

Q1 2021

European High Yield and Leveraged Loan Report

European Leveraged Finance



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1.1 European High Yield Bond Issuance (EUR bn)



The European leveraged finance primary market has continued to recover following the COVID-19 outbreak.

In 1Q'21, the primary high yield bond market saw monthly deal volumes comparable to those observed prior to the COVID-19 outbreak. (See top chart).

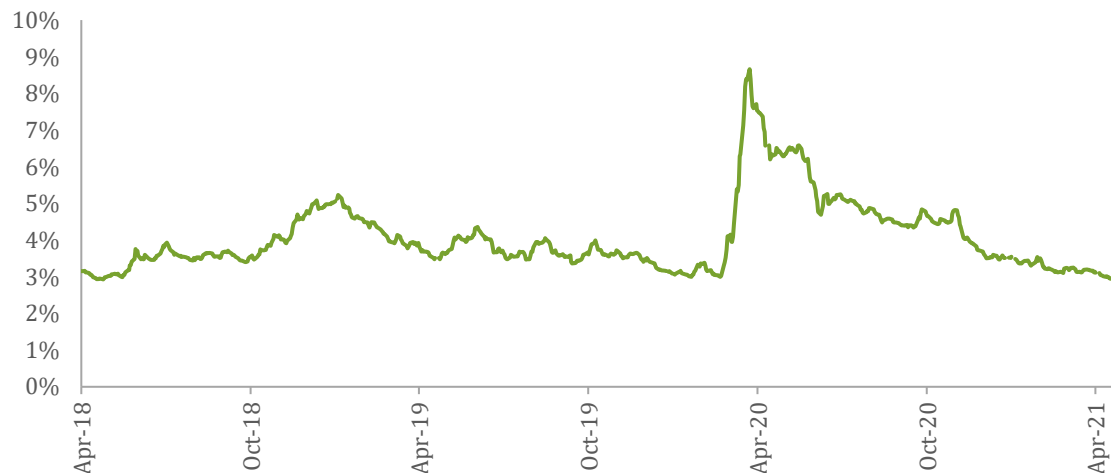
1.2 European Leverage Loan Issuance (EUR bn)



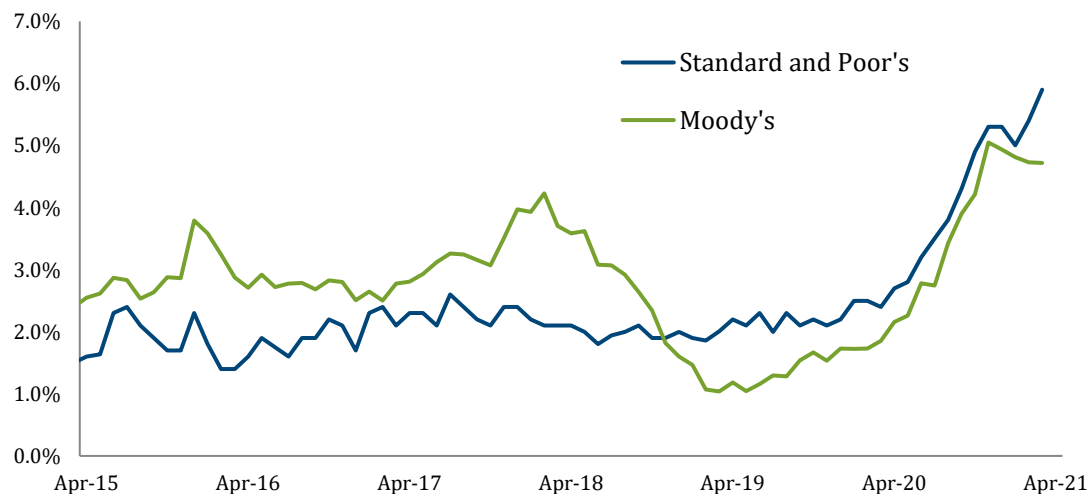
The primary leveraged loan market observed a significant increase in issuance in the first quarter of 2021. 1Q'21 issuance of €66.1 bn was up 164% from €25.0 bn in 4Q'20 and up 3.8% from €63.7 bn in 1Q'20. (See bottom chart).

Source: Dealogic

1.3 ICE BofA Euro High Yield Index Option-Adjusted Spread (%)



1.4 European High-yield default rates



Source: Bank of America [1.3] and Moody's [1.4]

European high yield spreads decreased from 349 bps in January 2021 to 314 bps at the end of March.

S&P reported the trailing 12-month speculative-grade bond default rate at 5.9% in March 2021, an increase from 5.3% in December 2020. Moody's reported the speculative-grade default rate at 4.7% in March 2021, down from 4.9% in December 2020.

Fitch reported an increase in European Leveraged Loan default rates at 5.1% in March 2021, an increase of 0.2% since December 2020.(including c* and cc* rated issuers as if those had already defaulted).

According to Reorg, the vast majority of 1Q'21 European leverage loan deals (97%) were covenant-lite. The remaining 3% of 1Q'21 deals were covenant-loose, containing a leverage maintenance.

According to Covenant Review, 36% of all leveraged loan deals reviewed in 1Q'21 contained an ESG feature, compared to just 4.9% of all deals reviewed in 2020FY.

Leveraged Finance Overview

Issuance Highlights

European leveraged finance issuance (leveraged loans and high yield bonds) accumulated €107.7 billion in proceeds in 1Q'21 a 73.8% increase from €62.0 billion in 4Q'20, and a 14.1% increase from €94.4 billion in 1Q'20. This quarterly growth was predominantly driven by an increase in leveraged loan issuance.

The high yield bond share of the leveraged finance market issuance decreased to 38.6% in 1Q'21 from 53.9% in 4Q'20 but increased from 30.9% in 1Q'20.

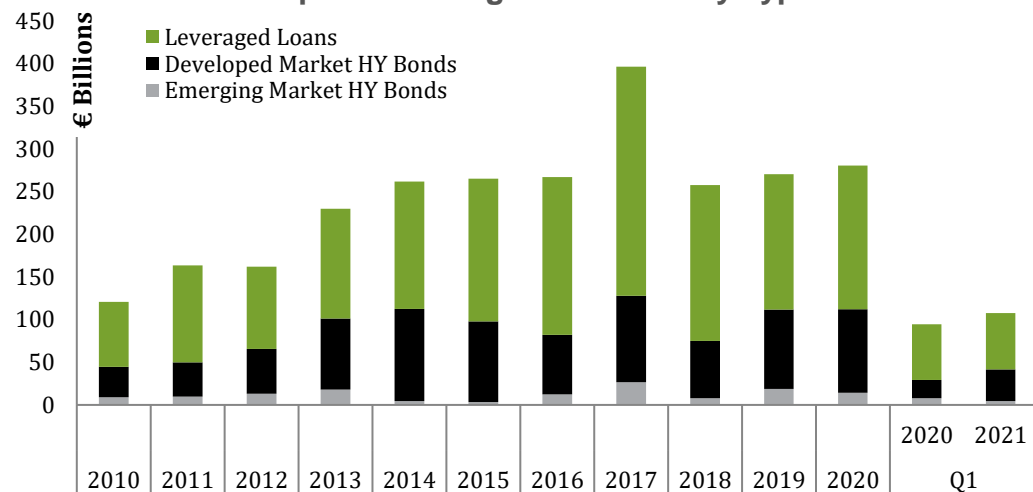
Credit Standards and Loan Demand

According to the April 2021 European Central Bank lending survey, credit standards for loans to enterprises and SMEs have tightened moderately in 1Q'21 compared to the 4Q'20 survey. Industry or firm-specific outlook and the general economic outlook continue as the most relevant factors contributing to tightening impact on credit standards for loans to enterprises. In contrast, risk on collateral demanded, competition from banks and non-banks had a net positive easing impact.

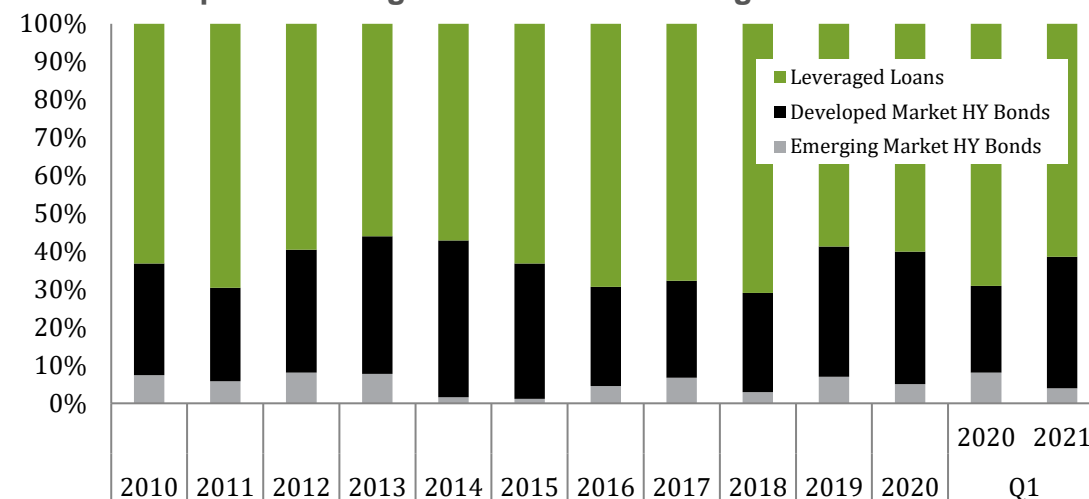
Net demand for loans to enterprises continued to decline in 1Q'21 after having reached the highest net balance since the start of the survey in 2003 in Q3'20, which reflects an improvement in the impact of the COVID-19 outbreak on firms' cash needs. The factors contributing to the decrease in loan demand were fixed investment, debt issuance, M&A and Loans from other banks. In contrast, debt restructuring, and interest rates had a net positive impact on loan demand.

Leveraged Finance Issuance

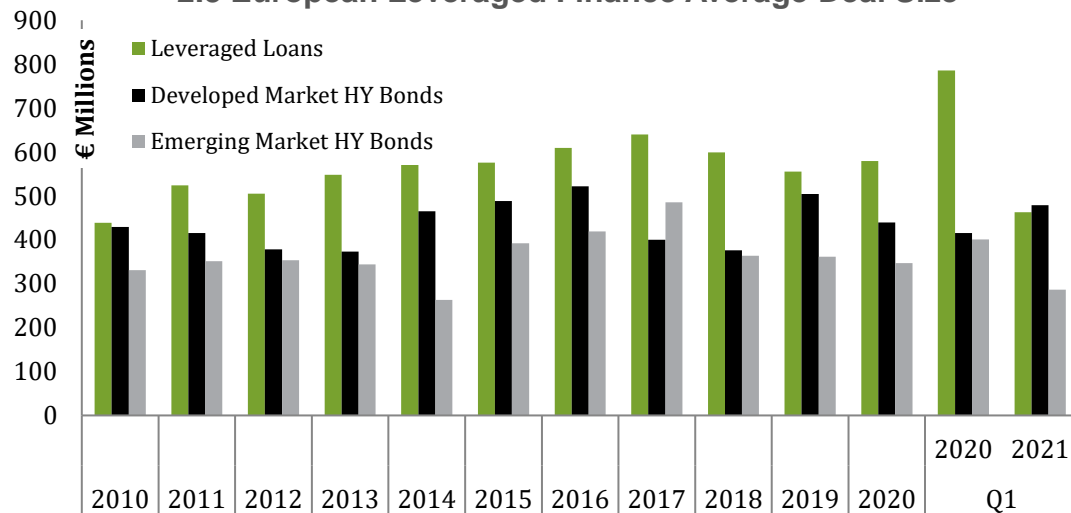
2.1 European Leveraged Issuance by Type



2.2 European Leveraged Issuance Percentage



2.3 European Leveraged Finance Average Deal Size



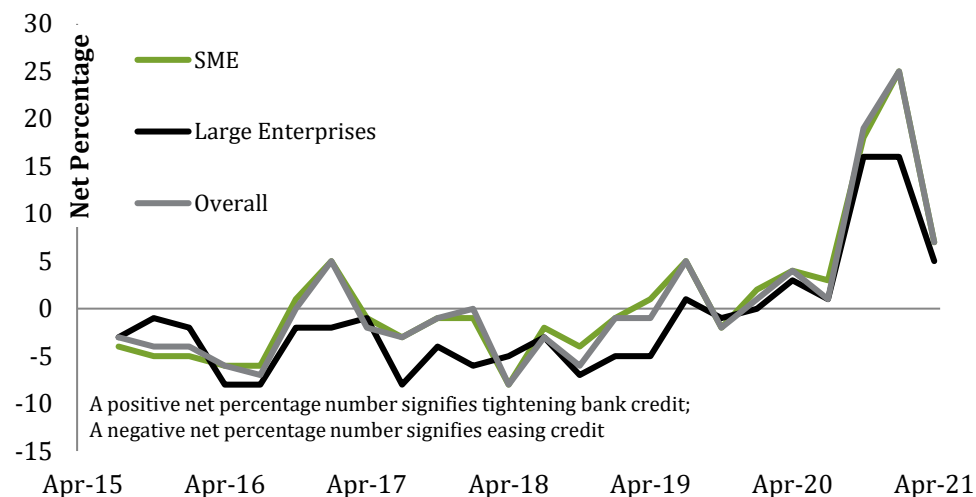
Source: Dealogic

2.4 Global Comparison High Yield Issuance

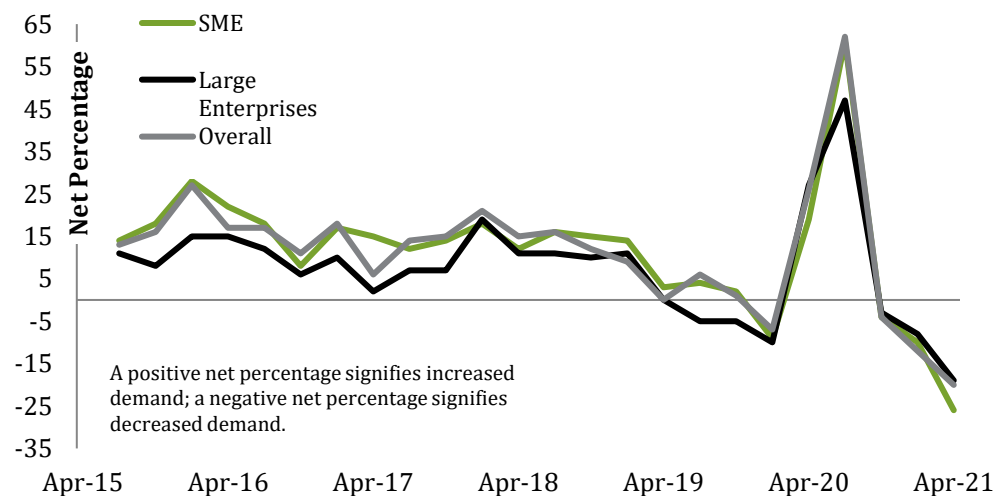
	2021		2020				Prior Years			
EUR (billion)	Q1	Q1	Q2	Q3	Q4	Full Year	2019	2018	2017	2016
United States	112.7	56.4	114.0	72.5	72.5	315.4	199.8	115.8	192.0	187.6
Europe	41.6	29.2	24.1	33.4	33.4	173.5	111.6	74.9	82.1	97.8
Asia Pacific	20.4	26.1	7.1	12.8	12.8	92.0	92.1	51.0	27.7	25.7

Credit Standards and Loan Demand

2.5 Bank Credit Standards

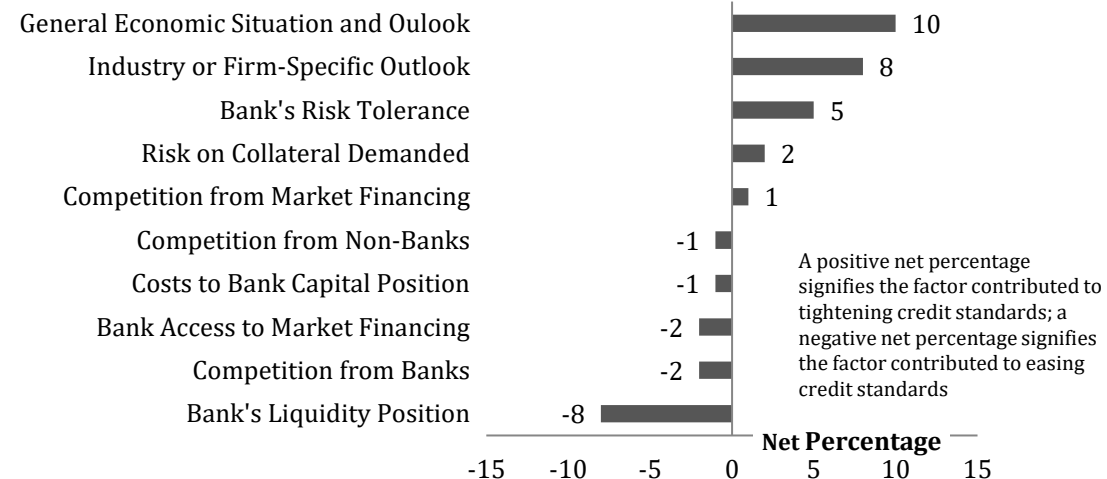


2.7 Loan Demand

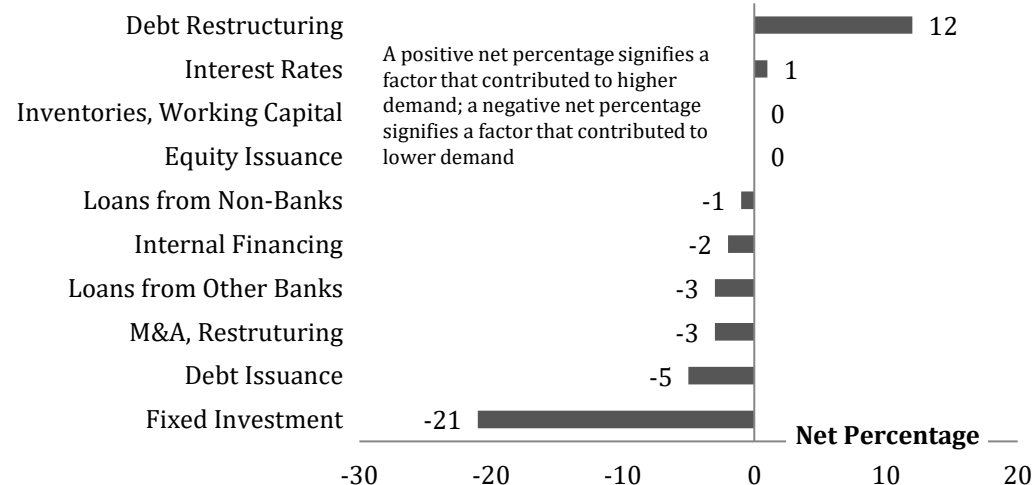


Source: ECB

2.6 Factors Affecting Bank Credit Standards: April 2021



2.8 Factors Affecting Loan Demand: April 2021



Leveraged Loans

Issuance: Leveraged Loans

Leveraged loan issuance, including first lien, second lien, and mezzanine financing, totaled €66.1 billion on 143 deals in 1Q'21, up 131.6% from €28.5 billion on 100 deals in 4Q'20 and 1.4% from €65.2 billion on 83 deals in 1Q'20.

All of the leveraged loans issued in 1Q'21 were 1st lien loans (€65.6 billion) and 2nd lien loans (€0.5 billion). There were no mezzanine loans financed in 1Q'21.

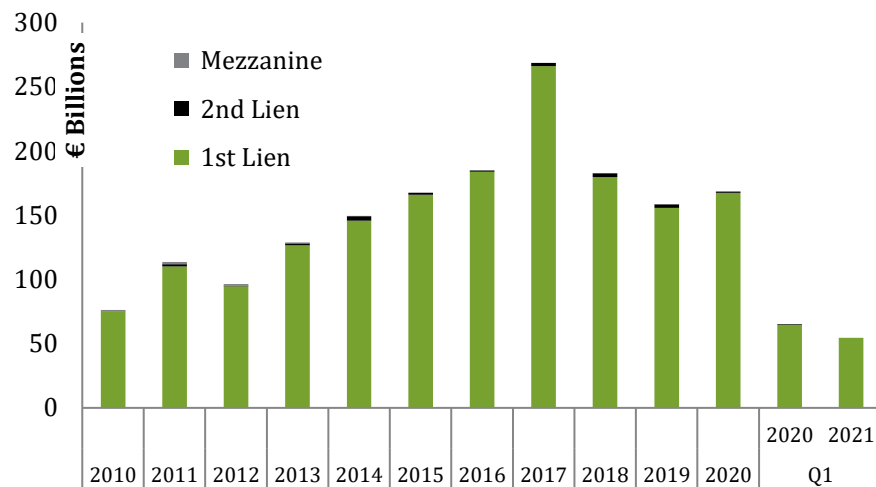
Pricing spreads for institutional loans widened by 15 basis points (bps) q-o-q and by 48 bps y-o-y. Spreads for pro rata loans tightened by 100.1 bps q-o-q and widened by 157 bps y-o-y.

In 1Q'21 €5.4 billion of amend-and-extend ("A&E") loans were financed, up from €0.2 billion in 4Q'20 but down from €10.2 billion in 1Q'20. There were €13.3 billion in loans amended to reduce pricing ("A&R") in 1Q'21, up from €0.3 billion in 4Q'20 and down from €14.5 billion in 1Q'20.

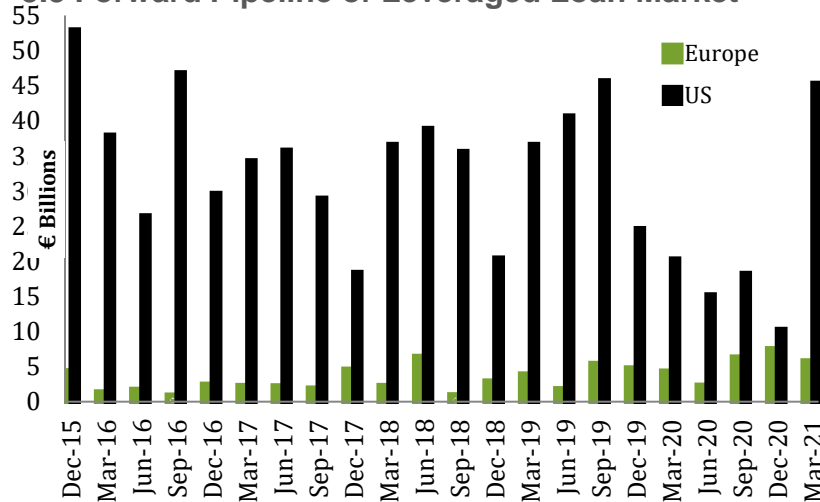
The top three sectors accounted for 42.5% of leveraged loan issuance in 1Q'21; the leading sector was Chemicals (€10.1 billion or 15.3% of total), followed by Healthcare (€9.5 billion, 14.4%), Computers & Electronics (€8.4 billion, 12.7%), with the balance split between 14 other sectors.

67.1% of deals financed in 1Q'21 were issued for refinancing and/or repayment of debt, up from 26.1% in 4Q'20 and from 55.1% in 1Q'20. LBO/MBO was the second largest use of proceeds in 1Q'21 with €13.3 billion, followed by Acquisitions with €6.5 billion.

3.1 European Leveraged Loan Issuance By Type

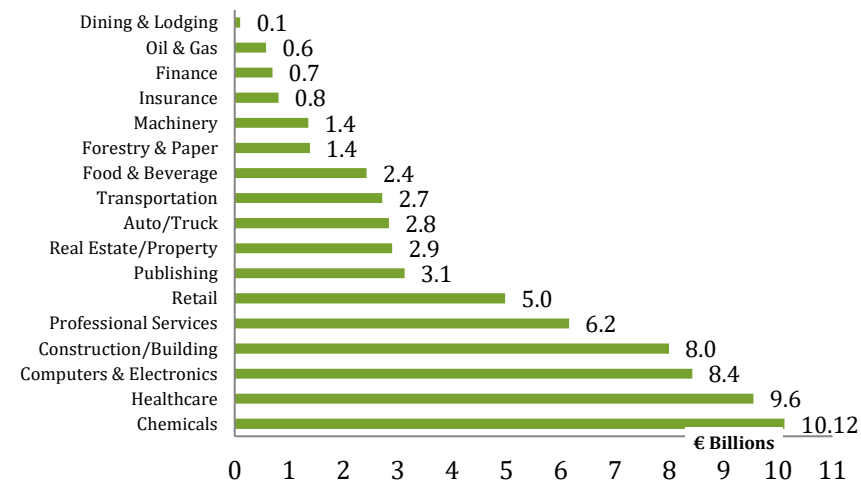


3.3 Forward Pipeline of Leveraged Loan Market

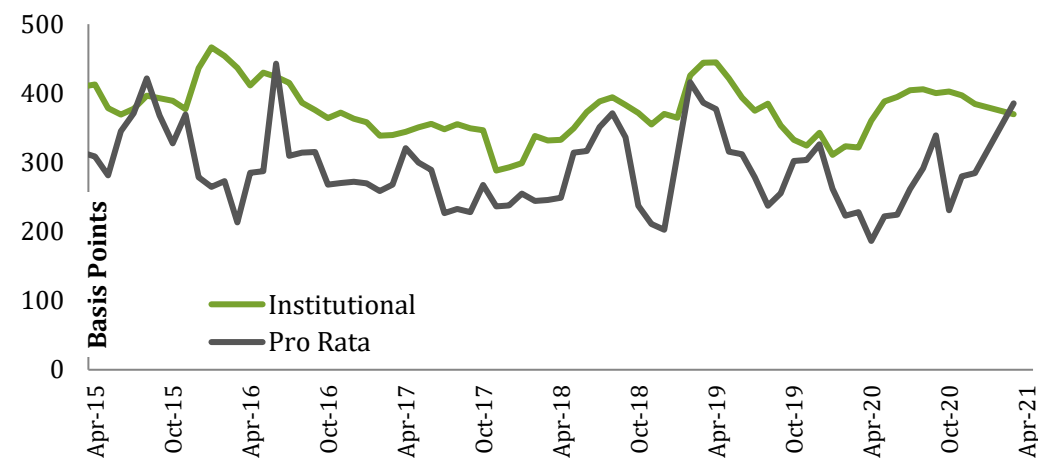


Source: Dealogic [3.1], [3.2] and [3.4], S&P LCD [3.3]

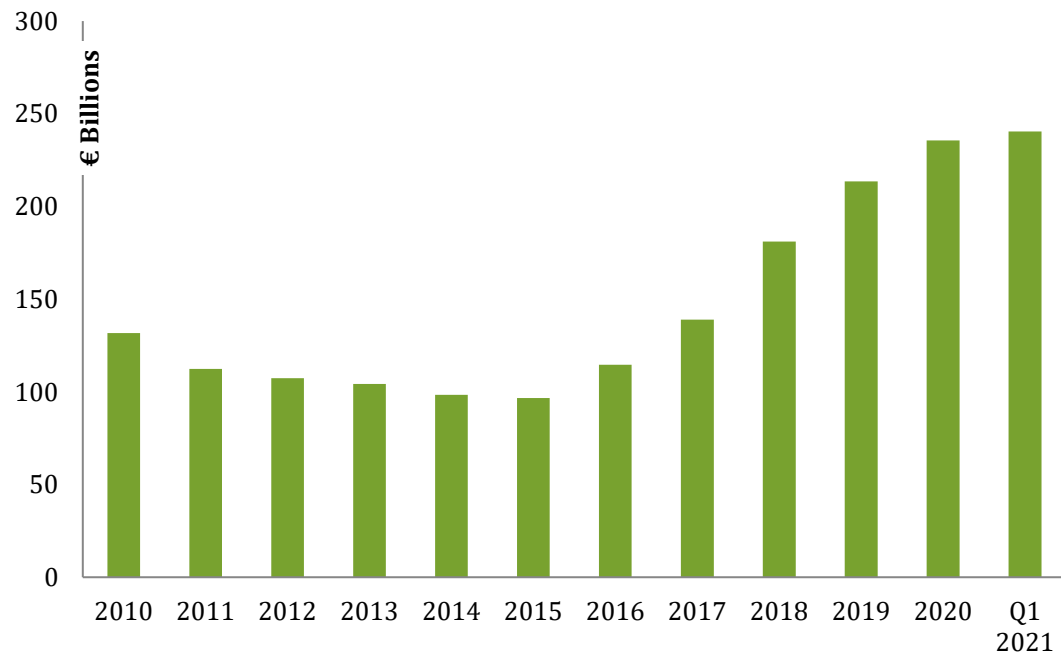
3.2 European Leveraged Loan Issuance by Industry: Q1 2021



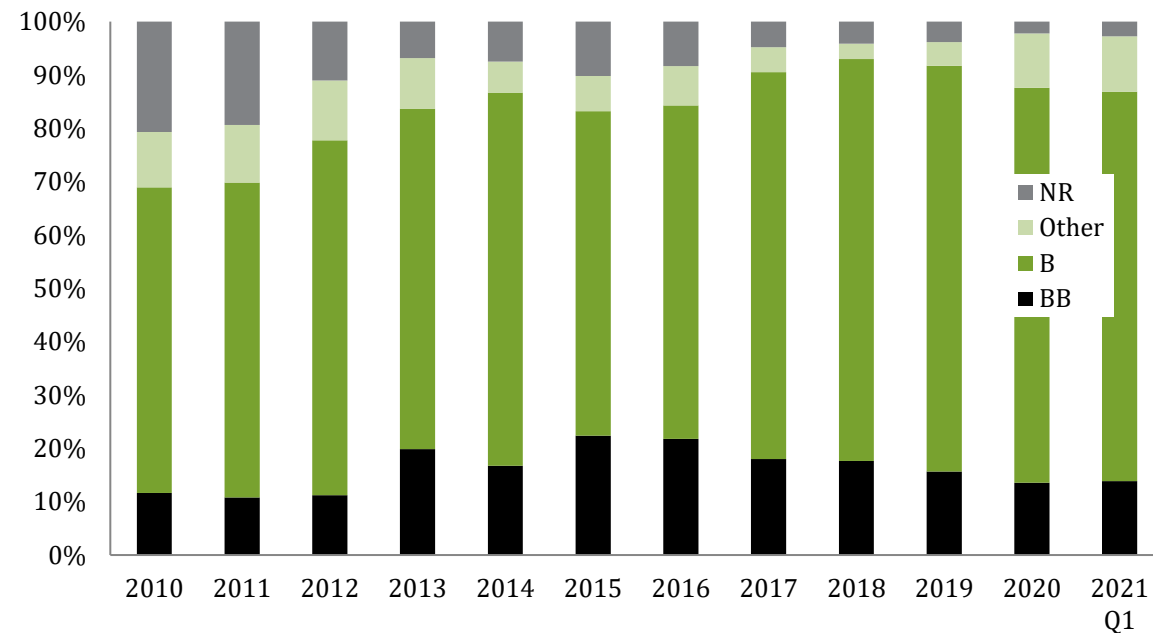
3.4 Institutional and Pro Rata Spreads (3-month rolling average)



3.5 ELLI Total Institutional Loans Outstanding



3.6 S&P ELLI Ratings Diversification



Source: S&P LCD

High Yield Bonds Overview

Issuance: High Yield Bonds

Primary high yield issuance totaled €41.6 billion on 93 deals in 1Q'21, a 24.55% increase from €33.4 billion on 72 deals in 4Q'20 and a 42.5% increase from €29.2 billion on 54 deals in 1Q'20. Developed market Europe issuance accounted for 90.0% of the 1Q'21 issuance (€37.3 billion on 78 deals) while the 10.0% remaining (€4.3 billion on 15 deals) was issued by Emerging market Europe firms.

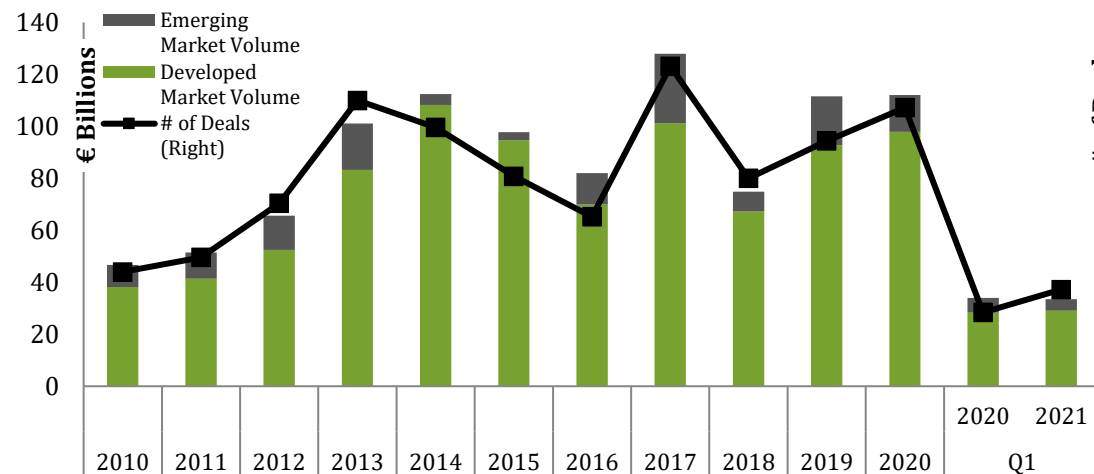
The leading use of proceeds for high yield bonds issuance in 1Q'21 was General Corporate Purposes at €32.3 billion, which was up from €25.5 billion in 4Q'20 and up from €13.2 billion in 1Q'20.

Three sectors accounted for 40.0% of the total high yield issuance volume in 1Q'21 in developed market Europe: Retail sector led issuance with €6.3 billion (17.0% of total), followed by Transportation with €5.8 billion (15.4% of total), and Professional Services with €2.8 billion (7.5% of total). In Emerging Market Europe, the top three sectors were: Finance (€2.7 billion or 62.0% of total), followed by Utility & Energy (€0.8 billion, 18.1%) and Transportation (€0.6 billion, 14.6%).

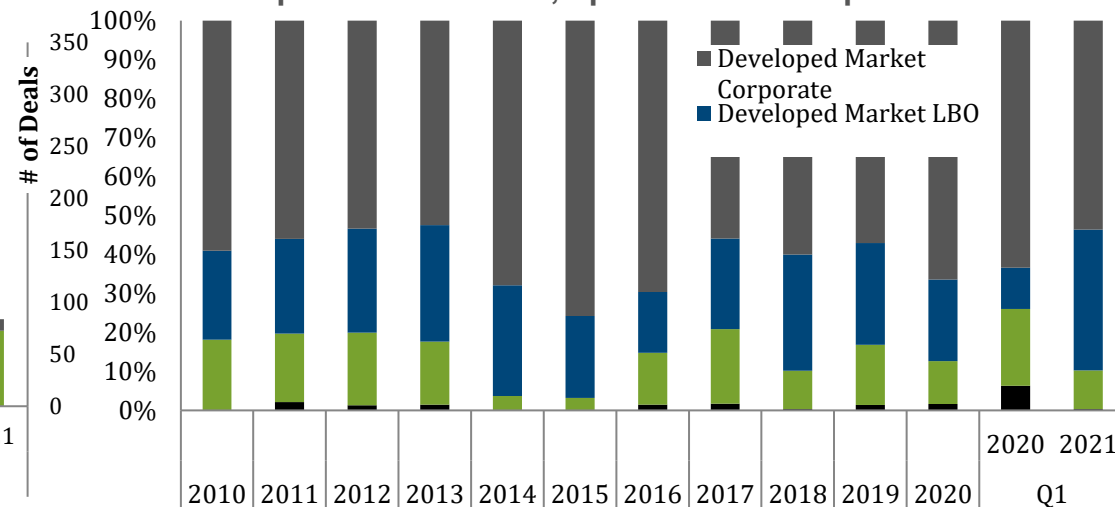
The proportion of USD-denominated issuance decreased to 17.0% of all issuance in 1Q'21, down from 21.0% in 4Q'20 and down from 24.2% in 1Q'20.

High Yield Bonds Overview

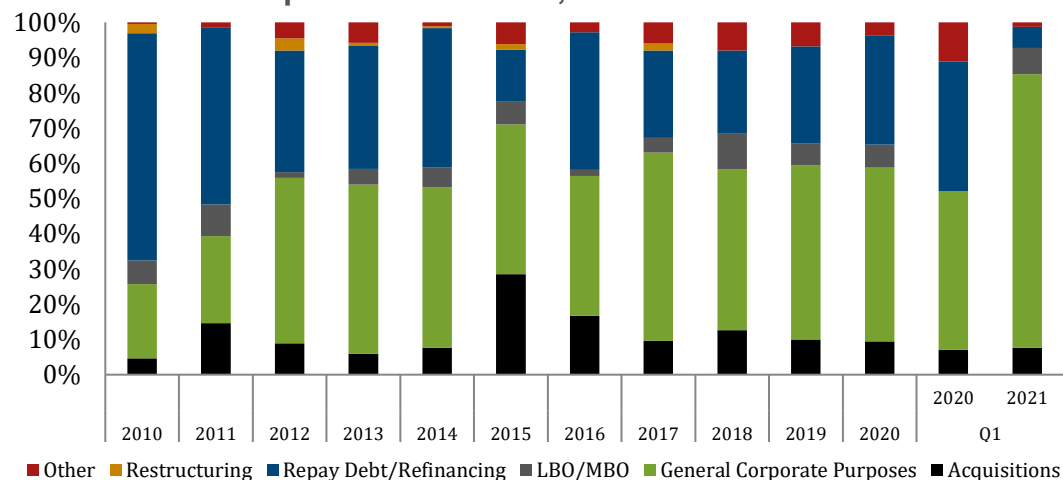
4.1 European HY Issuance, Developed and Emerging Markets



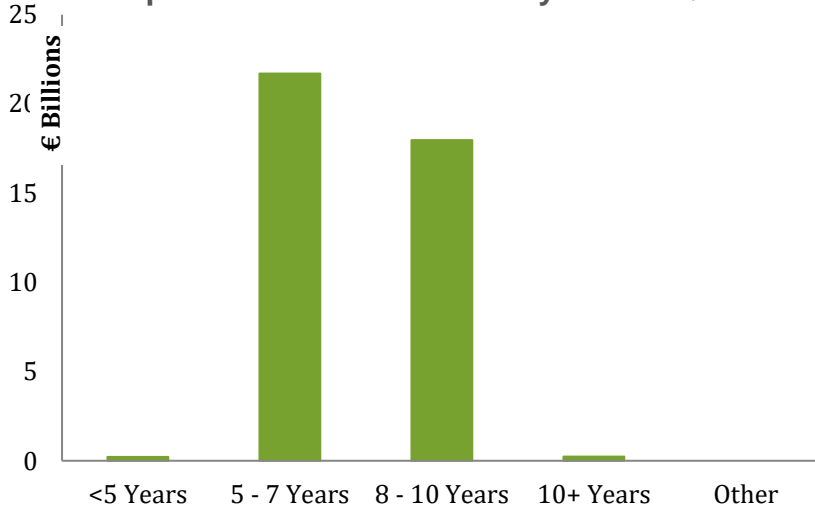
4.2 European HY Issuance, Sponsored vs Corporate



4.3 European HY Issuance, Use of Proceeds



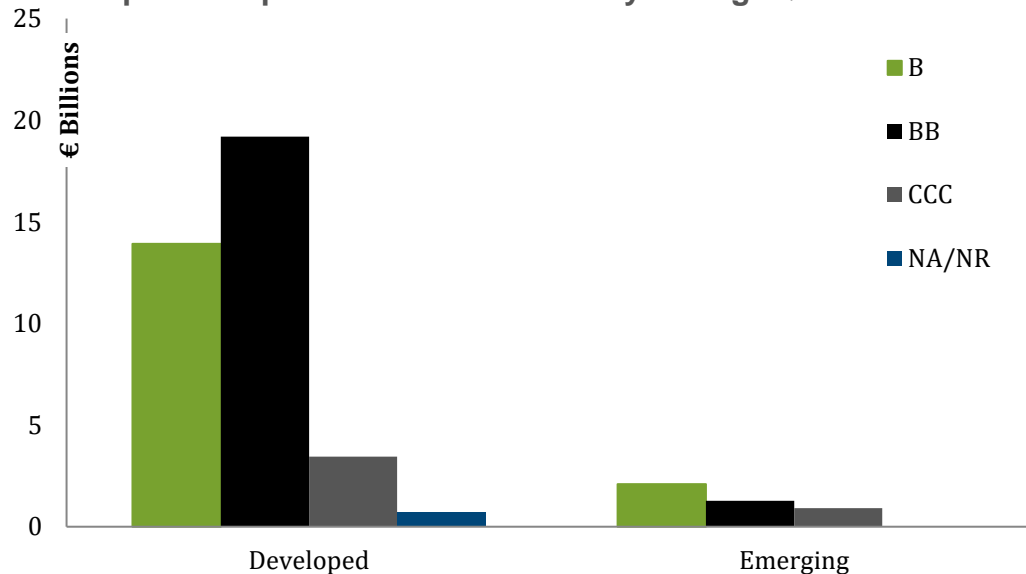
4.4 European HY Bond Issuance by Tenor: Q1 2021



Source: Dealogic

High Yield Bonds Overview

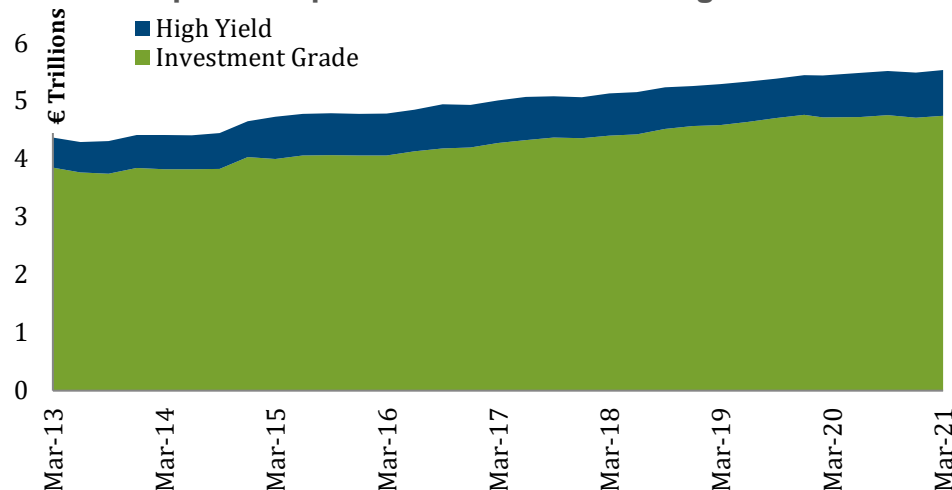
4.5 European Corporate Bond Issuance by Rating: Q1 2021



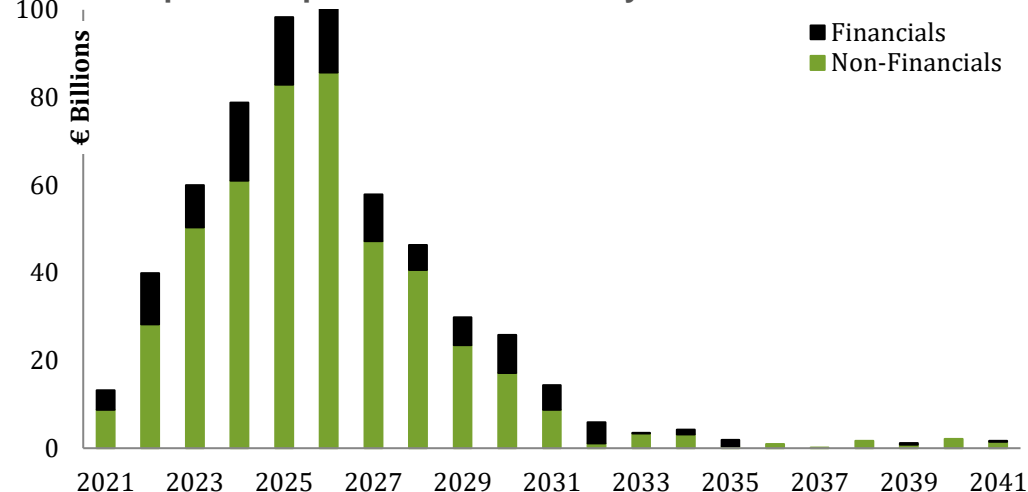
*Corporate Bond Issuance denotes corporate and sponsored bonds, excluding government bonds.

High Yield Bonds Overview

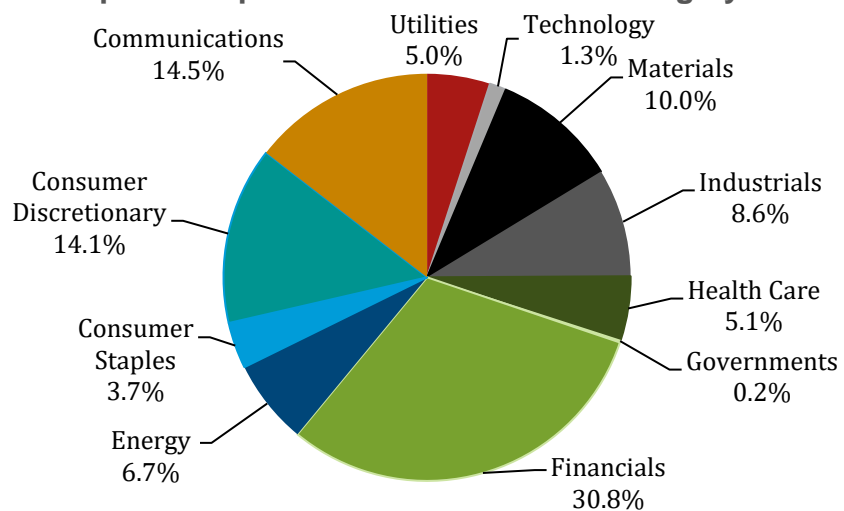
4.6 European Corporate Bonds Outstanding



4.7 European Corporate Bonds Maturity Wall

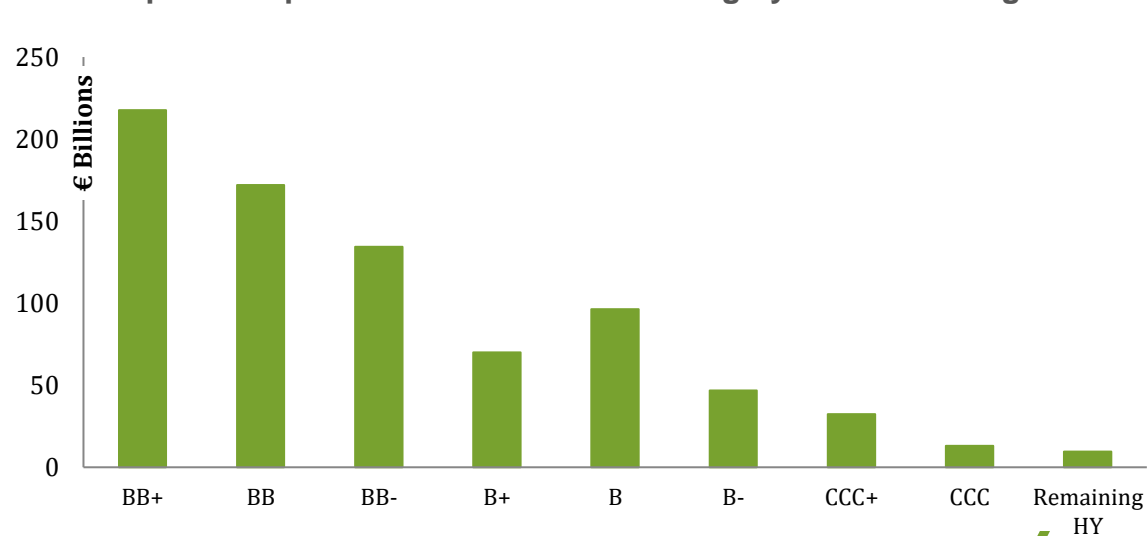


4.8 European Corporate HY Bonds Outstanding by Sector



Source: Bloomberg

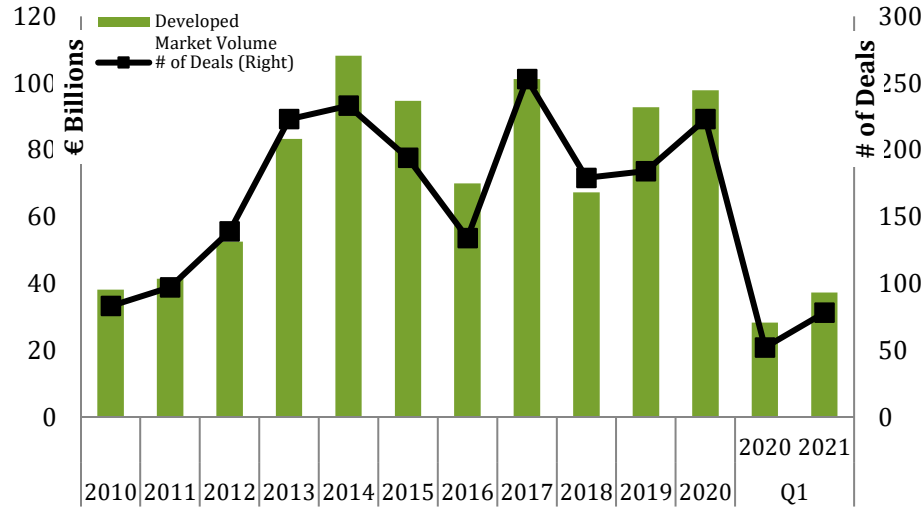
4.9 European Corporate HY Bonds Outstanding by Current Rating



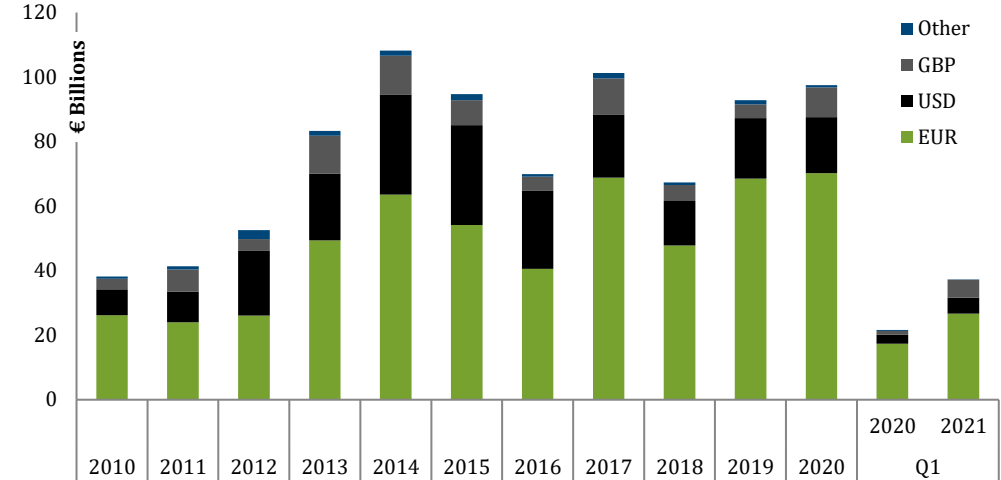
European Developed Market High Yield Bonds

Developed Market High Yield Bonds

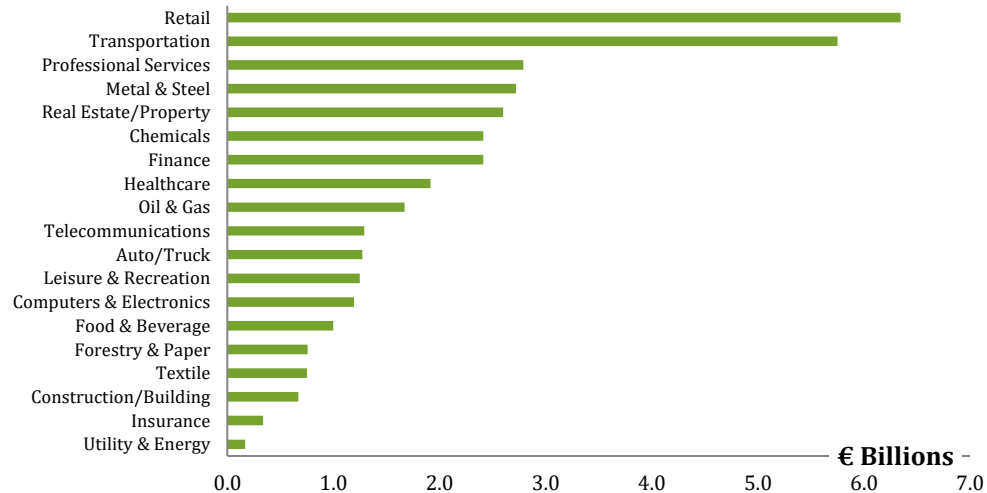
5.1 European Developed Market HY Bond Issuance



5.2 European Developed Market HY Issuance by Currency

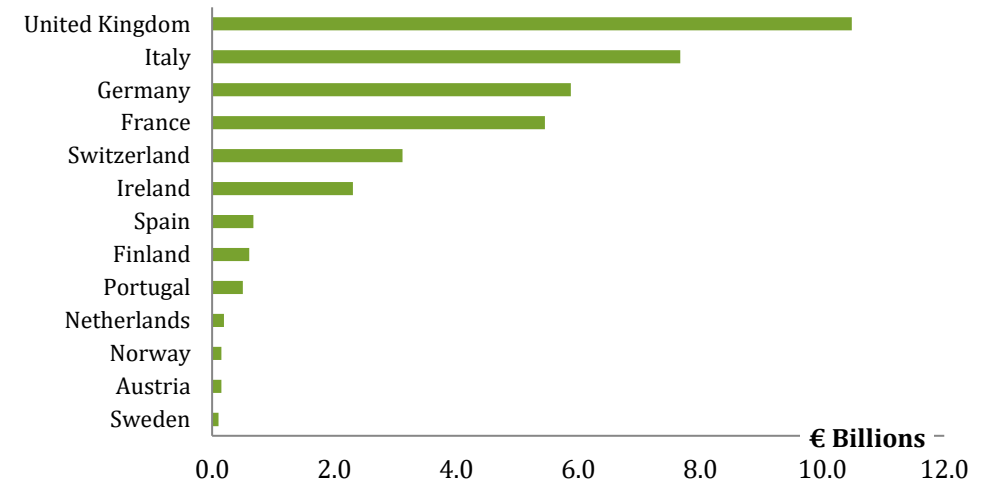


5.3 European Developed Market HY Issuance by Industry: Q1 2021



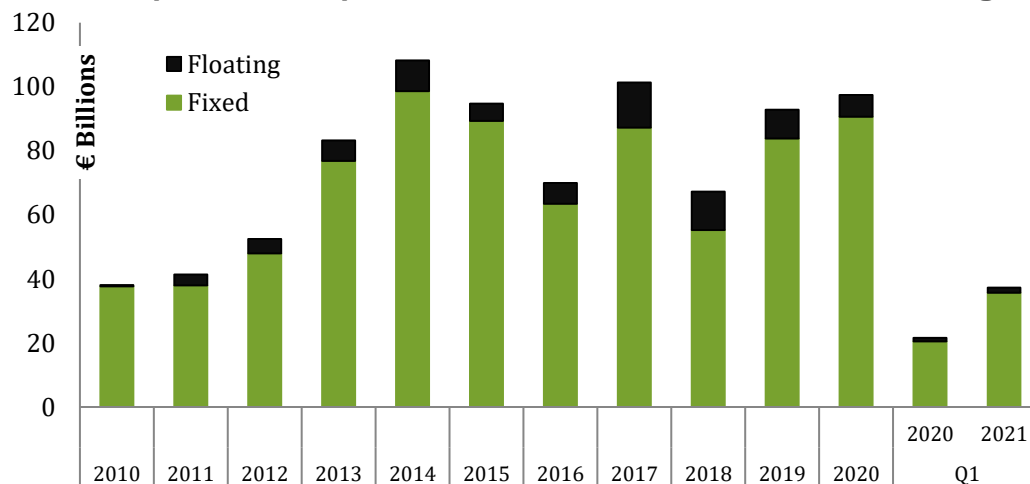
Source: Dealogic

5.4 European Developed Market HY Issuance by Country of Risk: Q1 2021

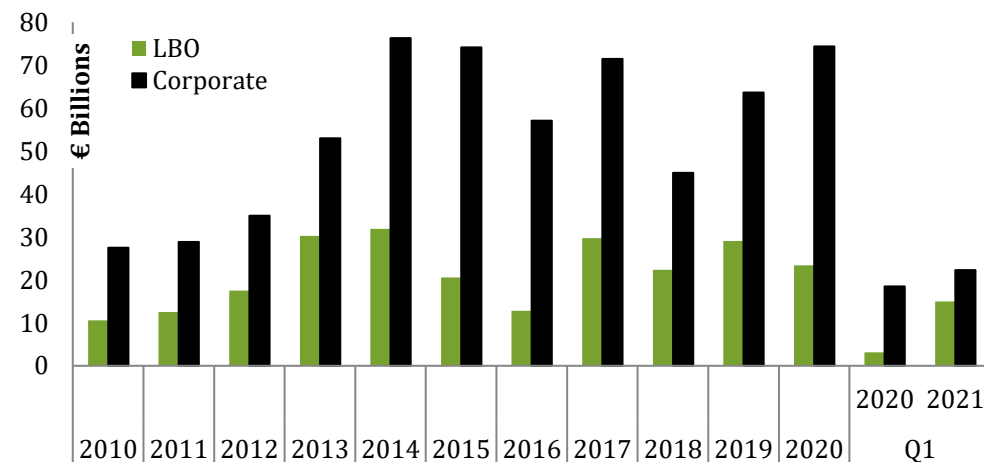


Developed Market High Yield Bonds

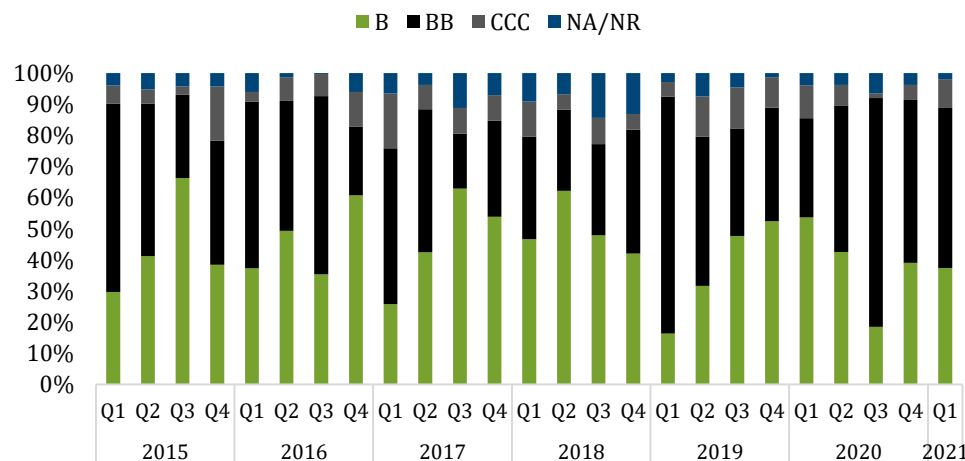
5.5 European Developed Market HY Issuance, Fixed vs. Floating



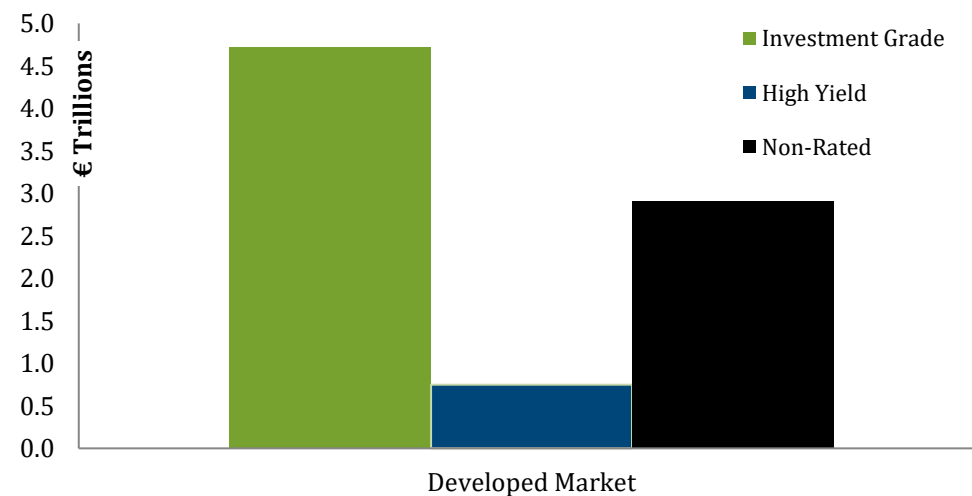
5.6 European Developed Market HY Issuance, Sponsored vs. Corporate



5.7 European Developed Market HY Rating Distribution at Issuance



5.8 European Developed Market Corporate Bonds Outstanding: Q1 2021



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
ADLER Group SA	Real Estate/Property	07/01/2021	EUR	0.70	1.875		BB+	
ADLER Group SA	Real Estate/Property	07/01/2021	EUR	0.80	2.25		BB+	
Abanca Corporacion Bancaria SA	Finance	07/01/2021	EUR	0.38	6			
TIM SpA	Telecommunications	11/01/2021	EUR	1.00	1.625	Ba2	BB+	BB+
Banco BPM SpA	Finance	12/01/2021	EUR	0.40	6.606	B3		
Autostrade per l'Italia SpA	Transportation	12/01/2021	EUR	1.00	2	Ba2	BB+	BB-
Jerrold FinCo plc	Finance	14/01/2021	GBP	0.56	5.25		BB-	BB-
Verisure Holding AB	Professional Services	15/01/2021	EUR	1.15	3.25	B1	B	
Verisure Holding AB	Professional Services	15/01/2021	EUR	1.18	5.25	Caa1	CCC+	
Verisure Holding AB	Professional Services	15/01/2021	SEK	0.15	3-mth Other +575	Caa1	CCC+	
Forno d'Asolo SpA	Food & Beverage	19/01/2021	EUR	0.35	5.5	Nr	NR	NR
AA Bond Co Ltd	Professional Services	20/01/2021	GBP	0.31	6.5		B+	
Rekeep SpA	Construction/Building	20/01/2021	EUR	0.35	7.25	B2	B	
Faurecia SE	Auto/Truck	20/01/2021	EUR	0.19	2.375			
Webuild SpA	Construction/Building	21/01/2021	EUR	0.20	5.875		BB-	BB
INEOS Finance plc	Chemicals	21/01/2021	EUR	0.80	2.5	Ba3	BB	BB+
INEOS Finance plc	Chemicals	21/01/2021	USD	0.41	3.375	Ba3	BB	BB+
INEOS Finance plc	Chemicals	21/01/2021	EUR	0.50	3.75	B2	B+	BB-
S IMMO AG	Real Estate/Property	26/01/2021	EUR	0.15	1.75			
Thames Water (Kemble) Finance plc	Utility & Energy	27/01/2021	GBP	0.17	4.625	B1		B+
Teamsystem SpA	Computers & Electronics	27/01/2021	EUR	0.30	3.5	B3	B-	B+
Teamsystem SpA	Computers & Electronics	27/01/2021	EUR	0.85	3-mth Euribor +375	B3	B-	B+
TalkTalk Telecom Group plc	Telecommunications	28/01/2021	GBP	0.12	3.875		BB-	BB-
CAB SELAS	Healthcare	28/01/2021	EUR	0.80	3.375	B2	B-	B+
Laboratoire Eimer	Healthcare	28/01/2021	EUR	0.25	5	Caa1	CCC	CCC+
Goldstory SAS	Retail	28/01/2021	EUR	0.37	5.375	B2	B	
Goldstory SAS	Retail	28/01/2021	EUR	0.25	3-mth Euribor +550	B2	B	
Assemblin Financing AB	Construction/Building	28/01/2021	EUR	0.10	3-mth Euribor +500	B2	B	B+
VistaJet Malta Finance plc	Transportation	29/01/2021	USD	0.12	10.5	Caa1	CCC+	
Arrow Global Finance plc	Finance	01/02/2021	EUR	0.08	3-mth Euribor +375	Ba3	BB	
Rekeep SpA	Construction/Building	02/02/2021	EUR	0.02	7.25	B2	B	
Deutsche Lufthansa AG	Transportation	04/02/2021	EUR	0.75	2.875	Ba2	BB-	
Deutsche Lufthansa AG	Transportation	04/02/2021	EUR	0.85	3.75		BB-	
Kleopatra Holdings 2 SCA	Chemicals	04/02/2021	EUR	0.40	4.25	B2	B	
Kleopatra Holdings 2 SCA	Chemicals	04/02/2021	EUR	0.30	6.5	Caa2	CCC+	
Millennium BCP	Finance	05/02/2021	EUR	0.50	1.125	Ba1		
CentralNic Group plc	Computers & Electronics	08/02/2021	EUR	0.02	3-mth Euribor +700			
Atlantia SpA	Transportation	09/02/2021	EUR	1.00	1.875	Ba3	BB-	BB
Constellium SE	Metal & Steel	09/02/2021	USD	0.42	3.75	B2	B	
Azerion	Computers & Electronics	09/02/2021	EUR	0.03	3-mth Euribor +850			

Source: Dealogic

5.9 European Developed Market HY Bond Issuance (continued)

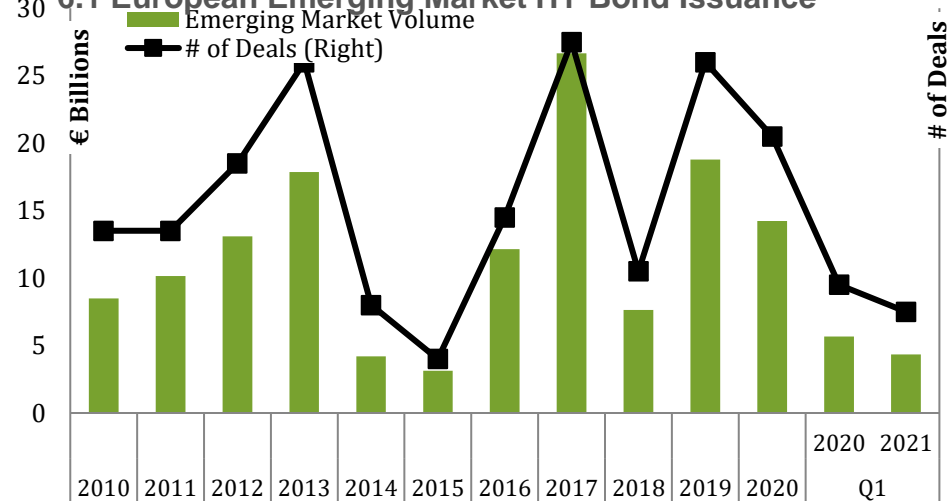
Issuer	Industry Group	Date	Currency	Amount (billion)	Coupon	Moody's	S&P	Fitch
Bellis Acquisition Co Plc	Retail	10/02/2021	GBP	2.56	3.25	Ba2		BB
Bellis Acquisition Co Plc	Retail	10/02/2021	GBP	0.57	4	B1		B+
Iceland Bondco plc	Retail	12/02/2021	GBP	0.28	4.375	B2	B	B+
Ziggo BV	Telecommunications	12/02/2021	USD	0.16	4.875			
Norske Skogindustrier ASA	Forestry & Paper	16/02/2021	EUR	0.15	3-mth Euribor +550			
Siccar Point Energy Bonds plc	Oil & Gas	18/02/2021	USD	0.17	9			
Victoria Plc	Textile	24/02/2021	EUR	0.50	3.625	B1	BB-	BB
Aston Martin Capital Holdings Ltd	Auto/Truck	25/02/2021	USD	0.08	10.5	Caa1	CCC	
Ardagh Metal Packaging Finance plc	Metal & Steel	26/02/2021	USD	0.49	3.25	Ba2	BB	BB+
Ardagh Metal Packaging Finance plc	Metal & Steel	26/02/2021	EUR	0.45	2	Ba2	BB	BB+
Ardagh Metal Packaging Finance plc	Metal & Steel	26/02/2021	USD	0.86	4	B3	B+	BB-
Ardagh Metal Packaging Finance plc	Metal & Steel	26/02/2021	EUR	0.50	3	B3	B+	BB-
Pinnacle Bidco plc	Leisure & Recreation	26/02/2021	EUR	0.05	5.5	B3		B-
Victoria Plc	Textile	09/03/2021	EUR	0.25	3.75	B1	BB-	BB
Spa Holdings 3 Oy	Forestry & Paper	15/03/2021	EUR	0.35	3.625	B2	B	BB-
Spa Holdings 3 Oy	Forestry & Paper	15/03/2021	USD	0.26	4.875	B2	B	BB-
International Game Technology plc	Leisure & Recreation	16/03/2021	USD	0.63	4.125	Ba3	BB	
Triton Water Holdings Inc	Food & Beverage	17/03/2021	USD	0.65	6.25	Caa1	CCC+	
Faurecia SE	Auto/Truck	17/03/2021	EUR	0.40	2.375	Ba2	BB	BB+
CGGVeritas	Oil & Gas	18/03/2021	USD	0.42	8.75	B3	CCC+	B
CGGVeritas	Oil & Gas	18/03/2021	EUR	0.59	7.75	B3	CCC+	B
Gamma Bidco SpA	Leisure & Recreation	18/03/2021	EUR	0.58	5.125	B1	B	
IAG - International Consolidated Airlines Group SA	Transportation	18/03/2021	EUR	0.50	2.75	B1	BB	
IAG - International Consolidated Airlines Group SA	Transportation	18/03/2021	EUR	0.70	3.75	B1	BB	
Grupo Via Celere	Real Estate/Property	18/03/2021	EUR	0.30	5.25		B+	BB
Foncia Management SAS	Real Estate/Property	19/03/2021	EUR	0.40	3.375	B2	B	
Foncia Management SAS	Real Estate/Property	19/03/2021	EUR	0.25	5	Caa1	CCC+	
Saipem Finance International BV	Oil & Gas	23/03/2021	EUR	0.50	3.125	Ba2	BB+	
Renault	Auto/Truck	23/03/2021	EUR	0.60	2.5	Ba2	BB+	
BPER Banca SpA	Finance	25/03/2021	EUR	0.50	1.375	Ba3		BB
Cidron Aida Finco Sarl	Healthcare	25/03/2021	EUR	0.48	5	B3	B-	B+
Cidron Aida Finco Sarl	Healthcare	25/03/2021	GBP	0.39	6.25	B3	B+	B-
Hapag-Lloyd AG	Transportation	25/03/2021	EUR	0.30	2.5	B1	BB	
Burford Capital Finance LLC	Insurance	26/03/2021	USD	0.34	6.25	Ba2	BB-	
Douglas GmbH	Retail	26/03/2021	EUR	1.31	6	B3	B-	B
Douglas GmbH	Retail	26/03/2021	EUR	0.48	8.25	Caa2	CCC	CCC
Gatwick Funding Ltd	Transportation	29/03/2021	GBP	0.53	4.375	Ba3		BB-
Casino Guichard-Perrachon SA	Retail	30/03/2021	EUR	0.53	5.25	Caa1	B	

Source: Dealogic

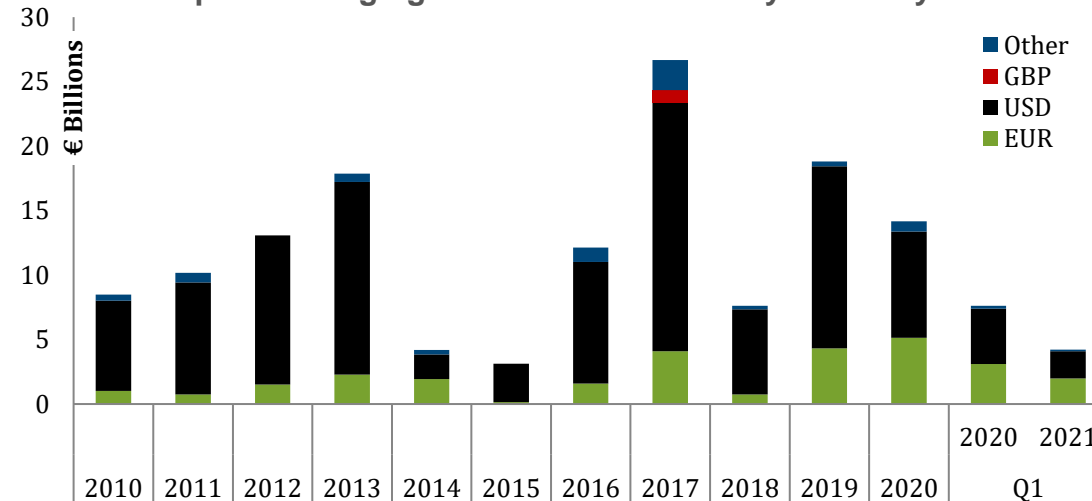
European Emerging Market High Yield Bonds

Emerging Market High Yield Bonds

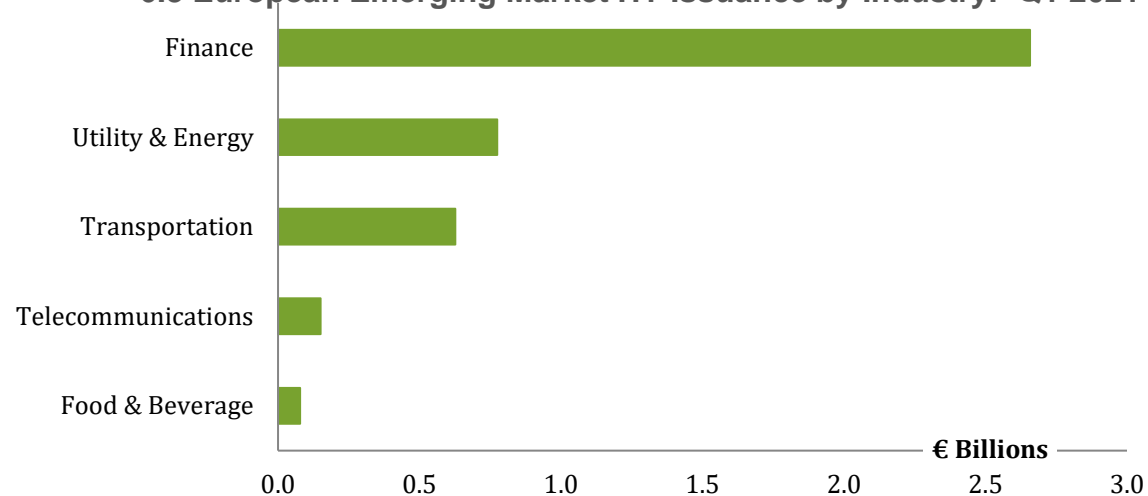
6.1 European Emerging Market HY Bond Issuance



6.2 European Emerging Market HY Issuance by Currency

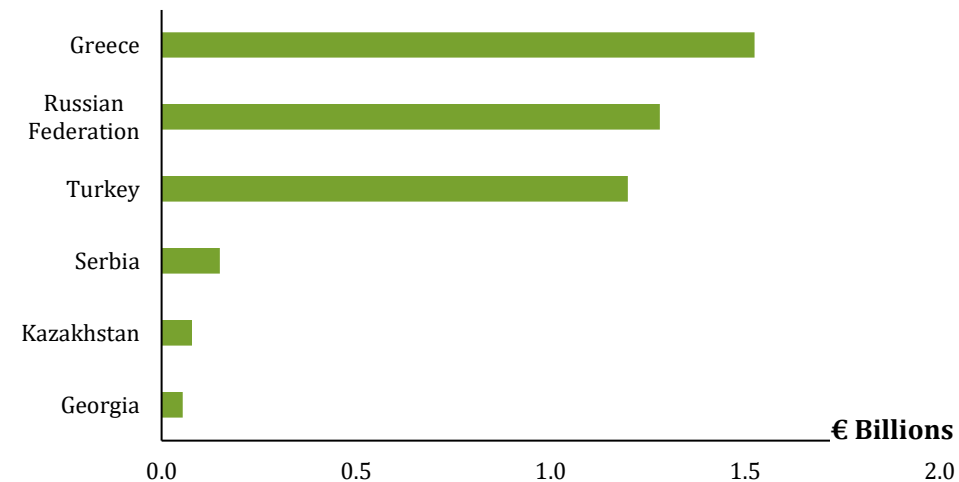


6.3 European Emerging Market HY Issuance by Industry: Q1 2021



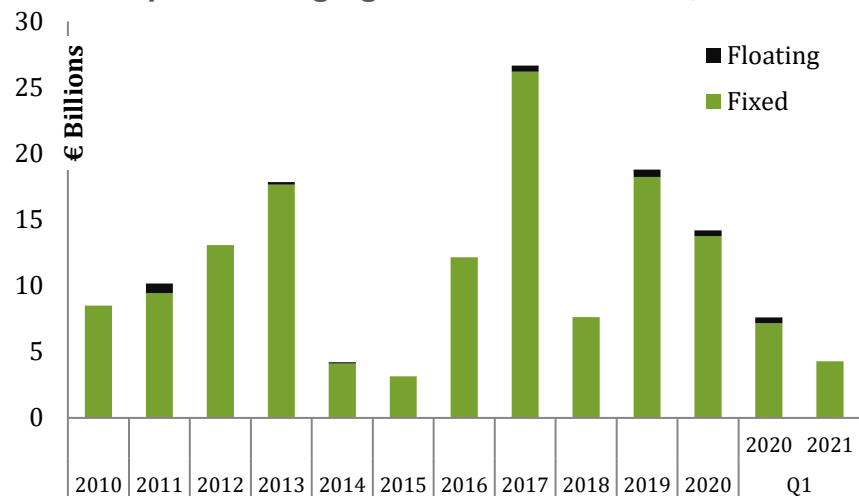
Source: Dealogic

6.4 European Emerging Market HY Issuance by Country of Risk: Q1 2021

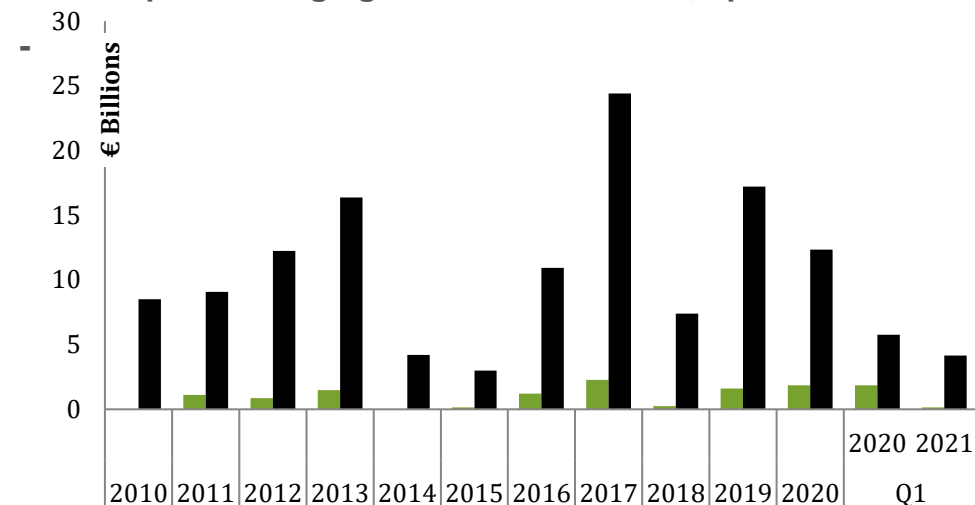


Emerging Market High Yield Bonds

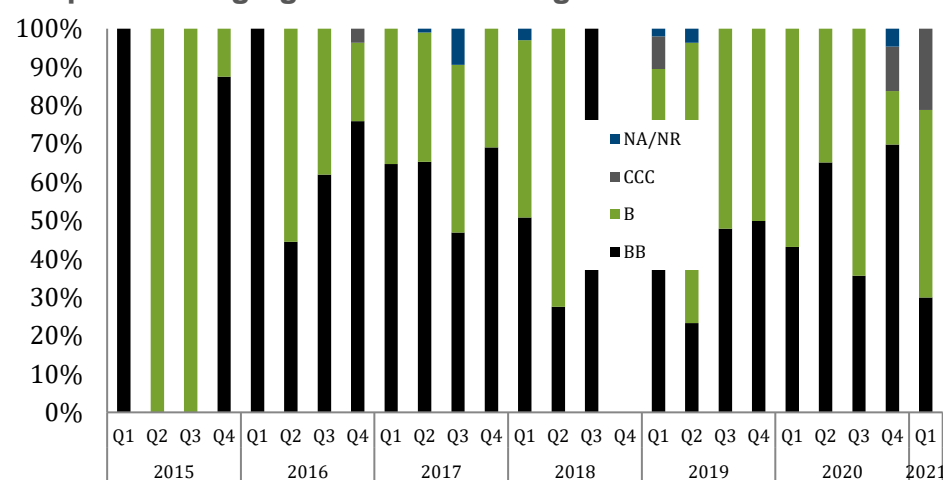
6.5 European Emerging Market HY Issuance, Fixed vs. Floating



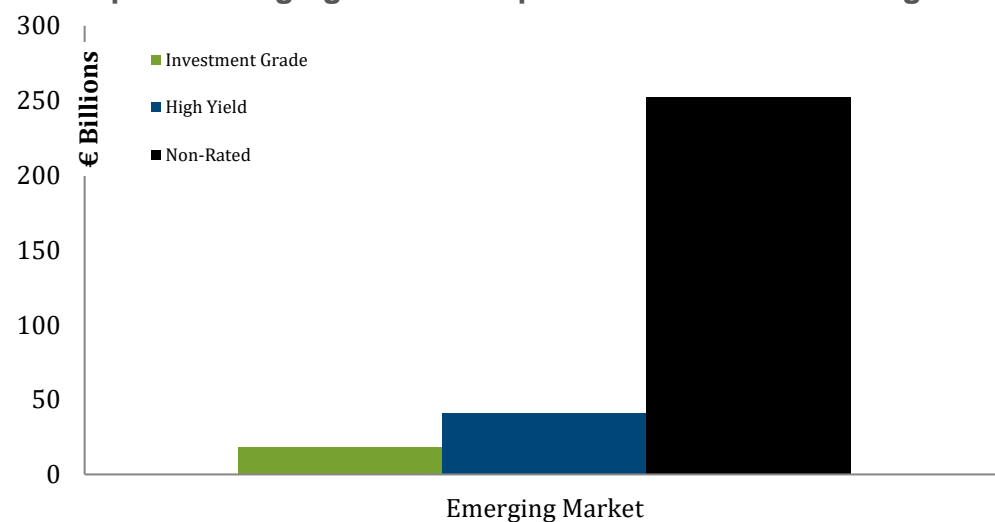
6.6 European Emerging Market HY Issuance, Sponsored vs. Corporate



6.7 European Emerging Market HY Rating Distribution at Issuance



6.8 European Emerging Market Corporate Bonds Outstanding: Q1 2021



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 (billions)	Coupon	Moody's	S&P	Fitch
Turkiye Sinai Kalkinma Bankasi	Finance	07/01/2021	USD	0.28	5.875	B3		B+
Credit Bank of Moscow	Finance	13/01/2021	EUR	0.60	3.1		BB-	BB
Yapi ve Kredi Bankasi AS	Finance	14/01/2021	USD	0.41	7.875	Caa2		B-
Sovcombank	Finance	19/01/2021	USD	0.25	3.4	Ba1		BB+
United Group BV	Telecommunications	21/01/2021	EUR	0.15	4	B2	B	
Turkiye Cumhuriyeti Ziraat Bankasi (London)	Finance	26/01/2021	USD	0.49	5.375	B2		B+
Danaos Corp	Transportation	04/02/2021	USD	0.25	8.5	Caa1	B	
Hacienda Investments Ltd	Transportation	04/02/2021	USD	0.38	5.35	Ba1		BB
Home Credit & Finance Bank	Finance	10/02/2021	RUB	0.06	6.85			
FCC OAO	Food & Beverage	15/02/2021	RUB	0.08	8.99			
Isbank	Finance	25/02/2021	USD	0.01	5.05			B+
Alpha Bank AE	Finance	04/03/2021	EUR	0.50	5.5	Caa2	CCC	
Public Power Corp SA	Utility & Energy	11/03/2021	EUR	0.65	3.875		B	BB-
Georgia Capital plc	Finance	15/03/2021	USD	0.05	6.125	B2	B+	
Public Power Corp SA	Utility & Energy	22/03/2021	EUR	0.13	3.875		B	BB-

Source: Dealogic

Credit Quality

Credit Quality

As of March 2021, S&P reported the trailing 12-month speculative-grade bond default rate at 5.9% an increase from 5.3% in December 2020 and from 2.4% in March 2020. Moody's reported the trailing 12-month speculative-grade default rate at 4.7% in March 2021, down from 4.9% in December 2020 but up from 1.9% in March 2020.

Fitch reported an increase in European Leveraged Loan default rates at 5.1% in March 2021, an increase of 0.2% since December 2020 (when measured by deal value).

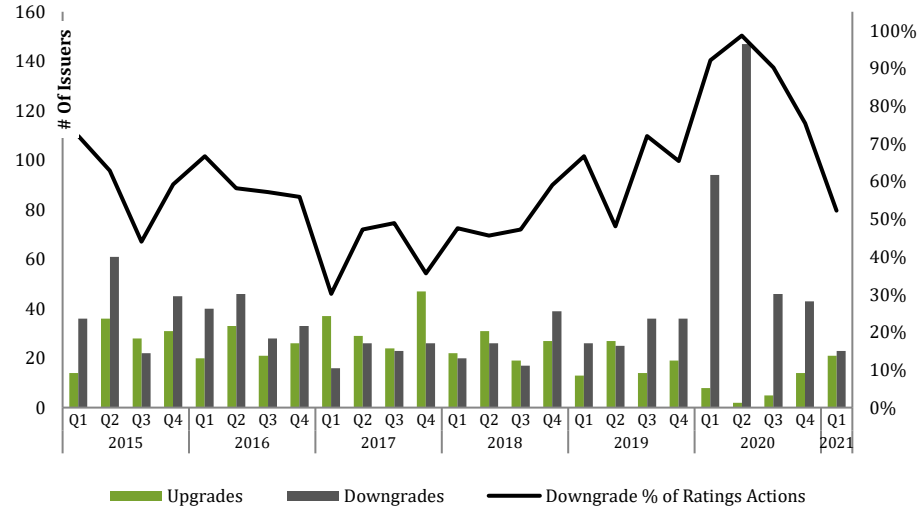
6 bond-related defaults were reported in the first quarter of 2021 by Standard and Poor's and Moody's, all in developed market Europe. Distressed exchange was the most frequent reason for default.

According to Moody's, in 1Q'21 bond upgrades exceeded downgrades in Europe (35 upgrades to 13 downgrades). This is an improvement on 30 downgrades to 10 upgrades in 4Q'20 and 78 downgrades to 4 upgrades in 1Q'20. S&P also reported an improvement in the downgrades-upgrades ratio. According to S&P, in 1Q'21 downgrades exceeded upgrades in Europe (24 downgrades to 22 upgrades), a better ratio than 43 downgrades to 14 upgrades in 4Q'20 and 78 downgrades to 4 upgrades in 1Q'20.

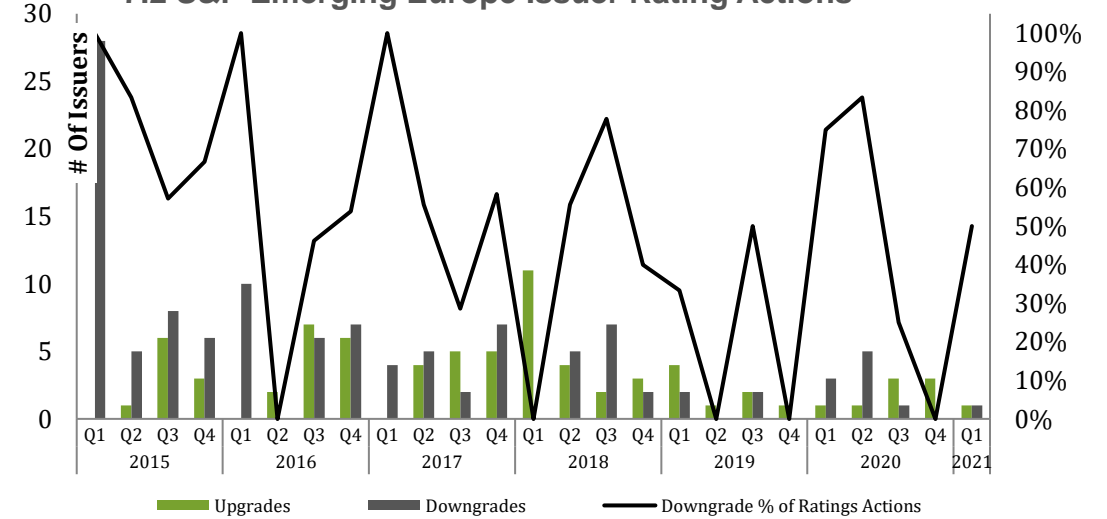
According to Reorg, the vast majority of Q1 2021 European leverage loan deals (97%) were covenant-lite. The remaining 3% of Q1 2021 deals were covenant-loose, containing a leverage maintenance covenant.

According to Covenant Review, 36% of all leveraged loan deals reviewed in 2021 YtD (Q1) contained an ESG feature, compared to just 4.9% of all deals reviewed in 2020.

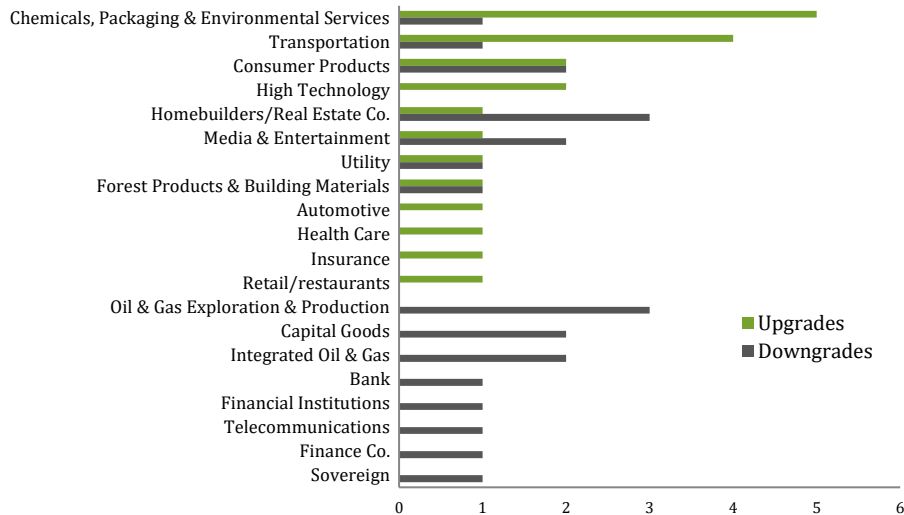
7.1 S&P Developed Europe Issuer Rating Actions



7.2 S&P Emerging Europe Issuer Rating Actions

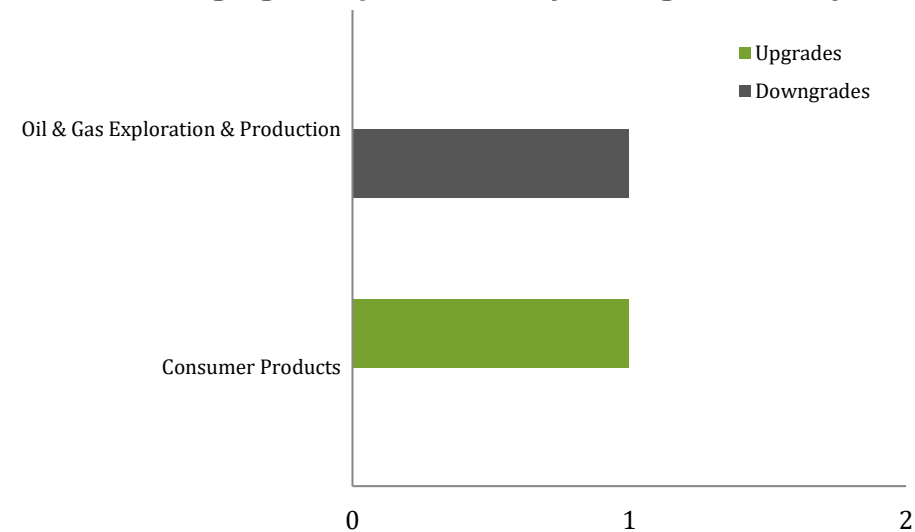


7.3 S&P Developed European Industry Rating Actions by # of Ratings

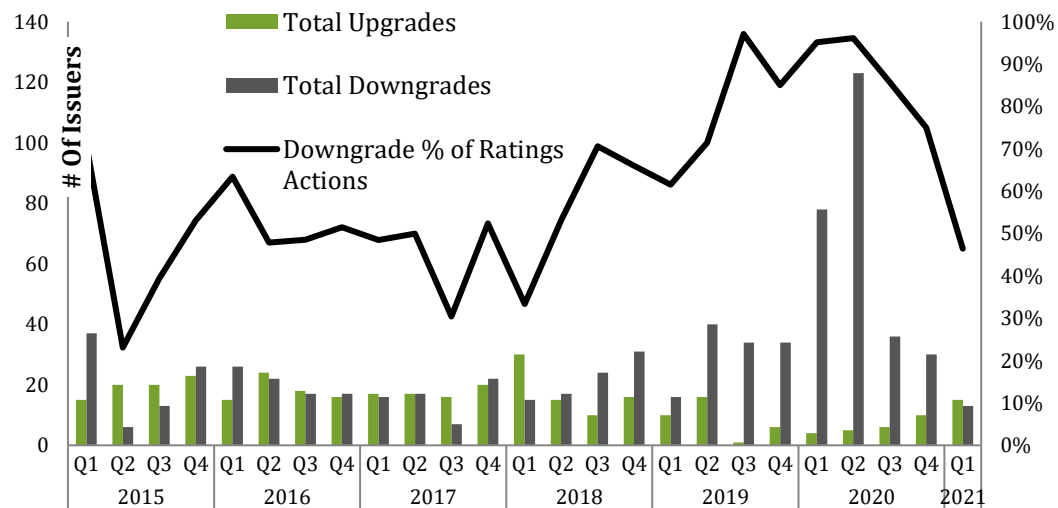


Source: S&P

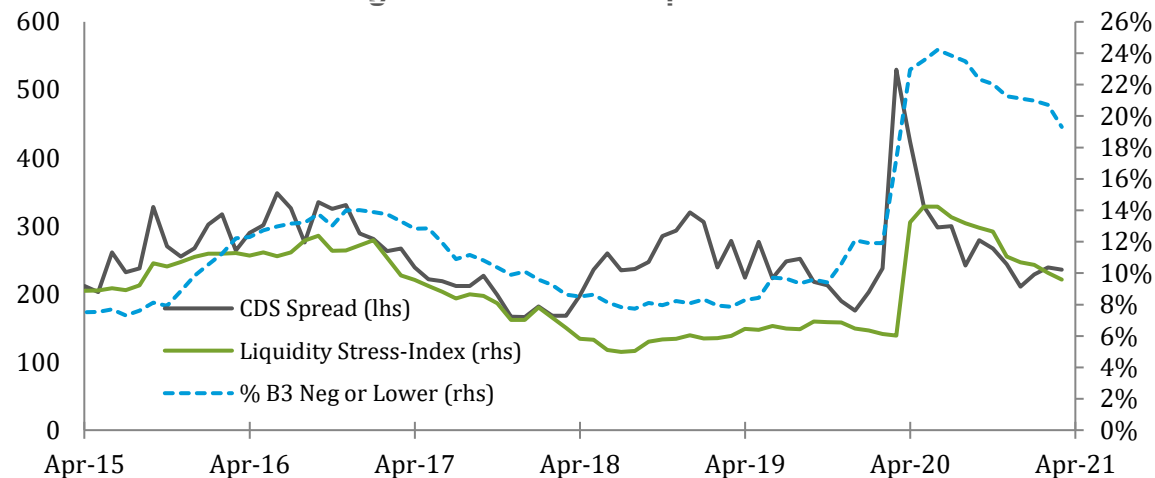
7.4 S&P Emerging European Industry Rating Actions by # of Ratings



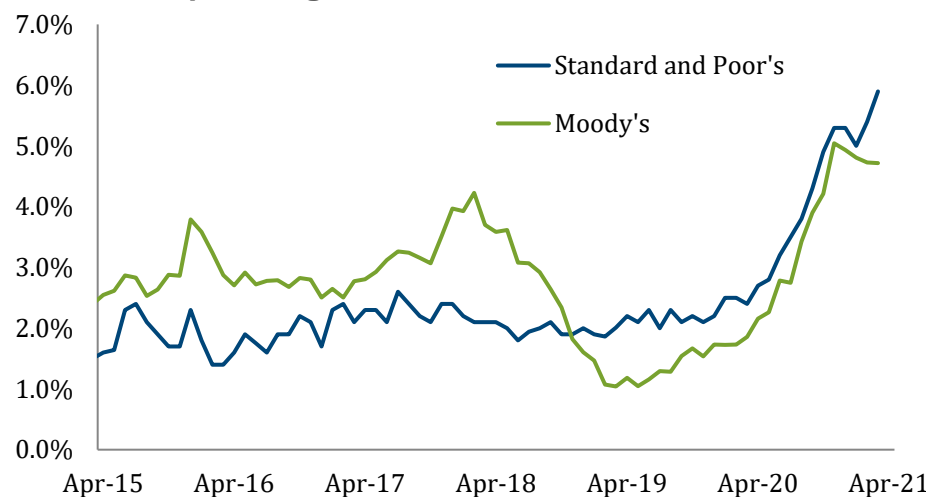
7.5 Moody's: Europe Issuer Rating Actions (corporate)



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

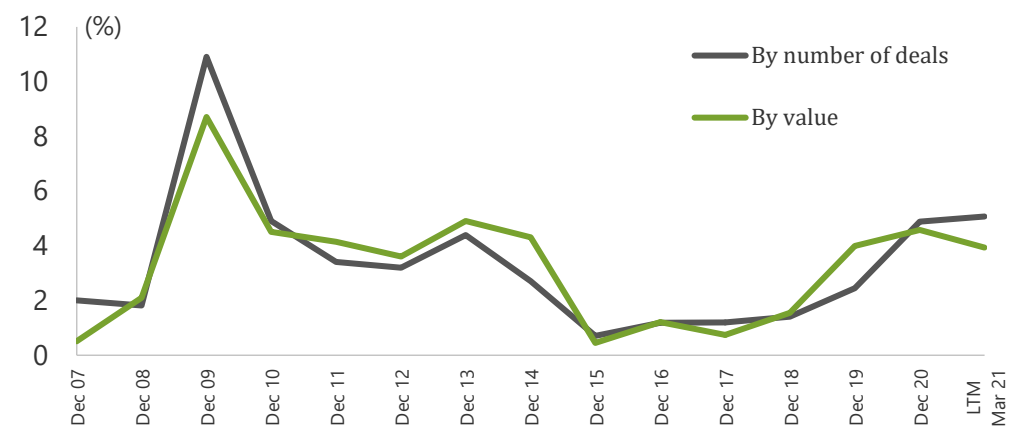


7.7 European High Yield Default Rates



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

7.8 Fitch: European Leveraged Loan Default Rates



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

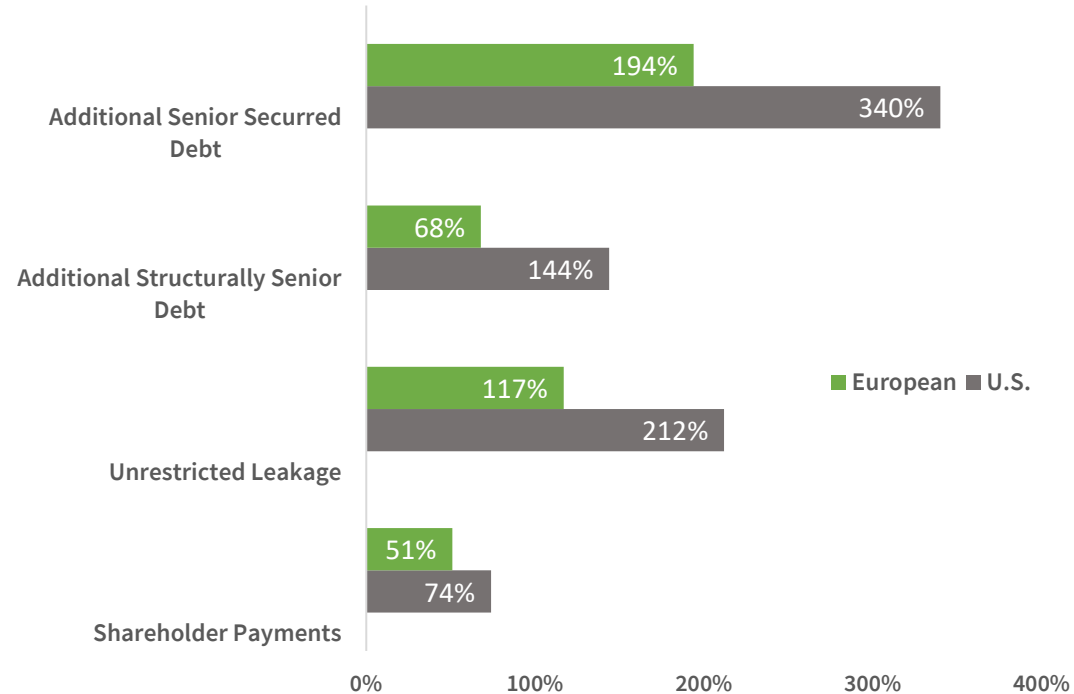
7.9 European Defaults

Issuer	Industry Group	Country	Date	Reported By	Reason
Promotora de Informaciones S.A.	Media and entertainment	Spain	January 2021	S&P	Distressed exchange
Vallourec	Oil and gas	France	February 2021	S&P	Distressed exchange
Arvos BidCo S.a.r.l.	Manufacturing	Germany	February 2021	Moody's	Distressed exchange
CatLuxe Sarl (CatLuxe Acquisition Sarl)	Consumer products	Luxembourg	February 2021	S&P	Missed principal payments
Al Mistral Holdco Ltd.	Transportation	U.K.	March 2021	S&P, Moody's	Distressed exchange
Aviation PLC	Transportation	U.K.	March 2021	S&P	Distressed exchange

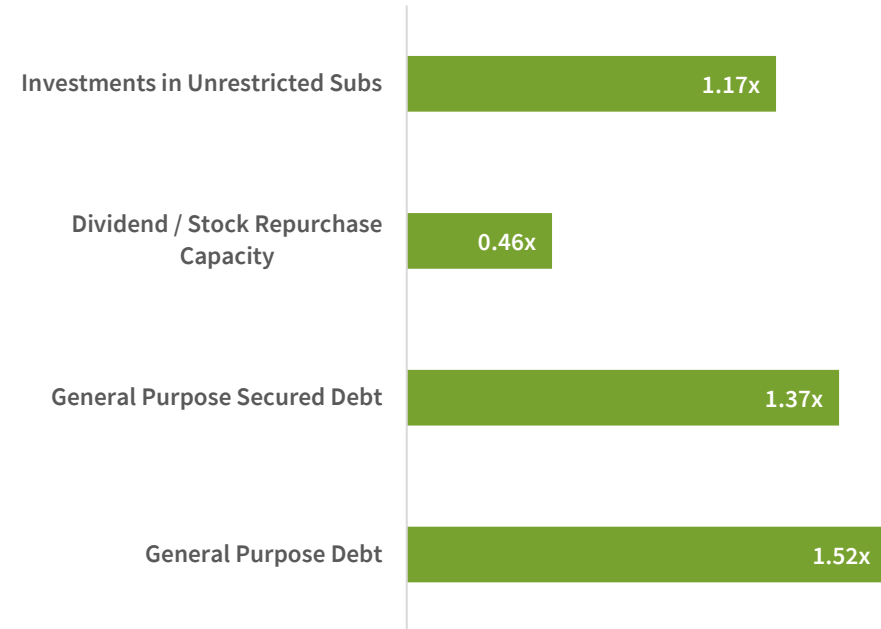
Source: S&P, Moody's

Credit Quality and High Yield Day-1 Capacity

7.10 Q1 2021 High Yield: Day 1 Headroom for Key Covenants Risks in Senior Secured European and U.S. Deals



7.11 Q1 2021 High Yield: Minimum Day-One Capacity (turns of Opening EBITDA, All Deals, Europe)

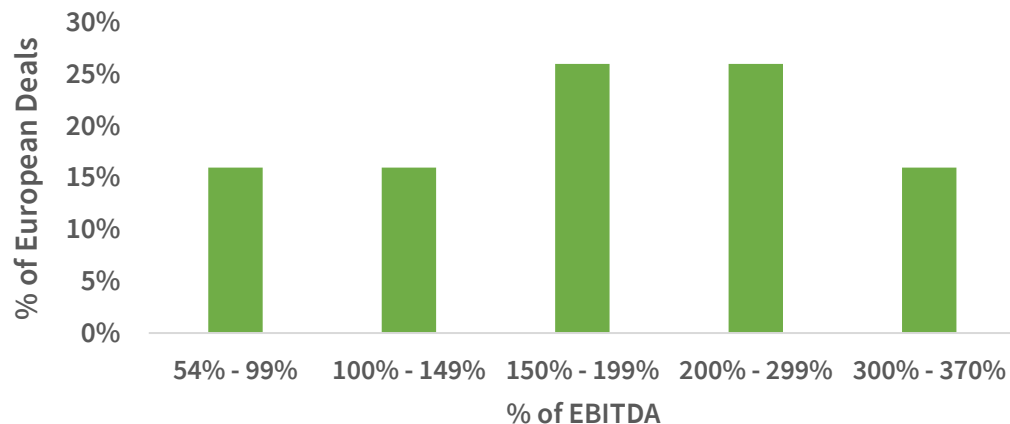


*Figures based on Reorg calculations. Figures provide day 1 capacity available at issue aggregating the “general purpose” baskets only (excludes specific purpose baskets). Excludes cov-lite offerings recorded on Reorg’s proprietary database (Market Maker).

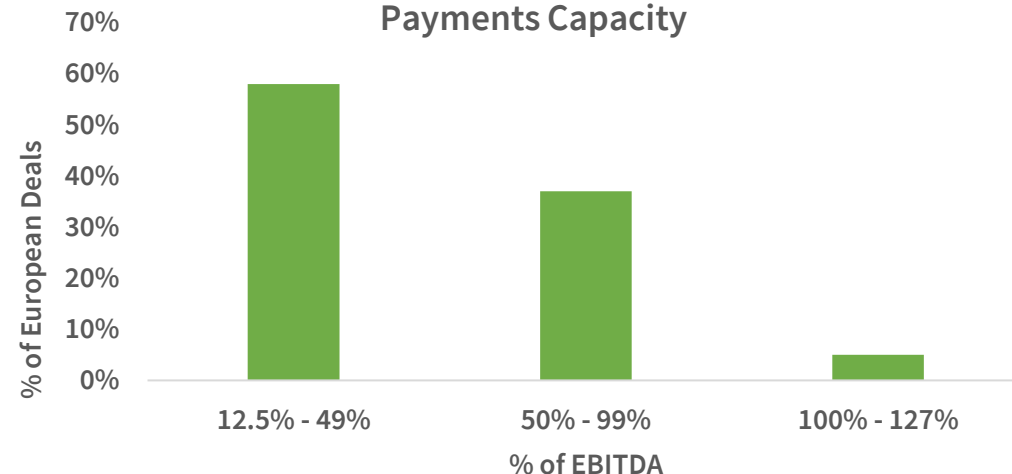
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Credit Quality and High Yield Day-1 Capacity

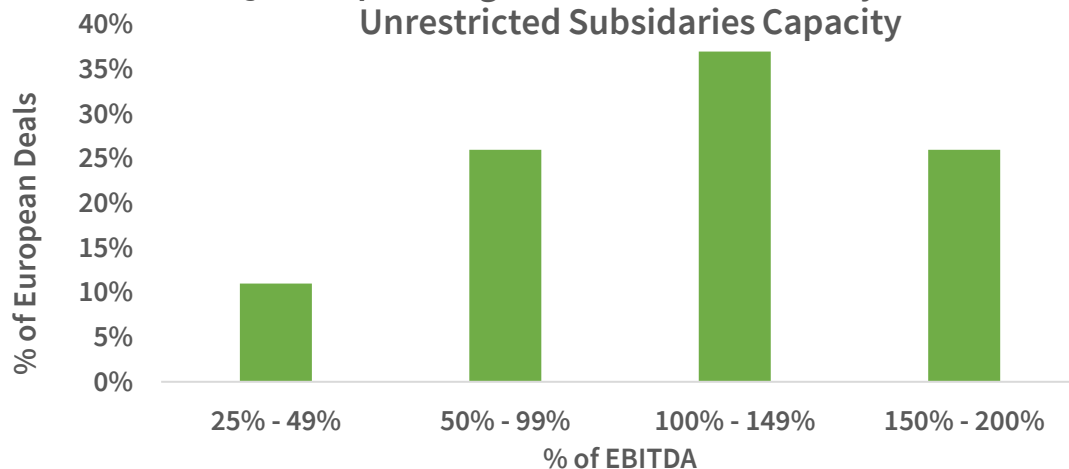
7.12 Q1 European High-Yield Bonds 2021: Day 1 Additional Senior Secured Debt Capacity



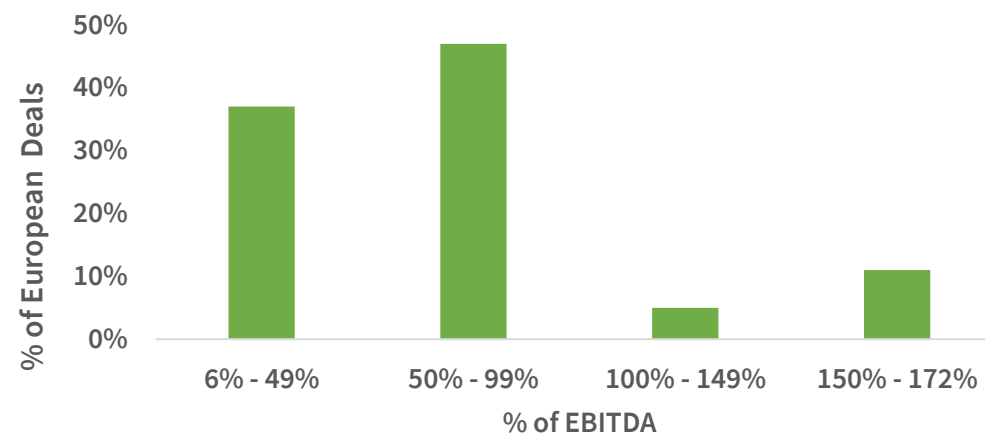
7.13 Q1 European High-Yield Bonds 2021: Day 1 Shareholder Payments Capacity



7.14 Q1 European High-Yield Bonds 2021: Day 1 Transfers to Unrestricted Subsidiaries Capacity



7.15 Q1 European High-Yield Bonds 2021: Day 1 Additional Structurally Senior Debt Capacity

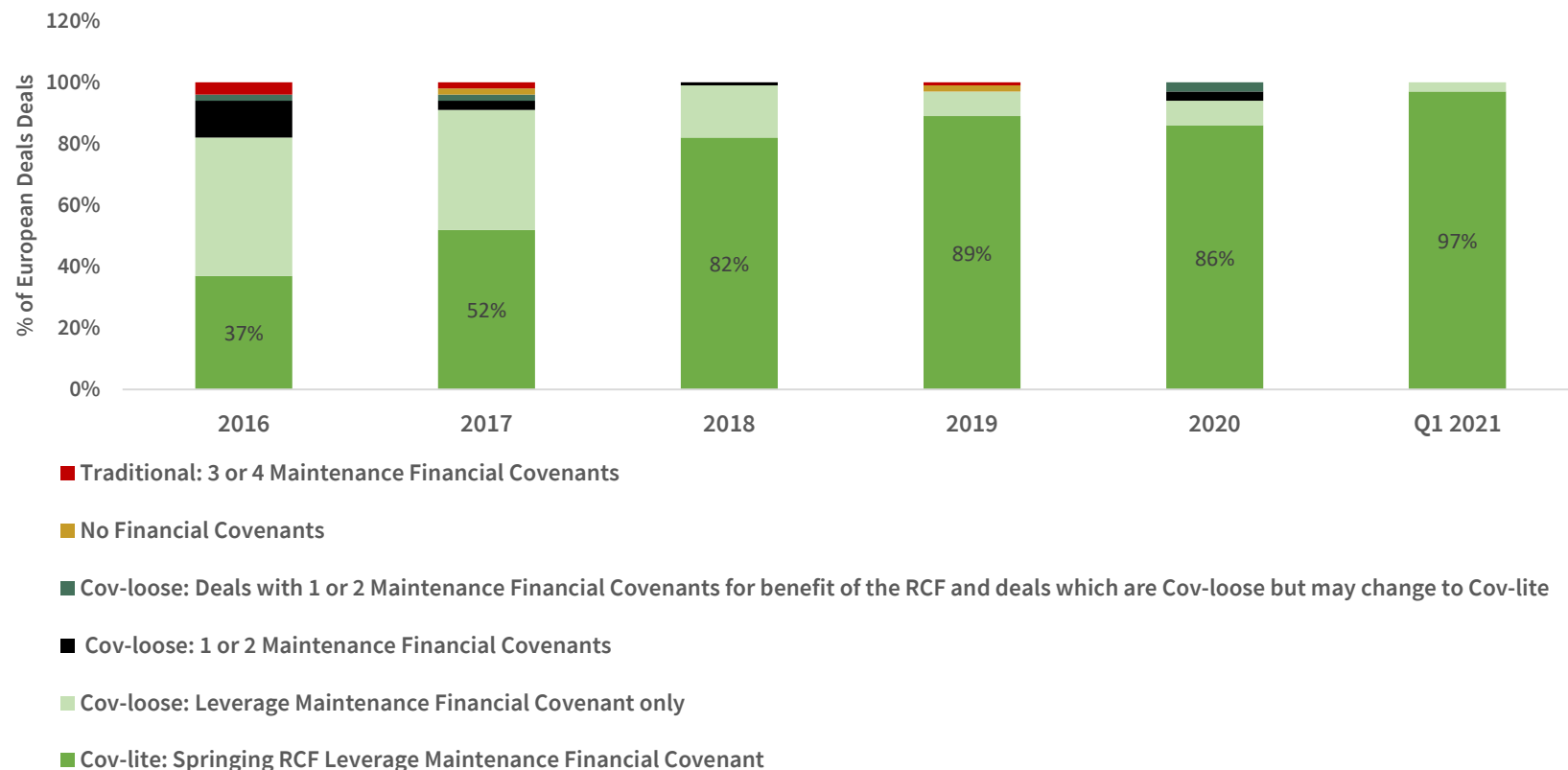


*Figures based on Reorg calculations for European deals. Figures provide day 1 capacity available at issue aggregating the “general purpose” baskets only (excludes specific purpose baskets). Excludes cov-lite offerings recorded on Reorg’s proprietary database (Market Maker).

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Credit Quality and European Leveraged Loan Covenants

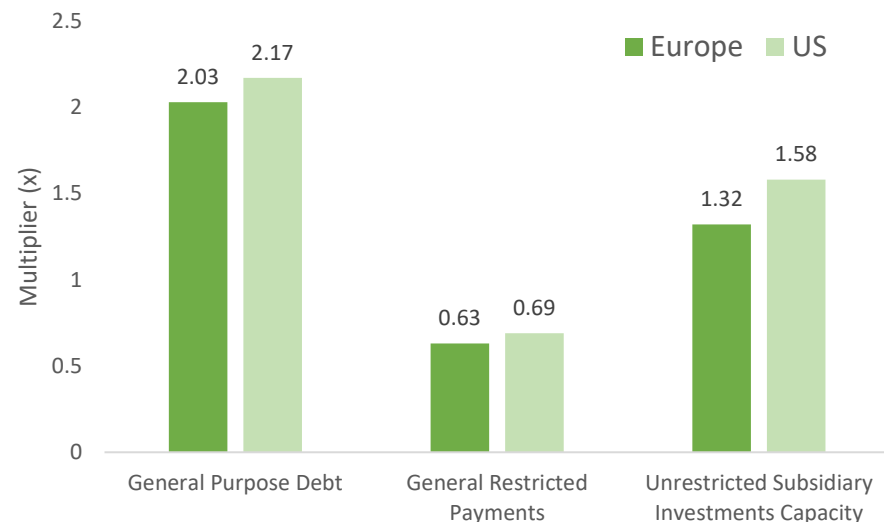
7.16 Financial Covenant Packages in European Leveraged Loans 2016-Q1 2021



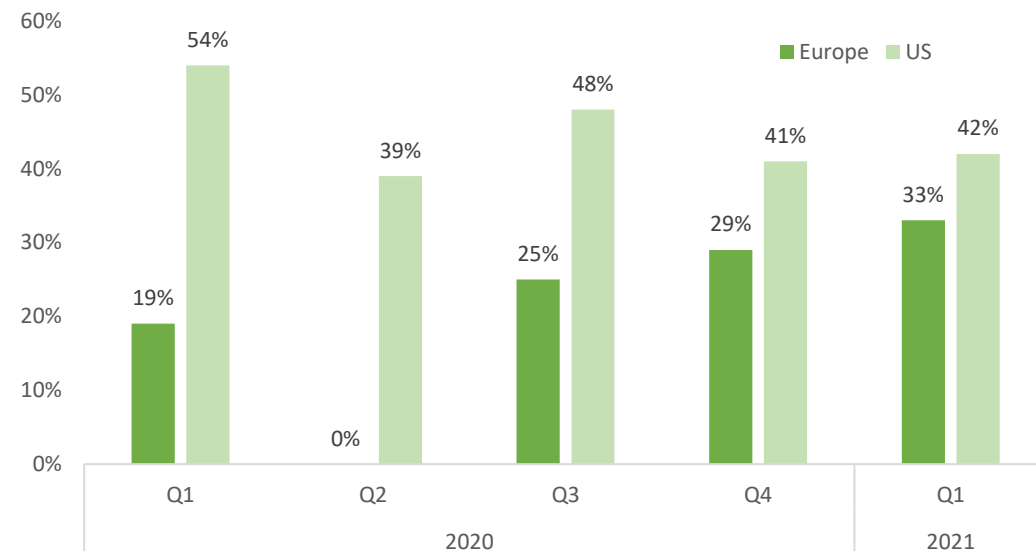
*Figures based on Reorg calculations for European deals

Loan Covenant Trends: Day-1 Capacity and EBITDA adjustments

7.17 Minimum Day-One Capped Basket Capacity: 2021 (L3M)



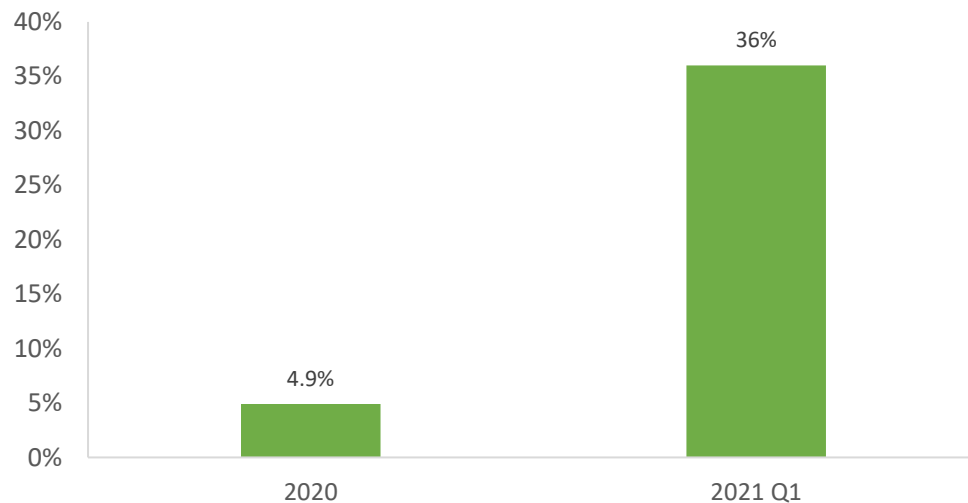
7.18 EBITDA Adjustments: Percentage with Uncapped EBITDA Adjustments



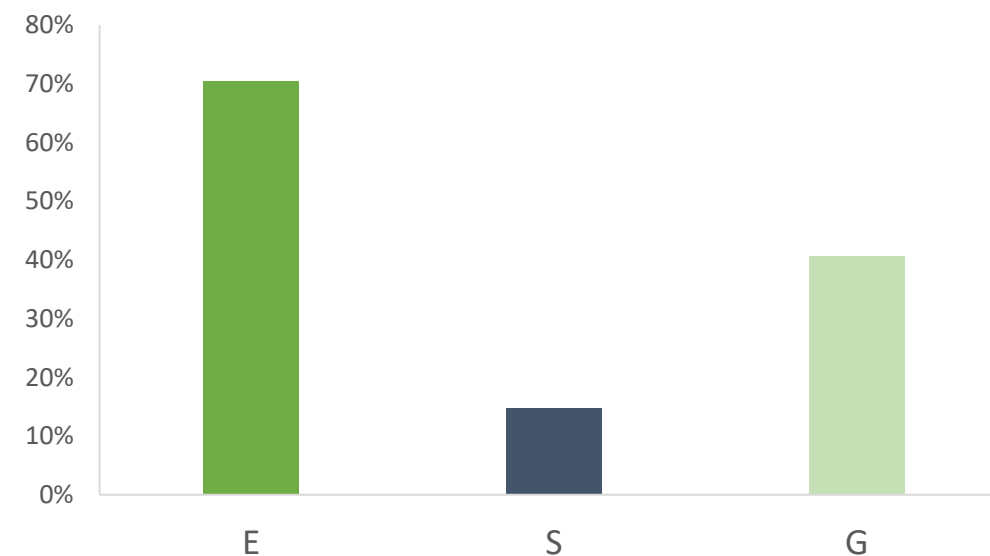
Euro stats as of February 28, 2021
US stats as of February 24, 2021

Source: Covenant Review

7.19 Percentage of Loans with an ESG Feature



7.20 Type of ESG Requirement



Relative Value and Total Return

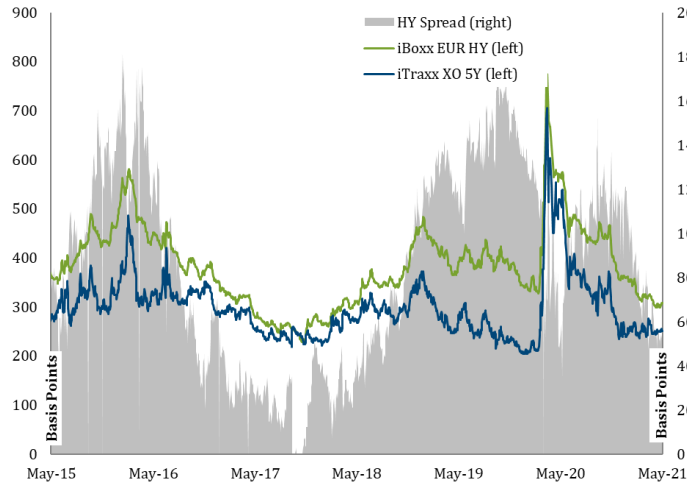
Returns

11 of the 20 asset classes tracked in this report recorded positive quarter-on-quarter (q-o-q) returns in 1Q'21. U.S. HY Distressed experienced the highest q-o-q return, at 17.8%. This was followed by Russell 2000 with a 12.4% return q-o-q.

The worst performing asset class was US Treasuries with a loss of 4.6% q-o-q in 1Q'21, followed by U.S. Corporates with a -4.5% loss q-o-q, and U.S. Mortgage 30Y with a -1.2% gain q-o-q.

Relative Value and Total Return

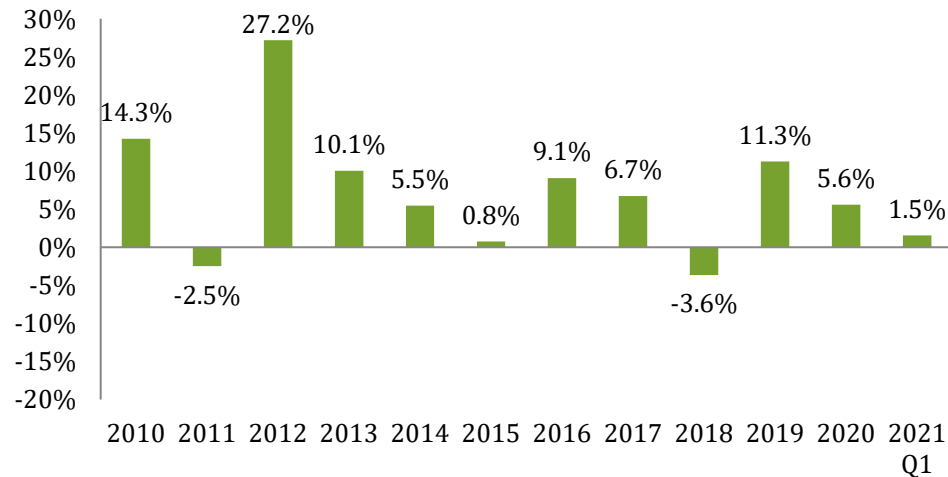
8.1 Relative value: European HY Bonds, Cash vs. Synthetic



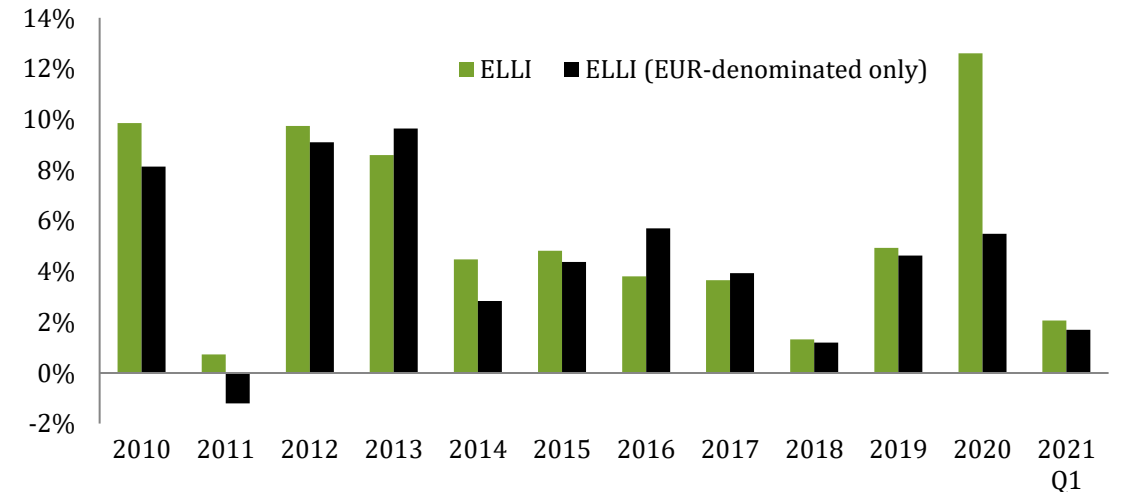
8.2 Relative value: European Leveraged Loans, Cash (EURO Lev40)



8.3 European HY Bond Total Return

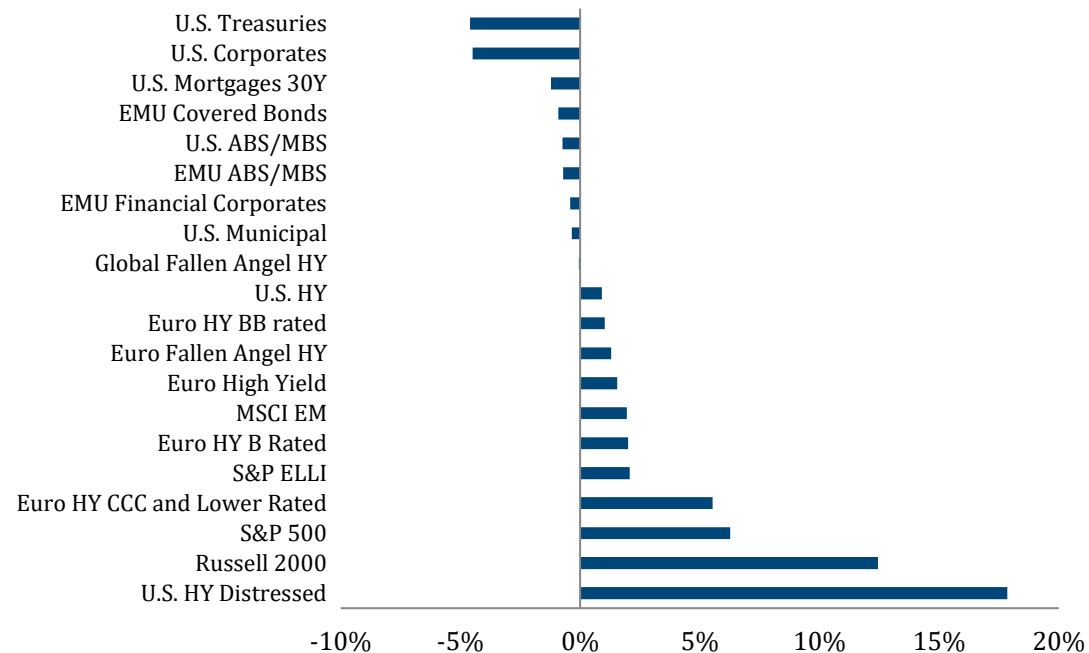


8.4 European Leveraged Loan Total Return



Source: S&P LCD [8.3] and [8.4], Eikon [8.1] and Refinitiv [8.2]

8.5 Asset Class Total Return: Q1 2021



Source: Eikon and S&P

Contacts

Research

Julio Suarez

Director, Research
Julio.Suarez@afme.eu
+32 2 788 39 70

Aoife Dowd

Intern, Capital Markets Research
Aoife.dowd@afme.eu
+32 2 788 39 79

High Yield

Gary Simmons

Managing Director, High Yield and ECM
Gary.Simmons@afme.eu
+44 (0)20 3828 2723

London Office

39th Floor
25 Canada Square
London E14 5LQ
United Kingdom
+44 (0)20 3828 2700

Brussels Office

Rue de la Loi, 82
1040 Brussels
Belgium
+32 (0)2 788 3971

Frankfurt Office

Neue Mainzer Straße 75,
60311 Frankfurt am Main,
Germany
+49 69 153 258 963



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