

Q4 2023

European High Yield and Leveraged Loan Report

European Leveraged Finance

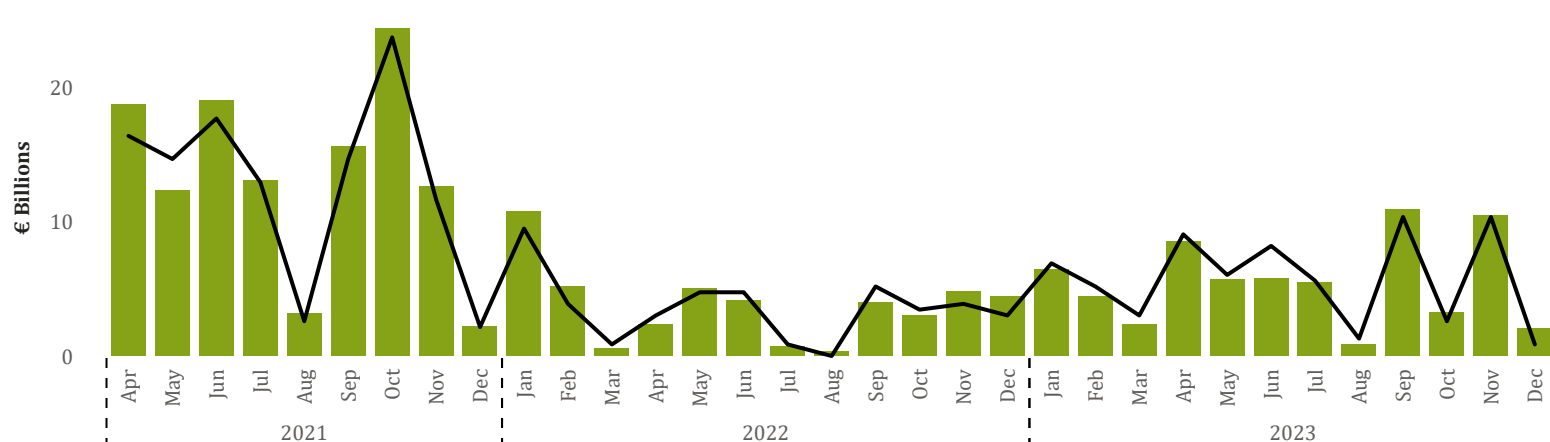


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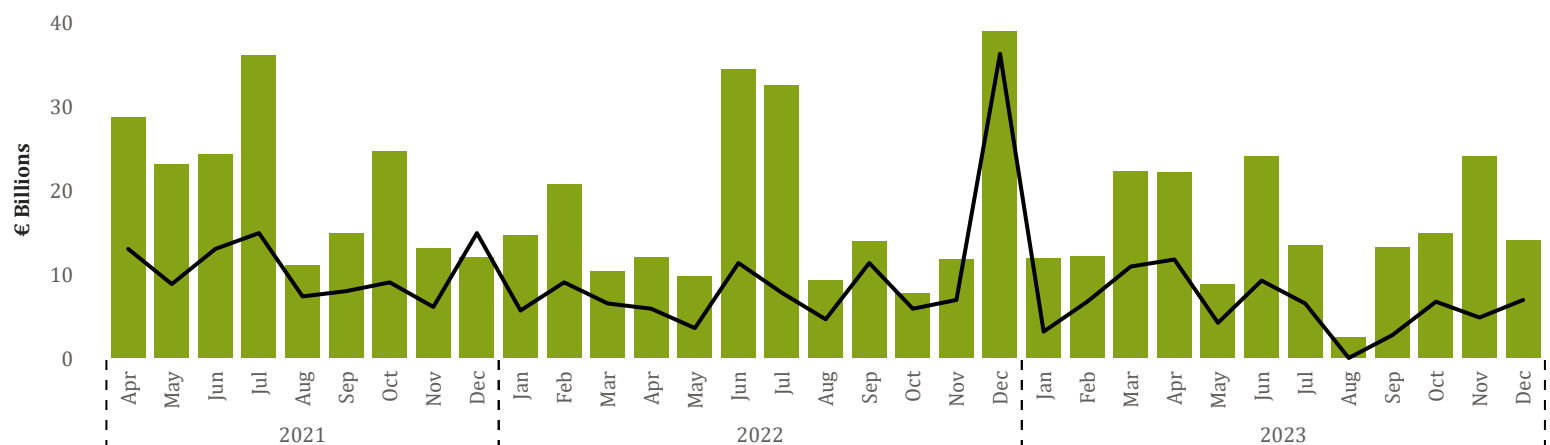
1.1 European High Yield Bond Issuance

● Deal Value ● No. deals (right axis)



1.2 European Leverage Loan Issuance

● Deal Value ● No. of deals (right axis)



Source: Dealogic

High yield bond issuance picks up in 2023 following a record low 2022FY . Leverage loan origination continues to decline.

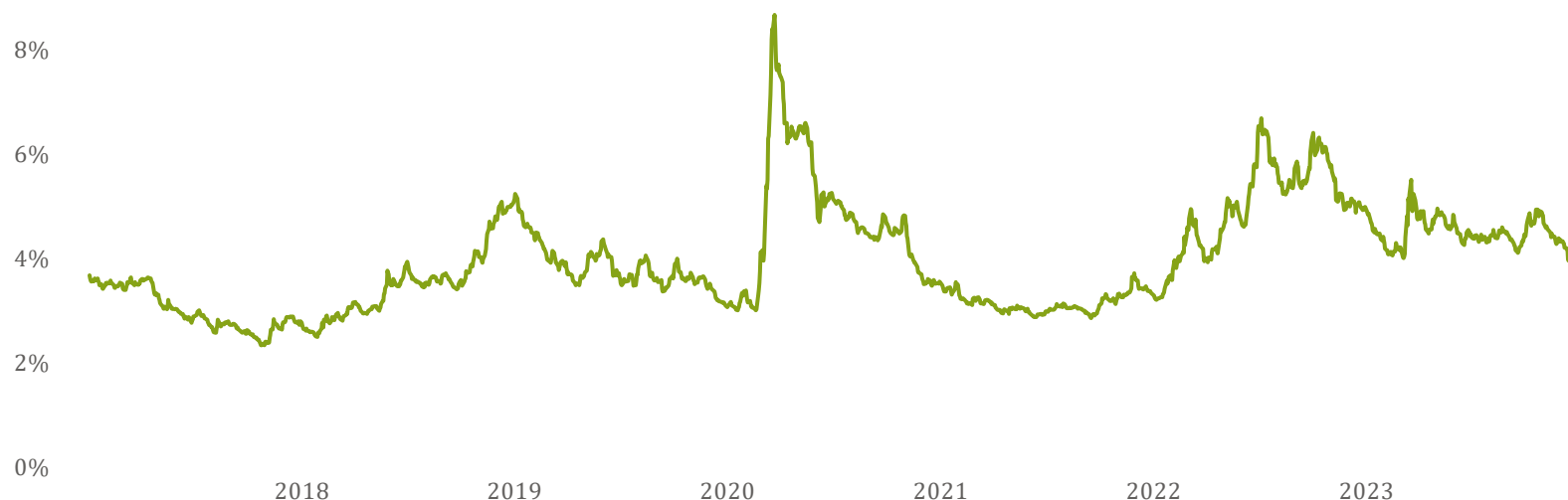
In 2023FY, issuance of European high yield bonds rose 45%, a large increase from the sharp decline observed in 2022 when deal value fell by 72%.

During 2023, 185 high yield bond tranches were issued, generating €66bn in proceeds.

Notwithstanding the large annual increase, high yield bond issuance continued below pre-pandemic values of c€100bn per year.

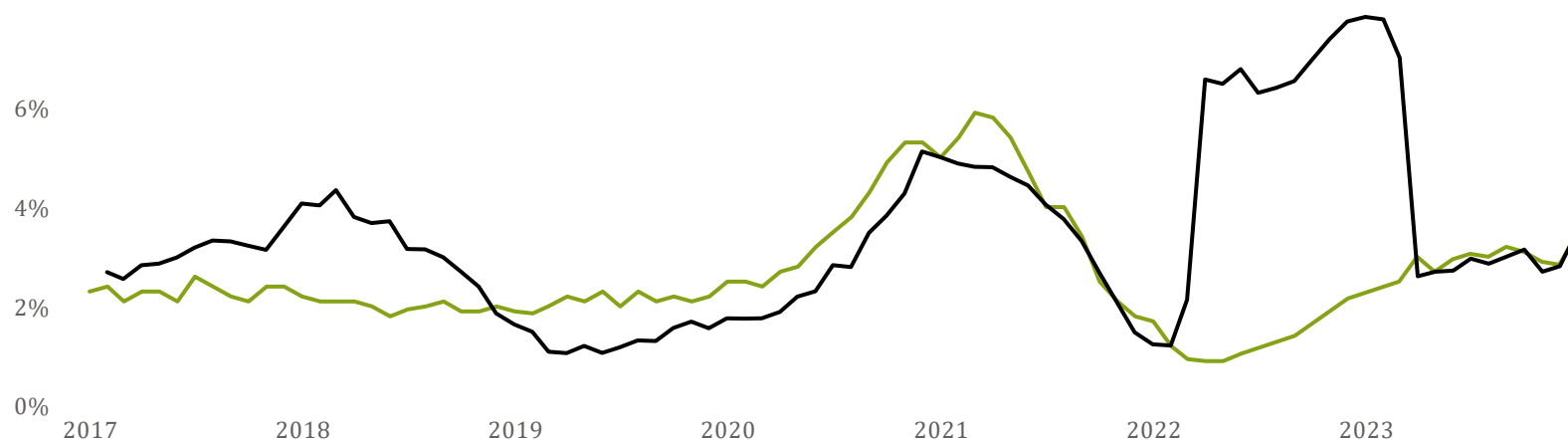
Leverage loans declined by 15% accumulating a total of €183bn in total proceeds in 2023FY (from €215bn in 2022FY).

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]

Stable European high yield spreads and default rates amid rising leveraged loan defaults.

European high yield spreads tightened only slightly during 2023, from 4.85% in the beginning of January 2023 to 3.96% in the end of December.

In December, S&P reported the trailing 12-month speculative-grade bond default rate at 3.47%, an increase from the 2.2% reported in December 2022. Moody's reported a similar default rate of 3.55%.

Fitch reported an increase in the European leveraged loan default rate when measured by value. The loan default rate rose from 0.63% to 4.39% in a year (Dec-2022 to Dec-2023).

According to Reorg, 93% of the European leveraged loan deals examined in 2023 were covenant-lite.

Leveraged Finance Overview

Leveraged Finance Overview

Issuance Highlights

European leveraged finance issuance (leveraged loans plus high yield bonds) totalled €249bn in proceeds in 2023, representing a 4.6% decrease from 2022 (€261bn). The decrease is attributable to a decline in loan origination, which fell to €183bn, indicating a 15.7% reduction compared to the €216bn seen in 2022. On the other hand, high yield bond issuance rose by 46.7% during the year, moving from €45bn in 2022 to €66bn in 2023.

The high yield bond share of European leveraged finance market issuance increased to 27% in 2023, from 17% in 2022.

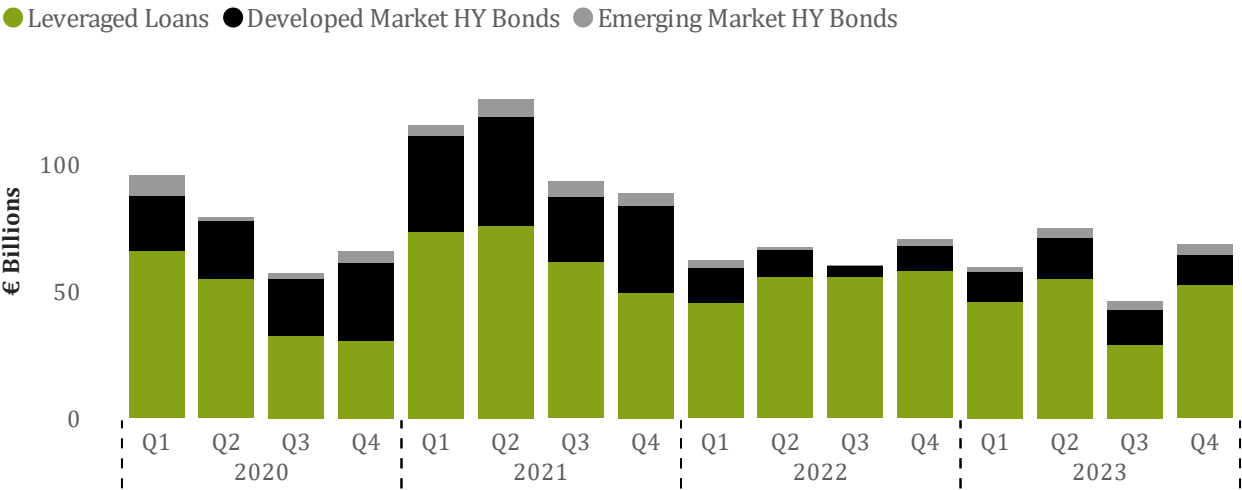
Developed and emerging market high yield bond average deal size stood at €357m and €361m respectively. Average leverage loan size increased to €399m (+21.3%).

Credit Standards and Loan Demand

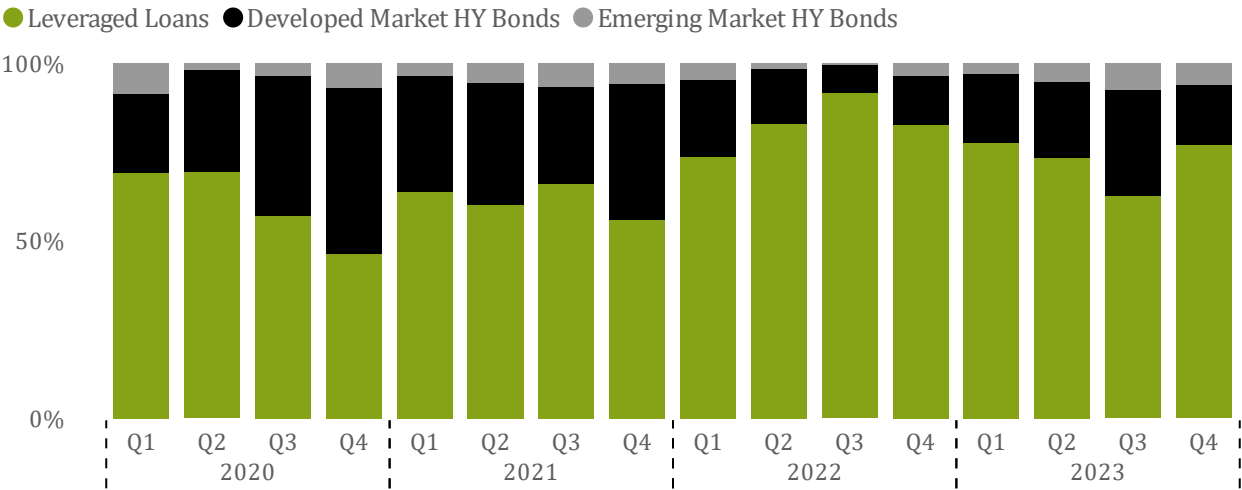
According to the European Central Bank lending survey, credit standards for loans to large firms and SMEs tightened throughout 2023. However, fewer banks tightened credit conditions in Q4'23 compared to the previous quarter. Industry or Firm-Specific Outlook, and the General Economic Situation and Outlook led as the most significant contributors to the tightening, followed by Risk on Collateral Demanded and Competition from Market Financing.

Net demand for loans to enterprises continued to decline in Q4'23. The demand contraction was driven by High Interest Rates, shrinking Fixed Investment, and higher recourse to Internal Financing. The factors that contributed positively to loan demand were Debt Restructuring, and Working Capital Financing.

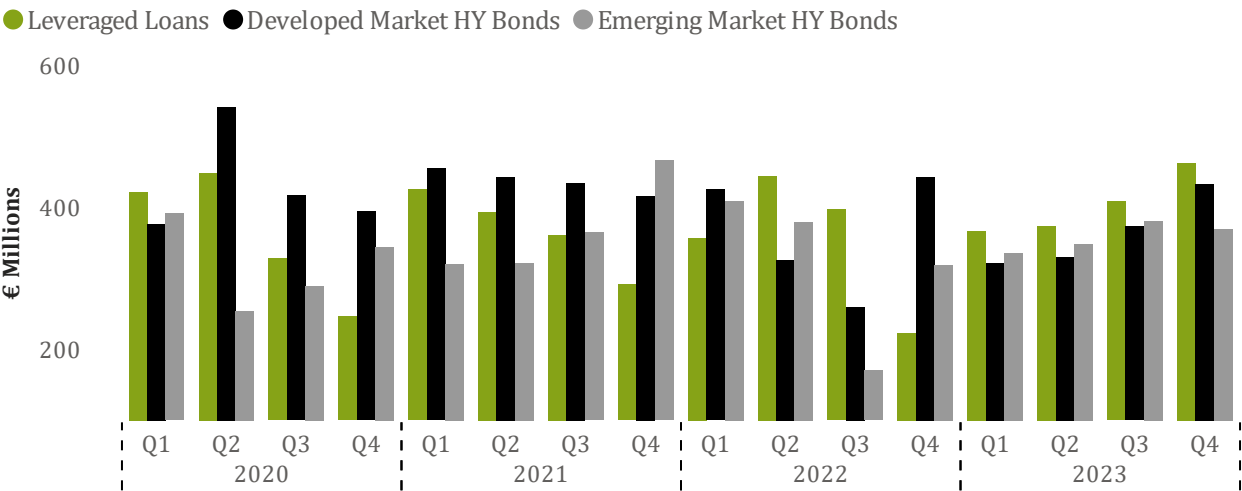
2.1 European Leveraged Issuance by Type



2.2 European Leveraged Issuance Percentage, by Type



2.3 European Leveraged Finance Average Deal Size

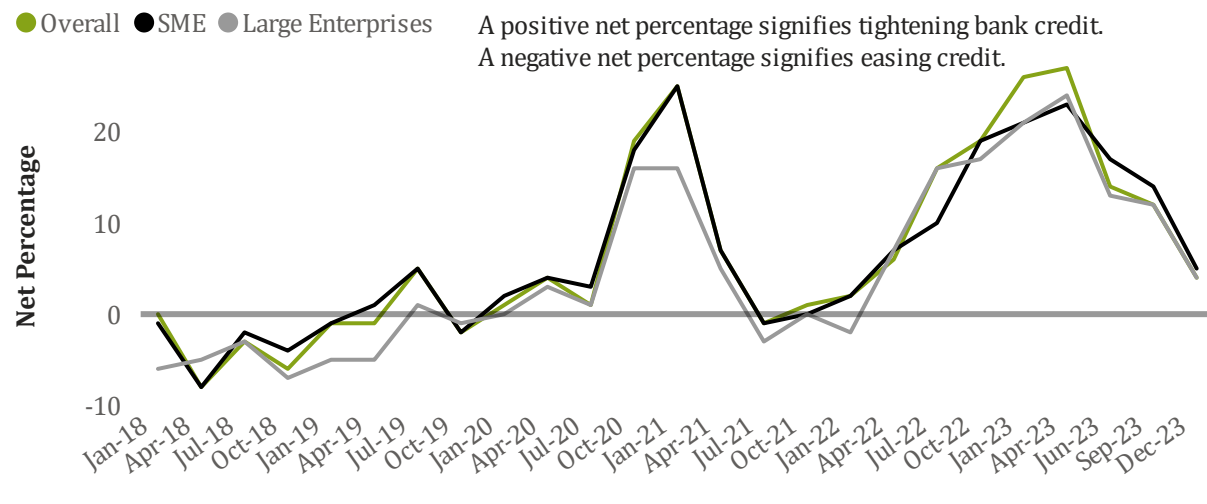


2.4 Global Comparisson High Yield Issuance

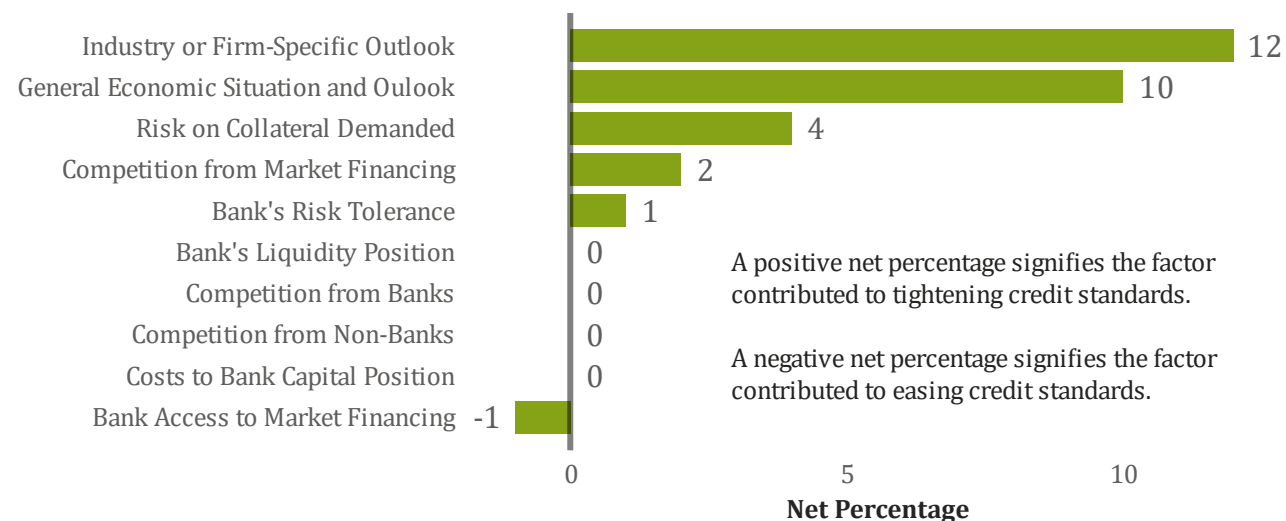
Region	2023				Total	2022				Total	2021	2020
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4			
Americas	34.7	49.0	37.1	31.6	152.4	38.5	24.1	18.9	13.3	94.8	344.3	343.7
Asia	7.3	6.4	4.9	6.8	25.3	3.9	6.2	9.1	3.7	22.8	57.6	65.7
Europe	13.2	20.0	17.2	15.7	66.2	16.5	11.6	5.0	12.3	45.3	162.8	113.6
Total	55.2	75.4	59.3	54.1	243.9	58.9	41.9	33.0	29.2	162.9	564.8	523.0

Source: Dealogic

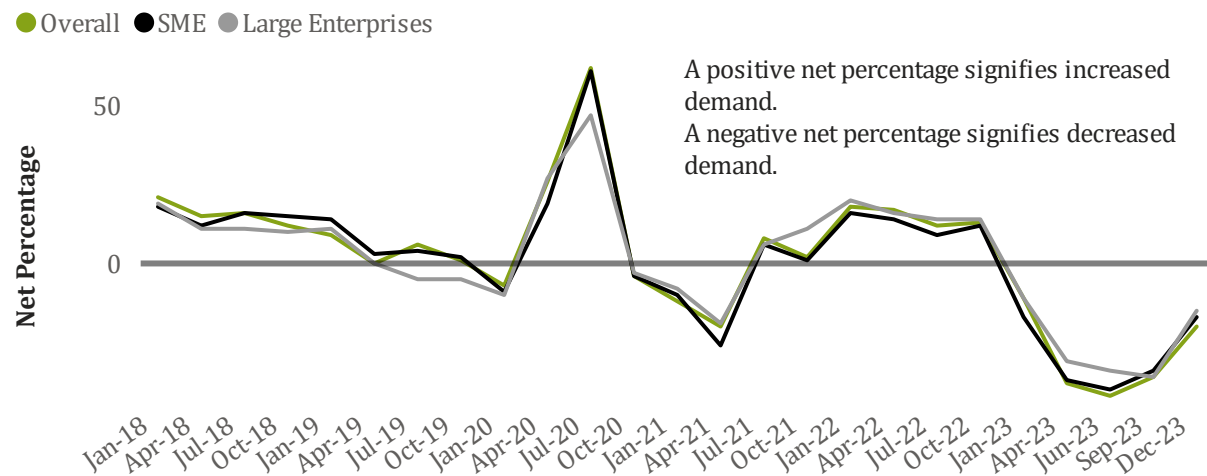
2.5 Bank Credit Standards



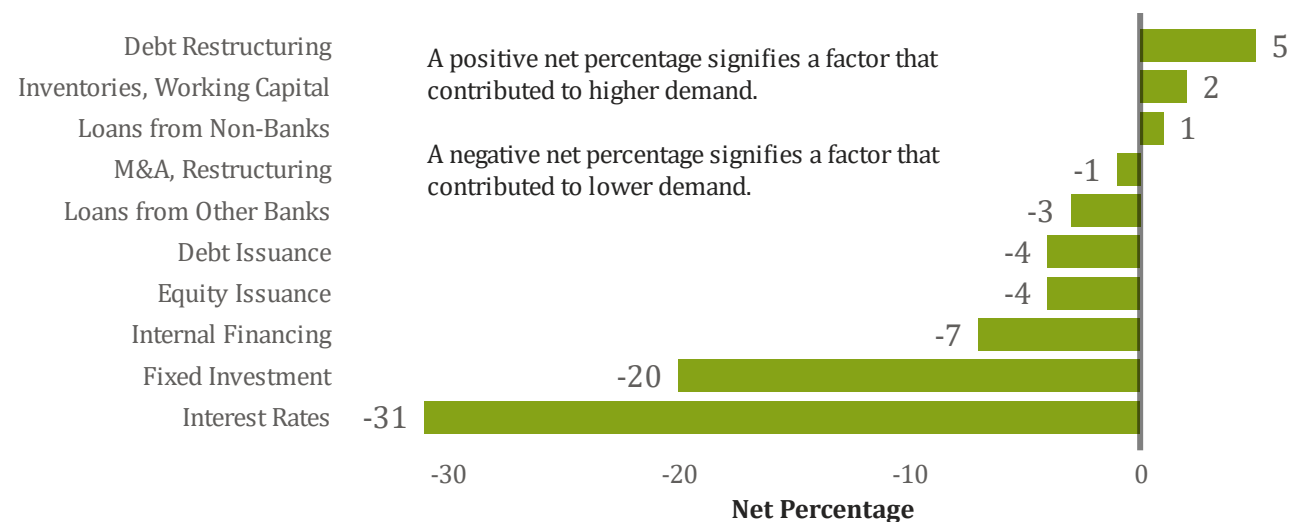
2.6 Factors Affecting Bank Credit Standards: December 2023



2.7 Loan Demand



2.8 Factors Affecting Loan Demand: December 2023



Leveraged Loans

Issuance: Leveraged Loans

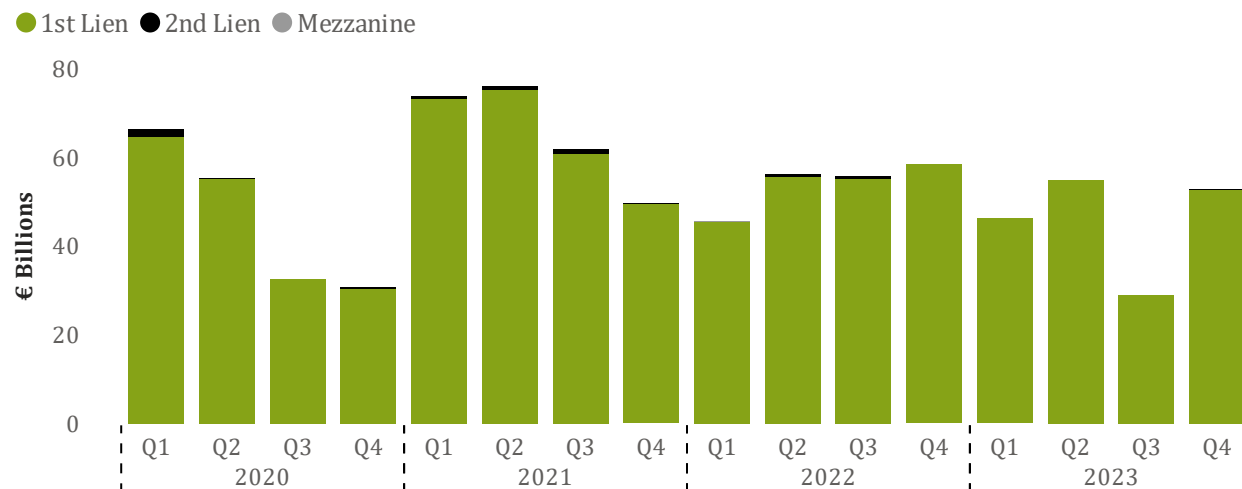
Issuance of leveraged loans, encompassing first lien, second lien, and mezzanine financing, continued to decline for the second consecutive year. In 2023, total loan origination stood at €183bn, below the amount observed in 2020 and representing a 15% decline from 2022 (€216bn).

The majority of leveraged loans originated in 2023FY consisted of 1st lien loans. Only €150m were collected by 2nd lien loans during the year. In 2023, no mezzanine issuance was reported.

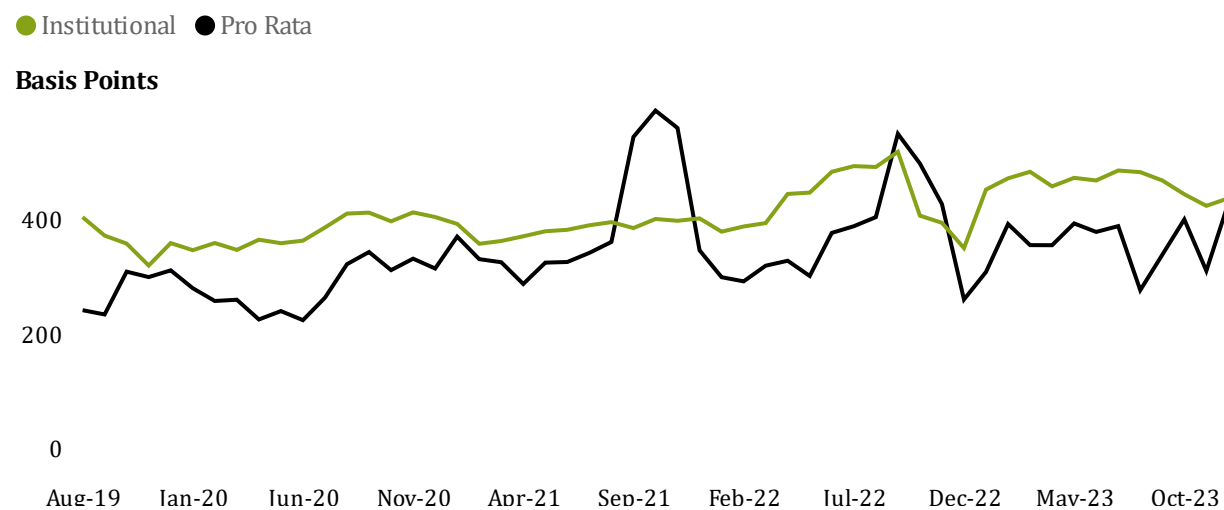
Institutional spreads (3-month rolling average) remained above pro-rata spreads throughout the entire year, floating around 460bps. Pro-rata spreads experienced greater fluctuations, moving in a range between 300 and 430bps. Pro-rata spreads closed the year 8.19bps below institutional spreads (428.60bps v. 436.79bps).

Healthcare, Computers and Electronics, Professional Services, and Telecommunications were the leading sectors by loan origination amount, collectively taking up 45% of 2023FY issued amount.

3.1 European Leveraged Loan Issuance By Type

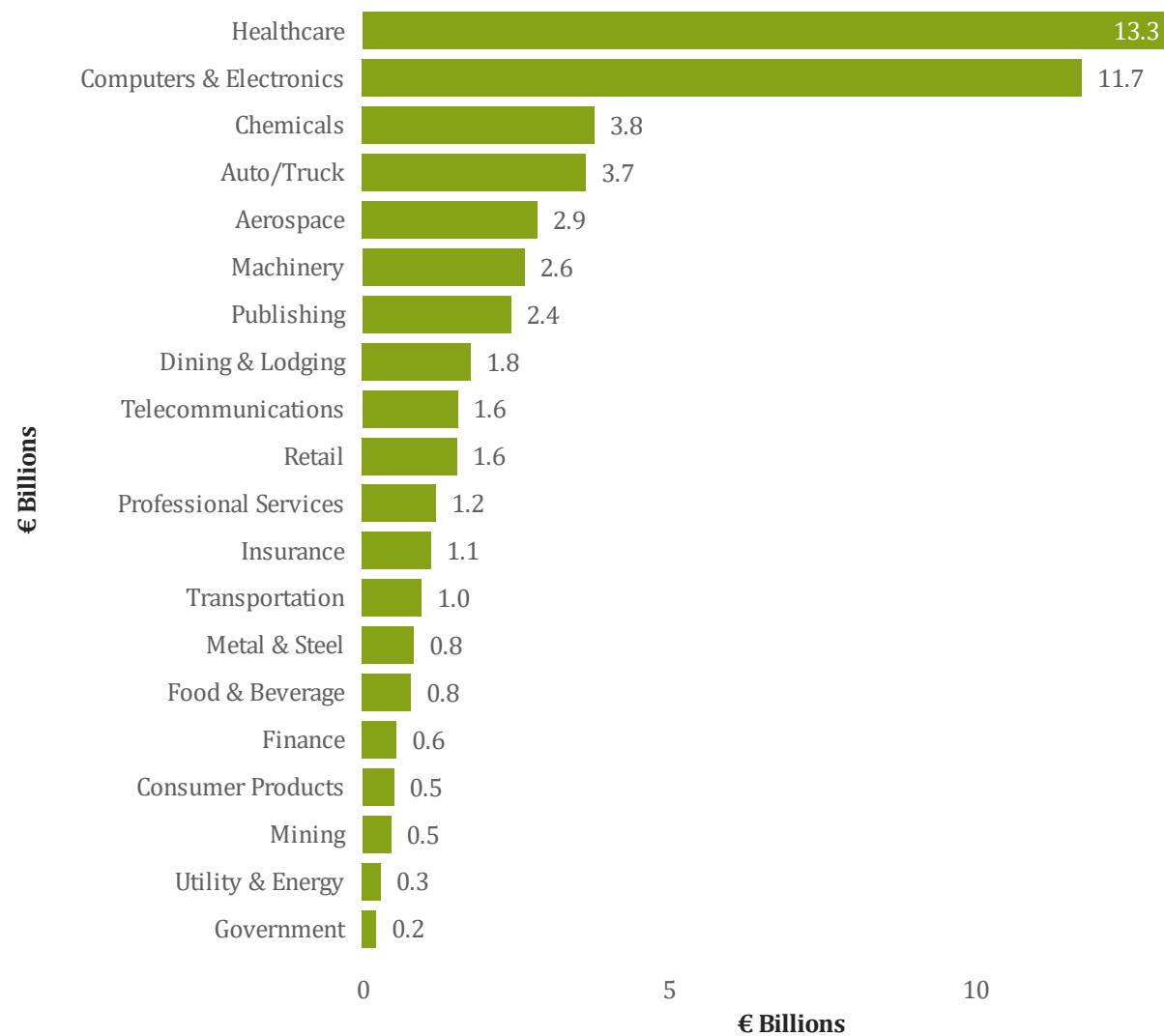


3.3 Institutional and Pro Rata Spreads (3-month rolling average)



Source: Dealogic

3.2 European Leveraged Loan Issuance by Industry: Q4 2023 (Top 20)



High Yield Bonds Overview

High Yield Bonds Overview

Issuance: High Yield Bonds

Primary high yield bond issuance totaled €66bn on 185 deals in 2023, a 46.7% increase from €45bn on 124 deals in 2022. Developed market Europe issuance accounted for 80.3% of 2023 issuance (€53bn on 149 deals), while the remaining (€13bn on 36 deals) was issued by Emerging market firms.

During the year, high yield bond Europe issuance rose for both developed and developing markets by 39.5% and 85.7% respectively when compared to 2022 figures.

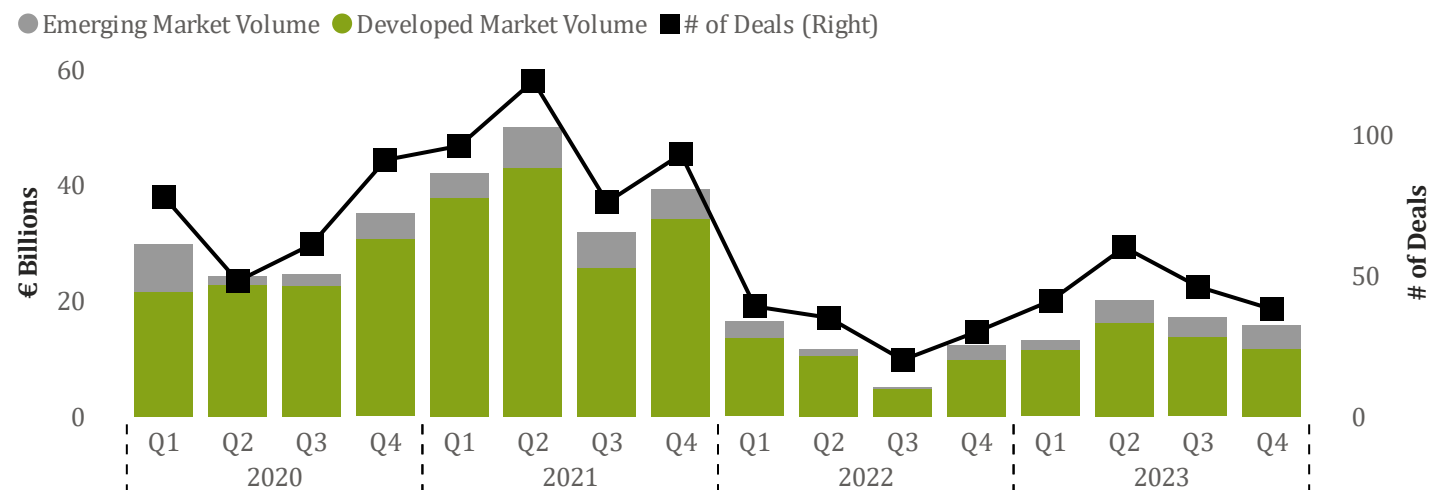
The leading use of proceeds for high yield bond issuance in 2023 was Repay or Refinance Debt (€29.8bn or 45% of the total), followed by General Corporate purposes (€27.5bn or 41.5% of the total).

In 2023, LBO activity declined, with only 5.1% of proceeds flowing for such purpose (from 16.6% in 2022).

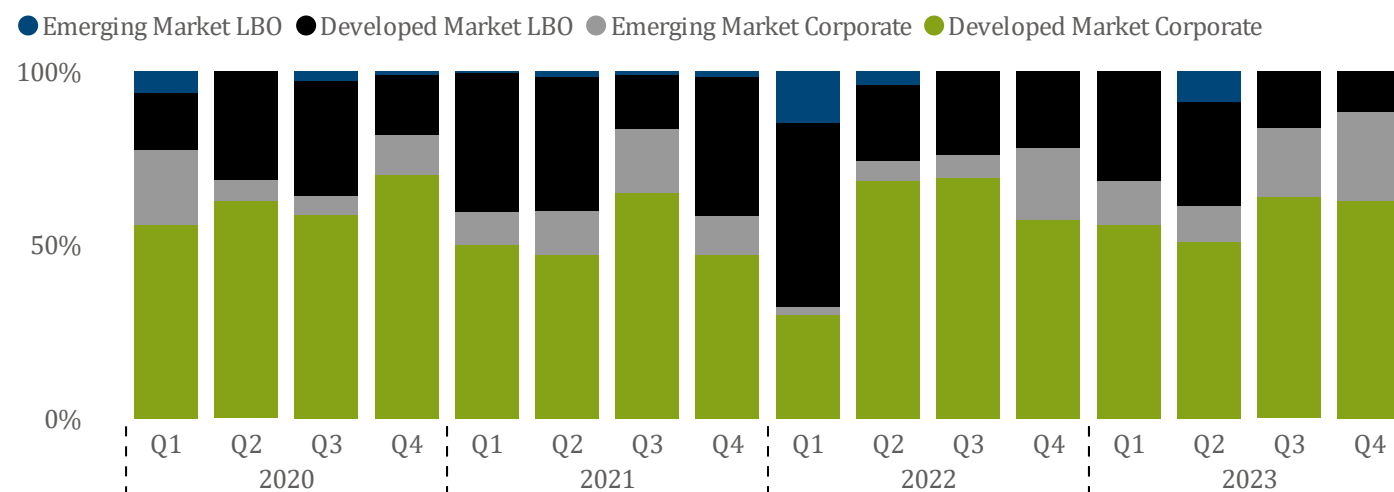
Three sectors accounted for 61.6% of the high yield bond market by outstanding amount: Financials, Consumer Discretionary, and Communications sectors with €219bn, €126bn, and €123bn of total outstanding value respectively.

Half of the outstanding high yield debt carries a rating higher than "BB-", whereas 4.6% is rated below "B-".

4.1 European High Yield Issuance, Developed and Emerging Markets

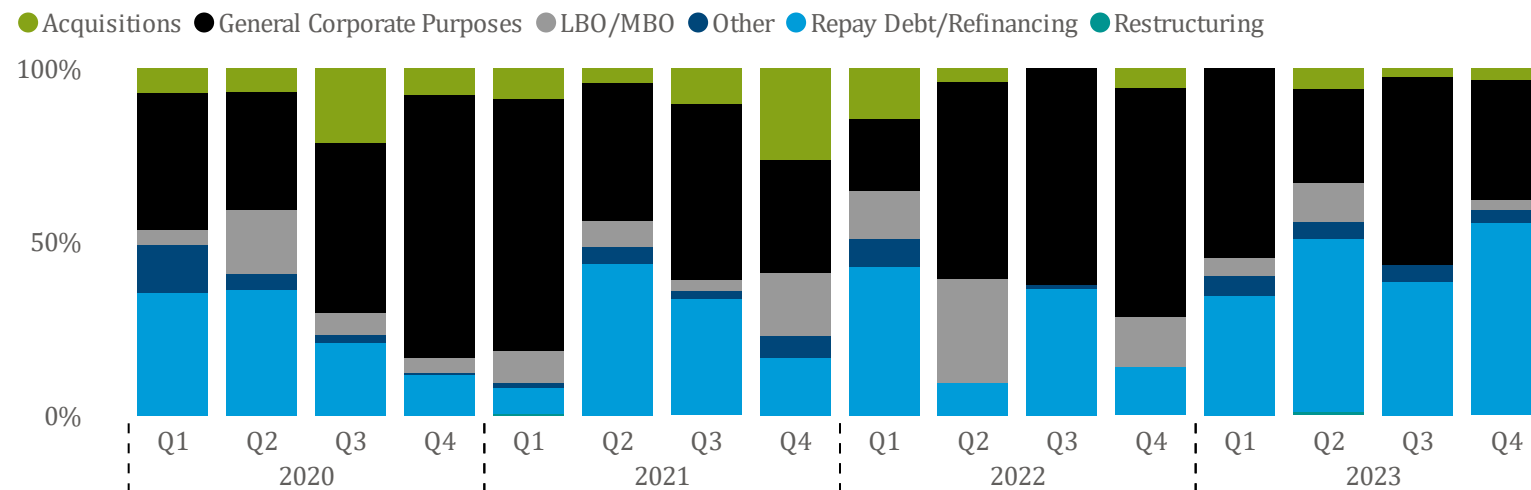


4.2 European High Yield Issuance, Sponsored vs Corporate

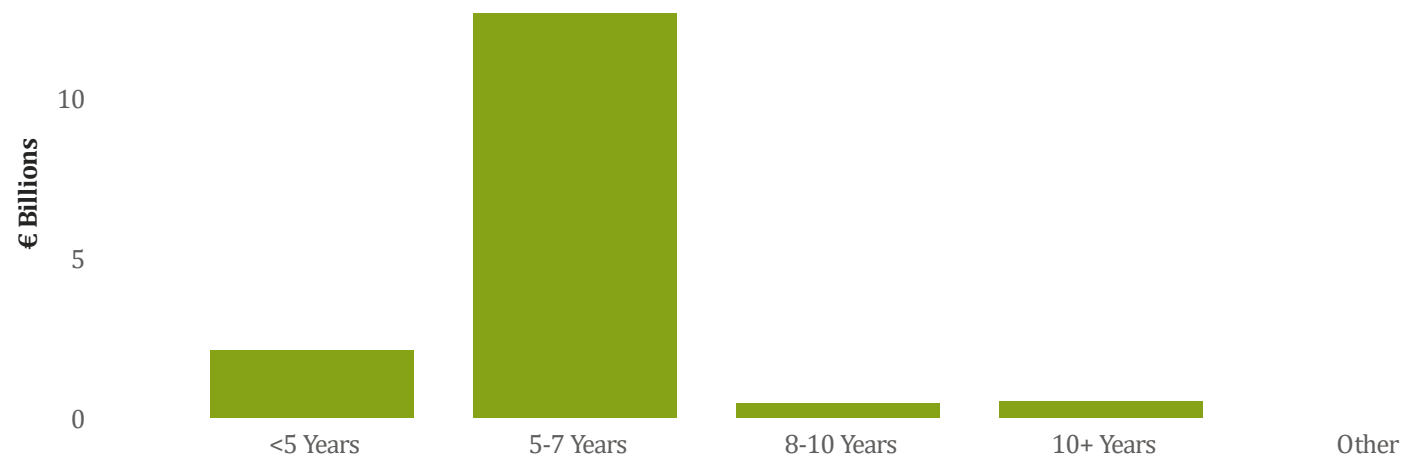


Source: Dealogic

4.3 European High Yield Bond Issuance, Use of Proceeds

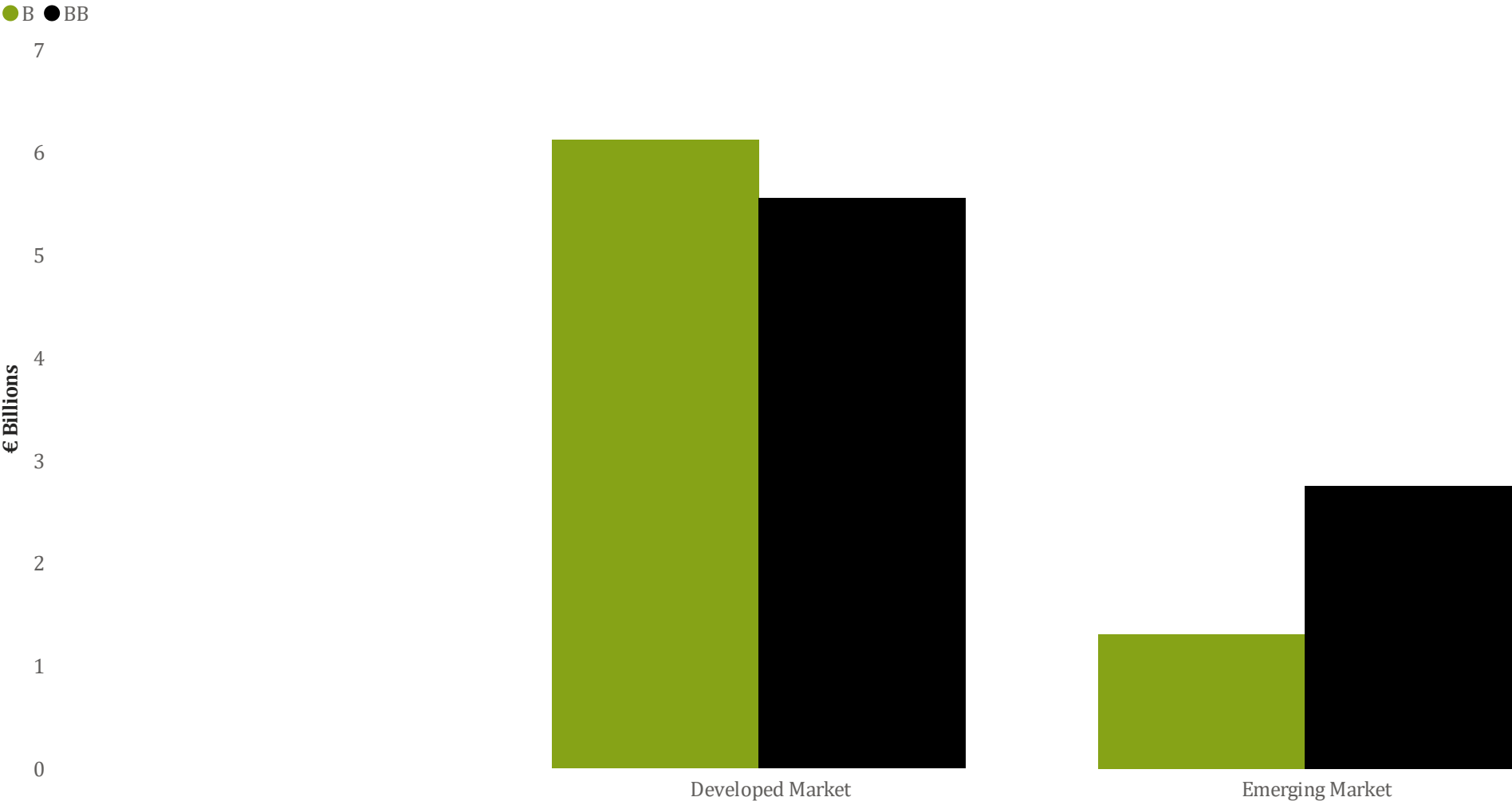


4.4 European High Yield Bond Issuance by Tenor: Q4 2023



Source: Dealogic

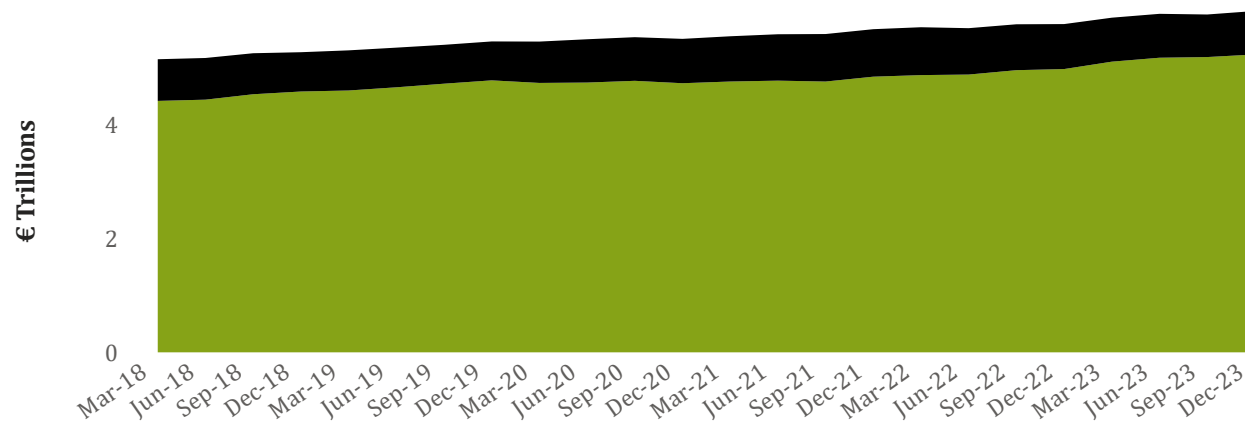
4.5 European High Yield Issuance by Rating: Q4 2023



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

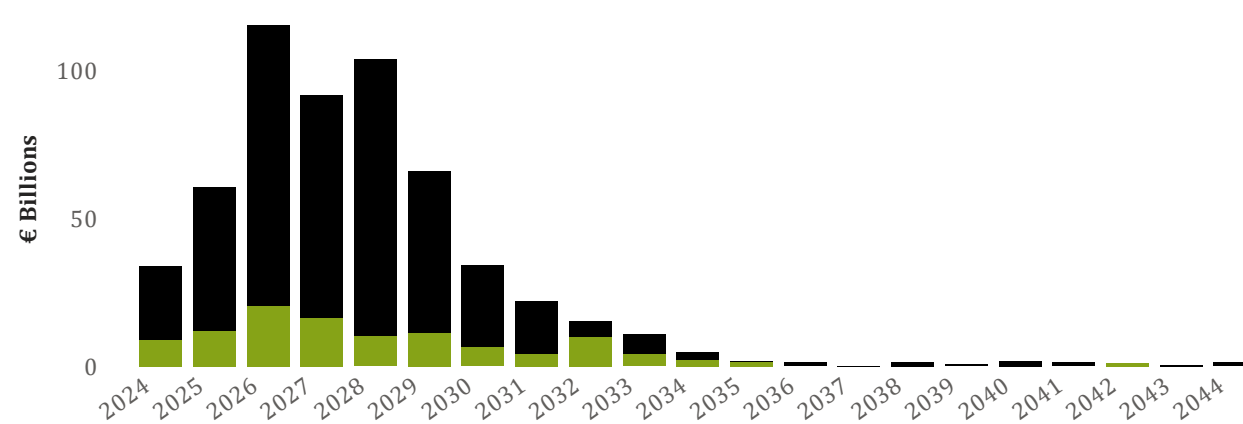
4.6 European Corporate Bonds Outstanding

● Investment Grade ● High Yield

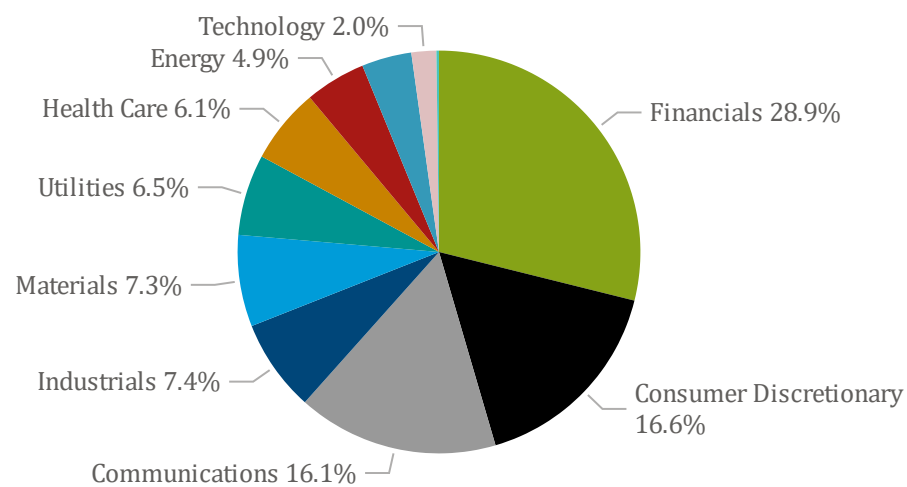


4.7 European Corporate High Yield Bonds Maturity Wall

● Financials ● Non-Financials

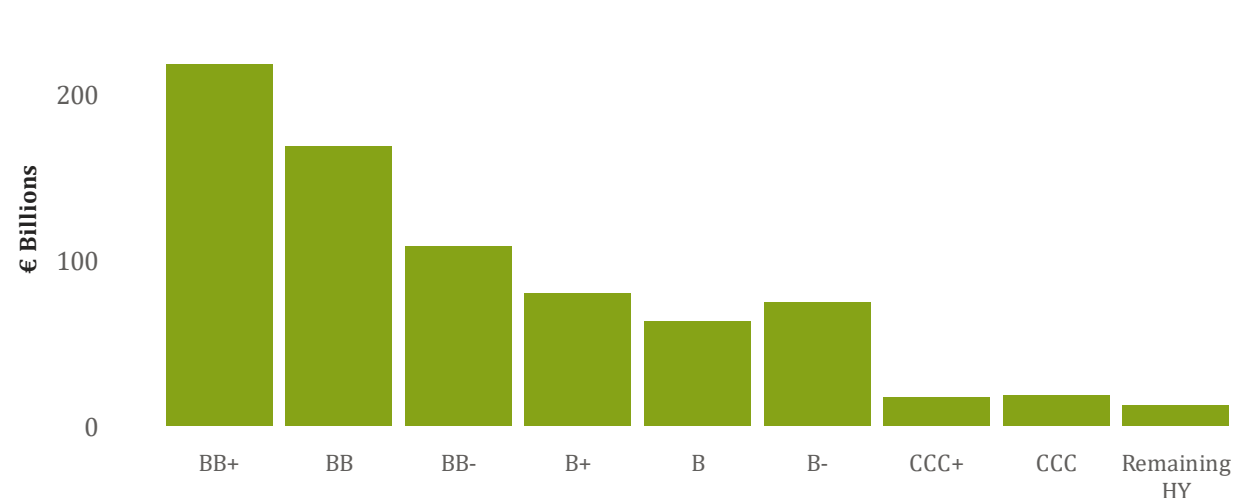


4.8 European Corporate High Yield Bonds Outstanding by Sector



Source: Bloomberg

4.9 European Corporate High Yield Bonds Outstanding by Current Rating



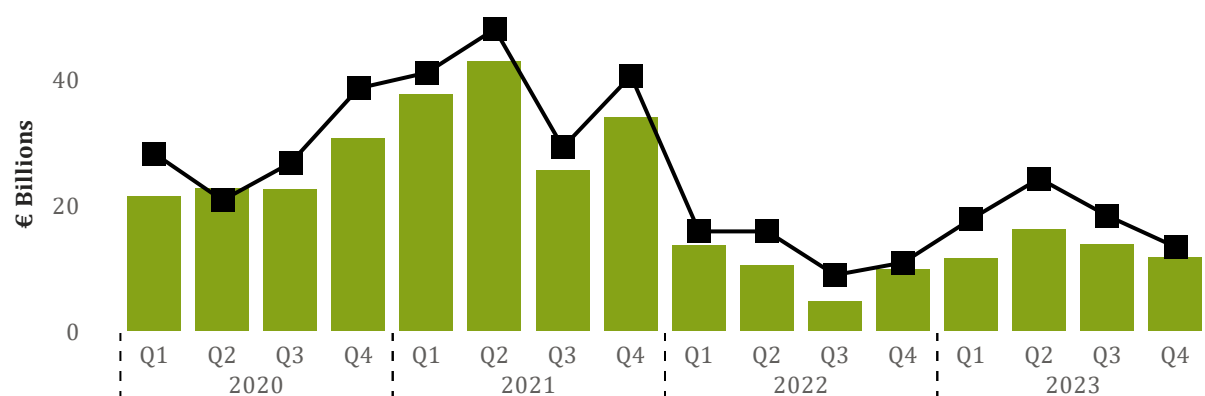
European Developed Market High Yield Bonds

afme / Developed Market High Yield Bonds

Finance for Europe

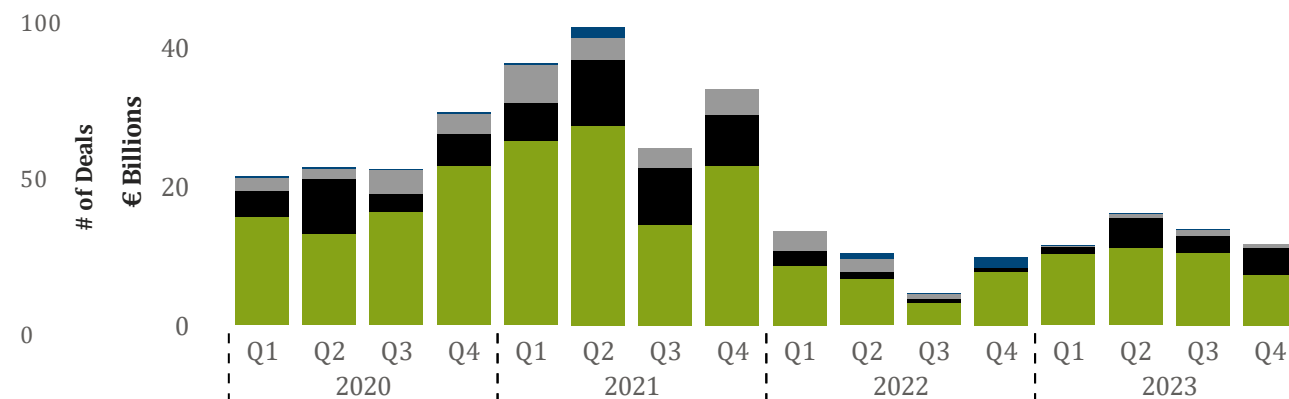
5.1 European High Yield Issuance, Developed Market High Yield Bond Issuance

Developed Market Volume ■ # of Deals (Right)

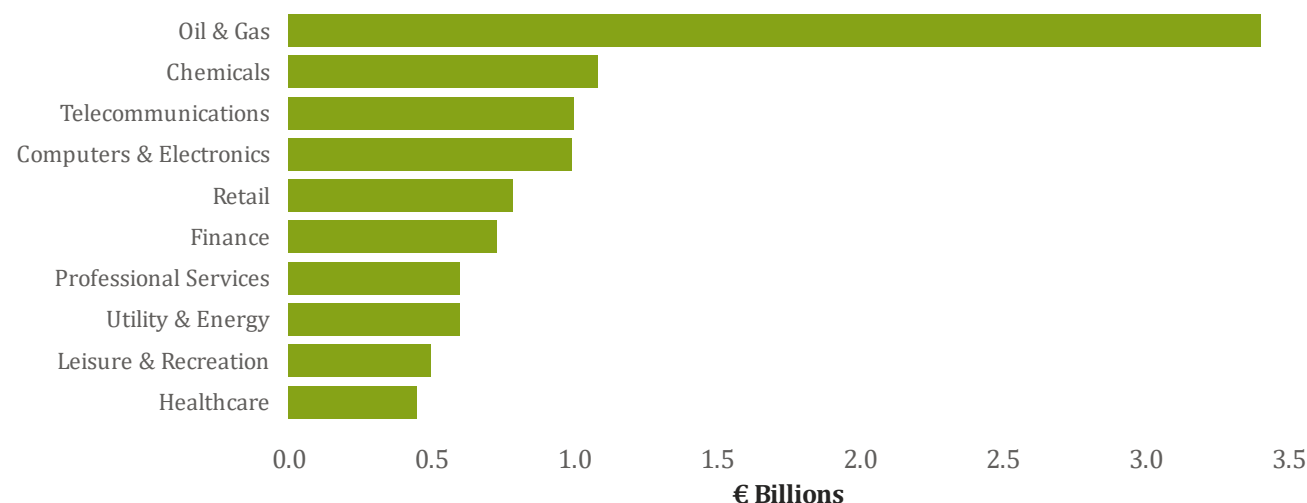


5.2 European Developed Market High Yield Issuance by Currency

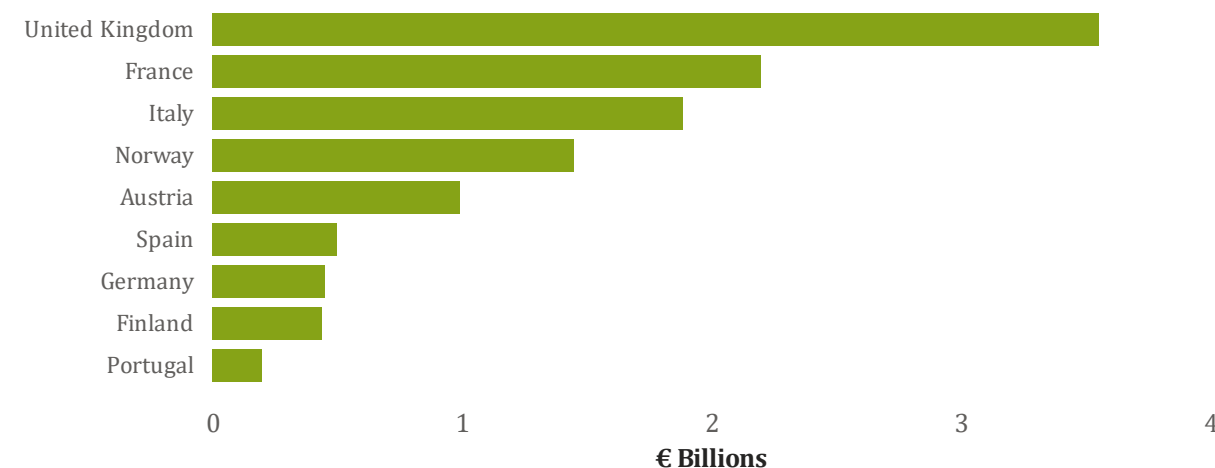
EUR ■ USD ■ GBP ■ Other



5.3 European Developed Market High Yield Issuance by Industry: Q4 2023 (top 10)



5.4 European Developed Market High Yield Issuance by Country of Risk: Q4 2023

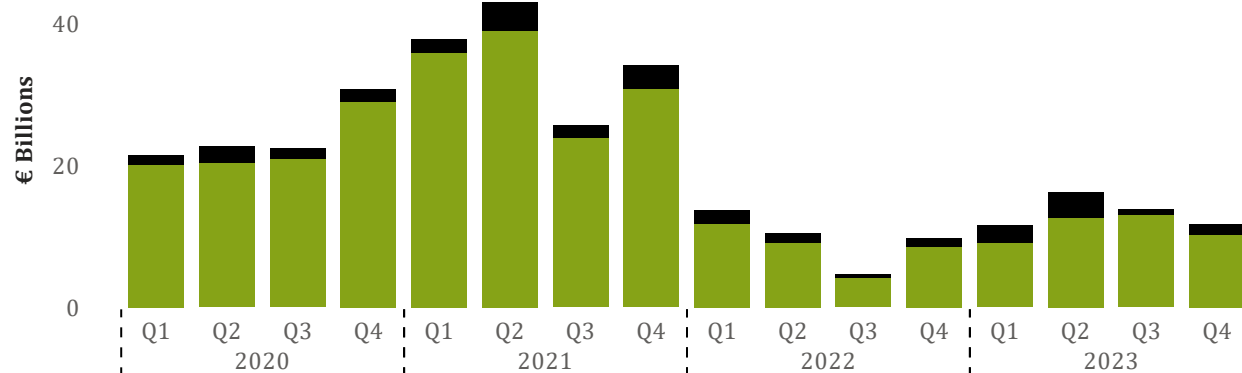


afme / Developed Market High Yield Bonds

Finance for Europe

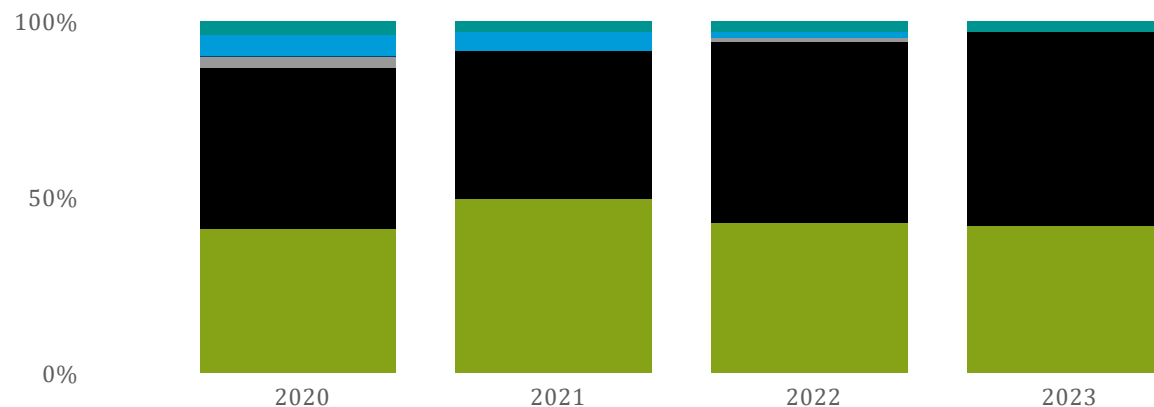
5.5 European Developed Market High Yield Issuance, Fixed vs. Floating

● Fixed ● Floating



5.7 European Developed Market High Yield Rating Distribution at Issuance

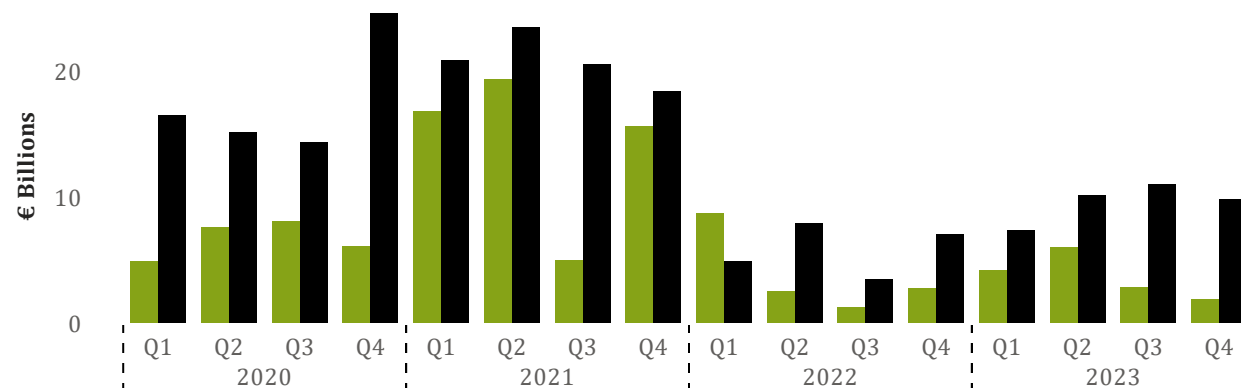
● B ● BB ● BBB ● CC ● CCC ● Not rated



Source: Dealogic

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

● LBO ● Corporate



5.8 European Developed Market Corporate Bonds Outstanding: Q4 2023

● High Yield ● Investment Grade ● Non-Rated



5.9 European Developed Market High Yield Bond Issuance

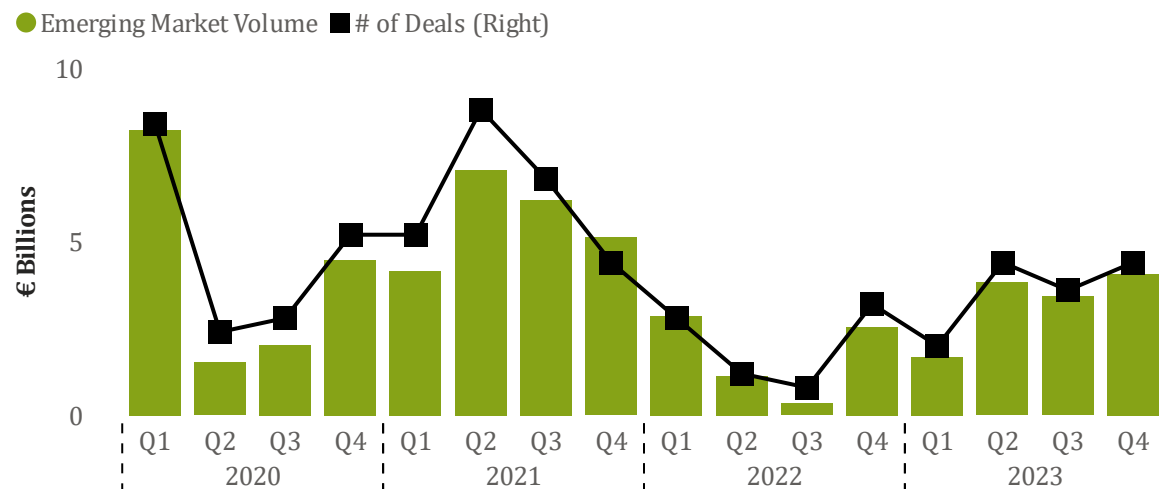
Issuer	Industry Group	Date	Currency	Amount (billion)	Coupon	Moody's	S&P	Fitch
Guala Closures SpA	Metal & Steel	04/10/2023	EUR	0.35	3-mth Euribor +400	B1	B+	
PHM Group Oy	Machinery	19/10/2023	EUR	0.14	3-mth Euribor +750	B2	B	
Caixa Economica Montepio Geral	Finance	23/10/2023	EUR	0.20	10	B1		B+
Borr IHC Ltd	Oil & Gas	24/10/2023	USD	0.97	10	B3	BB-	B
Borr IHC Ltd	Oil & Gas	24/10/2023	USD	0.48	10.375	B3	BB-	B
International Design Group SpA	Consumer Products	08/11/2023	EUR	0.43	10	B2	B	B
Paprec Holding SA	Utility & Energy	08/11/2023	EUR	0.30	6.5		BB	BB+
Paprec Holding SA	Utility & Energy	08/11/2023	EUR	0.30	7.25		BB	BB+
Ineos Quattro Finance 2 plc	Chemicals	09/11/2023	EUR	0.53	8.5	Ba3	BB	BB+
Ineos Quattro Finance 2 plc	Chemicals	09/11/2023	USD	0.37	9.625	Ba3	BB	BB+
EG Global Finance plc	Oil & Gas	10/11/2023	EUR	0.47	11	B3	B-	B+
EG Global Finance plc	Oil & Gas	10/11/2023	USD	1.03	12	B3	B-	B+
Immobiliare Grande Distribuzione SIIQ SpA	Real Estate/Property	14/11/2023	EUR	0.31	5.5		BB	
B&M European Value Retail SA	Retail	14/11/2023	GBP	0.29	8.125	Ba1	BB+	
Co-operative Bank Holdings Ltd	Finance	14/11/2023	GBP	0.23	11.75	Ba3		
ams-OSRAM AG	Computers & Electronics	16/11/2023	EUR	0.63	10.5	B2	BB-	BB-
Eroski Sociedad Cooperativa	Retail	16/11/2023	EUR	0.50	10.625	B2	B+	
Huhtamaki Oyj	Forestry & Paper	16/11/2023	EUR	0.30	5.125		BB+	
ams-OSRAM AG	Computers & Electronics	16/11/2023	USD	0.37	12.25	B2	BB-	BB-
Banco BPM SpA	Finance	17/11/2023	EUR	0.30	9.5			B+
EG Group Ltd	Oil & Gas	27/11/2023	USD	0.46	Sofr +750		B-	
WE Soda Investments Holding plc	Chemicals	27/11/2023	USD	0.18	9.5			
Lottomatica SpA	Leisure & Recreation	29/11/2023	EUR	0.50	3-mth Euribor +400	B2	Not rated	
Iliad SA	Telecommunications	06/12/2023	EUR	0.65	5.375	Ba3	BB	BB
Loxam SAS	Professional Services	06/12/2023	EUR	0.60	6.375			
Ephios Subco 3 Sarl	Healthcare	13/12/2023	EUR	0.45	7.875			
Altice France SA	Telecommunications	20/12/2023	EUR	0.35	11.5		B-	

European Emerging Market High Yield Bonds

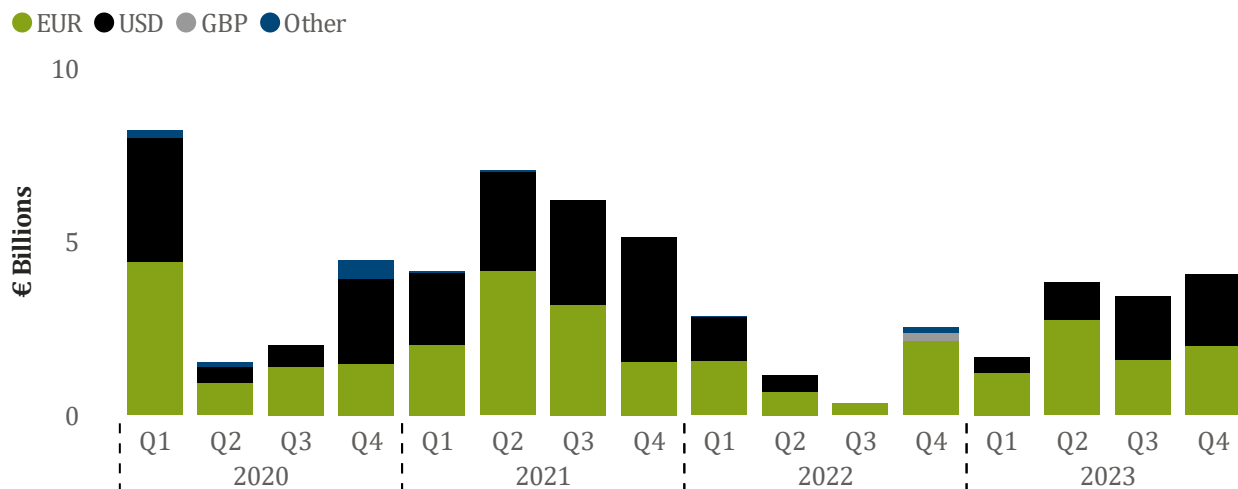
afme / Emerging Market High Yield Bonds

Finance for Europe

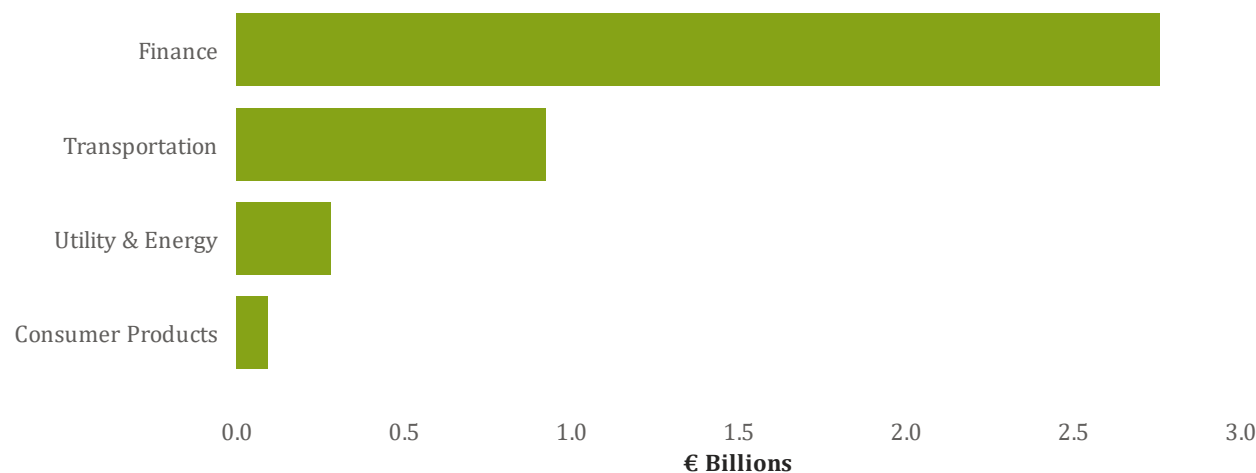
6.1 European Emerging Market High Yield Issuance



6.2 European Emerging Market High Yield Issuance by Currency

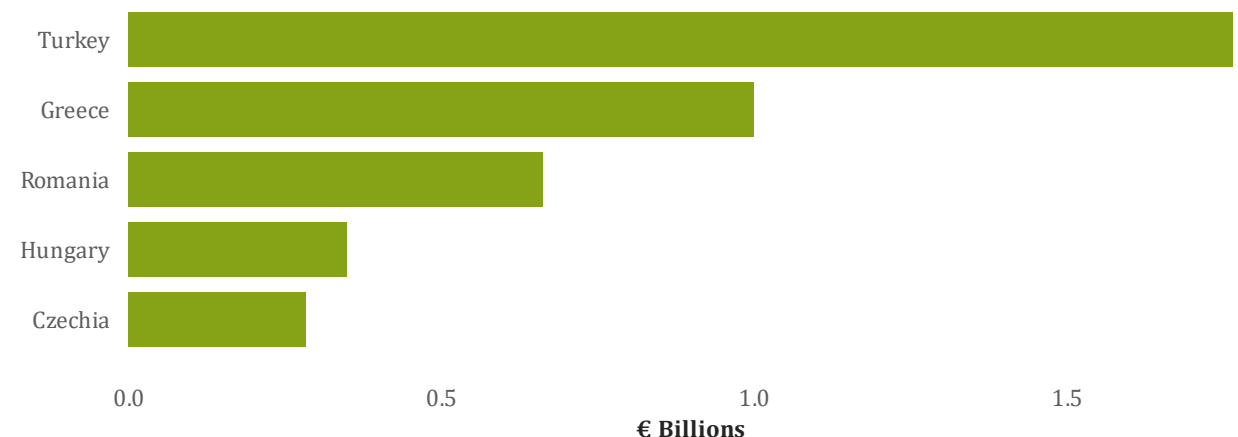


6.3 European Emerging Market High Yield Issuance by Industry: Q4 2023



Source: Dealogic

6.4 European Emerging Market High Yield Issuance by Country of Risk: Q4 2023

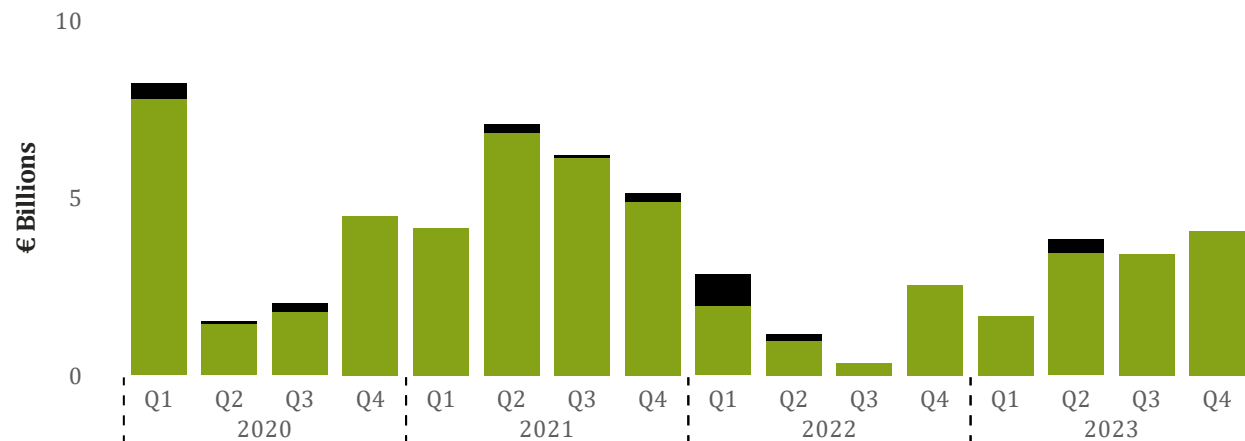


afme / Emerging Market High Yield Bonds

Finance for Europe

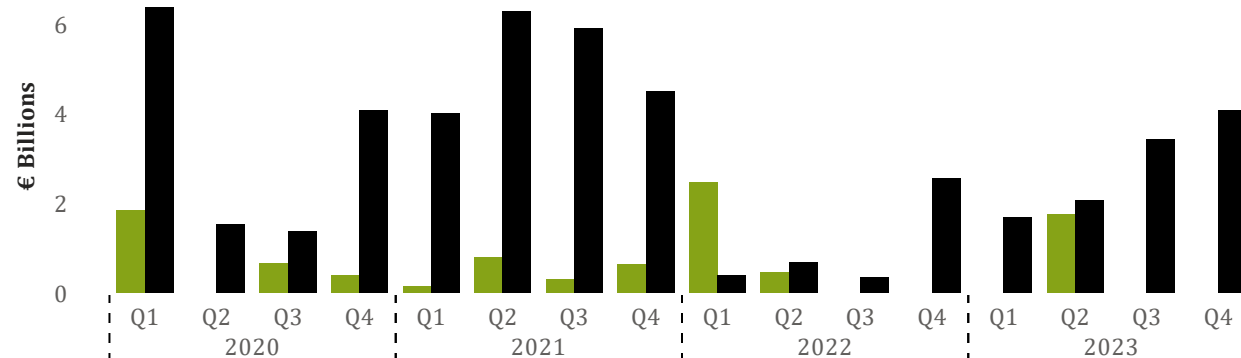
6.5 European Emerging Market High Yield Issuance, Fixed vs. Floating

● Fixed ● Floating



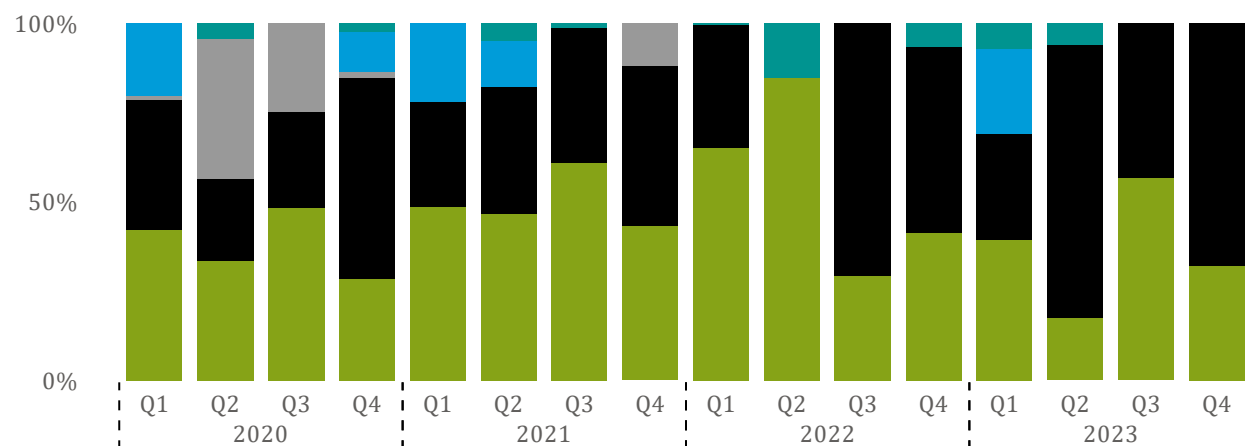
6.6 European Emerging Market High Yield Issuance, Sponsored vs. Corporate

● LBO ● Corporate



6.7 European Emerging Market High Yield Rating Distribution at Issuance

● B ● BB ● BBB ● C ● CCC ● Not rated



6.8 European Emerging Market Corporate Bonds Outstanding: Q4 2023

● High Yield ● Investment Grade ● Non-Rated



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

6.9 European Emerging Market High Yield Bond Issuance

Issuer	Industry Group	Date	Currency	Amount (billion)	Coupon	Moody's	S&P	Fitch
MBH Bank Nyrt	Finance	10/10/2023	EUR	0.35	8.625	Ba2		
Energo-Pro AS	Utility & Energy	26/10/2023	USD	0.28	11		B+	BB-
Ziraat Katilim Bankasi AS	Finance	31/10/2023	USD	0.47	9.375			B-
CEC	Finance	08/11/2023	EUR	0.16	7.5			BB
Mersin Uluslararası Liman İşletmeciliği	Transportation	09/11/2023	USD	0.56	8.25		B	B
Arcelik AS	Consumer	13/11/2023	USD	0.09	8.5		BB	BB-
Yapi ve Kredi Bankasi AS	Finance	20/11/2023	USD	0.27	9.25	B3		B-
Eurobank SA	Finance	21/11/2023	EUR	0.50	5.875	Ba1	BB-	BB
Piraeus Prime Bank	Finance	28/11/2023	EUR	0.50	6.75			
Banca Transilvania	Finance	29/11/2023	EUR	0.50	7.25			BB+
Tav Havalimanları Holding AS	Transportation	30/11/2023	USD	0.36	8.5			

Source: Dealogic

Credit Quality

Credit Quality

S&P reported the trailing 12-month speculative-grade bond default rate at 3.47% in December 2023, an increase from 2.16% in December 2022. Moody's reported the speculative-grade default rate at 3.55% in December 2023, down from 7.8% in December 2022 but up from 2.61% of March 2023.

17 bond defaults were reported by Moody's and Standard and Poor's during Q4 2023. Defaults were mostly due to Distressed Exchanges and Missed Interest Payments, while only one default was attributed to company Bankruptcy.

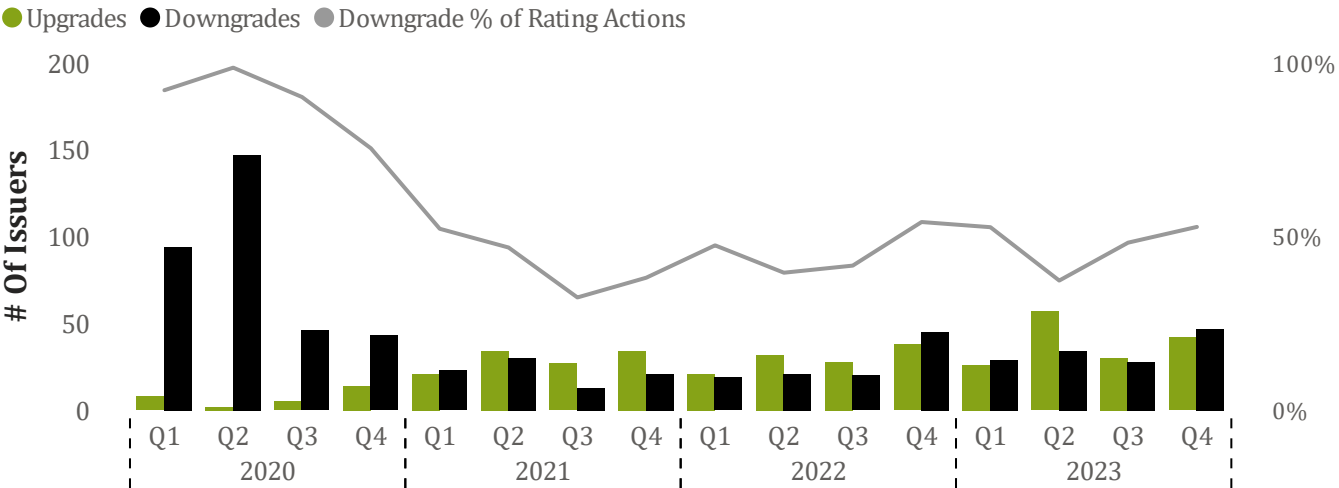
According to S&P, in 2023 upgrades exceeded downgrades in developed market Europe (155 upgrades and 138 downgrades), a worse ratio than 155 upgrades and 138 downgrades in 2022.

According to Moody's, in 2023 downgrades exceeded upgrades (110 downgrades and 80 upgrades).

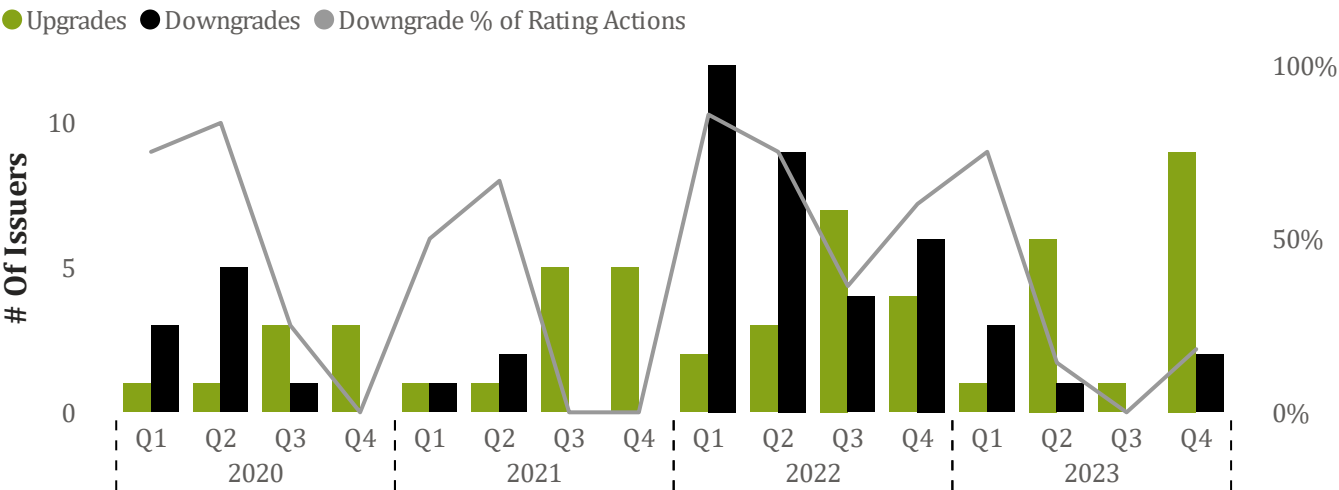
Fitch reported a European leveraged loan default rate by value at 4.39%, up from 0.63% in 2022.

According to Reorg, 93% of the European leveraged loan deals examined in 2023 were covenant-lite.

7.1 S&P Developed Europe Issuer Rating Actions



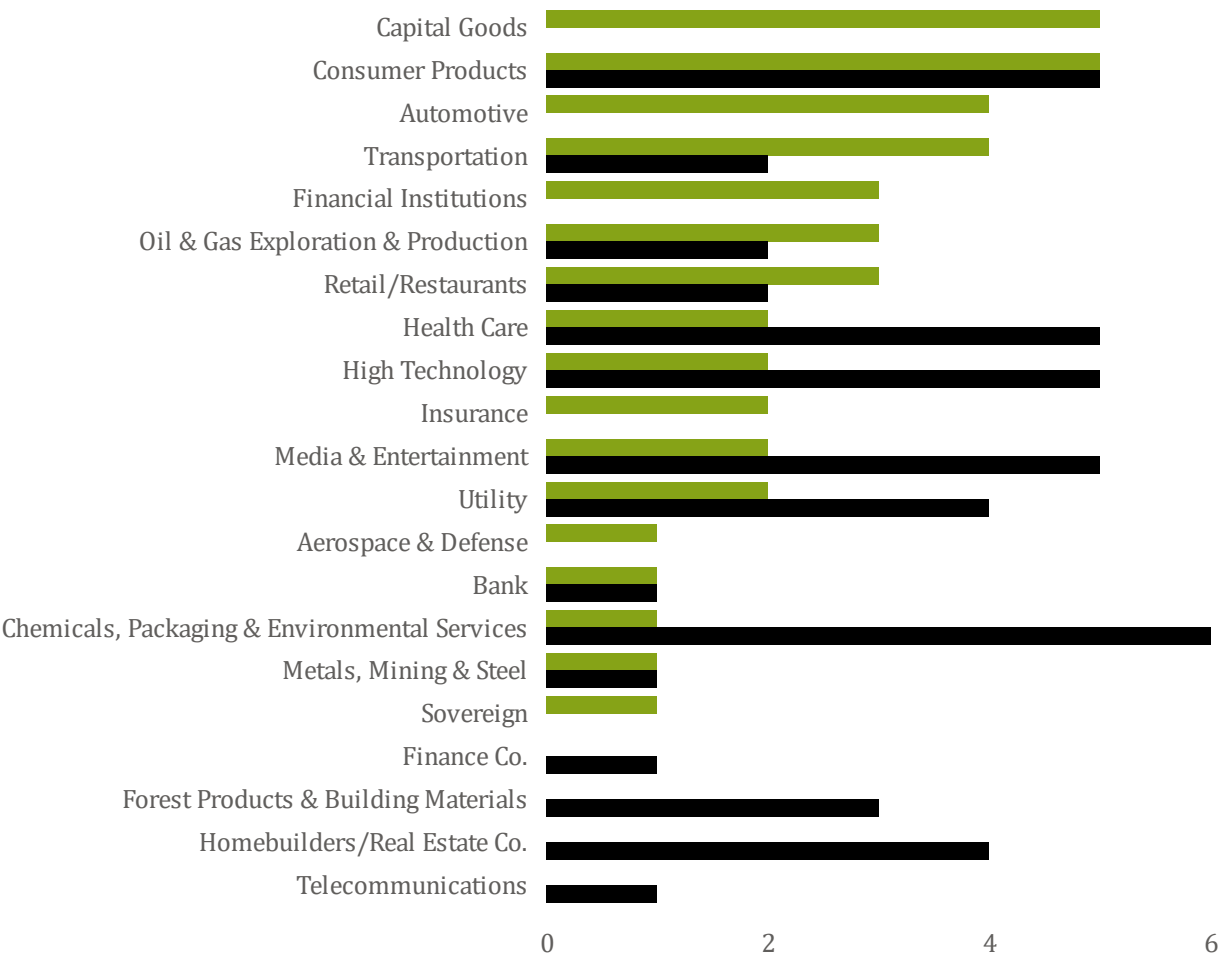
7.2 S&P Emerging Europe Issuer Rating Actions



Source: S&P

7.3 S&P Developed European Industry Rating Actions by # of Ratings: Q4 2023

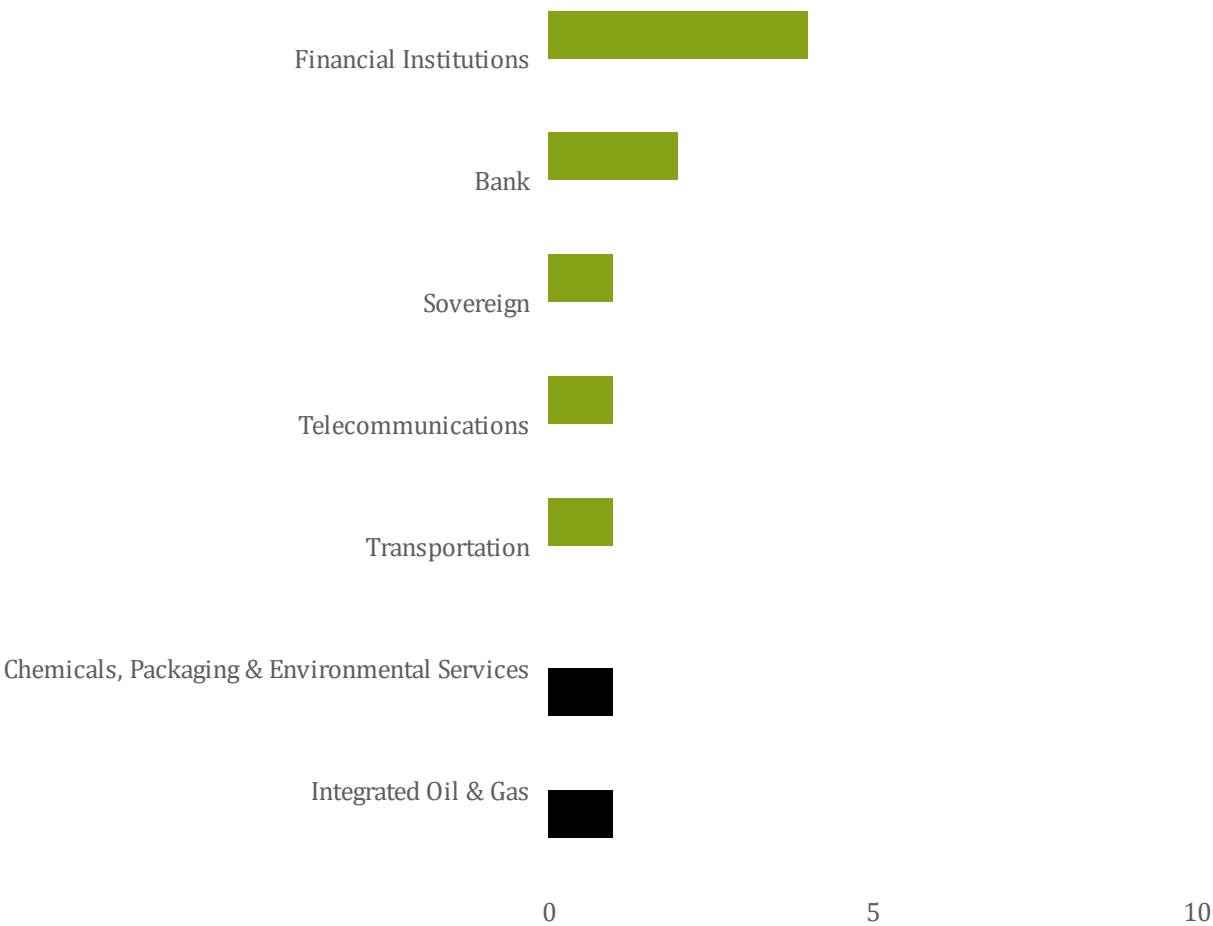
● Upgrades ● Downgrades



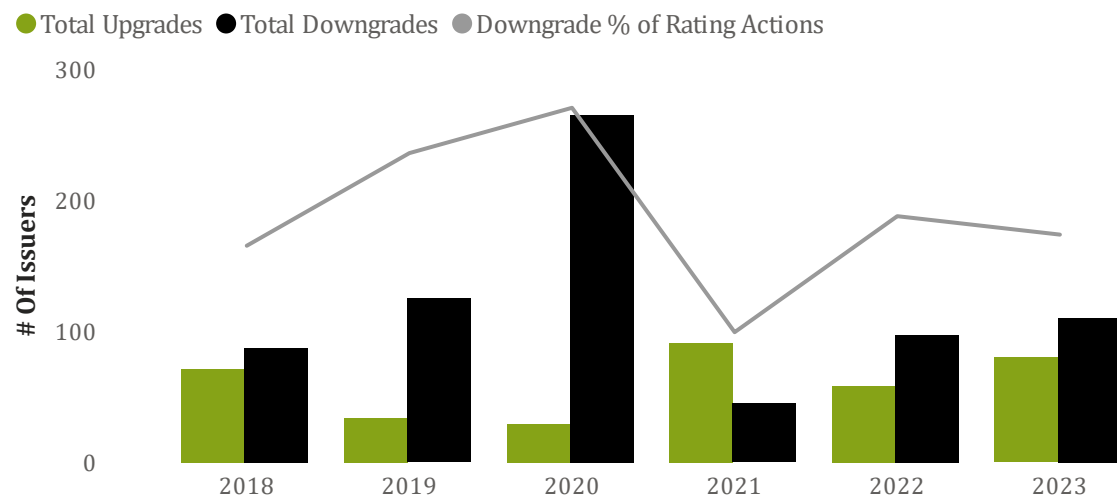
Source: S&P

7.4 S&P Emerging European Industry Rating Actions by # of Ratings: Q4 2023

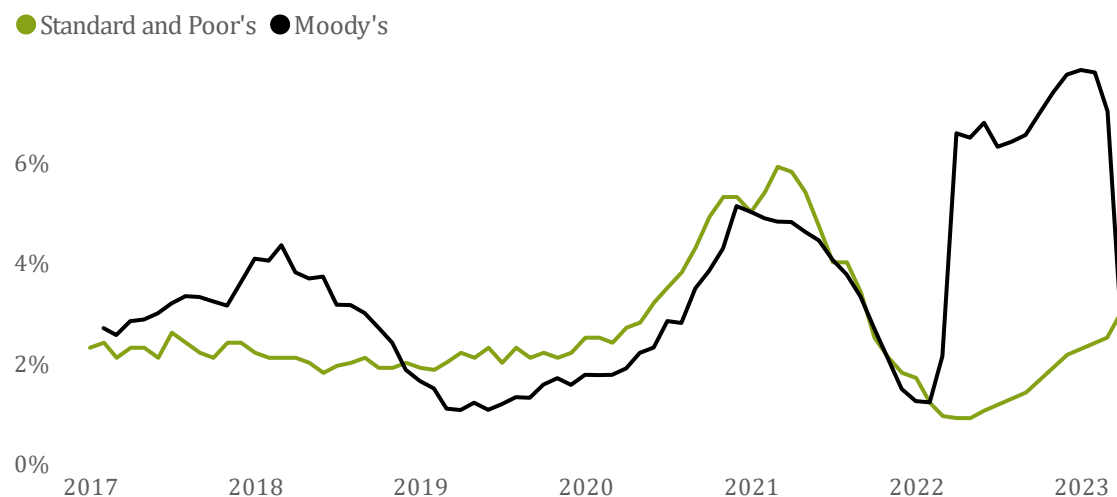
● Upgrades ● Downgrades



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

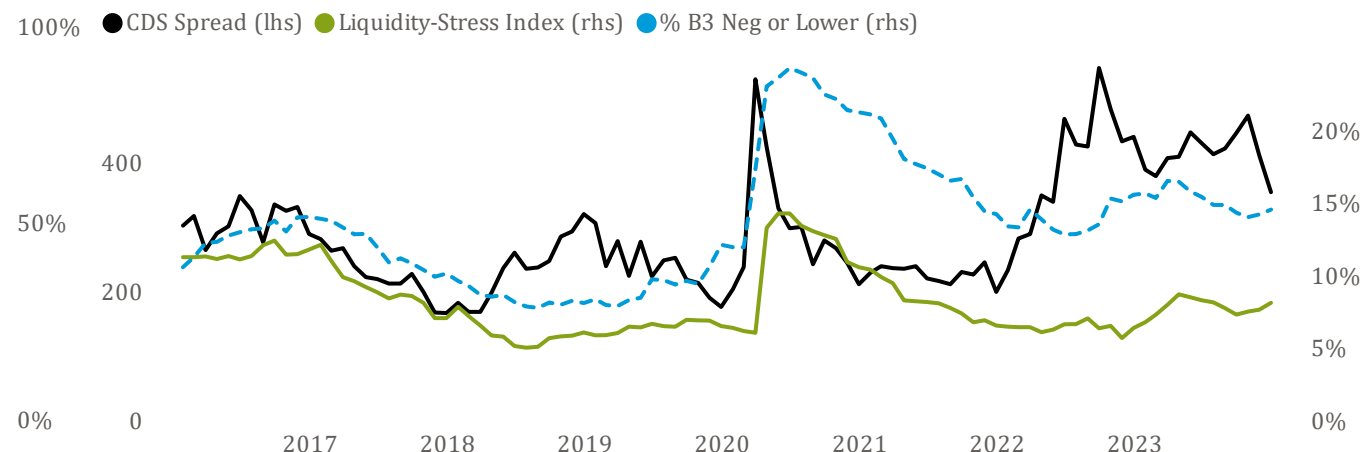


7.7 European High Yield Default Rates

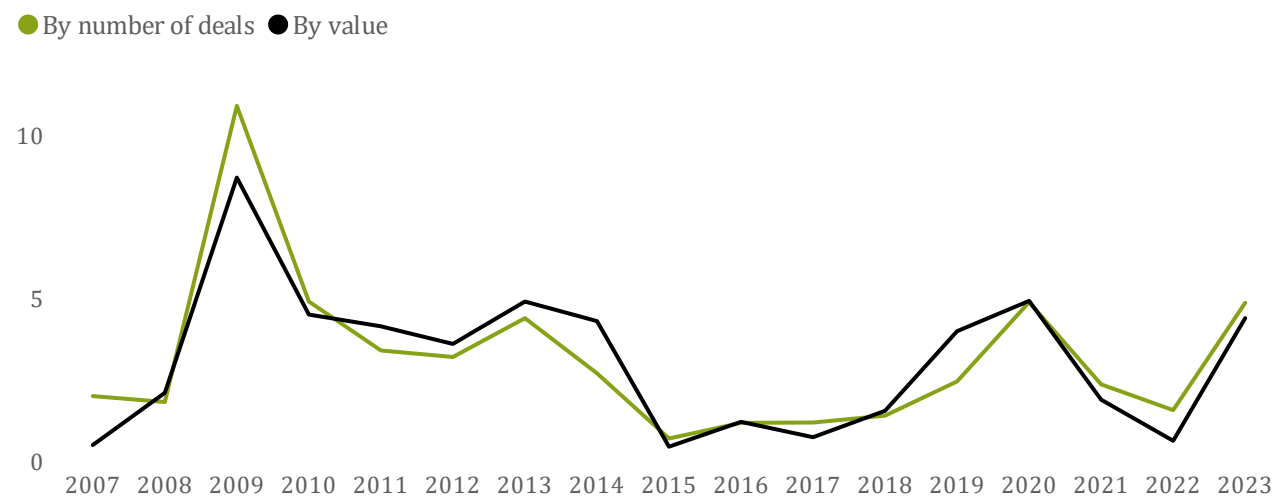


Source: Moody's [7.5], [7.6] and [7.7], Fitch [7.8], S&P [7.7]

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



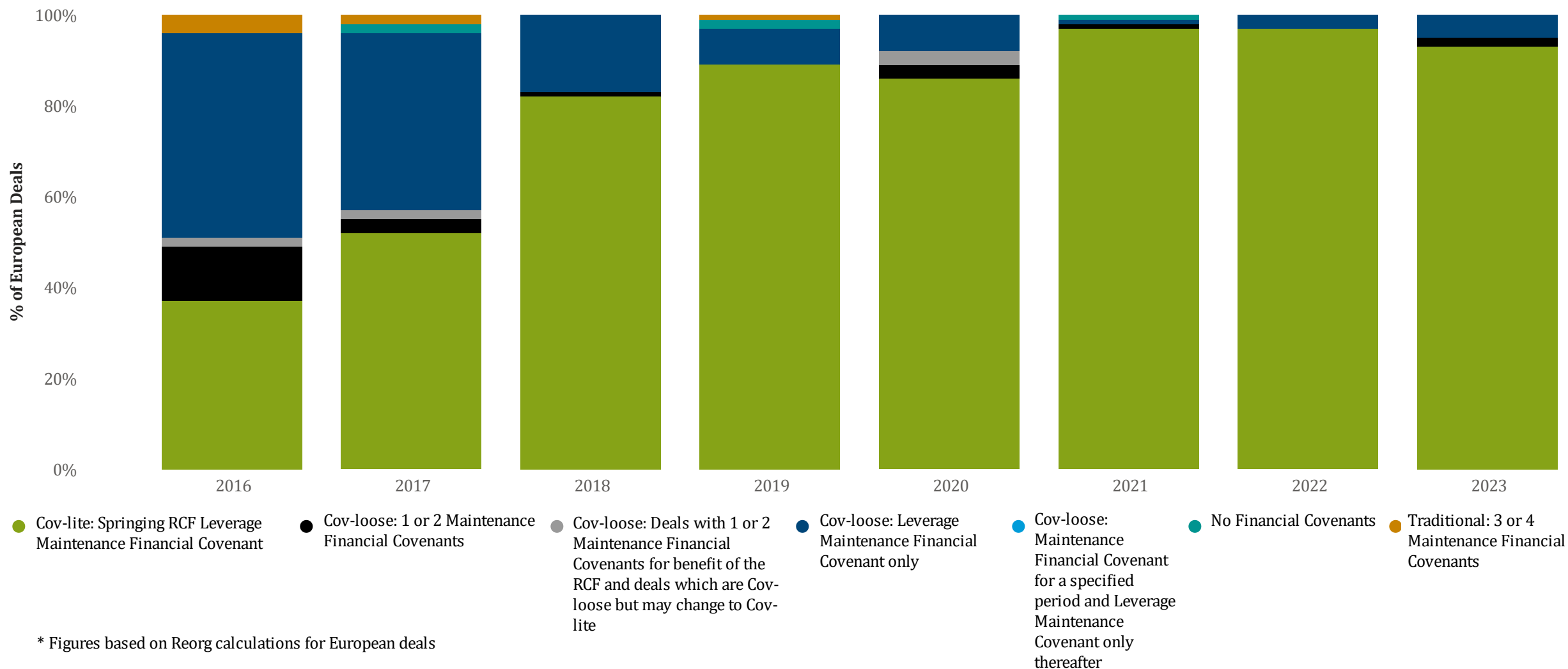
Adjusted includes c and cc* rated issuers as if those had already defaulted.

7.9 European Defaults

Issuer	Industry Group	Country	Date	Reported By	Reason
Casino Guichard-Perrachon SA	retail: food & grocery	France	Aug-2023	Moody's	Missed interest payment
Ideal Standard International S.A.	Forest Products and Building Materials	Luxembourg	Aug-2023	S&P	Distressed exchange
Aston Midco Limited	technology: software	Jersey	Sep-2023	Moody's	Distressed exchange
EDS Holdings BV	chemicals: specialty chemical	Netherlands	Sep-2023	Moody's	Distressed exchange
Haya Holdco 2 PLC	Consumer Products	Spain	Sep-2023	S&P	Distressed exchange
Tele Columbus AG	Telecommunications	Germany	Nov-2023	S&P	Missed interest payments
Praesidiad Group Ltd.	Capital Goods	U.K.	Nov-2023	S&P	Distressed exchange
Praesidiad Croup Limited	manufacturing: finished products	U.K.	Nov-2023	Moody's	Distressed exchange
MHP SE	Consumer Products	Ukraine	Nov-2023	S&P	Distressed exchange
Signa Development Selection AG	Homebuilders and real estate companies	Austria	Dec-2023	S&P	Bankruptcy
Wittur International Holding GmbH	Capital Goods	Germany	Dec-2023	S&P	Distressed exchange
Tele Columbus AC	media: cable tv	Germany	Dec-2023	Moody's	Missed interest payment
Lecta Ltd.	Forest Products and Building Materials	Luxembourg	Dec-2023	S&P	Distressed exchange
Paper Industries Holding S.a r.l	forest products: paper packaging	Luxembourg	Dec-2023	Moody's	Distressed exchange
Paper Industries Intermediate Fin. S.a r.l.	forest products: paper packaging	Luxembourg	Dec-2023	Moody's	Distressed exchange
Bering III S.a r.l.	natural products processor: agriculture ms	Luxembourg	Dec-2023	Moody's	Distressed exchange
Covis Midco 2 S.a r.l.	pharmaceuticals: general & specialty	Luxembourg	Dec-2023	Moody's	Missed principal and interest payments
SK Neptune Husky Intermediate IV S.a	Chemicals, packaging, and environmental	Switzerland	Dec-2023	S&P	Missed principal and interest payments
Flamingo Group International Limited	consumer products: household & personal care	U.K.	Dec-2023	Moody's	Distressed exchange
Amphora Intermediate II Ltd	consumer products: pckd alcoholic beverage	U.K.	Dec-2023	Moody's	Missed interest payment
Tullow Oil	Oil and Gas	U.K.	Dec-2023	S&P	Distressed exchange
Toto Private Holdings II, Limited	technology services: transaction processors	U.K.	Dec-2023	Moody's	Distressed exchange

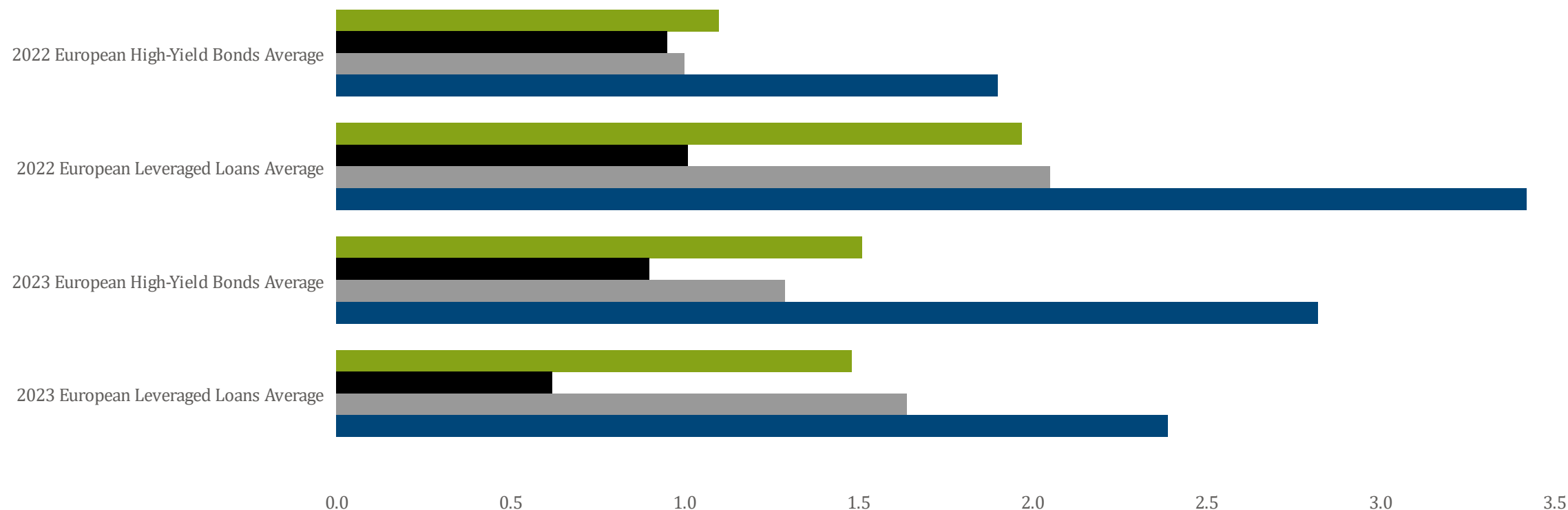
Source: S&P, Moody's

7.10 Financial Covenant Packages in European Leveraged Loans 2016 - Q4 2023



7.11 Minimum Day-One Capped Basked Capacity - Europe

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



Source: EMEA Covenants by Reorg

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Figures based on Reorg calculations for European high yield bonds and leveraged loans (Jan. 1 - Dec. 31 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

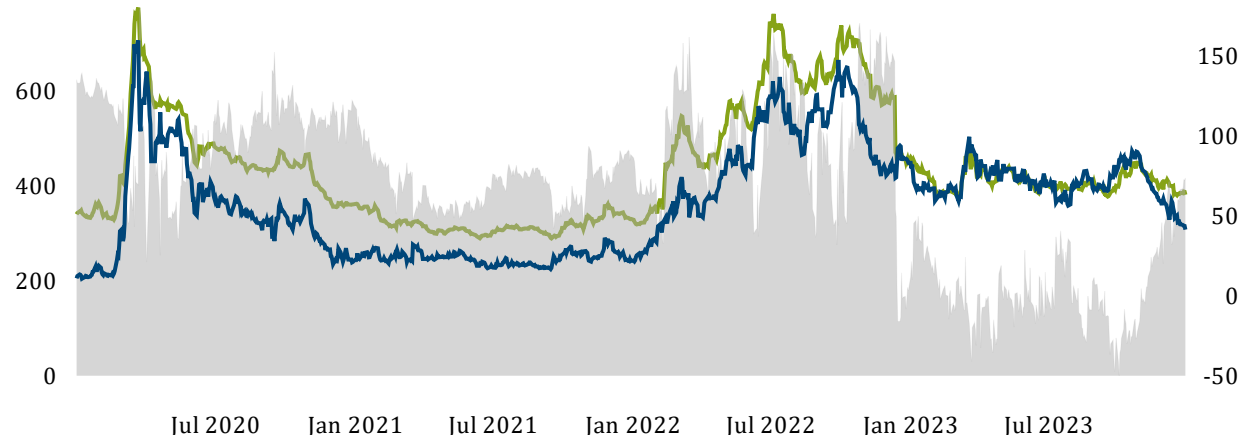
Over the last quarter of 2023, all of the 19 asset classes tracked by this report recorded a quarter-on-quarter (QoQ) price increase. The largest price gain was observed by the "Russel 2000" (+13.56%), followed by the "S&P500" and the "U.S. Corporates" index, which gained 11.24% and 7.91% respectively.

The "Euro HY CCC and Lower rated" index experienced the smallest increase, rising only by 1.13% QoQ.

During the year, the spread between the iBoxx EUR HY and the iTraxx XO 5Y widened, moving from 11.74 in January 2023 to 73.38 in December 2023.

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

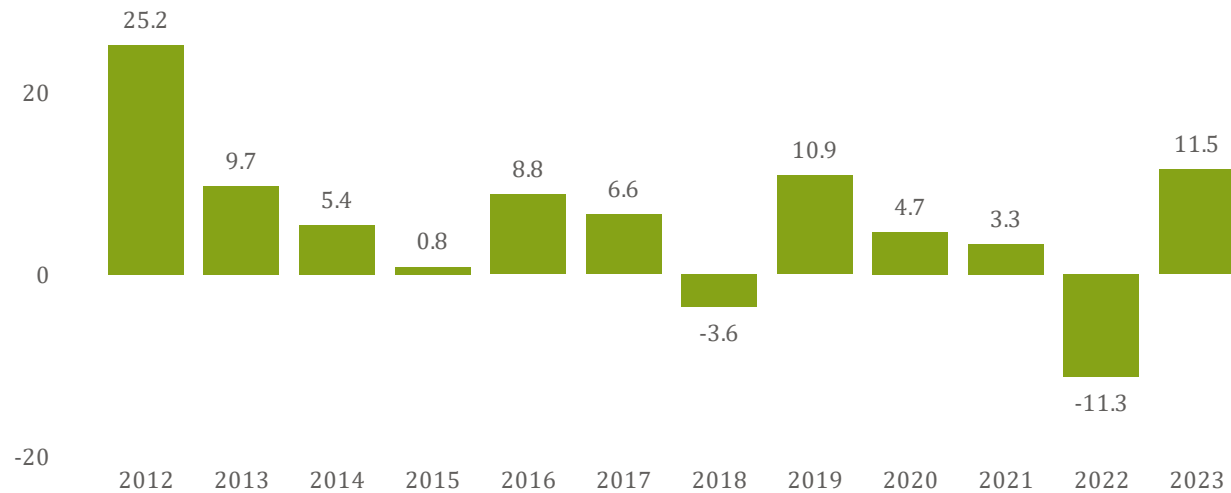
● iBoxx EUR HY (left) ● iTraxx XO 5Y (left) ● HY Spread (right)



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

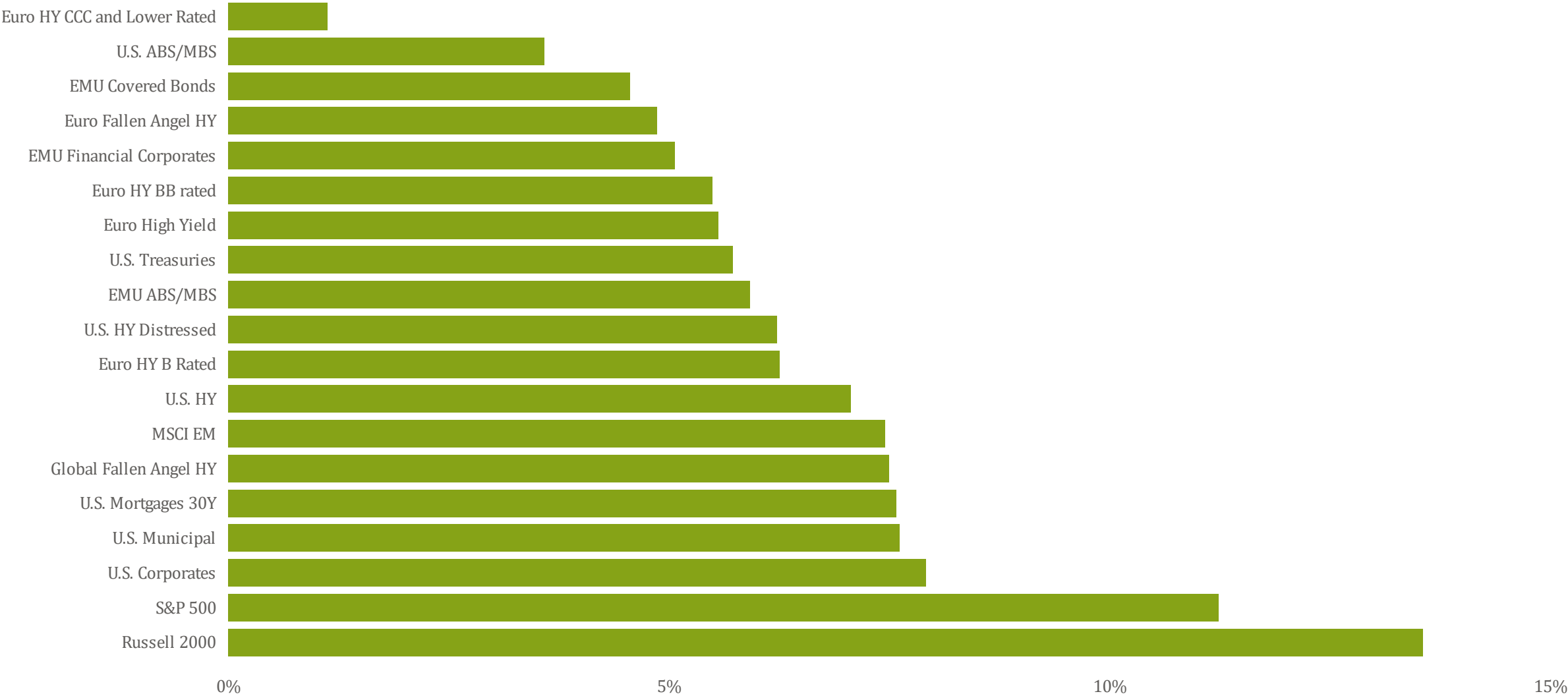


8.3 European High Yield Bonds Total Return



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

8.4 Asset Class Total Return: Q4 2023



Source: Eikon and S&P

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