

Q3 2024

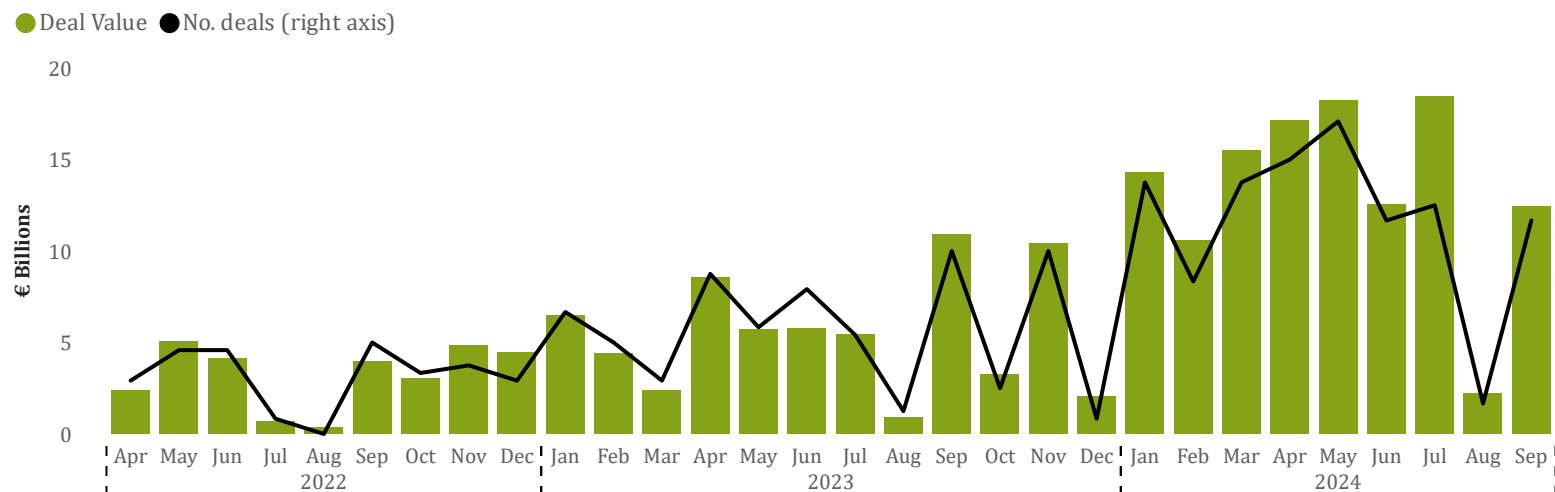
European High Yield and Leveraged Loan Report

European Leveraged Finance



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1.1 European High Yield Bond Issuance

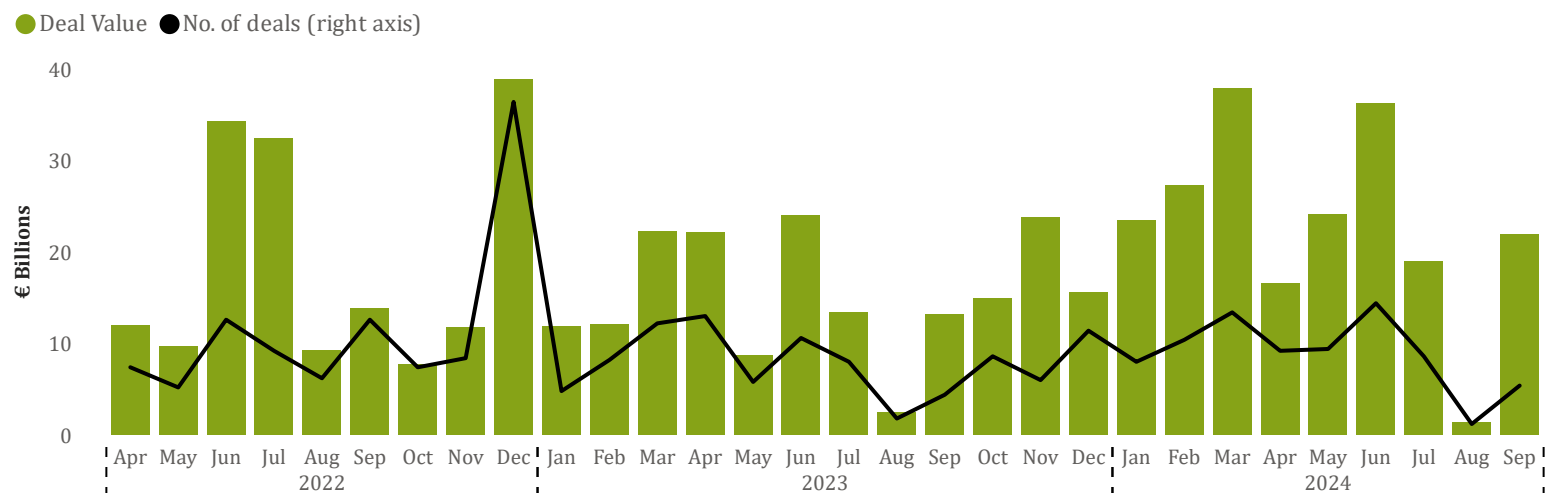


European high yield bond issuance close to reach record high in 2024

European high yield bond issuance generated €33.1bn in proceeds during Q3 2024. This represented an increase of 92.2% from Q3 2023 and a decrease of 30.2% from Q2 2024.

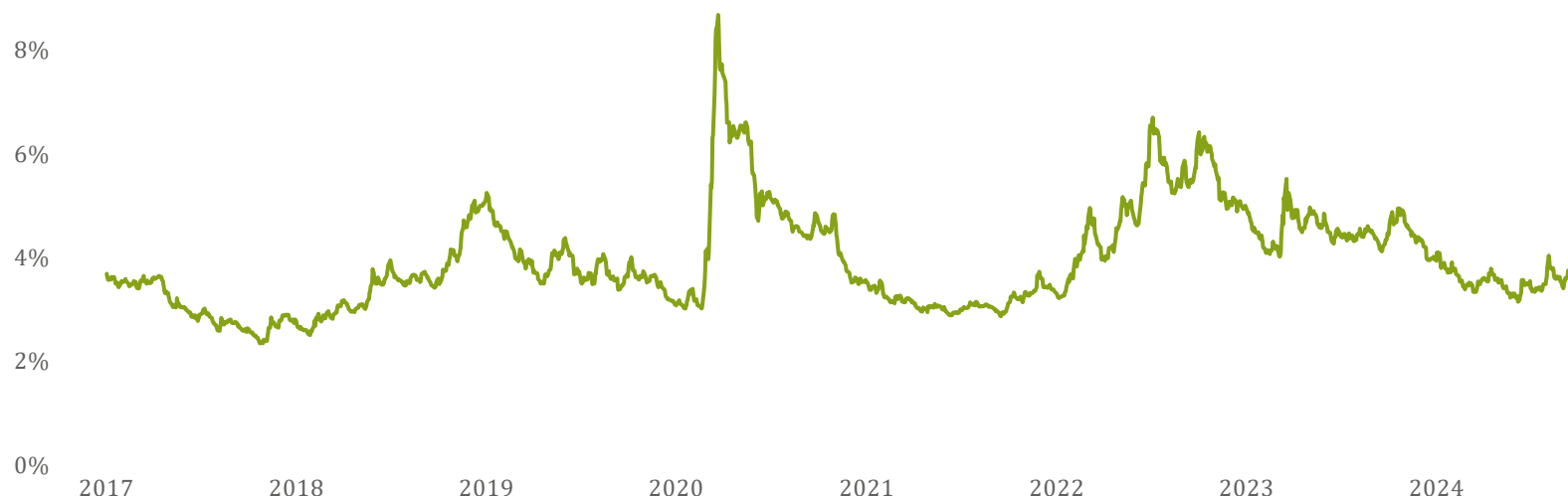
On a year-to-date basis, high yield bond issuance reached a total of €121.3bn in proceeds in the first three quarters of 2024. The amount is the second highest in our records, just below the all-time-high amount issued in 2021 following the economic recovery from the COVID-19 pandemic (€123.7bn).

1.2 European Leveraged Loan Issuance



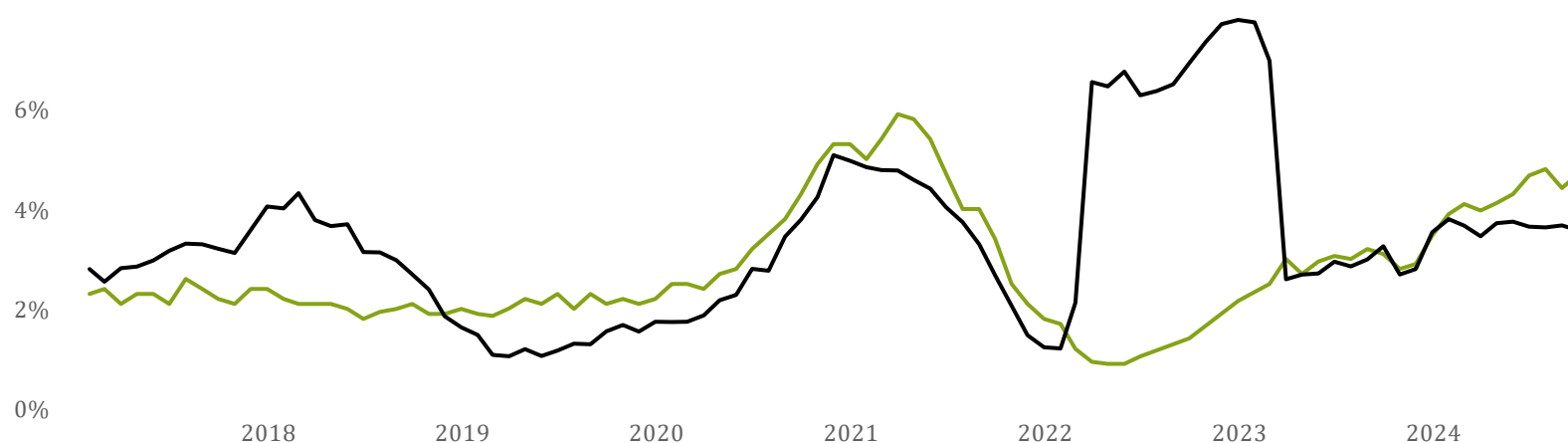
In Q3 2024, European leveraged loan origination exhibited an increase of 46% YoY against Q3 2023, and a decrease of 45% compared to Q2 2024. This quarterly decline was predominantly driven by low seasonal issuance in August at €1.4bn in proceeds, leading to an overall amount issued of €42.3bn in Q3 2024 (down from €76.9bn in Q2 2024).

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



European high yield bond spreads have visibly tightened compared to 2023

During Q3 2024 the European high yield option-adjusted spread showed limited variability, with a peak at 4% at the beginning of August that quickly stabilised in the following days, ending the quarter at 3.4%.

S&P's trailing 12-month speculative-grade bond default rate showed an increasing trend since Q2 2022, reaching 4.7% in September 2024, marking its highest level in three years. Moody's reported a more stable speculative-grade bond default rate of c3.6% during the third quarter of 2024.

Fitch reported a trailing 12 months European leveraged loan default rate of 2.3% in September 2024, down from 3.6% in June 2024.

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

Leveraged Finance Overview

Issuance Highlights

European leveraged finance issuance (leveraged loans and high yield bonds) rose from €46bn in Q3 2023 to €75bn in Q3 2024. This was driven by high yield bond issuance, that accumulated €33bn in proceeds in Q3 2024, up from €17bn in Q3 2023. In addition, leveraged loans totaled €42bn in proceeds in Q3 2024, a 46% increase YoY.

The European share of high yield issuance increased to 32% in Q3 2024, up from 17% in Q3 2023. Nonetheless, this represents a decrease compared to Q2 2024 (42%).

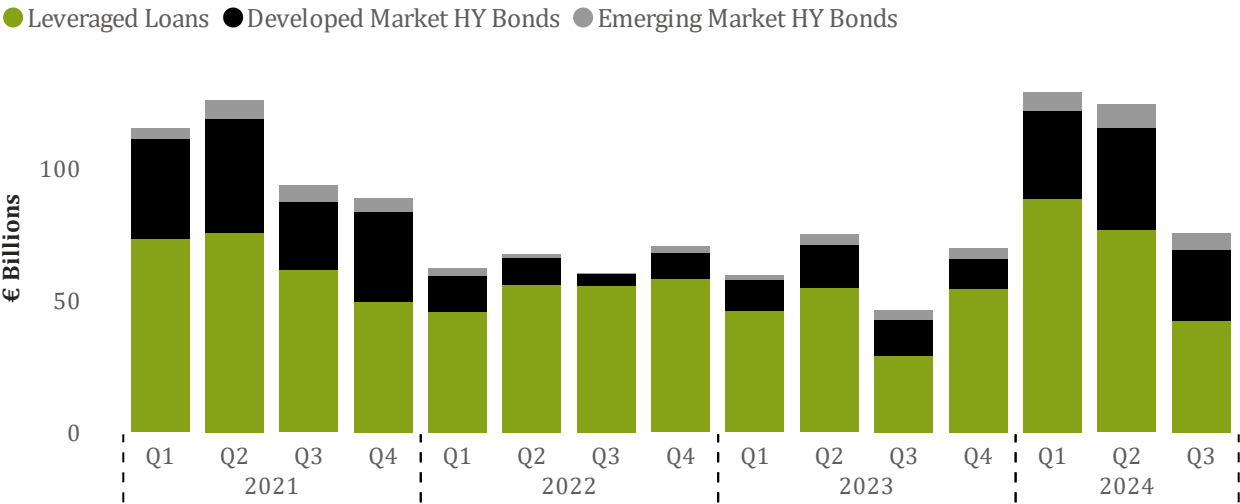
In the third quarter of 2024, developed and emerging market high yield average deal size stood at €508m and €409m respectively. Developed market average deal size represents the highest value since Q3 2020 and a 36% increase from Q3 2023, while emerging markets average deal size has slightly decreased compared to the previous quarter but still remains above the value since 2022. The average leveraged loan size amount stood at €556m, in line with Q1 2024 but a strong increase compared to the past years (€408m in Q3 2023).

Credit Standards and Loan Demand

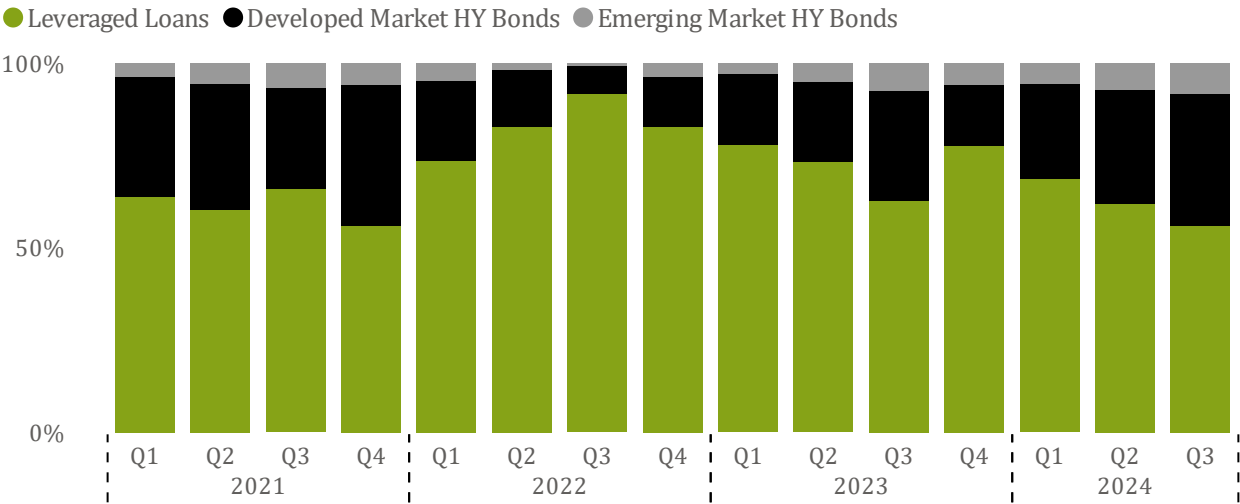
According to the European Central Bank lending survey, credit standards for loans to large firms and SMEs stood neutral in Q3 2024 (i.e. neither tightening nor easing of bank credit). However, factors such as general economic situation, costs to bank capital and industry-specific outlook had partially contributed to tightening bank credit.

The ECB lending survey also showed that the net demand for loans increased for SMEs. The increased demand was mainly driven by lower interest rates and debt restructuring activities. M&A was the main driver to affect negatively loan demand.

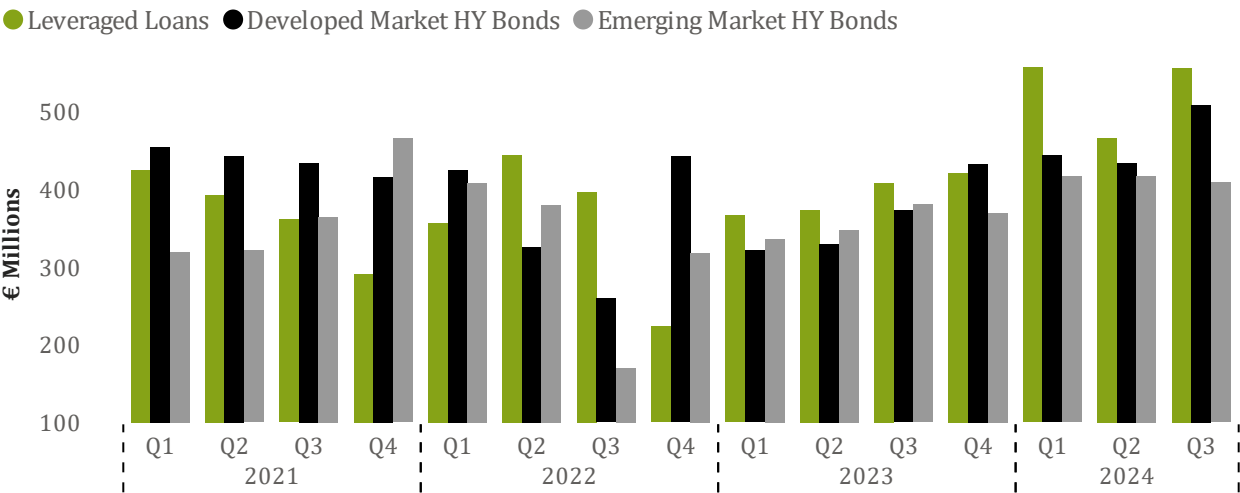
2.1 European Leveraged Issuance by Type



2.2 European Leveraged Issuance Percentage, by Type



2.3 European Leveraged Finance Average Deal Size

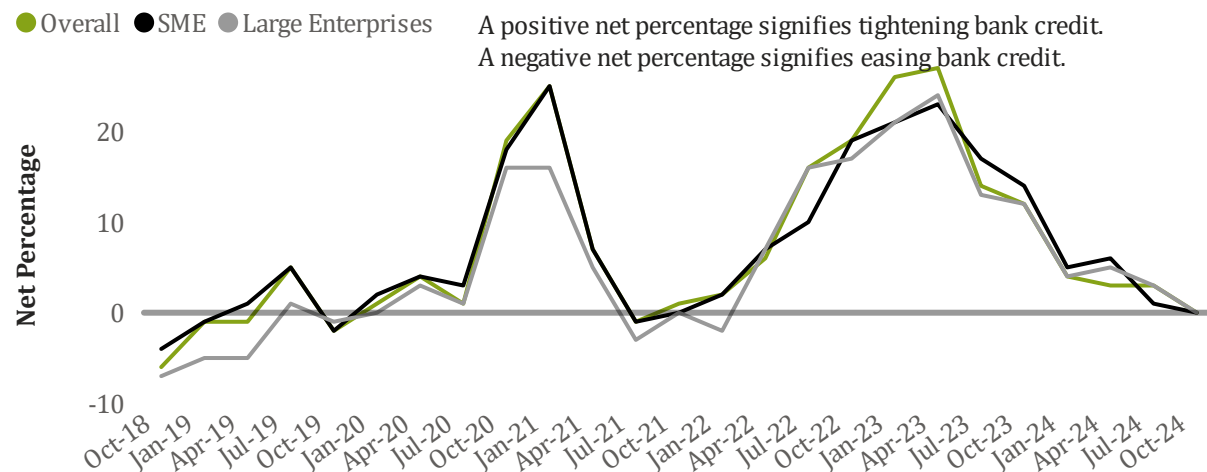


2.4 Global Comparison High Yield Issuance (€ Billions)

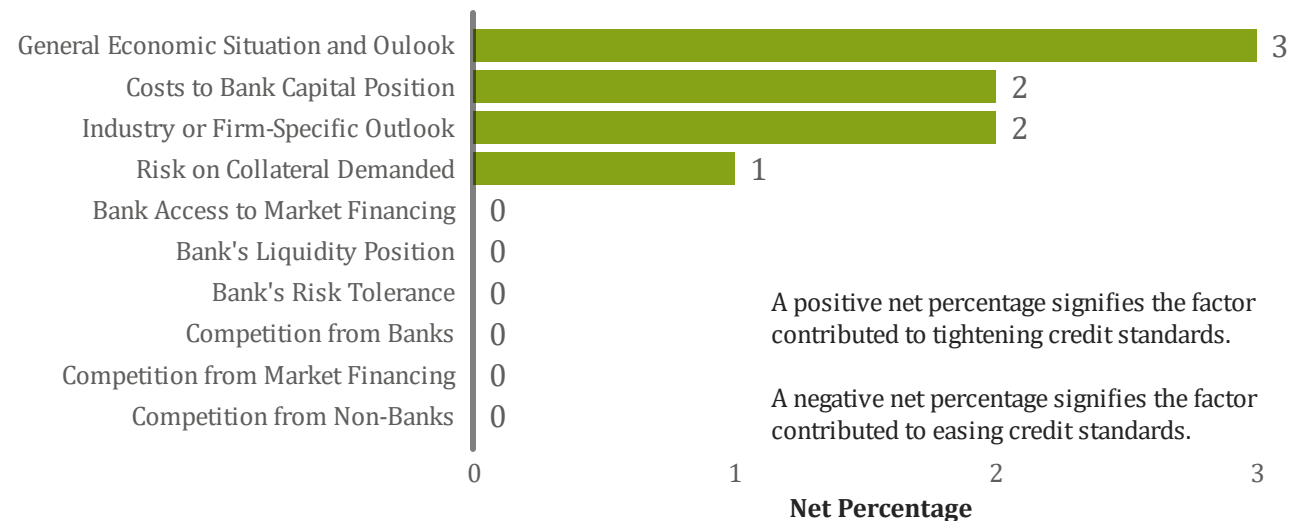
Year	2022				2023				2024			
Region	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
Americas	38.5	24.1	18.9	13.6	34.7	48.9	37.9	32.5	67.8	57.0	66.2	
Asia	3.9	6.2	9.1	3.8	7.8	6.4	4.9	9.2	6.2	8.4	6.1	
Europe	16.5	11.6	5.0	12.3	13.2	20.0	17.2	15.7	40.3	47.9	33.1	
Total	58.9	41.9	33.0	29.8	55.8	75.3	60.1	57.4	114.4	113.3	105.3	

Region	2020	2021	2022	2023	2024 YTD
Americas	343.7	343.9	95.1	154.0	190.9
Asia	65.0	58.0	23.0	28.3	20.7
Europe	113.5	162.8	45.3	66.2	121.3
Total	522.2	564.8	163.5	248.5	332.9

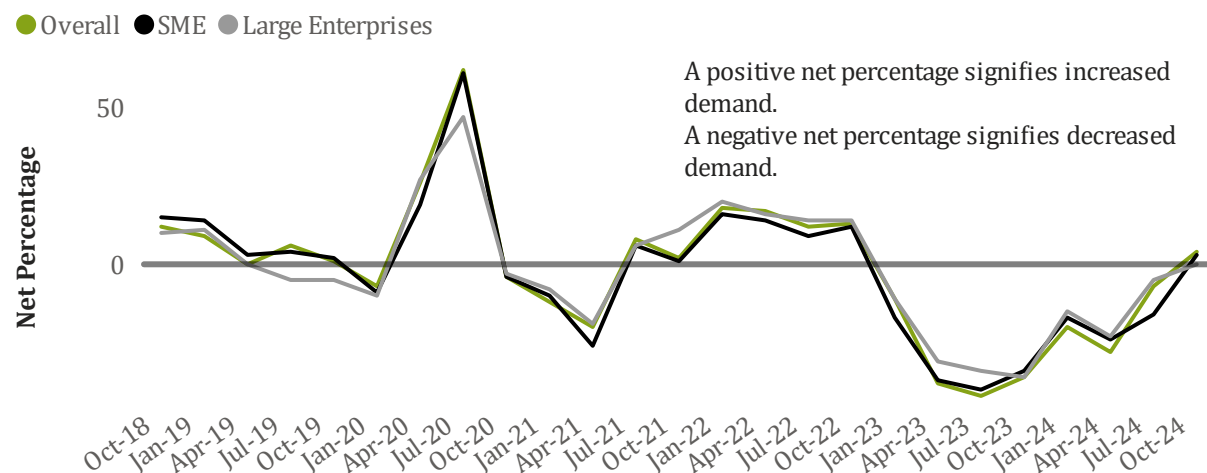
2.5 Bank Credit Standards



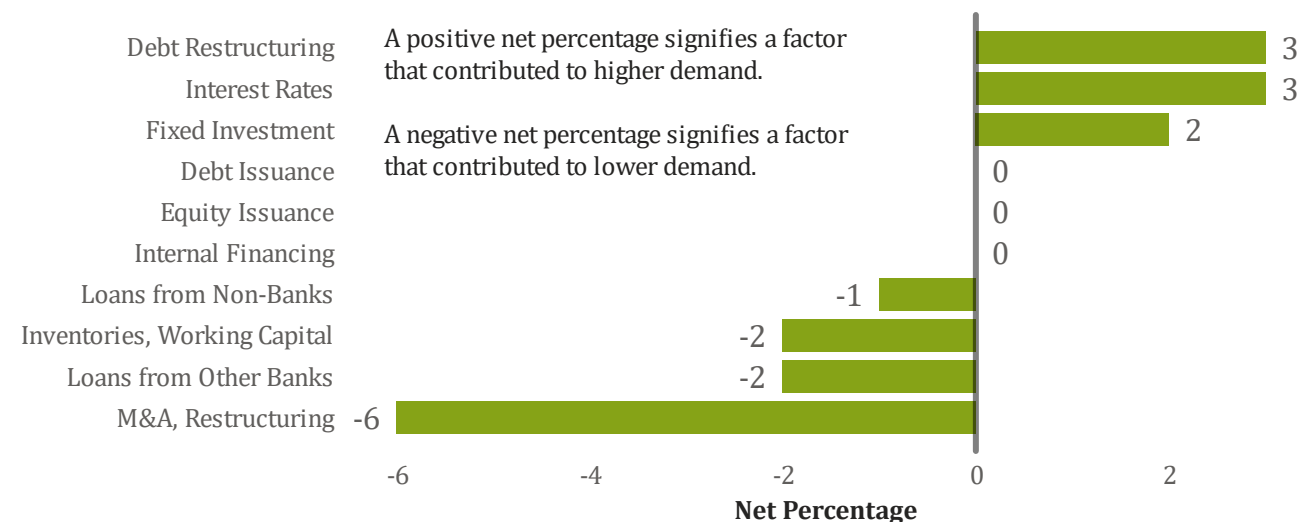
2.6 Factors Affecting Bank Credit Standards: September 2024



2.7 Loan Demand



2.8 Factors Affecting Loan Demand: September 2024



Leveraged Loans

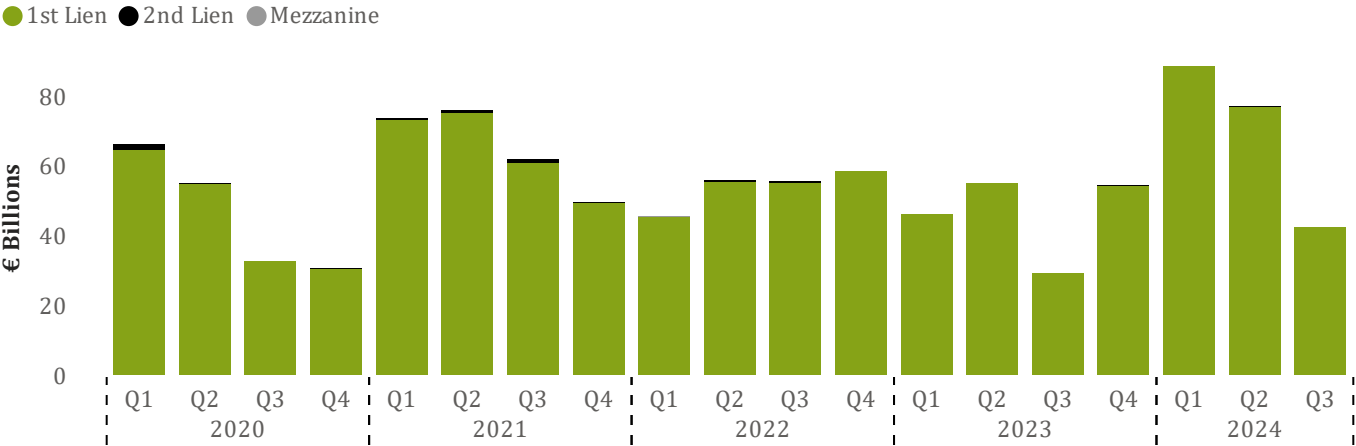
Issuance: Leveraged Loans

In Q3 2024, total leveraged loan origination including first lien, second lien, and mezzanine financing reached €42.3bn, a decrease compared to the previous quarter (€76.9bn), but a 46% YoY increase from Q3 2023 (€29bn). The third quarter amount was of exclusively 1st lien loans, since no 2nd lien loans nor mezzanine loans were issued.

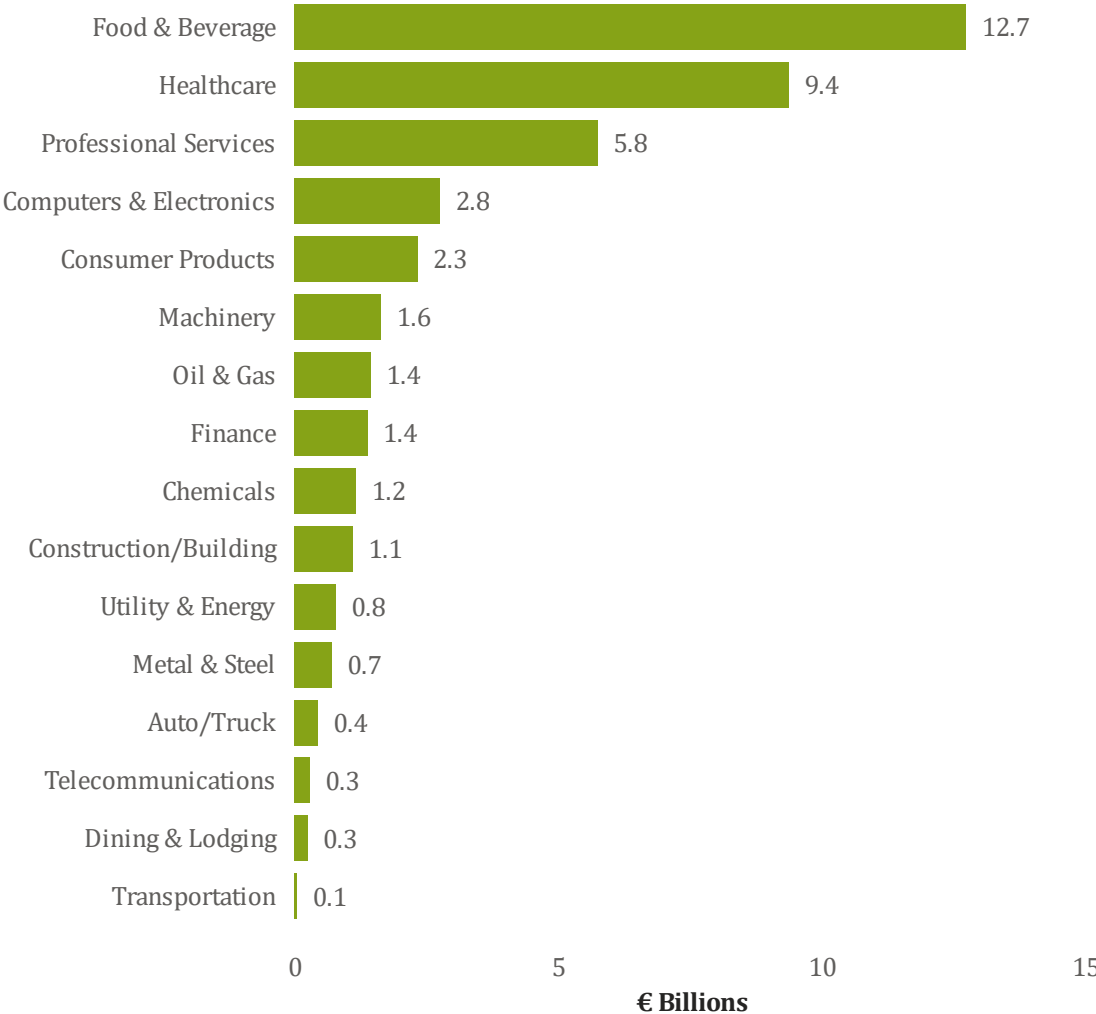
In Q3 2024, institutional spreads as measured by a 3-month rolling average, showed consistent stability, starting from 400 basis points in July 2024 to 398 basis points in September 2024. On the contrary, pro-rata spreads widened during the third quarter of the year, going from 267 basis points in July 2024 to 323 basis points by the end of Q3. In line with the previous quarters, institutional spreads remained above pro-rata spreads from July to September.

Food & Beverage has become the leading sector by loan origination amount in Q3 2024, while Healthcare, Professional Services and Computers & Electronics have slightly decreased compared to the previous quarter.

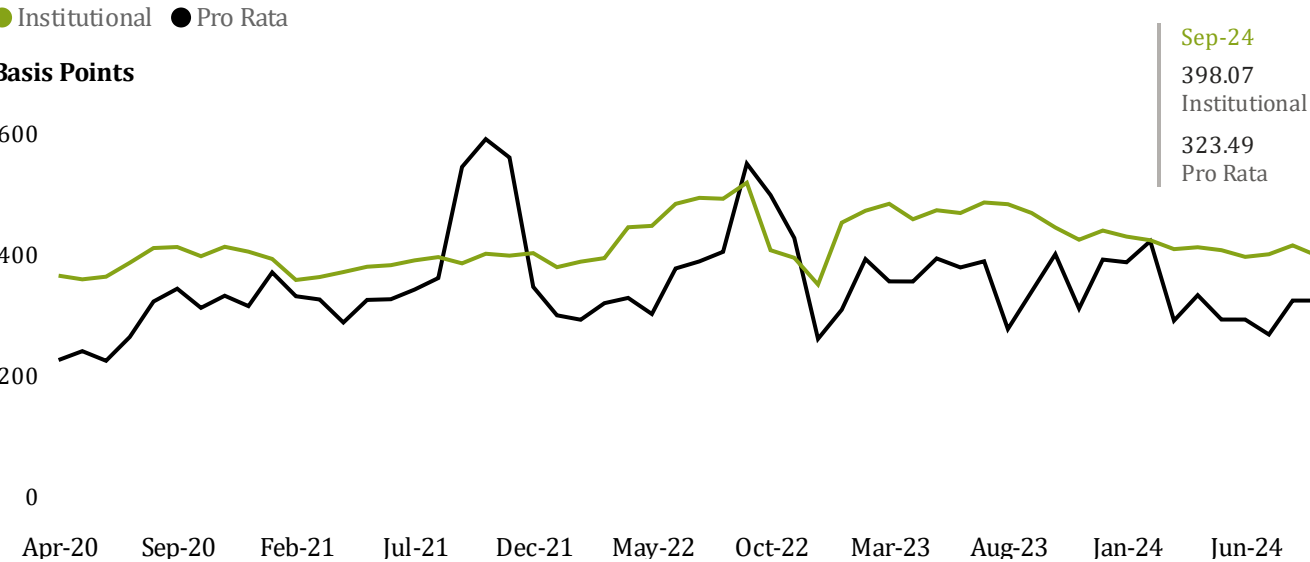
3.1 European Leveraged Loan Issuance by Type



3.2 European Leveraged Loan Issuance by Industry: Q3 2024 (Top 20)



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



High Yield Bonds Overview

High Yield Bonds Overview

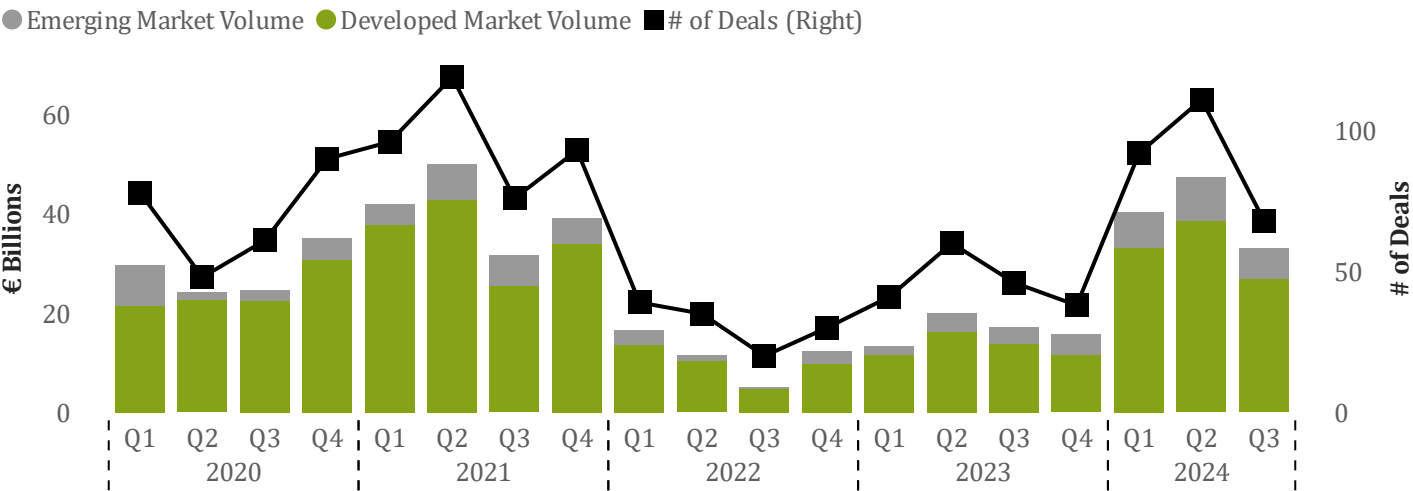
Issuance: High Yield Bonds

Primary high yield bond issuance totaled €33.1bn (on 68 deals) in Q3 2024, a 92% increase from €17.2bn (on 46 deals) in Q3 2023, but a 30% decrease compared to Q2 2024. Issuance by firms located in European developed markets represented 81.5% of the total (€27.5bn), while firms in emerging markets Europe represented the remaining 18.5% of the total with €6.2bn.

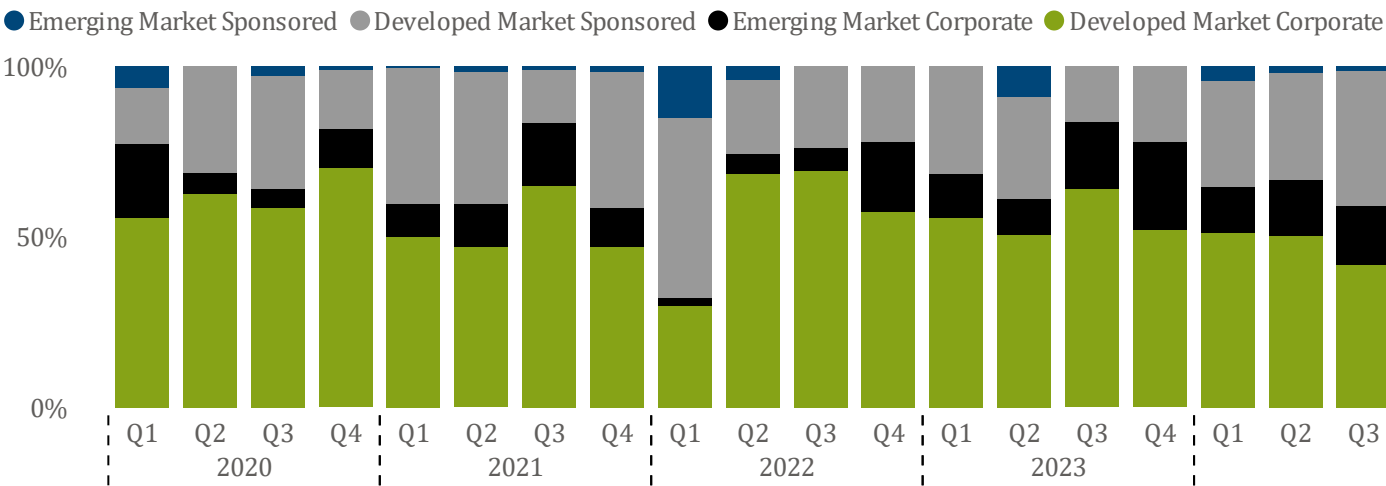
The main use of proceeds in Q3 2024 was Refinancing with 24.7% of the total issued during the quarter, followed by general corporate purposes (22.9%), and repayment of the debt (13.4%). In the third quarter of the year, 15.6% of high yield instruments were used to finance LBOs and acquisitions, an increasing amount compared to the previous quarter where only 4.4% was used to finance these activities.

Three sectors accounted for 62.1% of the high yield market by outstanding amount: Financials, Consumer Discretionary, and Communications with €226bn, €126bn, and €125bn of total outstanding value respectively.

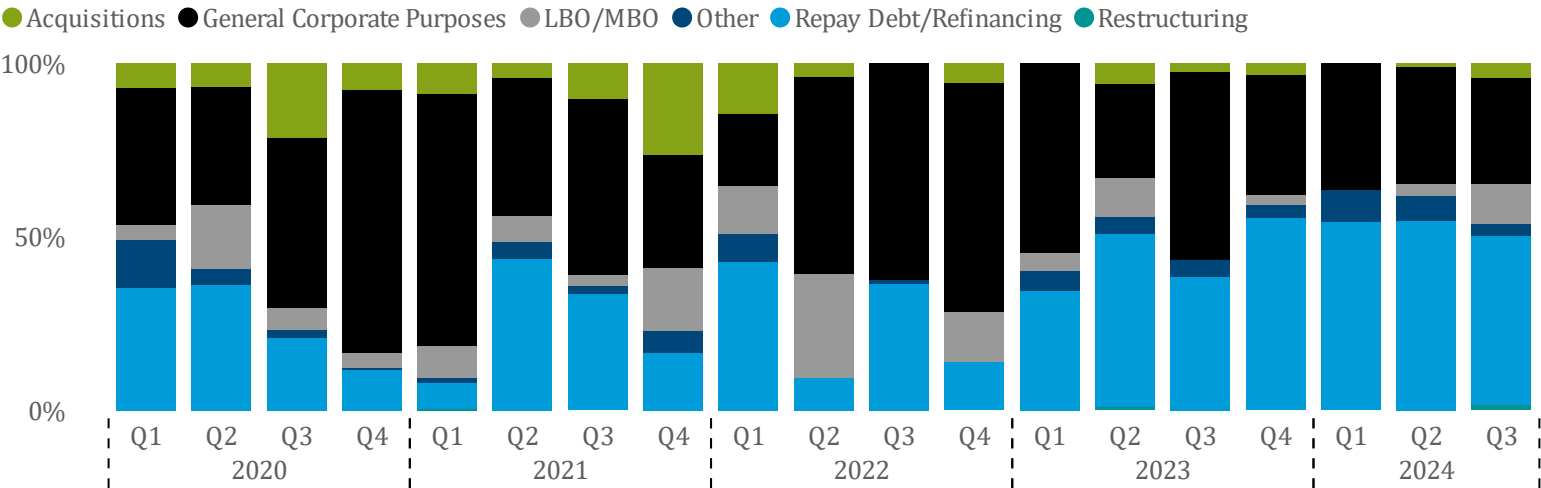
4.1 European High Yield Issuance, Developed and Emerging Markets



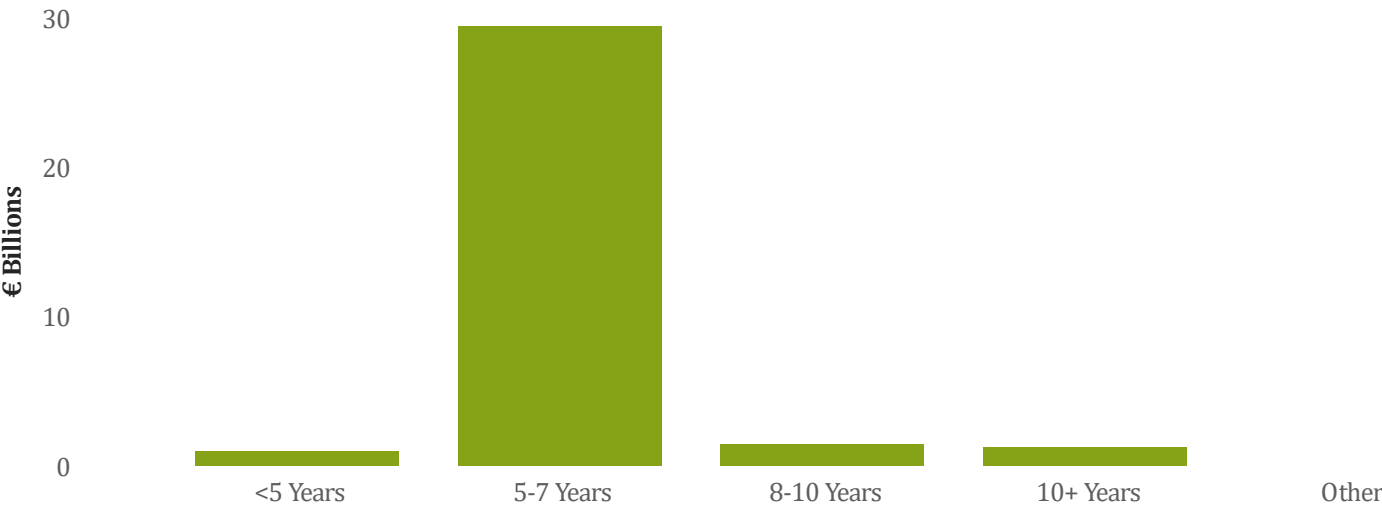
4.2 European High Yield Issuance, Sponsored vs Corporate



4.3 European High Yield Issuance, Use of Proceeds

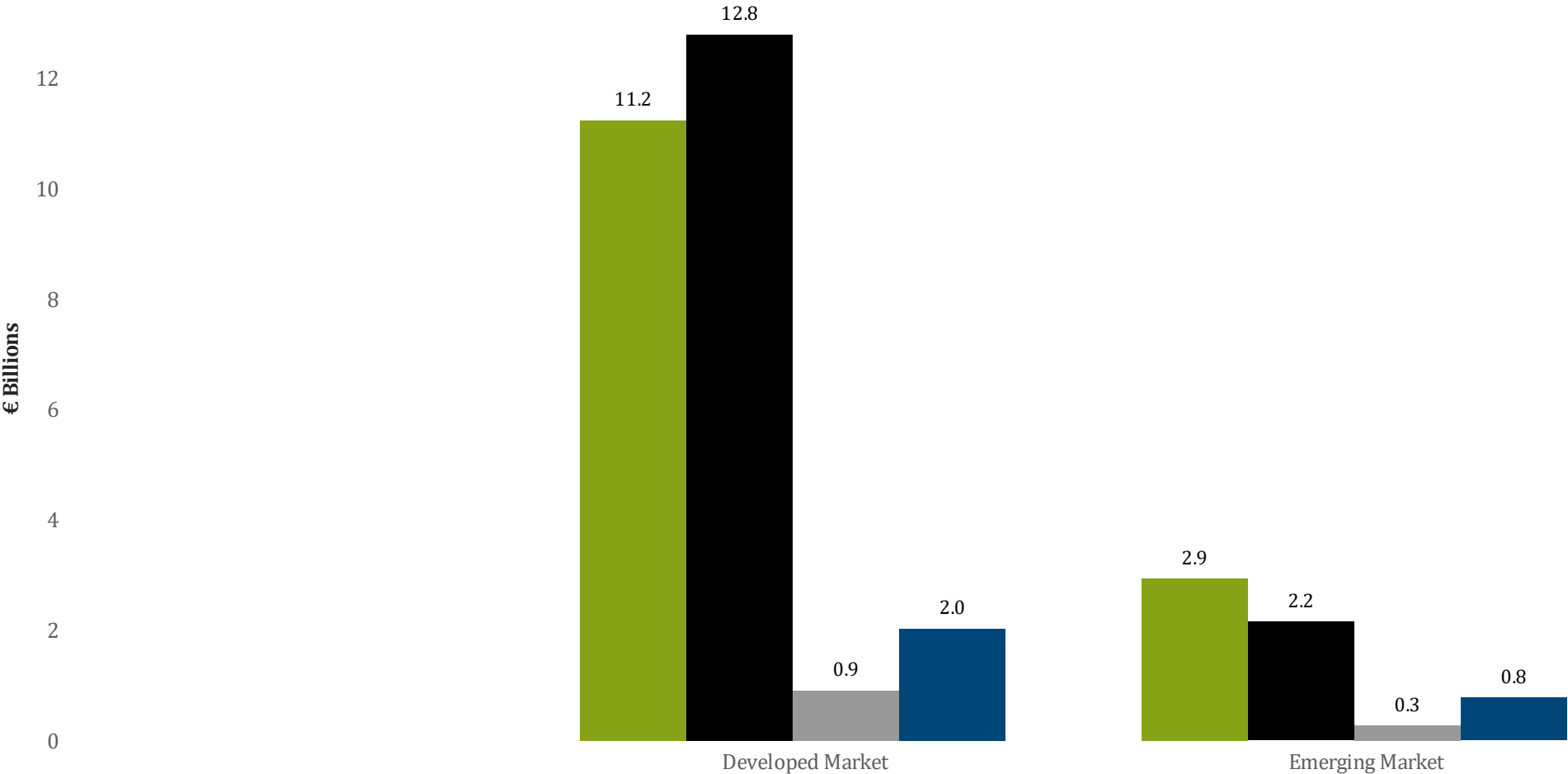


4.4 European High Yield Issuance by Tenor: Q3 2024



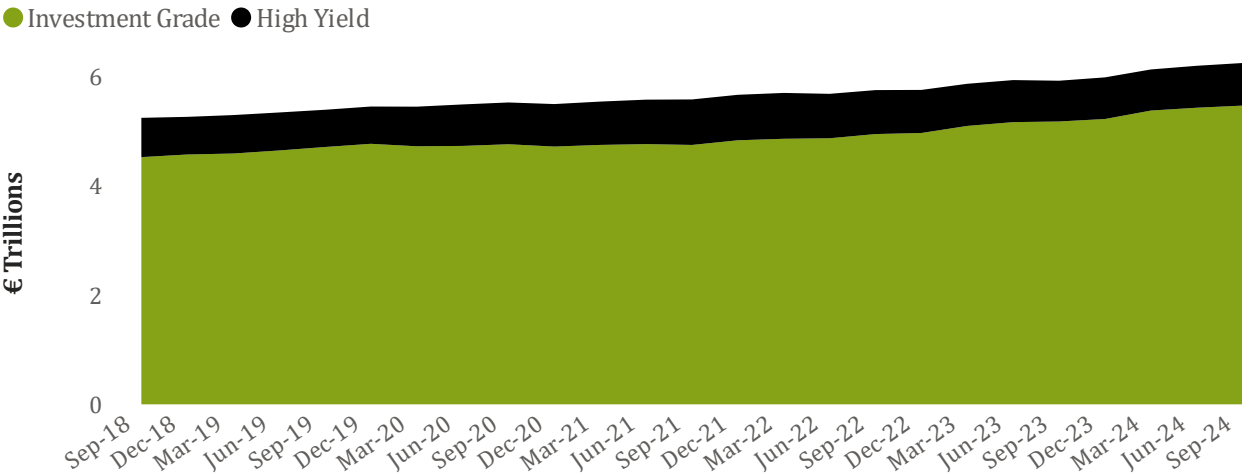
4.5 European High Yield Issuance by Rating: Q3 2024

BB B CCC Not rated

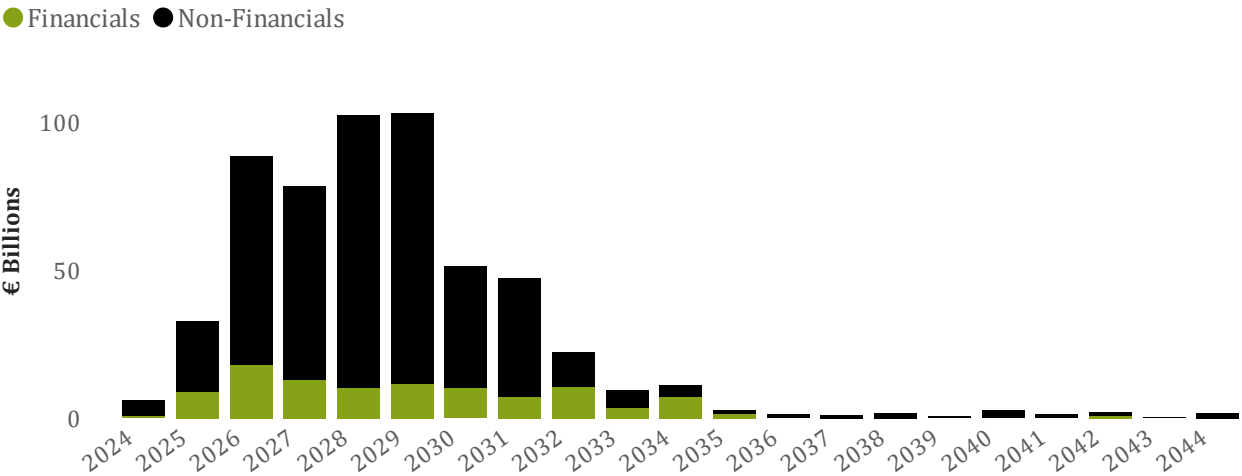


*Corporate Bond Issuance denotes corporate and sponsored bonds, excluding government bonds.

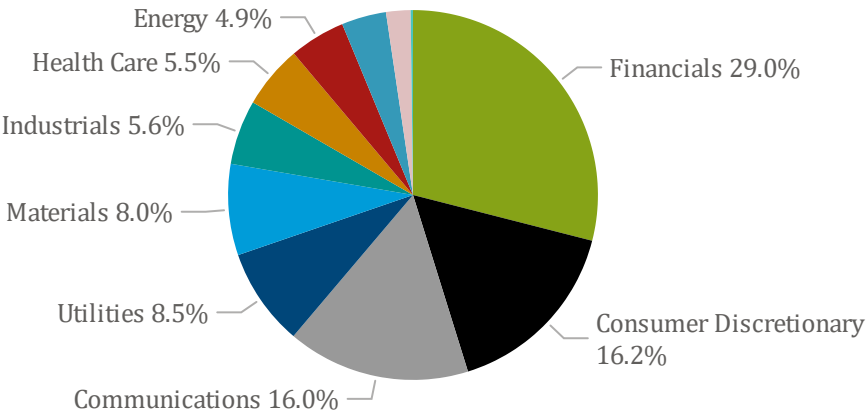
4.6 European Corporate Bonds Outstanding



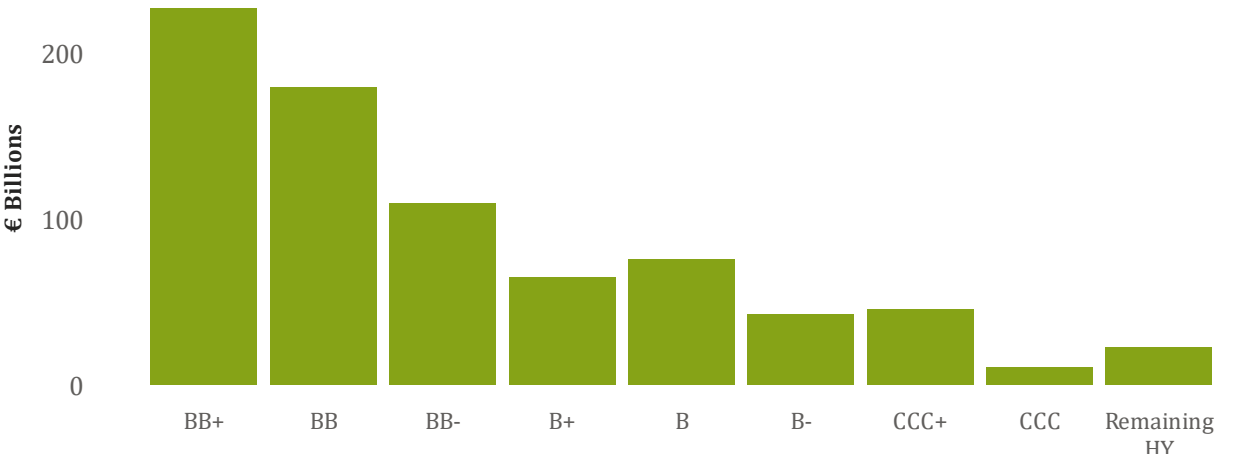
4.7 European Corporate High Yield Maturity Wall



4.8 European Corporate High Yield Outstanding by Sector: September 2024



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



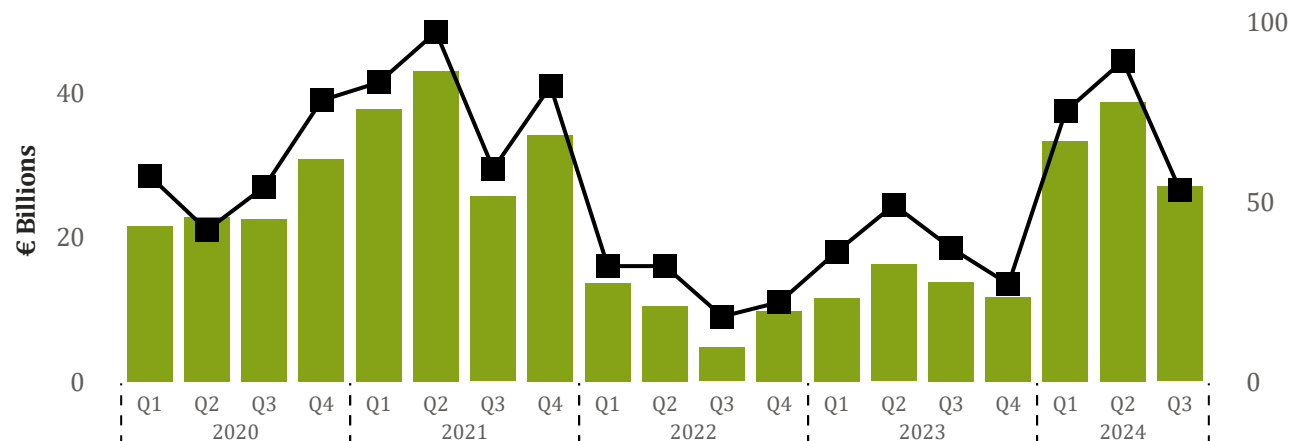
European Developed Market High Yield Bonds

afme / Developed Market High Yield Bonds

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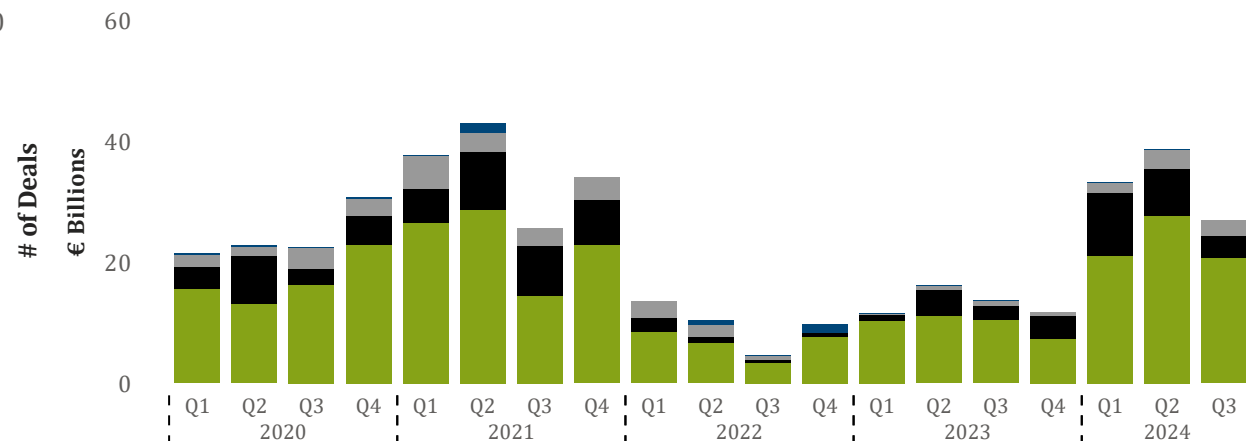
5.1 European Developed Market High Yield Issuance

Developed Market Volume ■ # of Deals (Right)

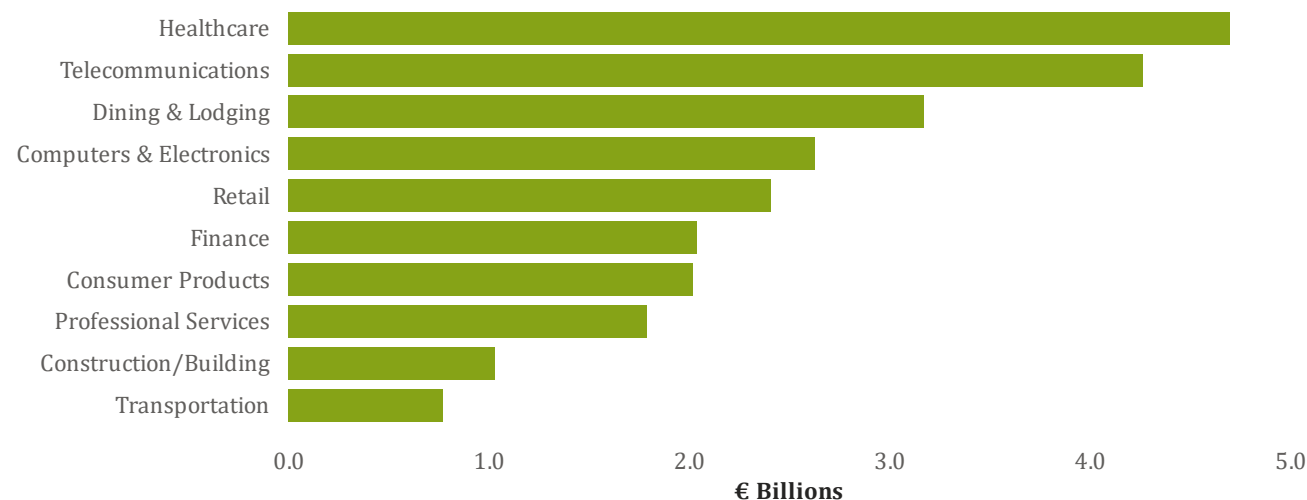


5.2 European Developed Market High Yield Issuance by Currency

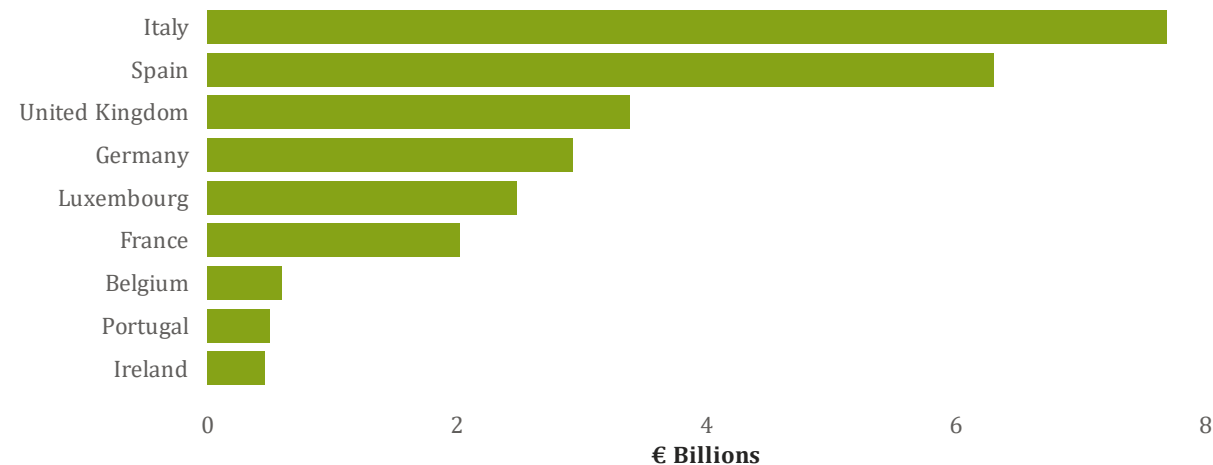
EUR ■ USD ■ GBP ■ Other



5.3 European Developed Market High Yield Issuance by Industry: Q3 2024 (top 10)



5.4 European Developed Market High Yield Issuance by Country of Risk: Q3 2024 (top 9)

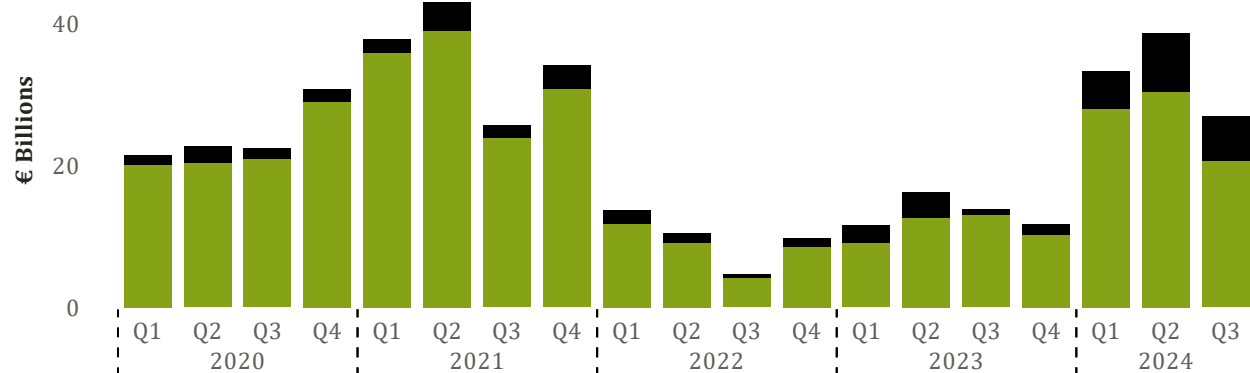


afme / Developed Market High Yield Bonds

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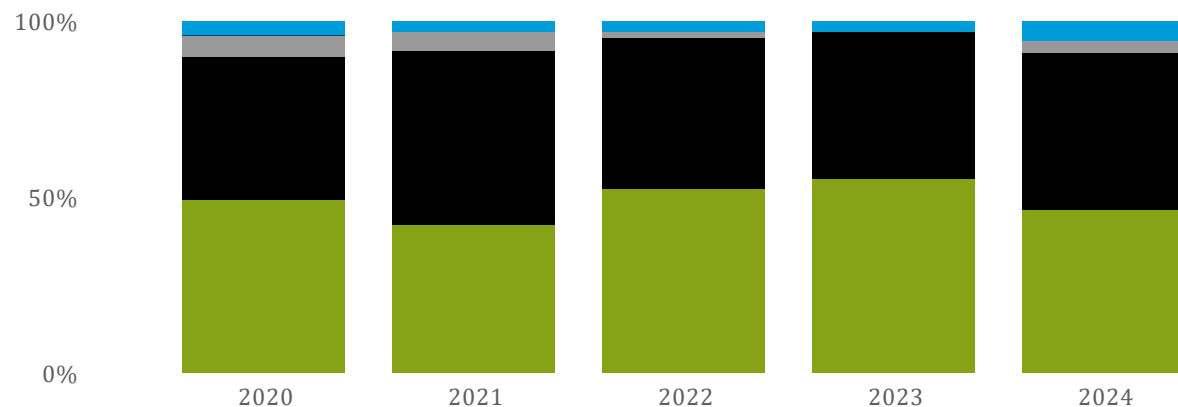
5.5 European Developed Market High Yield Issuance, Fixed vs. Floating

● Fixed ● Floating



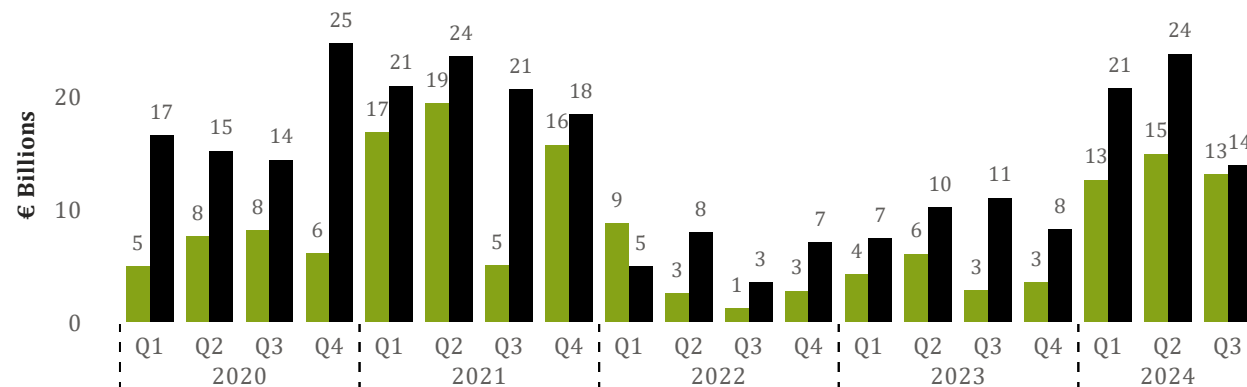
5.7 European Developed Market High Yield Rating Distribution at Issuance

● BB ● B ● CCC ● CC ● Not rated



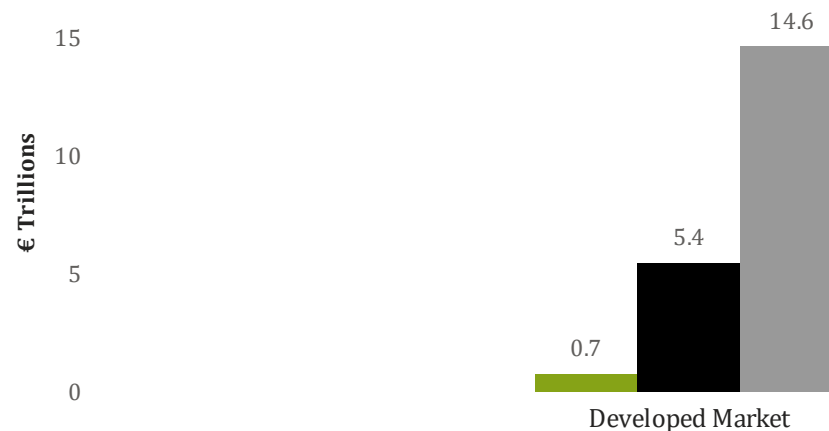
5.6 European Developed Market High Yield Issuance, Sponsored vs. Corporate

● Sponsored ● Corporate



5.8 European Developed Market Corporate Bonds Outstanding: Q3 2024

● High Yield ● Investment Grade ● Non-Rated



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

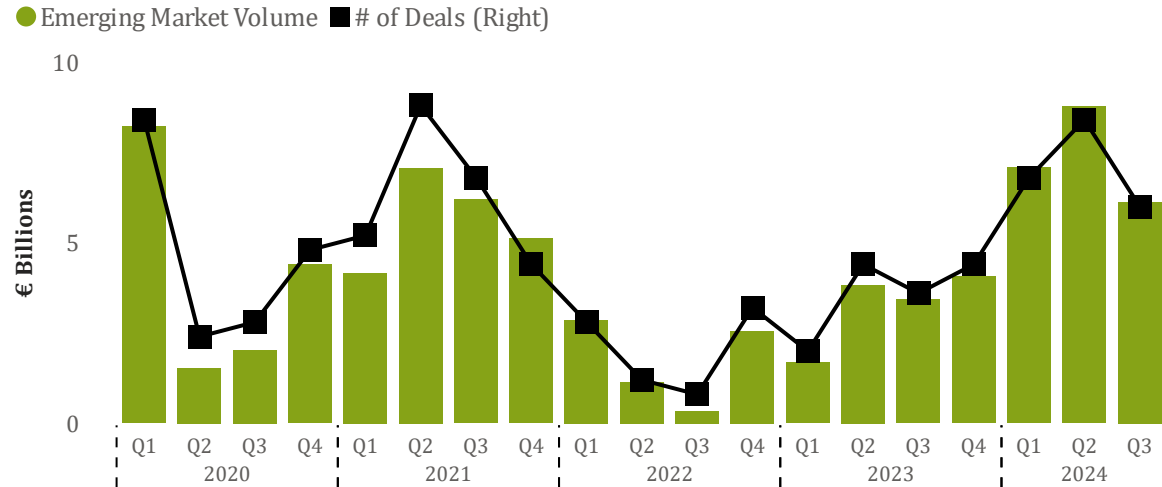
Issuer	Industry Group	Date	Currency	Amount (billion)	Coupon	Moody's	S&P	Fitch
Bank Millennium SA	Finance	30/09/2024	EUR	0.50	5.308	Ba2		BB+
Bubbles BidCo SpA	Retail	30/09/2024	EUR	0.45	3-mth Euribor +425	B2	B	
AccorInvest Group SA	Dining & Lodging	25/09/2024	EUR	0.75	6.375	B2	B+	BB
Bubbles BidCo SpA	Retail	25/09/2024	EUR	0.40	6.5	B2	B	
ING Bank AS	Finance	25/09/2024	USD	0.14	8.5			B+
ams-OSRAM AG	Computers & Electronics	24/09/2024	EUR	0.20	10.5	B2	B	B+
Azelis Group	Chemicals	24/09/2024	EUR	0.60	4.75		BB+	BB+
Sensys Gatso Group AB	Computers & Electronics	24/09/2024	EUR	0.03	3-mth Euribor +475			
Mutares SE & Co KGaA	Finance	19/09/2024	EUR	0.14	3-mth Euribor +625			
Golar LNG Ltd	Transportation	18/09/2024	USD	0.27	7.75			
pbb	Finance	17/09/2024	EUR	0.01	4.164		BB-	
Light AcquiCo GmbH	Finance	16/09/2024	EUR	0.14	3-mth Euribor +700			
Aston Martin Capital Holdings Ltd	Auto/Truck	13/09/2024	GBP	0.08	10.375	B3	B-	B
Borr IHC Ltd	Oil & Gas	13/09/2024	USD	0.14	10	B3	BB-	B
Ocado Group plc	Computers & Electronics	11/09/2024	GBP	0.53	10.5	B3		B-
Aston Martin Capital Holdings Ltd	Auto/Truck	11/09/2024	USD	0.08	10	B3	B-	B
Stonegate Pub Co Financing 2019 plc	Dining & Lodging	10/09/2024	EUR	0.47	3-mth Euribor +662.5	B3		B+
Stonegate Pub Co Financing 2019 plc	Dining & Lodging	06/09/2024	GBP	1.95	10.75	B3		B+
SCHUSS Sarl	Consumer Products	04/09/2024	EUR	1.38	14.49			
Acuris Finance US Inc	Computers & Electronics	04/09/2024	USD	0.46	9	B2	B	
Constellium SE	Metal & Steel	03/09/2024	EUR	0.30	5.375	Ba3	BB-	
Constellium SE	Metal & Steel	03/09/2024	USD	0.32	6.375	Ba3	BB-	
BioCirc ApS	Utility & Energy	30/08/2024	EUR	0.07	3-mth Euribor +600			
Sani/Ikos Financial Holdings 1 SARL	Finance	09/08/2024	EUR	0.35	7.25	Caa2		B-
Grupo Antolin-Irausa SA	Auto/Truck	02/08/2024	EUR	0.25	10.375	B3	B-	
Alain Afflelou	Retail	01/08/2024	EUR	0.56	6	B2	B	B+
IPD 3 BV	Publishing	31/07/2024	EUR	0.09	8	B2	B	B+
Mundys SpA	Transportation	29/07/2024	EUR	0.50	4.5	Ba2	BB+	BB
Teamsystem SpA	Computers & Electronics	26/07/2024	EUR	0.70	3-mth Euribor +350	B2	B-	B
Banca Sella Holding SpA	Finance	25/07/2024	EUR	0.30	4.875	Ba3		
Paprec Holding SA	Utility & Energy	25/07/2024	EUR	0.20	7.25			

European Emerging Market High Yield Bonds

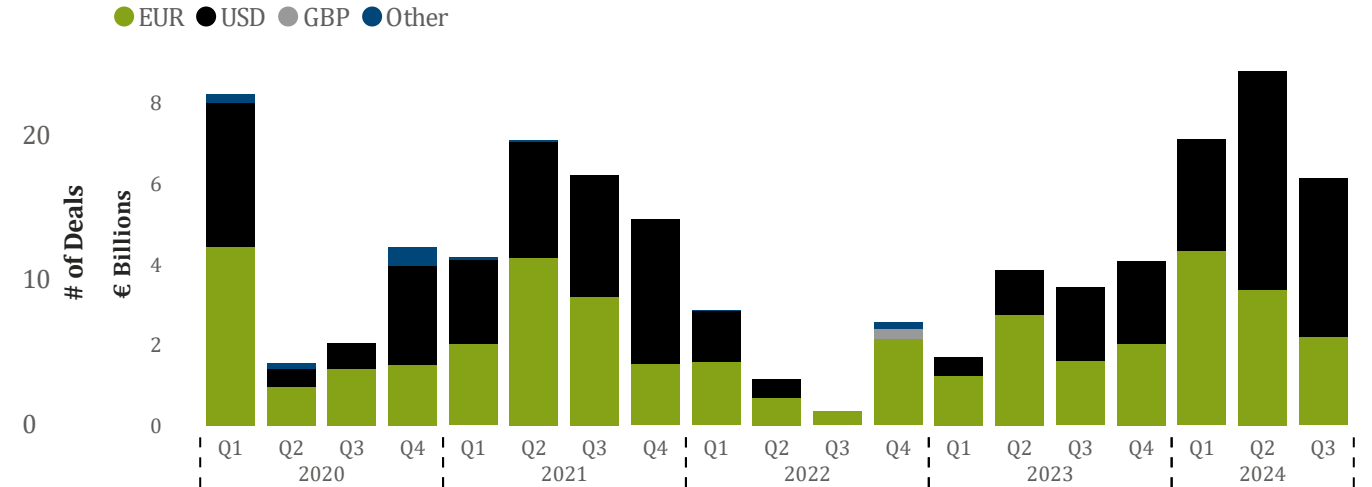
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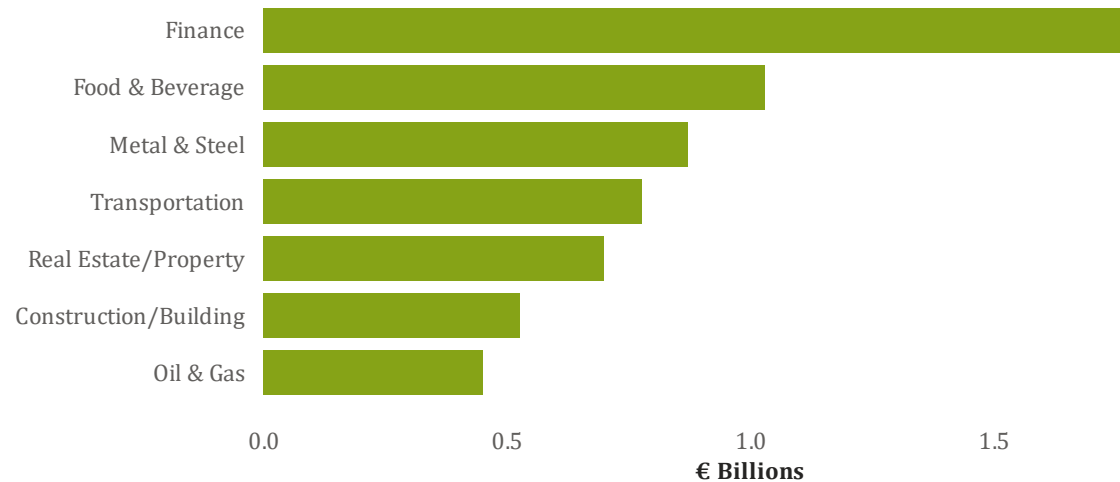
6.1 European Emerging Market High Yield Issuance



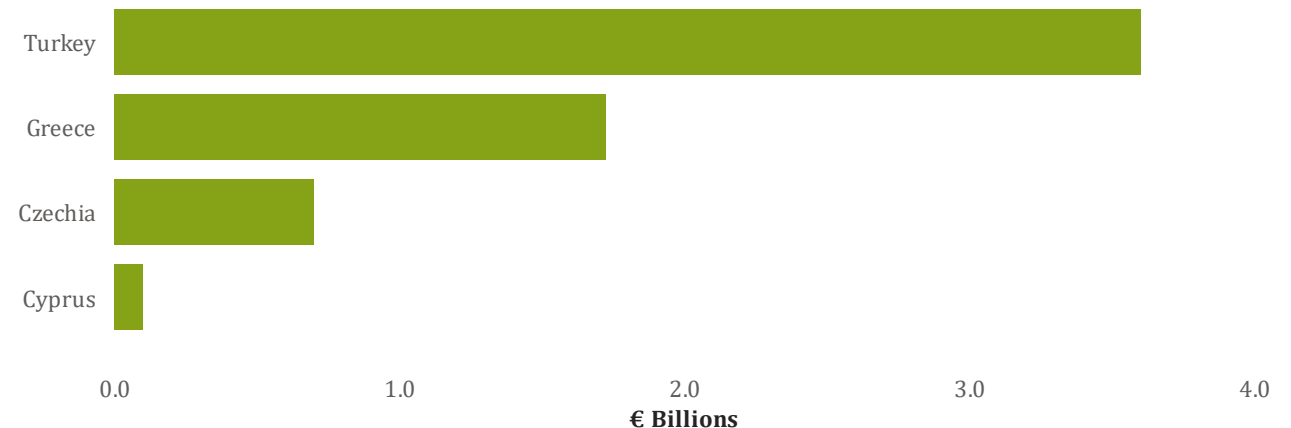
6.2 European Emerging Market High Yield Issuance by Currency



6.3 European Emerging Market High Yield Issuance by Industry: Q3 2024



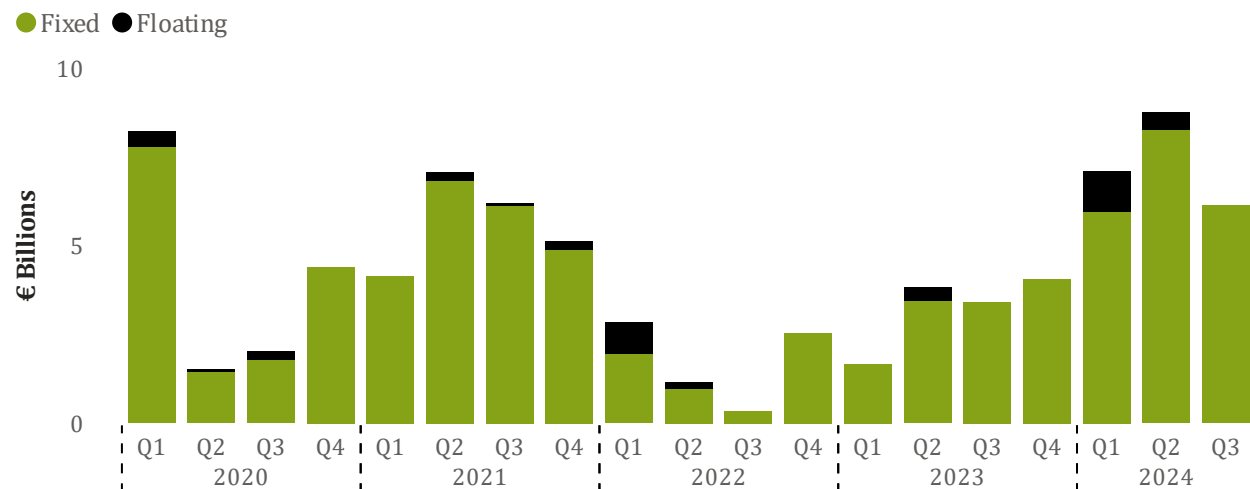
6.4 European Emerging Market High Yield Issuance by Country of Risk: Q3 2024



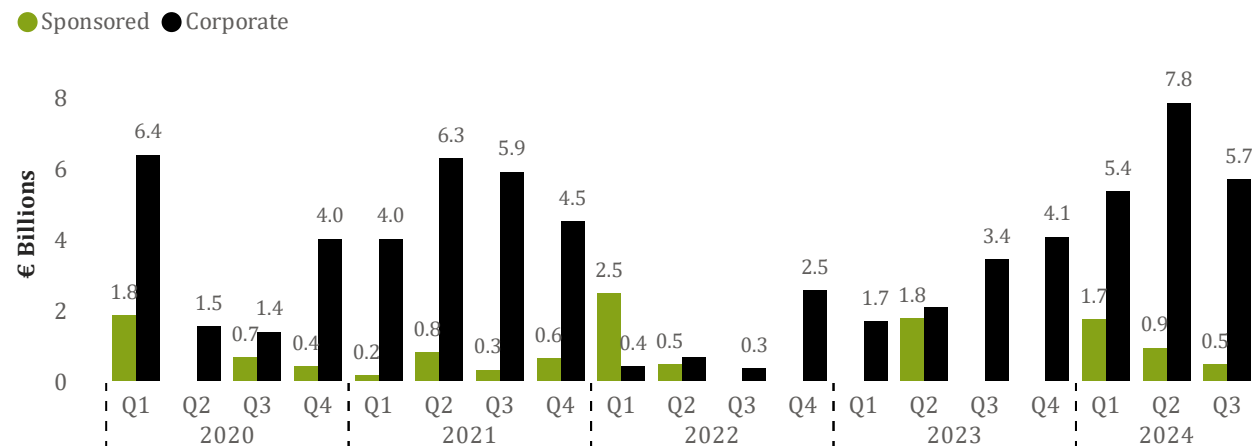
afme / Emerging Market High Yield Bonds

Finance for Europe

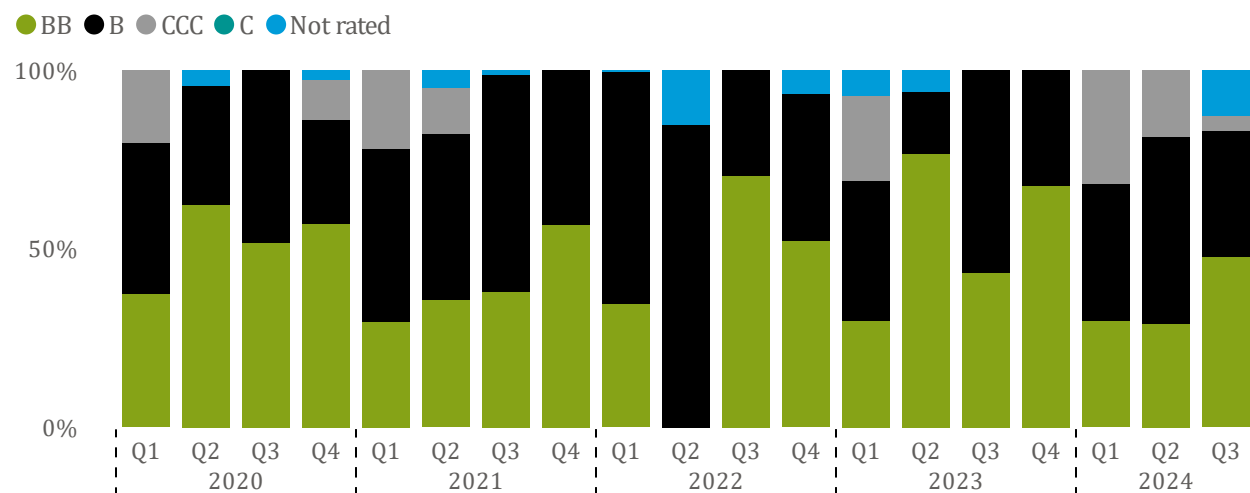
6.5 European Emerging Market High Yield Issuance, Fixed vs. Floating



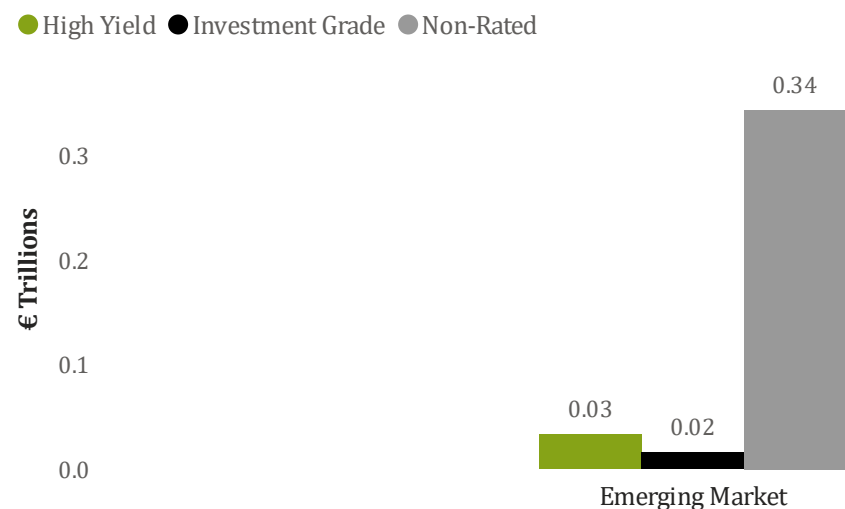
6.6 European Emerging Market High Yield Issuance, Sponsored vs. Corporate



6.7 European Emerging Market High Yield Rating Distribution at Issuance



6.8 European Emerging Market Corporate Bonds Outstanding: Q3 2024



6.9 European Emerging Market High Yield Issuance

Issuer	Industry Group	Date	Currency	Amount (billion)	Coupon	Moody's	S&P	Fitch
CPI Property Group SA	Real Estate/Property	25/09/2024	EUR	0.70	6	Ba1	BB+	
Hellenic Bank plc	Finance	25/09/2024	EUR	0.10	4	Ba2		BBB-
Piraeus Bank	Finance	23/09/2024	EUR	0.65	5.375	Ba3		
Pegasus Hava Tasimaciligi AS	Transportation	18/09/2024	USD	0.45	8		B+	BB-
Turk Ekonomi Bankasi AS	Finance	18/09/2024	USD	0.27	9.375			CCC
Yapi ve Kredi Bankasi AS	Finance	18/09/2024	USD	0.45	7.125	B1		B
Alpha Services & Holdings SA	Finance	17/09/2024	EUR	0.30	7.5	B2		
Eregli Demir ve Celik Fabrikalar TAS - ERDEMIR	Metal & Steel	06/09/2024	USD	0.18	8.375	B3		B+
Limak Cimento	Construction/Building	21/08/2024	USD	0.53	9.75	B3		B+
Helleniq Energy Holdings SA	Oil & Gas	02/08/2024	EUR	0.45	4.25	Nr	NR	NR
Eregli Demir ve Celik Fabrikalar TAS - ERDEMIR	Metal & Steel	31/07/2024	USD	0.69	8.375	B3		B+
Diana Shipping Inc	Transportation	11/07/2024	USD	0.16	8.75			
Ulker Biskuvi Sanayi AS	Food & Beverage	11/07/2024	USD	0.51	7.875		BB	BB-
Diana Shipping Inc	Transportation	02/07/2024	USD	0.16	8.75			
Ulker Biskuvi Sanayi AS	Food & Beverage	01/07/2024	USD	0.51	7.875		BB	BB-

Credit Quality

Credit Quality

According to S&P, the trailing 12-month speculative-grade bond default rate rose during the third quarter, reaching a peak value of 4.7% in September 2024 from 4.67% in June 2024. Moody's reported a more stable speculative-grade bond default rate at c3.6% in September 2024, a slight increase from 3.5% in June 2024.

Moody's and S&P reported 12 bond defaults during Q3 2024, that were mainly due to distressed exchanges and missed payments.

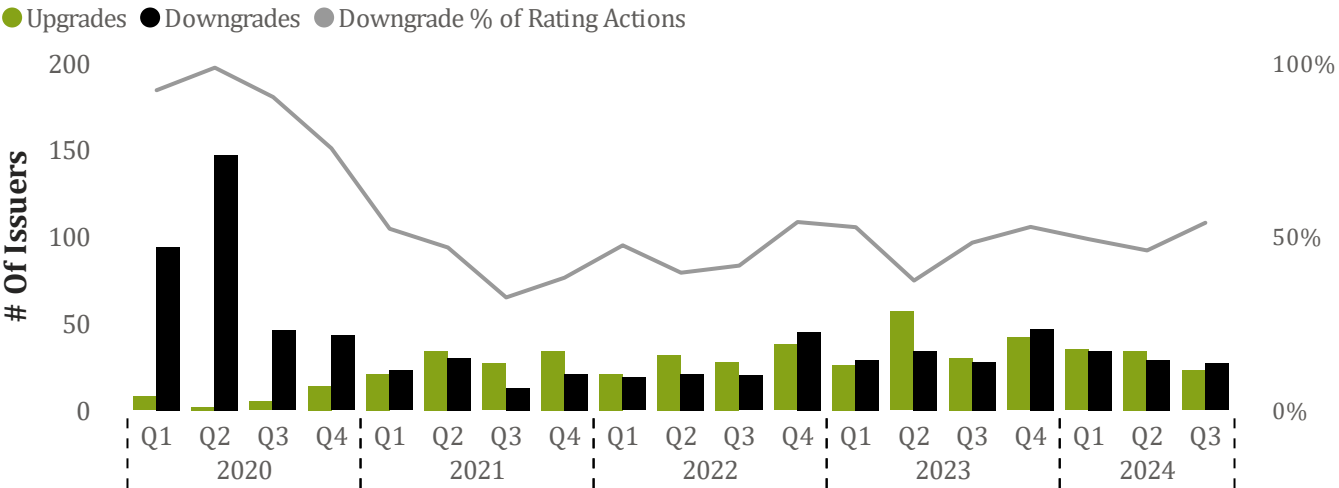
S&P reported 23 upgrades and 27 downgrades during the third quarter in Developed European markets. Upgrades were mostly related to bank and insurance industries, while downgrades were spread across different sectors, mostly affecting forest products & building materials, and media & entertainment. Conversely, in Emerging European markets S&P issued only 7 upgrades in financial institutions, banks, and sovereign sectors.

In Q3 2024, Moody's reported an increasing number of rating actions compared to the previous quarter, with 23 upgrades and 18 downgrades.

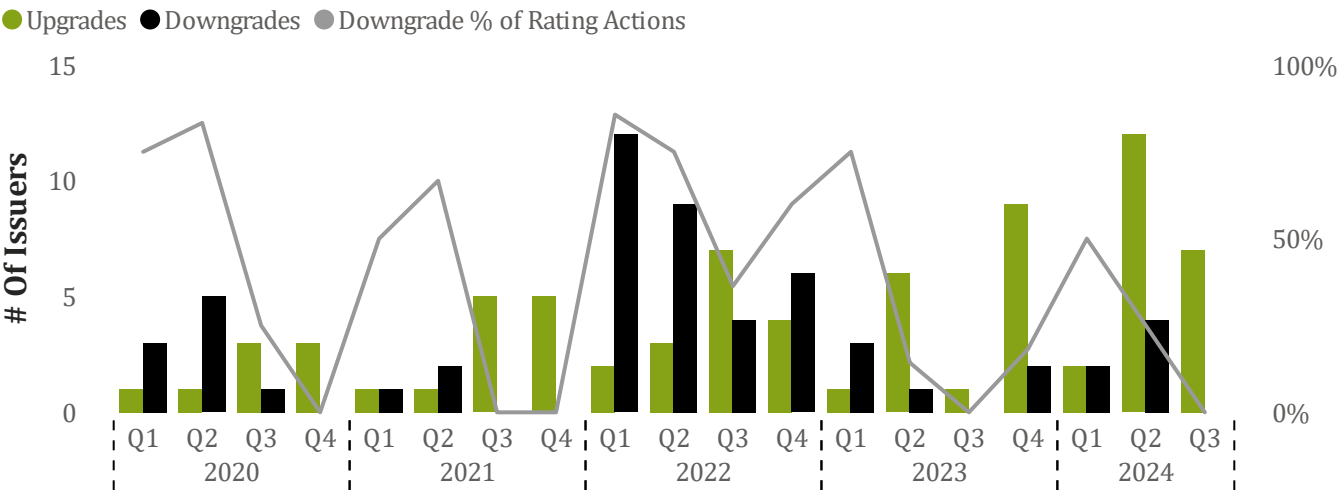
According to Fitch, the European leveraged loan trailing 12 months (TTM) default rate stood at 2.3% in September 2024, down from 3.6% in June 2024.

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

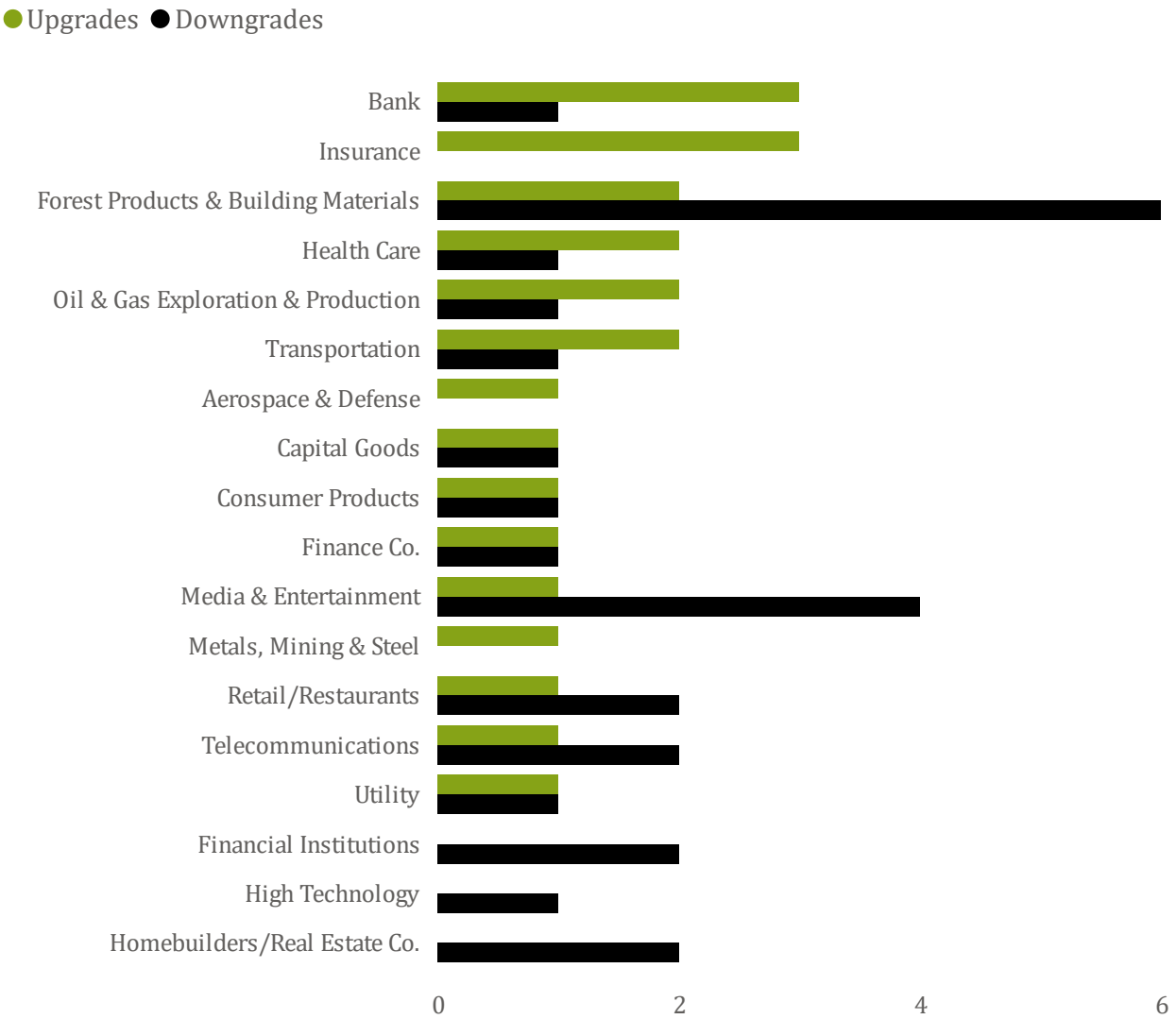
7.1 S&P Developed Europe Issuer Rating Actions



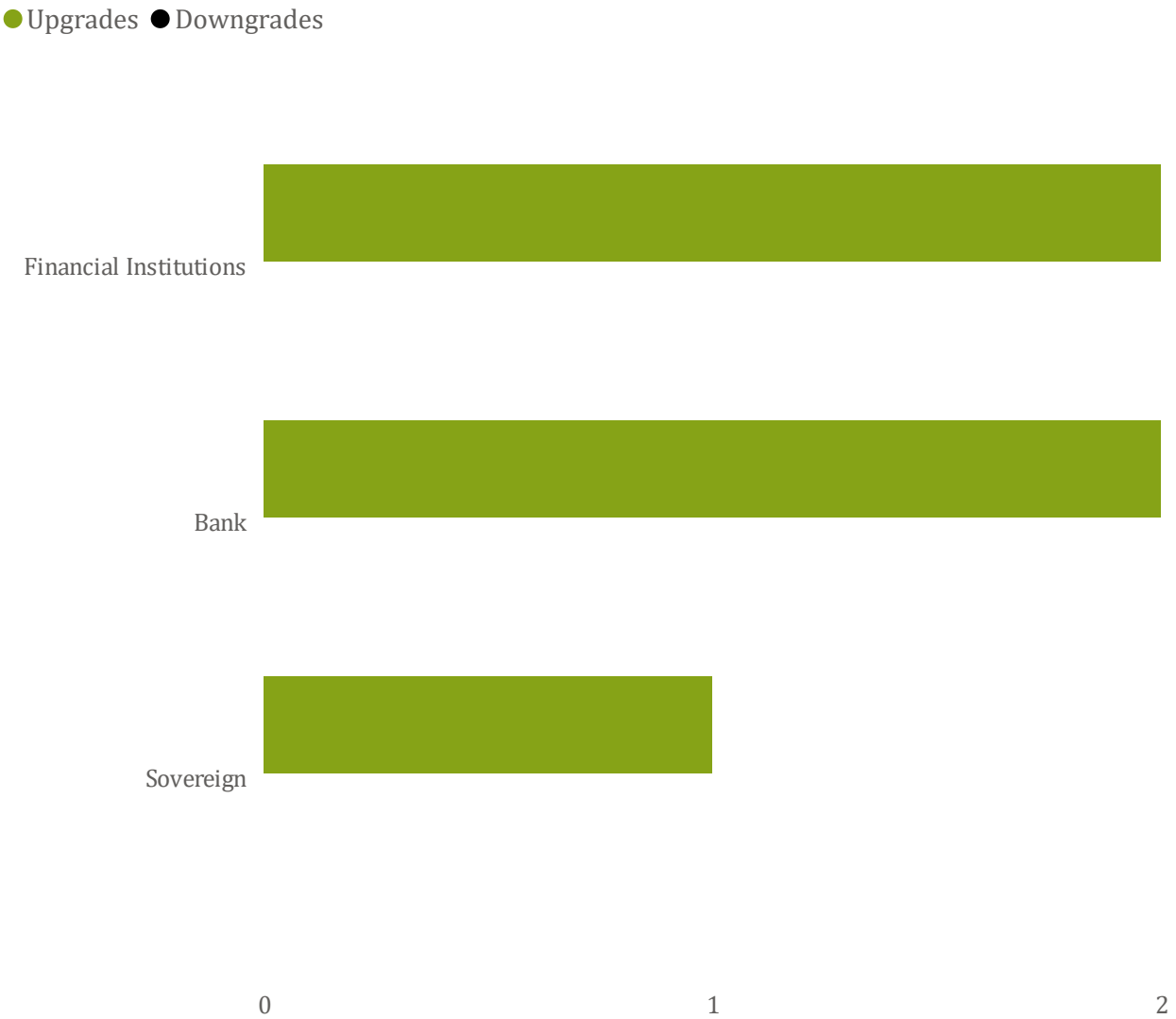
7.2 S&P Emerging Europe Issuer Rating Actions



7.3 S&P Developed European Industry Rating Actions by # of Ratings: Q3 2024

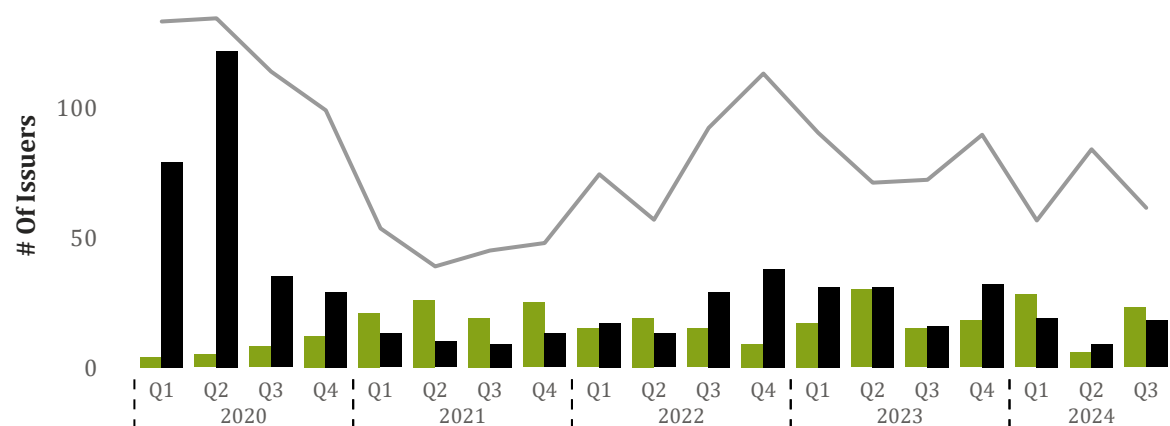


7.4 S&P Emerging European Industry Rating Actions by # of Ratings: Q3 2024



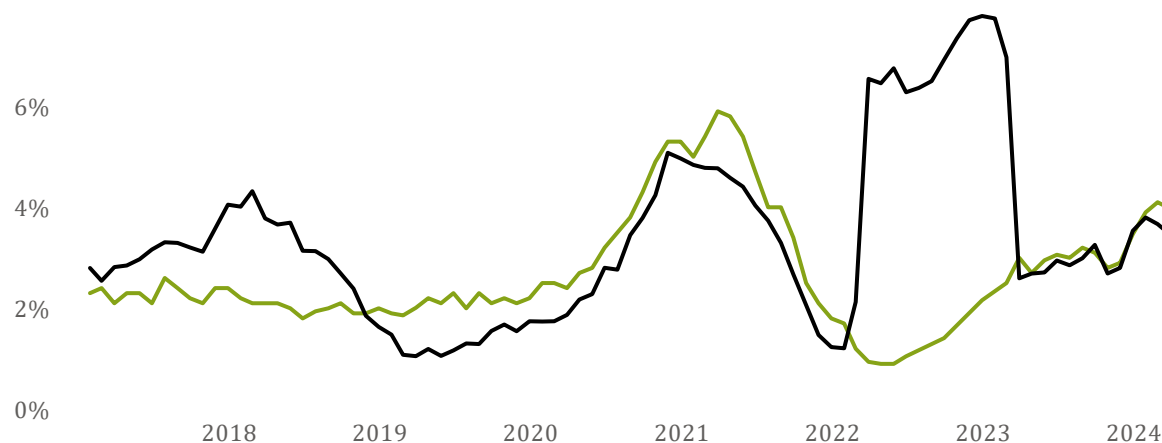
7.5 Moody's: Europe Issuer Rating Actions (corporate)

● Total Upgrades ● Total Downgrades ● Downgrade % of Rating Actions



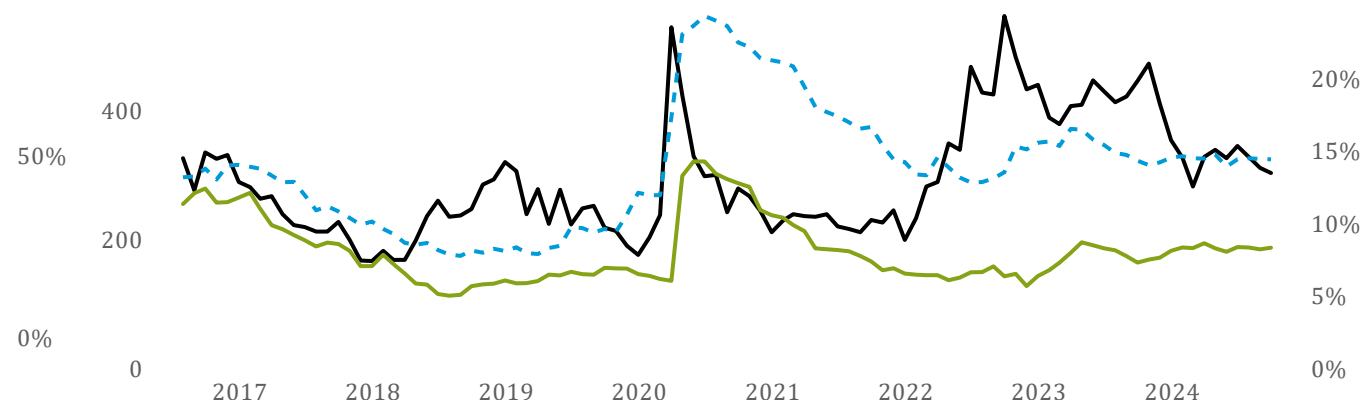
7.7 European High Yield Default Rates

● Standard and Poor's ● Moody's



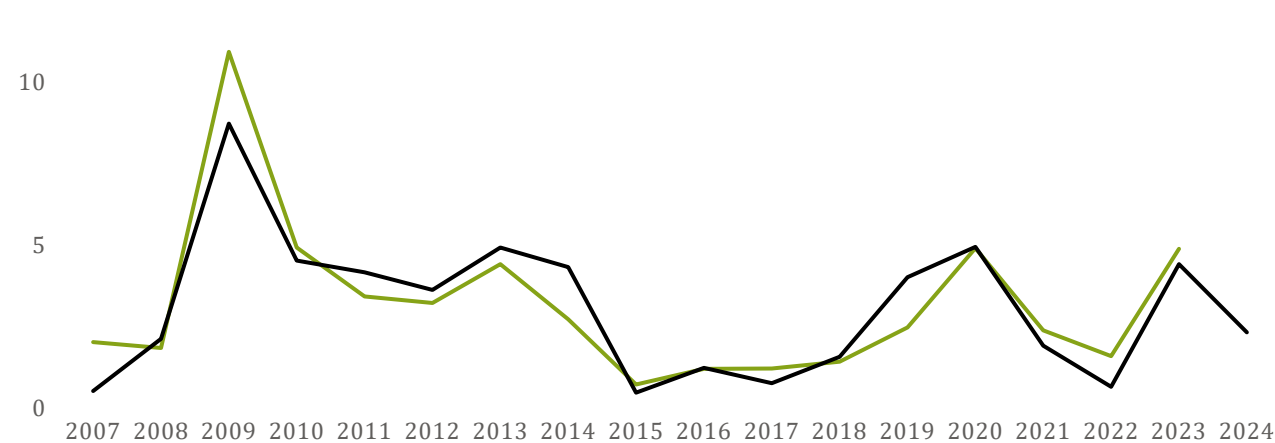
7.6 High Yield Bond CDS Spreads vs. Liquidity-Stress Index and High Yield Bonds Rated B3 Neg and Lower in Europe

100% ● CDS Spread (lhs) ● Liquidity-Stress Index (rhs) ● % B3 Neg or Lower (rhs)



7.8 Fitch: European Leveraged Loan Default Rates

● By number of deals ● By value

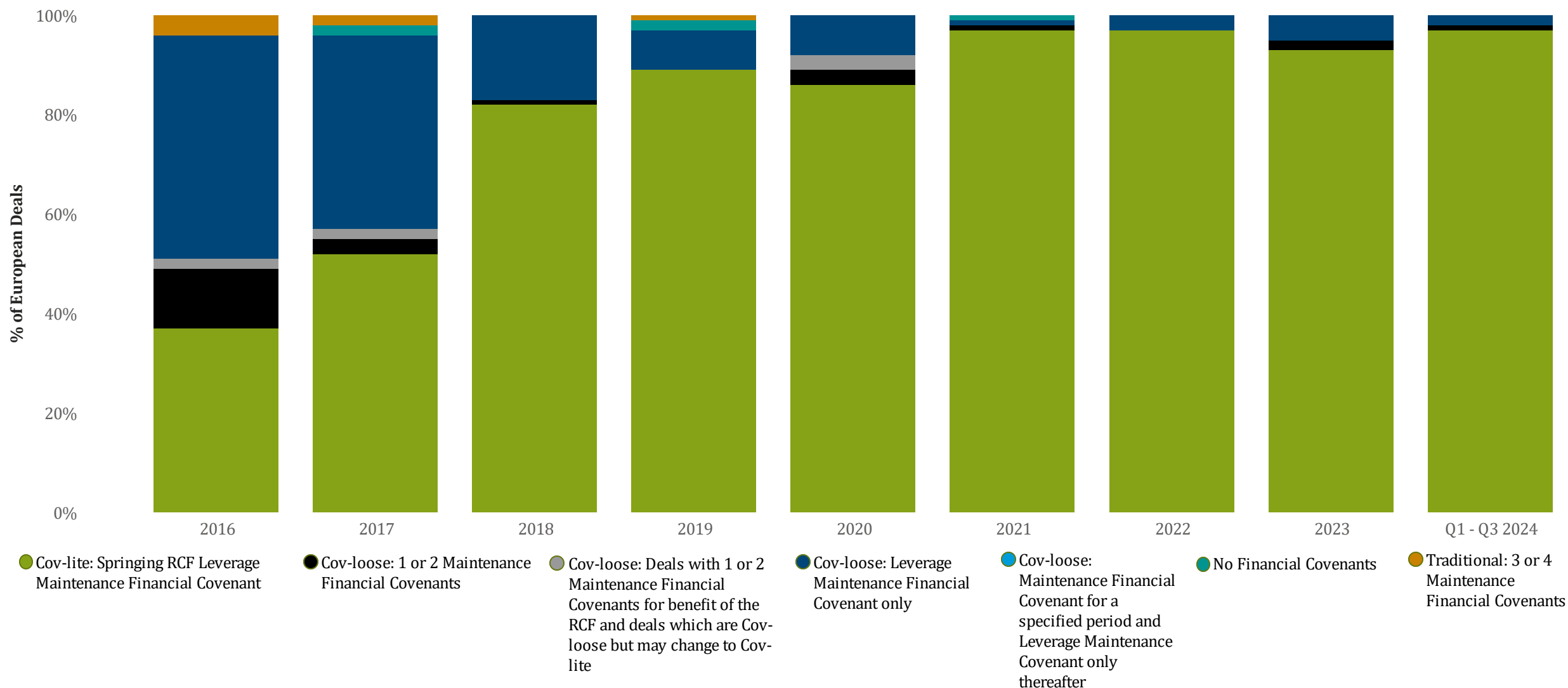


Adjusted includes c and cc* rated issuers as if those had already defaulted.

7.9 European Defaults

Issuer	Industry Group	Country	Date	Reported By	Reason
SK Mohawk Holdings SARL	Chemicals, packaging, and environmental services	Germany	Sep-2024	S&P	Distressed Exchange
Obrascon Huarte Lain S.A.	constr & engineering serv: commercial	Spain	Sep-2024	Moody's	Missed Interest Payment
Carestream Dental Technology Parent Ltd.	Health care	U.K.	Sep-2024	S&P	Distressed Exchange
TalkTalk Holdings Ltd.	Telecommunications	U.K.	Sep-2024	S&P	Distressed Exchange
Pfleiderer Group B.V. & Co. KG	Forest Products & Building Materials	Germany	Aug-2024	S&P	Distressed Exchange
Pfleiderer AG	forest products: paper packaging	Germany	Aug-2024	Moody's	Distressed Exchange
Avon Products, Inc.	consumer products:household & personal care	United Kingdom	Aug-2024	Moody's	Chapter 11
Atos SE	High Technology	France	Jul-2024	S&P	Missed Payments
Pro-Gest S.p.A.	forest products: pulp & paper	Italy	Jul-2024	Moody's	Missed Interest Payment
Hunkemoller International B.V.	Consumer Products	Netherlands	Jul-2024	S&P	Distressed Exchange
DTEK Renewables B.V.	Utility	Netherlands	Jul-2024	S&P	Distressed Exchange
Samhallsbyggnadsbolaget i Norden AB (publ)	Homebuilders/Real Estate Co.	Sweden	Jul-2024	S&P	Distressed Exchange

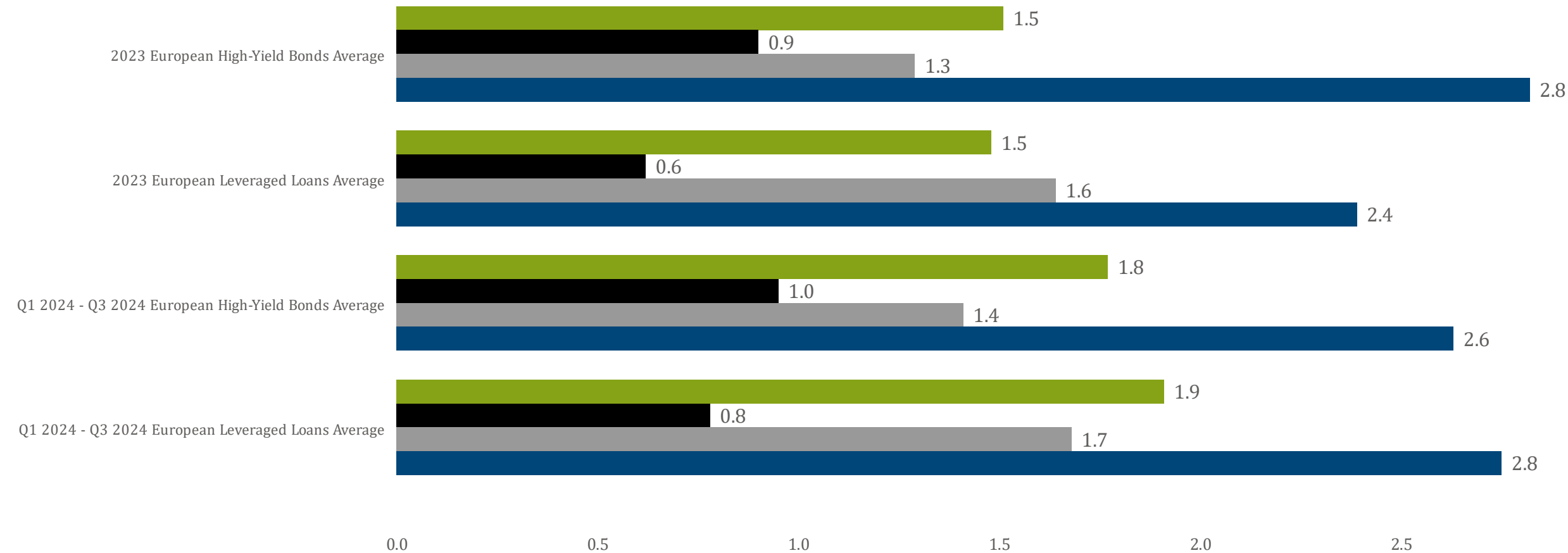
7.10 Financial Covenant Packages in European Leveraged Loans 2016 - Q1 2024



* 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

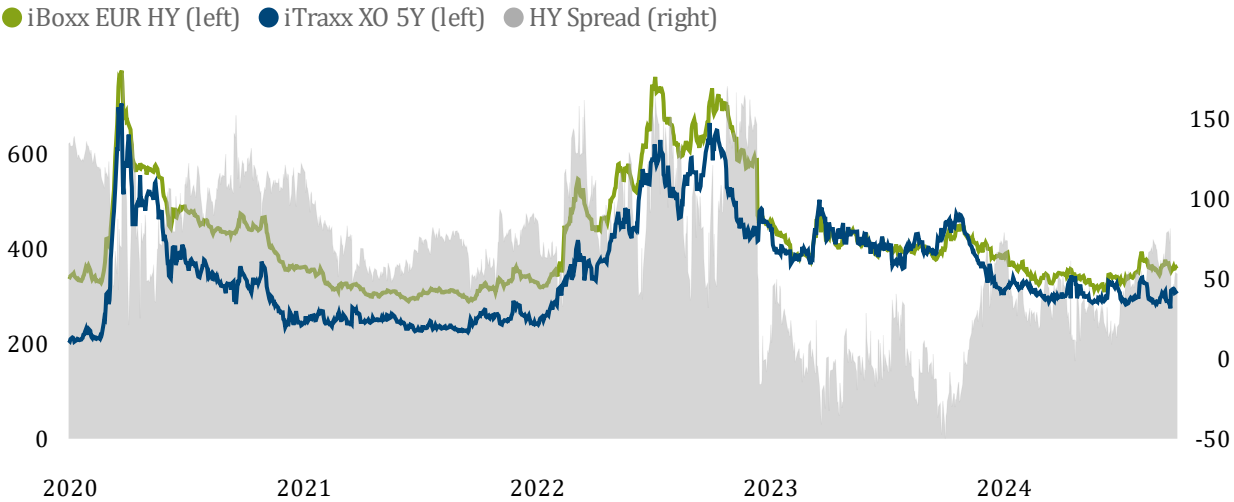
During the third quarter of 2024, almost all of the asset classes tracked in this report experienced a quarter-on-quarter price increase (18 out of the 19). The top performer was the US HY Distressed with a total return of 20.6%, followed by the Russell 2000 that recorded a gain of 8.9%, and the MSC EM with a return of 7.8%.

The only negative return compared to the previous quarter was displayed for the EMU ABS/MBS, with a loss of 1.2%.

The relative value spread between the cash (iBoxx EUR HY) and synthetic (iTraxx XO 5Y) references widened, from 20bps at the end of Q2 2024 to 52bps in September 2024.

Finally, the leveraged loan price reference (EURO Lev 40) stood relatively stable at around 98bps in Q3 2024 notwithstanding a brief increase to 98.2bps at the beginning of September.

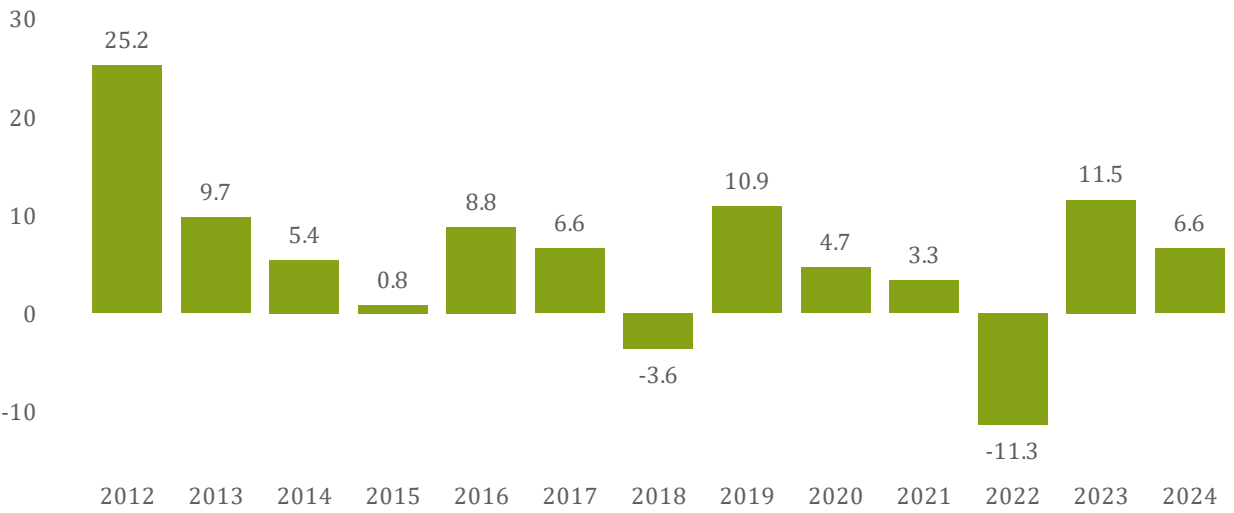
8.1 Relative value: European High Yield Bonds, Cash vs. Synthetic



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

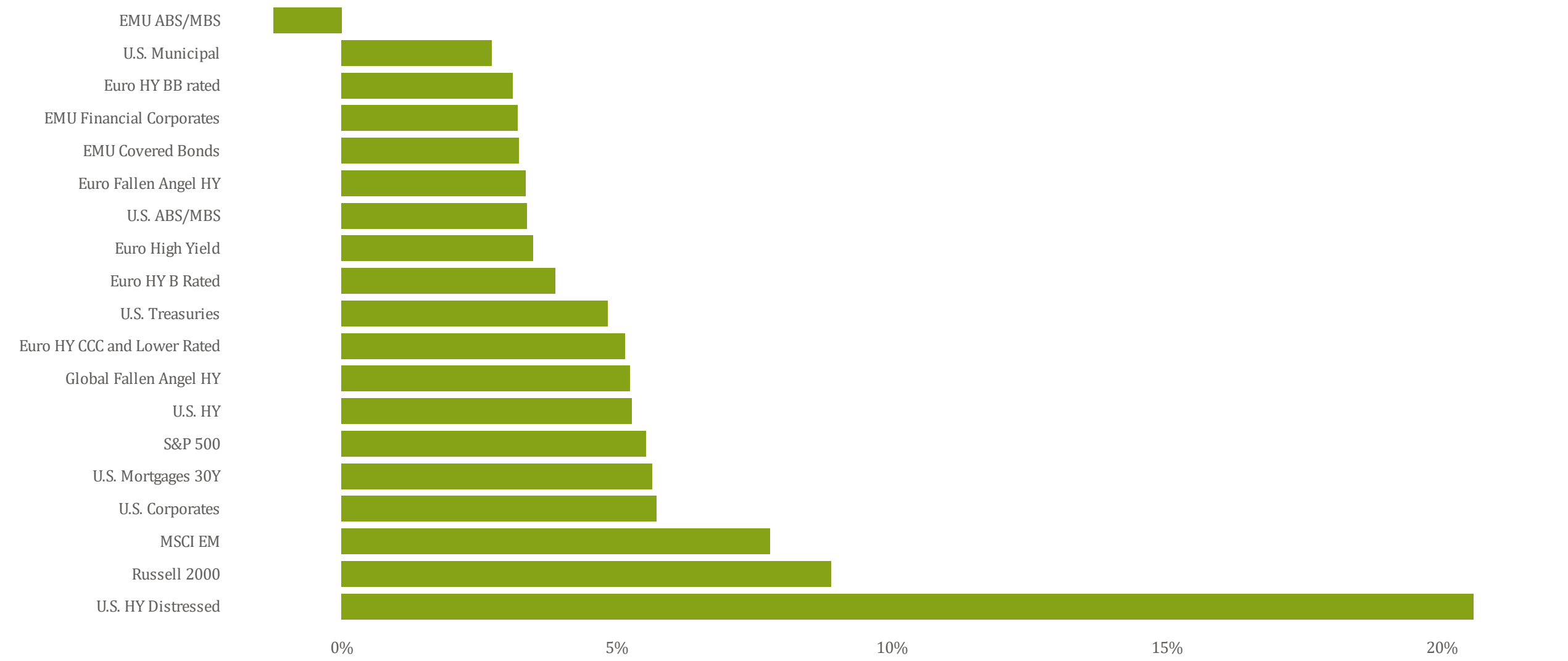


8.3 European High Yield Bonds Total Return



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

8.4 Asset Class Total Return: Q3 2024



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