

Q1 2022

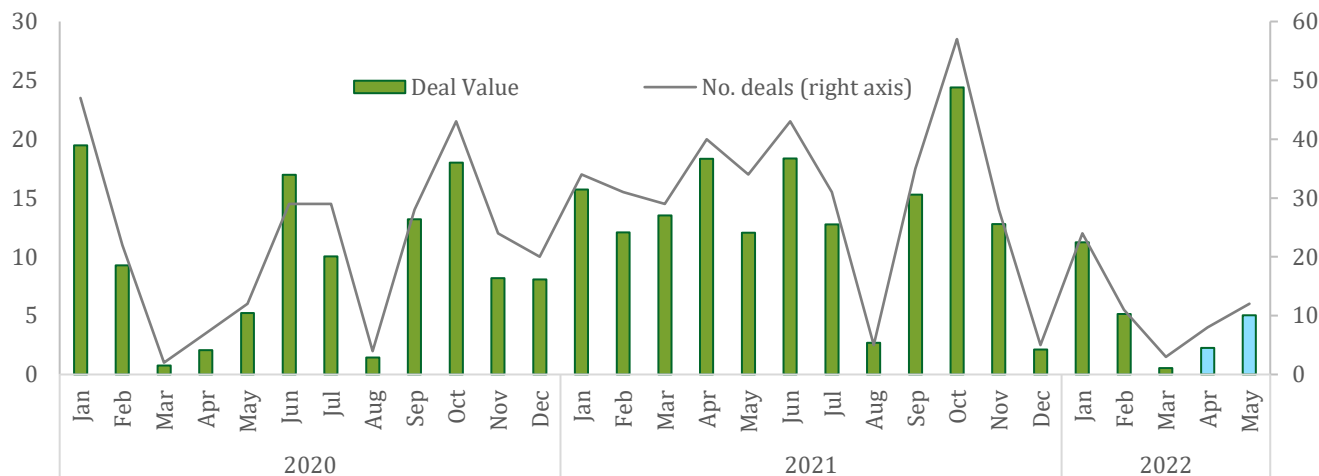
European High Yield and Leveraged Loan Report

European Leveraged Finance

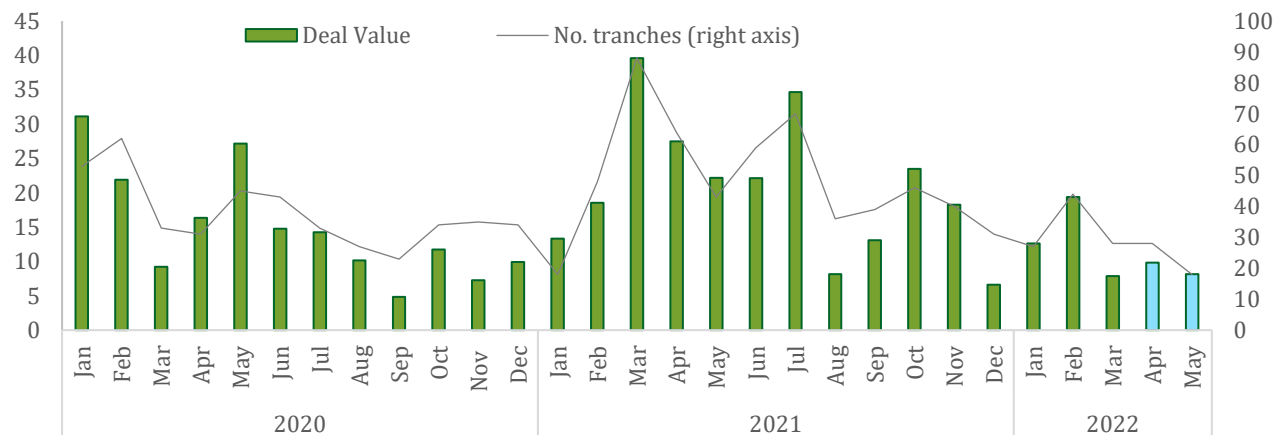


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1.1 European High Yield Bond Issuance (EUR bn)



1.2 European Leverage Loan Issuance (EUR bn)



Source: Dealogic

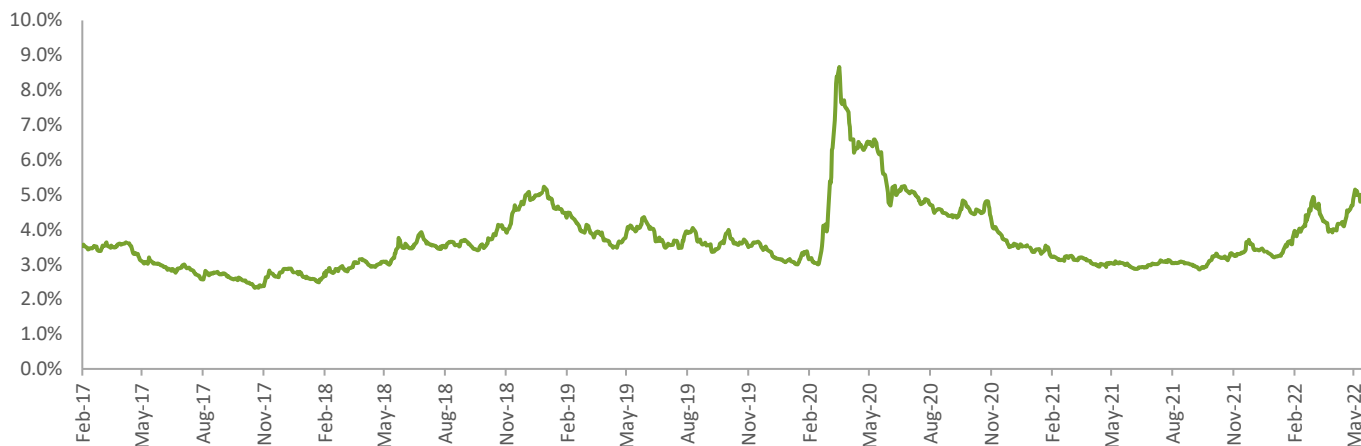
In 1Q'22, the primary high yield bond market decelerated significantly.

High yield bond issuance in 1Q'22 decreased 57.4% QoQ and 59.3% YoY. (See top chart). The issued amount of €16.9 bn was the lowest since Q1 2019 (€17.1 bn).

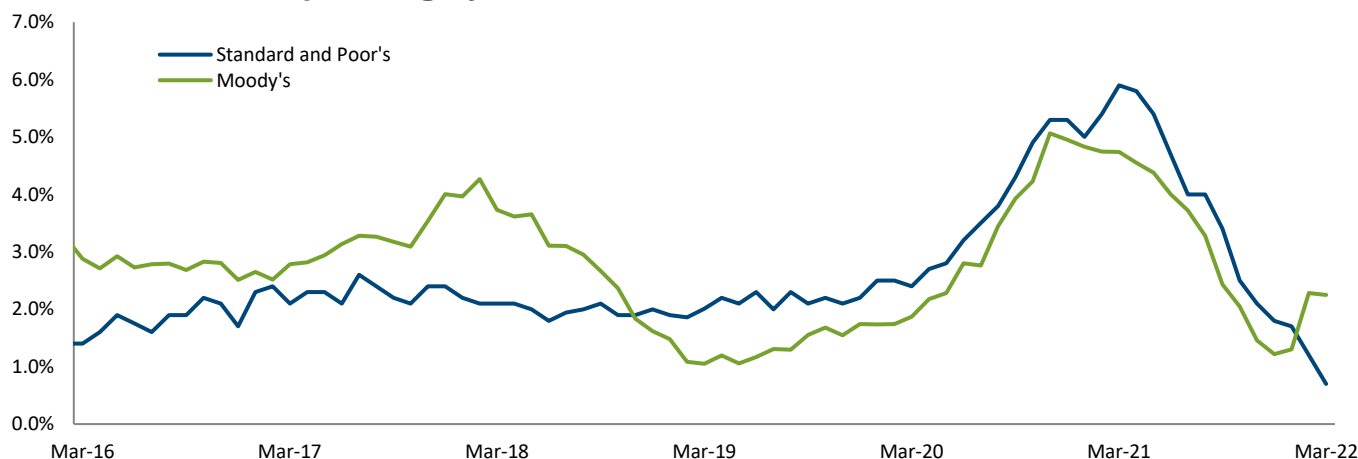
In 1Q'22, quarterly supply of leverage loans stood at €39.8 bn, down 19.2% from €49.3 bn in 4Q'21 and down 44.5% from €71.8 bn in 1Q'21. (See bottom chart).

Most recent primary markets activity data as of end May 2022 (in light blue) shows that issuance of high yield bonds has recently improved although the volumes continue below the monthly amounts observed at the end of 2021.

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 331 bps in 4Q'21 to 400 bps in 1Q'22. Most recently, spreads have continued to increase to 512 bps as of early May 2022.

S&P reported the trailing 12-month speculative-grade bond default rate at 0.7% in March 2022, a decrease from 5.9% in March 2021. Moody's reported the speculative-grade default rate at 2.25% in March 2022, down from 4.7% in March 2021.

According to Reorg, all of the European leverage loan deals examined in 1Q'22 were covenant-lite.

According to Covenant Review, 57% of all leveraged loan deals reviewed in 1Q'22 contained an ESG feature, compared to 68% of all deals reviewed in 4Q'21.

Leveraged Finance Overview

Issuance Highlights

European leveraged finance issuance (leveraged loans and high yield bonds) accumulated €56.6 billion in proceeds in 1Q'22, a 36.2% decrease from €89 billion in 4Q'21 and a 49.9% decrease from €113.3 billion in 1Q'21.

The high yield bond share of European leveraged finance market issuance decreased to 29.8% in 1Q'22 from 44.6% in 4Q'21 and down from 36.6% in 1Q'21.

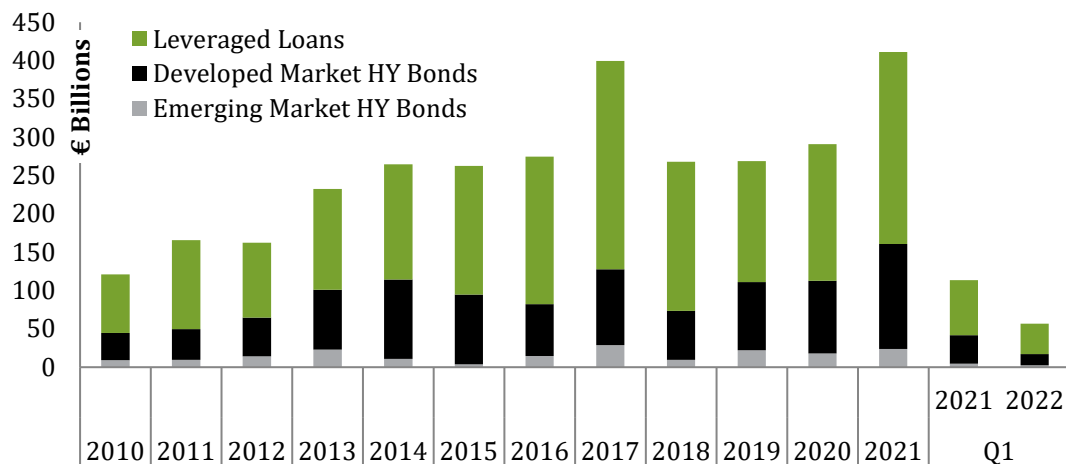
Credit Standards and Loan Demand

According to the January 2022 European Central Bank lending survey, credit standards for loans have tightened for both large firms and SMEs, compared to the January 2022 survey. The general economic outlook was the most impactful in contributing to tightening, followed by banks' risk tolerance and risk on collateral demanded.

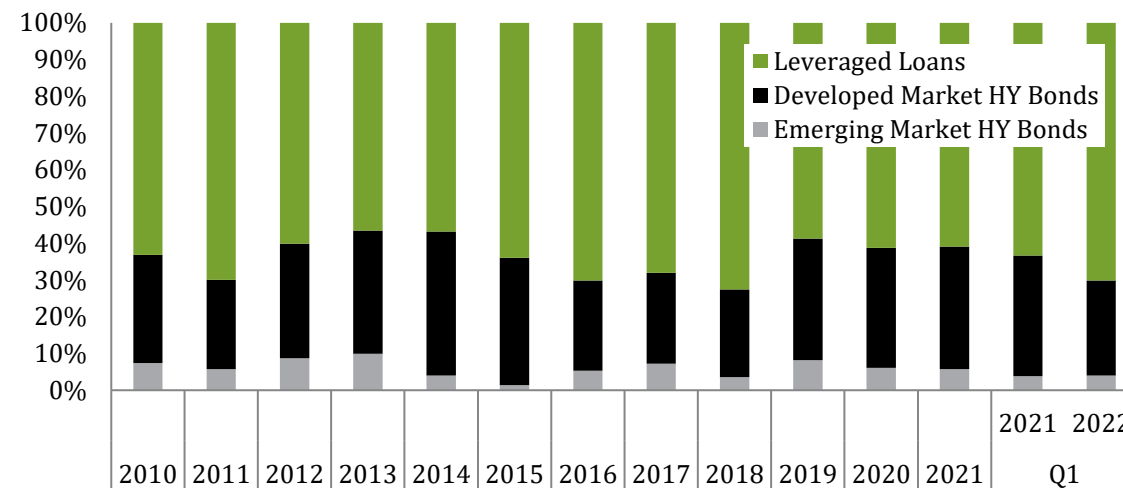
Net demand for loans to enterprises further increased in 1Q'22. The factors contributing to the increase in loan demand were inventories and working capital, fixed investment and interest rates.

Leveraged Finance Issuance

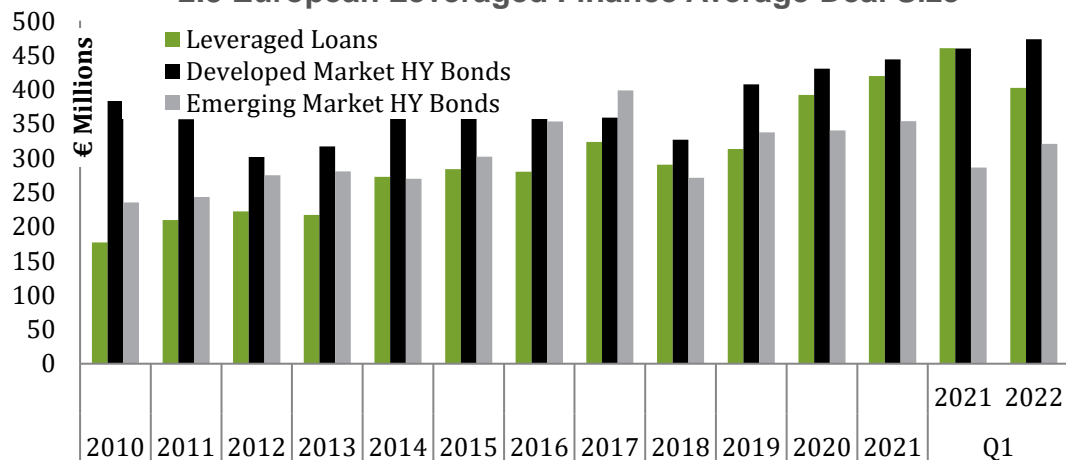
2.1 European Leveraged Issuance by Type



2.2 European Leveraged Issuance Percentage, by type



2.3 European Leveraged Finance Average Deal Size

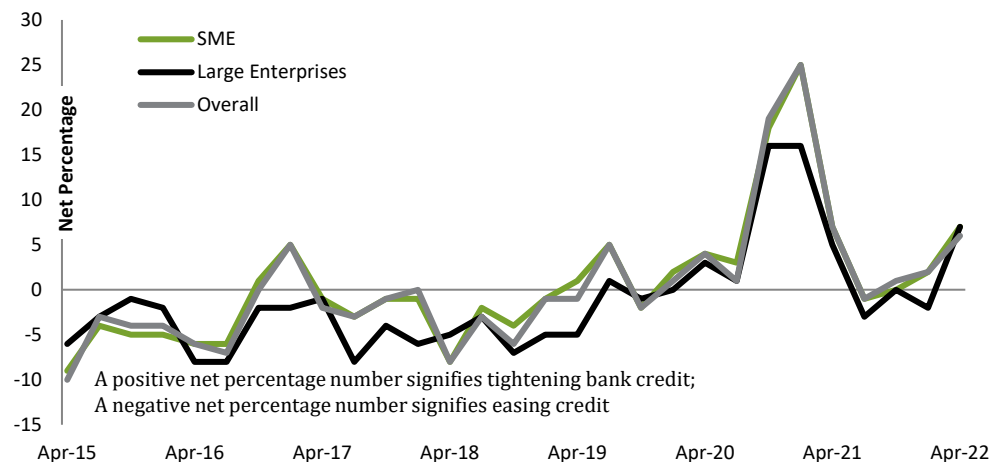


2.4 Global Comparison High Yield Issuance

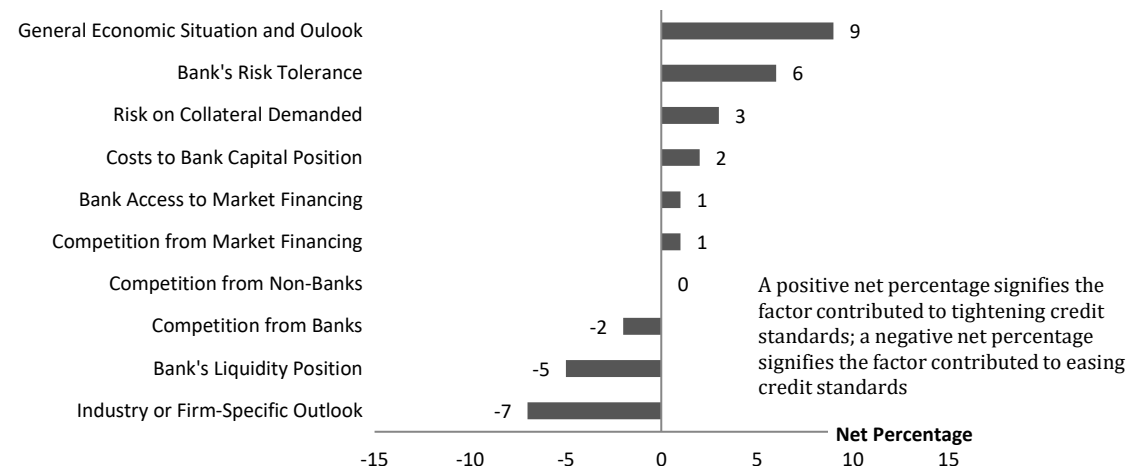
EUR bln	2022	2021					Prior years				
	Q1	Q1	Q2	Q3	Q4	Full year	2020	2019	2018	2017	2016
United States	35.6	112.69	98.5	79.5	50.1	340.9	340.8	199.8	115.8	218.3	192.0
Europe	16.9	41.5	48.8	30.7	39.7	160.8	112.7	110.7	73.5	127.7	82.0
Asia Pacific	3.0	21.3	20.3	9.3	5.1	56.0	65.2	94.1	49.8	75.8	27.7

Source: Dealogic

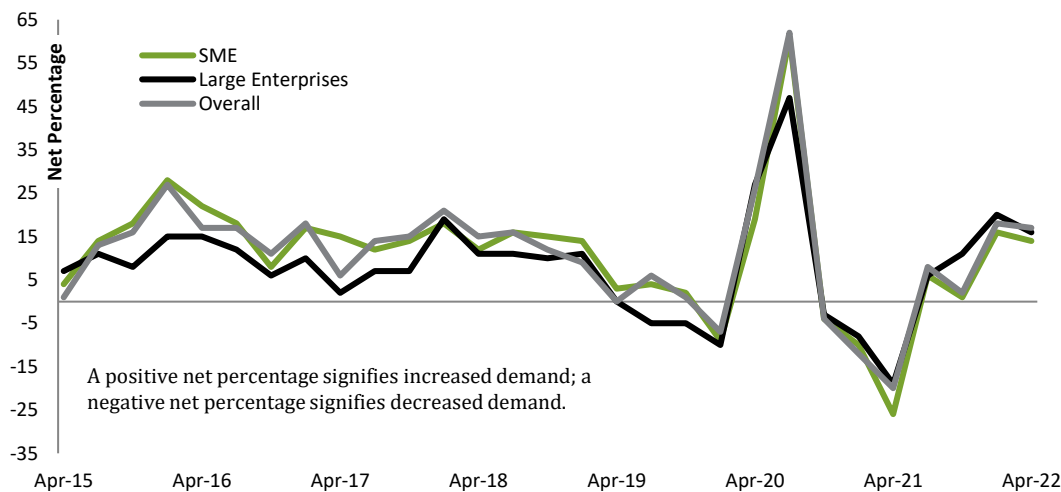
2.5 Bank Credit Standards



2.6 Factors Affecting Bank Credit Standards: January 2022

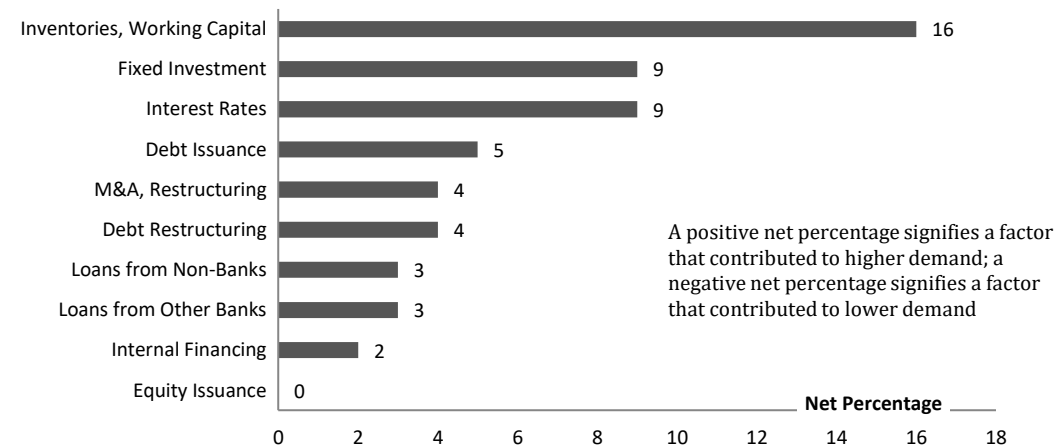


2.7 Loan Demand



Source: ECB

2.8 Factors Affecting Loan Demand: January 2022



Leveraged Loans

Issuance: Leveraged Loans

Leveraged loan issuance, including first lien, second lien, and mezzanine financing, totaled €39.8 billion on 99 tranches in 1Q'22, down 19.2% from €49.3 billion on 126 tranches in 4Q'21 and down 44.5% from €71.8 billion on 156 tranches in 1Q'21.

Most of the leveraged loans issued in 1Q'22 were 1st lien loans (€39.7 billion) , with a small 2nd lien loans of €0.1 billion.

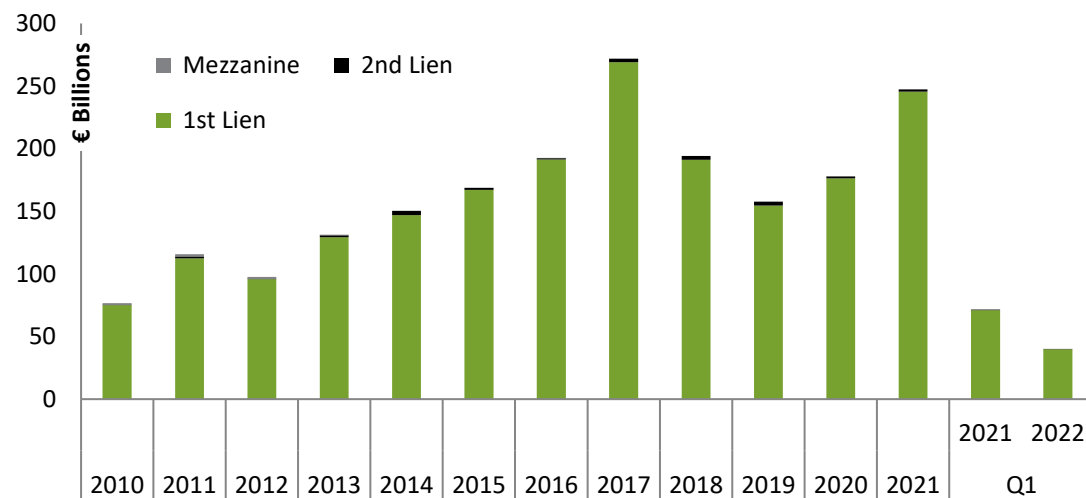
Pricing spreads for institutional loans tightened by 64 basis points (bps) q-o-q and 14 bps y-o-y. Spreads for pro rata loans tightened by 22 bps q-o-q, but widened by 65 bps y-o-y.

In 1Q'22 €1 billion of amend-and-extend (“A&E”) loans were financed, down from €1.3 billion in 4Q'21 and down from €5.2 billion in 1Q'21. There were €1.2 billion in loans amended to reduce pricing (“A&R”) in 1Q'22, up from €5.2 billion in 4Q'21, but down from €15.6 billion in 4Q'20.

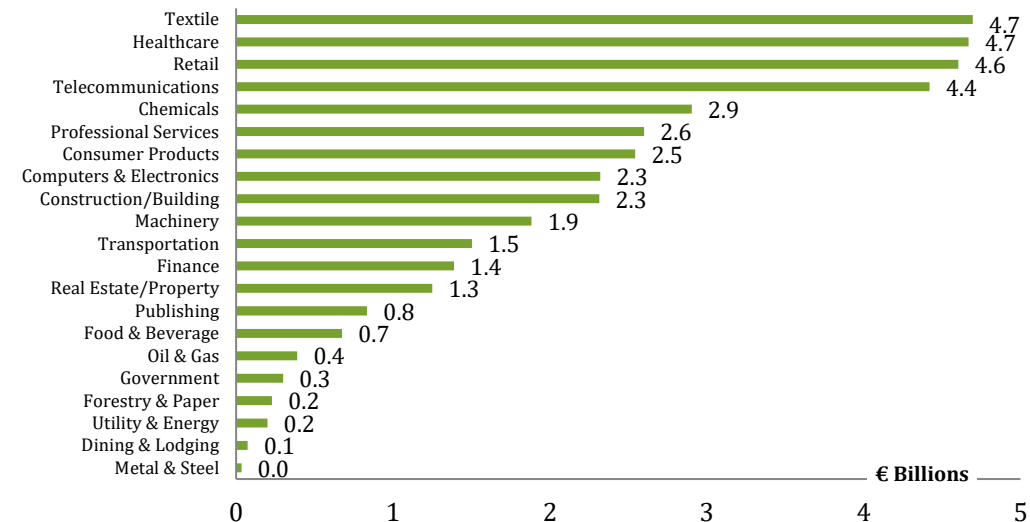
The top three sectors accounted for 35% of leveraged loan issuance in 1Q'22; the leading sector was Textile (€4.8 billion or 11.8% of total), followed by Healthcare (€4.7 billion, 11.7%), and Retail (€4.6 billion, 11.6%), with the balance split between 18 other sectors.

41.6% of deals financed in 1Q'22 were issued for refinancing and/or repayment of debt, up from 25.5% in 4Q'21, but down from 64.4% in 1Q'21. LBO/MBO was the second largest use of proceeds in 1Q'22 with €14.1 billion, followed by Acquisitions with €6.2 billion.

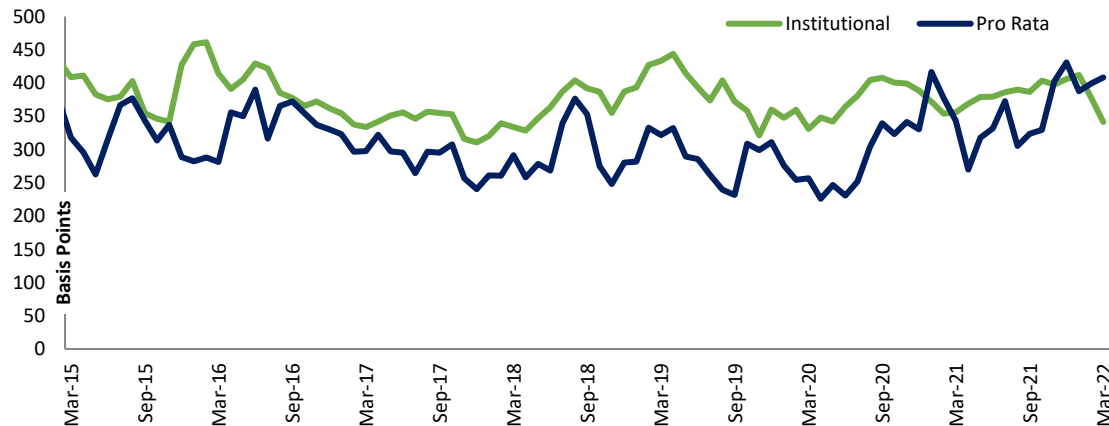
3.1 European Leveraged Loan Issuance By Type



3.2 European Leveraged Loan Issuance by Industry: Q1 2022



3.3 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]

High Yield Bonds Overview

Issuance: High Yield Bonds

Primary high yield bond issuance totaled €16.9 billion on 38 deals in 1Q'22, a 57.4% decrease from €39.3 billion on 90 deals in 4Q'21 and a 59.3% decrease from €41.3 billion on 94 deals in 1Q'21. Developed market Europe issuance accounted for 86.7% of the 1Q'22 issuance (14.7 billion on 31 deals) while the 13.3% remaining (€2.2 billion on 7 deals) was issued by Emerging market Europe firms.

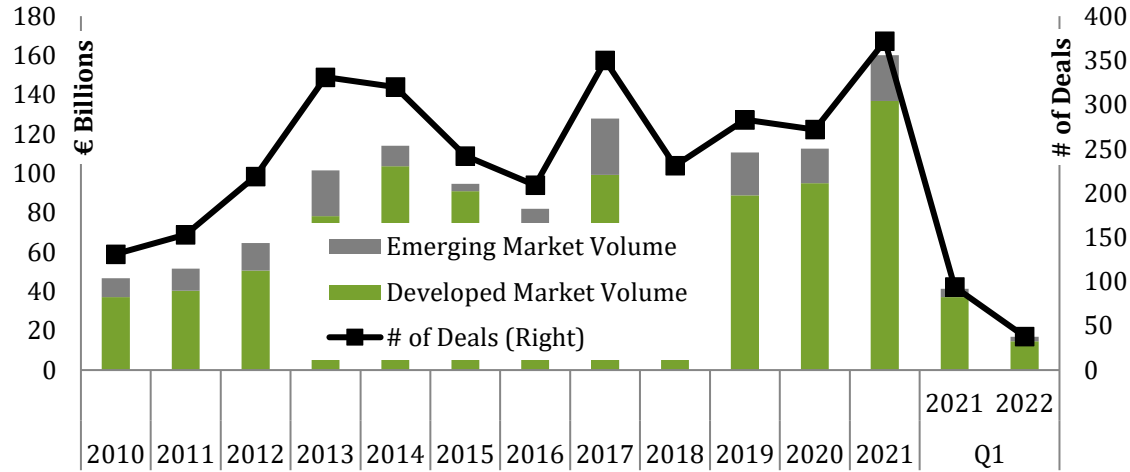
The leading use of proceeds for high yield bond issuance in 1Q'22 was refinancing/repayment of debt, at €7.3 billion, which was higher than €6.4 billion in 4Q'21 and than €3.2 billion in 1Q'21.

Three sectors accounted for 56.3% of the total high yield bond issuance volume in 1Q'22 in developed market Europe: the Finance sector led issuance with €3.21 billion (21.8% of total), followed by Transportation with €2.82 billion (19.2% of total), and Professional Services with €2.24 billion (15.2% of total). In Emerging Market Europe, the top three sectors were: Telecommunications (€1.24 billion or 55.5% of total), followed by Leisure and Recreation (€0.6 billion, 26.7%) and Utility and Energy (€0.39 billion, 17.4%).

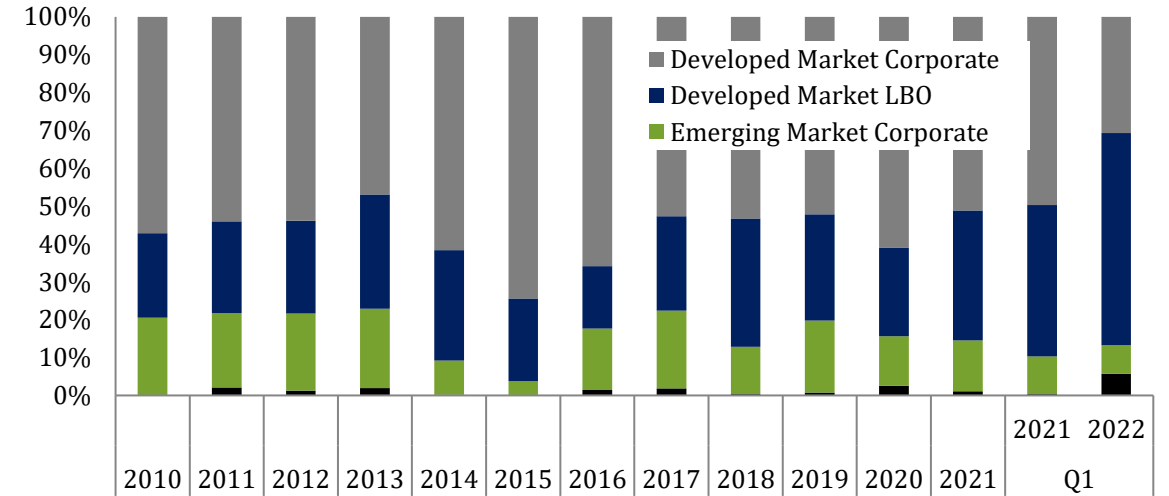
The proportion of USD-denominated issuance decreased to 22.3% of all issuance in 1Q'22, down from 28.8% in 4Q'21 but up from 17.2% in 1Q'21.

High Yield Bonds Overview

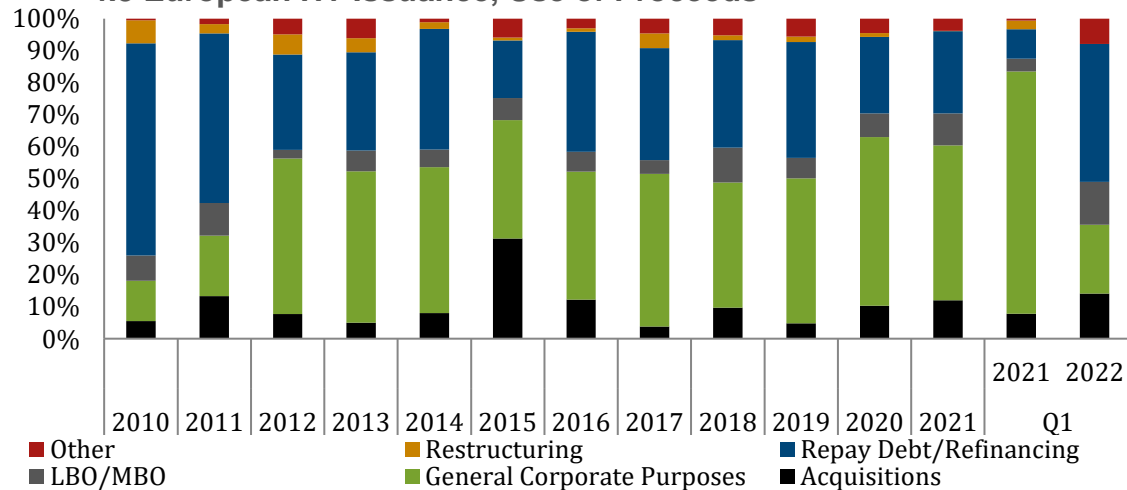
4.1 European HY Issuance, Developed and Emerging Markets



4.2 European HY Issuance, Sponsored vs Corporate

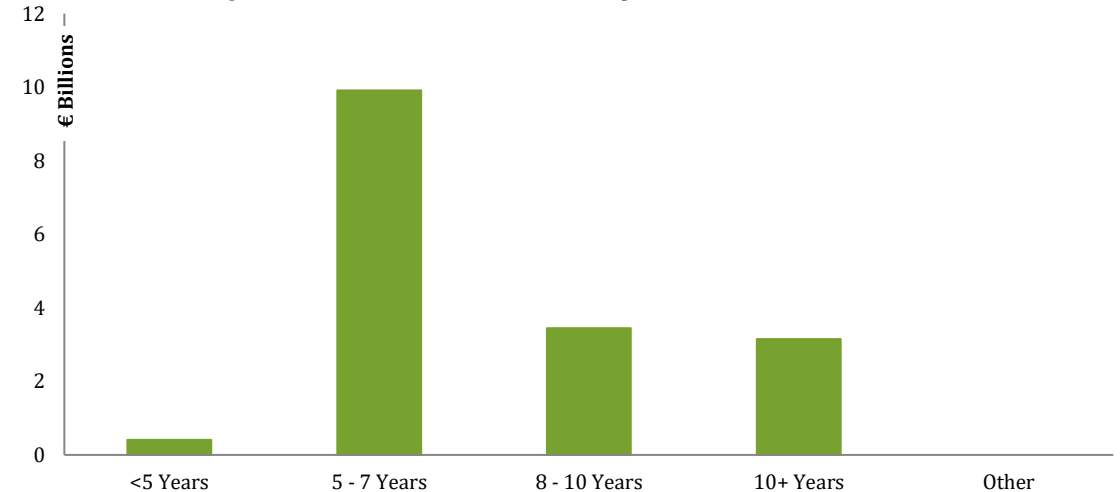


4.3 European HY Issuance, Use of Proceeds



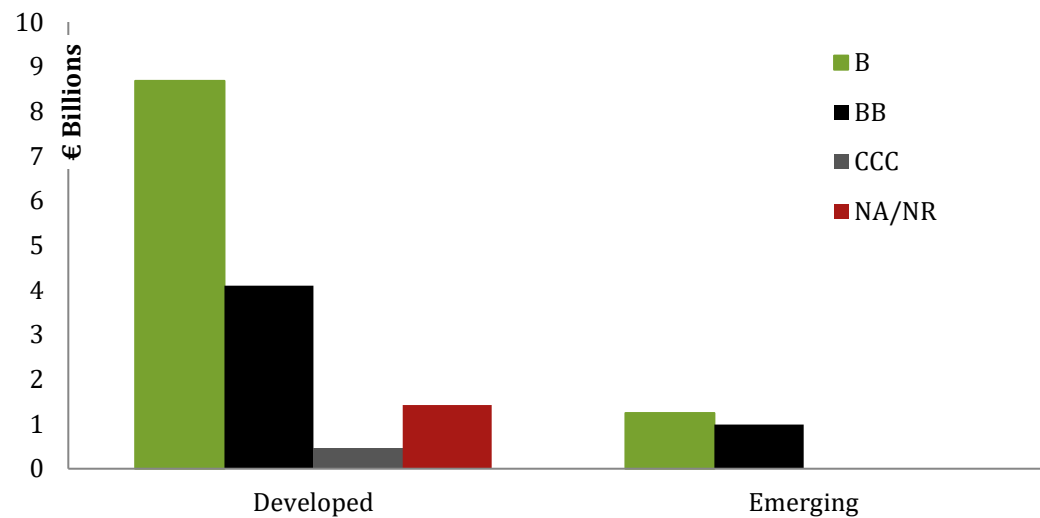
Source: Dealogic

4.4 European HY Bond Issuance by Tenor: Q1 2022



High Yield Bonds Overview

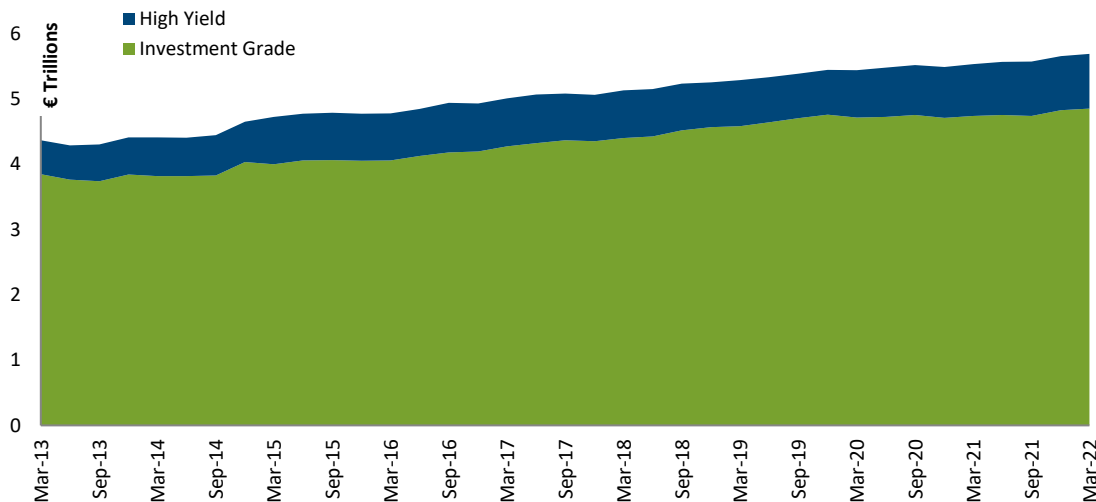
4.5 European High Yield Issuance by Rating: Q1 2022



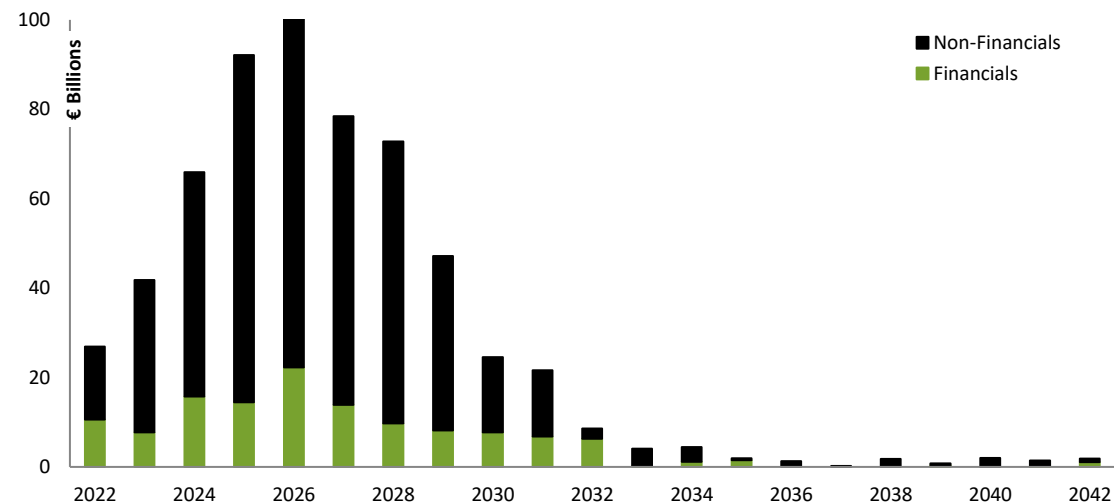
*Corporate Bond Issuance denotes corporate and sponsored bonds, excluding government bonds.

High Yield Bonds Overview

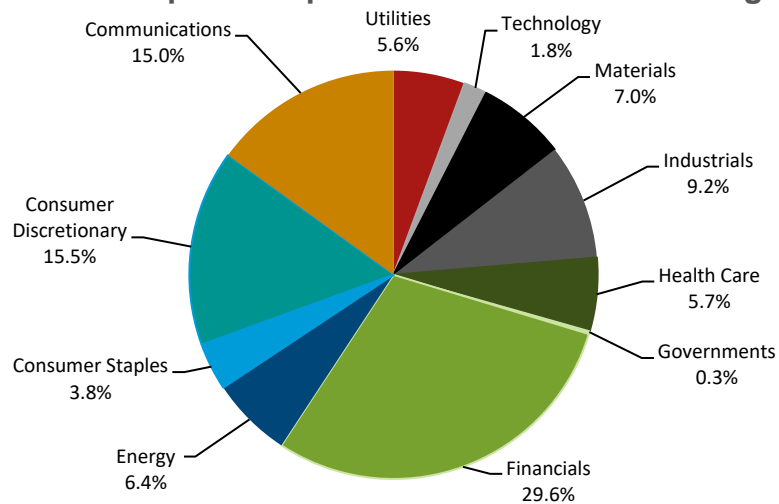
4.6 European Corporate Bonds Outstanding



4.7 European Corporate HY Bonds Maturity Wall

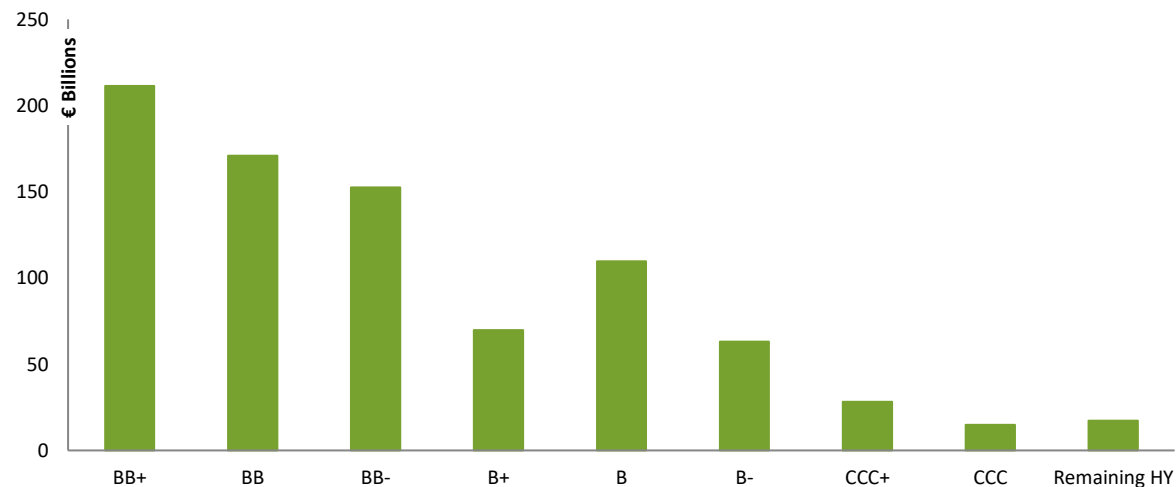


4.8 European Corporate HY Bonds Outstanding by Sector



Source: Bloomberg

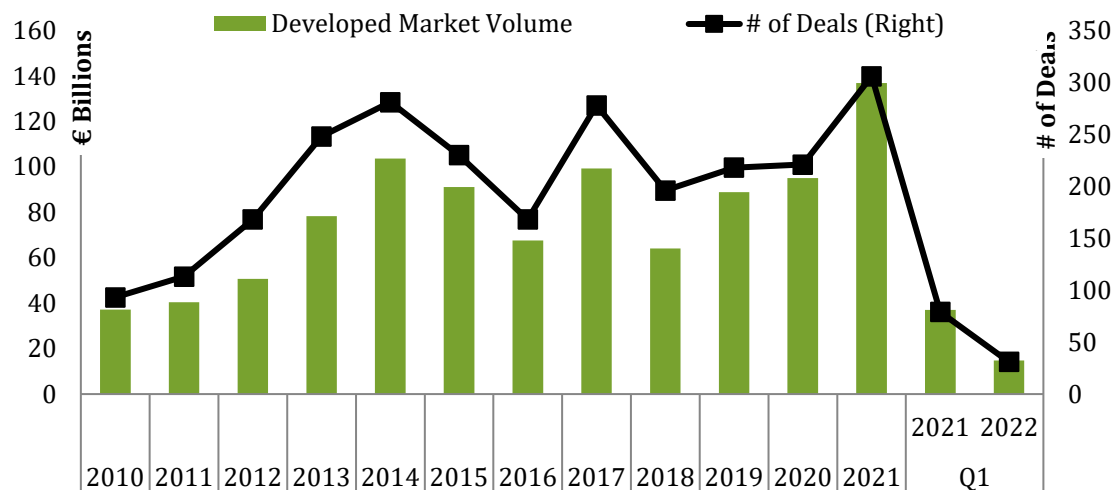
4.9 European Corporate HY Bonds Outstanding by Current Rating



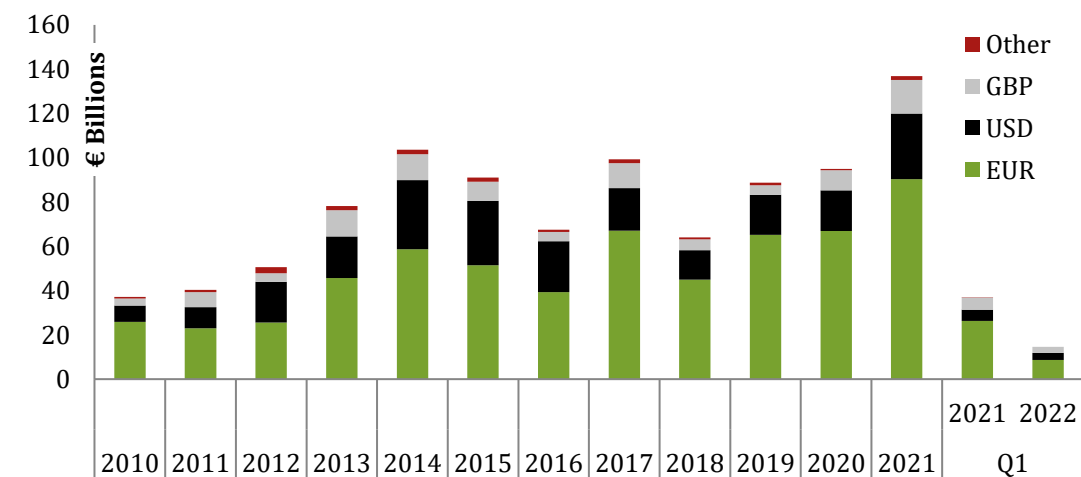
European Developed Market High Yield Bonds

Developed Market High Yield Bonds

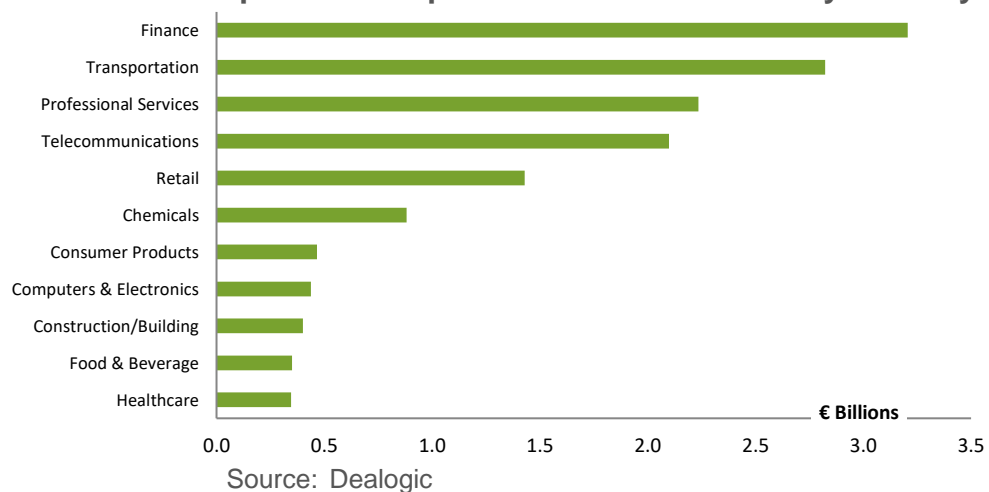
5.1 European Developed Market HY Bond Issuance



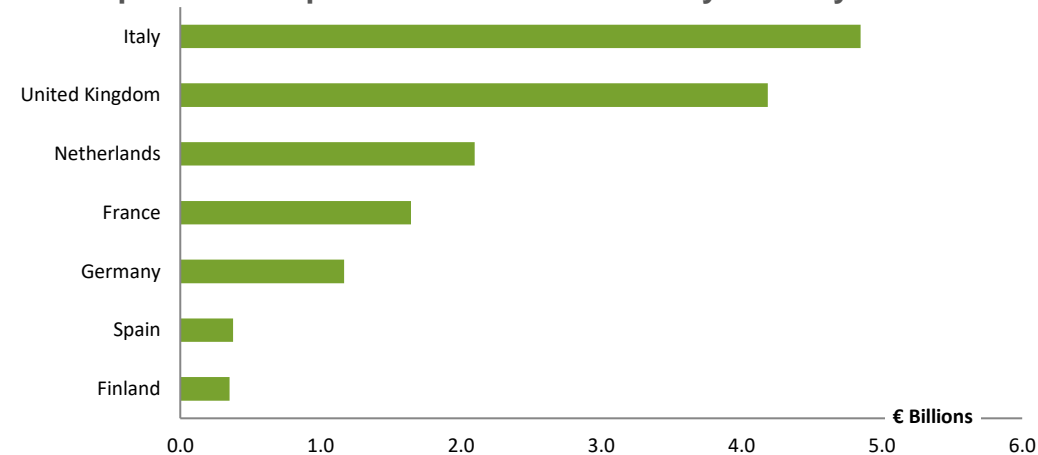
5.2 European Developed Market HY Issuance by Currency



5.3 European Developed Market HY Issuance by Industry: Q1 2022

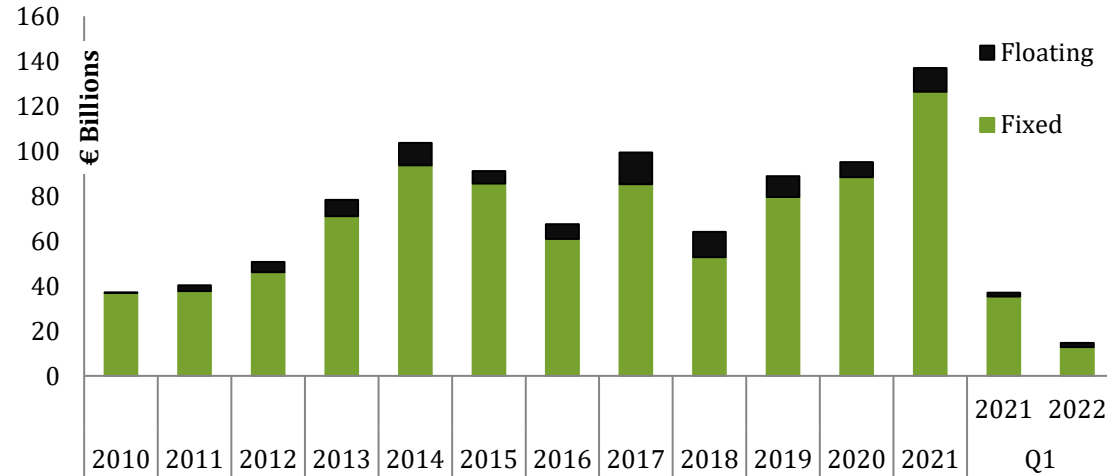


5.4 European Developed Market HY Issuance by Country of Risk: Q1 2022

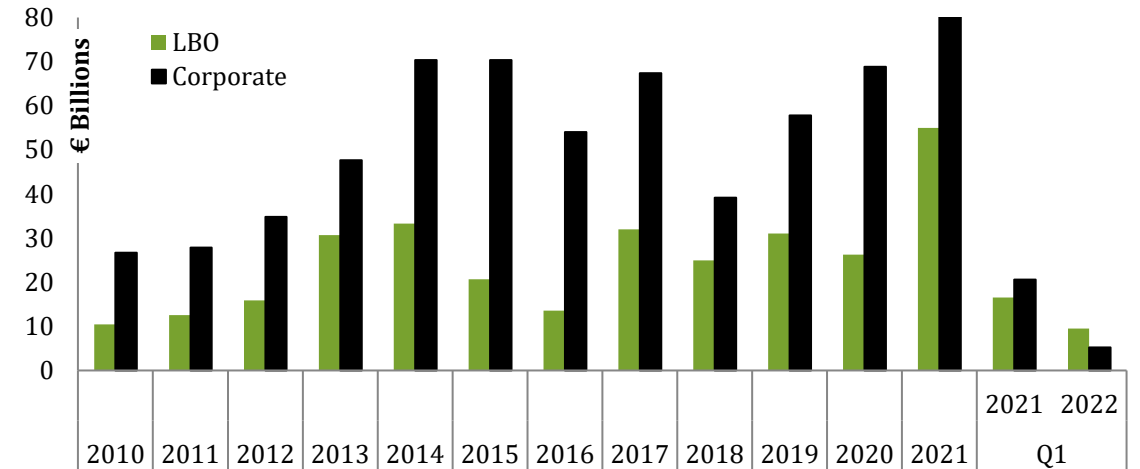


Developed Market High Yield Bonds

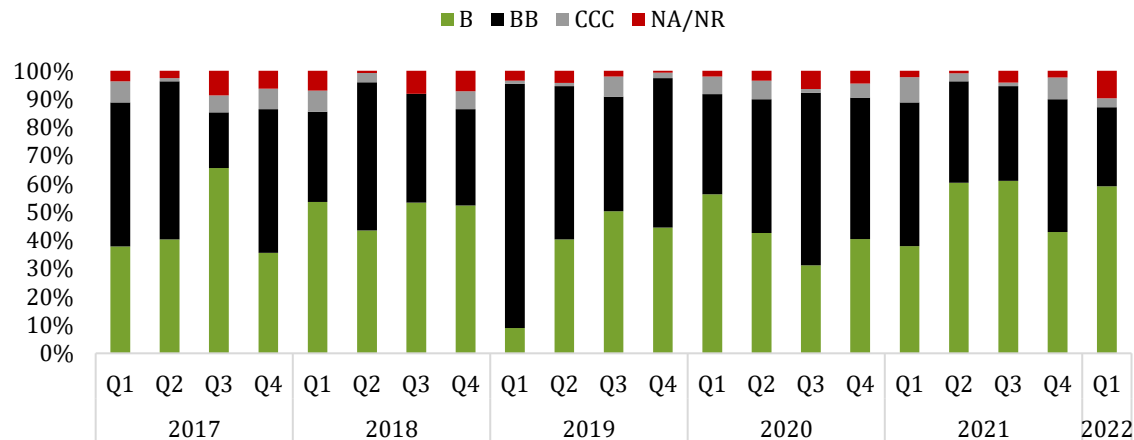
5.5 European Developed Market HY Issuance, Fixed vs. Floating



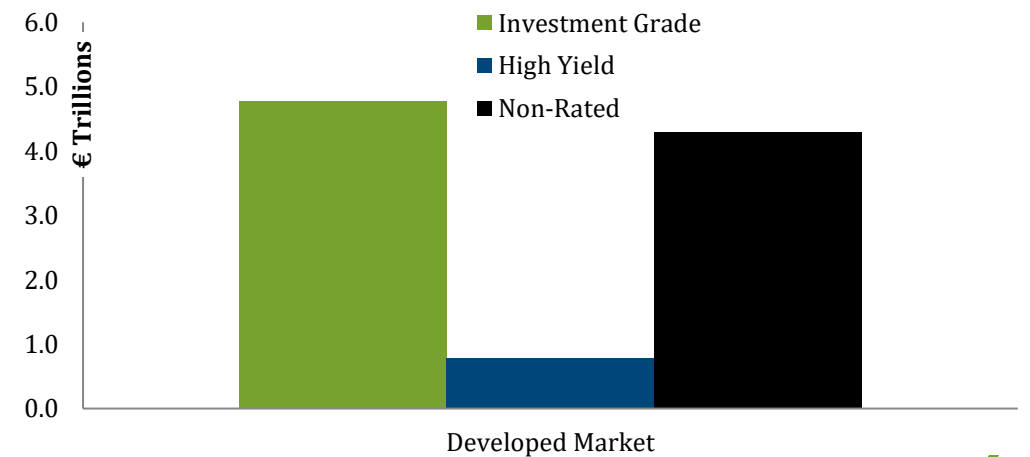
5.6 European Developed Market HY Issuance, Sponsored vs. Corporate



5.7 European Developed Market HY Rating Distribution at Issuance



5.8 European Developed Market Corporate Bonds Outstanding: Q1 2022



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

5.9 European Developed Market HY Bond Issuance

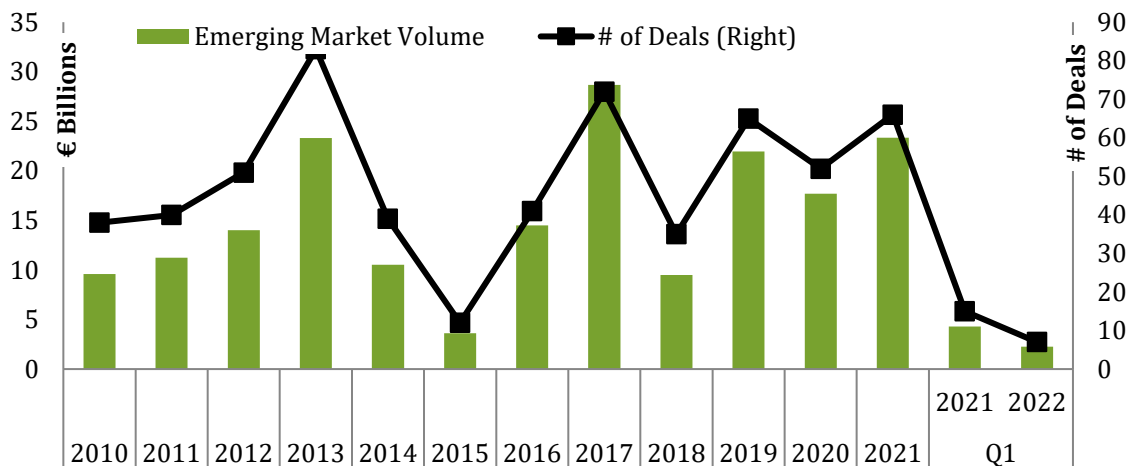
Issuer	Industry Group	Date	Currency	Amount (billion)	Coupon	Moody's	S&P	Fitch
VZ Secured Financing BV	Telecommunications	06/01/2022	Euro	0.75	3.5	(blank)	(blank)	(blank)
VZ Secured Financing BV	Telecommunications	06/01/2022	US Dollar	1.35	5	(blank)	(blank)	(blank)
BFF Bank SPA	Finance	12/01/2022	Euro	0.15	5.875	Ba2	(blank)	(blank)
Tereos Finance Groupe I SA	Food & Beverage	12/01/2022	Euro	0.35	4.75	(blank)	(blank)	B+
Banco BPM SpA	Finance	13/01/2022	Euro	0.40	3.375	Ba2	(blank)	(blank)
Autostrade per l'Italia SpA	Transportation	18/01/2022	Euro	0.50	1.625	Baa3	BB	BB+
Autostrade per l'Italia SpA	Transportation	18/01/2022	Euro	0.50	2.25	Baa3	BB	BB+
BPER Banca SpA	Finance	18/01/2022	Euro	0.60	3.875	Ba3	Not rated	BB+
Cidron Aida Finco Sarl	Healthcare	19/01/2022	Euro	0.18	5	(blank)	(blank)	(blank)
CTEC II GmbH	Consumer Products	19/01/2022	Euro	0.47	5.25	(blank)	(blank)	(blank)
eDreams ODIGEO SA	Computers & Electronics	19/01/2022	Euro	0.38	5.5	B3	CCC+	(blank)
Webuild SpA	Construction/Building	19/01/2022	Euro	0.40	3.875	(blank)	BB-	BB
VistaJet Malta Finance plc	Transportation	20/01/2022	US Dollar	0.88	6.375	Caa1	B+	BB-
Zenith Finco plc	Finance	20/01/2022	British Pound Sterling	0.57	6.5	(blank)	(blank)	(blank)
Cerdia Finanz GmbH	Chemicals	27/01/2022	US Dollar	0.53	10.5	(blank)	(blank)	(blank)
Inter Media Communication Srl	Professional Services	27/01/2022	Euro	0.42	6.75	(blank)	(blank)	(blank)
Kane Bidco Ltd	Finance	27/01/2022	British Pound Sterling	0.48	6.5	(blank)	(blank)	(blank)
Kane Bidco Ltd	Finance	27/01/2022	Euro	0.36	5	(blank)	(blank)	(blank)
Ren10 Holding AB	Finance	27/01/2022	Euro	0.35	3-mth Euribor +437.5	(blank)	(blank)	(blank)
Loxam SAS	Professional Services	01/02/2022	Euro	0.35	4.5	(blank)	(blank)	(blank)
Fabbrica Italiana Sintetici SpA	Chemicals	03/02/2022	Euro	0.35	5.625	(blank)	(blank)	(blank)
Promontoria Holding 264 BV	Transportation	03/02/2022	Euro	0.34	6.375	B3	B-	(blank)
Promontoria Holding 264 BV	Transportation	03/02/2022	Euro	0.25	3-mth Euribor +612.5	B3	B-	(blank)
Promontoria Holding 264 BV	Transportation	03/02/2022	US Dollar	0.35	7.875	B3	B-	(blank)
Lutech SpA	Computers & Electronics	08/02/2022	Euro	0.06	5	(blank)	(blank)	(blank)
Cerved Group SpA	Professional Services	10/02/2022	Euro	0.35	6	B2	Not rated	(blank)
Cerved Group SpA	Professional Services	10/02/2022	Euro	1.05	3-mth Euribor +525	B2	Not rated	(blank)
Market Parent Finco plc	Retail	28/02/2022	British Pound Sterling	1.43	6.75	(blank)	(blank)	(blank)
Blitz F21-433 GmbH	Healthcare	08/03/2022	Euro	0.17	Euribor +725	B3	(blank)	(blank)
Bach Bidco SpA	Professional Services	24/03/2022	Euro	0.07	3-mth Euribor +425	B2	B	(blank)
Co-operative Bank Finance plc	Finance	30/03/2022	British Pound Sterling	0.30	6	(blank)	(blank)	(blank)

Source: Dealogic

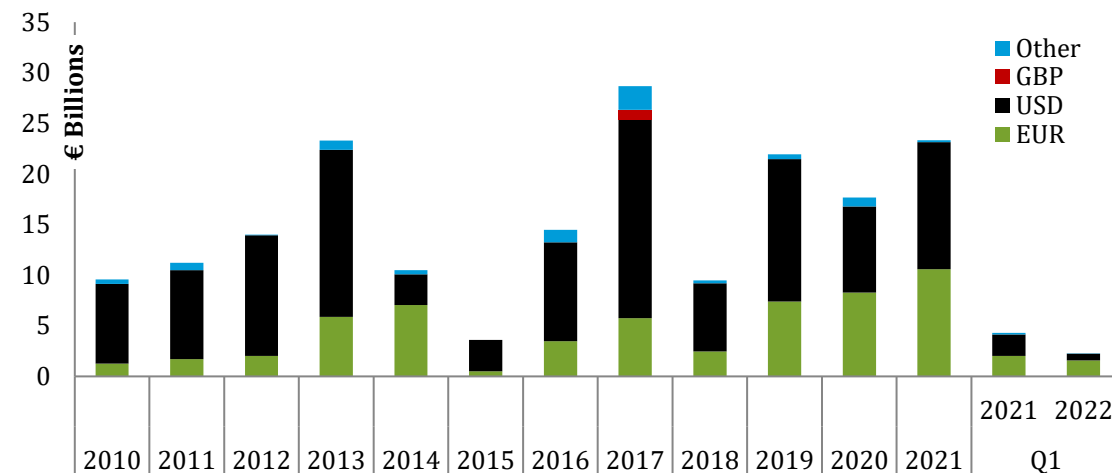
European Emerging Market High Yield Bonds

Emerging Market High Yield Bonds

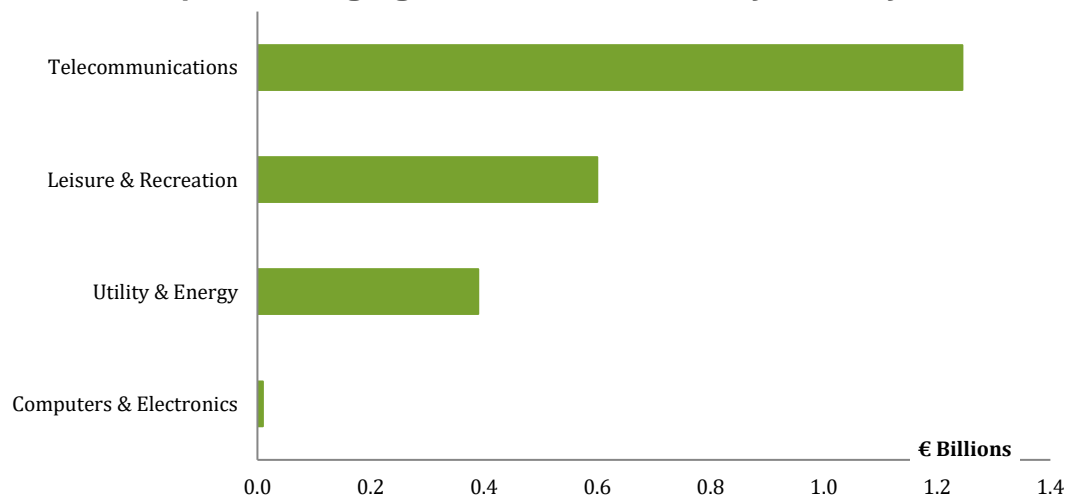
6.1 European Emerging Market HY Bond Issuance



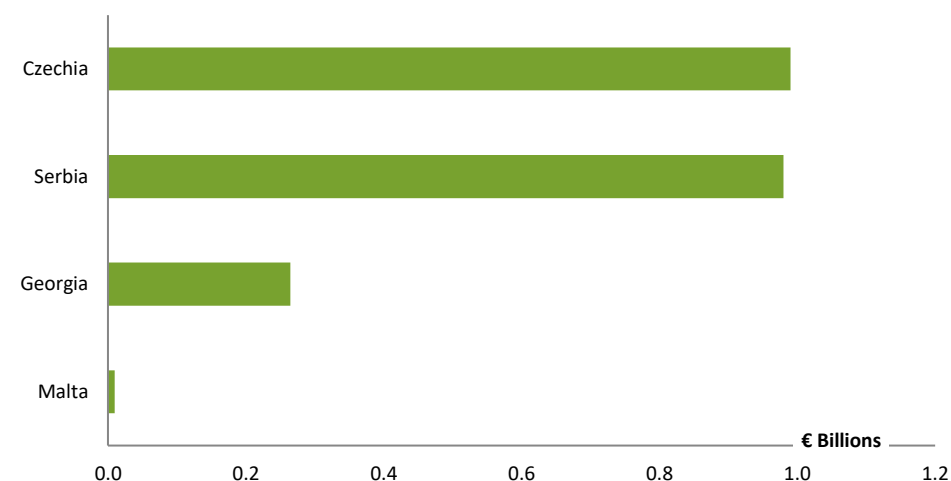
6.2 European Emerging Market HY Issuance by Currency



6.3 European Emerging Market HY Issuance by Industry: Q1 2022



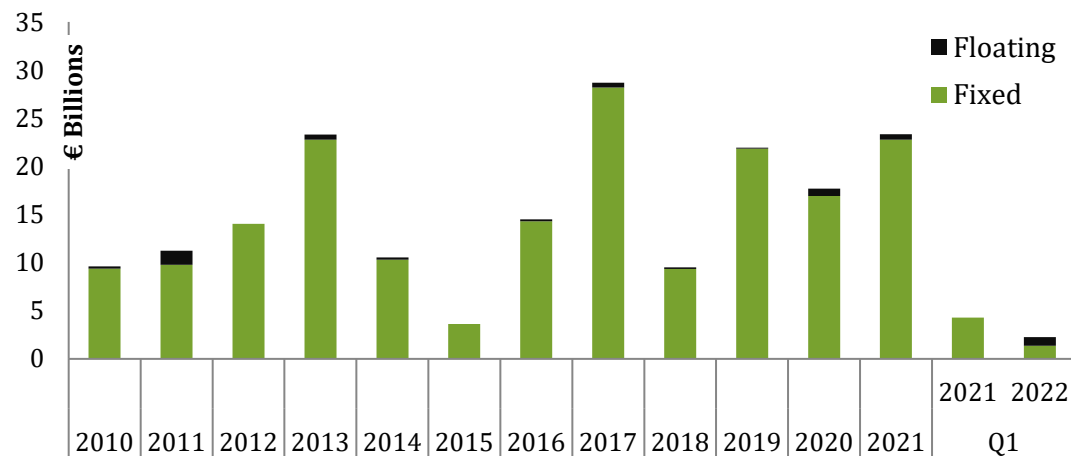
6.4 European Emerging Market HY Issuance by Country of Risk: Q1 2022



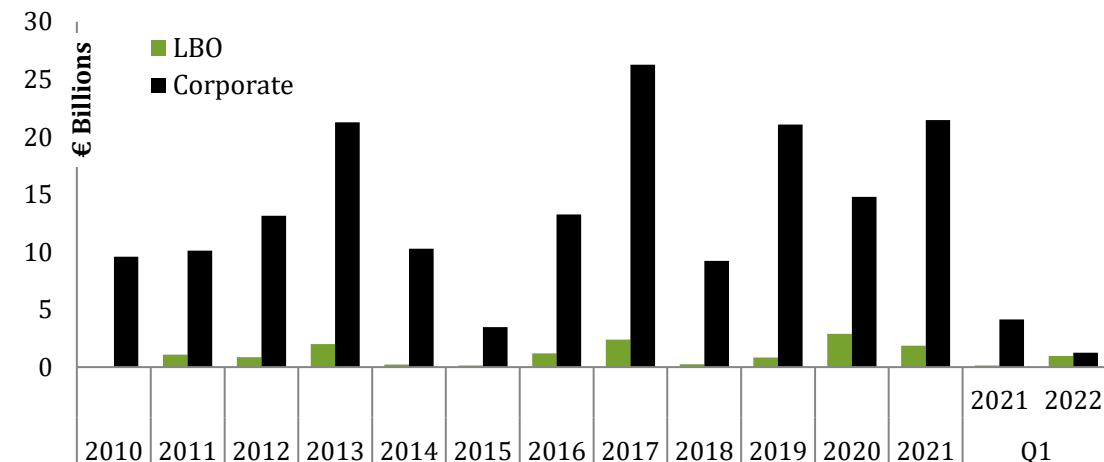
Source: Dealogic

Emerging Market High Yield Bonds

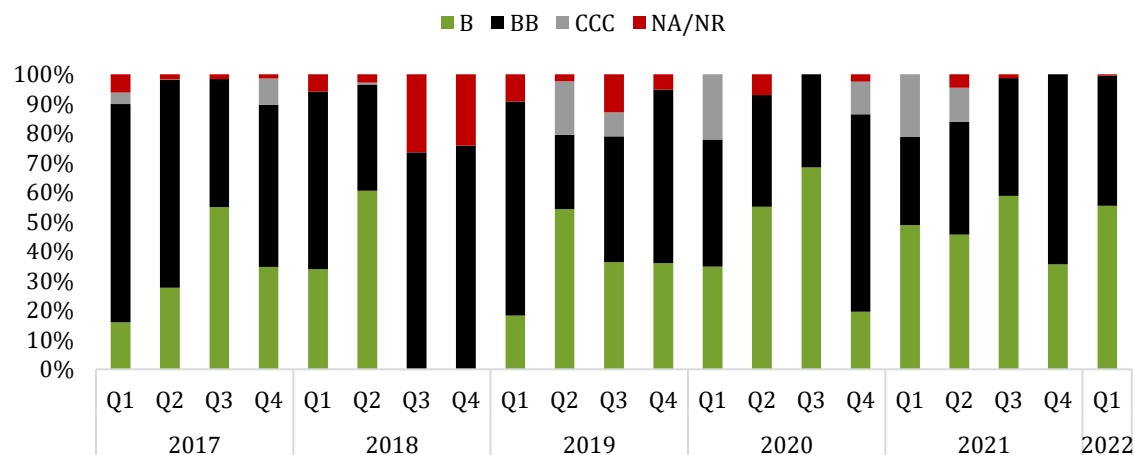
6.5 European Emerging Market HY Issuance, Fixed vs. Floating



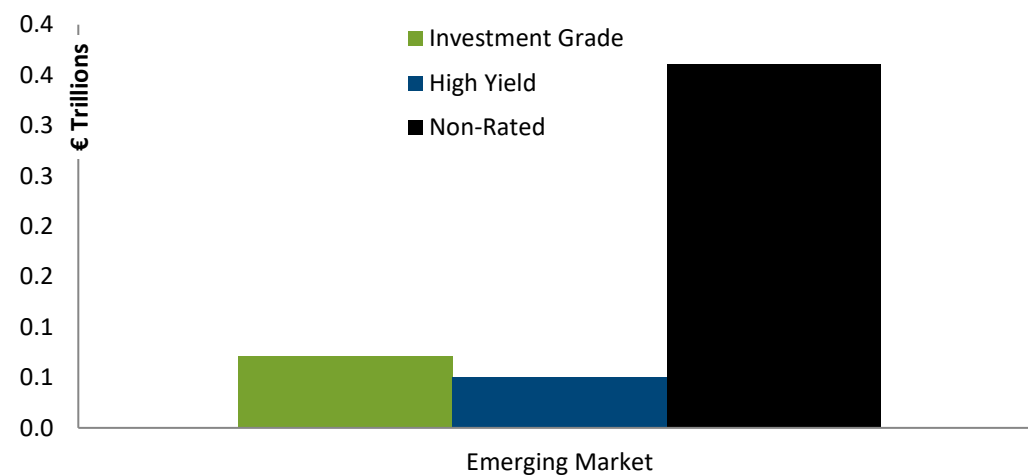
6.6 European Emerging Market HY Issuance, Sponsored vs. Corporate



6.7 European Emerging Market HY Rating Distribution at Issuance



6.8 European Emerging Market Corporate Bonds Outstanding: Q1 2022



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 (Millions)	Coupon	Moody's	S&P	Fitch
United Group BV	Telecommunications	13/01/2022	Euro	0.50	5.25	(blank)	B	(blank)
United Group BV	Telecommunications	13/01/2022	Euro	0.48	3-mth Euribor +487.5	(blank)	B	(blank)
Silknet JSC	Telecommunications	20/01/2022	US Dollar	0.26	8.38	B1	(blank)	B
Gaming Innovation Group Ltd	Computers & Electronics	26/01/2022	Swedish Krona	0.01	3-mth STIBOR +850	(blank)	(blank)	(blank)
ENERGO-PRO as	Utility & Energy	28/01/2022	US Dollar	0.39	8.50	(blank)	B+	BB-
Sazka Group as	Leisure & Recreation	02/02/2022	Euro	0.20	3.88	(blank)	BB-	BB-
Sazka Group as	Leisure & Recreation	02/02/2022	Euro	0.40	3-mth Euribor +412.5	(blank)	BB-	BB-

Source: Dealogic

Credit Quality

Credit Quality

S&P reported the trailing 12-month speculative-grade bond default rate at 0.7% in March 2022, a decrease from 5.9% in March 2021. Moody's reported the speculative-grade default rate at 2.25% in March 2022, down from 4.7% in March 2021.

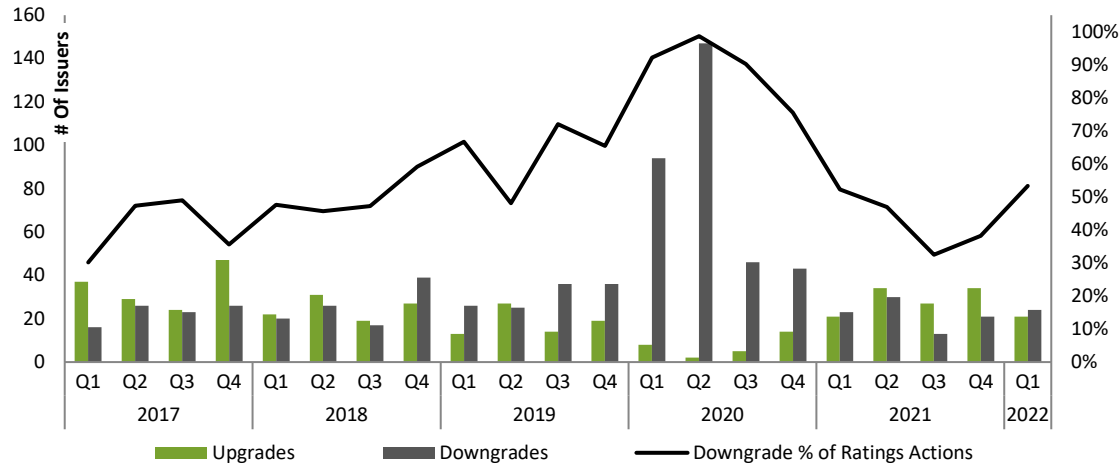
There were 2 defaults reported in the first quarter of 2022 by Standard and Poor's and Moody's. The reasons were missed interest payment and distressed exchange.

According to S&P, in 1Q'22 bond downgrades exceeded upgrades in Europe (52 downgrades to 23 upgrades). This is a worse ratio than 39 upgrades to 21 downgrades in 4Q'21 and compared to 24 downgrades to 22 upgrades in 1Q'21. According to Moody's, in 1Q'22 downgrades exceeded upgrades in Europe (9 upgrades to 17 downgrades), a worse ratio than 14 downgrades to 25 upgrades in 4Q'21 and worse than 13 downgrades to 21 upgrades in 1Q'21.

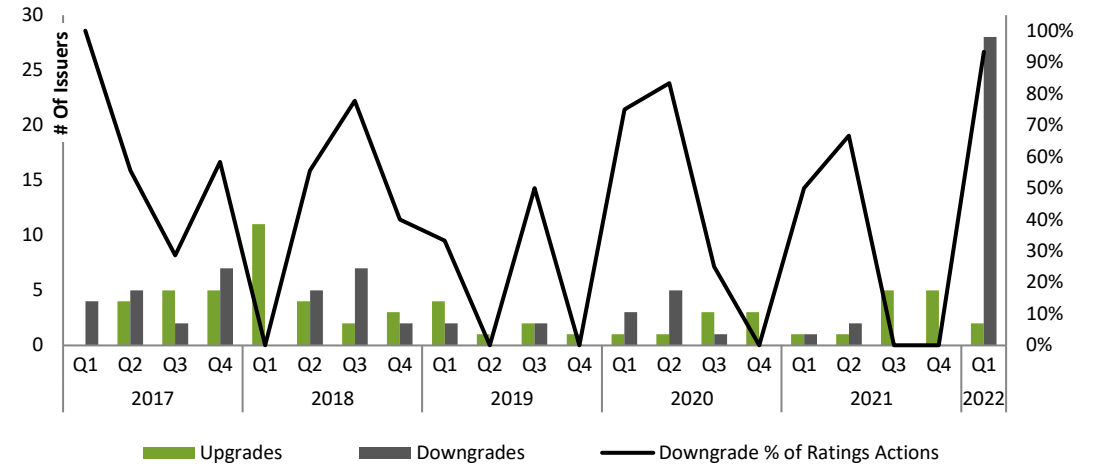
According to Reorg, all of the 1Q'22 European leverage loan deals were covenant-lite.

According to Covenant Review, 57% of all leveraged loan deals reviewed in 1Q'22 contained an ESG feature, compared to 68% of all deals reviewed in 4Q'21.

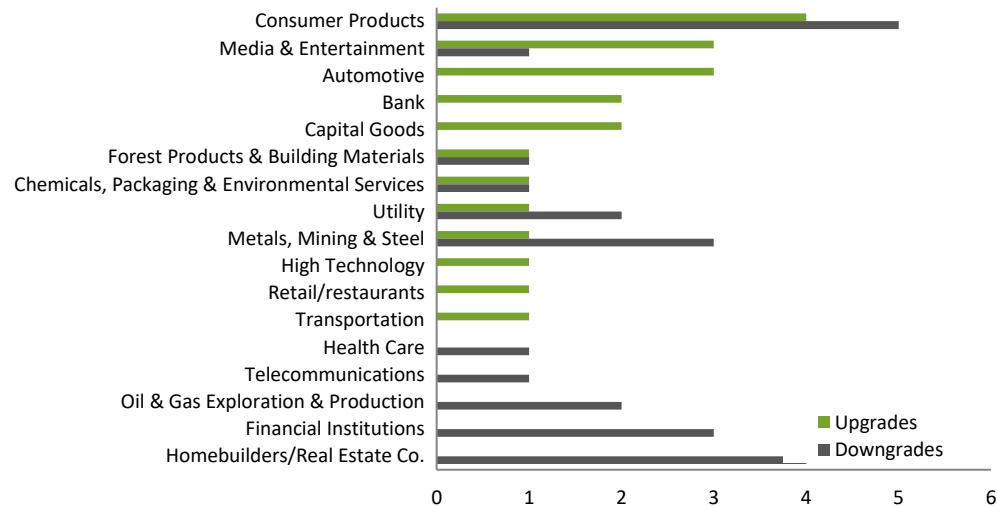
7.1 S&P Developed Europe Issuer Rating Actions



7.2 S&P Emerging Europe Issuer Rating Actions

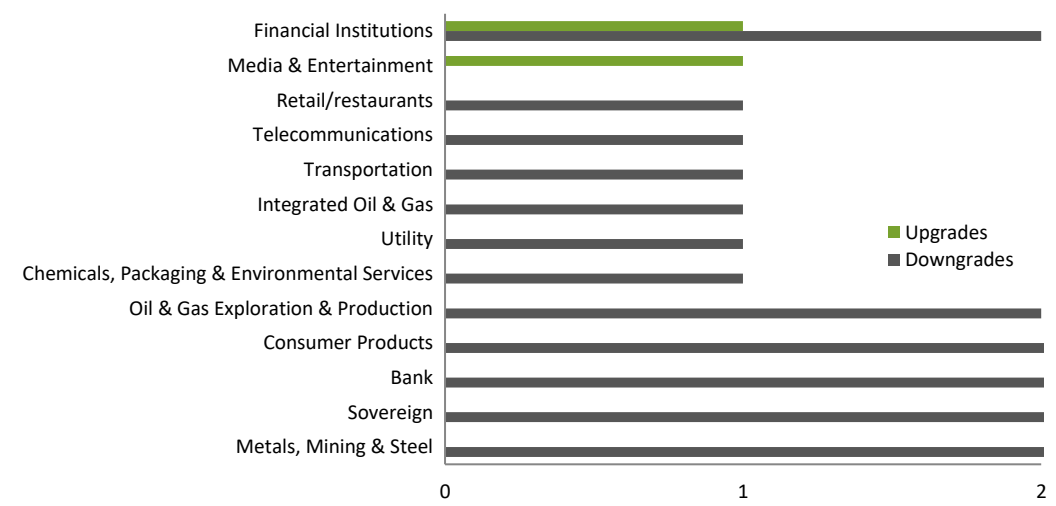


7.3 S&P Developed European Industry Rating Actions by # of Ratings

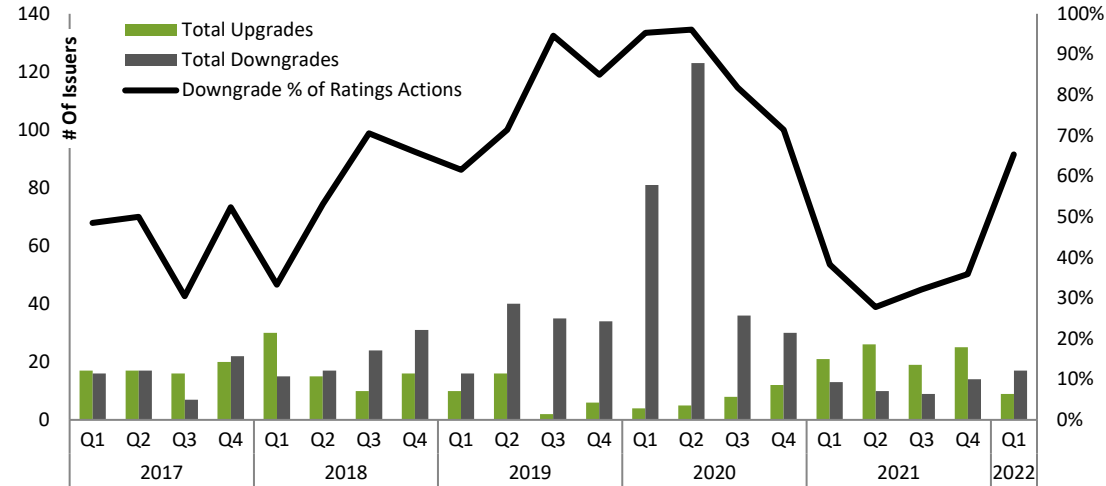


Source: S&P

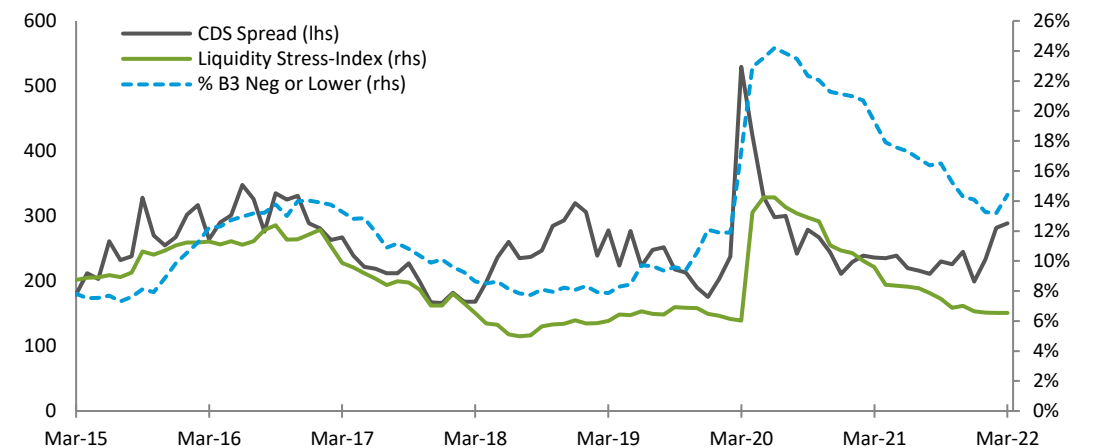
7.4 S&P Emerging European Industry Rating Actions by # of Ratings



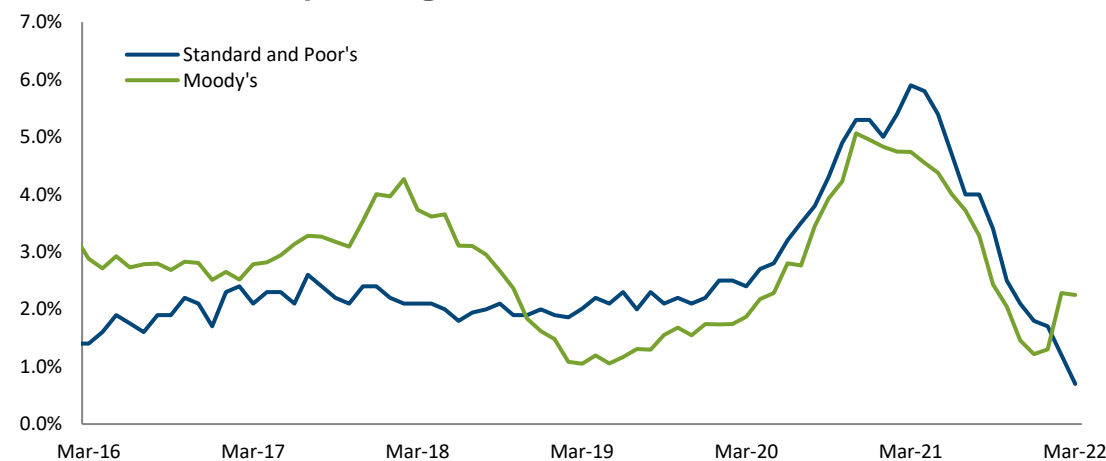
7.5 Moody's: Europe Issuer Rating Actions (corporate)



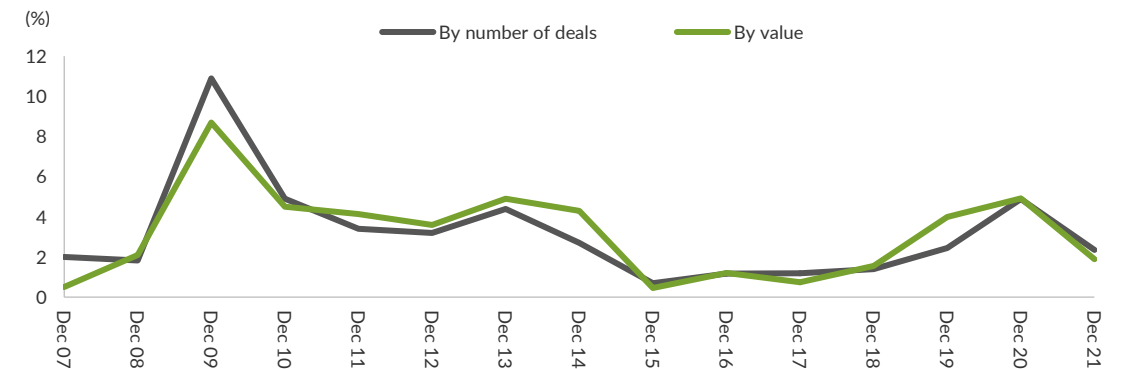
7.6 High-Yield bond CDS spreads vs. liquidity-stress index and HY bonds rated B3 neg and lower in Europe



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]

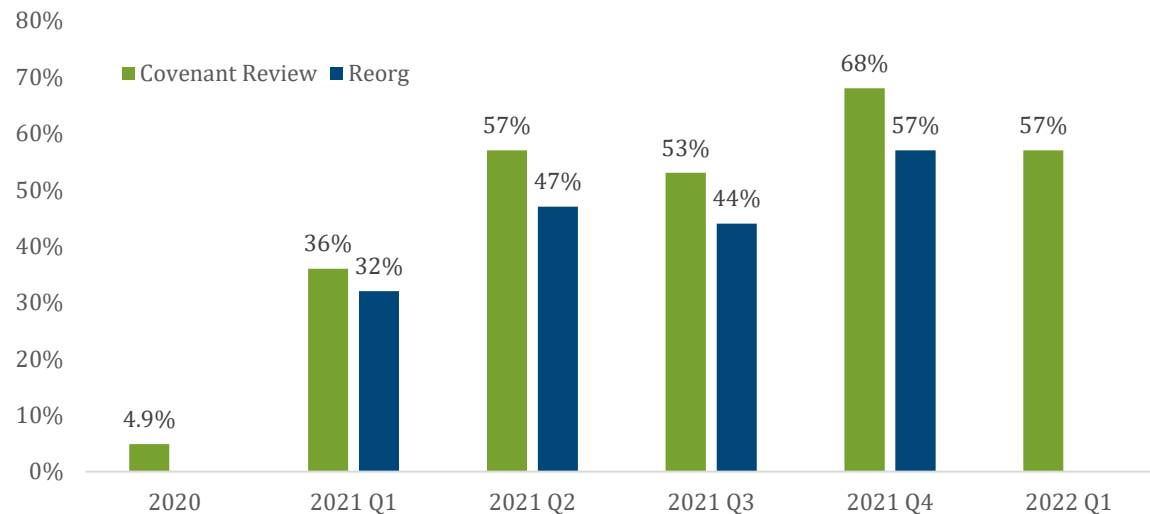
Adjusted includes c and cc* rated issuers as if those had already defaulted.

7.9 European Defaults

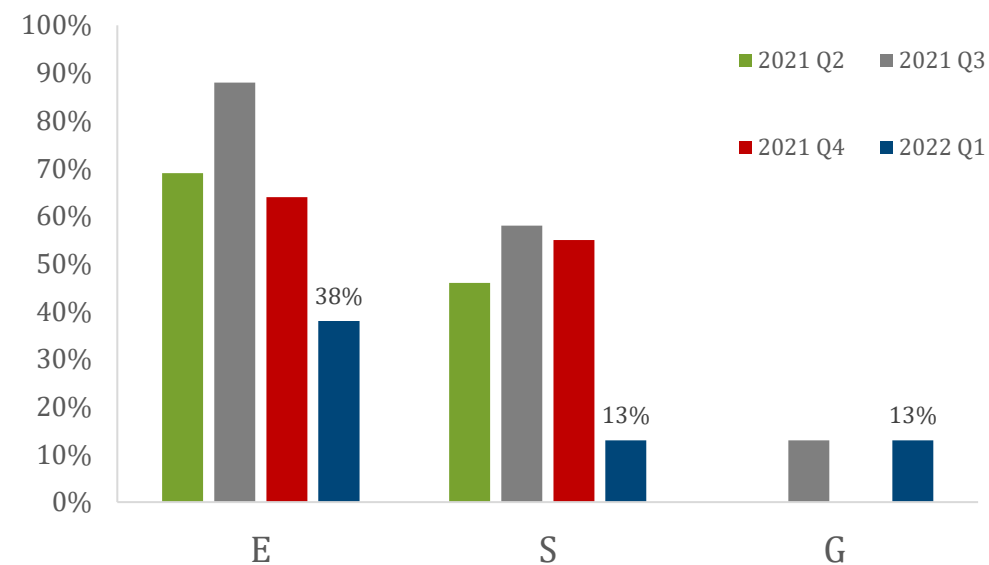
Issuer	Industry Group	Country	Date	Reported By	Reason
MHP SE	Consumer products	Ukraine	March 2022	S&P	Missed interest payments
Owl Finance Limited	Media Publishing: Books	United Kingdom	March 2022	Moody's	Distressed exchange

Source: S&P, Moody's

7.10 Percentage of loan deals with an ESG margin ratchet



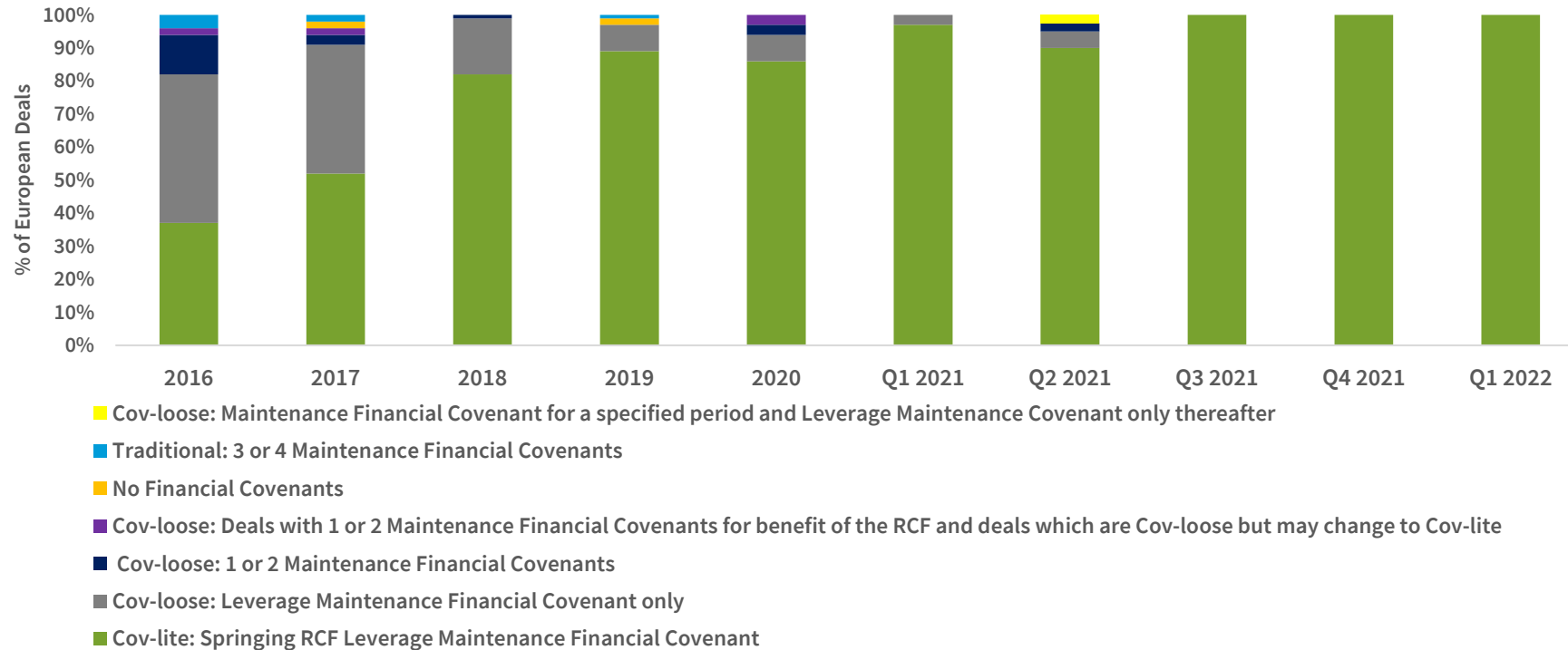
7.11 Type of ESG Requirement



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

Credit Quality and European Leveraged Loan Covenants

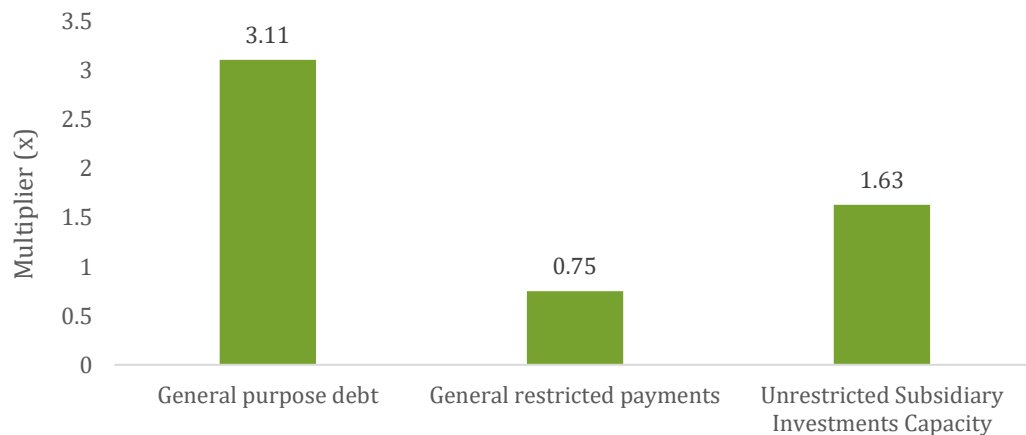
7.12 Financial Covenant Packages in European Leveraged Loans 2016-Q1 2022



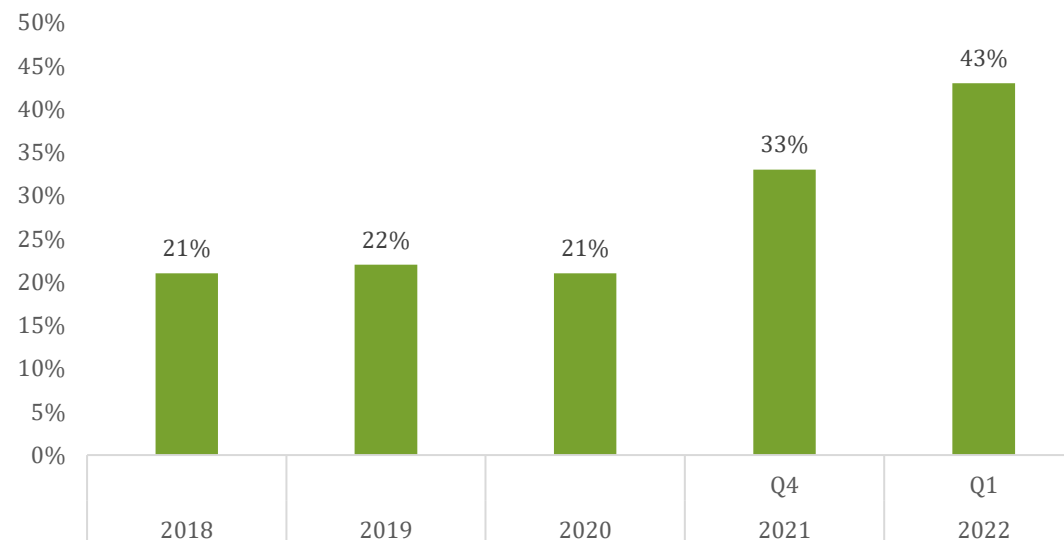
*Figures based on Reorg calculations for European deals

Loan Covenant Trends: Day-1 Capacity and EBITDA adjustments

7.13 Average Minimum Day-One Capped Basket Capacity Increase - Europe



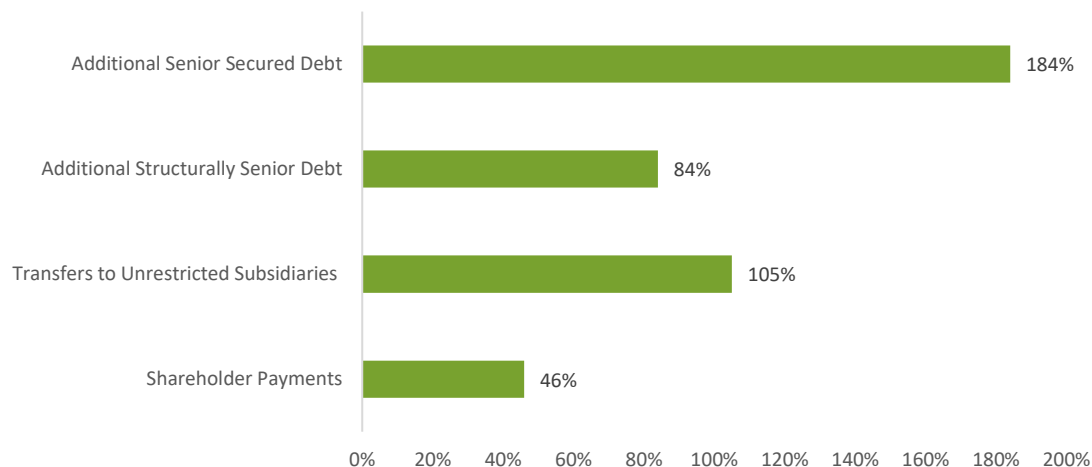
7.14 EBITDA Adjustments: Percentage with Uncapped EBITDA Adjustments – Europe



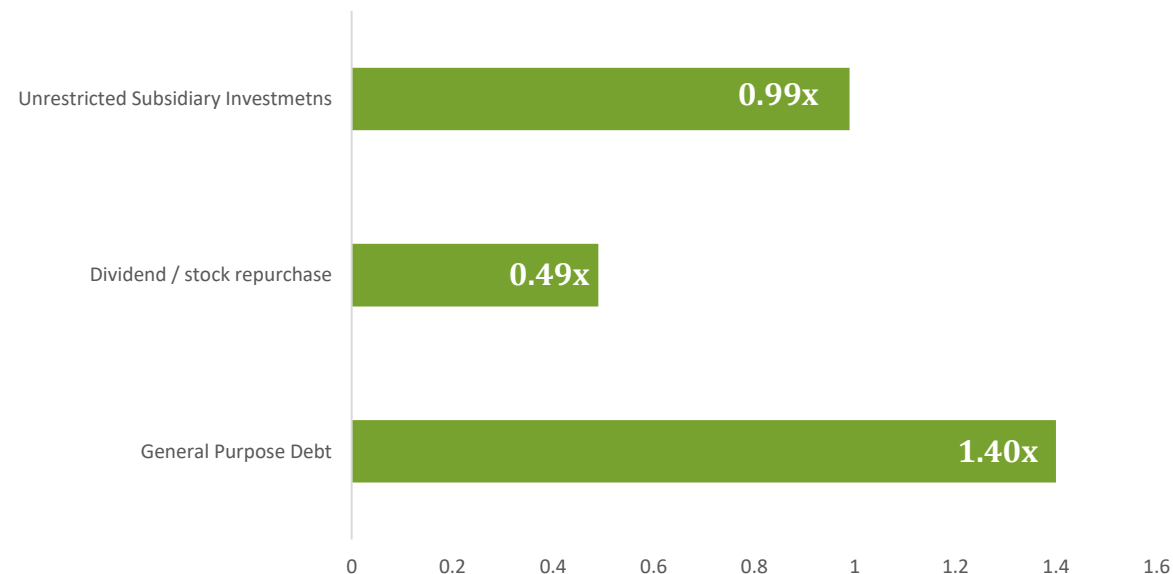
US Q1 2022 data not available at the time of publication [7.13] [7.14]

Credit Quality and High Yield Day-1 Capacity

7.15 Q1 2022 High Yield: Day 1 Headroom for Key Covenants Risks in Senior Secured European Deals



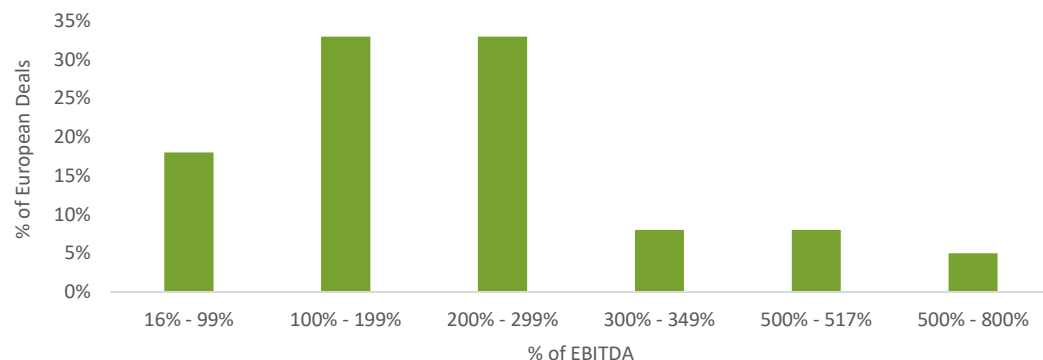
7.16 Q1 2022 High Yield: Average Minimum Day-One Basket Capacity



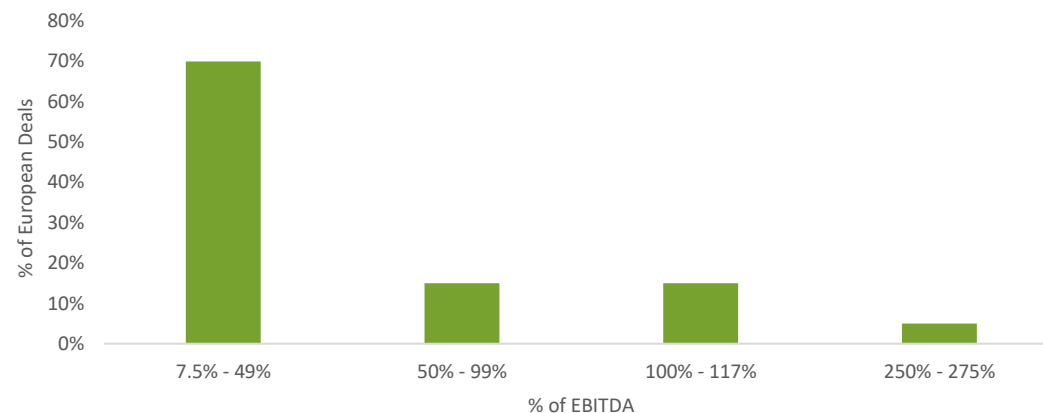
*Figures based on Reorg calculations. Figures provide day 1 capacity available at issue aggregating the “general purpose” baskets only (excludes specific purpose baskets). Excludes cov-lite offerings recorded on Reorg’s proprietary database (Market Maker).
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Credit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

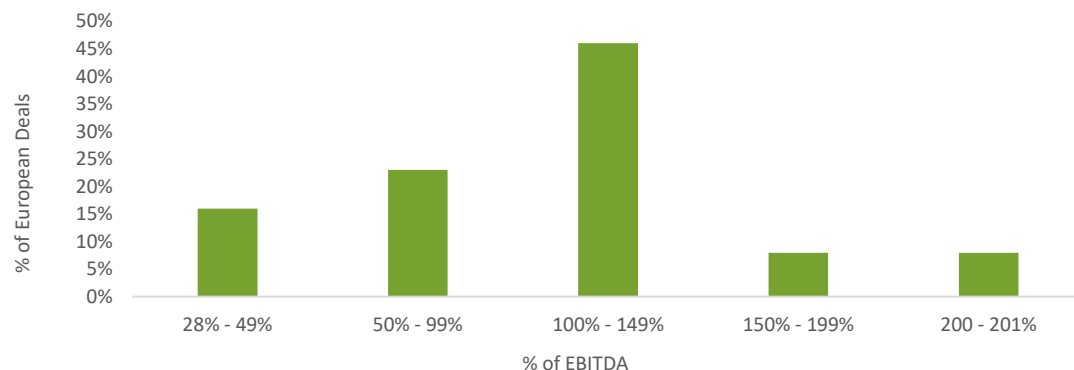
7.17 Q1 European High-Yield Bonds 2022: Day 1 Additional Senior Secured Debt Capacity



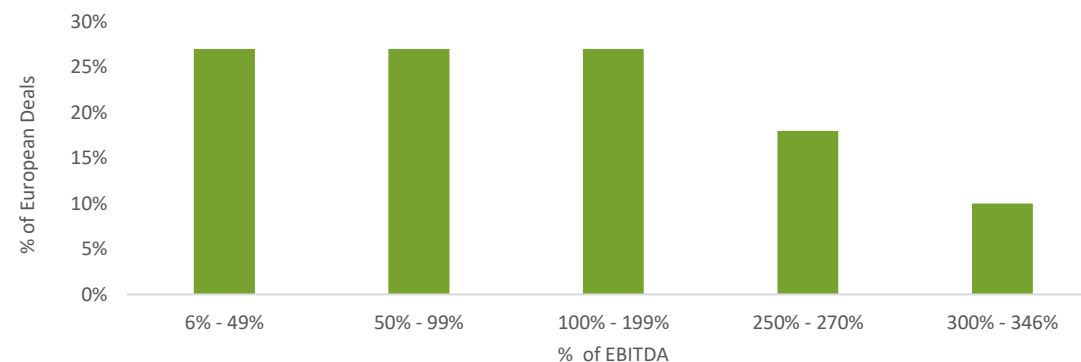
7.18 Q1 European High-Yield Bonds 2022: Day 1 Shareholder Payments Capacity



7.19 Q1 European High-Yield Bonds 2022: Day 1 Transfers to Unrestricted Subsidiaries Capacity



7.20 Q1 European High-Yield Bonds 2022: 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

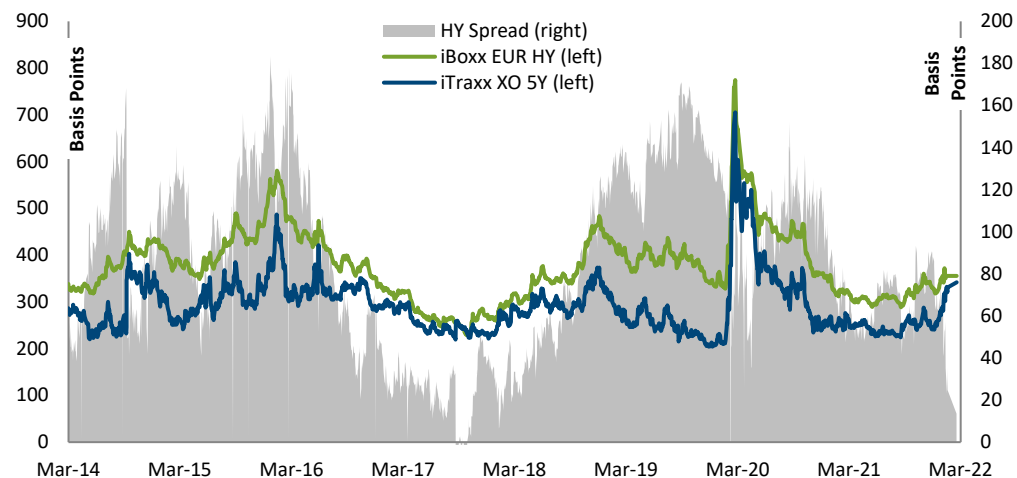
Returns

All 19 asset classes tracked in this report recorded quarter-on-quarter (q-o-q) losses in 1Q'22. The U.S. ABS/MBS experienced the smallest fall q-o-q at 3.72%. This was followed by Euro Fallen Angel HY at a 3.75% drop and Euro HY B rated with a negative 4.02% q-o-q.

The worst performing asset class was Russell 2000 with a loss of 7.8% q-o-q in 1Q'22, followed by US Corporates with a negative 7.7% q-o-q, and MSCI EM with a 7.32% loss q-o-q.

Relative Value and Total Return

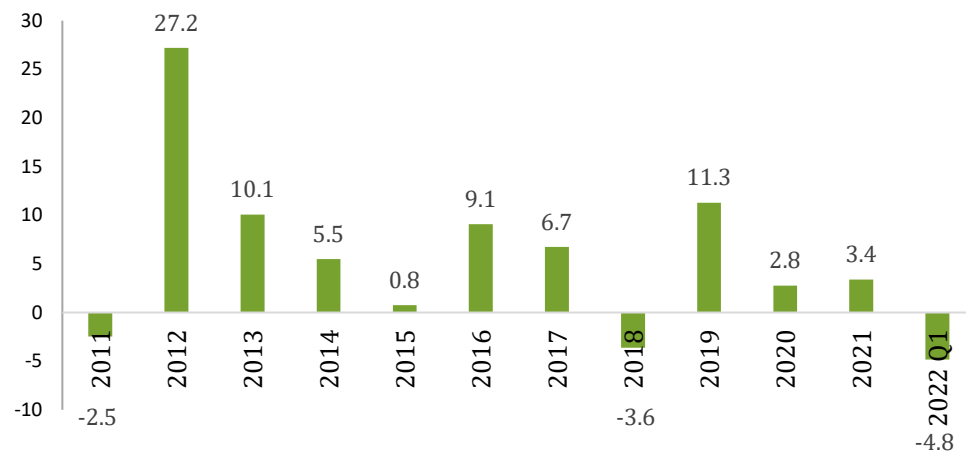
8.1 Relative value: European HY Bonds, Cash vs. Synthetic



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

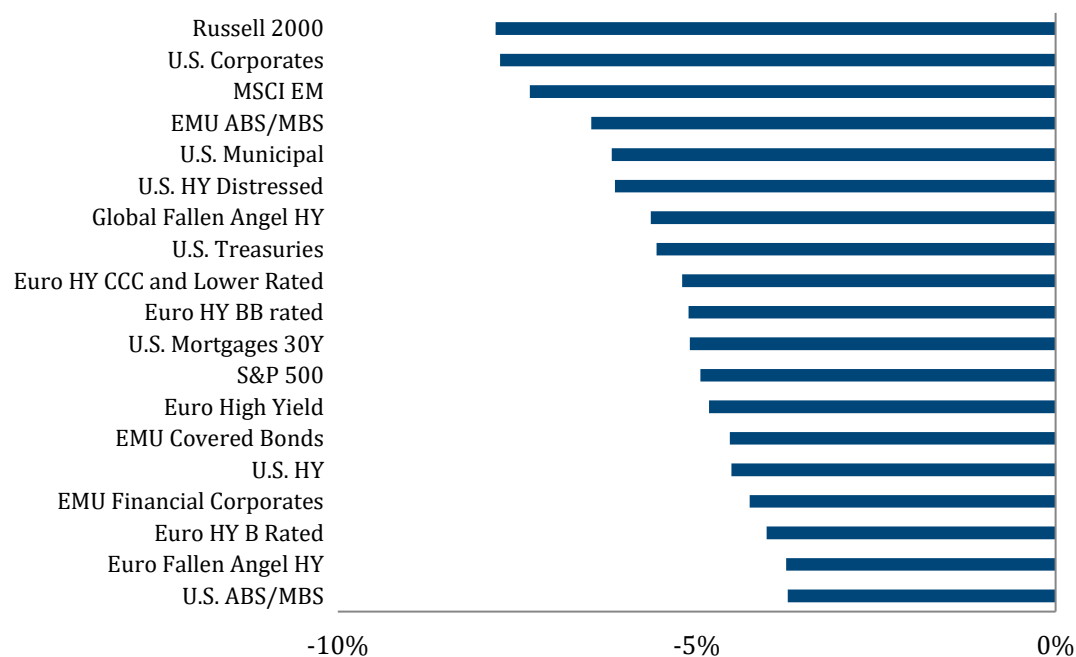


8.3 European HY Bond Total Return



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

8.4 Asset Class Total Return: Q1 2022



Source: Eikon and S&P

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