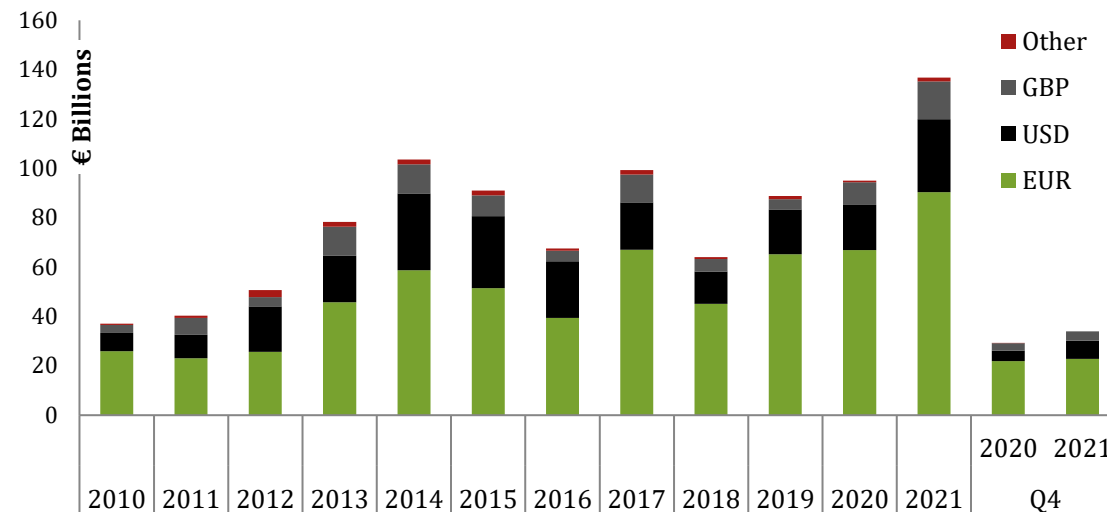
European Developed Market High Yield Bonds

Developed Market High Yield Bonds

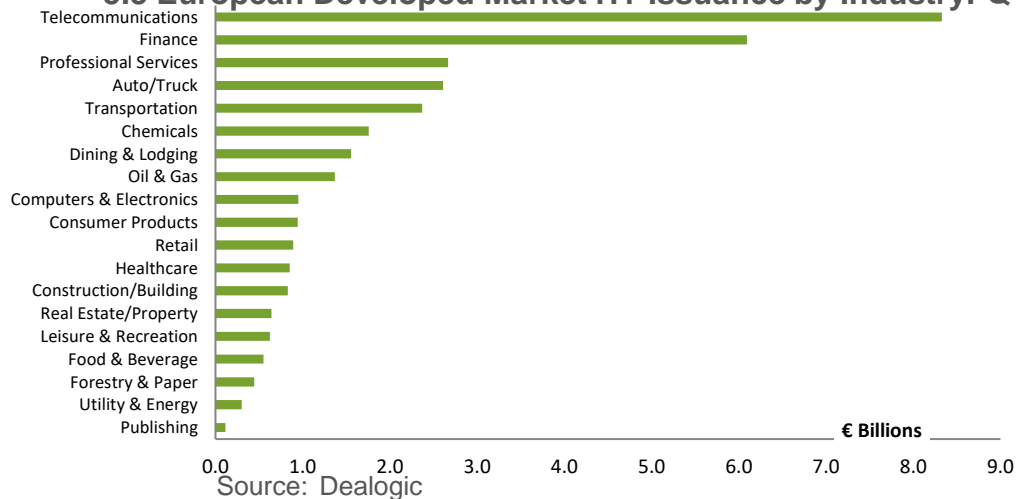
5.1 European Developed Market HY Bond Issuance



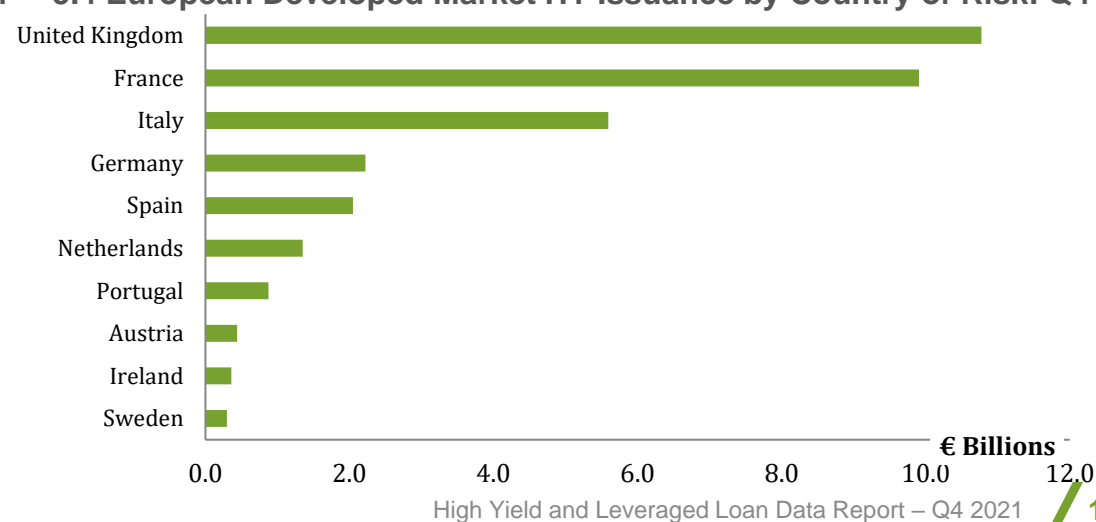
5.2 European Developed Market HY Issuance by Currency



5.3 European Developed Market HY Issuance by Industry: Q4 2021

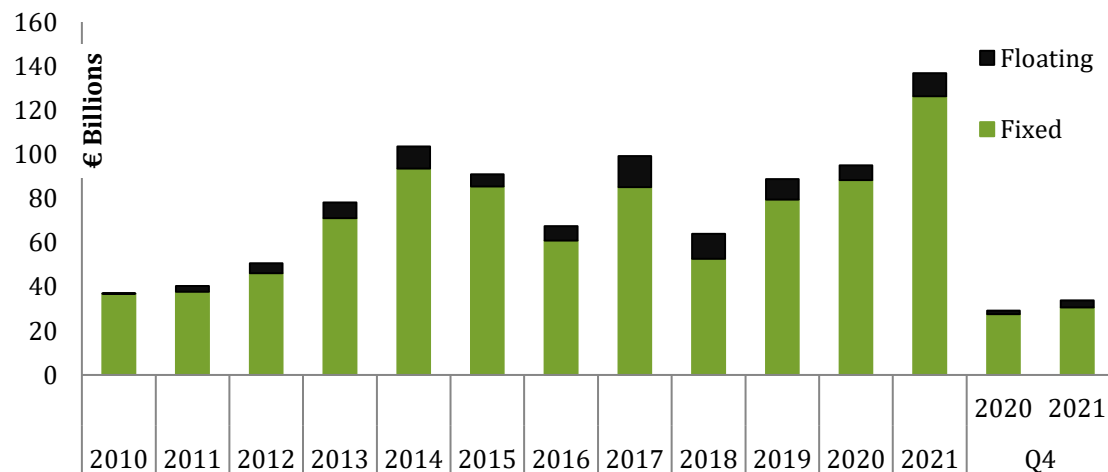


5.4 European Developed Market HY Issuance by Country of Risk: Q4 2021

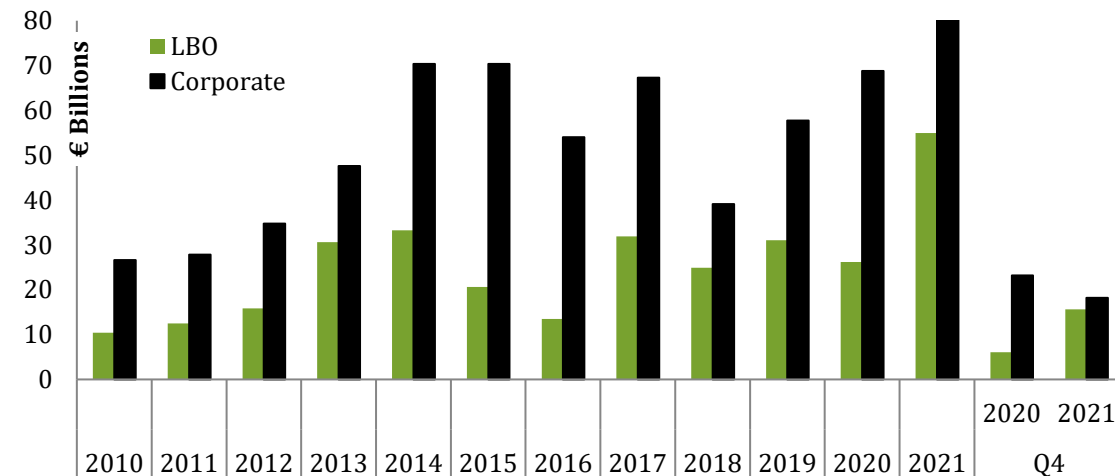


Developed Market High Yield Bonds

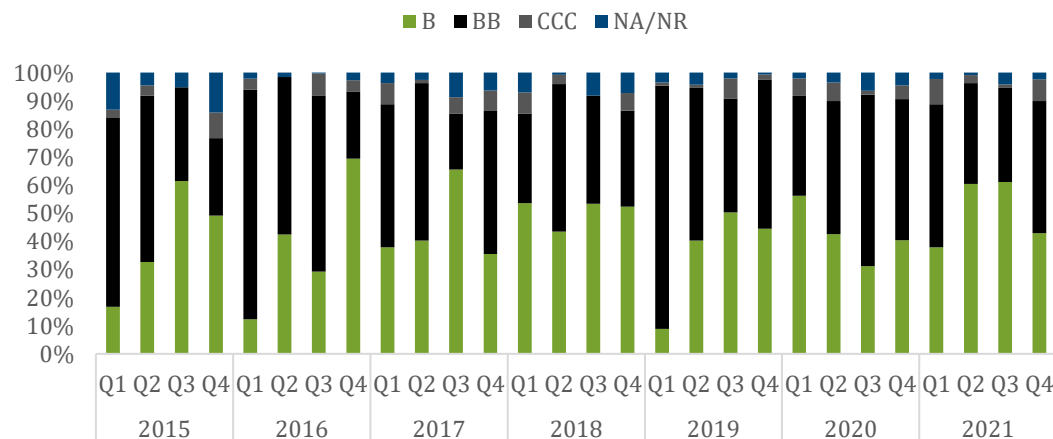
5.5 European Developed Market HY Issuance, Fixed vs. Floating



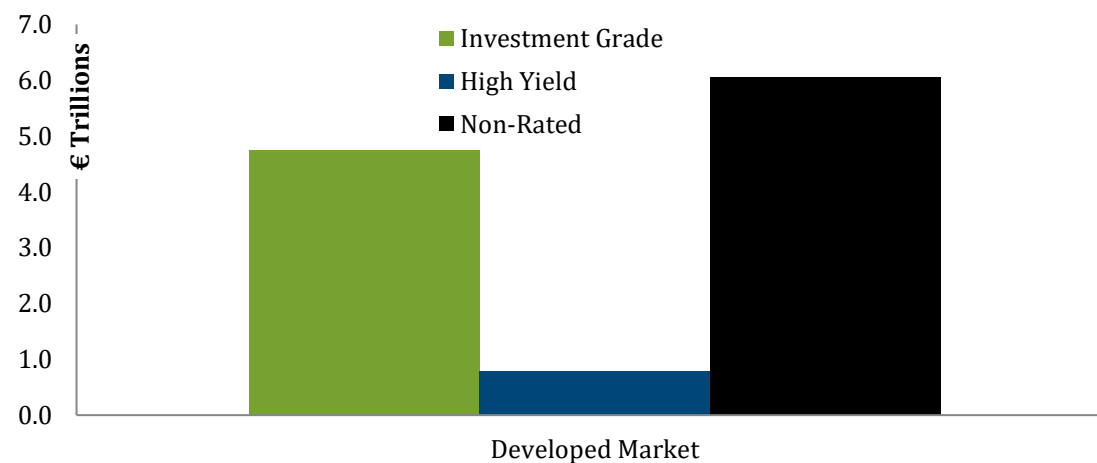
5.6 European Developed Market HY Issuance, Sponsored vs. Corporate



5.7 European Developed Market HY Rating Distribution at Issuance



5.8 European Developed Market Corporate Bonds Outstanding: Q4 2021



Source: Dealogic [5.5], [5.6] and [5.7], Bloomberg [5.8]

5.9 European Developed Market HY Bond Issuance

Issuer	Industry Group	Date	Currency	Amount (billion)	Coupon	Moodys	S&P	Fitch
Kaixo Bondco Telecom SAU	Telecommunications	05/10/2021	Euro	0.50	5.125	Caa1	CCC+	B-
Lorca Telecom Bondco SAU	Telecommunications	05/10/2021	Euro	1.55	4	B1	B	BB
Maison FinCo plc	Real Estate/Property	06/10/2021	British Pound Sterling	0.32	6	(blank)	B+	BB+
Provident Financial plc	Finance	06/10/2021	British Pound Sterling	0.23	8.875	(blank)	(blank)	B+
Bach Bidco SpA	Professional Services	07/10/2021	Euro	0.28	3-mth Euribor +425	B2	B	(blank)
BCP V Modular Services Finance II plc	Finance	07/10/2021	British Pound Sterling	0.29	6.125	B2	B	B+
Golar LNG Ltd	Transportation	07/10/2021	US Dollar	0.26	7	(blank)	(blank)	(blank)
Harbour Energy plc	Oil & Gas	07/10/2021	US Dollar	0.43	5.5	(blank)	BB	BB-
Shiba BidCo SpA	Food & Beverage	07/10/2021	Euro	0.55	4.5	B2	B	(blank)
Zoncolan BidCo SpA	Telecommunications	07/10/2021	Euro	0.38	4.875	B3	B	B+
BCP V Modular Services Finance II plc	Finance	08/10/2021	Euro	0.75	4.75	B2	B	B+
Castlelake Aviation Ltd	Finance	08/10/2021	US Dollar	0.36	5	B2	B+	BB
Heimstaden AB	Real Estate/Property	08/10/2021	Euro	0.30	6.75	(blank)	(blank)	BB-
BCP V Modular Services Finance II plc	Finance	09/10/2021	Euro	0.44	6.75	Caa1	CCC+	CCC+
Codic International SA	Real Estate/Property	11/10/2021	Euro	0.02	4.5	(blank)	(blank)	(blank)
ICCREA Banca SpA	Finance	11/10/2021	Euro	0.30	4.75	(blank)	B	B
Iliad SA	Telecommunications	13/10/2021	Euro	1.10	5.125	B2	B+	BB-
Aigrette Financing (Issuer) plc	Construction/Building	14/10/2021	British Pound Sterling	0.01	4.56	(blank)	(blank)	(blank)
Iliad SA	Telecommunications	14/10/2021	Euro	0.75	5.625	B2	B+	BB-
Aigrette Financing (Issuer) plc	Construction/Building	15/10/2021	British Pound Sterling	0.17	4.68	(blank)	(blank)	(blank)
Albion HoldCo Ltd	Professional Services	15/10/2021	Euro	0.45	5.25	B1	BB-	BB+
Iliad SA	Telecommunications	15/10/2021	US Dollar	1.04	6.5	B2	B+	BB-
Aigrette Financing (Issuer) plc	Construction/Building	16/10/2021	British Pound Sterling	0.14	4.82	(blank)	(blank)	(blank)
Albion HoldCo Ltd	Professional Services	16/10/2021	US Dollar	0.49	6.125	B1	BB-	BB+
Iliad SA	Telecommunications	16/10/2021	US Dollar	0.78	7	B2	B+	BB-
Aigrette Financing (Issuer) plc	Construction/Building	17/10/2021	British Pound Sterling	0.04	(blank)	(blank)	(blank)	(blank)
Albion HoldCo Ltd	Professional Services	17/10/2021	US Dollar	0.39	8.75	B3	B	BB-
SCIL IV LLC	Chemicals	19/10/2021	Euro	0.33	4.375	B1	BB-	(blank)
Bracken MidCo1 plc	Finance	20/10/2021	British Pound Sterling	0.45	6.75	(blank)	B+	B
Chrome BidCo SAS	Healthcare	20/10/2021	Euro	0.30	3.5	B1	B	Nr
SCIL IV LLC	Chemicals	20/10/2021	Euro	0.33	3-mth Euribor +437.5	B1	BB-	(blank)
TUI Cruises GmbH	Leisure & Recreation	20/10/2021	Euro	0.22	6.5	Caa2	(blank)	CCC
Chrome BidCo SAS	Healthcare	21/10/2021	Euro	0.20	5	Caa1	CCC+	Nr
Paganini BidCo SpA	Professional Services	21/10/2021	Euro	0.77	3-mth Euribor +425	B2	B	(blank)
RAC Bond Co plc	Auto/Truck	21/10/2021	British Pound Sterling	0.41	5.25	(blank)	B+	(blank)
SCIL IV LLC	Chemicals	21/10/2021	US Dollar	0.66	5.375	B1	BB-	(blank)
ZF Finance GmbH	Auto/Truck	21/10/2021	Euro	0.50	2.25	Ba1	BB+	(blank)
Burger King France SAS	Dining & Lodging	22/10/2021	Euro	0.24	7.75	(blank)	CCC	(blank)

Source: Dealogic

5.9 European Developed Market HY Bond Issuance

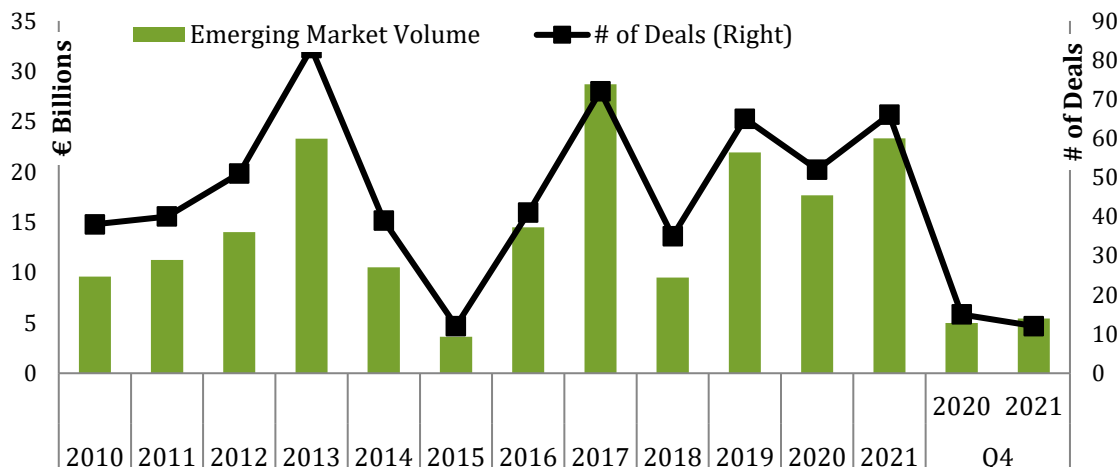
Burger King France SAS	Dining & Lodging	23/10/2021	Euro	0.62	3-mth Euribor +475	B3	B-	(blank)
Almaviva SpA	Computers & Electronics	26/10/2021	Euro	0.35	4.875	(blank)	B+	BB
Getlink SE	Transportation	26/10/2021	Euro	0.15	3.5	(blank)	BB-	BB+
IPD 3 BV	Publishing	27/10/2021	Euro	0.12	3-mth Euribor +550	B3	B-	B+
Seche Environnement SA	Utility & Energy	27/10/2021	Euro	0.30	2.25	(blank)	BB	BB
Sherwood Financing Plc	Finance	27/10/2021	British Pound Sterling	0.41	6	B1	B+	BB-
Caixa Central de Credito Agricola Mutuo - CRL	Finance	28/10/2021	Euro	0.30	2.5	Ba2	(blank)	(blank)
Sherwood Financing Plc	Finance	28/10/2021	Euro	0.40	4.5	B1	B+	BB-
Armor Holdco Inc	Professional Services	29/10/2021	US Dollar	0.30	8.5	Caa1	CCC+	(blank)
Bellis Acquisition Co Plc	Retail	29/10/2021	British Pound Sterling	0.59	3.25	Ba3	(blank)	BB-
Petrofac	Oil & Gas	29/10/2021	US Dollar	0.52	9.75	(blank)	BB-	BB-
Sherwood Financing Plc	Finance	29/10/2021	Euro	0.64	3-mth Euribor +462.5	B1	B+	BB-
CAB SELAS	Healthcare	03/11/2021	Euro	0.35	3.375	B2	B-	B+
Faurecia SE	Auto/Truck	03/11/2021	Euro	1.20	2.75	Ba2	BB	BB+
Rexel SA	Computers & Electronics	03/11/2021	Euro	0.60	2.125	Ba3	BB-	(blank)
Verallia SA	Consumer Products	03/11/2021	Euro	0.50	1.875	Ba2	BB+	(blank)
Lune Holdings Sarl	Chemicals	04/11/2021	Euro	0.45	5.625	B2	B	B
SIG plc	Construction/Building	04/11/2021	Euro	0.30	5.25	B1	B+	(blank)
Gamma Bondco Sarl	Leisure & Recreation	05/11/2021	Euro	0.40	8.125	Caa1	CCC+	(blank)
Jerrold FinCo plc	Finance	08/11/2021	British Pound Sterling	0.14	4.875	(blank)	BB-	BB
Deutsche Lufthansa AG	Transportation	09/11/2021	Euro	0.60	1.625	Ba2	BB-	(blank)
Deutsche Lufthansa AG	Transportation	10/11/2021	Euro	0.90	2.875	Ba2	BB-	BB-
Energean plc	Oil & Gas	10/11/2021	US Dollar	0.39	6.5	(blank)	B	B+
ICCREA Banca SpA	Finance	10/11/2021	Euro	0.50	2.125	(blank)	BB	BB-
Millennium BCP	Finance	10/11/2021	Euro	0.30	4	Ba3	(blank)	B+
VistaJet Malta Finance plc	Transportation	16/11/2021	US Dollar	0.46	(blank)	(blank)	(blank)	(blank)
B&M European Value Retail SA	Retail	17/11/2021	British Pound Sterling	0.30	4	Ba2	BB	(blank)
AccorHotels	Dining & Lodging	18/11/2021	Euro	0.70	2.375	(blank)	BB+	BB+
Banca Popolare di Sondrio SCpA	Finance	18/11/2021	Euro	0.30	3.875	(blank)	(blank)	BB-
IHS Holding Ltd	Telecommunications	18/11/2021	US Dollar	0.44	5.625	B2	B	BB-
IHS Holding Ltd	Telecommunications	19/11/2021	US Dollar	0.44	6.25	(blank)	B	BB-
Coty Inc	Consumer Products	22/11/2021	US Dollar	0.44	4.75	B1	B+	(blank)
Renault	Auto/Truck	24/11/2021	Euro	0.50	2.5	Ba2	BB+	(blank)
Aigrette Financing (Issuer) plc	Construction/Building	26/11/2021	British Pound Sterling	0.06	4.92	(blank)	(blank)	(blank)
Verde Bidco SpA	Oil & Gas	26/11/2021	Euro	0.03	4.625	B2	B	(blank)
Rimini BidCo SpA	Forestry & Paper	30/11/2021	Euro	0.45	3-mth Euribor +525	B2	B	BB-
Aigrette Financing (Issuer) plc	Construction/Building	09/12/2021	British Pound Sterling	0.11	(blank)	(blank)	(blank)	(blank)
WP/AP Telecom Holdings IV BV	Telecommunications	09/12/2021	Euro	0.80	3.75	B1	B	(blank)
WP/AP Telecom Holdings IV BV	Telecommunications	10/12/2021	Euro	0.55	5.5	Caa1	CCC+	(blank)
Novo Banco SA	Finance	13/12/2021	Euro	0.28	4.25	Caa2	(blank)	(blank)

Source: Dealogic

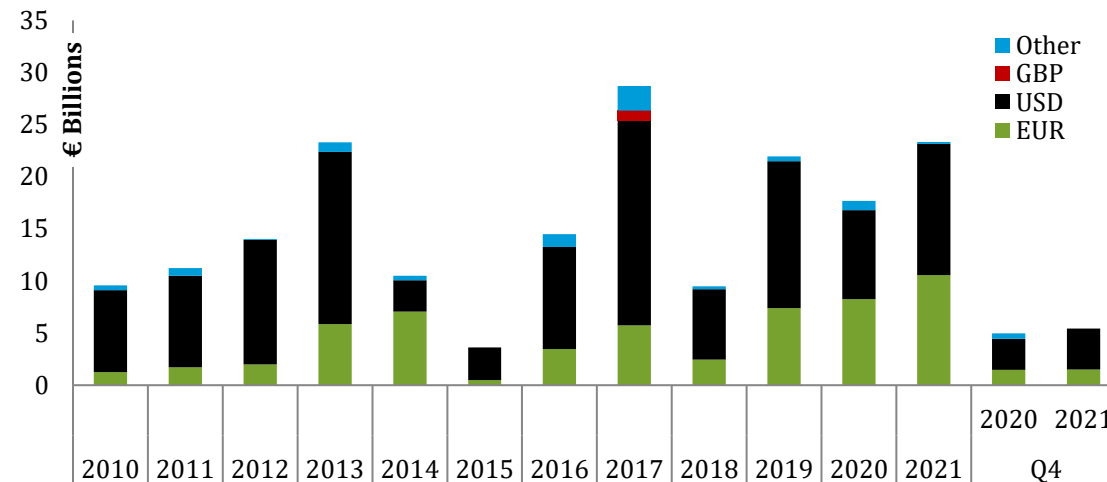
European Emerging Market High Yield Bonds

Emerging Market High Yield Bonds

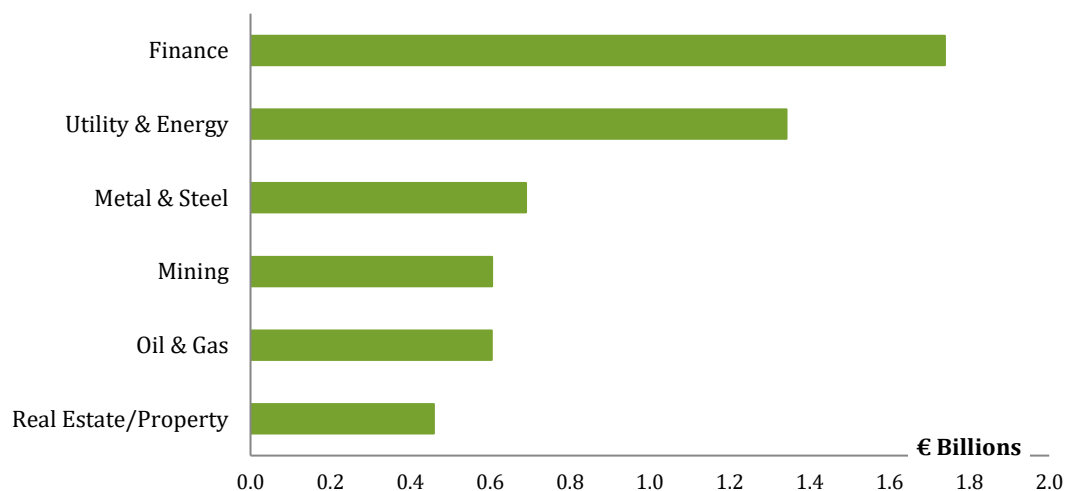
6.1 European Emerging Market HY Bond Issuance



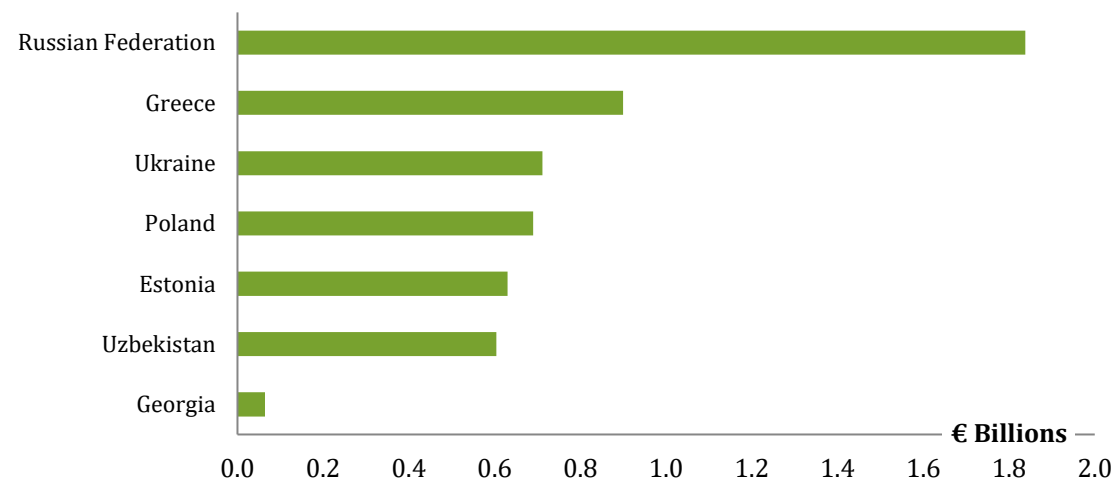
6.2 European Emerging Market HY Issuance by Currency



6.3 European Emerging Market HY Issuance by Industry: Q4 2021



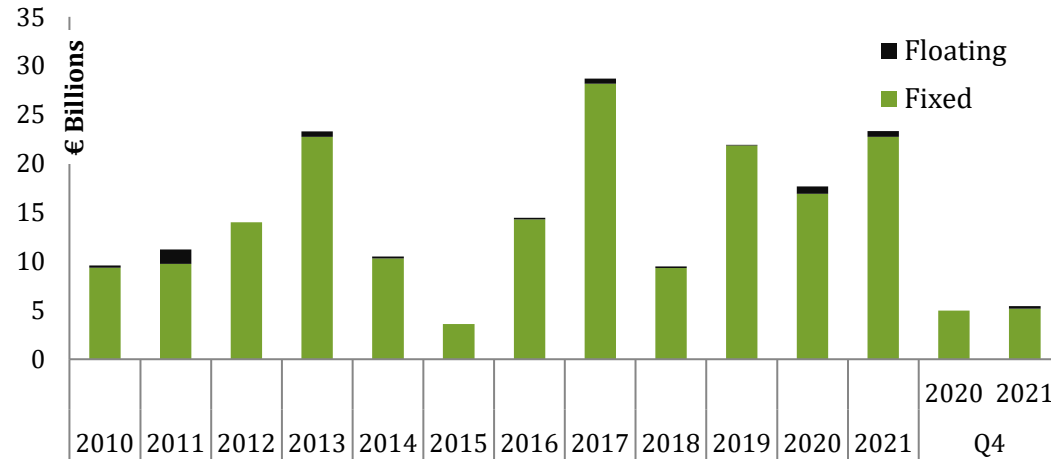
6.4 European Emerging Market HY Issuance by Country of Risk: Q4 2021



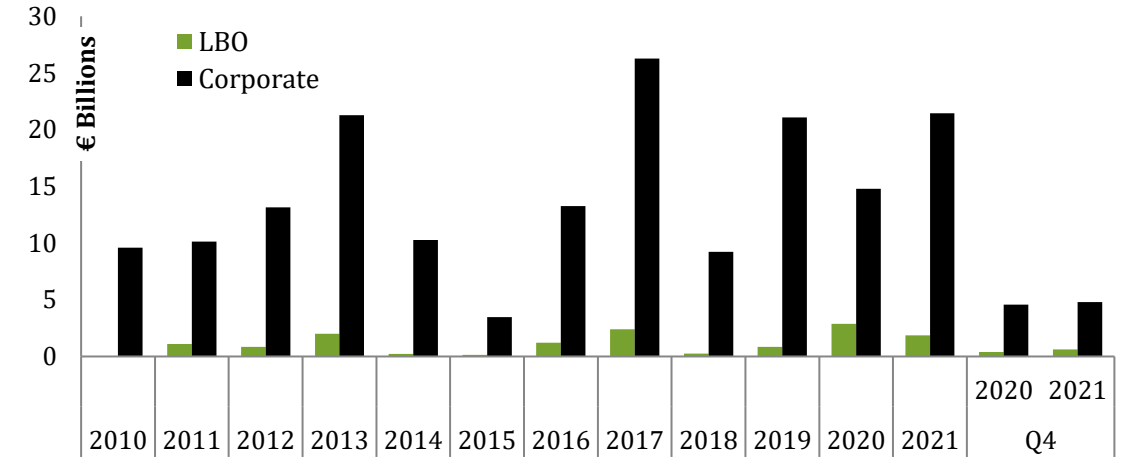
Source: Dealogic

Emerging Market High Yield Bonds

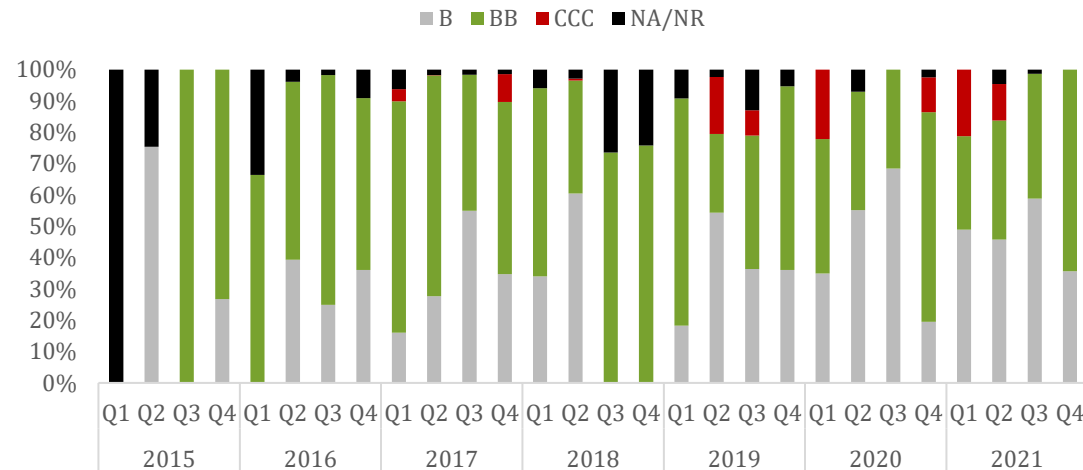
6.5 European Emerging Market HY Issuance, Fixed vs. Floating



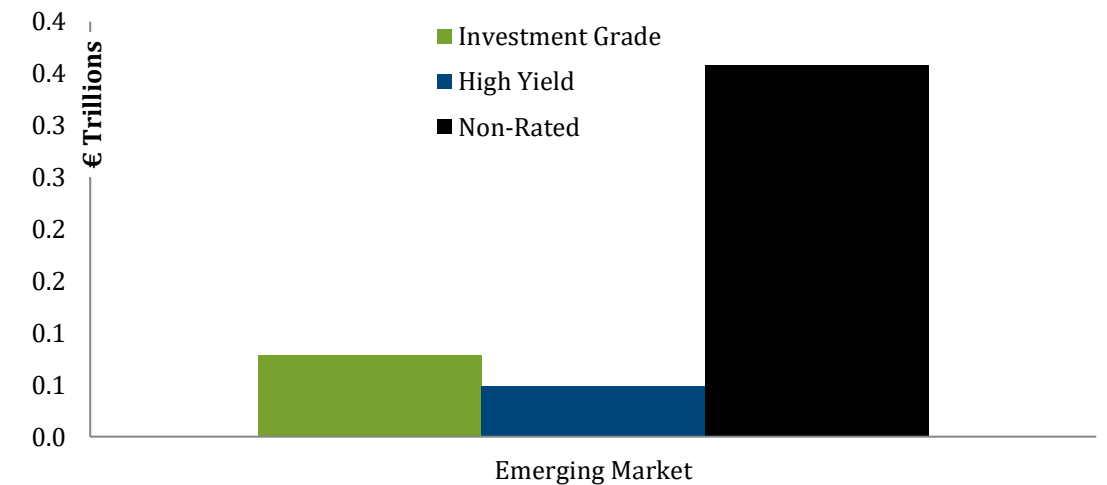
6.6 European Emerging Market HY Issuance, Sponsored vs. Corporate



6.7 European Emerging Market HY Rating Distribution at Issuance



6.8 European Emerging Market Corporate Bonds Outstanding: Q4 2021



Source: Dealogic [6.5], [6.6] and [6.7], Bloomberg [6.8]

6.9 European Emerging Market HY Bond Issuance

Issuer	Industry Group	Date	Currency	Amount (Millions)	Coupon	Moody's	S&P	Fitch
Can-Pack SA	Metal & Steel	04/10/2021	US Dollar	0.69	3.875	(blank)	BB	BB
Cullinan Holdco SCSp	Utility & Energy	07/10/2021	Euro	0.38	4.625	B1	B+	BB+
Cullinan Holdco SCSp	Utility & Energy	08/10/2021	Euro	0.25	3-mth Euribor +475	B1	B+	BB+
GTLK Europe Capital dac	Finance	20/10/2021	US Dollar	0.52	4.349	Ba2	(blank)	BB+
NPC Ukrenerg	Utility & Energy	03/11/2021	US Dollar	0.71	6.875	B3	(blank)	B
PIK Securities dac	Real Estate/Property	15/11/2021	US Dollar	0.46	5.625	Ba3	(blank)	BB-
Piraeus Bank SA	Finance	27/10/2021	Euro	0.50	3.875	Caa1	B	(blank)
Polyus Finance plc	Mining	11/10/2021	US Dollar	1	3.25	Baa3	BB+	BB+
Sovcombank	Finance	10/11/2021	US Dollar	0	7.60	B2	(blank)	B
TBC Bank JSC	Finance	28/10/2021	US Dollar	0	8.89	(blank)	(blank)	B-
Uzbekneftegaz JSC	Oil & Gas	10/11/2021	US Dollar	1	4.75	(blank)	BB-	BB-
Alpha Bank AE	Finance	07/12/2021	Euro	0	3.00	B3	B+	(blank)

Credit Quality

Credit Quality

As of December 2021, S&P reported the trailing 12-month speculative-grade bond default rate at 1.8%, a decrease from 5.3% in December 2020. Moody's reported the trailing 12-month speculative-grade default rate at 1.22% in December 2021, down from 5.0% in December 2020.

Fitch reported a decrease in European Leveraged Loan default rates (by value) to 1.9% in December 2021 from 4.92% in December 2020.

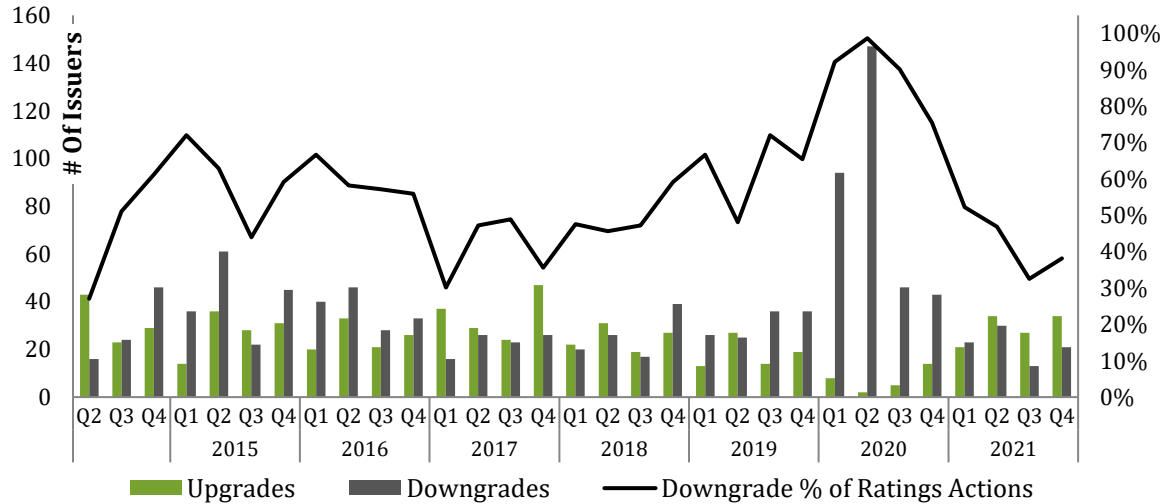
There were no defaults reported in the fourth quarter of 2021 by Standard and Poor's and Moody's.

According to Moody's, in 4Q'21 bond upgrades exceeded downgrades in Europe (17 upgrades to 14 downgrades). This is a better ratio than 9 upgrades to 17 downgrades in 3Q'21 and compared to 30 downgrades to 12 upgrades in 4Q'20. According to S&P, in 4Q'21 upgrades exceeded downgrades in Europe (39 upgrades to 21 downgrades), a worse ratio than 13 downgrades to 32 upgrades in 3Q'21 but a better ratio than 43 downgrades to 17 upgrades in 4Q'20.

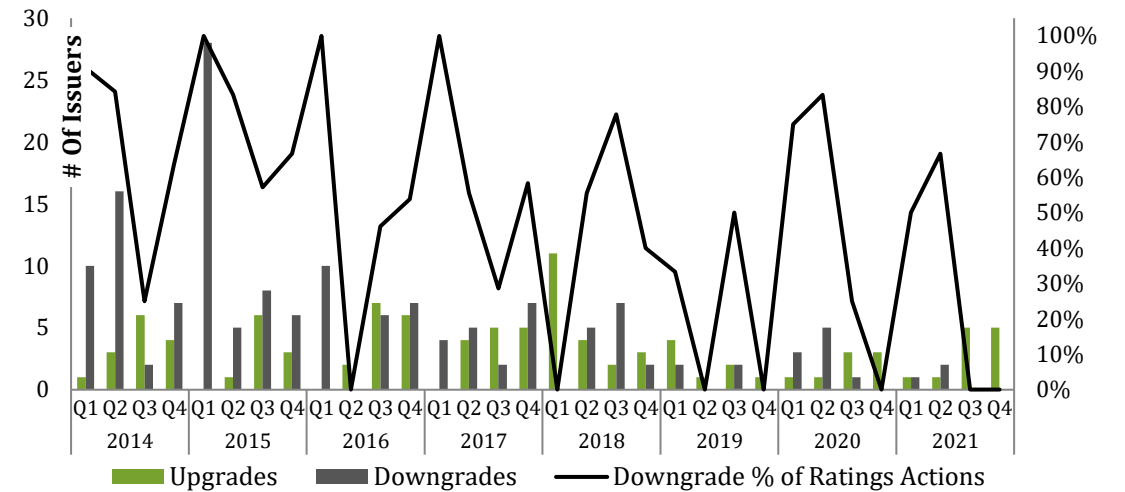
According to Reorg, all of the 4Q'21 European leverage loan deals were covenant-lite.

According to Covenant Review, 68% of all leveraged loan deals reviewed as of 15th of December 2021 contained an ESG feature, compared to 53% of all deals reviewed in 3Q'21.

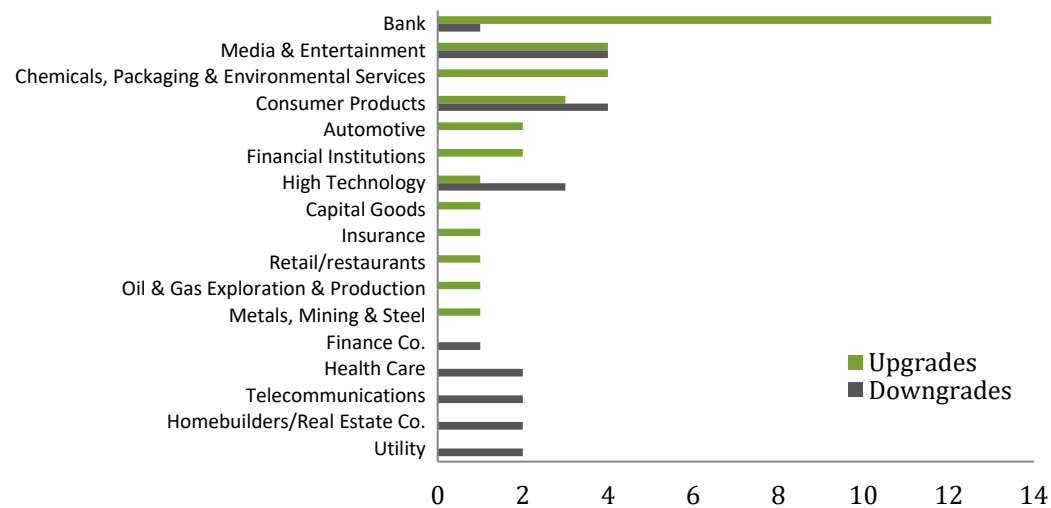
7.1 S&P Developed Europe Issuer Rating Actions



7.2 S&P Emerging Europe Issuer Rating Actions

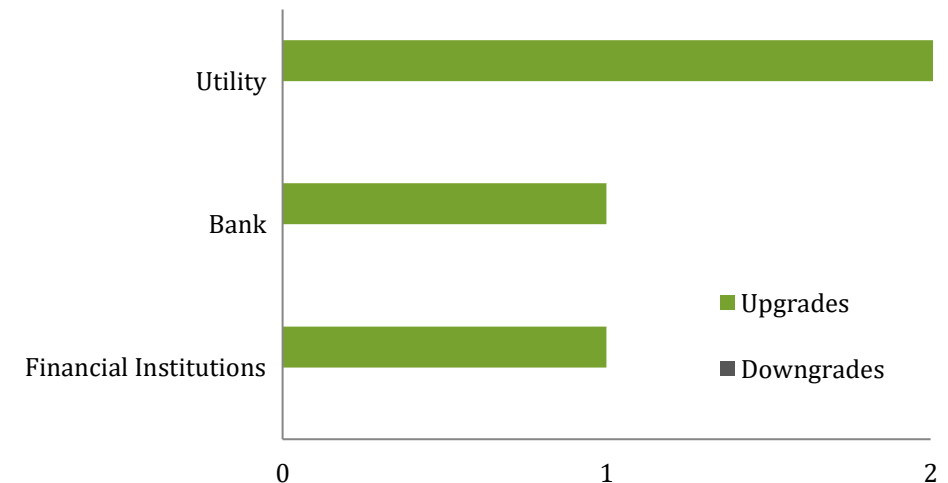


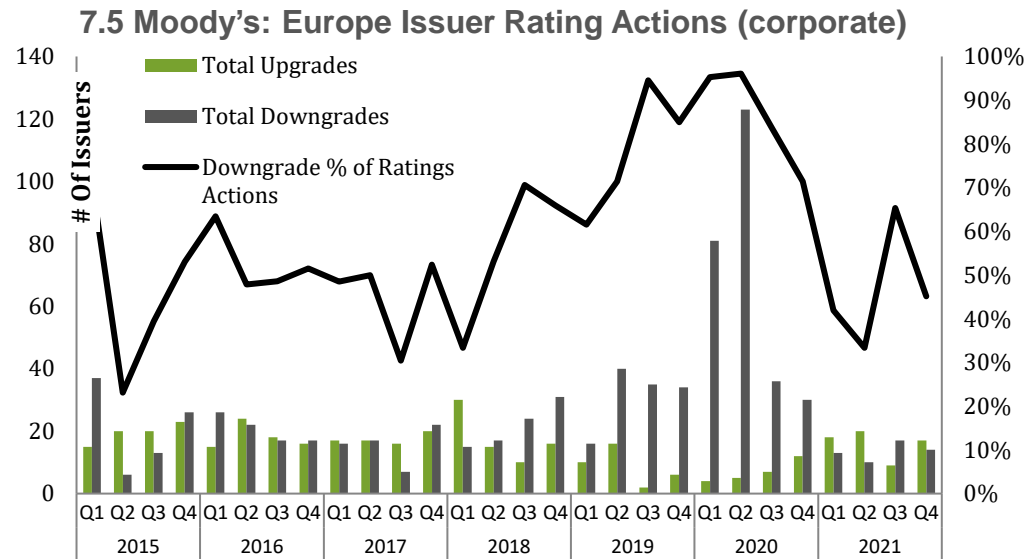
7.3 S&P Developed European Industry Rating Actions by # of Ratings



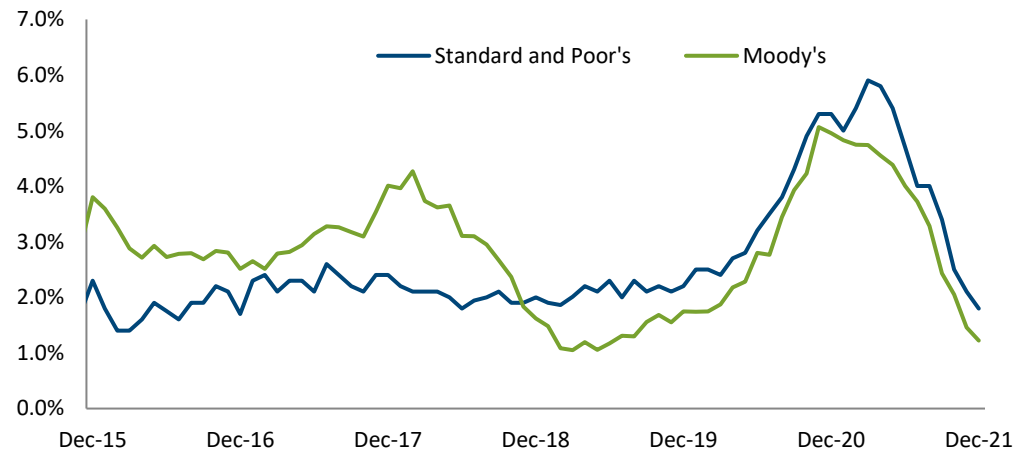
Source: S&P

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

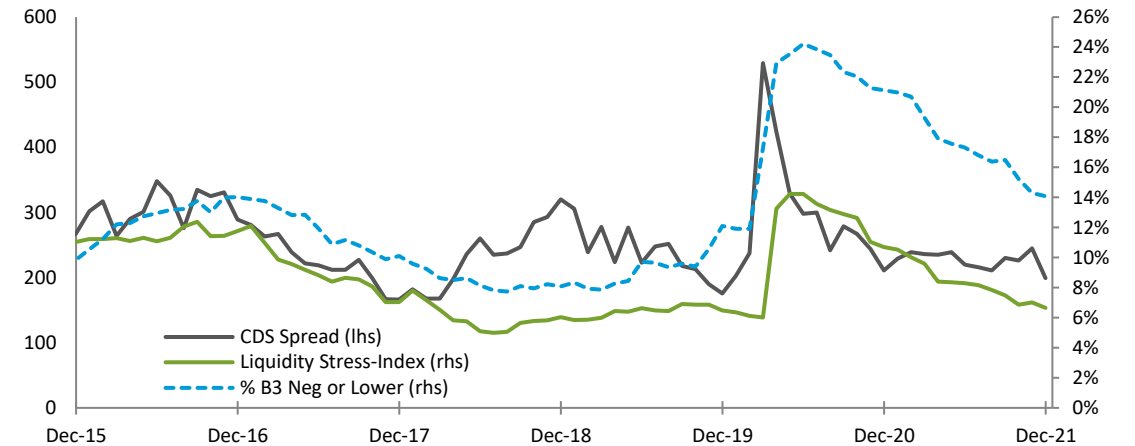




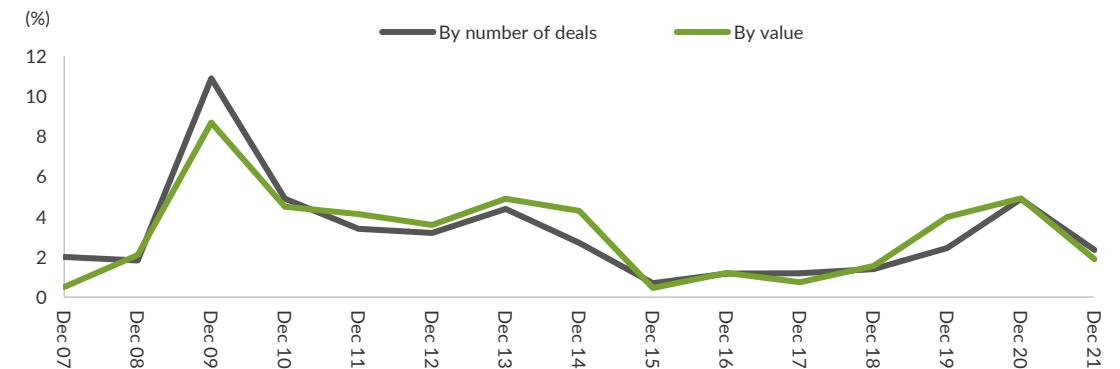
7.7 European High Yield Default Rates



7.6 High-Yield bond CDS spreads vs. liquidity-stress index and HY bonds rated B3 neg and lower in Europe



7.8 Fitch: European Leveraged Loan Default Rates



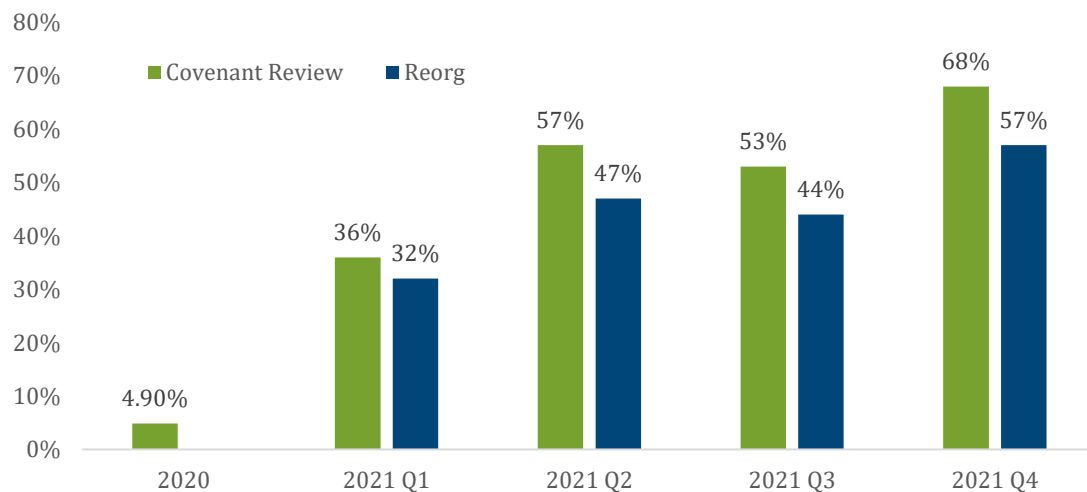
Source: Moody's [7.5], [7.6] and [7.7], Fitch [7.8], S&P [7.7]

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

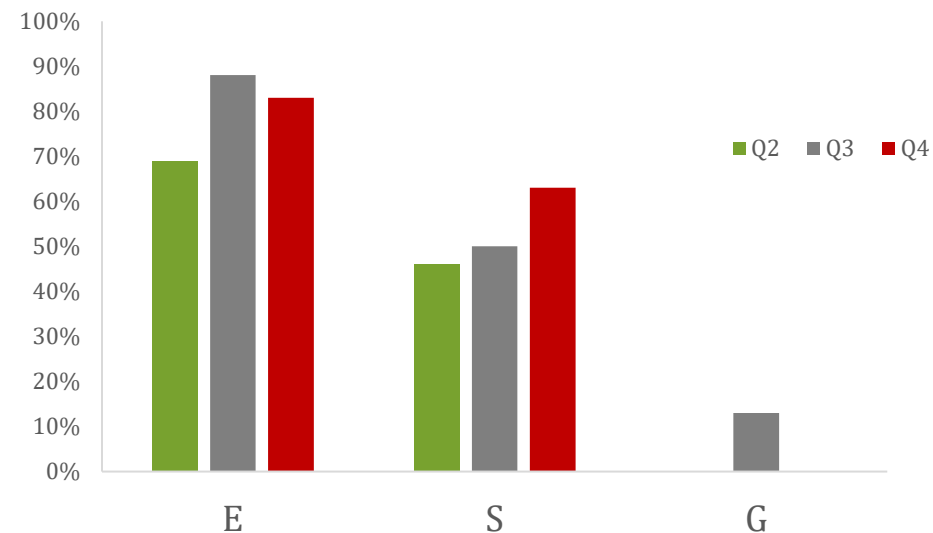
7.9 European Defaults

Issuer	Industry Group	Country	Date	Reported By	Reason	D/E
<i>No defaults in Europe in 4Q'21 reported by S&P and Moody's.</i>						

7.10 Percentage of loan deals with an ESG margin ratchet



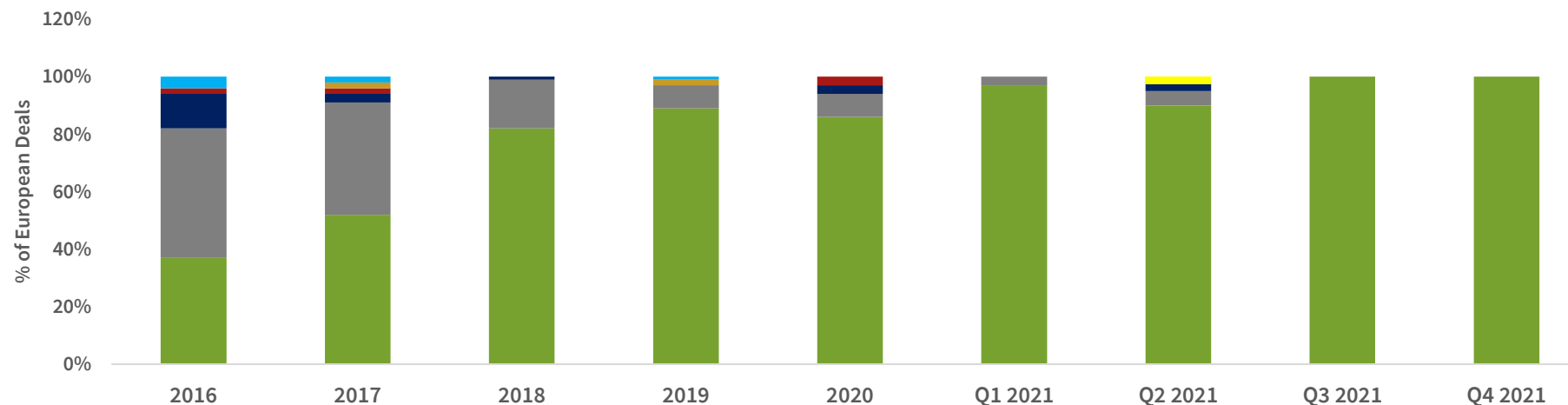
7.11 Type of ESG Requirement (2021)



Source: Covenant Review [7.10] [7.11] and Reorg [7.10]

Credit Quality and European Leveraged Loan Covenants

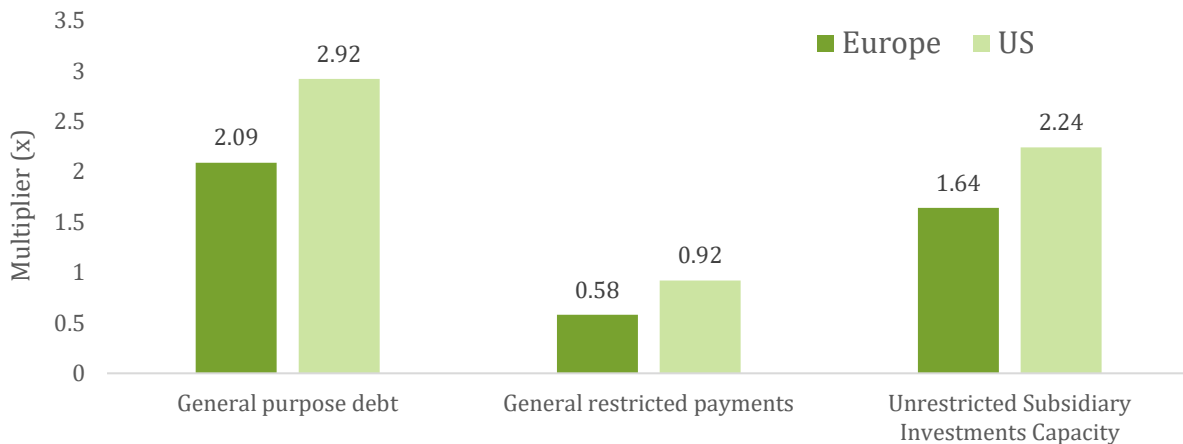
7.12 Financial Covenant Packages in European Leveraged Loans 2016-Q4 2021



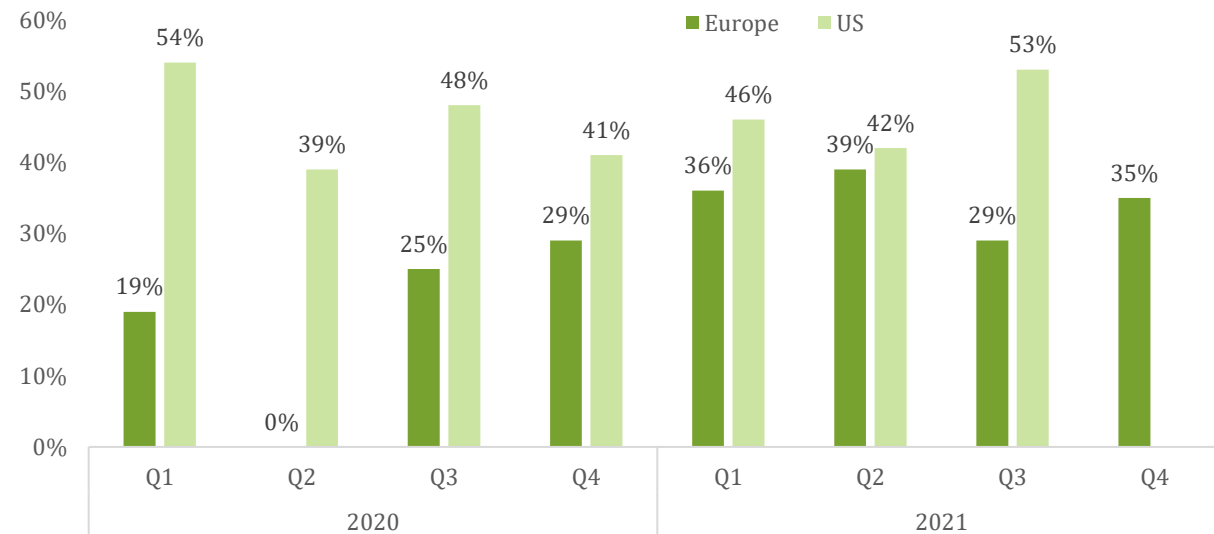
- Cov-loose: Maintenance Financial Covenant for a specified period and Leverage Maintenance Covenant only thereafter
- Traditional: 3 or 4 Maintenance Financial Covenants
- No Financial Covenants
- Cov-loose: Deals with 1 or 2 Maintenance Financial Covenants for benefit of the RCF and deals which are Cov-loose but may change to Cov-lite
- Cov-loose: 1 or 2 Maintenance Financial Covenants
- Cov-loose: Leverage Maintenance Financial Covenant only
- Cov-lite: Springing RCF Leverage Maintenance Financial Covenant

Loan Covenant Trends: Day-1 Capacity and EBITDA adjustments

7.13 Average Minimum Day-One Capped Basket Capacity Increase (L3M)



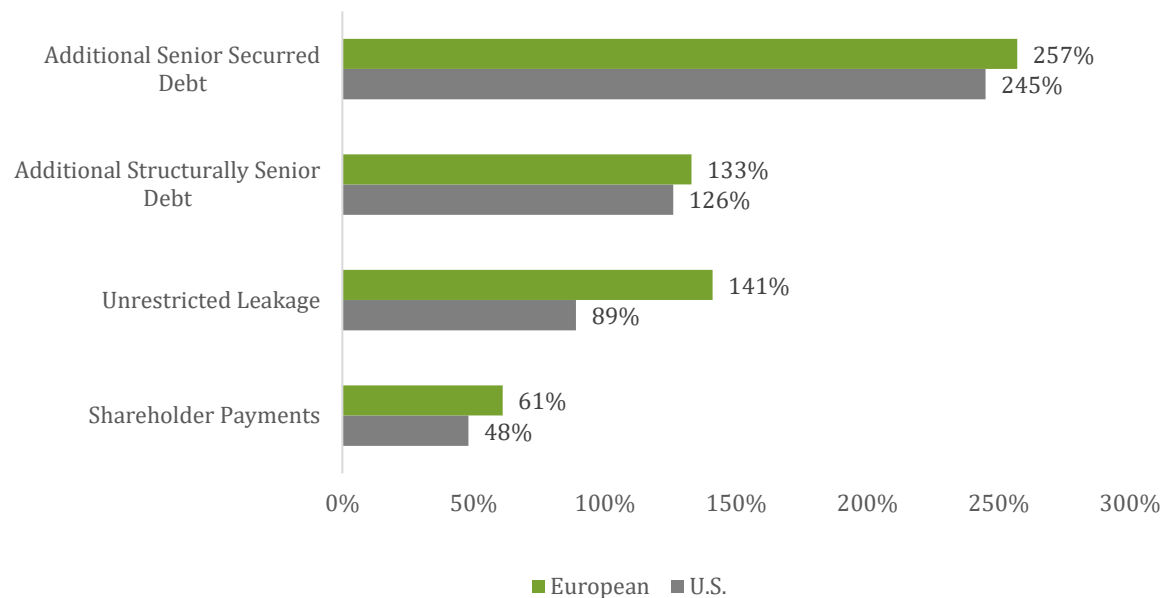
7.14 EBITDA Adjustments: Percentage with Uncapped EBITDA Adjustments



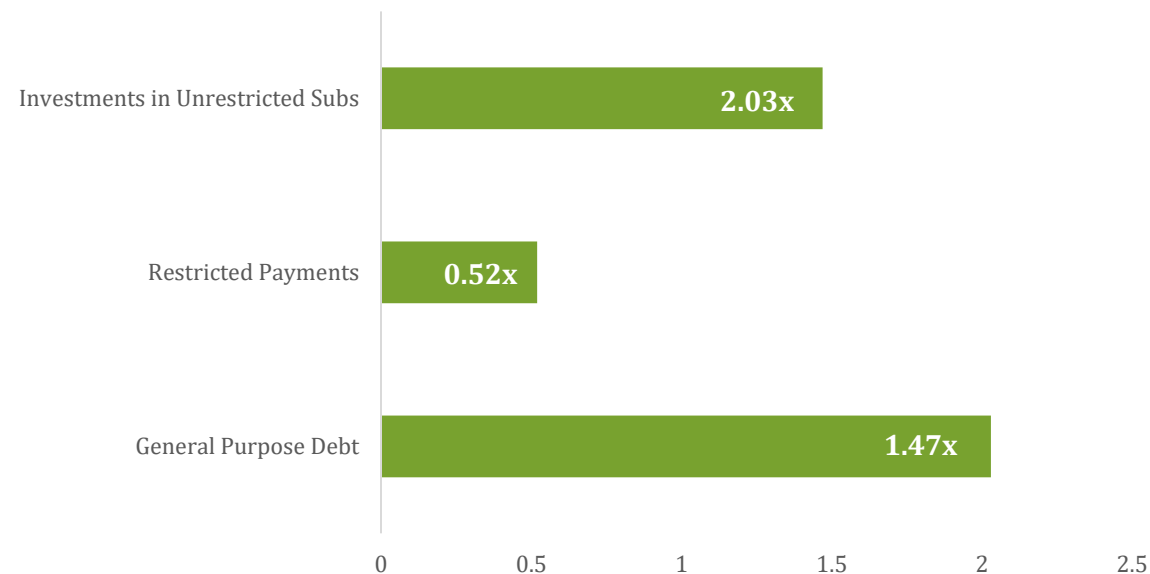
US Q4 2021 data not available at the time of publication [7.14]

Credit Quality and High Yield Day-1 Capacity

7.15 Q4 2021 High Yield: Day 1 Headroom for Key Covenants Risks in Senior Secured European and U.S. Deals



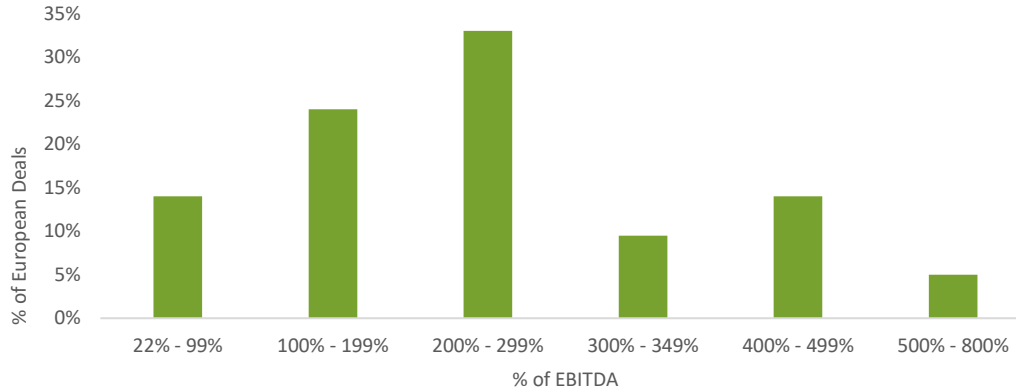
7.16 Q4 2021 High Yield: Minimum Day-One Capacity, turns of PF Adjusted EBITDA, all loans



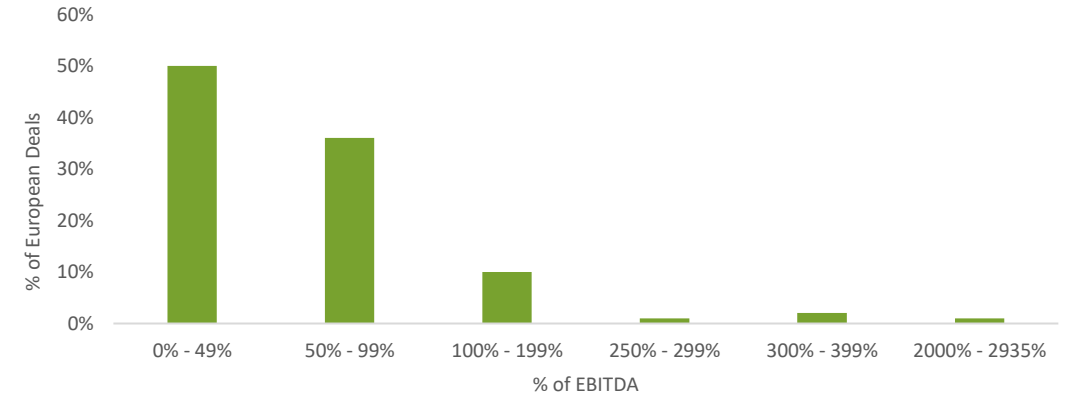
*Figures based on Reorg calculations. Figures provide day 1 capacity available at issue aggregating the “general purpose” baskets only (excludes specific purpose baskets). Excludes cov-lite offerings recorded on Reorg’s proprietary database (Market Maker).
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Credit Quality and High Yield Day-1 Capacity

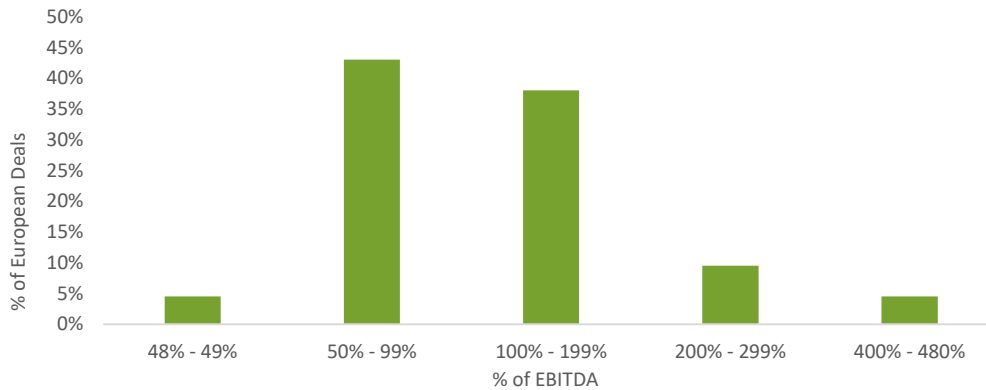
7.17 Q4 European High-Yield Bonds 2021: Day 1 Additional Senior Secured Debt Capacity



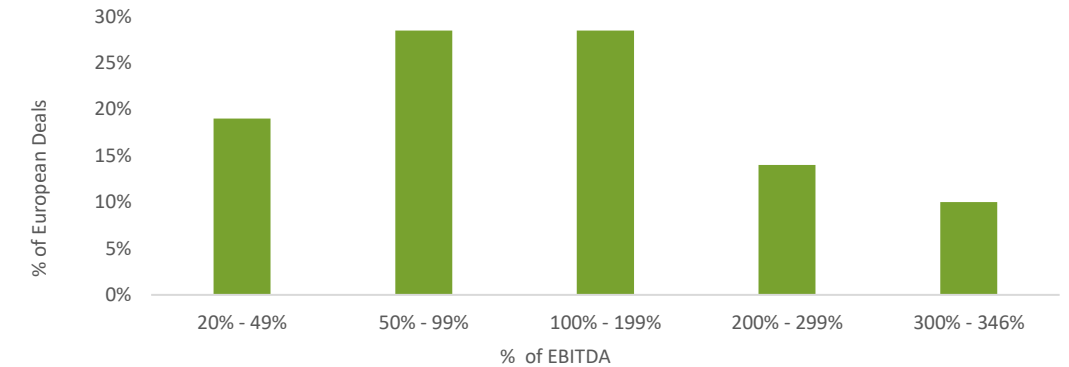
7.18 Q4 European High-Yield Bonds 2021: Day 1 Shareholder Payments Capacity



7.19 Q4 European High-Yield Bonds 2021: Day 1 Transfers to Unrestricted Subsidiaries Capacity



7.20 Q4 European High-Yield Bonds 2021: Day 1 Additional Structurally Senior Debt Capacity



*Figures based on Reorg calculations for European deals. Figures provide day 1 capacity available at issue aggregating the “general purpose” baskets only (excludes specific purpose baskets). Excludes cov-lite offerings recorded on Reorg’s proprietary database (Market Maker).

Relative Value and Total Return

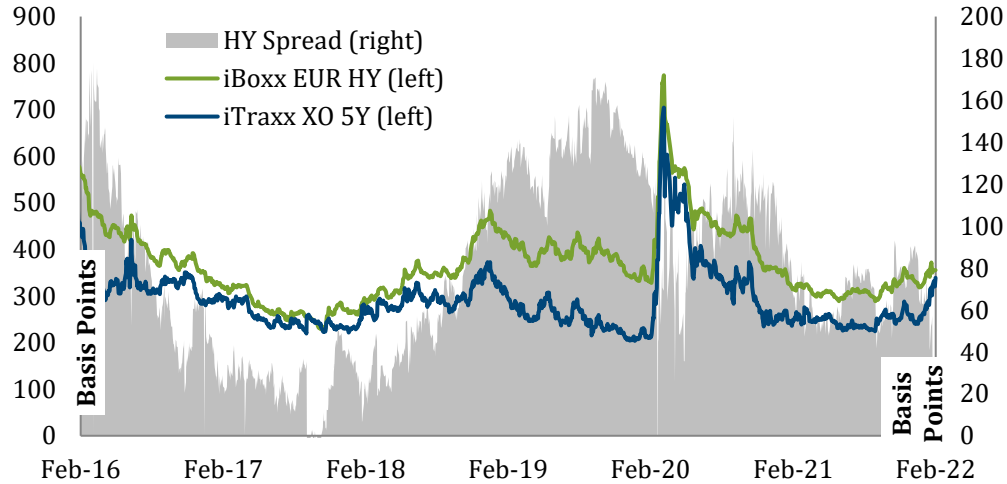
Returns

10 of the 19 asset classes tracked in this report recorded positive quarter-on-quarter (q-o-q) returns in 4Q'21. S&P 500 experienced the highest q-o-q return, at 10.64%. This was followed by Russell 2000 at 1.85% and U.S. Municipal with a 0.84% return q-o-q.

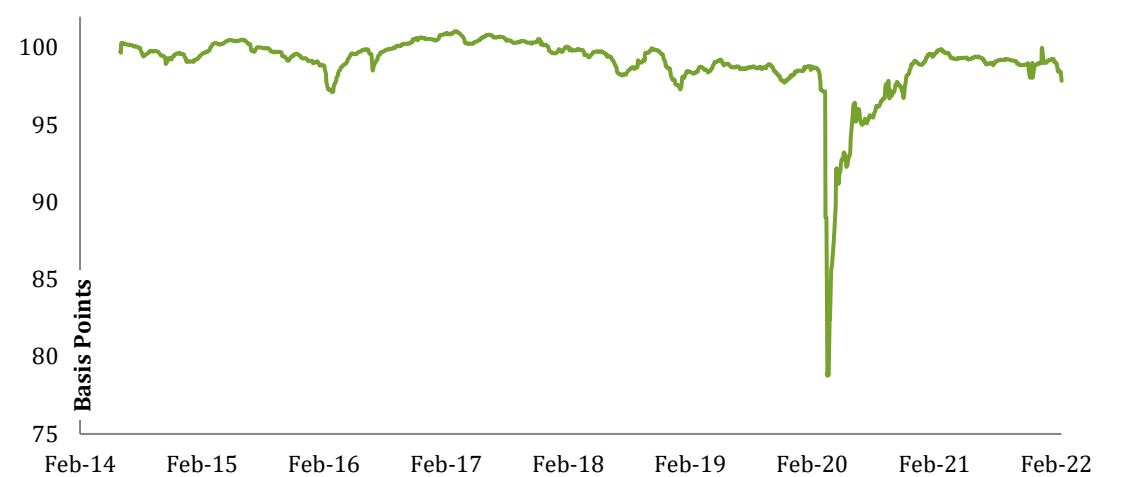
The worst performing asset class was U.S. HY Distressed with a loss of 5.99% q-o-q in 4Q'21, followed by MSCI EM with a negative 1.68% q-o-q, and EMU Covered Bonds with a 0.65% loss q-o-q.

Relative Value and Total Return

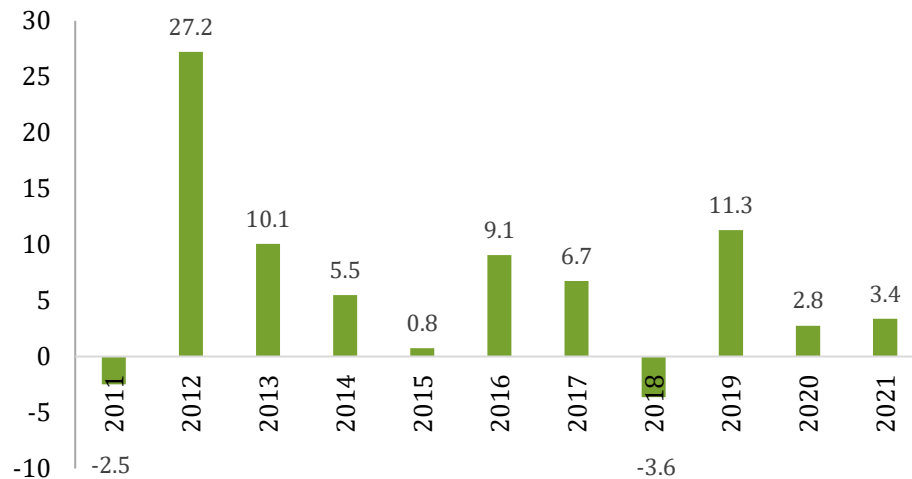
8.1 Relative value: European HY Bonds, Cash vs. Synthetic



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

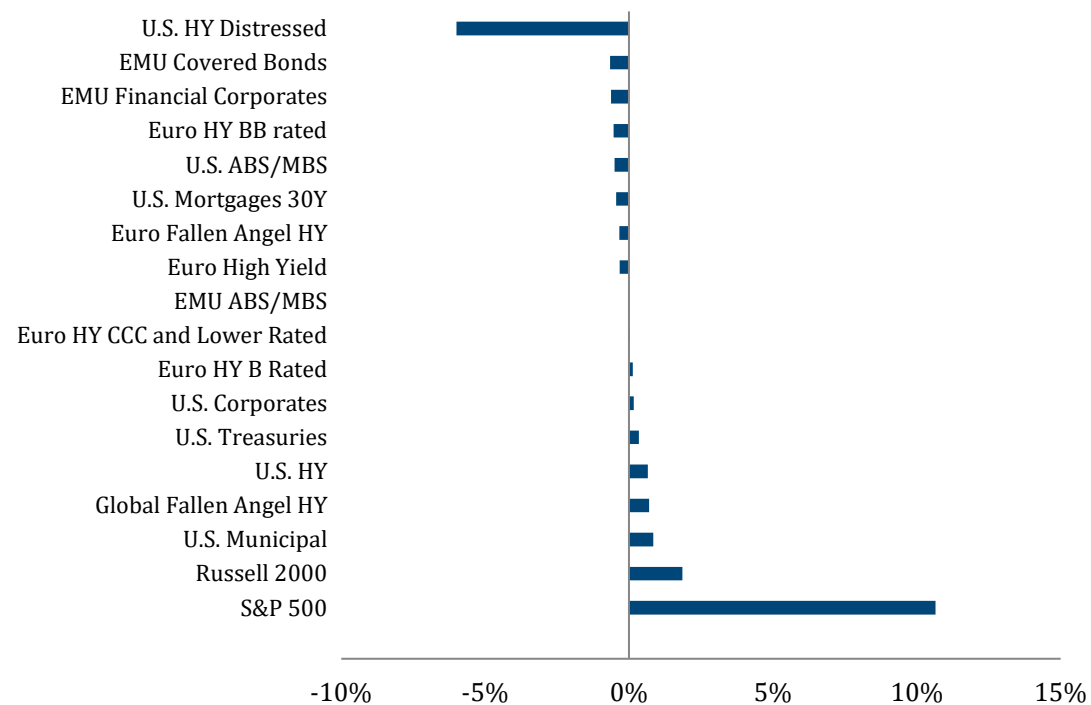


8.3 European HY Bond Total Return



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

8.5 Asset Class Total Return: Q4 2021



Source: Eikon and S&P

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