

Q4 2022

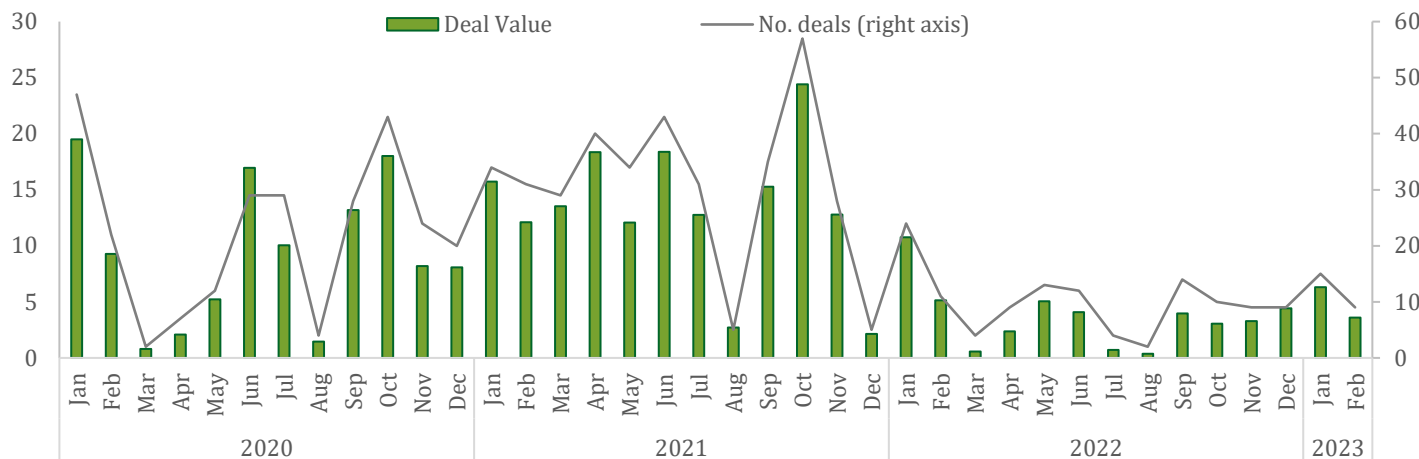
European High Yield and Leveraged Loan Report

European Leveraged Finance

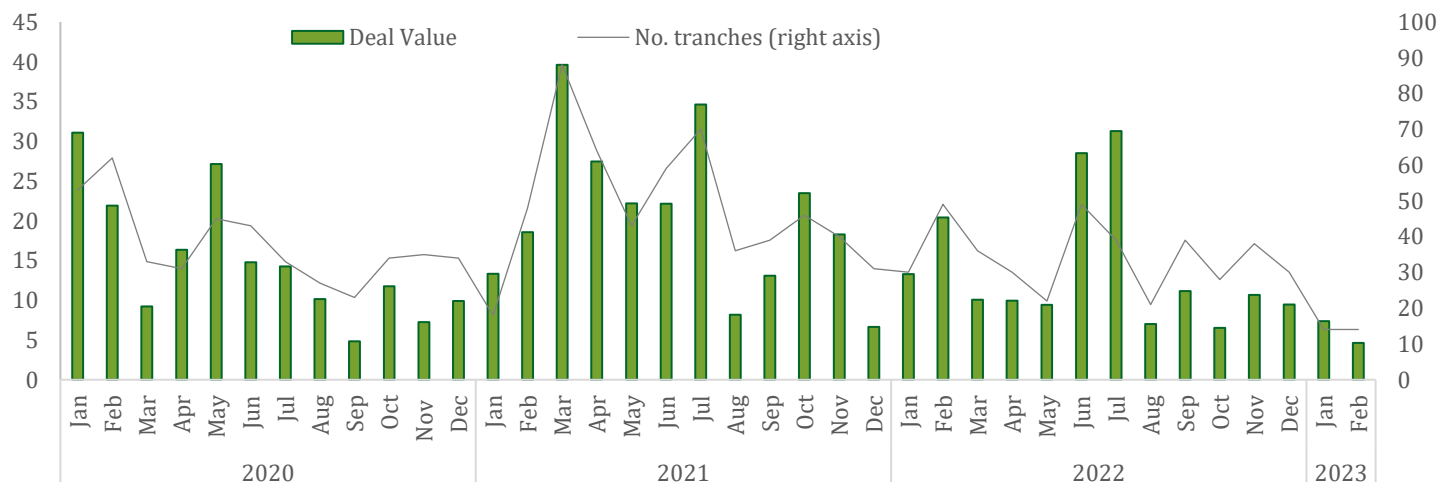


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1.1 European High Yield Bond Issuance (EUR bn)



1.2 European Leverage Loan Issuance (EUR bn)



Source: Dealogic

Primary high yield bond issuance in 4Q'22 increased 114.2% QoQ but decreased 72.7% YoY. (See top chart). The quarterly issued amount stood at €10.7 billion, more than double the amount issued in 3Q'22 (€5.0 billion), but below the amount issued in 4Q'21 (€39.8 billion)

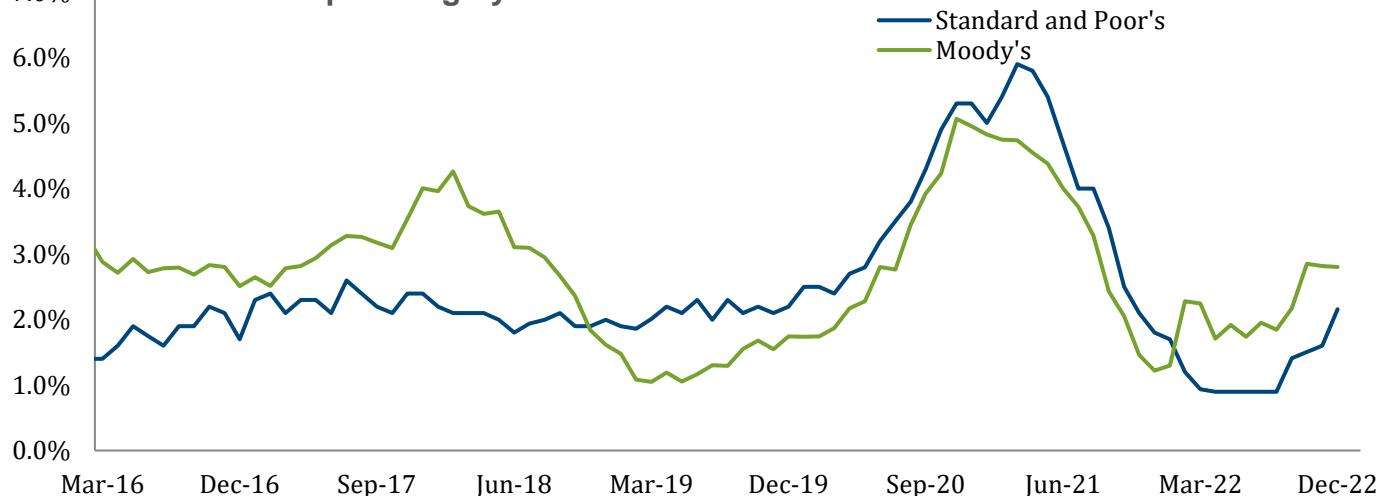
Preliminary data for 1Q'23 indicates that high yield bond issuance continues below its long-term average, accumulating €10 billion in proceeds in the first two months of 2023 (€16 billion in the first two months of 2022, €28 billion in 2021, and €29 billion in 2020).

In 4Q'22, quarterly supply of leverage loans stood at €26.6 bn, a decline of 46.1% QoQ and of 45.5% 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 625 bps in 3Q'22 to 500 bps in 4Q'22. Most recently, spreads have further tightened to 412 bps as of mid February 2023.

S&P reported the trailing 12-month speculative-grade bond default rate at 2.2% in December 2022, an increase from 1.8% in December 2021. Moody's reported the speculative-grade default rate at 2.8% in December 2022, up from 1.2% in December 2021.

Fitch reported an increase in European Leveraged Loan default rates (by value) to 0.6% in December 2022 from 0.4% in June 2022.

According to Reorg, nearly all the European leveraged loan deals examined in 2022 were covenant-lite.

Leveraged Finance Overview

Issuance Highlights

European leveraged finance issuance (leveraged loans and high yield bonds) accumulated €37.4 billion in proceeds in 4Q'22, a 31.4% decrease from €54.5 billion in 3Q'22 and a 57.8% decrease from €88.6 billion in 4Q'21.

The high yield bond share of European leveraged finance market issuance increased to 28.7% in 4Q'22 from 9.2% in 3Q'22 and down from 44.9% in 4Q'21.

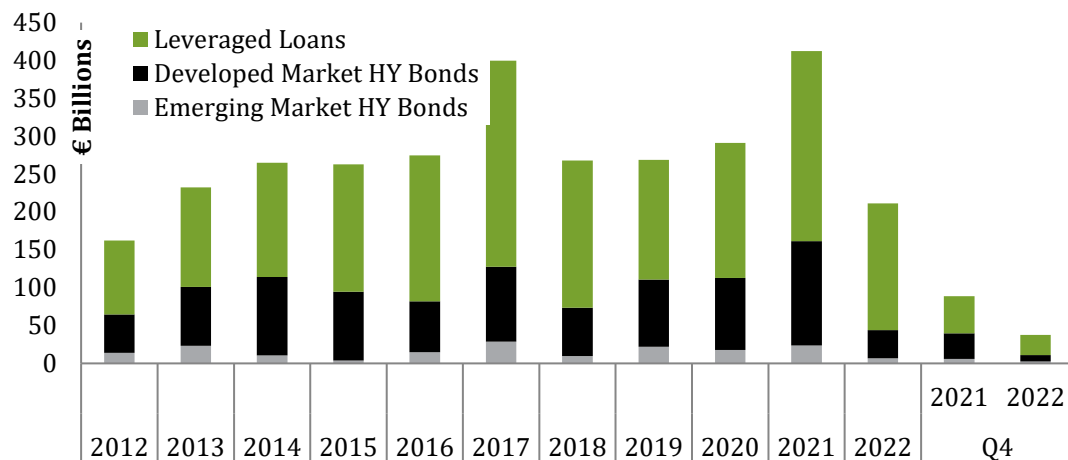
Credit Standards and Loan Demand

According to the January 2023 European Central Bank lending survey, credit standards for loans have tightened for both large firms and SMEs, compared to the October 2022 survey. The general economic outlook was the most impactful in contributing to tightening, followed by Industry or Firm-Specific Outlook and Bank's Risk Tolerance.

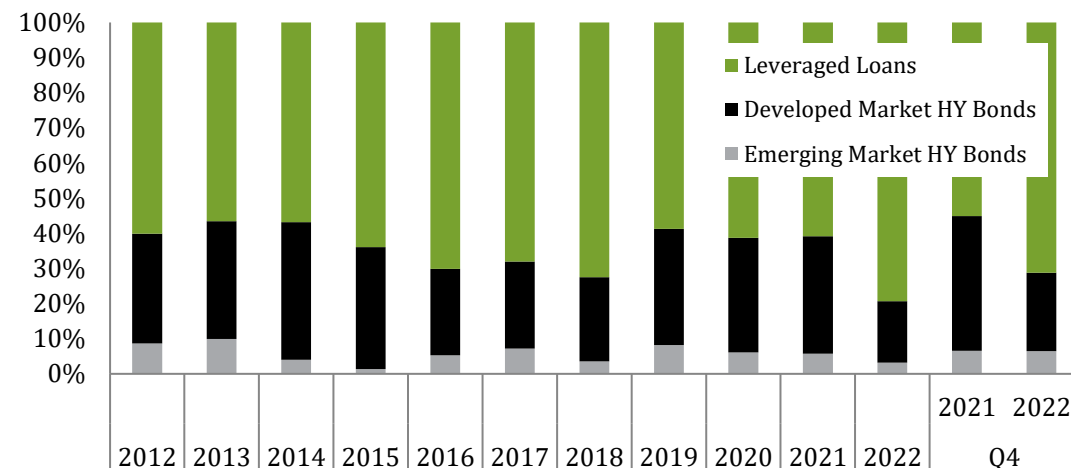
Net demand for loans to enterprises decreased in 4Q'22. The factors contributing to the decrease in loan demand were Interest Rates, Fixed Investments and M&A and Restructuring. The factors partially contributing positively on the demand were Inventories and Working Capital, Debt Restructuring and Debt Issuance.

Leveraged Finance Issuance

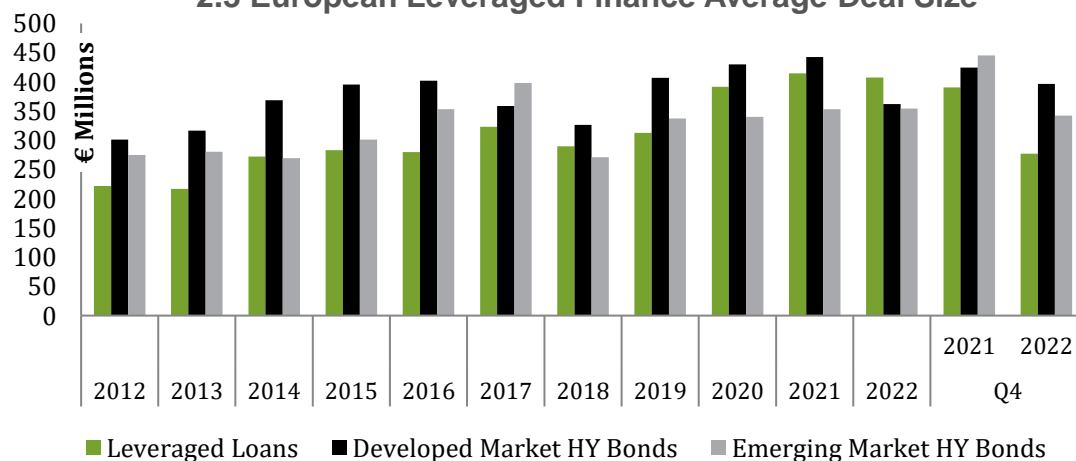
2.1 European Leveraged Issuance by Type



2.2 European Leveraged Issuance Percentage, by type



2.3 European Leveraged Finance Average Deal Size

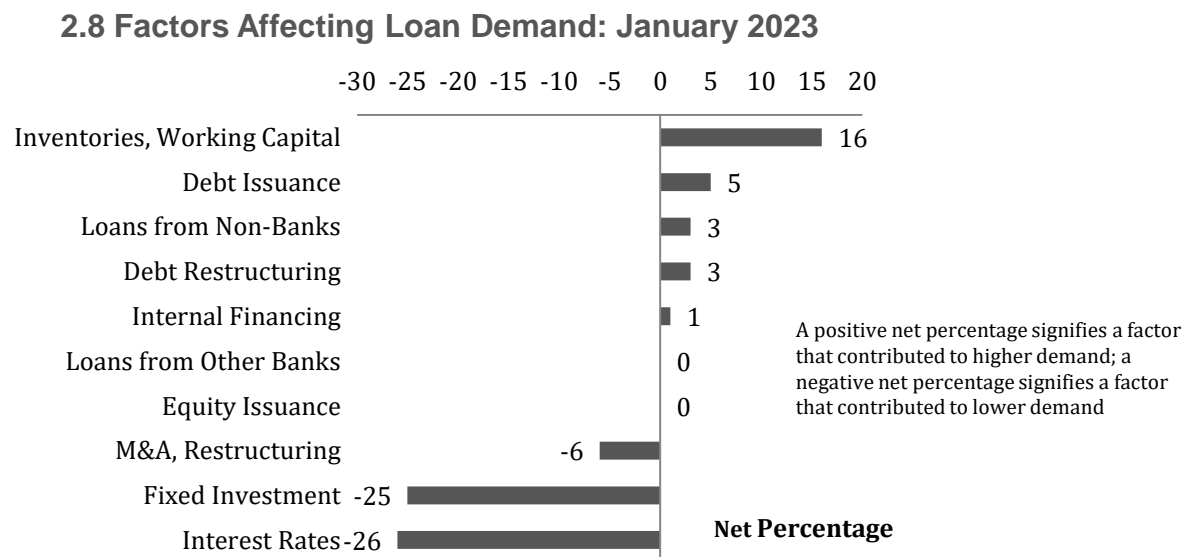
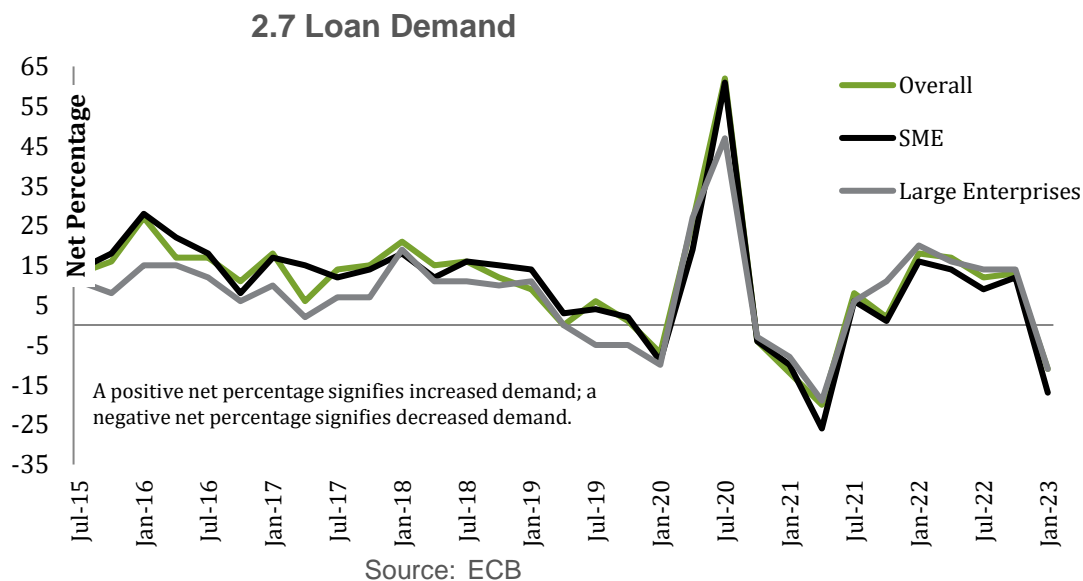
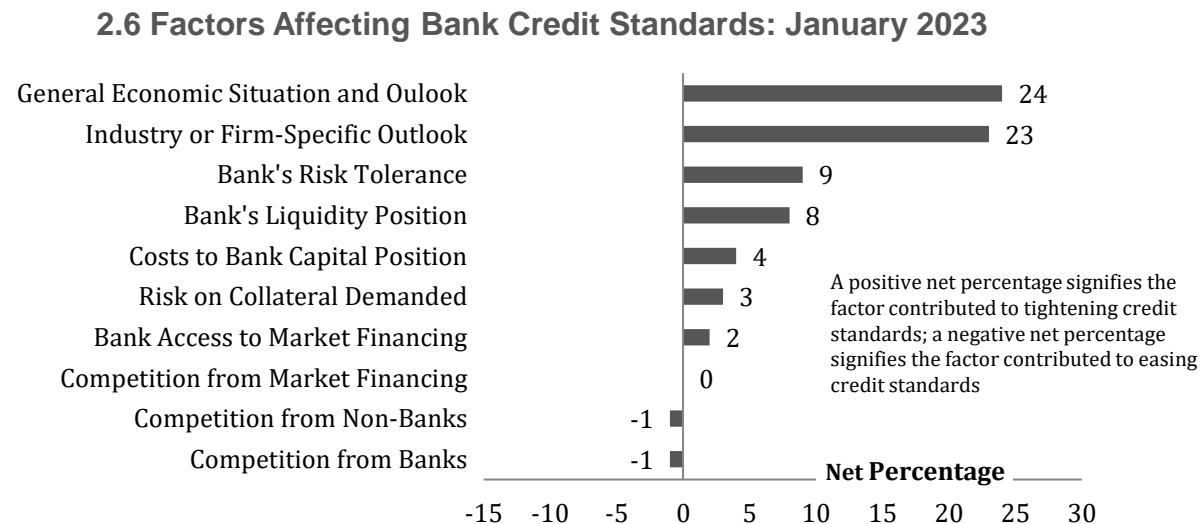
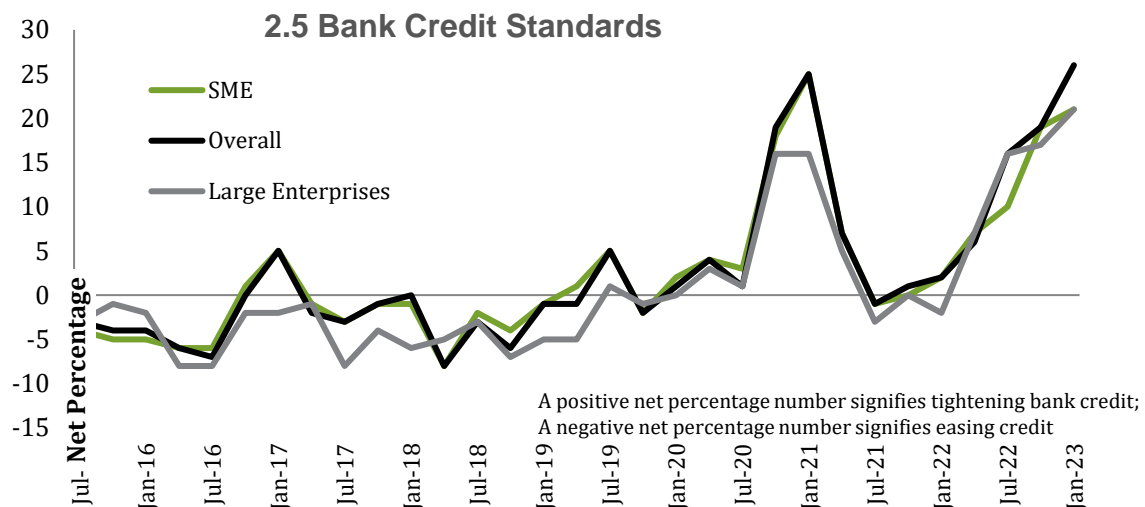


2.4 Global Comparison High Yield Issuance

EUR bln	2022					2021					Prior years		
	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Q3	Q4	Full Year	2020	2019	2018
United States	38.3	20.2	18.6	12.3	89.4	113.8	97.9	79.9	51.5	343.1	343.0	200.7	115.8
Europe	16.3	11.2	5.0	10.7	43.1	41.3	48.7	30.7	39.2	159.9	112.7	109.8	72.8
Asia Pacific	3.5	5.7	8.5	1.4	19.0	20.8	20.3	8.9	5.3	55.3	65.1	93.8	49.8

Source: Dealogic

Credit Standards and Loan Demand



Leveraged Loans

Issuance: Leveraged Loans

Leveraged loan issuance, including first lien, second lien, and mezzanine financing, totaled €26.6 billion in 4Q'22, down 46.1% from €49.4 billion in 3Q'22 and down 45.5% from €48.8 billion in 4Q'21.

All the leveraged loans issued in 4Q'22 were 1st lien loans.

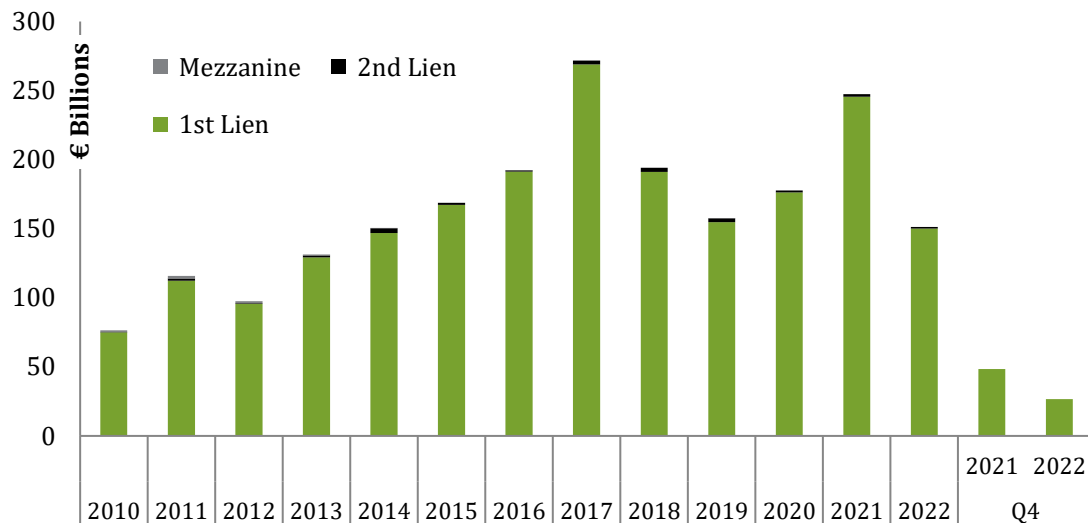
Pricing spreads for institutional loans widened by 108 basis points (bps) q-o-q and 7.7 bps y-o-y.

63.2% of deals financed in 4Q'22 were issued for refinancing and/or repayment of debt, up from 22.5% in 3Q'22, and from 25.5% in 4Q'21. General Corporate Purposes was the second largest use of proceeds in 4Q'22 with €3.6 billion, followed by Acquisitions with €2.7 billion.

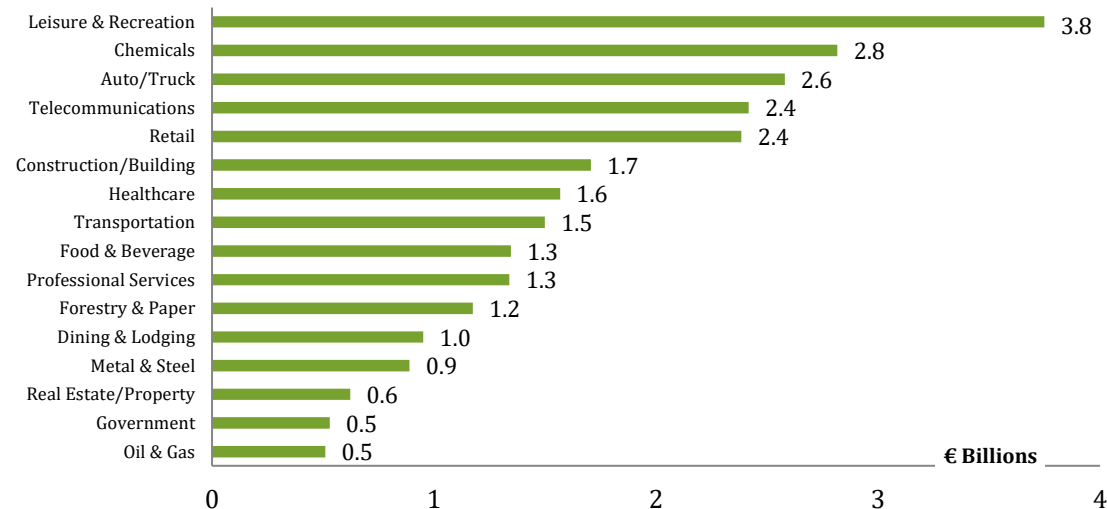
There were no loans amended to reduce pricing ("A&R") in the last two quarters of 2022, down from €0.8 billion in 4Q'21.

The top three sectors accounted for 34.33% of leveraged loan issuance in 4Q'22. The leading sector was Leisure & Recreation (€3.75 billion or 14.08% of total), followed by Chemicals (€2.8 billion, 10.57%), and Auto/Truck (€2.6 billion, 9.68%), with the balance split between 15 other sectors.

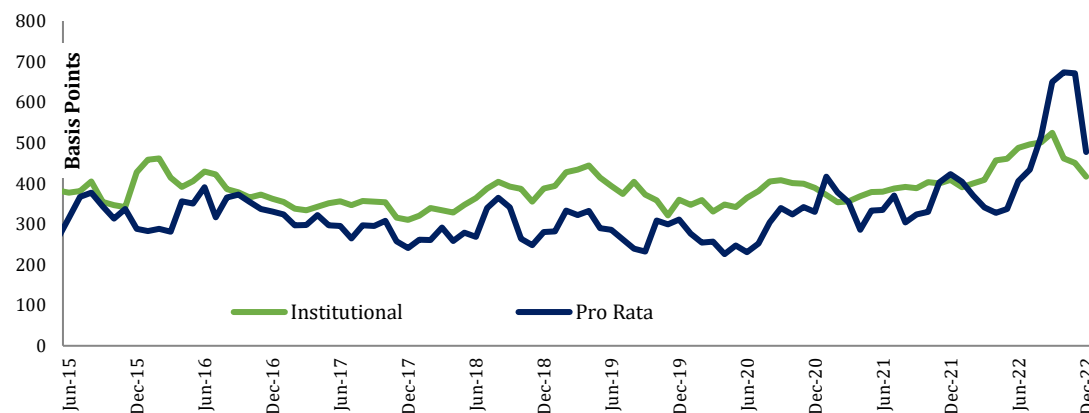
3.1 European Leveraged Loan Issuance By Type



3.2 European Leveraged Loan Issuance by Industry: Q4 2022



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 €10.7 billion on 28 deals in 4Q'22, a 114% increase from €5.0 billion on 20 deals in 3Q'22 and a 73.0% decrease from €39.8 billion on 93 deals in 4Q'21. Developed market Europe issuance accounted for 77.7% of the 4Q'22 issuance (€8.3 billion on 21 deals) while the rest (€2.4 billion on 7 deals) was issued by Emerging market Europe firms.

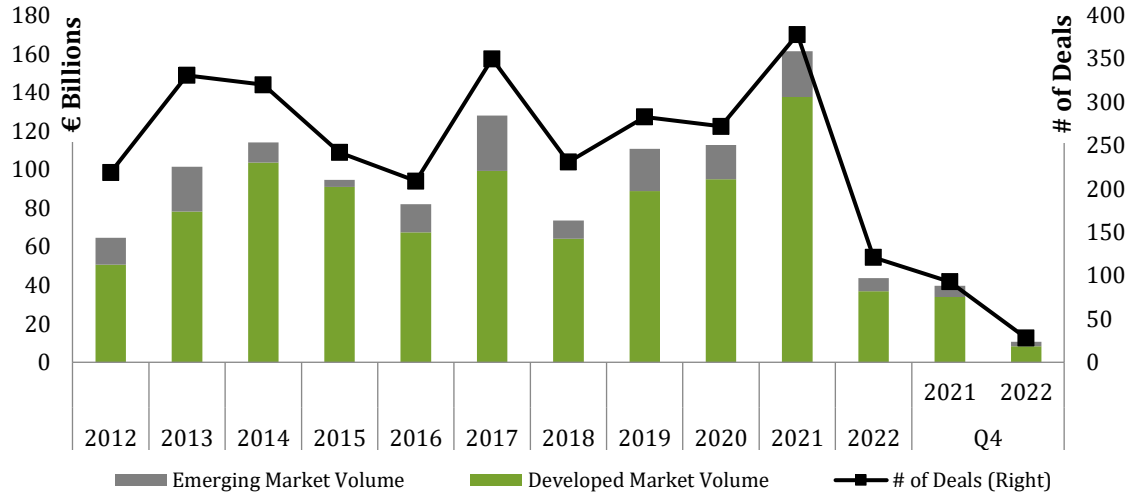
The leading use of proceeds for high yield bond issuance in 4Q'22 was general corporate purposes, at €6.5 billion, which was higher than €3.1 billion in 3Q'22 but lower than €13.2 billion in 4Q'21.

Three sectors accounted for 66.6% of the total high yield bond issuance volume in 4Q'22 in developed market Europe: the Finance sector led issuance with €2.3 billion (27.1% of total), followed by Auto/Truck with €2.21 billion (26.5% of total), and Forestry & Paper with €1.08 billion (13.0% of total). In Emerging Market Europe, the only sector was Finance (€2.4 billion or 100% of total).

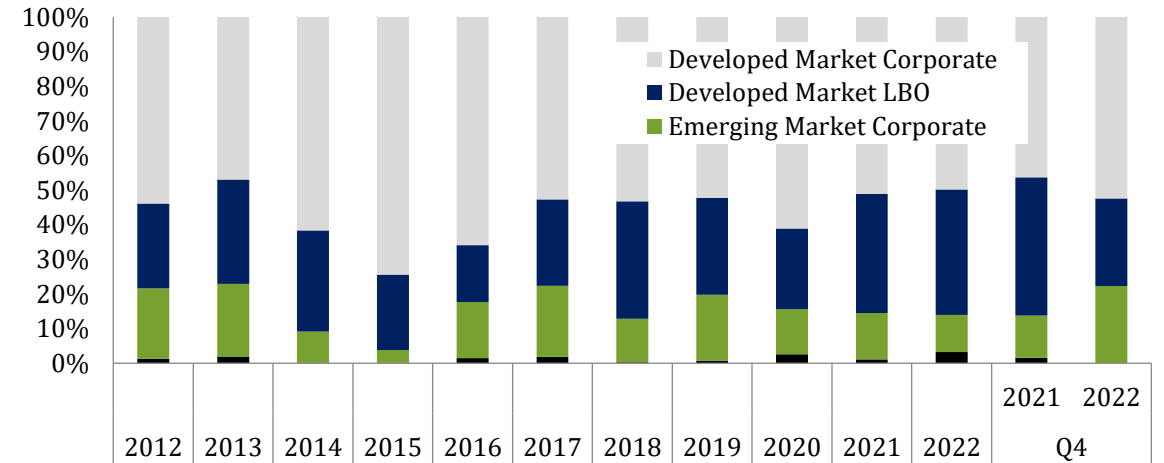
The proportion of USD-denominated issuance decreased to 5.2% of all issuance in 4Q'22, down from 9.3% in 3Q'22 and from 28.8% in 4Q'21.

High Yield Bonds Overview

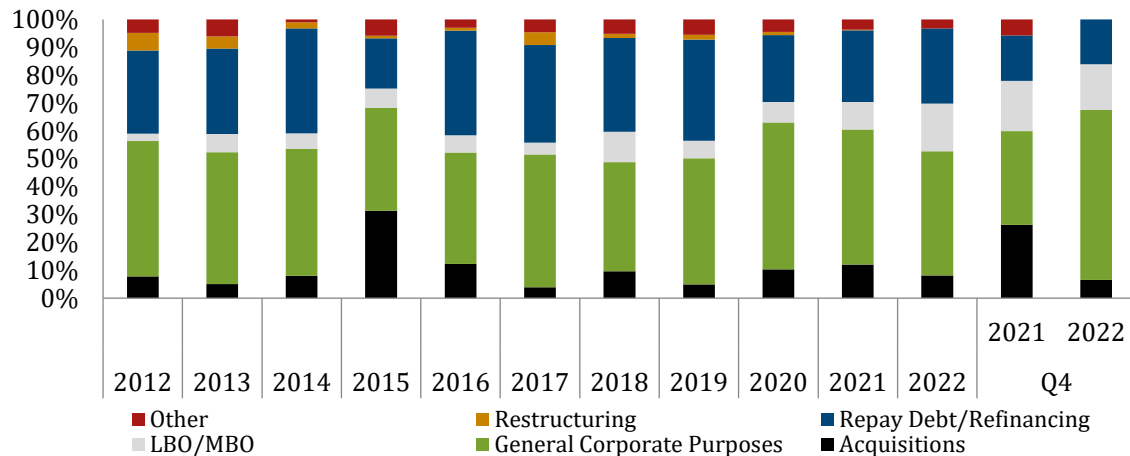
4.1 European HY Issuance, Developed and Emerging Markets



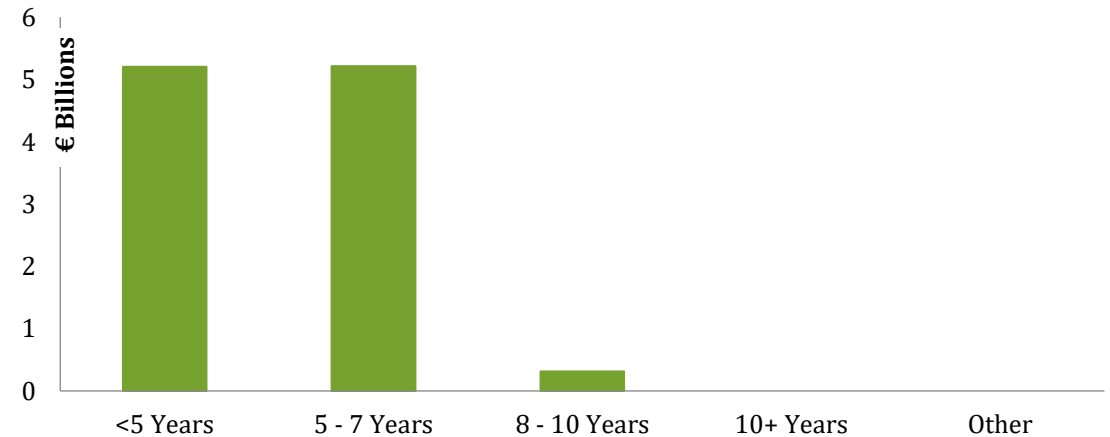
4.2 European HY Issuance, Sponsored vs Corporate



4.3 European HY Issuance, Use of Proceeds



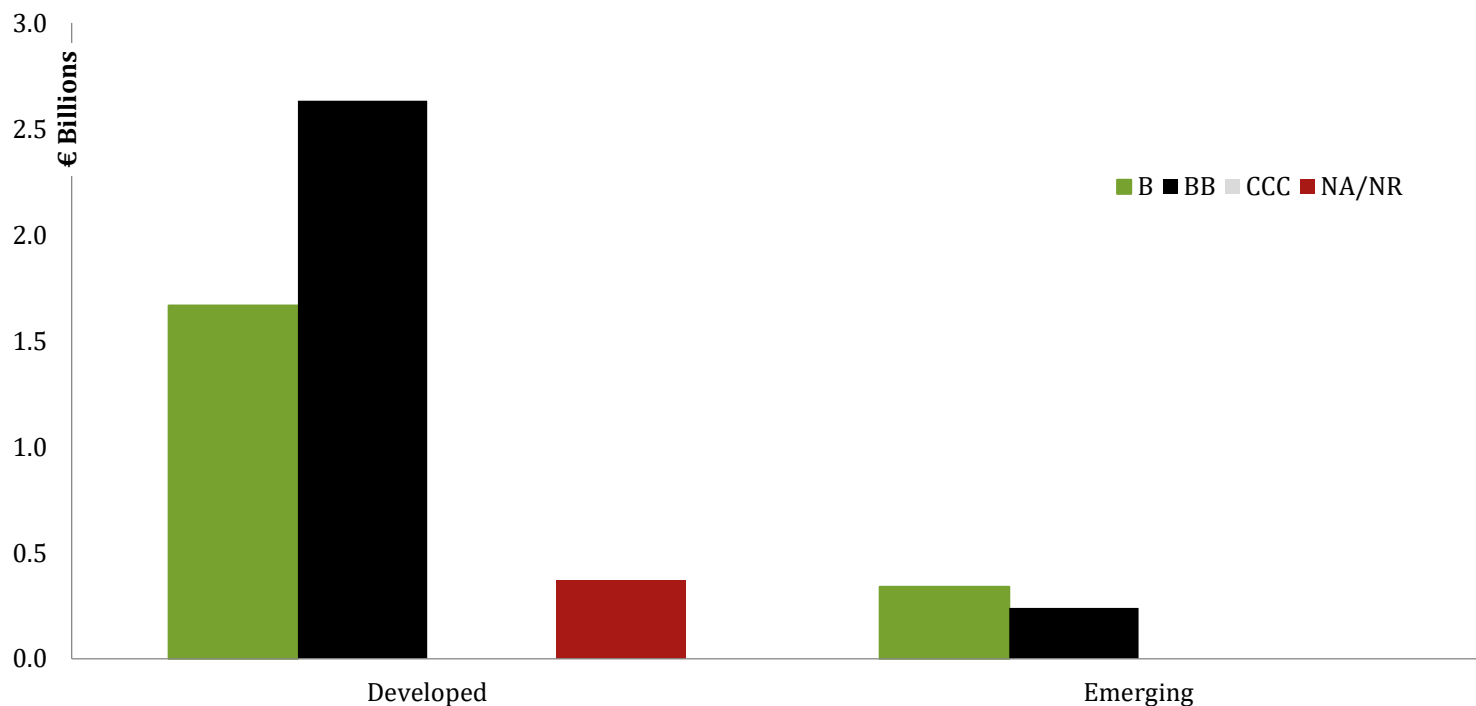
4.4 European HY Bond Issuance by Tenor: Q4 2022



Source: Dealogic

High Yield Bonds Overview

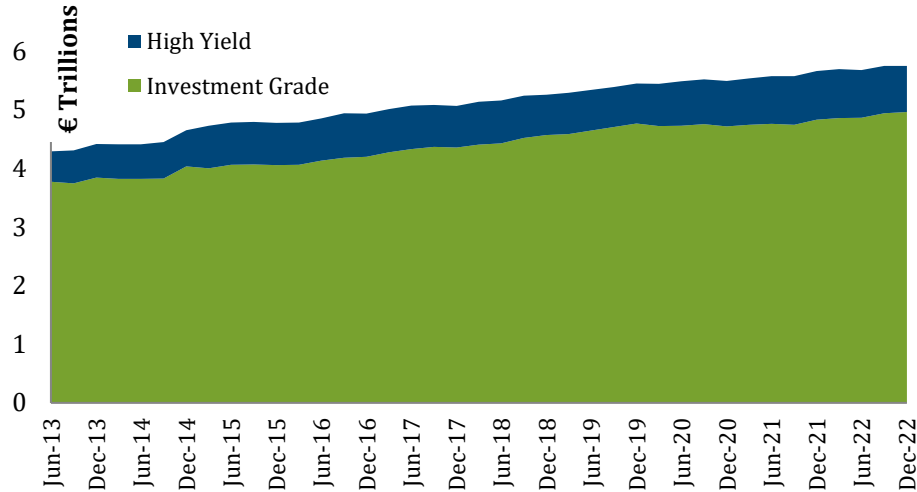
4.5 European High Yield Issuance by Rating: Q4 2022



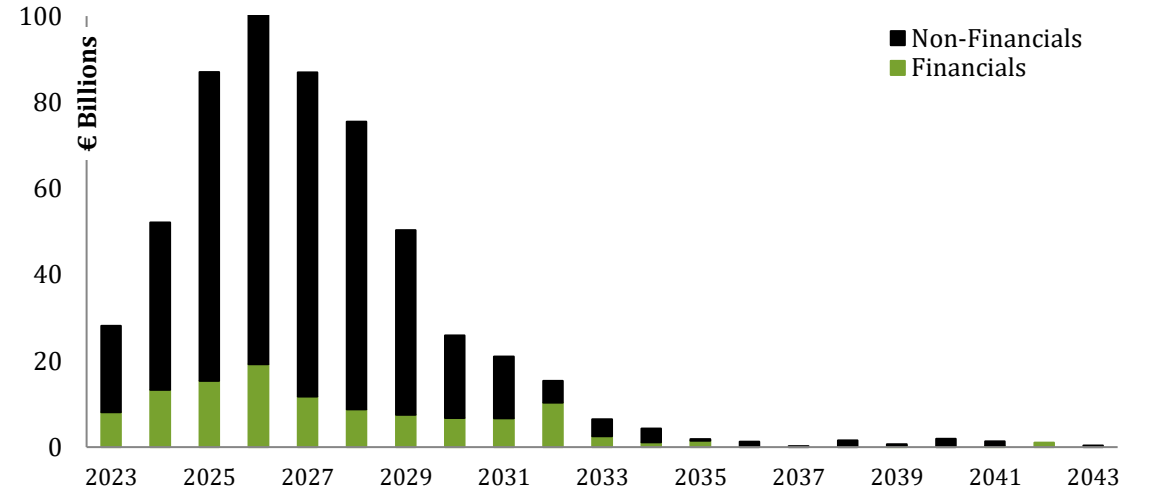
*Corporate Bond Issuance denotes corporate and sponsored bonds, excluding government bonds.

High Yield Bonds Overview

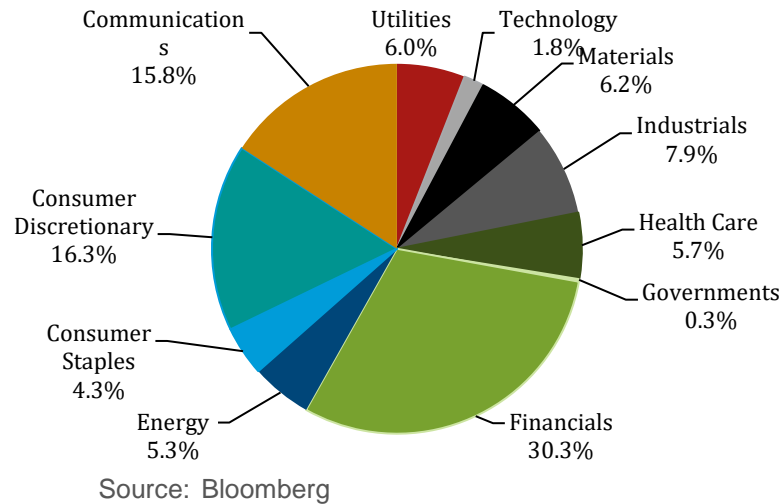
4.6 European Corporate Bonds Outstanding



4.7 European Corporate HY Bonds Maturity Wall

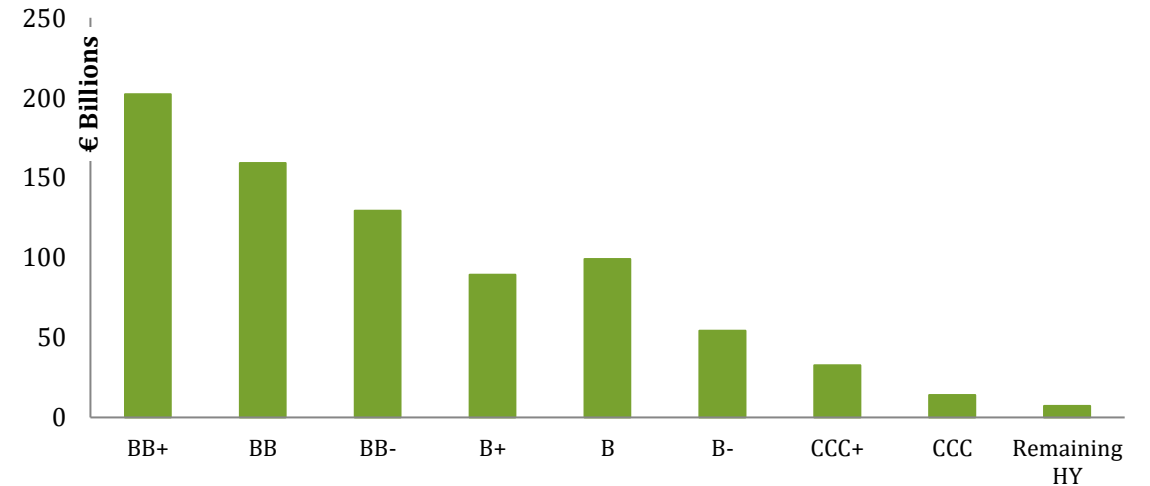


4.8 European Corporate HY Bonds Outstanding by Sector



Source: Bloomberg

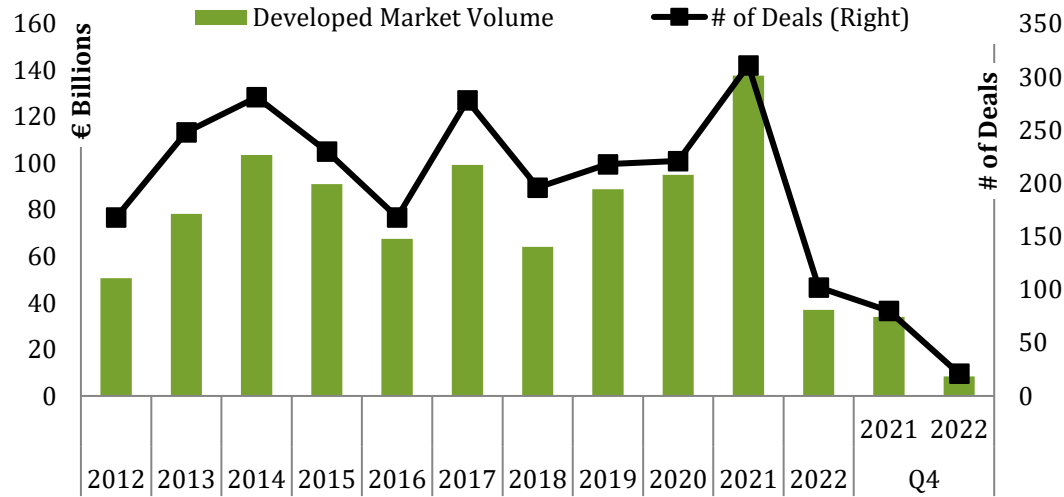
4.9 European Corporate HY Bonds Outstanding by Current Rating



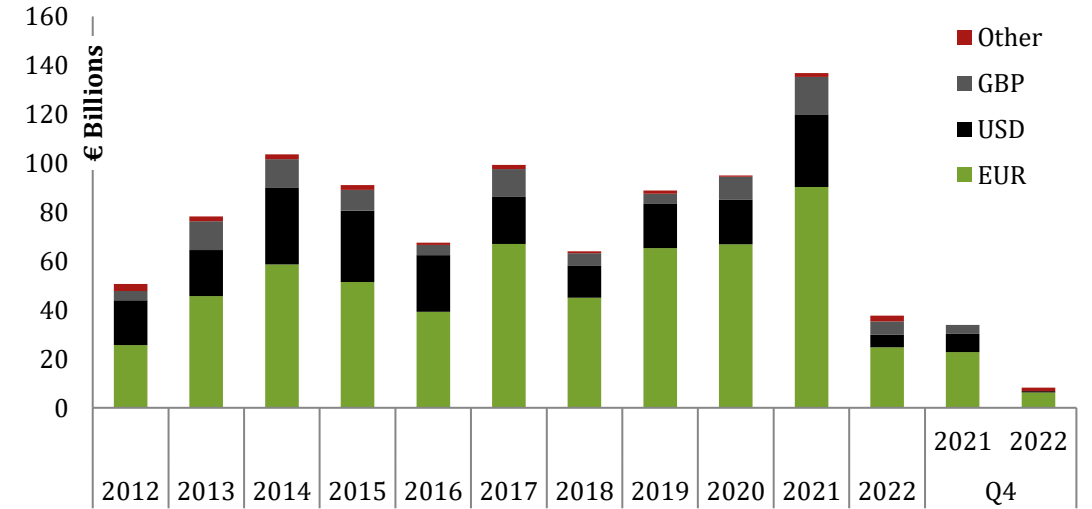
European Developed Market High Yield Bonds

Developed Market High Yield Bonds

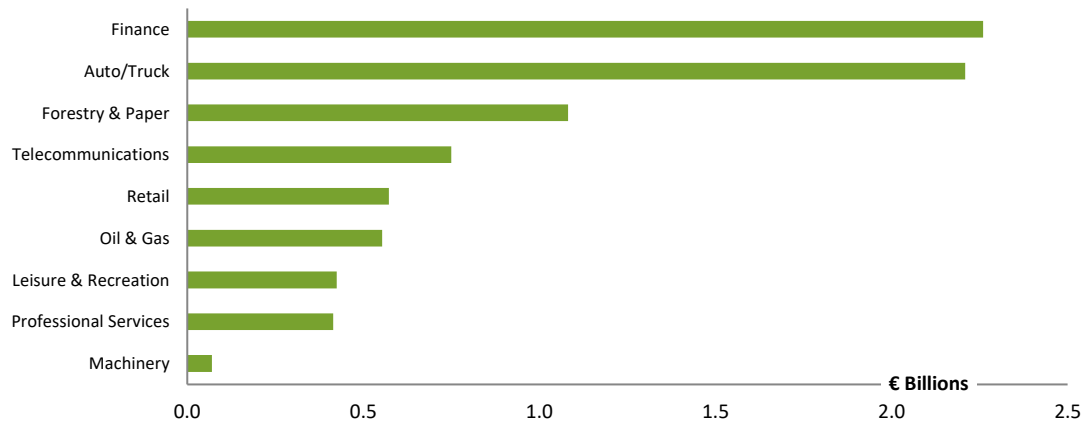
5.1 European Developed Market HY Bond Issuance



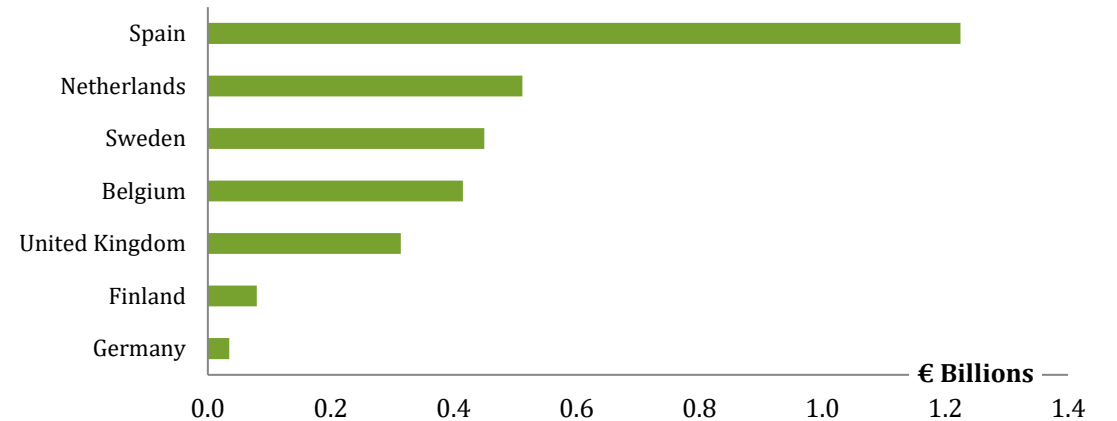
5.2 European Developed Market HY Issuance by Currency



5.3 European Developed Market HY Issuance by Industry: Q4 2022



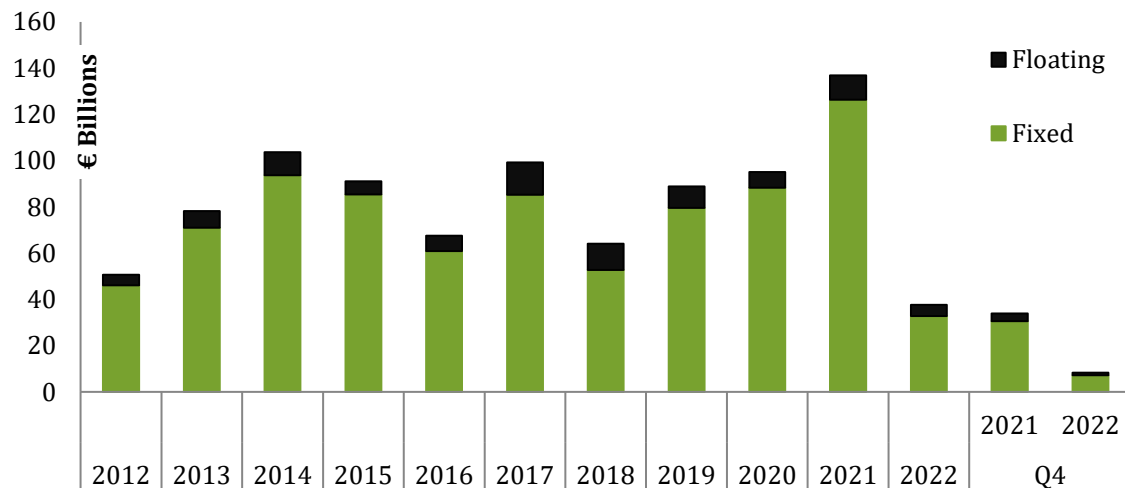
5.4 European Developed Market HY Issuance by Country of Risk: Q4 2022



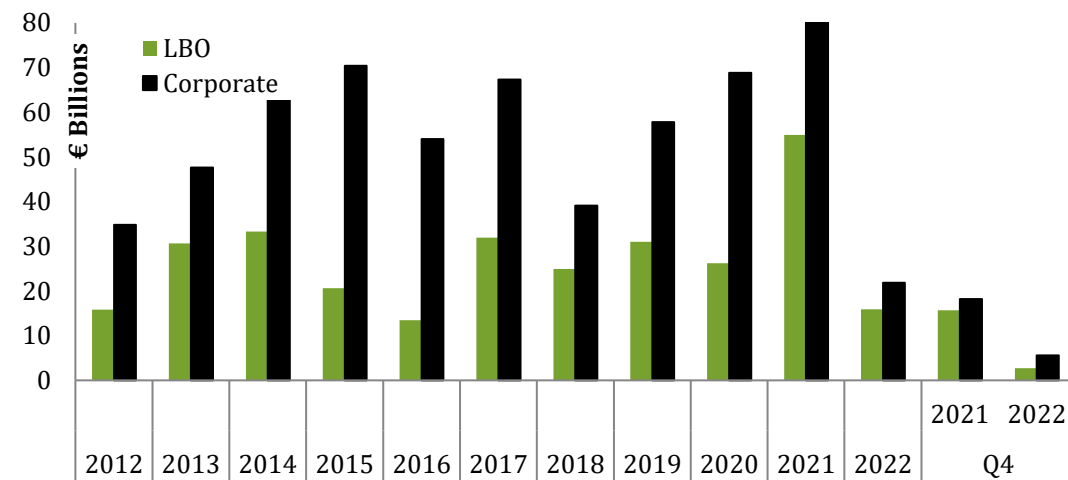
Source: Dealogic

Developed Market High Yield Bonds

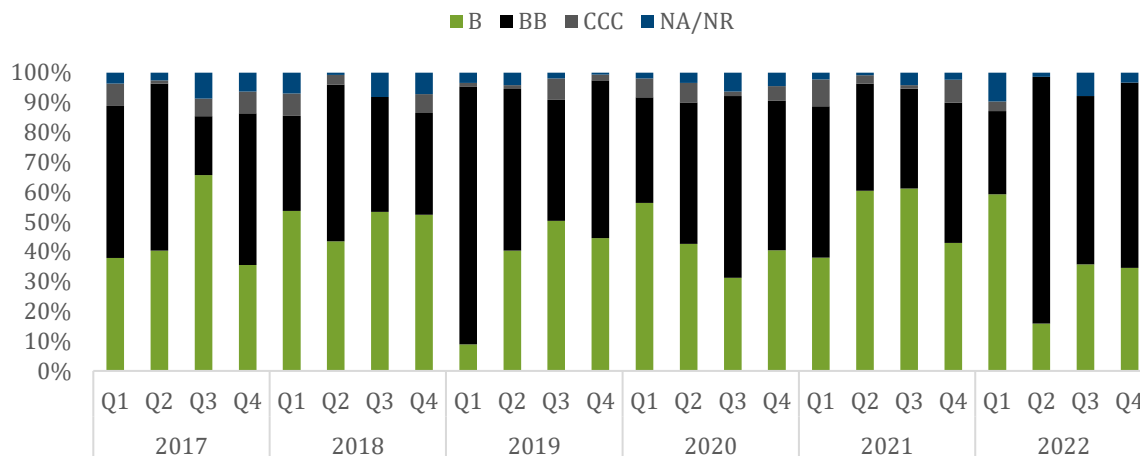
5.5 European Developed Market HY Issuance, Fixed vs. Floating



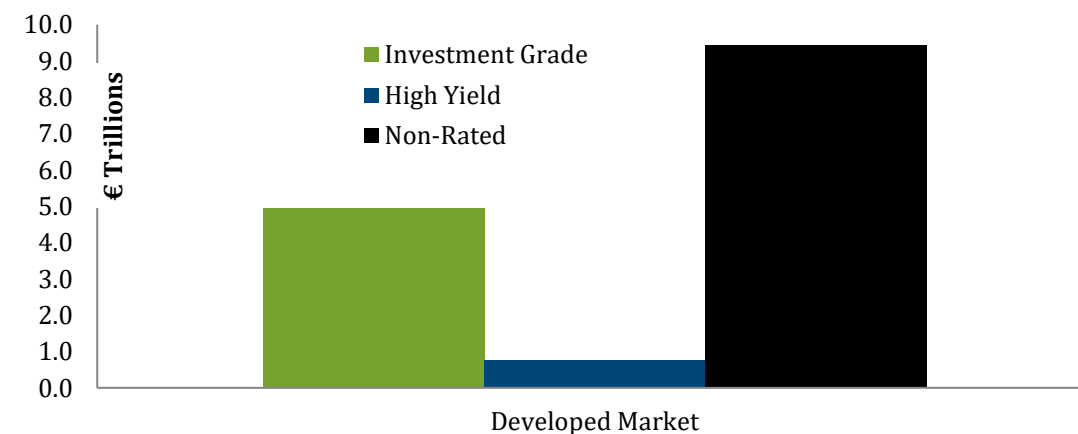
5.6 European Developed Market HY Issuance, Sponsored vs. Corporate



5.7 European Developed Market HY Rating Distribution at Issuance



5.8 European Developed Market Corporate Bonds Outstanding: Q4 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	B1	B+	BB
VZ Secured Financing BV	Telecommunications	06/01/2022	US Dollar	1.35	5	B1	B+	BB
Tereos Finance Groupe I SA	Food & Beverage	12/01/2022	Euro	0.35	4.75	Nr	B+	B+
BFF Bank SPA	Finance	12/01/2022	Euro	0.15	5.875	B2		
BPER Banca SpA	Finance	18/01/2022	Euro	0.60	3.875	Ba3		BB-
Autostrade per l'Italia SpA	Transportation	18/01/2022	Euro	0.50	1.625	Ba2	BB	BB+
Autostrade per l'Italia SpA	Transportation	18/01/2022	Euro	0.50	2.25	Ba2	BB	BB+
Webuild SpA	Construction/Building	19/01/2022	Euro	0.40	3.875		BB-	BB
CTEC II GmbH	Consumer Products	19/01/2022	Euro	0.47	5.25	Caa2	CCC+	
eDreams ODIGEO SA	Computers & Electronics	19/01/2022	Euro	0.38	5.5	Caa1	CCC+	B-
Cidron Aida Finco Sarl	Healthcare	19/01/2022	Euro	0.18	5	B3	B-	B+
Zenith Finco plc	Finance	20/01/2022	British Pound Sterling	0.57	6.5	B1	B+	
PHM Group Oy	Machinery	24/01/2022	Euro	0.04	4.75	B2	B	B
Spie Batignolles SA	Construction/Building	24/01/2022	Euro	0.15				
Inter Media & Communication SpA	Leisure & Recreation	27/01/2022	Euro	0.42	6.75		B	BB-
Cerdia Finanz GmbH	Chemicals	27/01/2022	US Dollar	0.53	10.5	B3	B-	
Kane Bidco Ltd	Finance	27/01/2022	British Pound Sterling	0.48	6.5	B1	B	
Kane Bidco Ltd	Finance	27/01/2022	Euro	0.36	5	B1	B	
Ren10 Holding AB	Finance	27/01/2022	Euro	0.35	3-mth Euribor +437.5	B2	B	B+
Loxam SAS	Professional Services	01/02/2022	Euro	0.35	4.5		B+	
Fabbrica Italiana Sintetici SpA	Healthcare	03/02/2022	Euro	0.35	5.625	B3	B	B+
Promontoria Holding 264 BV	Transportation	03/02/2022	Euro	0.34	6.375	B3	B	
Promontoria Holding 264 BV	Transportation	03/02/2022	Euro	0.25	3-mth Euribor +612.5	B3	B	
Promontoria Holding 264 BV	Transportation	03/02/2022	US Dollar	0.35	7.875	B3	B	
Lutech SpA	Computers & Electronics	08/02/2022	Euro	0.06	5	B2	B	B
Cerved Group SpA	Professional Services	10/02/2022	Euro	1.05	3-mth Euribor +525	B3	B	B+
Cerved Group SpA	Professional Services	10/02/2022	Euro	0.35	6	B3	B	B+
Market Parent Finco plc	Retail	28/02/2022	British Pound Sterling	1.43	6.75	B3	B-	B+
Blitz F21-433 GmbH	Healthcare	08/03/2022	Euro	0.17	Euribor +725			
Bach Bidco SpA	Professional Services	24/03/2022	Euro	0.07	3-mth Euribor +425	B2	B	
Co-operative Bank Finance plc	Finance	30/03/2022	British Pound Sterling	0.30	6	B1		
Floatel International Ltd	Transportation	31/03/2022	US Dollar	0.01	0.000			
Banco BPM SpA	Finance	05/04/2022	Euro	0.30	7	B3		
Burford Capital Global Finance LLC	Finance	06/04/2022	US Dollar	0.33	6.875	Ba2	BB-	
Heimstaden AB	Real Estate/Property	12/04/2022	Swedish Krona	0.05	3-mth STIBOR +475			

Source: Dealogic

5.9 European Developed Market HY Bond Issuance (continued)

Issuer	Industry Group	Date	Currency	Amount (billion)	Coupon	Moodys	S&P	Fitch
Alerion Clean Power SpA	Utility & Energy	22/04/2022	Euro	0.10	3.25	Nr	NR	NR
EnQuest plc	Oil & Gas	27/04/2022	British Pound Sterling	0.06	9			
EnQuest plc	Oil & Gas	27/04/2022	British Pound Sterling	0.09	9			
Castle UK Finco plc	Real Estate/Property	29/04/2022	Euro	0.47	3-mth Euribor +525	B1	B+	BB-
Castle UK Finco plc	Real Estate/Property	29/04/2022	British Pound Sterling	0.50	7	B1	B+	BB-
Market Bidco Finco plc	Retail	05/05/2022	British Pound Sterling	1.28	5.5	B1	BB-	BB+
Kepler SpA	Healthcare	06/05/2022	Euro	0.35	3-mth Euribor +575	B3	B-	B+
Cedacri Mergeco SpA	Computers & Electronics	09/05/2022	Euro	0.11	3-mth Euribor +462.5	B3	B	B+
Magnolia Bostad AB	Real Estate/Property	12/05/2022	Swedish Krona	0.03	3-mth STIBOR +775			
Dometic Group AB	Consumer Products	12/05/2022	Swedish Krona	0.09	5.1	Nr	NR	NR
Loarre Investments Sarl	Telecommunications	13/05/2022	Euro	0.50	6.5	Ba3		BB
Loarre Investments Sarl	Telecommunications	13/05/2022	Euro	0.35	3-mth Euribor +500	Ba3		BB
Elis SA	Professional Services	17/05/2022	Euro	0.30	4.125	Ba2	BB+	
BPER Banca SpA	Finance	18/05/2022	Euro	0.50	3.375	Ba3		BB+
Volvo Car AB	Auto/Truck	24/05/2022	Euro	0.50	4.25	Ba1	BB+	
Photon Energy NV	Utility & Energy	27/05/2022	Euro	0.01	6.5			
Market Bidco Finco plc	Retail	30/05/2022	Euro	0.55	4.75		B+	BB+
Ardagh Metal Packaging Finance plc	Metal & Steel	01/06/2022	US Dollar	0.56	6	Ba2	BB	BB
Huhtamaki Oyj	Forestry & Paper	01/06/2022	Euro	0.50	4.25		BB+	
Ibercaja Banco SAU	Finance	08/06/2022	Euro	0.50	3.75		BB+	BB+
Preem Holdings AB (publ)	Oil & Gas	14/06/2022	Euro	0.34	12	B3	B+	
Safari Holding Verwaltungs GmbH	Leisure & Recreation	15/06/2022	Euro	0.25	7.75	Caa2	CCC+	
BPER Banca SpA	Finance	21/06/2022	Euro	0.30	4.625	Ba3		BB+
LSF XI Magpie Bidco BV	Chemicals	22/06/2022	Euro	0.35	7.25	B3	B	
Permanent tsb Group Holdings plc	Finance	23/06/2022	Euro	0.30		5.25 Ba1	BB-	
Renault	Auto/Truck	24/06/2022	Japanese Yen	0.57		3.50		
Credito Emiliano	Finance	29/06/2022	Euro	0.20		7.63 Ba1		
Humble Group AB	Food & Beverage	29/06/2022	Swedish Krona	0.02	3-mth STIBOR +825			
PrestigeBidCo GmbH	Textile	14/07/2022	Euro	0.32	3-mth Euribor +600 B1		B+	
PrestigeBidCo GmbH	Textile	21/07/2022	Euro	0.04	3-mth Euribor +600 B1		B+	
Humble Group AB	Food & Beverage	12/08/2022	Swedish Krona	0.00	3-mth STIBOR +825			
Bank of Ireland	Finance	30/08/2022	British Pound Sterling	0.35	7.594	Baa2	BB	BB+
Banco BPM SpA	Finance	06/09/2022	Euro	0.50	6	Ba2		BB+
Banca Popolare dell'Alto Adige SpA	Finance	07/09/2022	Euro	0.07	9			BB-

Source: Dealogic

Developed Market High Yield Bonds

5.9 European Developed Market HY Bond Issuance (continued)

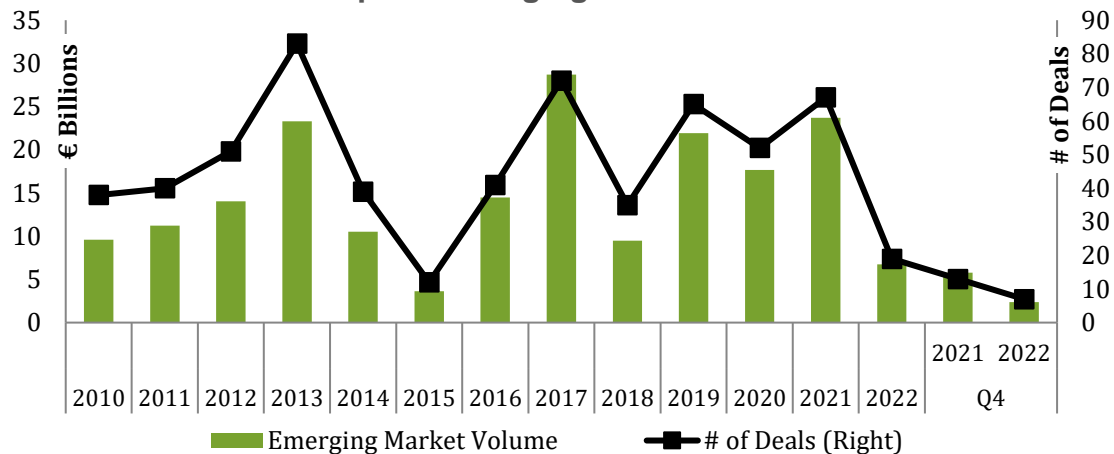
Issuer	Industry Group	Date	Currency	Amount (billion)	Coupon	Moody's	S&P	Fitch
Schletter International BV	Computers & Electronics	08/09/2022	Euro	0.02	12			
Schletter International BV	Computers & Electronics	08/09/2022	Euro	0.05	3-mth Euribor +675			
ICCREA Banca SpA	Finance	12/09/2022	Euro	0.35	6.375		BB	BB-
Intesa Sanpaolo SpA	Finance	12/09/2022	British Pound Sterling	0.46	8.505	Ba1	BB+	BB+
BPER Banca SpA	Finance	13/09/2022	Euro	0.40	8.625	Ba2		BB-
Banco de Credito Social Cooperativo - BCC	Finance	13/09/2022	Euro	0.50	8		BB	
Photon Energy NV	Utility & Energy	13/09/2022	Euro	0.03	6.5			
Lottomatica SpA	Leisure & Recreation	15/09/2022	Euro	0.35	9.75	B1	B	
					3-mth Nibor (Norway)			
Benchmark Holdings plc	Healthcare	16/09/2022	Norwegian Krone	0.07	+650			
R-Logitech SAM	Transportation	23/09/2022	Euro	0.20	10.25			
Verisure Holding AB	Professional Services	26/09/2022	Euro	0.50	9.25	B1	B	
NES Fircroft Bondco AS	Professional Services	29/09/2022	US Dollar	0.47	11.75	B2	B	
Tendam Retail SA	Retail	05/10/2022	Euro	0.30	3-mth Euribor +750	B2	B+	
EnQuest plc	Oil & Gas	12/10/2022	US Dollar	0.31	11.625	B3	B+	
Fiber Bidco SpA	Forestry & Paper	14/10/2022	Euro	0.30	11	B2	B	B+
Fiber Bidco SpA	Forestry & Paper	14/10/2022	Euro	0.58	3-mth Euribor +600	B2	B	B+
Fiber Bidco SpA	Forestry & Paper	14/10/2022	Euro	0.15			B	
Cirsa Finance International SARL	Leisure & Recreation	26/10/2022	Euro	0.43	10.35	B3	B-	
Hunkemoeller International BV	Retail	27/10/2022	Euro	0.27	9	B3	B-	
Bluewater Holding BV	Oil & Gas	28/10/2022	US Dollar	0.24	12			
Fiber Bidco SpA	Forestry & Paper	31/10/2022	Euro	0.06	11	B2	B	BB-
Faurecia SE	Auto/Truck	07/11/2022	Euro	0.70	7.25	Ba2	BB	BB+
Unicaja Banco SA	Finance	08/11/2022	Euro	0.50	7.25			BB+
Banco BPM SpA	Finance	14/11/2022	Euro	0.50	6	Ba2		BB+
Booster Precision Components GmbH	Auto/Truck	25/11/2022	Euro	0.04	3-mth Euribor +900			
BPER Banca SpA	Finance	01/12/2022	Euro	0.50	6.125	Ba1		BB
Illimity Bank SpA	Finance	01/12/2022	Euro	0.30	6.625			BB-
Renault	Auto/Truck	02/12/2022	Japanese Yen	1.47	2.8			
Iliad SA	Telecommunications	05/12/2022	Euro	0.75	5.375	Ba2	BB	BB
Intrum AB	Finance	07/12/2022	Euro	0.45	9.25	Ba3	BB	BB
PHM Group Oy	Machinery	09/12/2022	Euro	0.07	3-mth Euribor +750	B2	B	
Villa Dutch Bidco BV	Professional Services	13/12/2022	Euro	0.42	9	B2	B	
Central Bank of Savings Banks Finland plc	Finance	22/12/2022	Euro	0.01	4.6			

Source: Dealogic

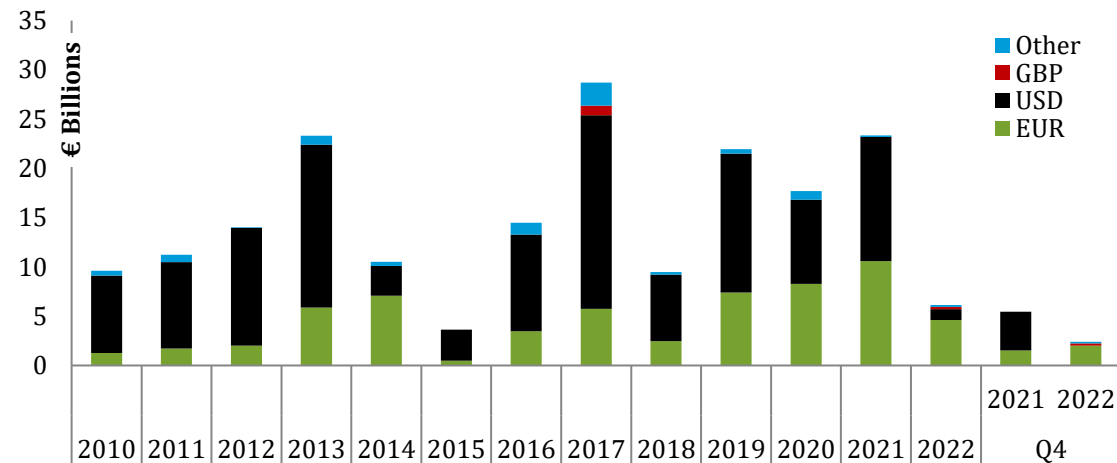
European Emerging Market High Yield Bonds

Emerging Market High Yield Bonds

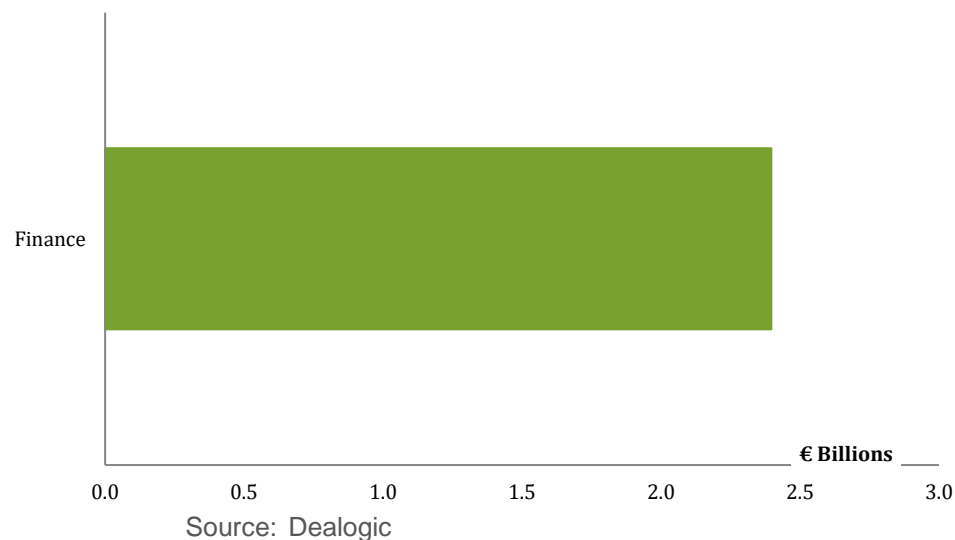
6.1 European Emerging Market HY Bond Issuance



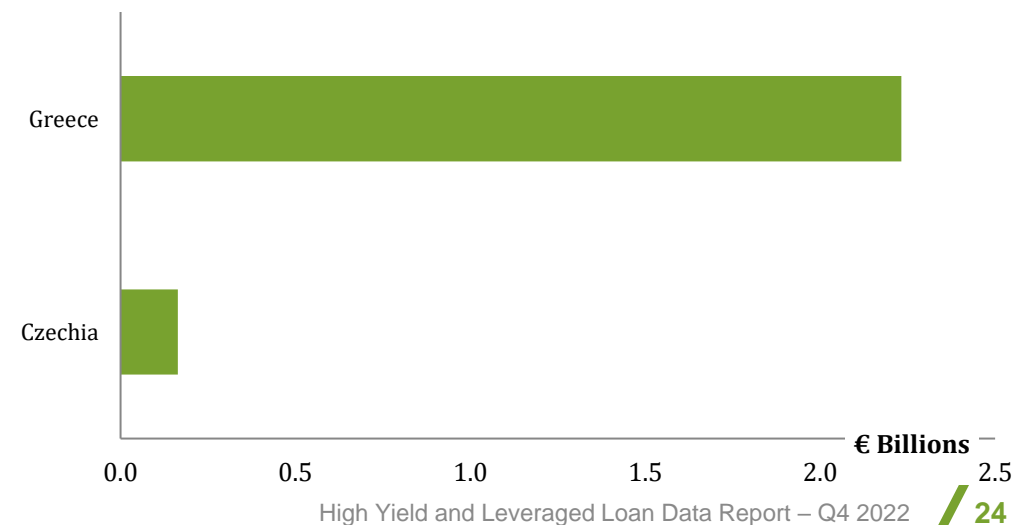
6.2 European Emerging Market HY Issuance by Currency



6.3 European Emerging Market HY Issuance by Industry: Q4 2022

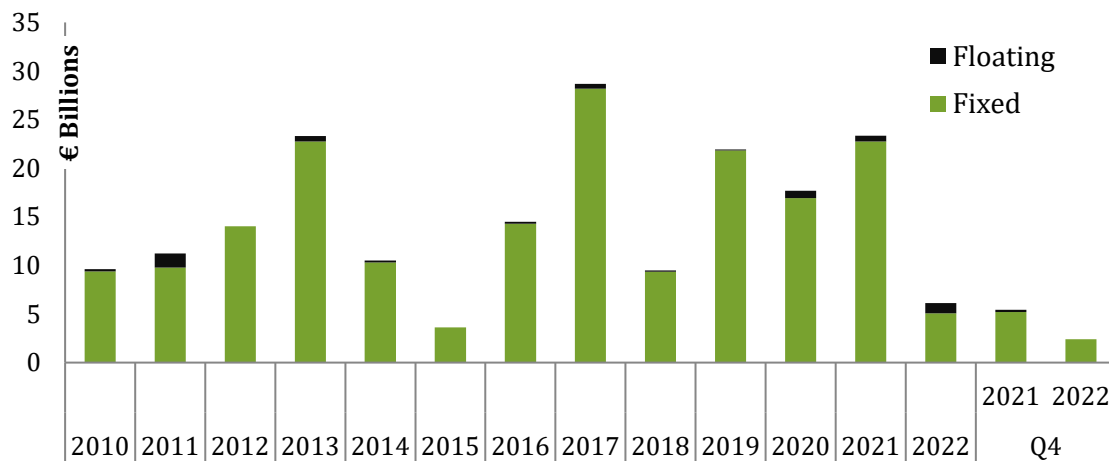


6.4 European Emerging Market HY Issuance by Country of Risk: Q4 2022

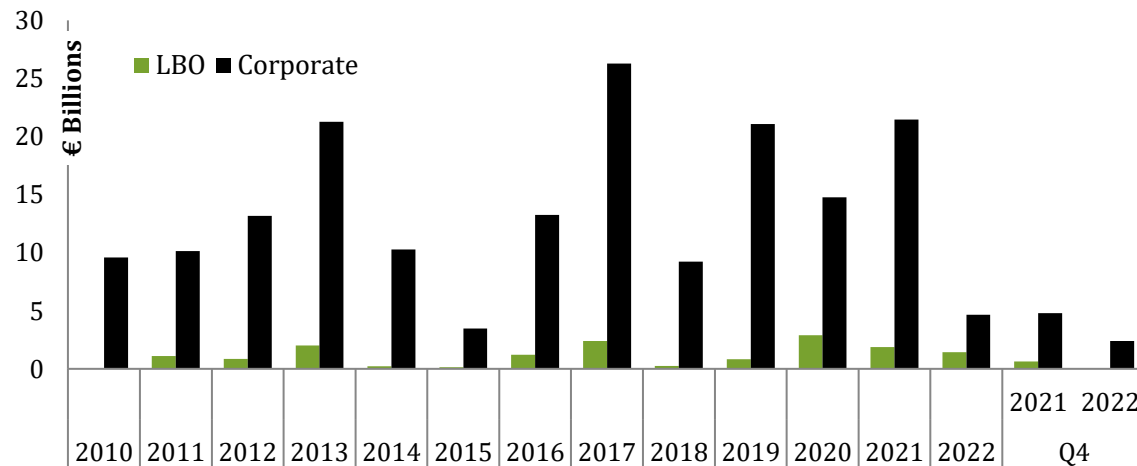


Emerging Market High Yield Bonds

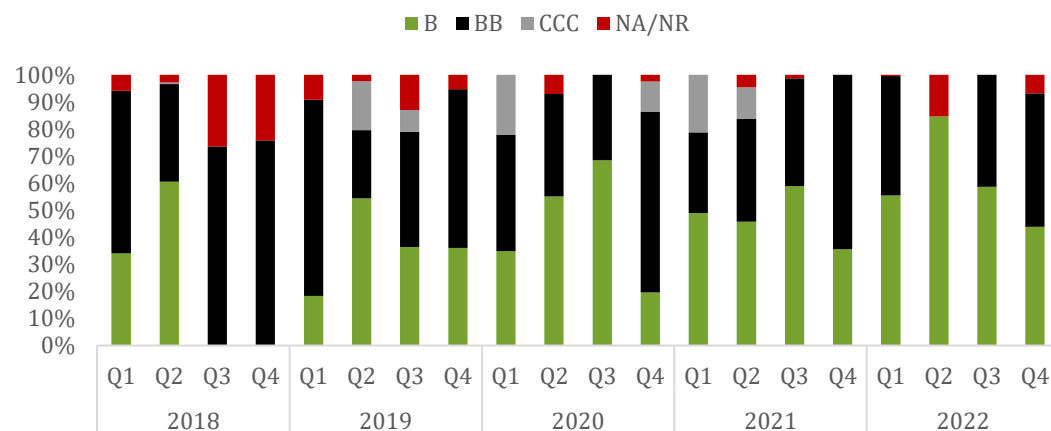
6.5 European Emerging Market HY Issuance, Fixed vs. Floating



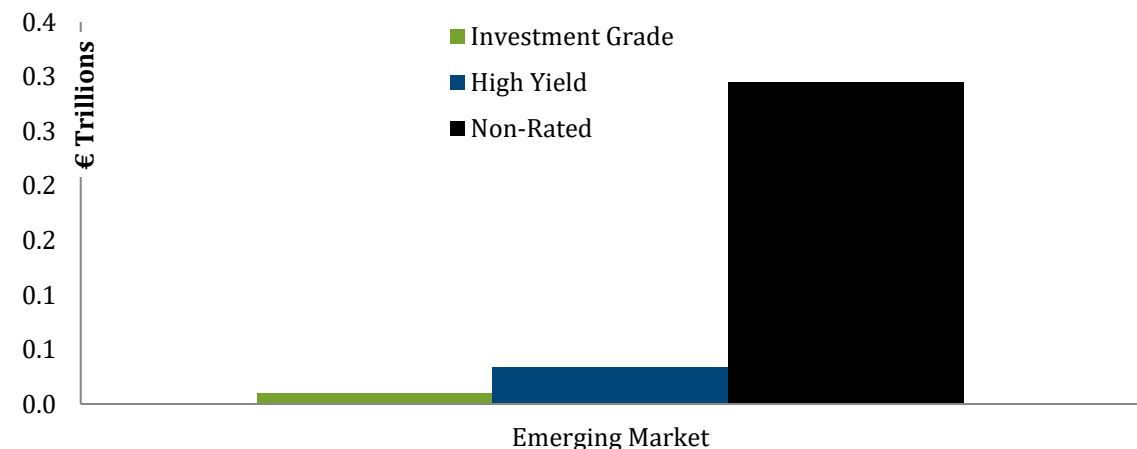
6.6 European Emerging Market HY Issuance, Sponsored vs. Corporate



6.7 European Emerging Market HY Rating Distribution at Issuance



6.8 European Emerging Market Corporate Bonds Outstanding: Q4 2022



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

6.9 European Emerging Market HY Bond Issuance

Issuer	Industry Group	Date	Currency	Amount (Millions)	Coupon	Moody's	S&P	Fitch
United Group BV	Telecommunications	13/01/2022	Euro	0.50	5.25	B2	B	
United Group BV	Telecommunications	13/01/2022	Euro	0.48	3-mth Euribor +487.5	B2	B	
VistaJet Malta Finance plc	Transportation	20/01/2022	US Dollar	0.88	6.38	Caa1	B-	BB-
Gaming Innovation Group Ltd	Computers & Electronics	26/01/2022	Swedish Krona	0.01	3-mth STIBOR +850			
Energo-Pro AS	Utility & Energy	28/01/2022	US Dollar	0.39	8.50		B+	BB-
Sazka Group as	Leisure & Recreation	02/02/2022	Euro	0.20	3.88		BB-	BB-
Sazka Group as	Leisure & Recreation	02/02/2022	Euro	0.40	3-mth Euribor +412.5		BB-	BB-
VistaJet Malta Finance plc	Transportation	20/04/2022	US Dollar	0	7.88	Caa1	B-	BB-
Eurobank SA	Finance	31/05/2022	Euro	1	4.38	B1	B+	B+
Media & Games Invest plc	Finance	09/06/2022	Euro	0.18	3-mth Euribor +625			
Maxima Grupe UAB	Retail	01/07/2022	Euro	0.24	6.250		BB+	
Hellenic Bank pcl	Finance	13/07/2022	Euro	0.10	9.000	B3		B
Alpha Services & Holdings SA	Finance	21/10/2022	Euro	0.40	7.000	B2	B+	
National Bank of Greece	Finance	15/11/2022	Euro	0.50	7.250	Ba3	B+	
Piraeus Financial Holdings SA	Finance	17/11/2022	Euro	0.35	8.250	B1	B	
Raiffeisenbank as	Finance	23/11/2022	Czech Koruna	0.16	8.270			
National Bank of Greece	Finance	25/11/2022	British Pound Sterling	0.23	8.750	Ba3	B+	
Eurobank Holdings	Finance	29/11/2022	Euro	0.30	10.000	B2		B-
Alpha Bank AE	Finance	06/12/2022	Euro	0.45	7.500	Ba3	B+	

Source: Dealogic

Credit Quality

Credit Quality

S&P reported the trailing 12-month speculative-grade bond default rate at 2.2% in December 2022, an increase from 1.8% in December 2021. Moody's reported the speculative-grade default rate at 2.8% in December 2022, up from 1.2% in December 2021.

There were 7 bond defaults reported in the 4Q'22 by Standard and Poor's and Moody's. The reasons were distressed exchange (for 4 of them), missed principal payments (for 2 of them) and bankruptcy (for 1 of them).

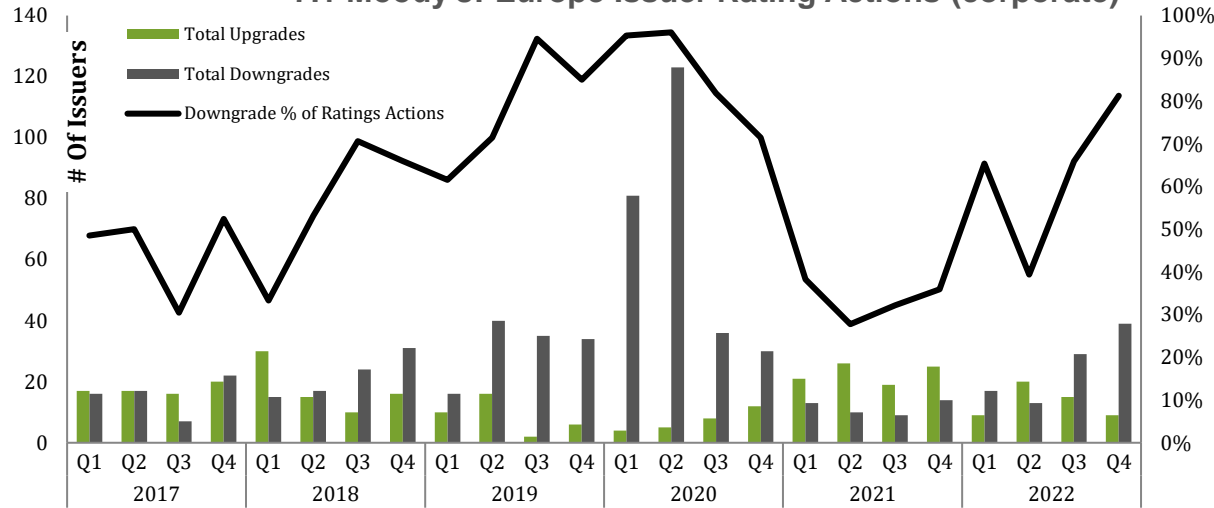
According to Moody's, in 4Q'22 downgrades exceeded upgrades in Europe (39 downgrades to 9 upgrades), a worse ratio than 29 downgrades to 15 upgrades in 3Q'21.

Reorg saw a rise in successful investor pushback for European High yield bonds in 2022 as lenders pushed for greater protections in their documentation against the backdrop of a bleak financial outlook.

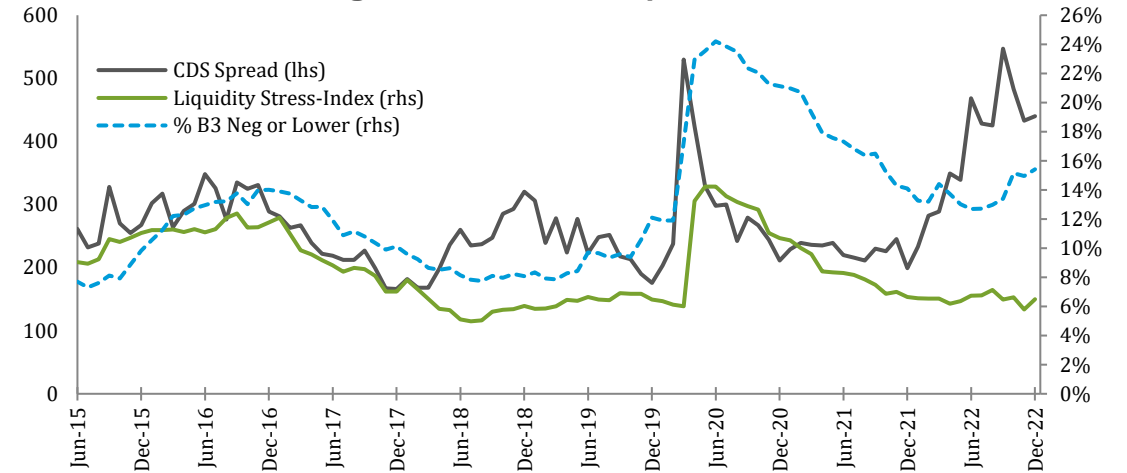
Fitch reported an increase in European Leveraged Loan default rates (by value) to 0.6% in December 2022 from 0.4% in June 2022.

According to Reorg, nearly all the European leveraged loan deals examined in 22 were covenant-lite.

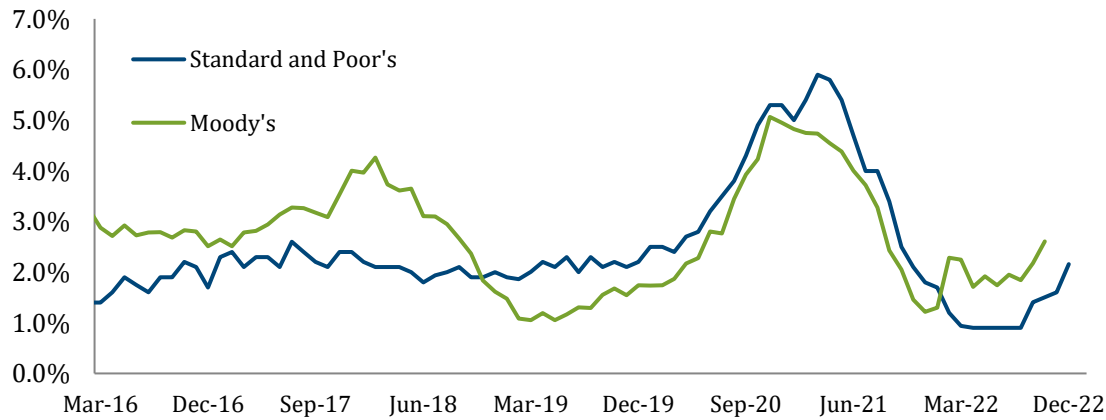
7.1 Moody's: Europe Issuer Rating Actions (corporate)



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



7.3 European High Yield Default Rates



7.4 Fitch: European Leveraged Loan Default Rates



Source: Moody's [7.1], [7.2] and [7.3], Fitch [7.4], S&P [7.3]

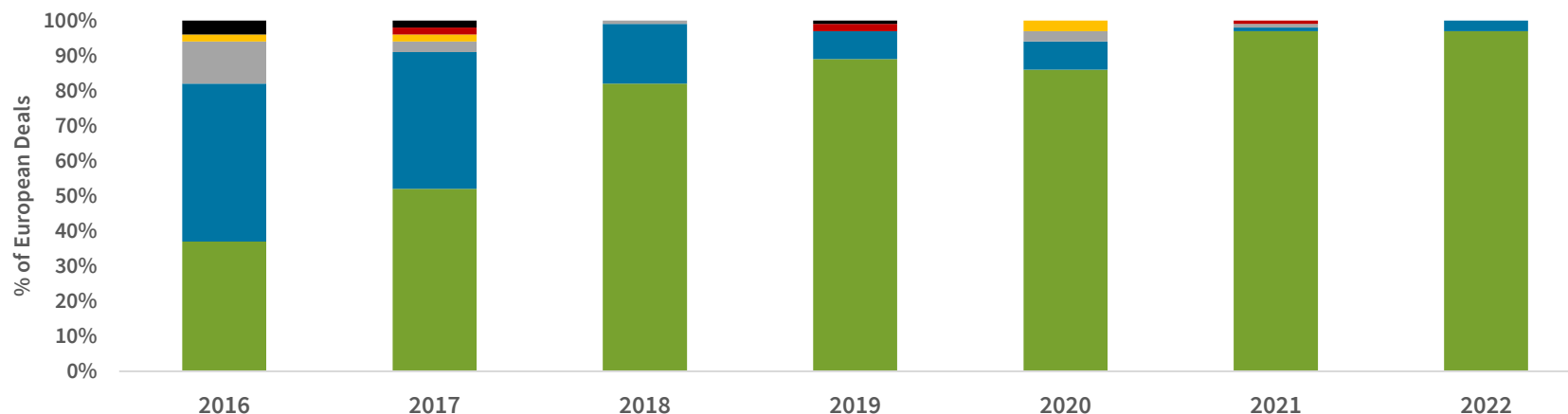
Adjusted includes c and cc* rated issuers as if those had already defaulted.

Issuer	Industry Group	Country	Date	Reported By	Reason
Metalcorp Group S.A.	Metals, mining, and steel	Luxembourg	October 2022	S&P	Missed principal payments
Mitel Networks (International) Ltd	High Technology	U.K.	October 2022	S&P	Distressed exchange
Transocean Ltd.	Oil and gas	Switzerland	October 2022	S&P	Distressed exchange
Turkiston Bank	Financial institutions	Uzbekistan	October 2022	S&P	Bankruptcy
Missouri TopCo Ltd.	Retail/Clothing and homewares	U.K.	October 2022	Moody's	Distressed exchange
CORESTATE Capital Holding S.A.	Financial institutions	Luxembourg	November 2022	S&P	Missed principal and interest payments
L1R HB Finance Ltd	Retail/Restaurants	U.K.	November 2022	S&P, Moody's	Distressed exchange

Source: S&P, Moody's

Credit Quality and European Leveraged Loan Covenants

7.6 Financial Covenant Packages in European Leveraged Loans 2016- 2022



■ Traditional: 3 or 4 Maintenance Financial Covenants

■ No Financial Covenants

■ Cov-loose: Deals with 1 or 2 Maintenance Financial Covenants for benefit of the RCF and deals which are Cov-loose but may change to Cov-lite

■ Cov-loose: 1 or 2 Maintenance Financial Covenants

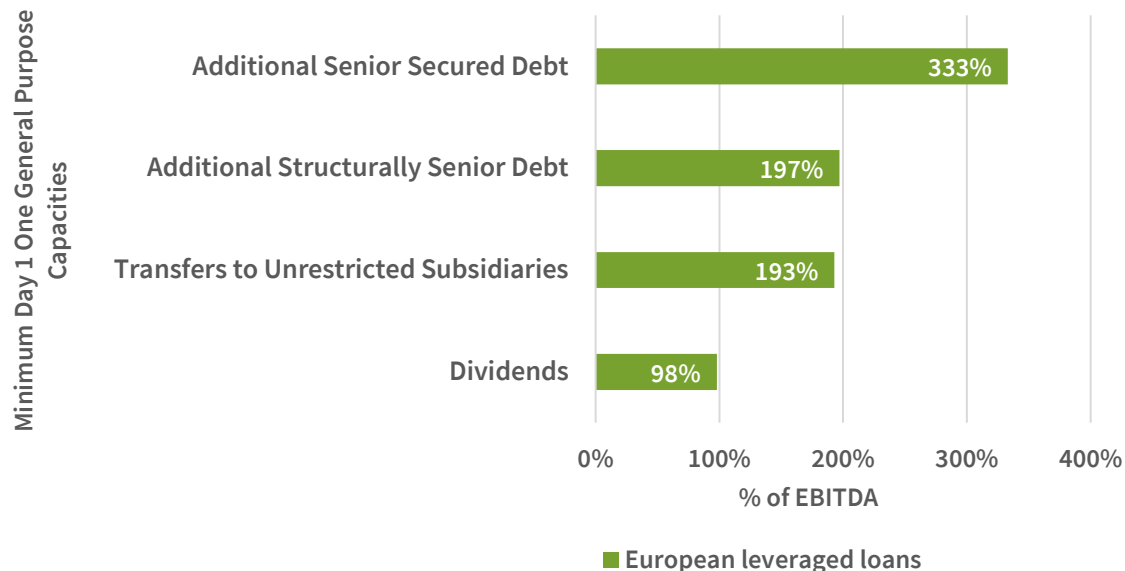
■ Cov-loose: Leverage Maintenance Financial Covenant only

■ Cov-lite: Springing RCF Leverage Maintenance Financial Covenant

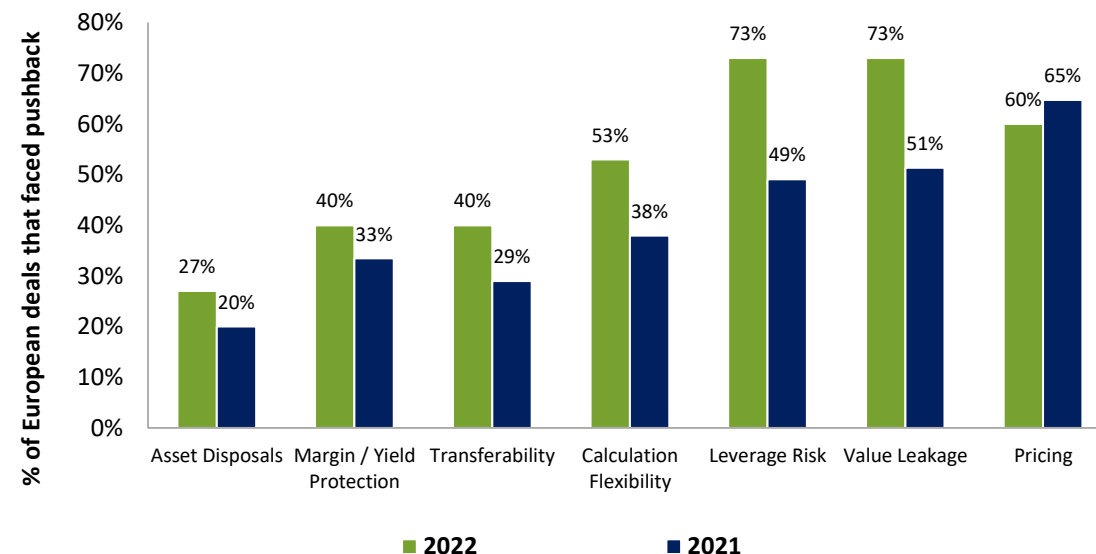
*Figures based on Reorg calculations for European deals

Loan Covenant Trends: Day-1 Capacity and Investor Pushback

7.7 Minimum Day-One Capped Basket Capacity - Europe



7.8 2021 vs. 2022 Areas of Investor Pushback in European Leveraged Loans

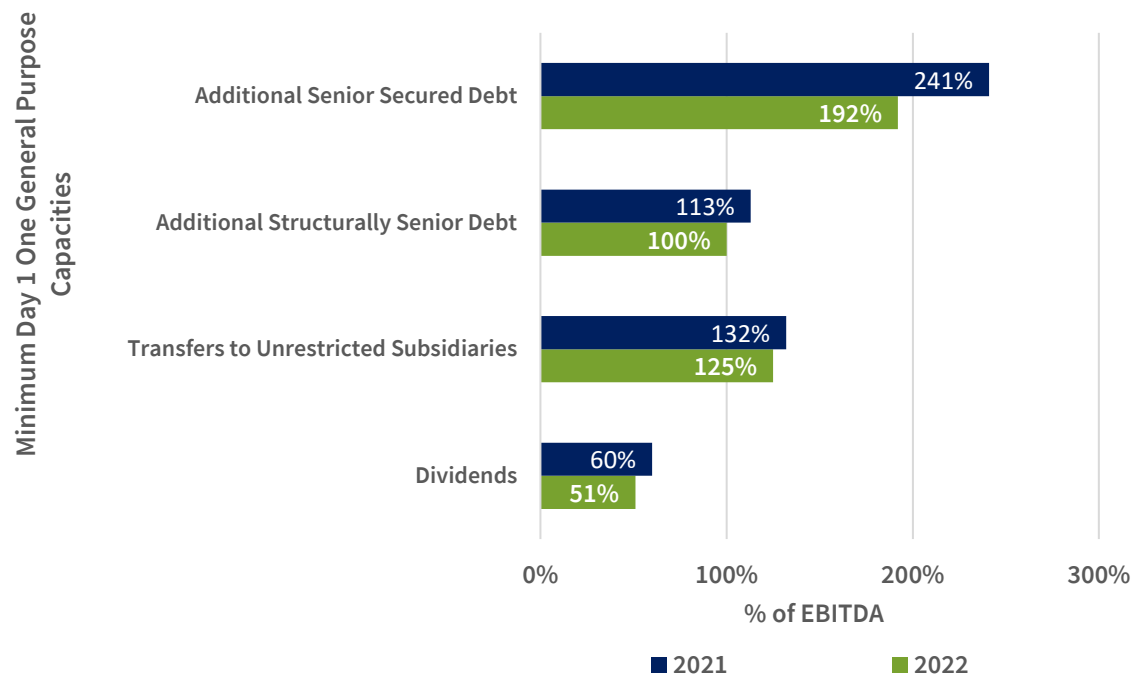


Source: EMEA Covenants by Reorg

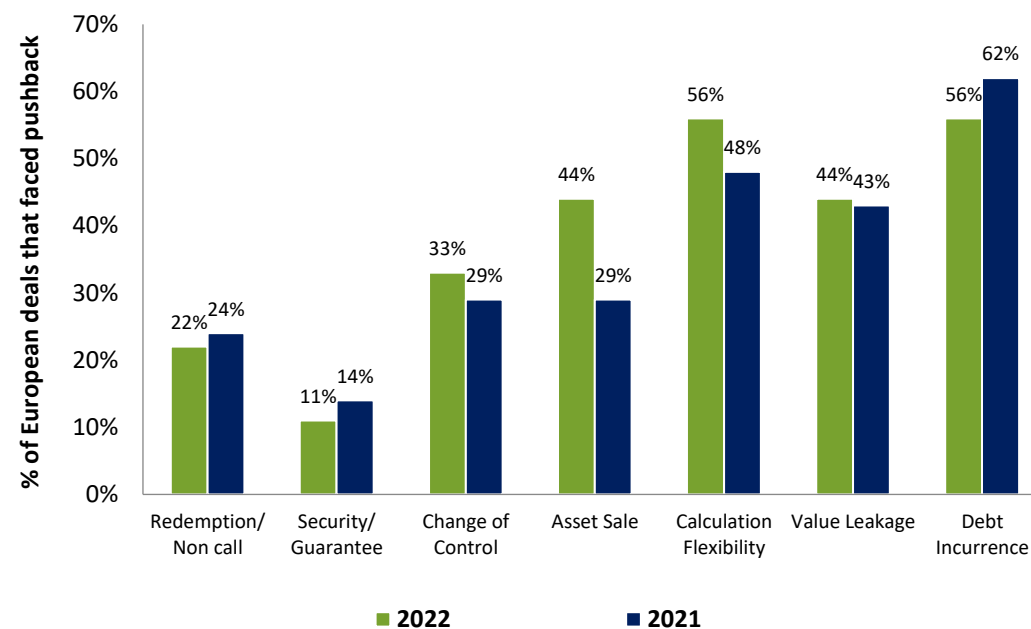
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Figures based on Reorg calculations for European high-yield bonds and leveraged loans (Jan. - Dec. 2022). Figures provide day 1 capacity available at issue aggregating the “general purpose” baskets only (excludes specific purpose baskets). Excludes high-yield lite offerings recorded on Reorg’s proprietary database (Market Maker).

7.9 High Yield: Senior Secured Notes "Day 1" Covenant Capacities



7.10 2021 vs. 2022 Areas of Investor Pushback in European High-Yield Bonds

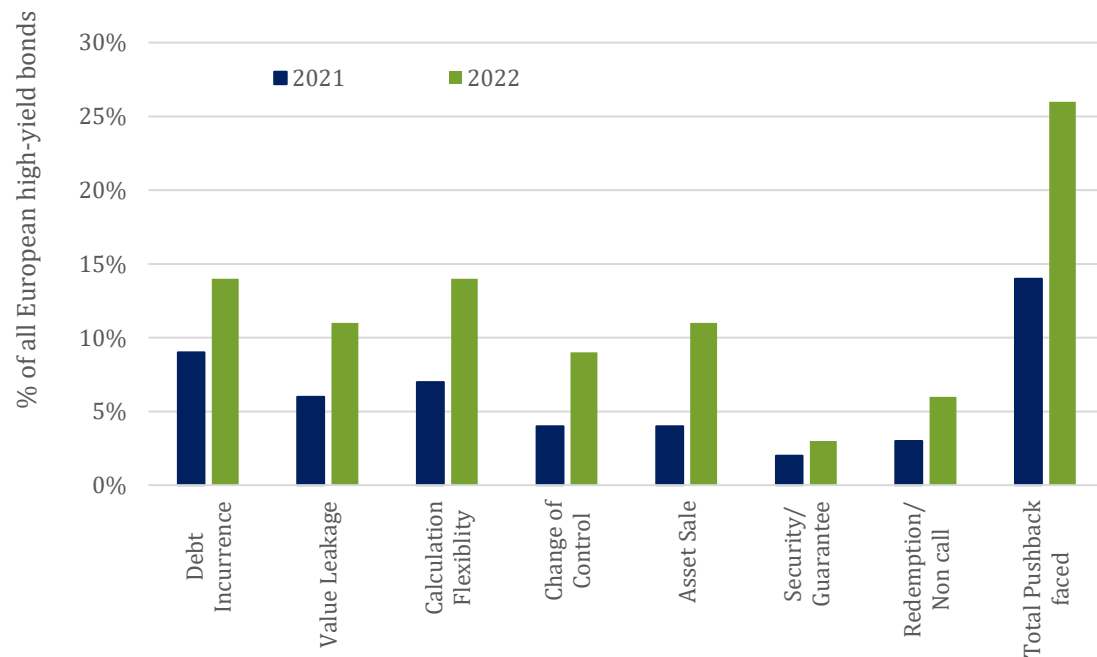


Source: EMEA Covenants by Reorg

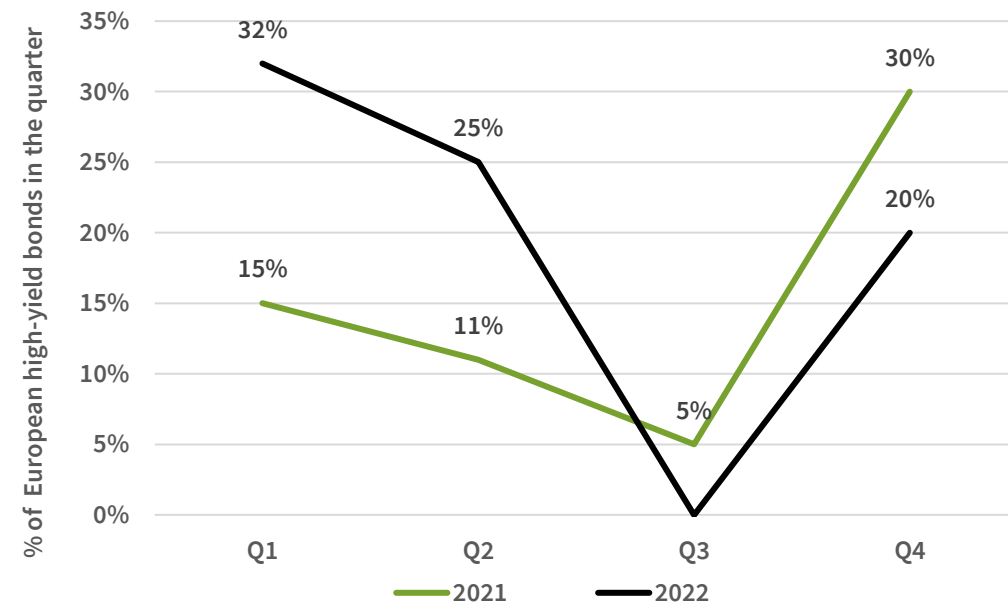
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7.11 Area of Investor Pushback for European High-Yield Bonds Investor Pushback Jumps Significantly in 2022 from 2021



7.12 European High-Yield Bonds: Frequency of Investor Pushback



Source: EMEA Covenants by Reorg

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Relative Value and Total Return

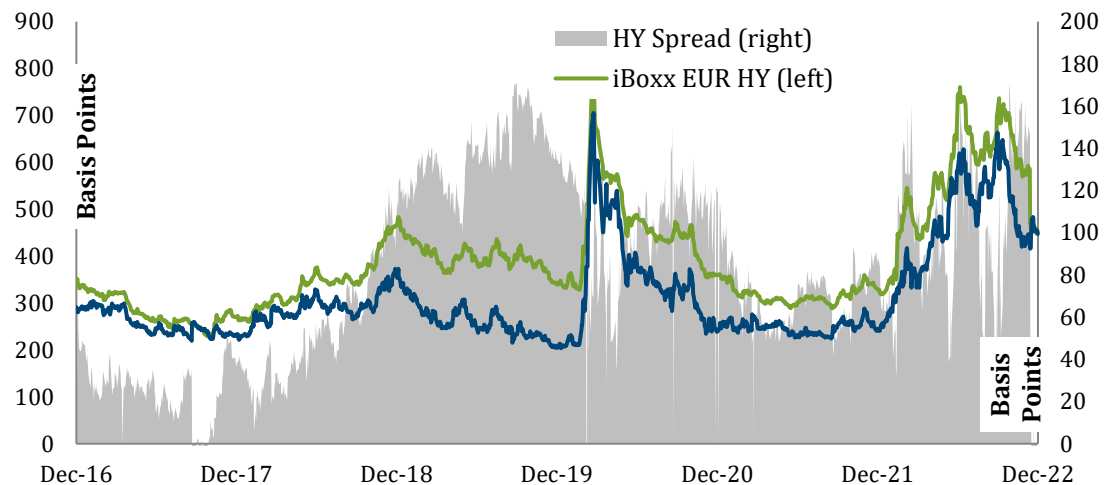
Returns

Nearly all 19 asset classes tracked in this report recorded quarter-on-quarter (q-o-q) gains in 4Q'22. The MSCI EM experienced the greatest growth q-o-q at 9.2%. This was followed by S&P500 at a 7.1% increase and Global Fallen Angel HY with a positive 6.8% q-o-q.

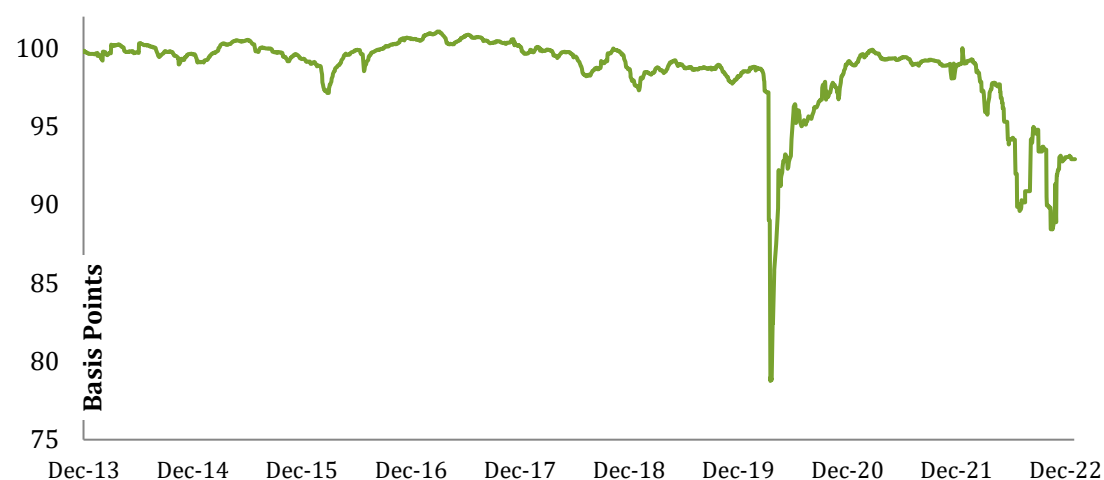
The worst performing asset class was US HY Distressed with a loss of 1.3% q-o-q in 4Q'22, followed by EMU Covered Bonds with a negative 0.3% q-o-q, and U.S. Treasuries with a 0.7% gain q-o-q.

Relative Value and Total Return

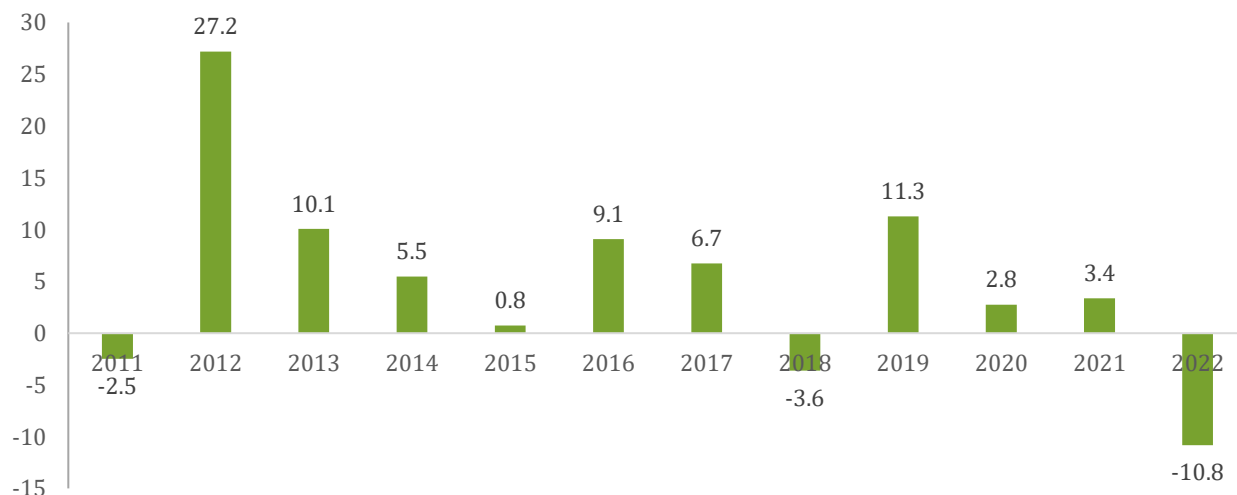
8.1 Relative value: European HY Bonds, Cash vs. Synthetic



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

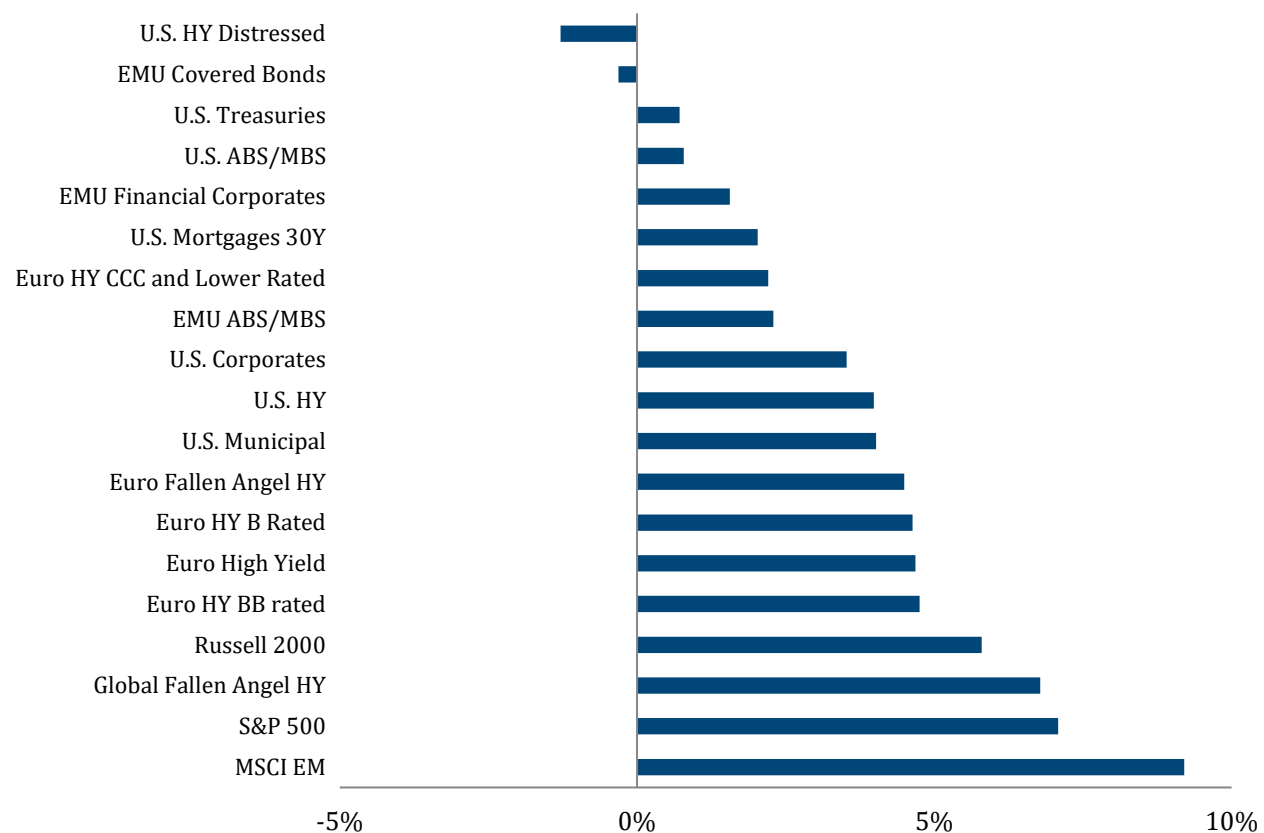


8.3 European HY Bond Total Return



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

8.4 Asset Class Total Return: Q4 2022



Source: Eikon and S&P

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