

Q2 2023

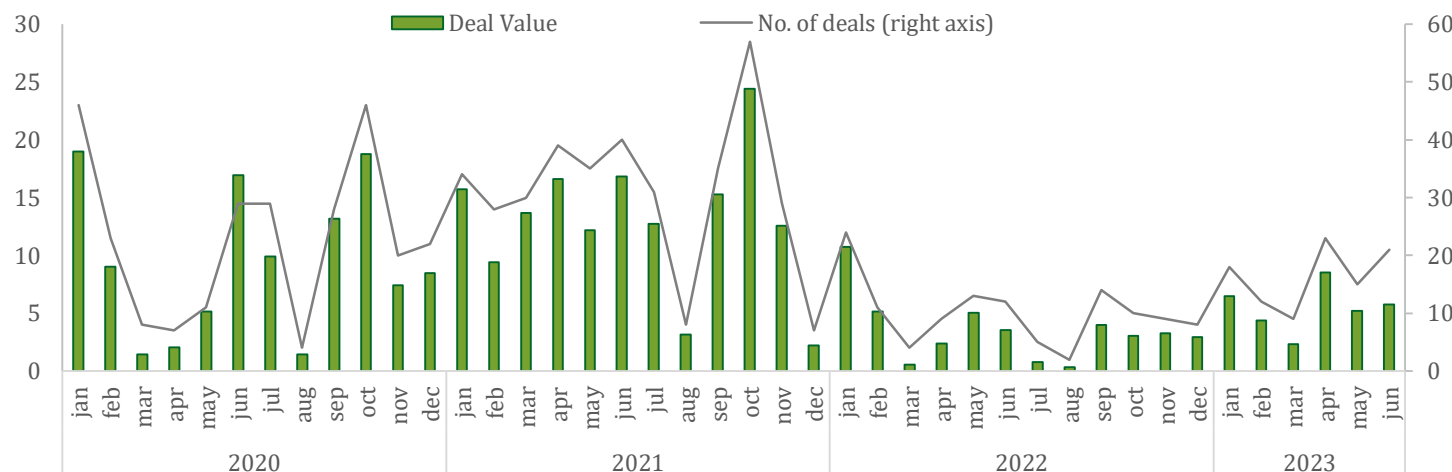
European High Yield and Leveraged Loan Report

European Leveraged Finance

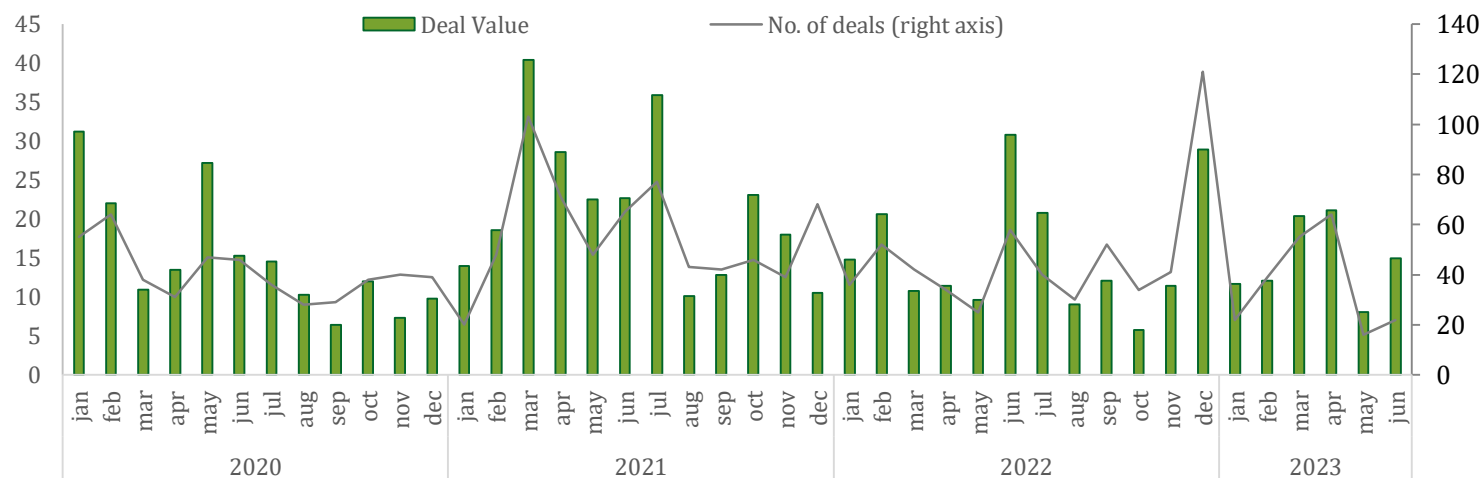


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1.1 European High Yield Bond Issuance (EUR bn)



1.2 European Leverage Loan Issuance (EUR bn)



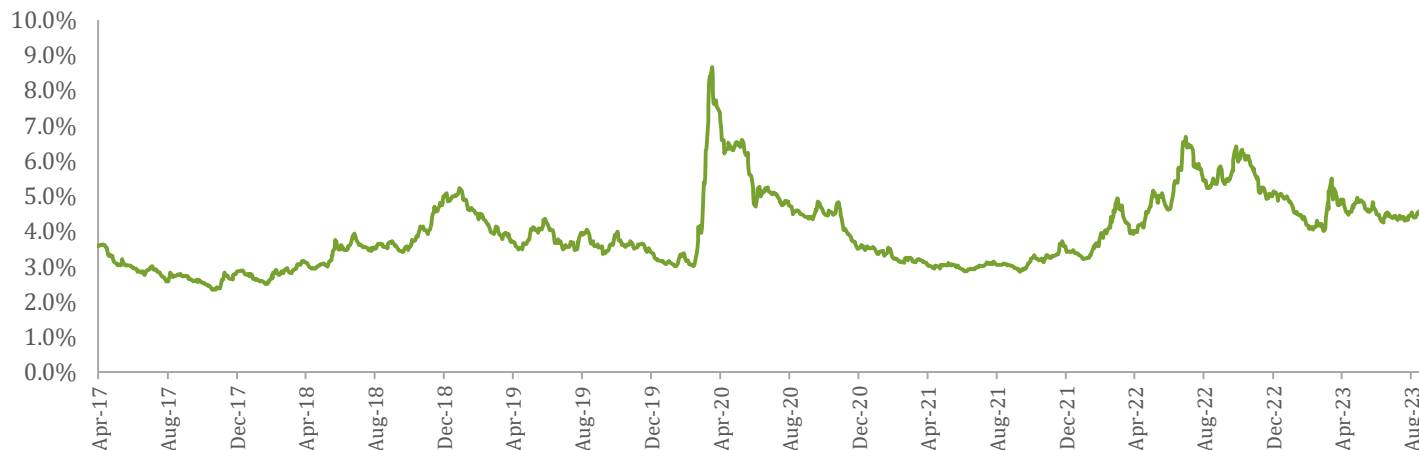
Source: Dealogic

Primary high yield bond issuance in 2Q'23 increased 47.7% QoQ and 77.2% YoY. (See top chart). The quarterly issued amount stood at €19.5 billion, more than the amount issued in 1Q'23 (€13.2 billion), and above the amount issued in 2Q'22 (€10.9 billion)

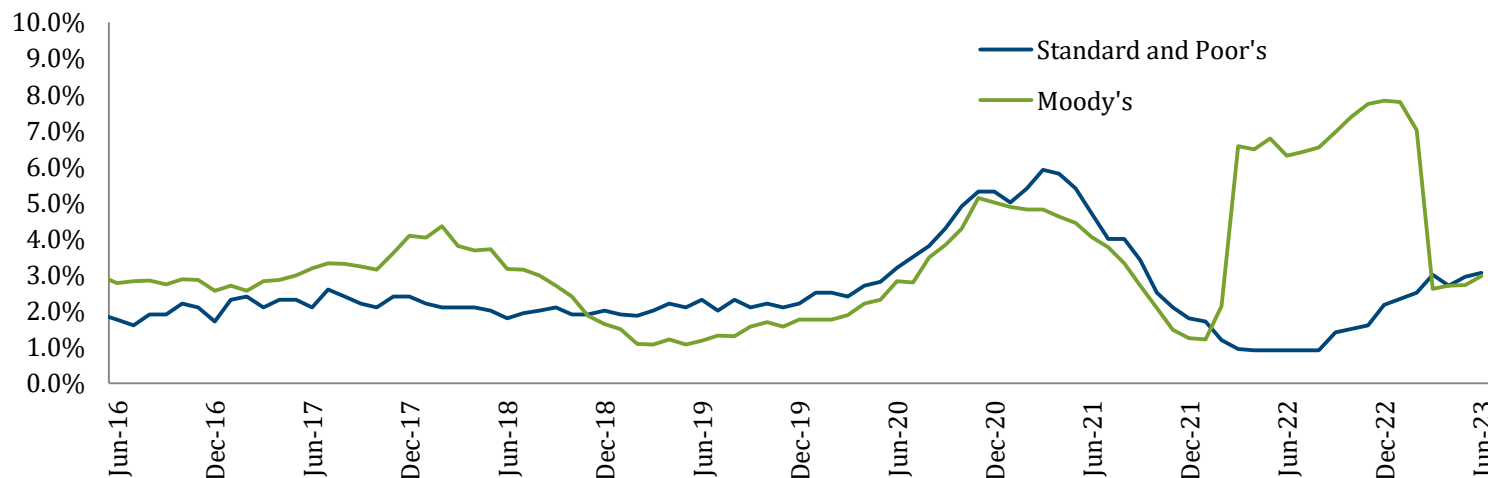
Preliminary data for 3Q'23 as of end August shows that issuance of high yield bonds has reached the volume of €5.6 billion (€5.4 billion in July and €0.2 billion in August).

In 2Q'23, quarterly supply of leverage loans stood at €44.1 bn, an increase of 0.1% QoQ and a decrease of 14.9% YoY (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 decreased from 474 bps in 1Q'23 to 442 bps in 2Q'23. Most recently, spreads have further tightened to 452 bps in Q3 2023.

S&P reported the trailing 12-month speculative-grade bond default rate at 3.1% in June 2023, an increase from 3.0% in March 2023. Moody's reported the speculative-grade default rate at 2.9% in June 2023, up from 2.6% in March 2023.

Fitch reported an increase in European Leveraged Loan default rates (by number of deals) to 2.6% in June 2023 from 1.6% in December 2022.

According to Reorg, 91% of the European leveraged loan deals examined in 2Q'23 were covenant-lite.

Leveraged Finance Overview

Issuance Highlights

European leveraged finance issuance (leveraged loans and high yield bonds) accumulated €63.6 billion in proceeds in 2Q'23, an 11.0% increase from €57.3 billion in 1Q'23 and up 1.4% from €62.7 billion in 2Q'22.

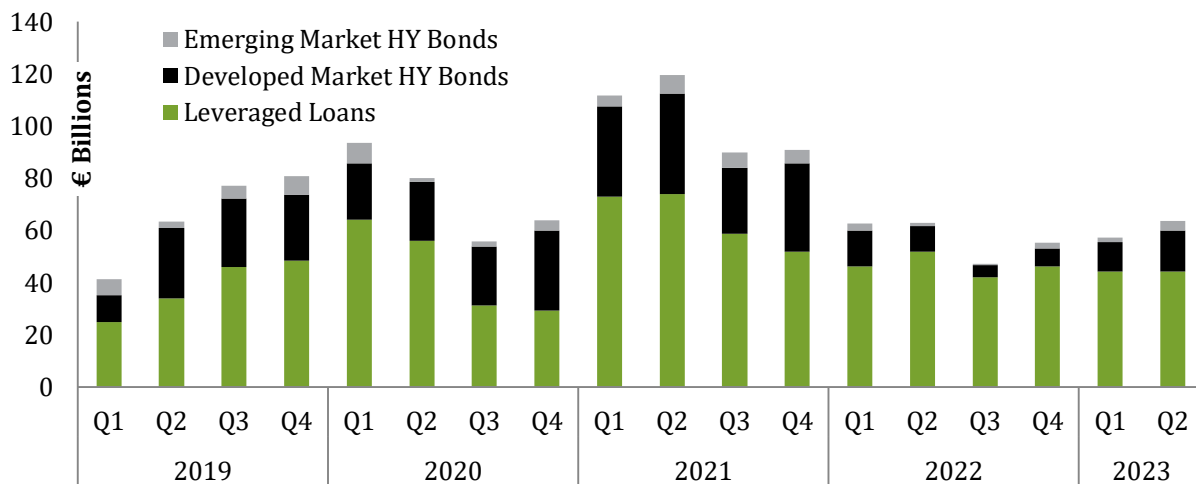
The high yield bond share of European leveraged finance market issuance increased to 30.7% in 2Q'23 from 23.0% in 1Q'23 and up from 17.4% in 2Q'22.

Credit Standards and Loan Demand

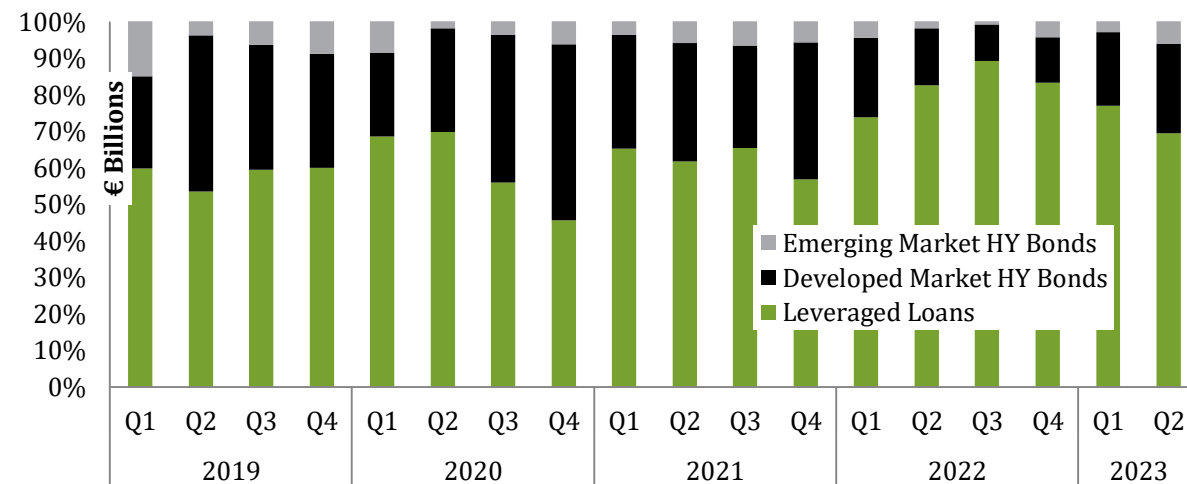
According to the July 2023 European Central Bank lending survey, credit standards for loans eased for both large firms and SMEs compared to the April 2023 survey. However, credit conditions continued tight compared to historic levels, with Industry or Firm-Specific Outlook and the General Economic Situation and Outlook as the most impactful in contributing to tightening, followed by Bank's Risk Tolerance and Bank's Liquidity Position.

Net demand for loans to enterprises decreased in 2Q'23. The factors contributing to the decrease in loan demand were Interest Rates, Fixed Investments and M&A and Restructuring. The only factor partially contributing positively on the demand was Debt Restructuring.

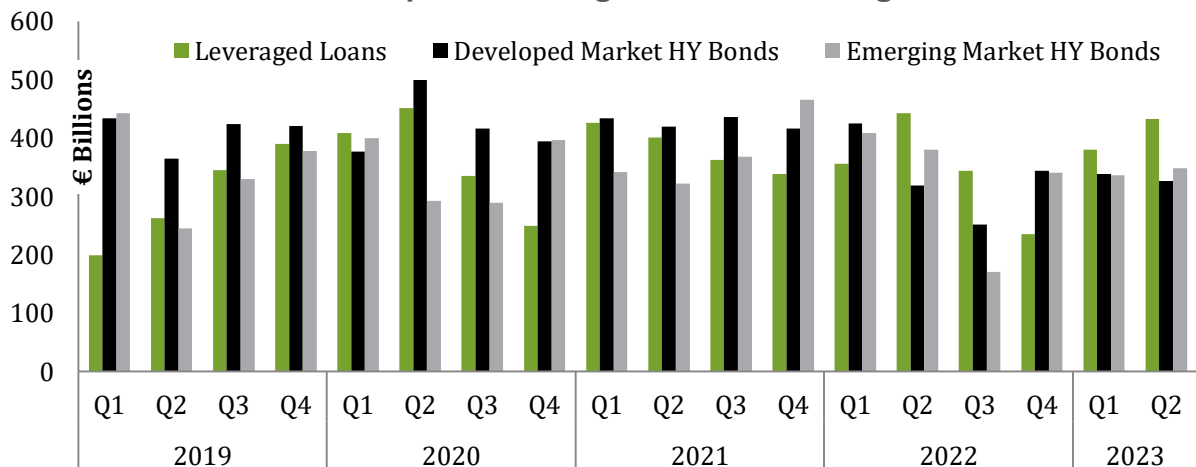
2.1 European Leveraged Issuance by Type



2.2 European Leveraged Issuance Percentage, by type



2.3 European Leveraged Finance Average Deal Size



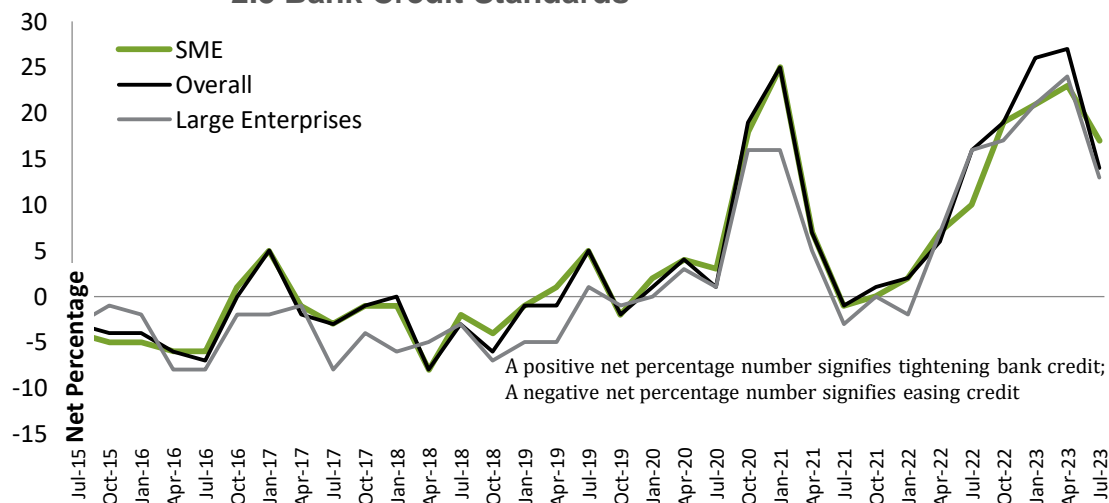
Source: Dealogic

2.4 Global Comparison High Yield Issuance

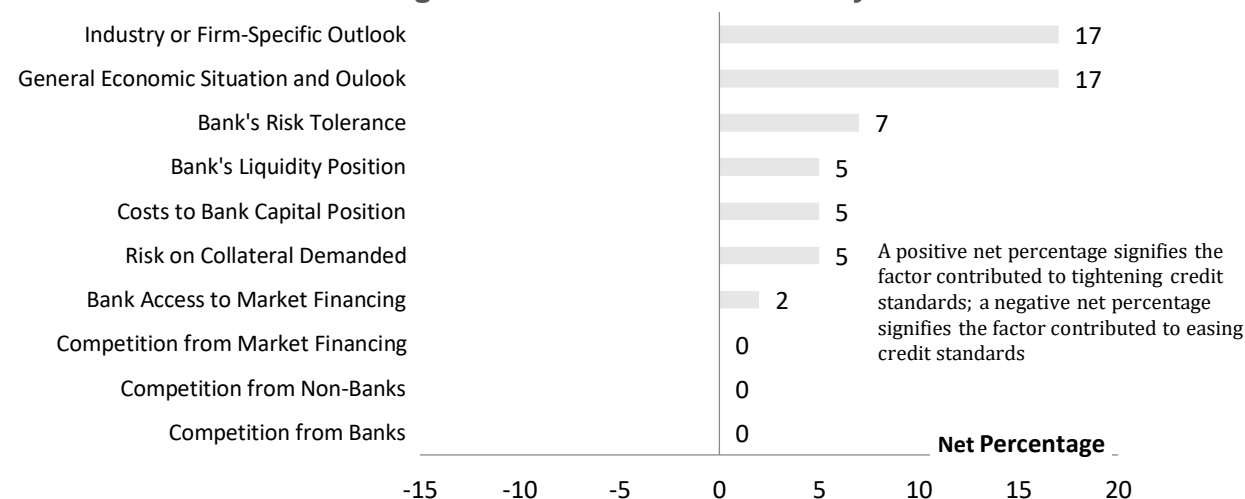
EUR bln	2023		2022					Prior years		
	Q1	Q2	Q1	Q2	Q3	Q4	Full year	2021	2020	2019
Americas	33.10	9.80	38.3	20.2	18.9	12.9	90.3	344.0	343.6	200.7
Asia Pacific	2.40	1.00	3.6	5.7	8.5	1.7	19.5	154.8	112.8	109.6
Europe	13.2	19.5	16.5	11.0	5.1	9.3	41.9	56.4	65.8	94.4

Credit Standards and Loan Demand

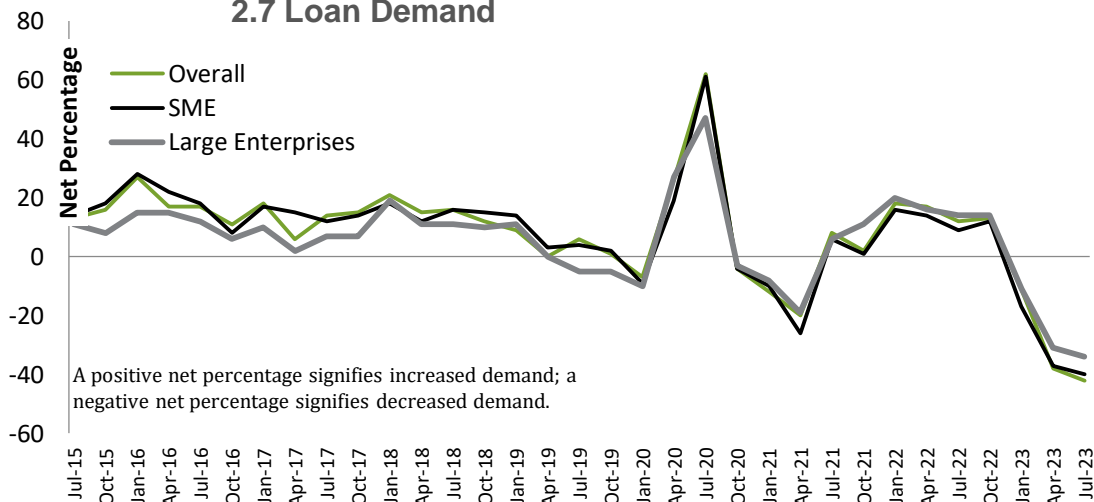
2.5 Bank Credit Standards



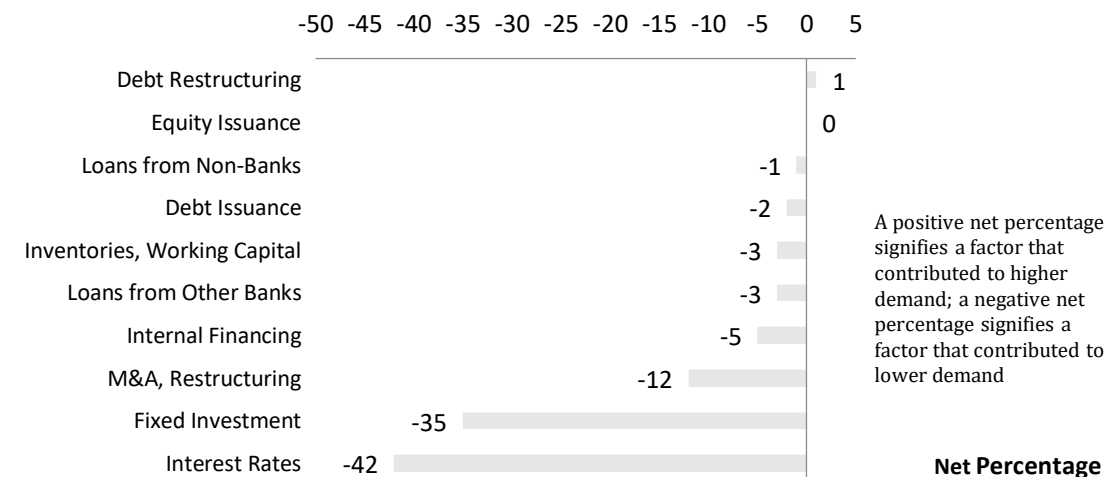
2.6 Factors Affecting Bank Credit Standards: July 2023



2.7 Loan Demand



2.8 Factors Affecting Loan Demand: July 2023



Source: ECB

Leveraged Loans

Issuance: Leveraged Loans

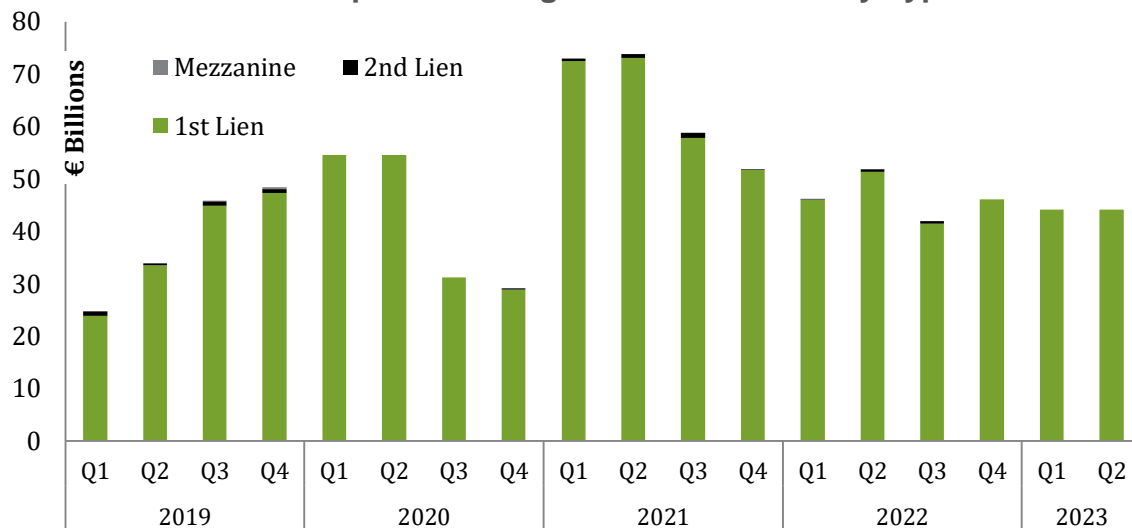
Leveraged loan issuance, including first lien, second lien, and mezzanine financing, totaled €44.11 billion in 2Q'23, up 0.1% from €44.08 billion in 1Q'23 and down 14.9% from €51.82 billion in 2Q'22.

All the leveraged loans issued in 2Q'23 were first lien loans.

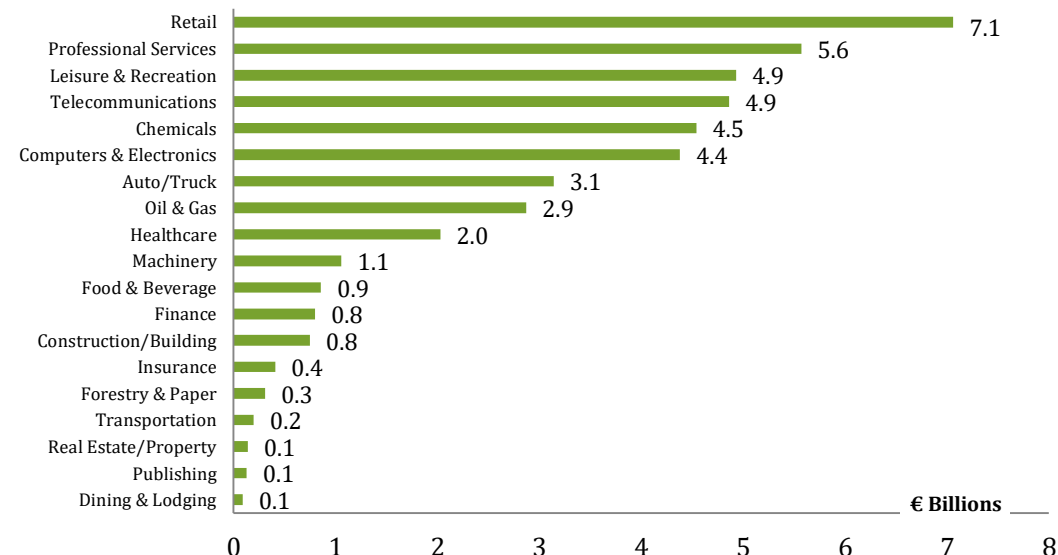
Pricing spreads for institutional loans widened by 6 basis points (bps) q-o-q and 8 bps y-o-y.

Three sectors accounted for 39.9% of leveraged loan issuance in 2Q'23. The leading sector was Retail (€7.1 billion or 16.1% of total), followed by Professional Services (€5.6 billion, 12.7%), and Leisure & Recreation (€4.9 billion, 11.1%), with the balance split between 16 other sectors.

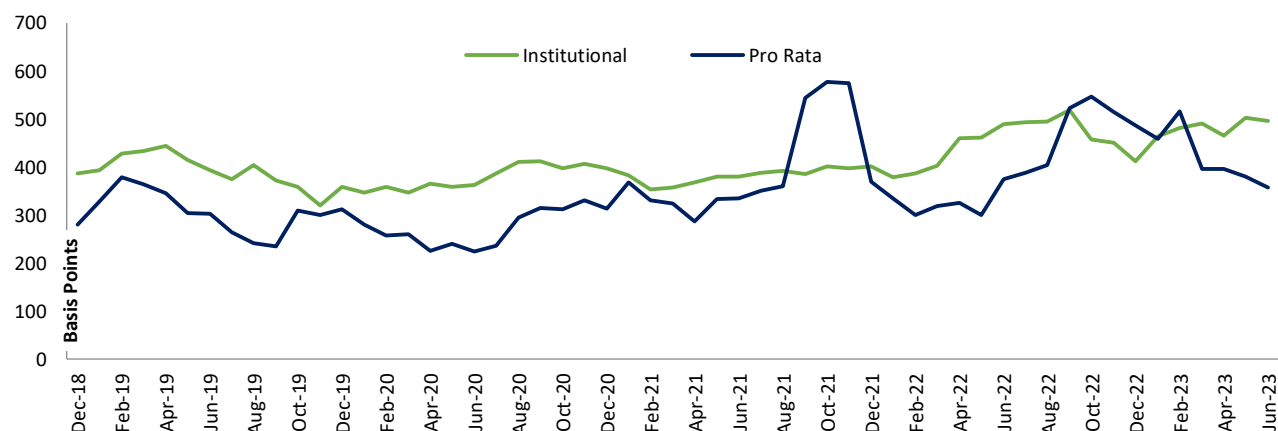
3.1 European Leveraged Loan Issuance By Type



3.2 European Leveraged Loan Issuance by Industry: Q2 2023



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



Source: Dealogic [3.1] and [3.2], S&P LCD [3.3]

High Yield Bonds Overview

Issuance: High Yield Bonds

Primary high yield bond issuance totaled €19.5 billion on 59 deals in 2Q'23, a 47.8% increase from €13.2 billion on 39 deals in 1Q'23 and a 69.6% increase from €10.9 billion on 34 deals in 2Q'22. Developed market Europe issuance accounted for 80.4% of the 2Q'23 issuance (€15.7 billion on 48 deals) while the rest (€3.8 billion on 11 deals) was issued by Emerging market Europe firms.

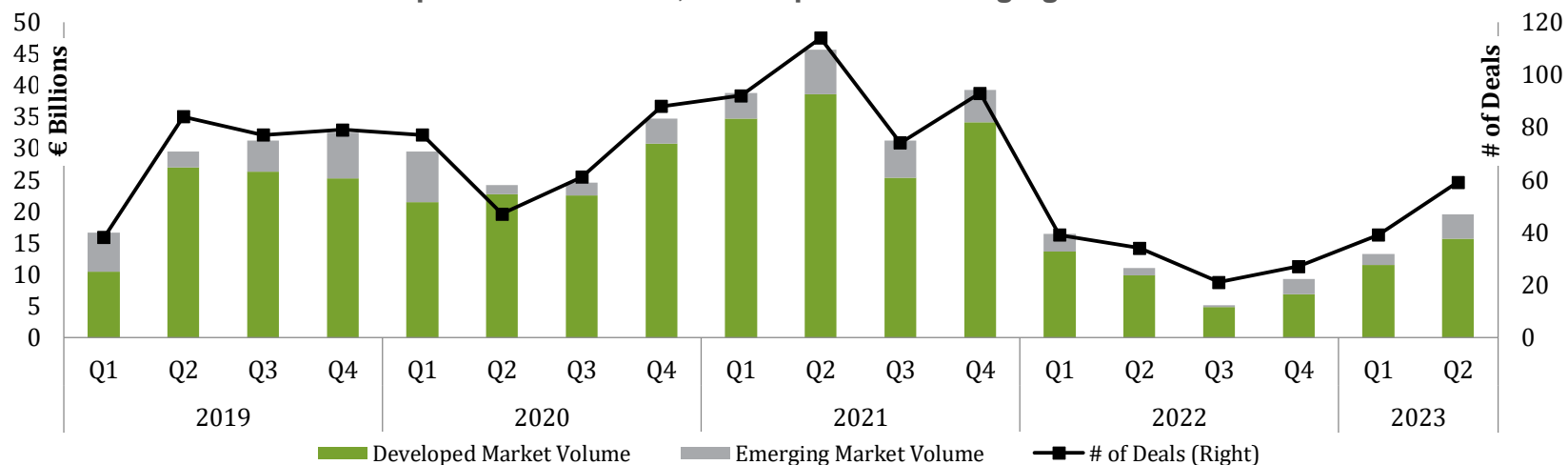
The leading use of proceeds for high yield bond issuance in 2Q'23 was Repay Debt/Refinancing, at €9.9 billion (or 50.9% of the total quarterly issuance), which was higher than €4.5 billion in 1Q'23 and than €1.1 billion in 2Q'22.

Three sectors accounted for 35.9% of the total high yield bond issuance volume in 2Q'23 in developed market Europe: the Finance sector led issuance with €2.26 billion (14.4% of total), followed by Leisure & Recreation with €1.86 billion (11.9% of total), and Auto/Truck with €1.51 billion (9.6% of total). In Emerging Market Europe, the main sector was Finance with €1.47 billion (or 38.5% of total), followed by Leisure & Recreation with 1.30 billion (34.0% of total).

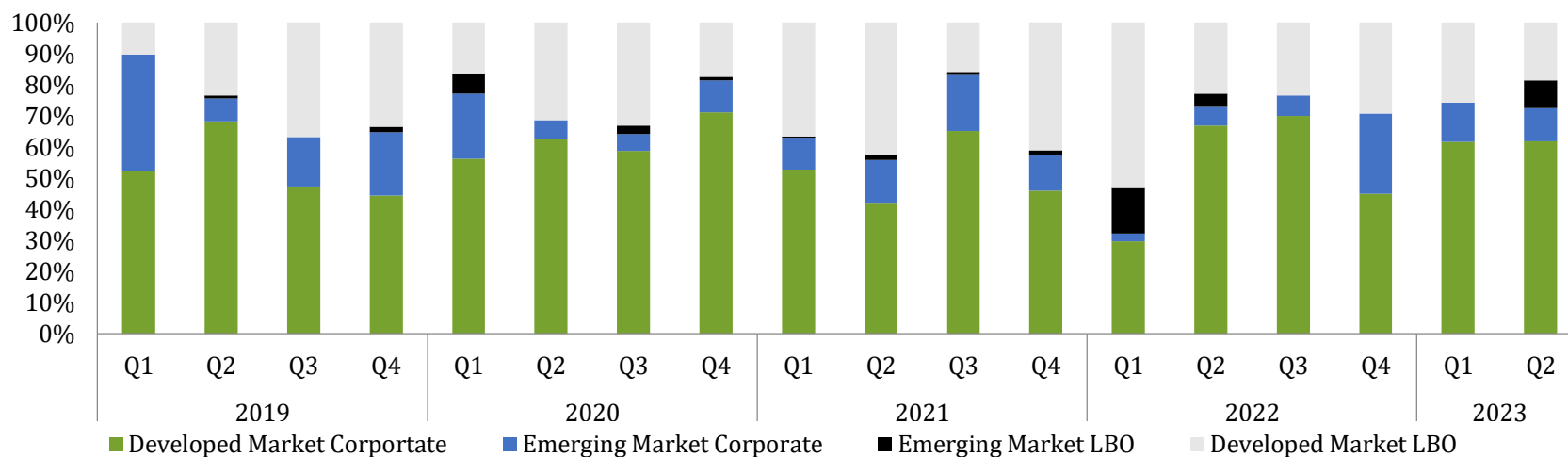
The proportion of USD-denominated issuance increased to 24.8% of all issuance in 2Q'23, up from 10.8% in 1Q'23 and 12.3% in 2Q'22.

High Yield Bonds Overview

4.1 European HY Issuance, Developed and Emerging Markets



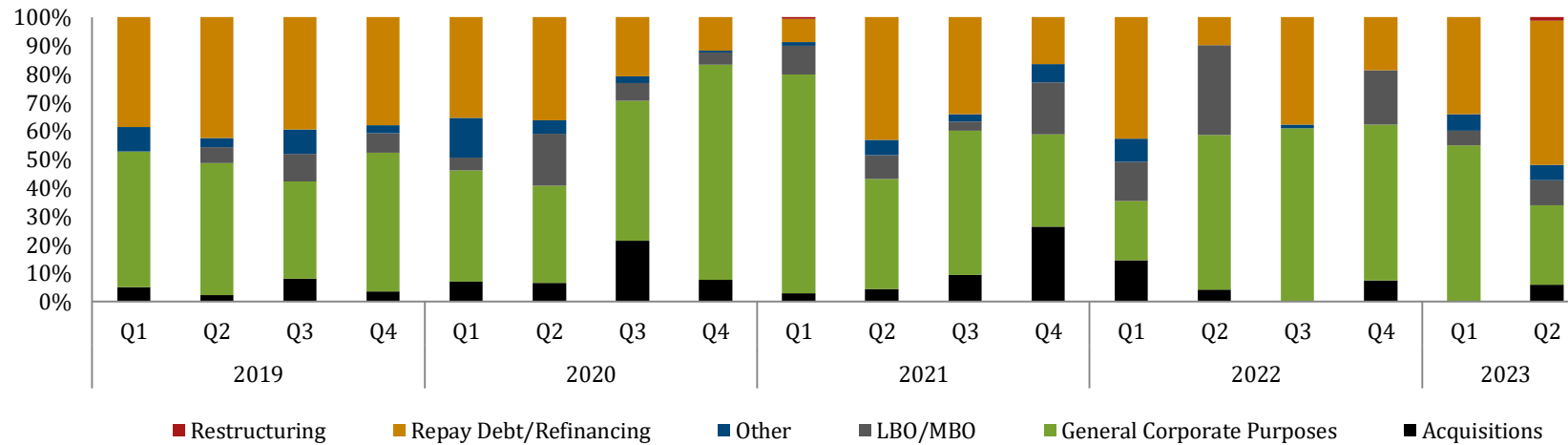
4.2 European HY Issuance, Sponsored vs Corporate



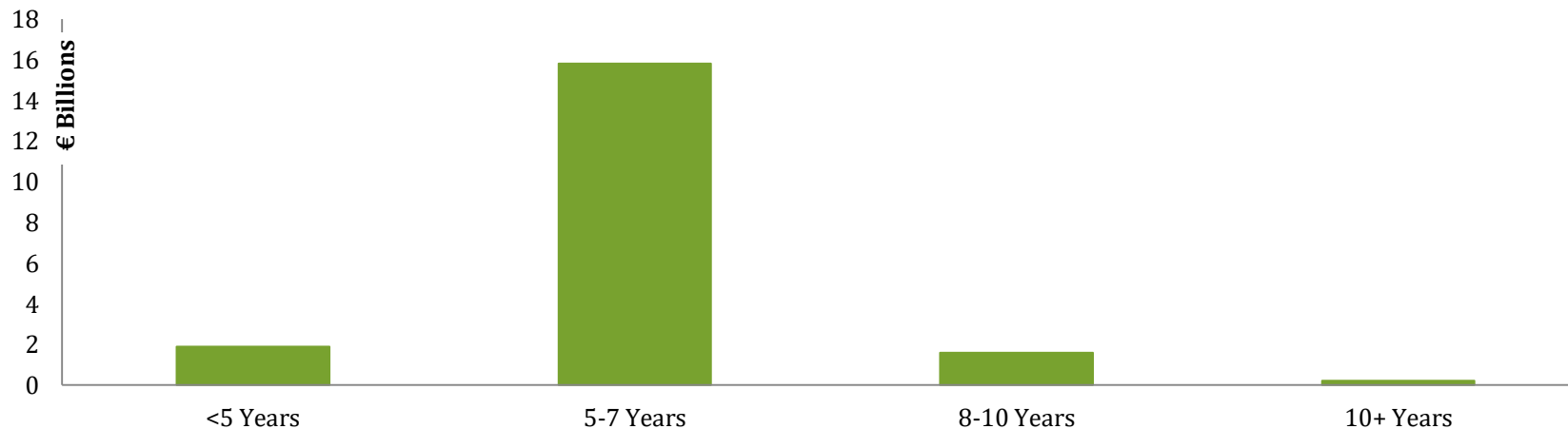
Source: Dealogic

High Yield Bonds Overview

4.3 European HY Issuance, Use of Proceeds



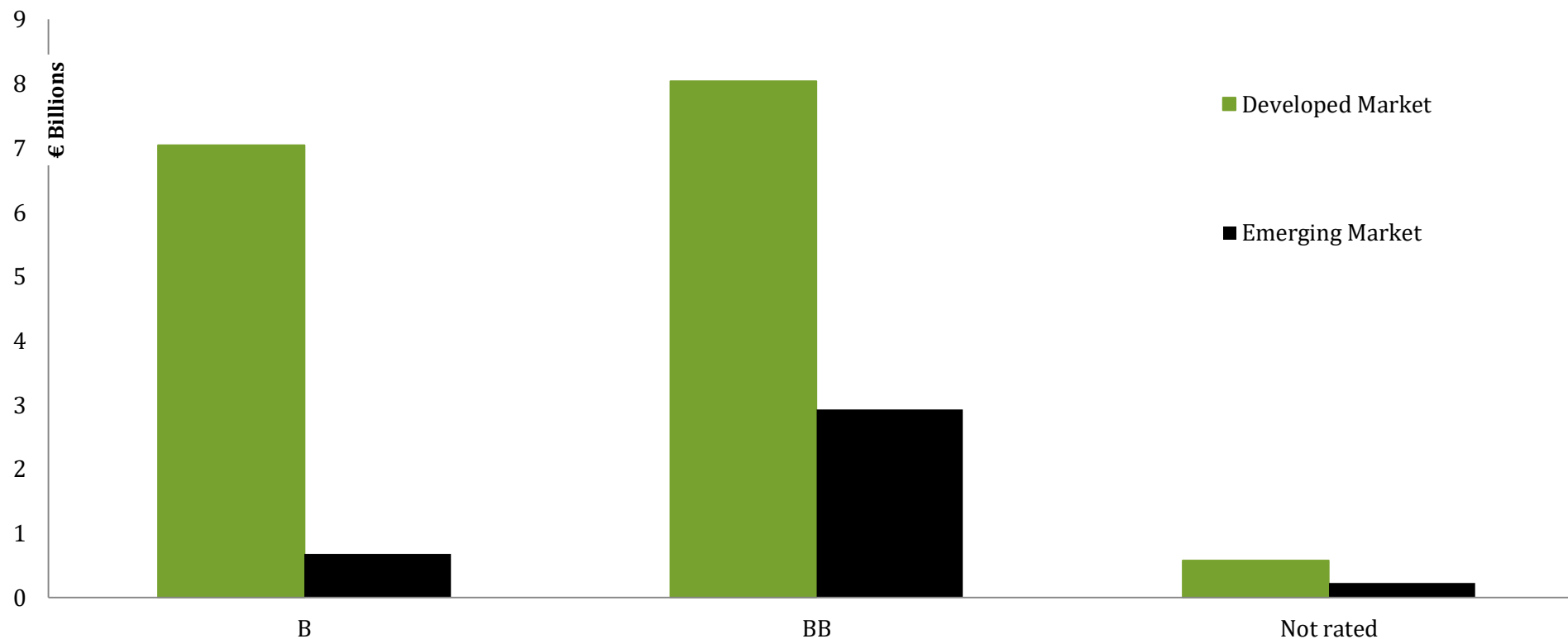
4.4 European HY Bond Issuance by Tenor: Q2 2023



Source: Dealogic

High Yield Bonds Overview

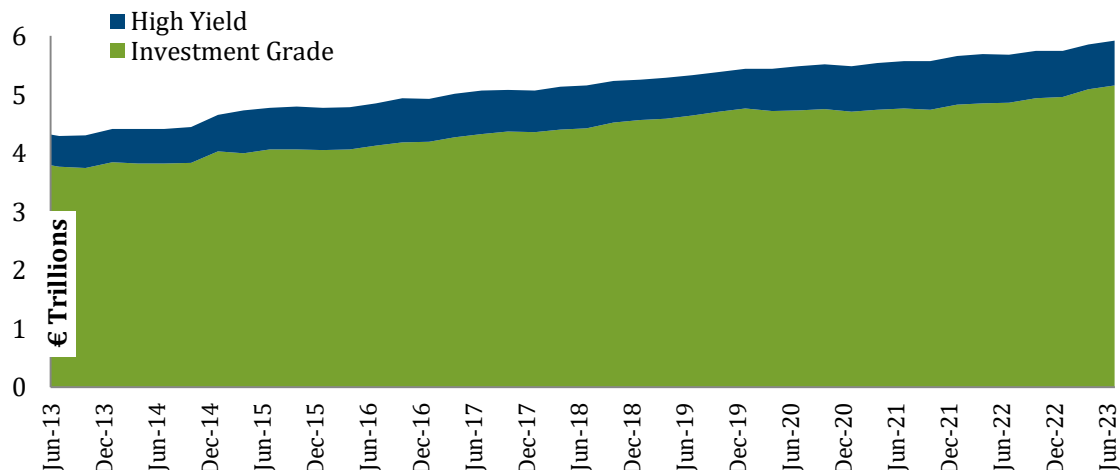
4.5 European High Yield Issuance by Rating: Q2 2023



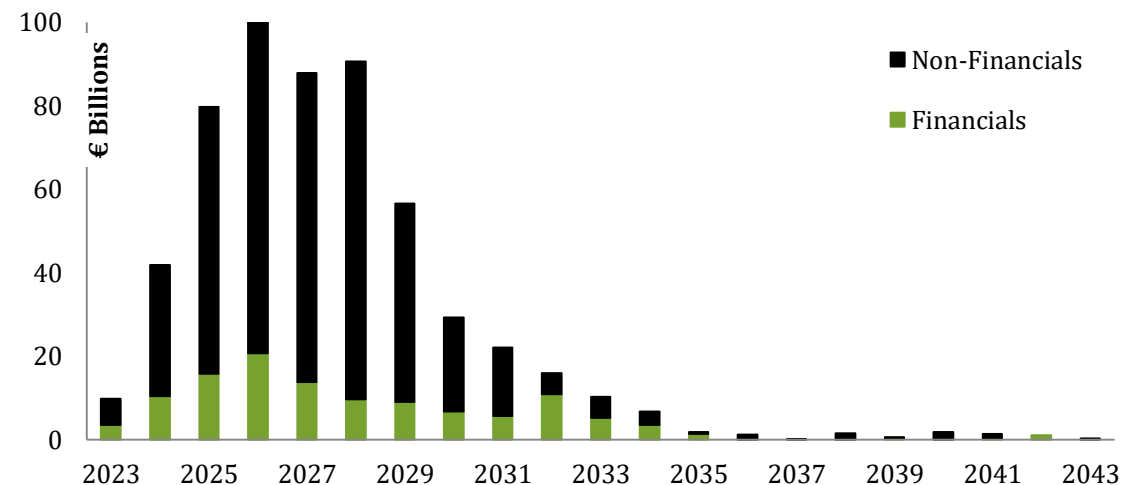
*Corporate Bond Issuance denotes corporate and sponsored bonds, excluding government bonds.

High Yield Bonds Overview

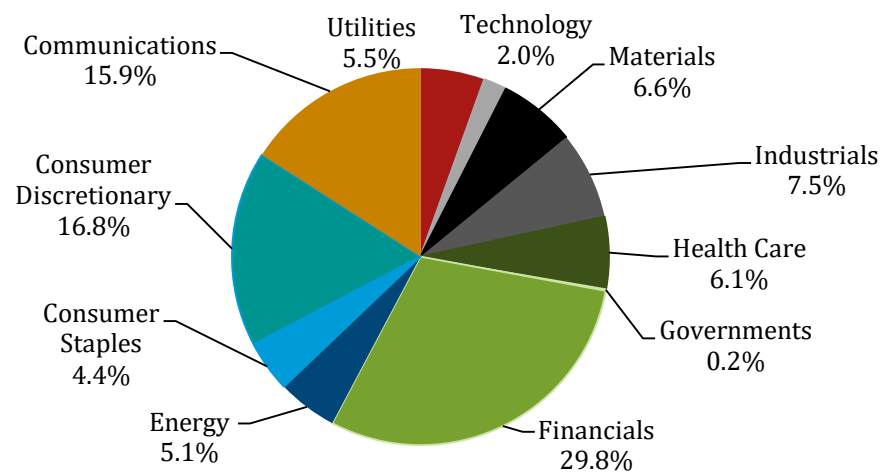
4.6 European Corporate Bonds Outstanding



4.7 European Corporate HY Bonds Maturity Wall

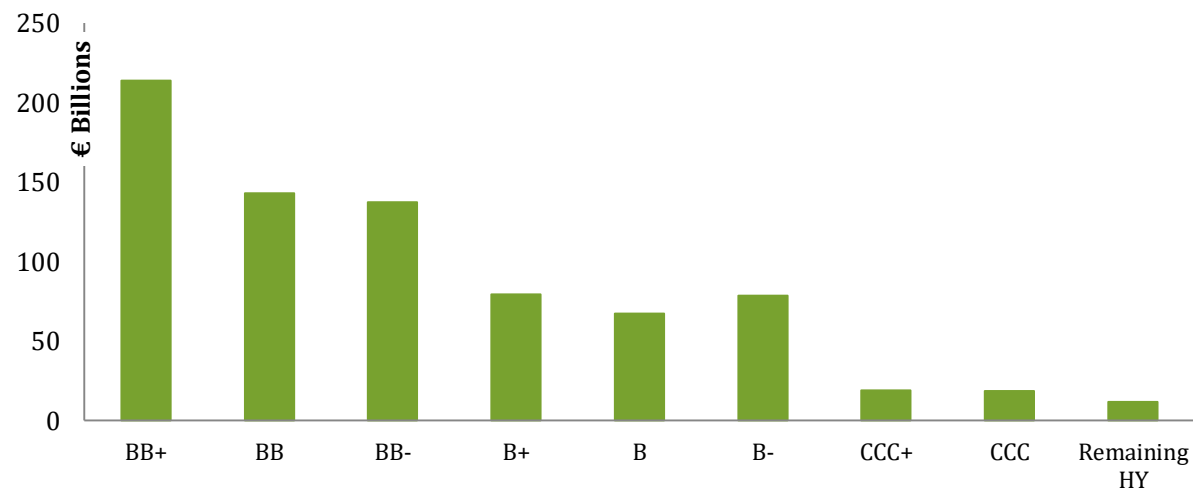


4.8 European Corporate HY Bonds Outstanding by Sector



Source: Bloomberg

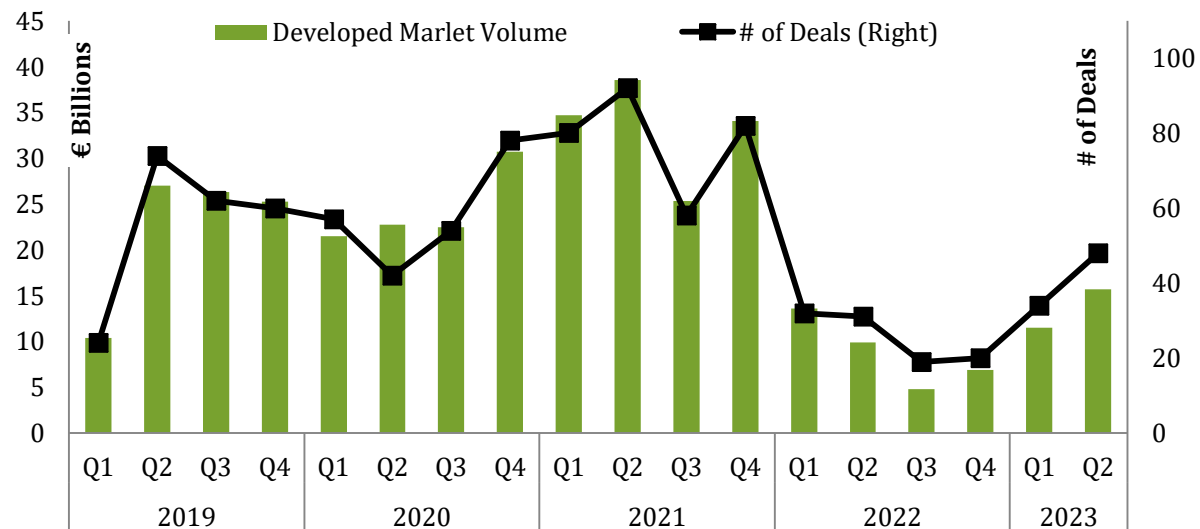
4.9 European Corporate HY Bonds Outstanding by Current Rating



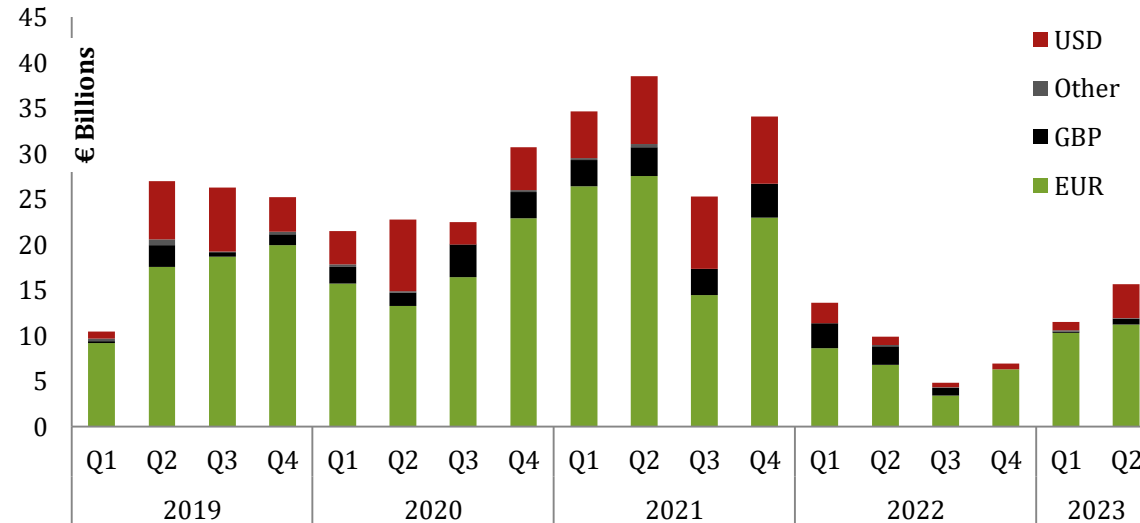
European Developed Market High Yield Bonds

Developed Market High Yield Bonds

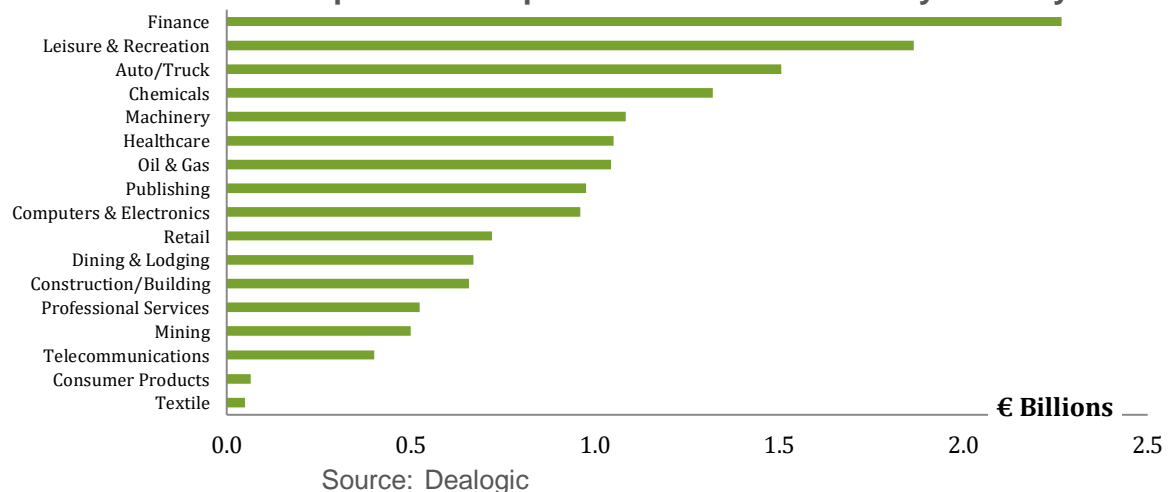
5.1 European Developed Market HY Bond Issuance



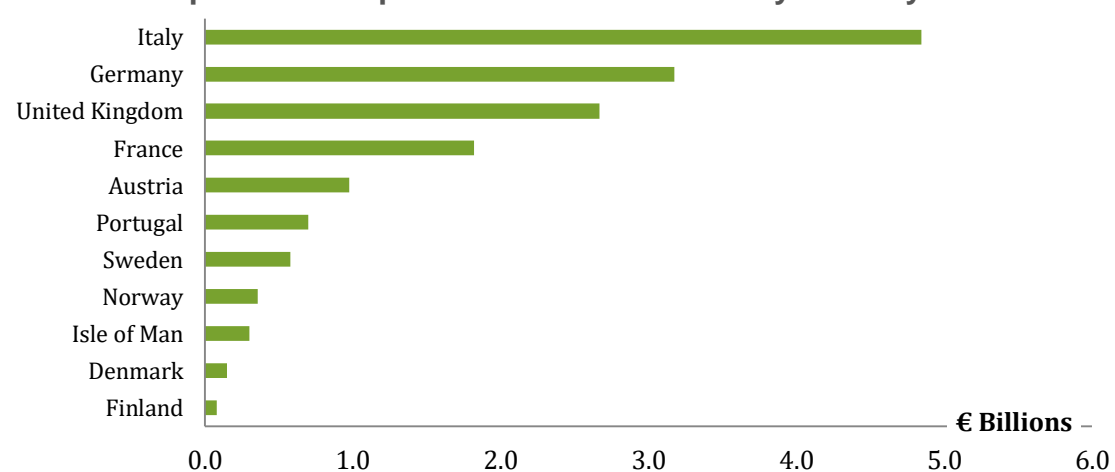
5.2 European Developed Market HY Issuance by Currency



5.3 European Developed Market HY Issuance by Industry: Q2 2023

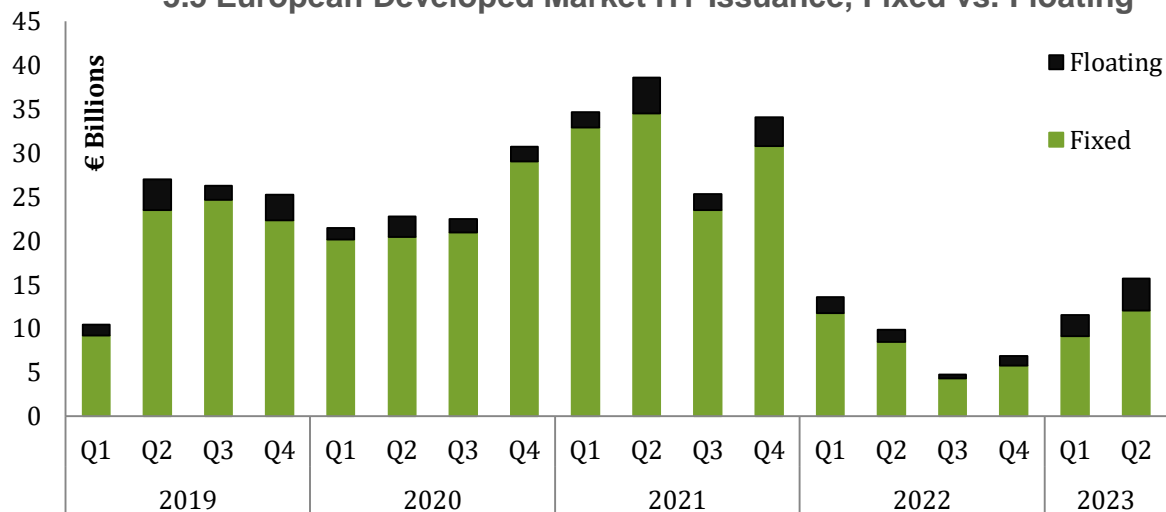


5.4 European Developed Market HY Issuance by Country of Risk: Q2 2023

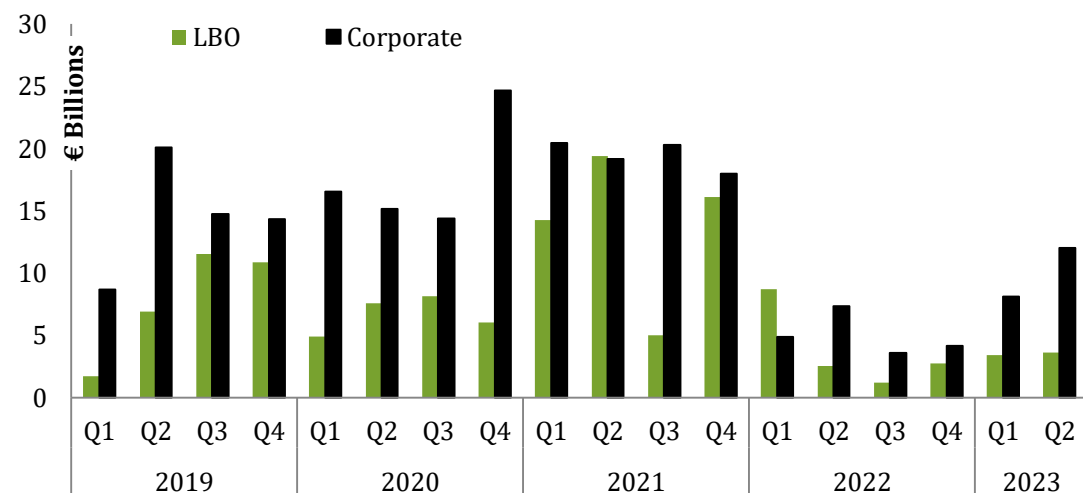


Developed Market High Yield Bonds

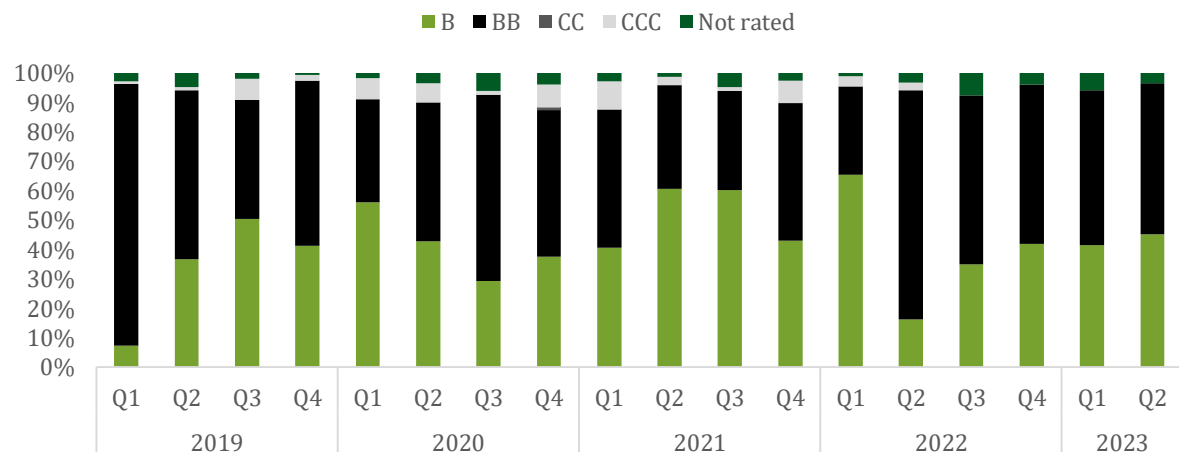
5.5 European Developed Market HY Issuance, Fixed vs. Floating



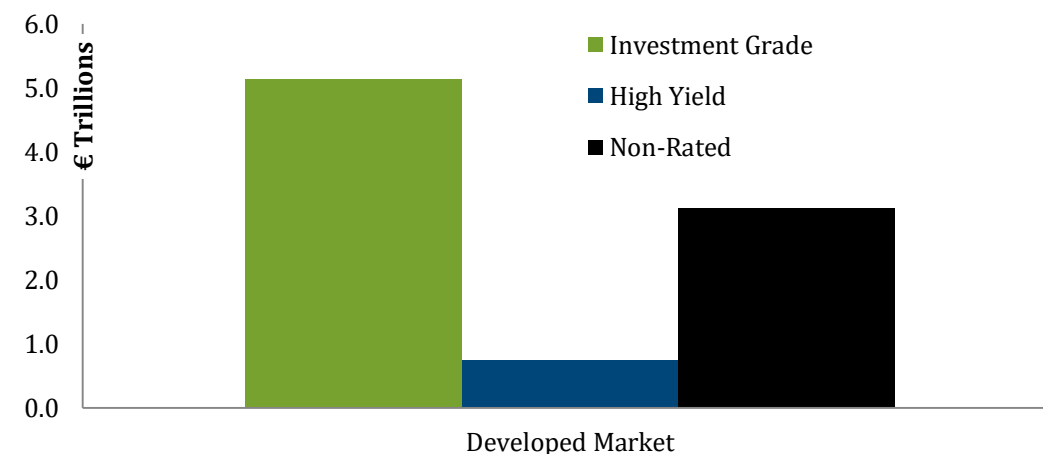
5.6 European Developed Market HY Issuance, Sponsored vs. Corporate



5.7 European Developed Market HY Rating Distribution at Issuance



5.8 European Developed Market Corporate Bonds Outstanding: Q2 2023



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
TIM SpA	Telecommunications	03/04/2023	EUR	0.4	6.875	B1	B+	BB-
ZF North America Capital Inc	Auto/Truck	04/04/2023	USD	0.55	6.875	Ba1	BB+	
ZF North America Capital Inc	Auto/Truck	04/04/2023	USD	0.55	7.125	Ba1	BB+	
Banca Popolare di Sondrio SCpA	Finance	12/04/2023	EUR	0.15	5.5			BB+
Gruenthal GmbH	Healthcare	18/04/2023	EUR	0.3	6.75	B1	BB-	BB
Monitchem Holdco 3 SA	Chemicals	20/04/2023	EUR	0.25	3-mth Euribor +525	B3	B	
Monitchem Holdco 3 SA	Chemicals	20/04/2023	EUR	0.42	8.75	B3	B	
Kevlar SpA	Retail	21/04/2023	USD	0.72	6.5	B3	B	
TVL Finance plc	Dining & Lodging	21/04/2023	EUR	0.25	3-mth Euribor +550	B3	B-	
TVL Finance plc	Dining & Lodging	21/04/2023	GBP	0.37	10.25	B3	B-	
Loxam SAS	Professional Services	25/04/2023	EUR	0.3	6.375		BB-	
CHEPLAPHARM Arzneimittel GmbH	Healthcare	26/04/2023	EUR	0.33	3-mth Euribor +475	B2	B+	BB-
CHEPLAPHARM Arzneimittel GmbH	Healthcare	26/04/2023	EUR	0.43	7.5	B2	B+	BB-
Benteler International AG	Machinery	27/04/2023	EUR	0.53	9.375	Ba3	BB-	
Benteler International AG	Machinery	27/04/2023	USD	0.45	10.5	Ba3	BB-	
Bormioli Pharma SpA	Chemicals	27/04/2023	EUR	0.35	3-mth Euribor +550	B3	B-	B
Ziton A/S	Construction/Building	05/05/2023	EUR	0.15	3-mth Euribor +950			
Centurion BidCo SpA	Computers & Electronics	09/05/2023	EUR	0.39	11.125	B2	B-	B+
Eramet SA	Mining	11/05/2023	EUR	0.5	7	Ba2		BB+
Cedacri SpA	Computers & Electronics	12/05/2023	EUR	0.28	3-mth Euribor +550	B3	B	B-
Odfjell Drilling AS	Oil & Gas	12/05/2023	USD	0.36	9.25	B2	BB	
Adler Pelzer Holding GmbH	Auto/Truck	15/05/2023	EUR	0.4	9.5	B3		B
Lottomatica SpA	Leisure & Recreation	16/05/2023	EUR	0.55	3-mth Euribor +412.5	Ba3	BB-	
Lottomatica SpA	Leisure & Recreation	16/05/2023	EUR	0.57	7.13	Ba3	BB-	

Source: Dealogic

5.9 European Developed Market HY Bond Issuance

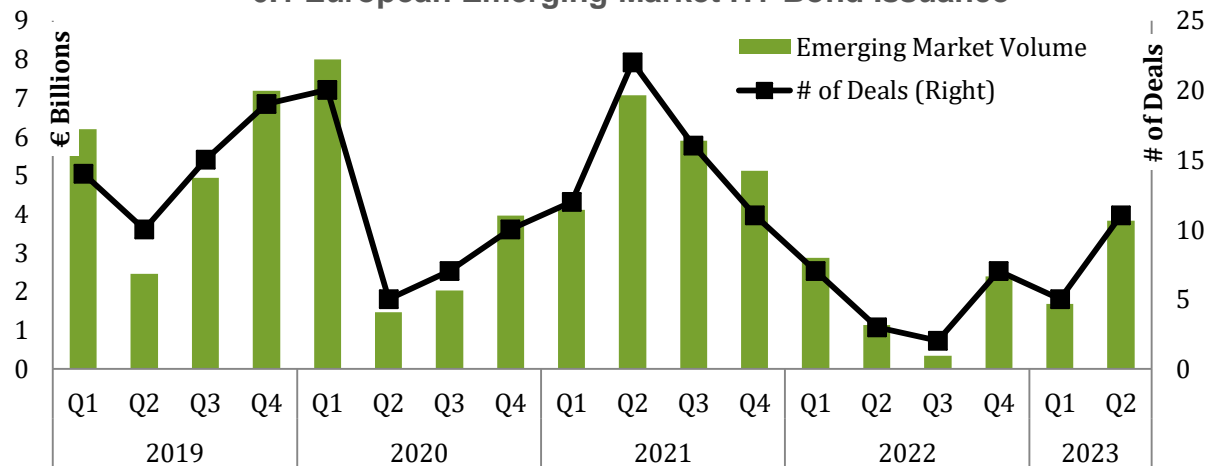
Issuer	Industry Group	Date	Currency	Amount (billion)	Coupon	Moody's	S&P	Fitch
Burger King France SAS	Dining & Lodging	17/05/2023	EUR	0.05	3-mth Euribor +475	B3	B-	
Co-operative Bank Finance plc	Finance	17/05/2023	GBP	0.23	9.5	Ba3		
Motion Finco SARL	Leisure & Recreation	23/05/2023	EUR	0.7	7.375	B3	B	
Airswift Holdings Ltd	Professional Services	24/05/2023	USD	0.02	3-mth Libor +850			
Novo Banco SA	Finance	24/05/2023	EUR	0.5	9.875	B1		
Dometic Group AB	Consumer Products	25/05/2023	Other	0.07	6.25			
PrestigeBidCo GmbH	Textile	05/06/2023	EUR	0.05	3-mth Euribor +600	B1	B+	
Banco BPM SpA	Finance	07/06/2023	EUR	0.75	6	Ba2		BB+
IPD 3 BV	Publishing	08/06/2023	EUR	0.48	3-mth Euribor +475	B2	B	B+
IPD 3 BV	Publishing	08/06/2023	EUR	0.5	8	B2	B	B+
NOBA Bank Group AB (publ)	Finance	09/06/2023	Other	0.03	3-mth Nibor (Norway) +700			
Apollo Swedish Bidco AB	Construction/Building	16/06/2023	EUR	0.48	3-mth Euribor +500	B2	B	B
MEDIA Central GmbH	Professional Services	16/06/2023	EUR	0.2	Euribor +975			
Playtech plc	Computers & Electronics	21/06/2023	EUR	0.3	5.875	Ba2	BB	
Whitworth Midco Ltd	Finance	21/06/2023	USD	0.04	12.875			
Burford Capital Global Finance LLC	Finance	22/06/2023	USD	0.37	9.25	Ba2	BB-	
Caixa Central de Credito Agricola Mutuo - CRL	Finance	27/06/2023	EUR	0.2	8.375	Ba1		
Energear Israel Finance Ltd	Oil & Gas	27/06/2023	USD	0.69	8.5	Ba3	BB-	
Secop GmbH	Machinery	27/06/2023	EUR	0.05	3-mth Euribor +840			
DEAG Deutsche Entertainment AG	Leisure & Recreation	28/06/2023	EUR	0.05	8			
Fortaco Group Oy	Construction/Building	28/06/2023	EUR	0.03	3-mth Euribor +700			
PHM Group Oy	Machinery	28/06/2023	EUR	0.06	3-mth Euribor +750	B2	B	
SCIL IV LLC	Chemicals	29/06/2023	EUR	0.3	9.5	B1	BB-	

Source: Dealogic

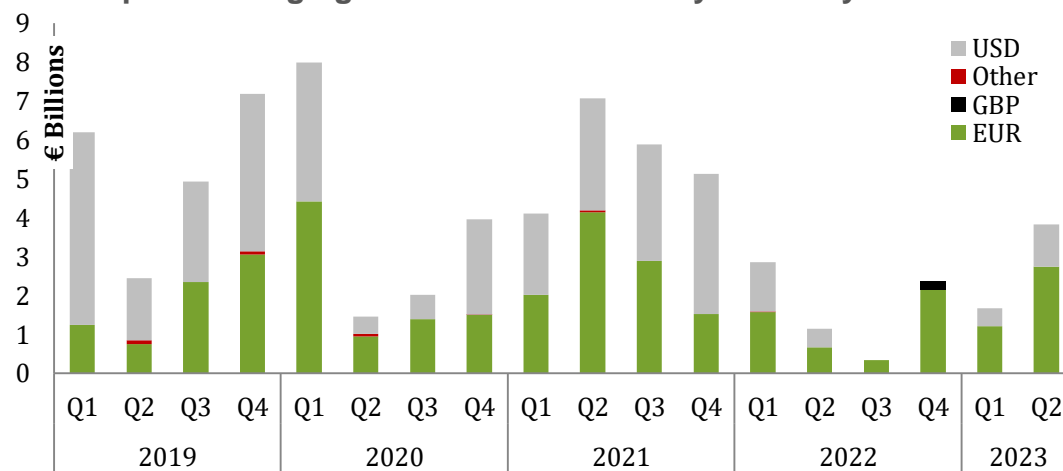
European Emerging Market High Yield Bonds

Emerging Market High Yield Bonds

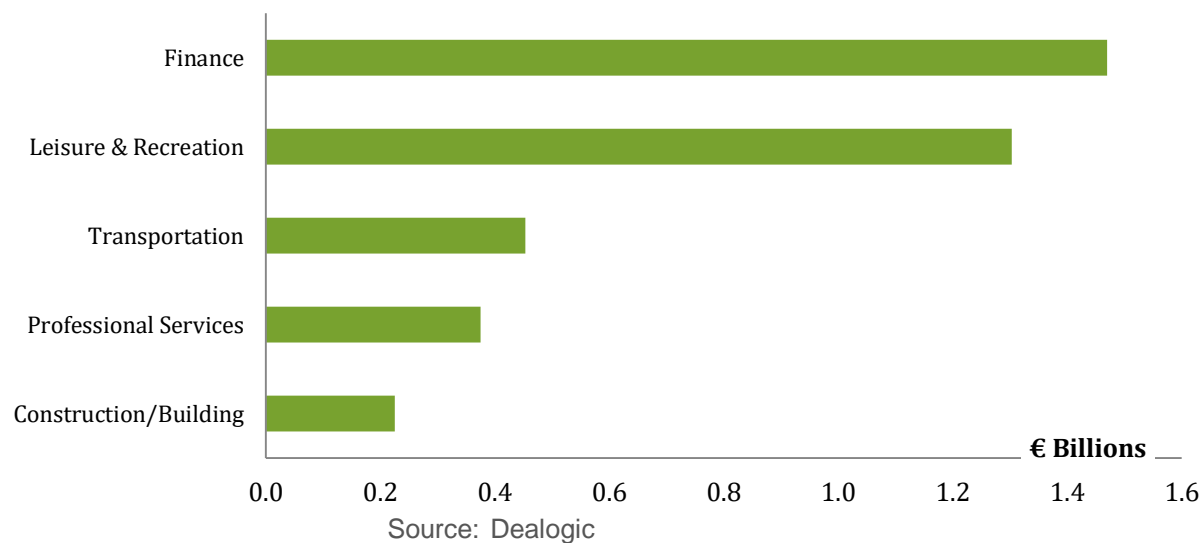
6.1 European Emerging Market HY Bond Issuance



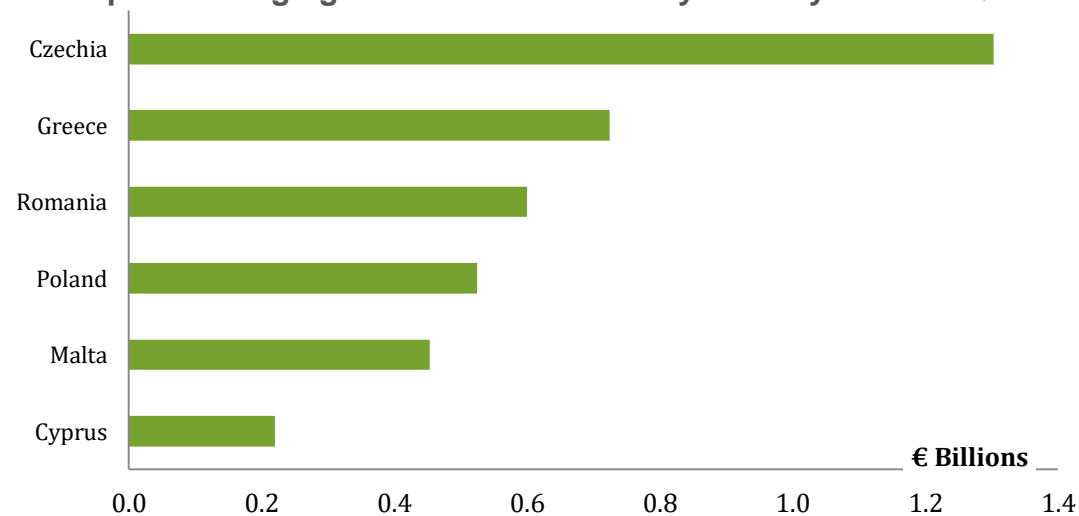
6.2 European Emerging Market HY Issuance by Currency



6.3 European Emerging Market HY Issuance by Industry: Q2 2023

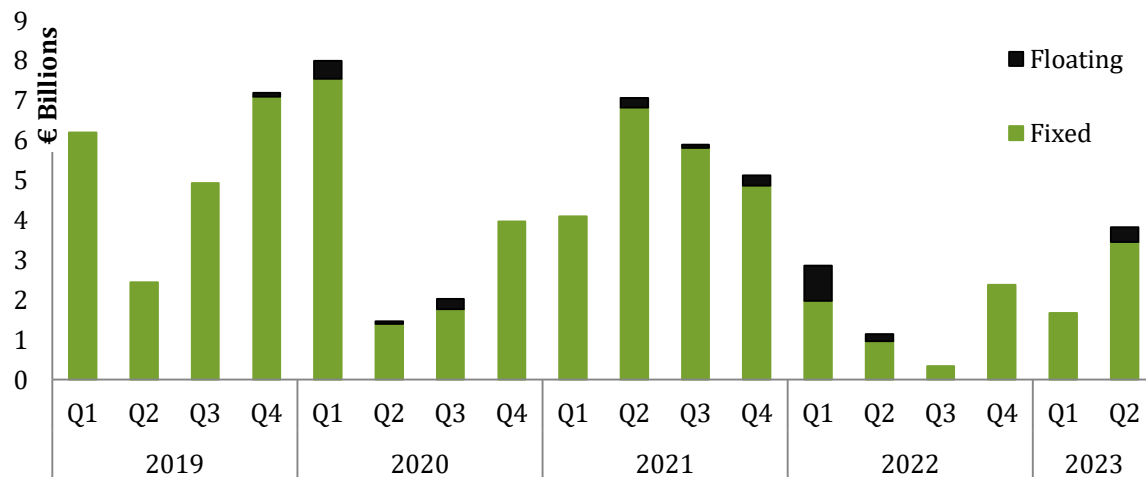


6.4 European Emerging Market HY Issuance by Country of Risk: Q2 2023

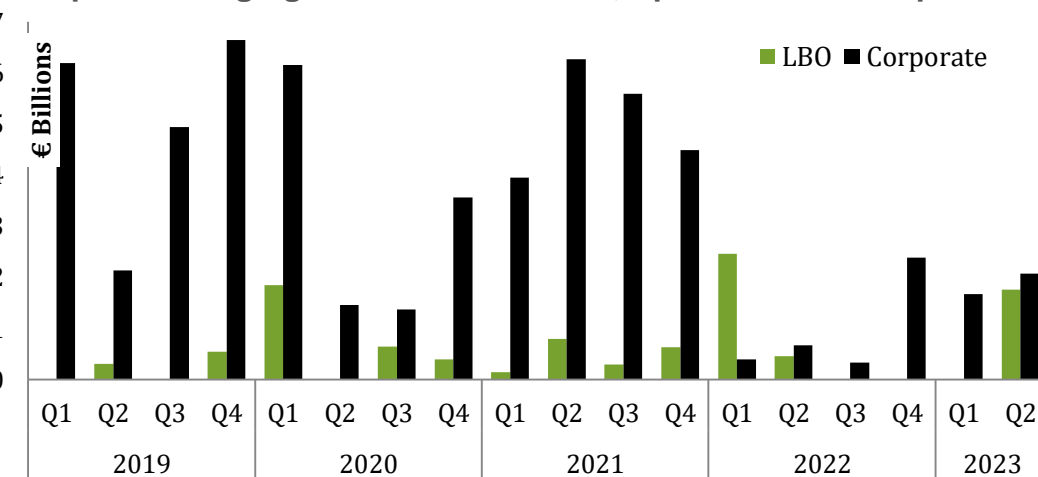


Emerging Market High Yield Bonds

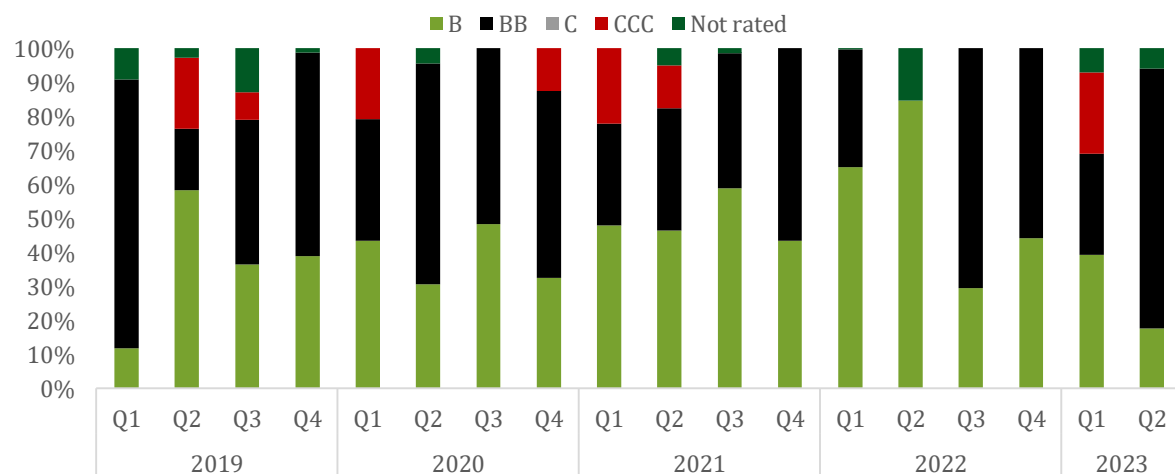
6.5 European Emerging Market HY Issuance, Fixed vs. Floating



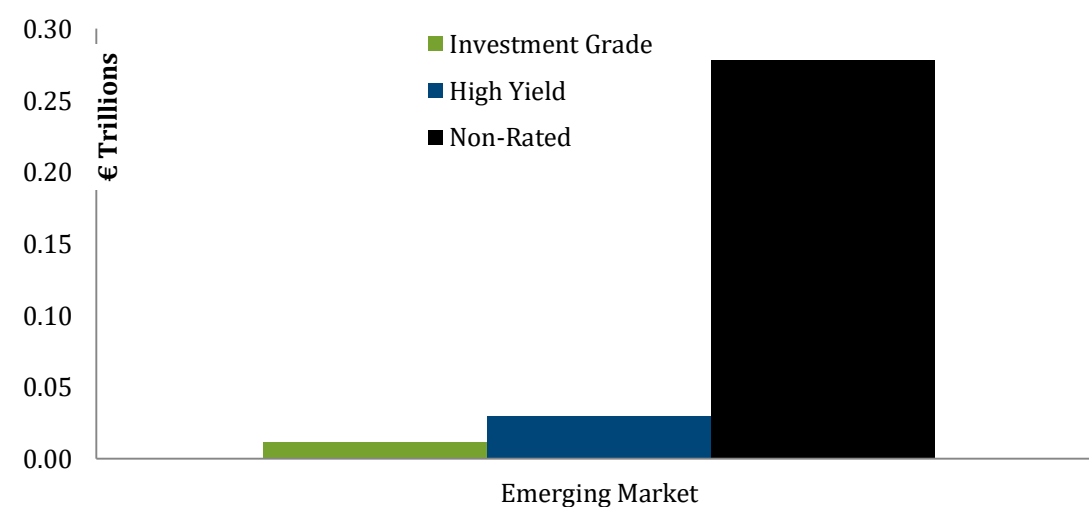
6.6 European Emerging Market HY Issuance, Sponsored vs. Corporate



6.7 European Emerging Market HY Rating Distribution at Issuance



6.8 European Emerging Market Corporate Bonds Outstanding: Q2 2023



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

Emerging Market High Yield Bonds

6.9 European Emerging Market HY Bond Issuance

Issuer	Industry Group	Date	Currency	Amount (billion)	Coupon	Moody's	S&P	Fitch
Allwyn Entertainment Financing (UK) plc	Leisure & Recreation	21/04/2023	Euro	0.67	7.25		BB	BB-
Allwyn Entertainment Financing (UK) plc	Leisure & Recreation	21/04/2023	US Dollar	0.64	7.875		BB	BB-
Banca Transilvania	Finance	21/04/2023	Euro	0.5	8.875			BB
Kruk SA	Finance	26/04/2023	Euro	0.15	3-mth Euribor +650	Ba1	BB-	
Frigo Debtco plc	Construction/Building	27/04/2023	Euro	0.15	6-mth Benchmark			
Frigo Debtco plc	Construction/Building	27/04/2023	Euro	0.08	6-mth Benchmark +400			
VistaJet Malta Finance plc	Transportation	01/05/2023	US Dollar	0.45	9.5	B3	B-	BB-
Banca Transilvania	Finance	05/06/2023	Euro	0.1	8.875			BB
Bank of Cyprus Holdings plc	Finance	13/06/2023	Euro	0.22	11.875	B3		
Alpha Services & Holdings SA	Finance	20/06/2023	Euro	0.5	6.875	Ba3	BB-	
PEU (Fin) Ltd	Professional Services	21/06/2023	Euro	0.38	7.25	Ba3	BB-	BB+

Source: Dealogic

Credit Quality

Credit Quality

S&P reported the trailing 12-month speculative-grade bond default rate at 3.1% in June 2023, an increase from 3.0% in March 2023. Moody's reported the speculative-grade default rate at 2.9% in June 2023, up from 2.6% in March 2023.

There were 11 bond defaults reported in the 2Q'23 by Standard and Poor's and Moody's. The most frequent reasons were distressed exchange (for 7 of them) and Bankruptcy (for 2 of them).

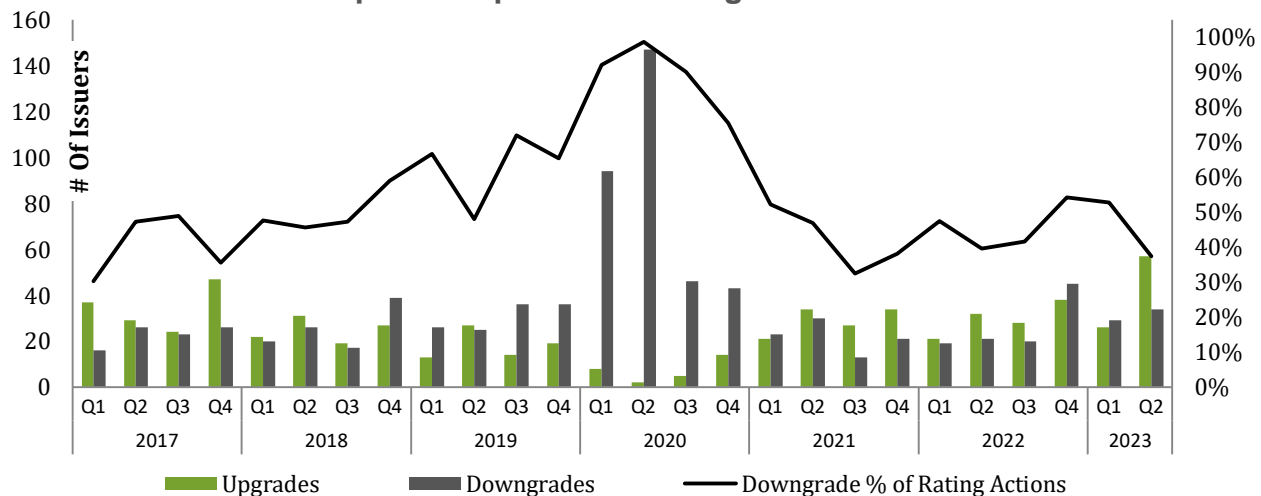
According to S&P, in 2Q'23 upgrades exceeded downgrades in Europe (63 upgrades to 35 downgrades), a better ratio than 26 upgrades to 32 downgrades in 1Q'23.

According to Moody's, in the second quarter of 2023 the number of upgrades in Europe were 30 and the downgrades were 31.

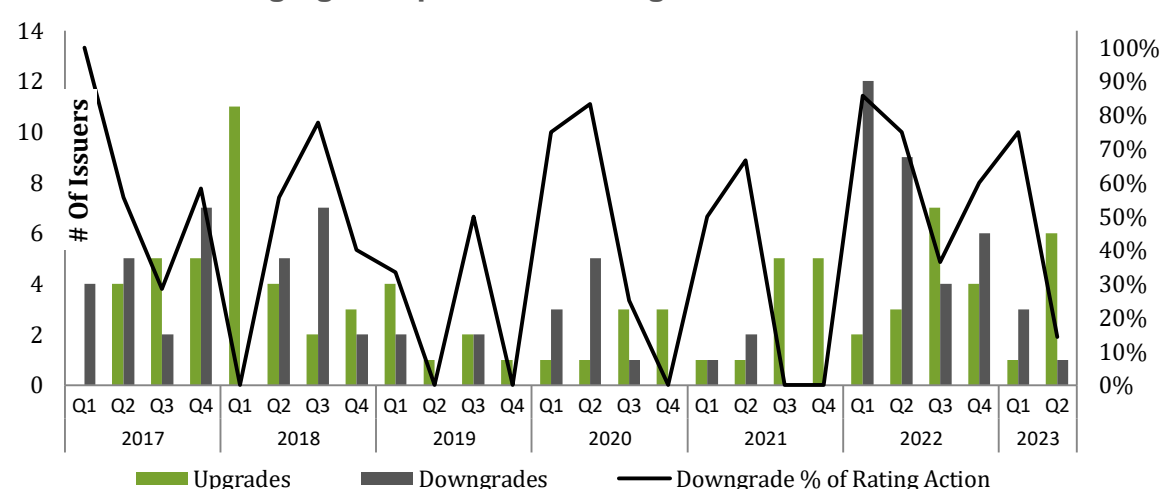
Fitch reported an increase in European Leveraged Loan default rates (by number of deals) to 2.6% in June 2023 from 1.26% in December 2022.

According to Reorg, 91% of the European leveraged loan deals examined in 2Q'23 were covenant-lite.

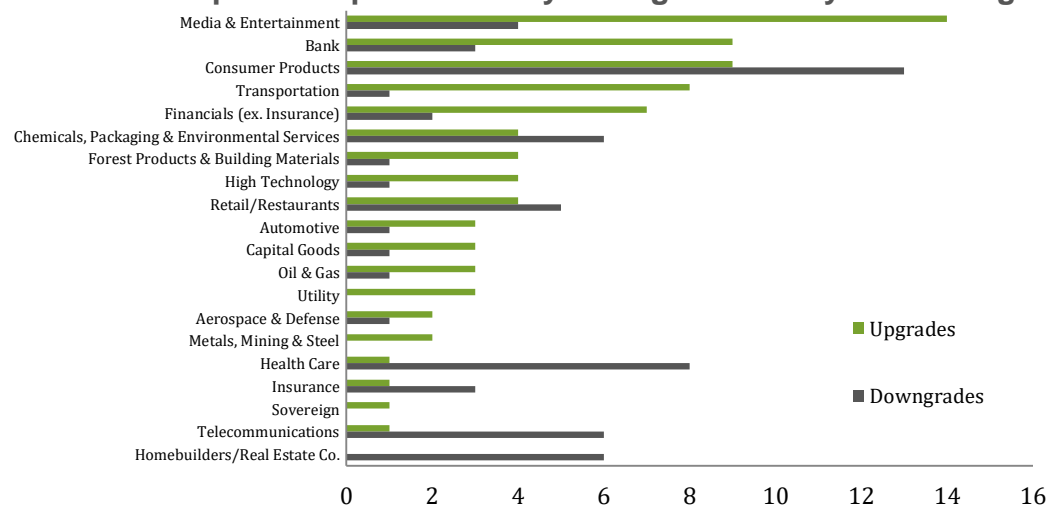
7.1 S&P Developed Europe Issuer Rating Actions



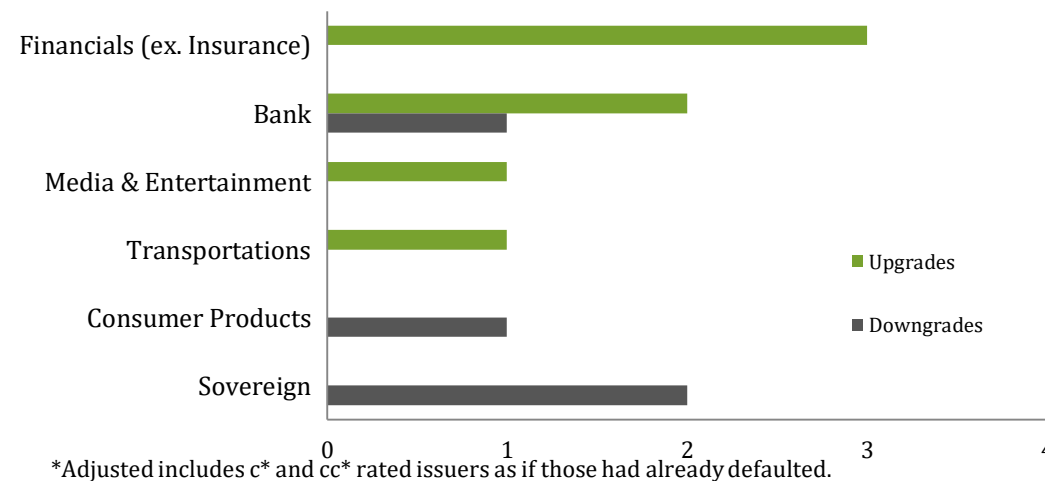
7.2 S&P Emerging Europe Issuer Rating Actions



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



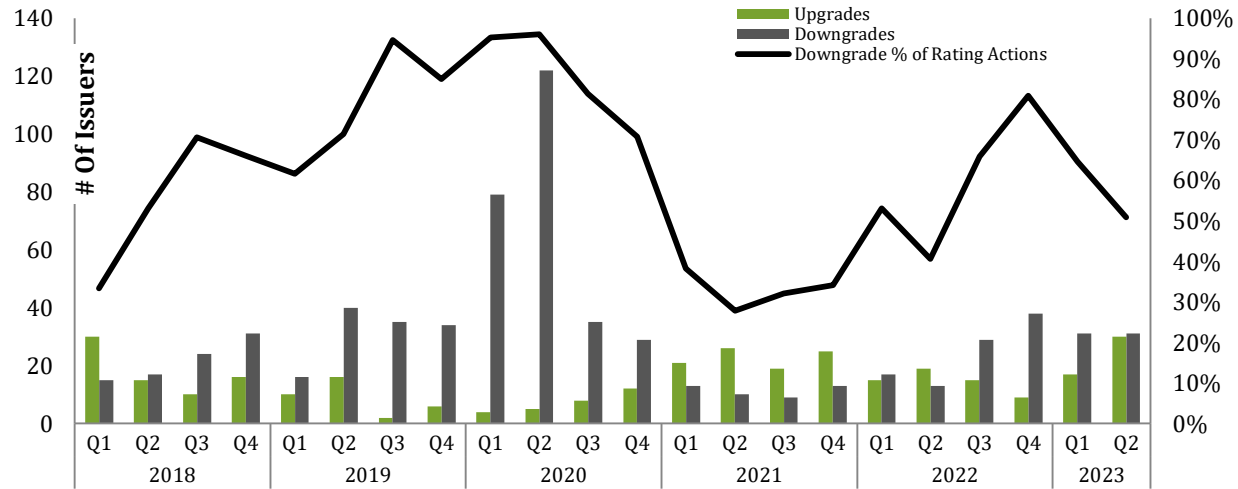
7.4 S&P Emerging European Industry Rating Actions by # of Ratings



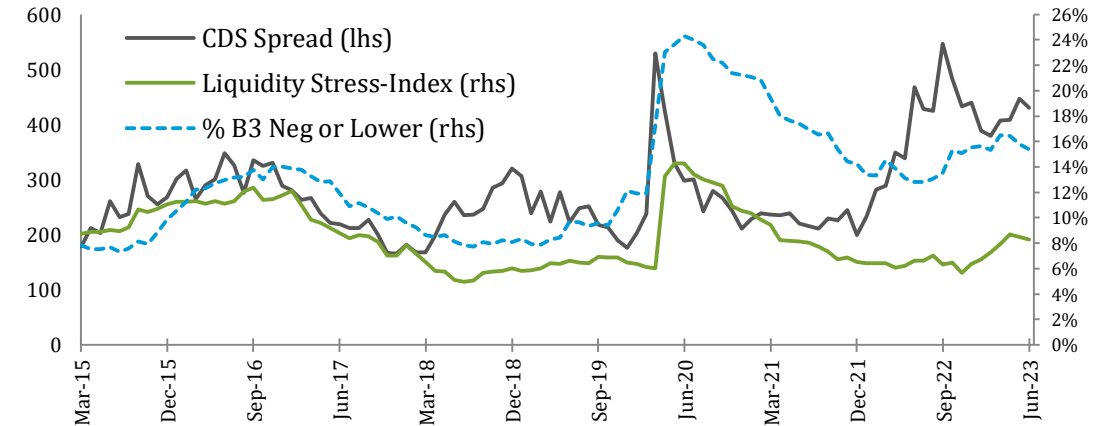
Adjusted includes c and cc* rated issuers as if those had already defaulted.

Source: S&P [7.1], [7.2], [7.3] and [7.4]

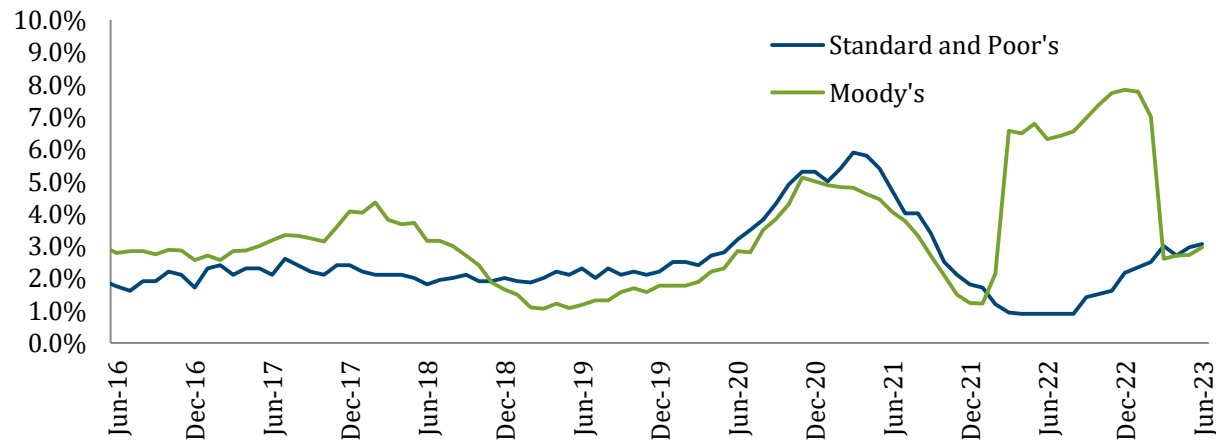
7.5 Moody's: Europe Issuer Rating Actions (corporate)



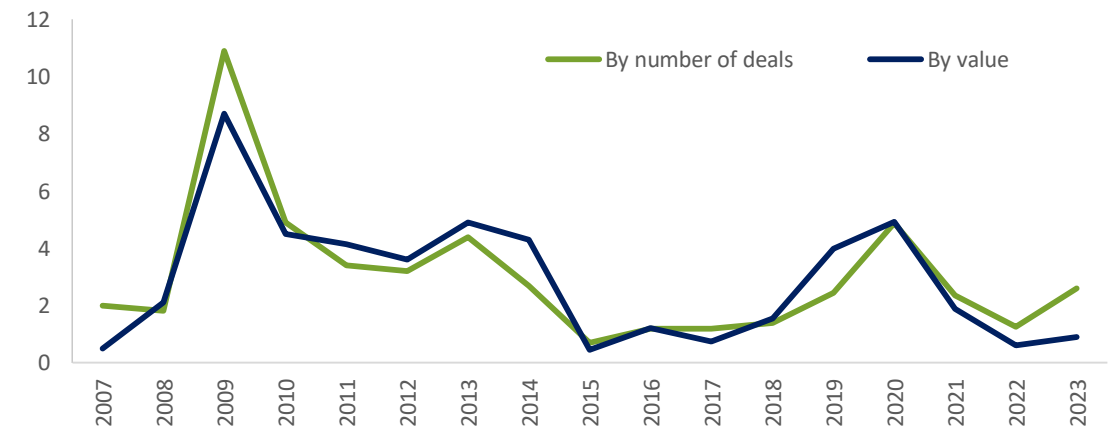
7.6 High-Yield bond CDS spreads vs. liquidity-stress index and HY bonds rated B3 neg and lower in Europe



7.7 European High Yield Default Rates



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.

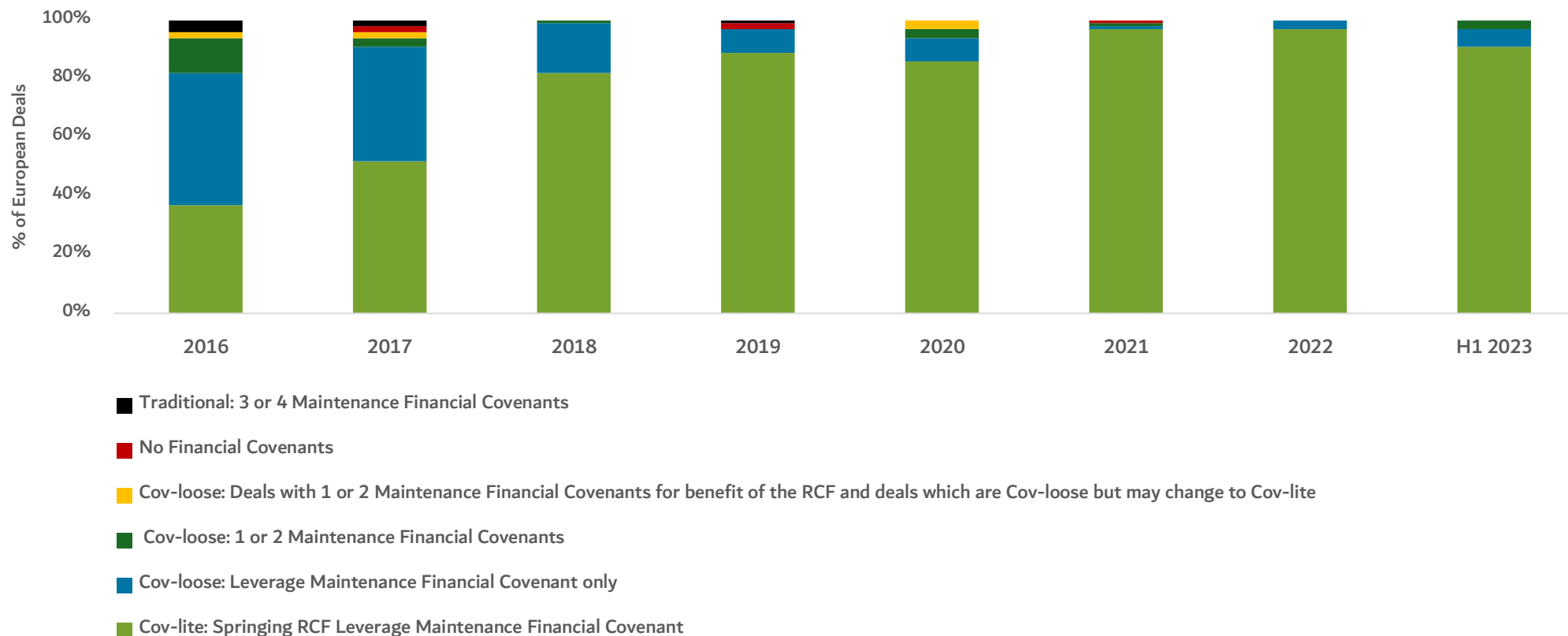
7.9 European Defaults

Issuer	Industry Group	Country	Date	Reported By	Reason
Covis Finco S.a r.l	Health Care	Switzerland	April 2023	S&P	Distressed exchange
Adler Group S.A. (ADO Group Ltd.)	Homebuilders/real estate companies	Luxembourg	April 2023	S&P	Distressed exchange
Codere Luxembourg 2 S.a.r.l.	Gaming: casinos	Spain	April 2023	Moody's	Missed interest payments
Takko Fashion S.a.r.l.	Retail: speciality	Germany	May 2023	Moody's	Missed principal payments
Frigoglass SAIC	Consumer products	Greece	May 2023	S&P	Distressed exchange
CatLuxe Sarl (CatLuxe Acquisition Sarl)	Consumer products	Luxembourg	May 2023	S&P, Moody's	Distressed exchange
Venator Materials PLC	Chemicals, packaging, and environmental services	U.K.	May 2023	S&P, Moody's	Bankruptcy
Covis Midco 2 S.a r.l.	Pharmaceuticals: general & speciality	Luxembourg	June 2023	Moody's	Bankruptcy
Technicolor Creative Studios SA	services: business	France	June 2023	Moody's	Distressed exchange
Tullow Oil plc	Energy: oil & gas	U.K.	June 2023	Moody's	Distressed exchange
Comet Bidco Limited	services: business	U.K.	June 2023	Moody's	Distressed exchange

Source: S&P, Moody's

Credit Quality and European Leveraged Loan Covenants

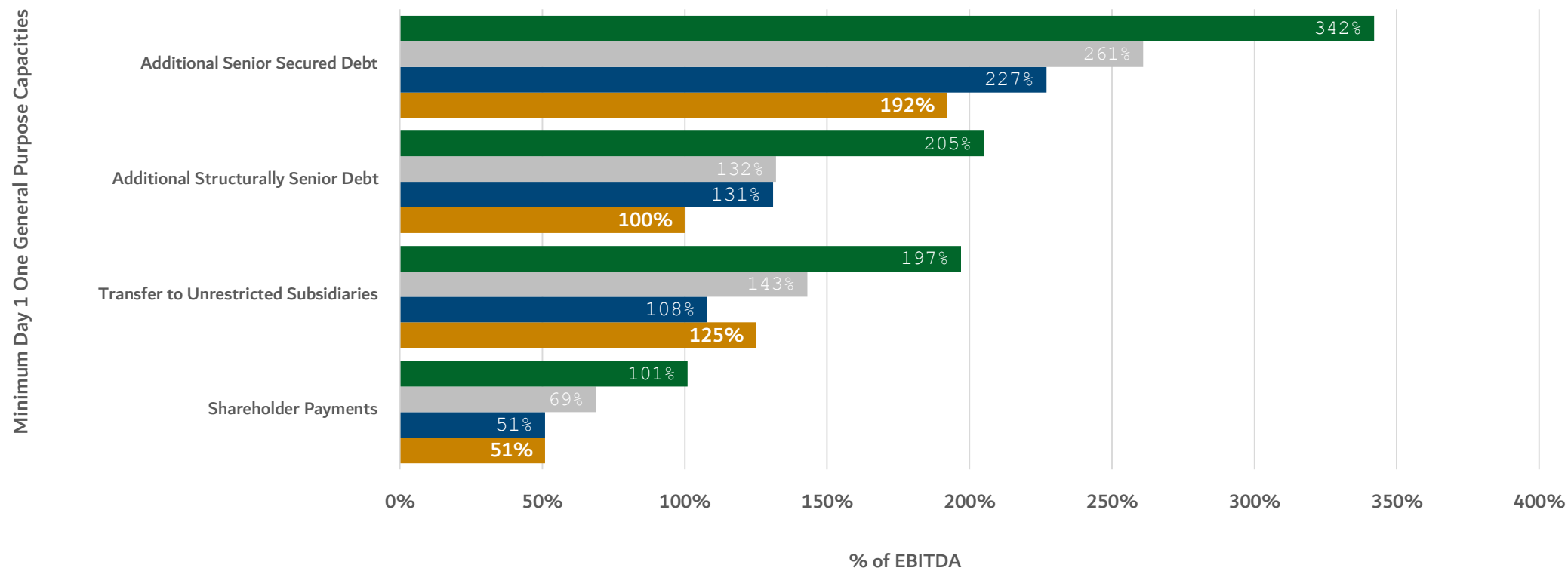
7.10 Financial Covenant Packages in European Leveraged Loans 2016 - H1 2023



*Figures based on Reorg calculations for European deals

High Yield Day-1 Capacity and Investor Pushback

7.11 European High-Yield Key Creditor Risks for Dilutive, Priming Debt and for Value Leakage



Source: EMEA Covenants by Reorg

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Figures based on Reorg calculations for European high-yield bonds and leveraged loans (Jan. 1 - June 30 2023). Figures provide day 1 capacity available at issue aggregating the “general purpose” baskets only (excludes specific purpose baskets). Excludes high-yield lite offerings recorded on Reorg’s proprietary database (Market Maker)

Relative Value and Total Return

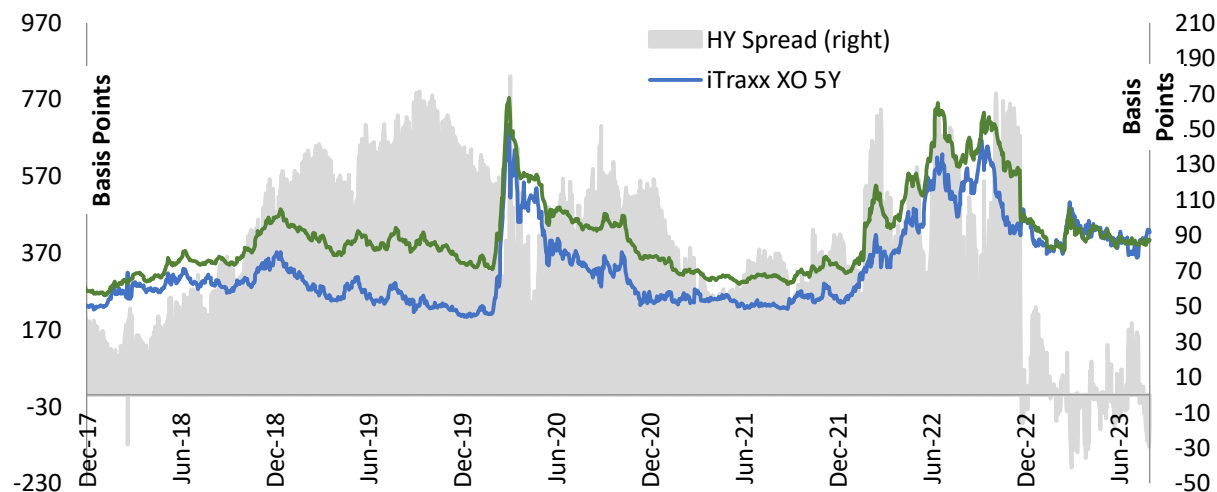
Returns

10 out of 19 asset classes tracked in this report recorded quarter-on-quarter (q-o-q) gains in 2Q'23. The "S&P500" experienced the greatest growth q-o-q at 8.3%. This was followed by "U.S. HY Distressed" at a 6.2% increase and "Russell 2000" with a positive 4.8% q-o-q.

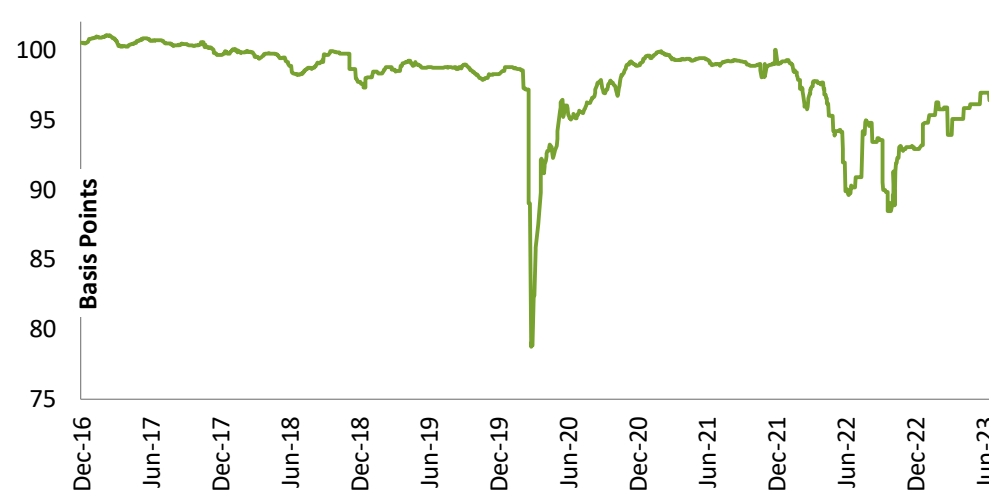
The worst performing asset class was "EMU ABS/MBS" with a loss of 3.7% q-o-q in 2Q'23, followed by "U.S. Treasuries" with a negative -1.4% q-o-q, and "Euro HY CCC and Lower Rated" with a -0.9% loss q-o-q.

Relative Value and Total Return

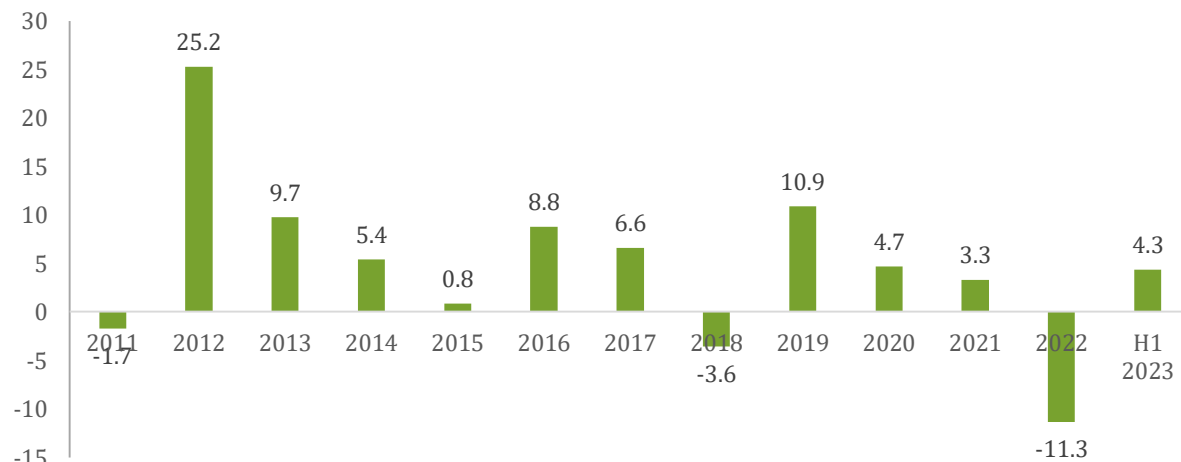
8.1 Relative value: European HY Bonds, Cash vs. Synthetic



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

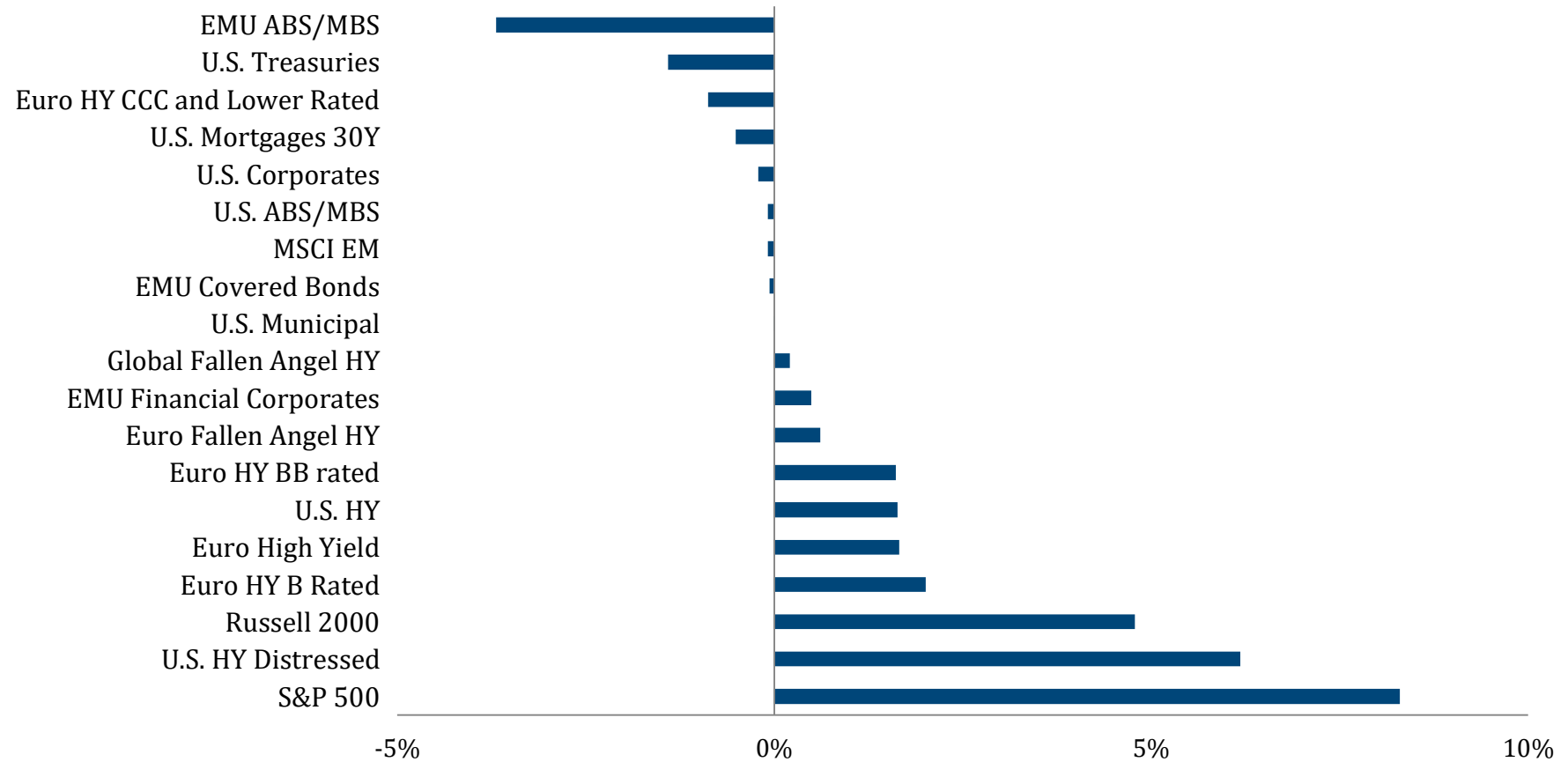


8.3 European HY Bond Total Return



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

8.4 Asset Class Total Return: Q2 2023



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