

Q1 2024

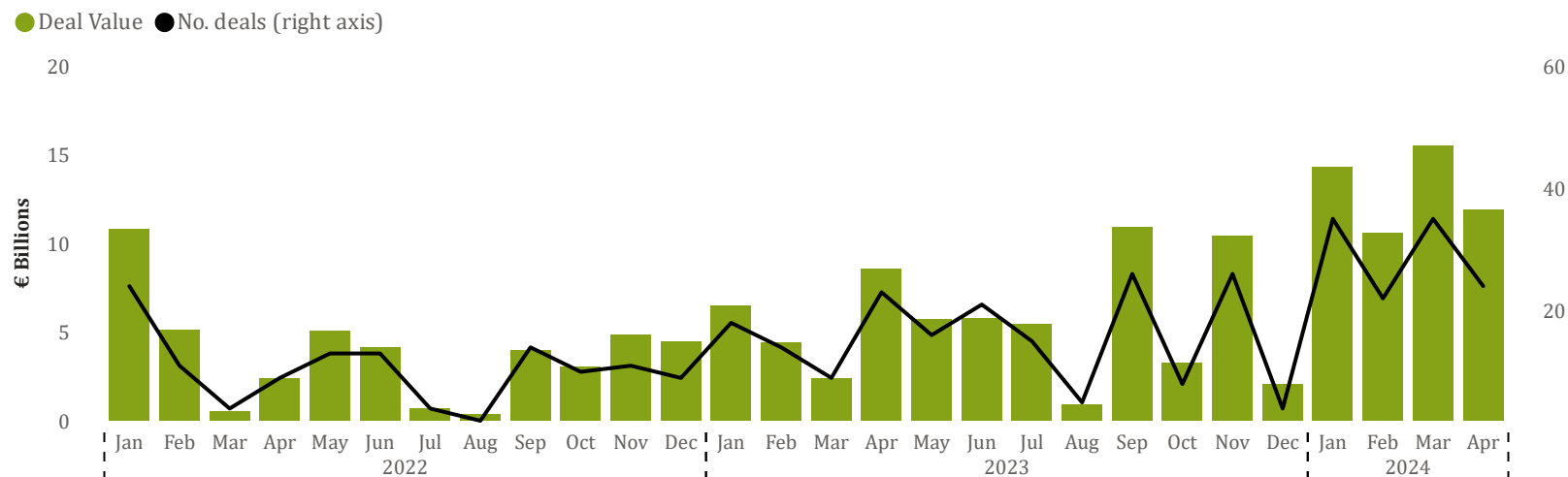
European High Yield and Leveraged Loan Report

European Leveraged Finance

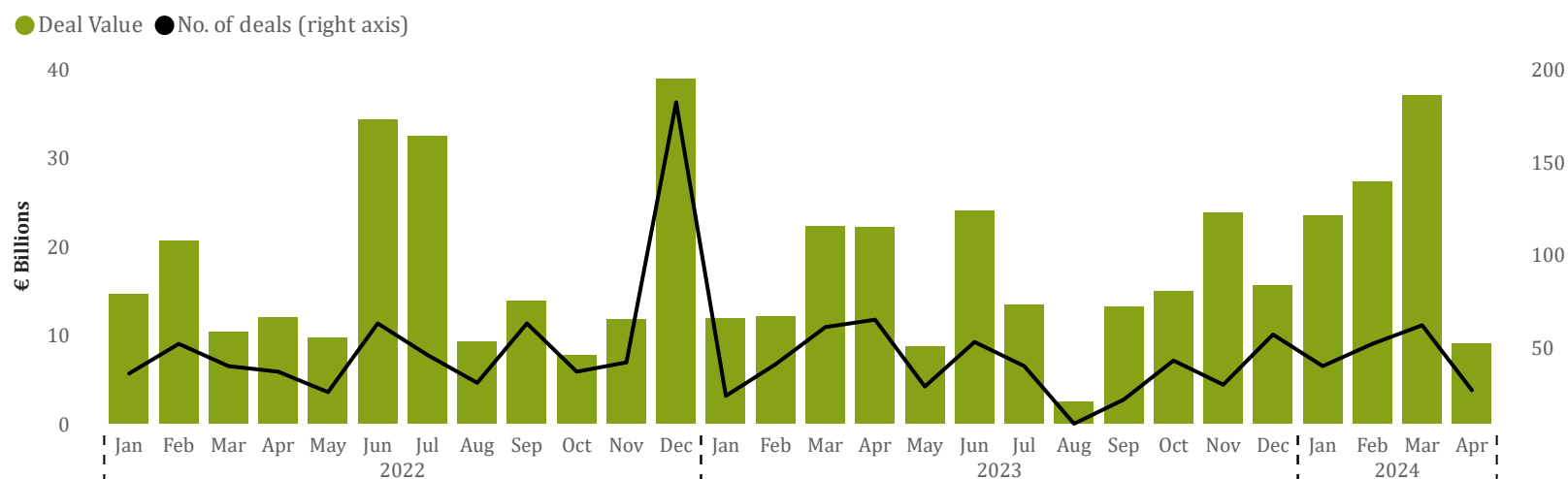


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1.1 European High Yield Bond Issuance



1.2 European Leverage Loan Issuance



Source: Dealogic

Robust start of the year for European leveraged finance

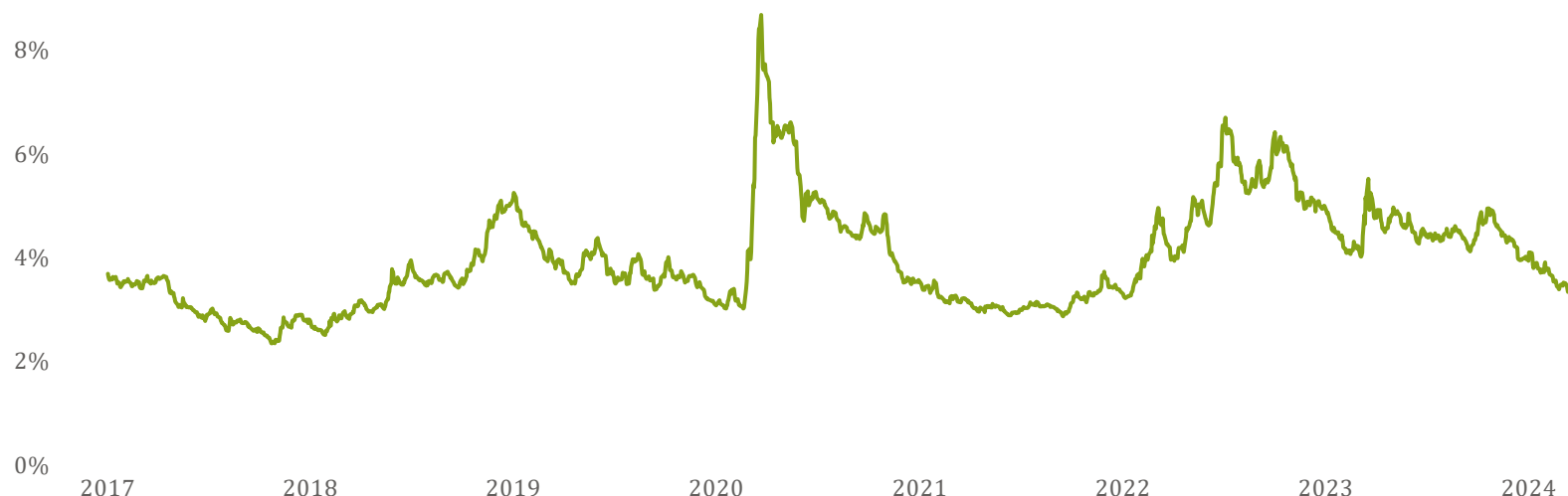
European high yield bond issuance started the year generating €40.4bn in proceeds during Q1 2024. This represents an increase of 206% YoY and 157% QoQ.

The number of deals more than doubled from the same period last year, rising from 41 in Q1 2023 to 92 in Q1 2024.

Issuance was relatively consistent across the first three months, with March exhibiting the highest activity of the quarter at €15.5 billion.

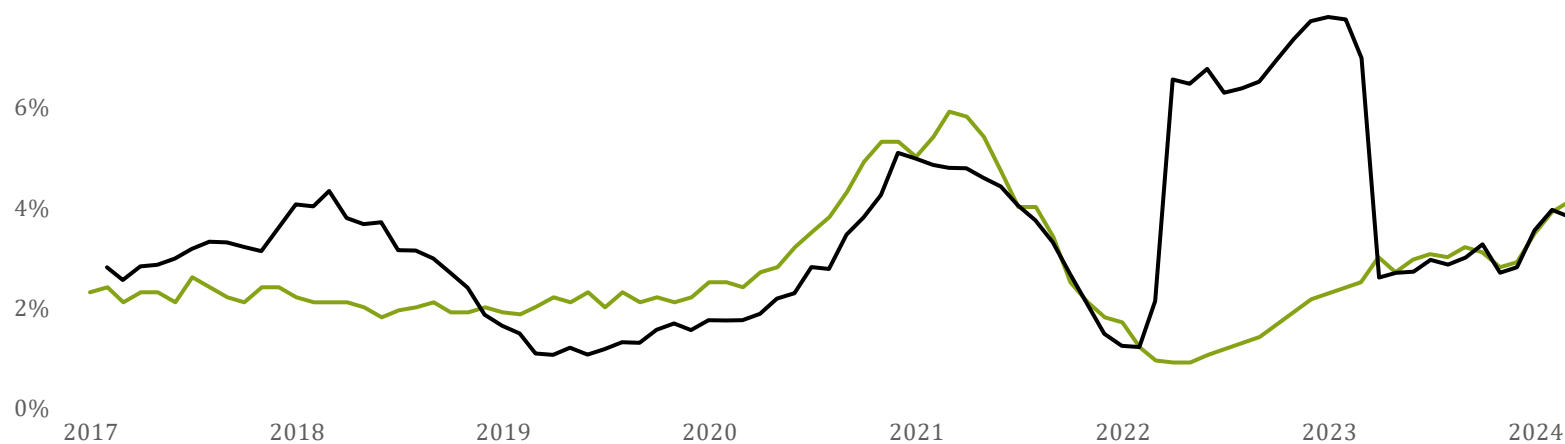
Leverage loans started the year on a strong note, experiencing a 90% YoY and 62% QoQ increase. Leverage loan issuance gradually increased each month during Q1 2024, generating a total of €87.7bn in proceeds. This compares with €46.1bn in Q1 2023 and €54.3bn in Q4 2023.

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



1.4 European High Yield Bond Default Rates

● Standard and Poor's ● Moody's



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

Tighter European high yield spreads

European high yield spreads slightly tightened during Q1 2024, moving from 3.92% in the beginning of January to 3.58% in the end of March.

S&P reported the trailing 12-month speculative-grade bond default rate at 4.11% in March 2024, an increase from 3.47% in December 2023. Moody's reported the speculative-grade bond default rate at 3.60% in March 2024, relatively unchanged from the 3.54% recorded in December 2023 but up from the 2.59% of March 2023.

Fitch reported a trailing 12 months European leveraged loan default rate of 3.8% in March 2024, down from 4.39% in December 2023.

Leveraged Finance Overview

Leveraged Finance Overview

Issuance Highlights

European leveraged finance issuance (leveraged loans and high yield bonds) totalled €128bn in proceeds in Q1 2024, representing a 115% increase from Q1 2023 (€59.4bn). The rise is attributable to an increase in both loan origination and high yield bond issuance. Leverage loans grew to €87.7bn, a 90% YoY increase compared to €46.1bn issued in Q1 2023. Similarly, high yield issuance rose by 206% YoY, from €13.2bn in Q1 2023 to €40.4bn in Q1 2024.

The high yield share of European leveraged finance market issuance increased to 32% in Q1 2024, from 23% in Q1 2023.

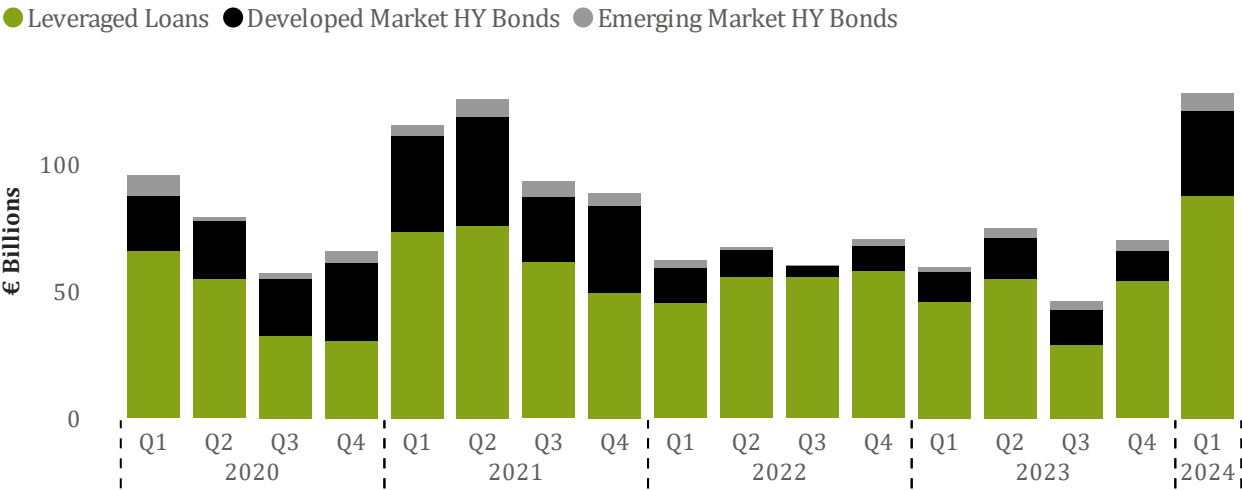
Developed and emerging market high yield average deal size stood at €443m and €416m respectively, a 38% and 24% YoY increase. Average leverage loan size increased to €569m (+55% YoY).

Credit Standards and Loan Demand

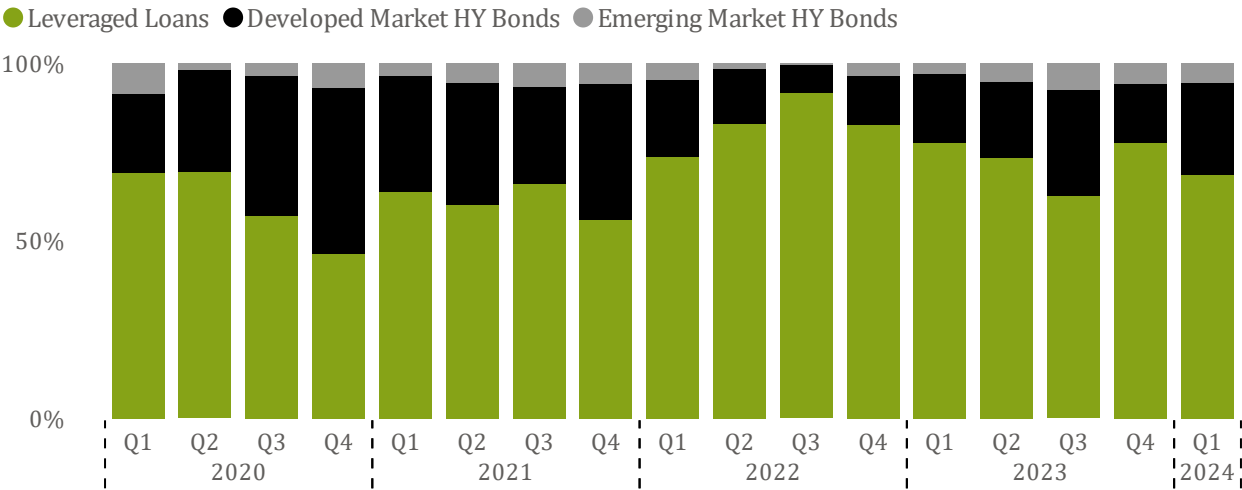
According to the European Central Bank lending survey, credit standards for loans to large firms and SMEs tightened slightly during the quarter, with an overall net percentage of +3. General economic situation and industry or firm-specific outlook led as the most significant contributors to the tightening, followed by bank's liquidity position and competition from market financing.

Net demand for loans to enterprises continued to decline in Q1 2024, showing an overall net percentage of -28. The demand contraction was driven by lower fixed investments, high interest rates, weaker M&A activity, and higher recourse to internal financing. The factors that contributed positively to loan demand were debt restructuring, debt issuance, and working capital financing.

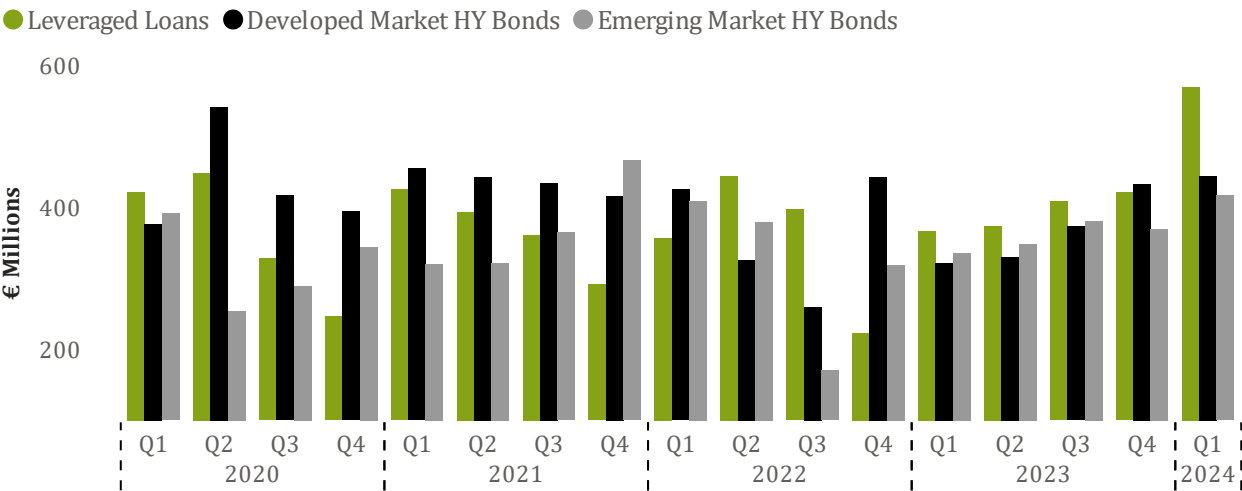
2.1 European Leveraged Issuance by Type



2.2 European Leveraged Issuance Percentage, by Type



2.3 European Leveraged Finance Average Deal Size



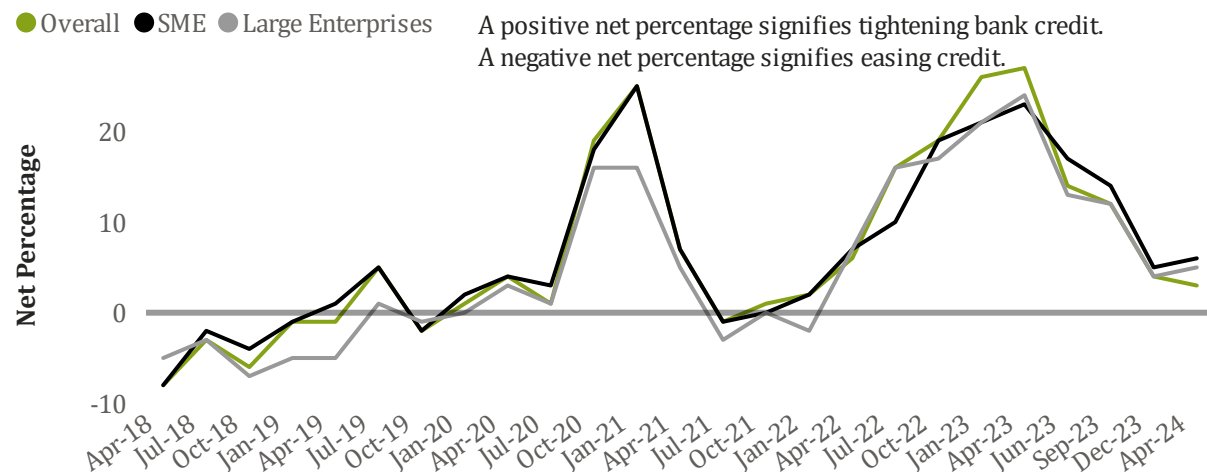
2.4 Global Comparison High Yield Issuance

Year Region	2022				2023				2024
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Americas	38.5	24.1	18.9	13.6	34.7	49.0	37.9	31.7	61.8
Asia	3.9	6.2	9.1	3.8	7.3	6.4	4.9	9.0	4.8
Europe	16.5	11.6	5.0	12.3	13.2	20.0	17.2	15.7	40.3
Total	58.9	41.9	33.0	29.8	55.2	75.4	60.1	56.5	106.9

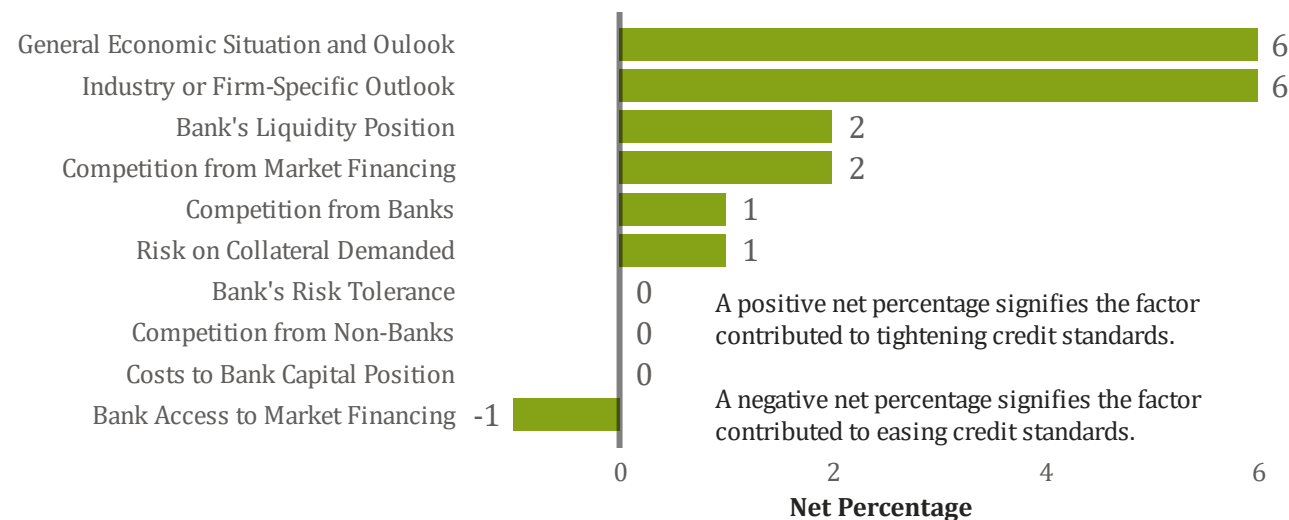
Region	2020	2021	2022	2023	2024
					YTD
Americas	343.7	343.9	95.1	153.4	61.8
Asia	65.0	58.0	23.0	27.5	4.8
Europe	113.6	162.8	45.3	66.2	40.3
Total	522.3	564.8	163.5	247.1	106.9

Source: Dealogic

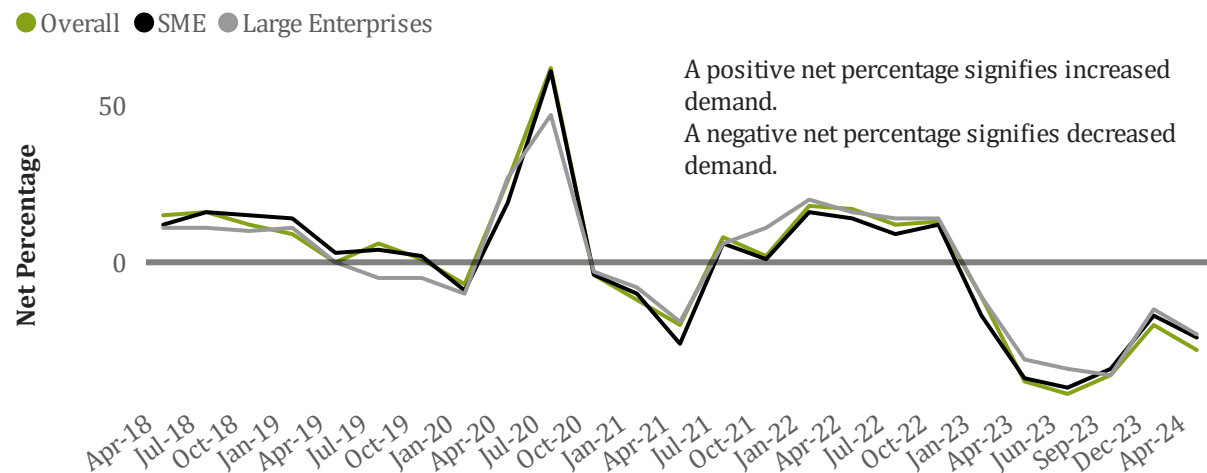
2.5 Bank Credit Standards



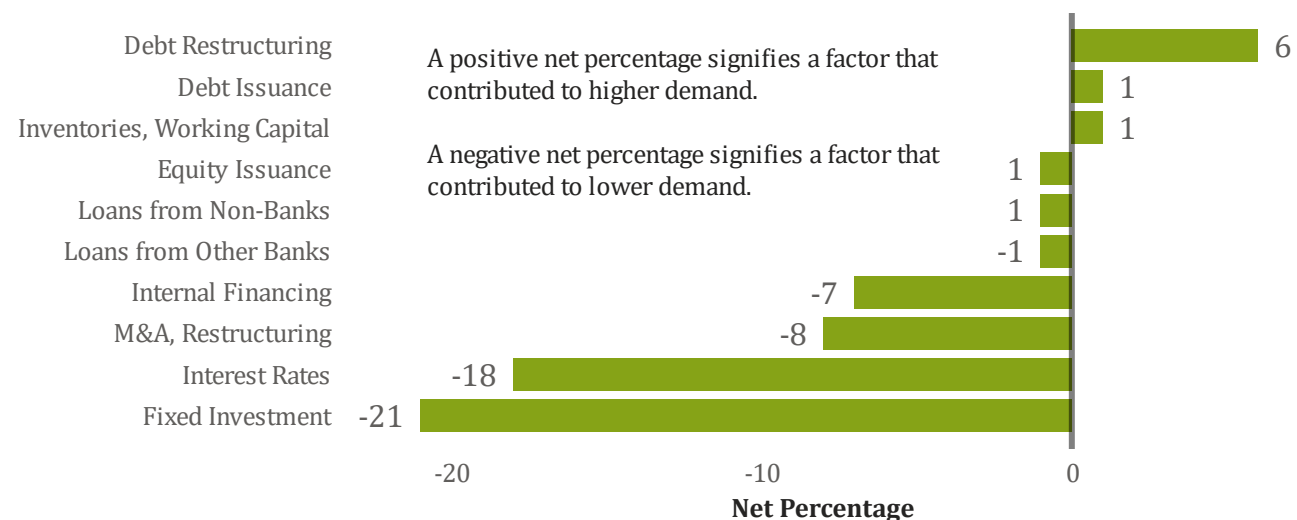
2.6 Factors Affecting Bank Credit Standards: March 2024



2.7 Loan Demand



2.8 Factors Affecting Loan Demand: March 2024



Leveraged Loans

Issuance: Leveraged Loans

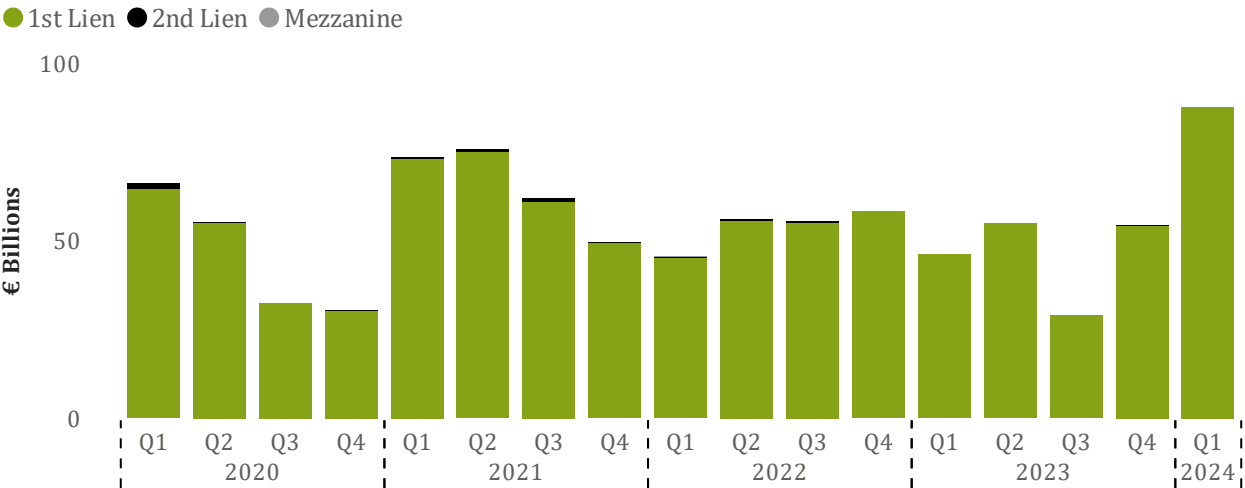
In Q1 2024, total leveraged loan origination, including first lien, second lien, and mezzanine financing, reached €87.7bn, a 62% QoQ increase from Q4 2023 (€54.1bn) and a 90% YoY increase from Q1 2023 (€46.1bn). This figure represents the largest quarterly issuance since 2008.

Only 1st lien loans were issued during the quarter. No 2nd lien or mezzanine issuance was reported.

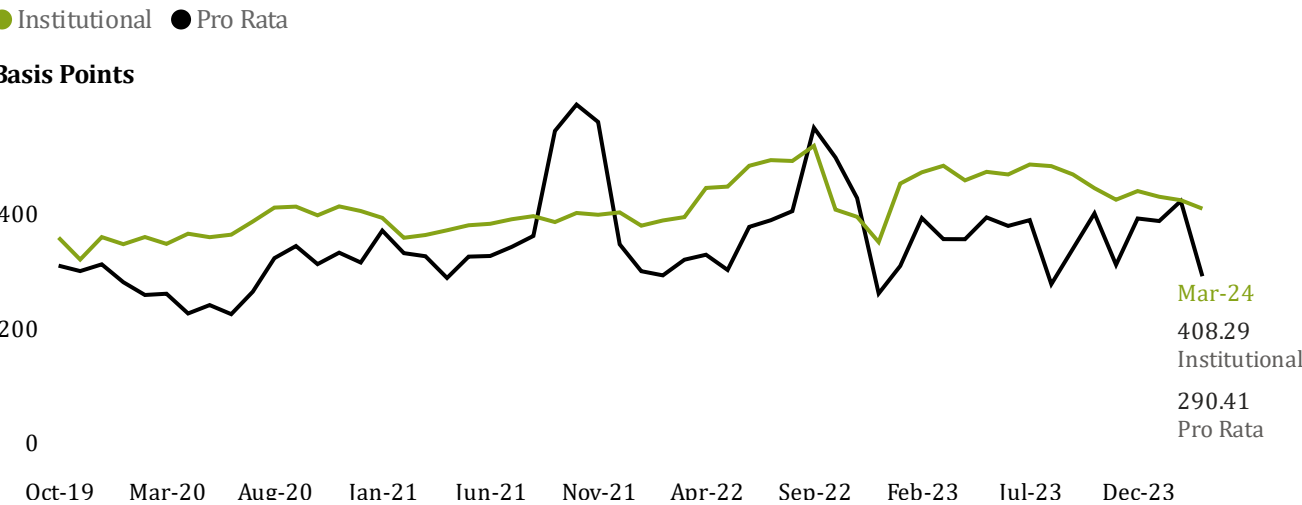
Institutional spreads, measured as a 3-month rolling average, showed a gradual tightening over the quarter, from 439 basis points in December 2023 to 408 basis points by March 2024. During the quarter, institutional spreads consistently remained above pro-rata spreads. In contrast, pro-rata spreads displayed more variability during the same period. Although they were nearly aligned with institutional spreads in February 2024, with only a 2 basis point difference (423 bps for institutional vs. 421 bps for pro-rata), by the end of the quarter, pro-rata spreads had dropped significantly to as low as 290 basis points.

Healthcare, Professional Services, and Insurance were the leading sectors by loan origination amount, collectively representing 37% of Q1 2024 issuance.

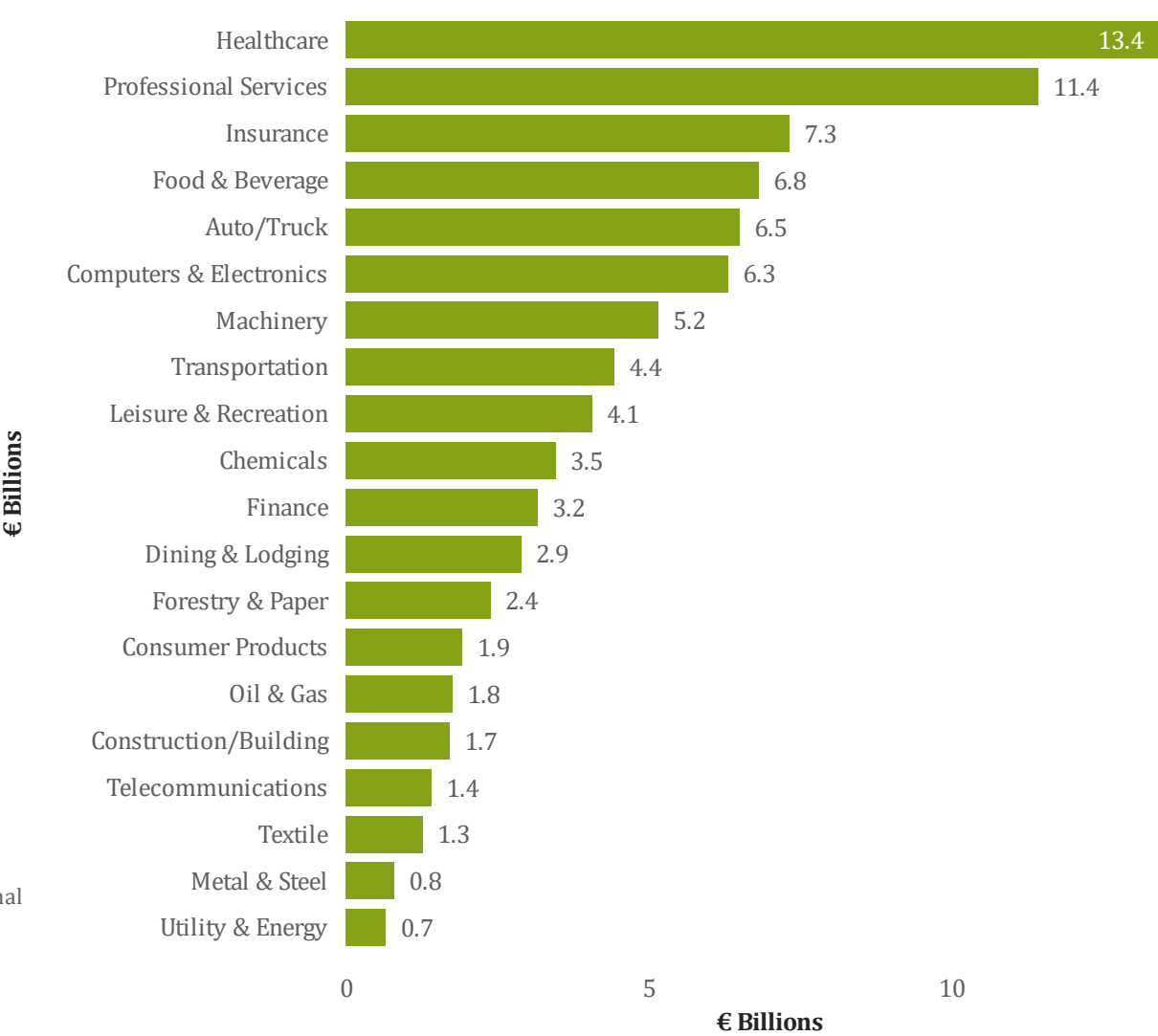
3.1 European Leveraged Loan Issuance by Type



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



3.2 European Leveraged Loan Issuance by Industry: Q1 2024 (Top 20)



Source: Dealogic

High Yield Bonds Overview

High Yield Bonds Overview

Issuance: High Yield Bonds

Primary high yield issuance totaled €40.4bn on 92 deals in Q1 2024, a 206% increase from €13.2bn on 41 deals in Q1 2023. Issuance in European developed markets accounted for 82.4% of the total (€33.3bn on 75 deals), while the remaining (€7.1bn on 17 deals) was issued by emerging market firms.

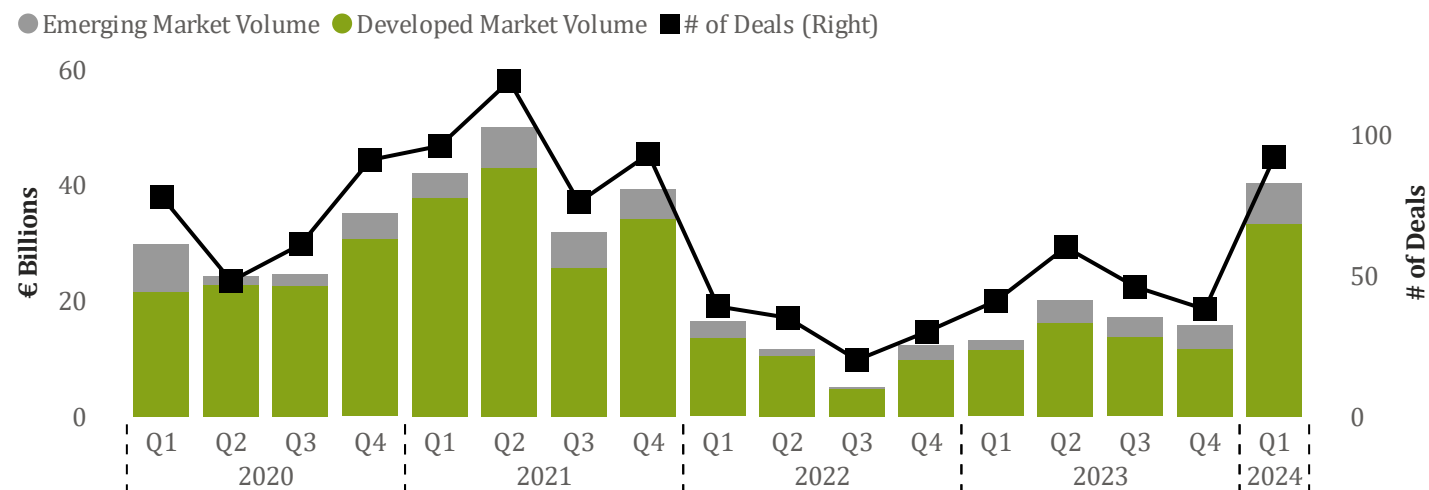
On a quarterly basis, high yield Europe issuance rose in both developed and emerging markets, more precisely by 187.8% and 321.4% respectively.

The majority of high yield proceeds were used to repay or refinance debt (€29.9bn or 54.4% of the total), followed by general corporate purposes (€14.8bn or 36.6% of the total).

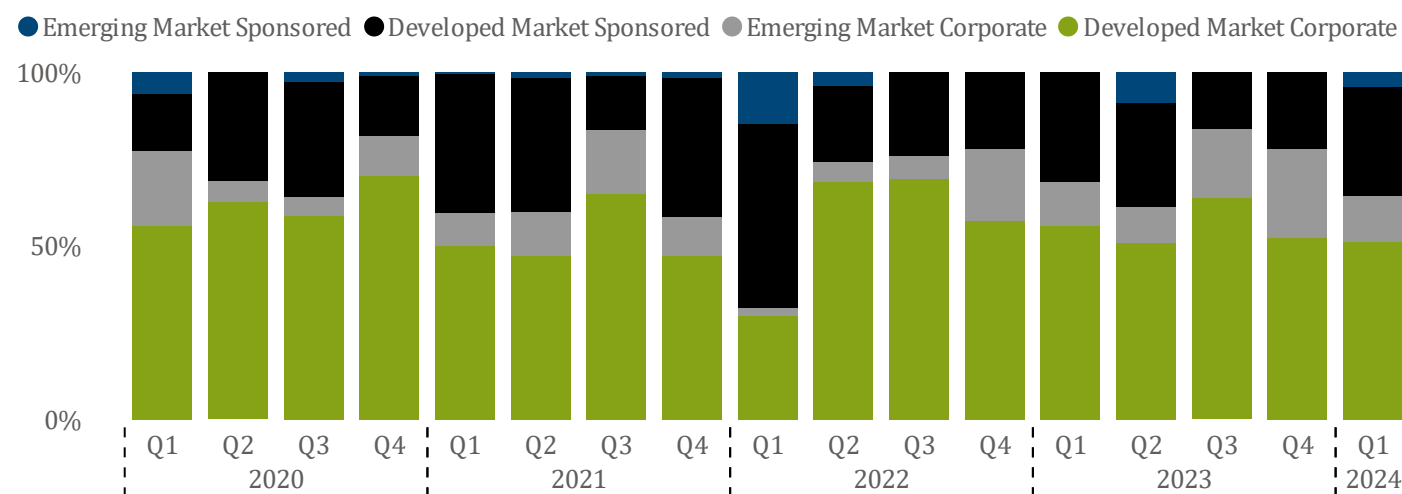
In Q1 2024, no proceeds were allocated to leveraged buyouts (LBOs), in contrast with Q1 2023, when 5.2% of the funds collected were directed towards such activities. Moreover, M&A operations were not financed using high yield instruments this quarter.

Three sectors accounted for 62.1% of the high yield market by outstanding amount: Financials, Consumer Discretionary, and Communications with €224bn, €121bn, and €120bn of total outstanding value respectively.

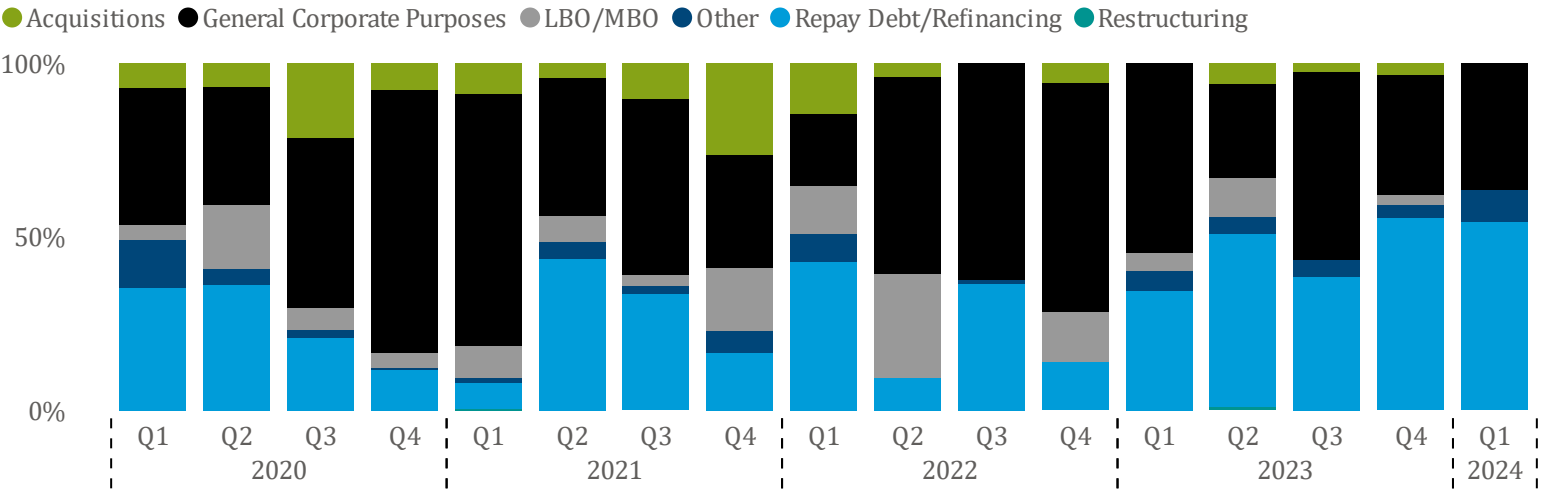
4.1 European High Yield Issuance, Developed and Emerging Markets



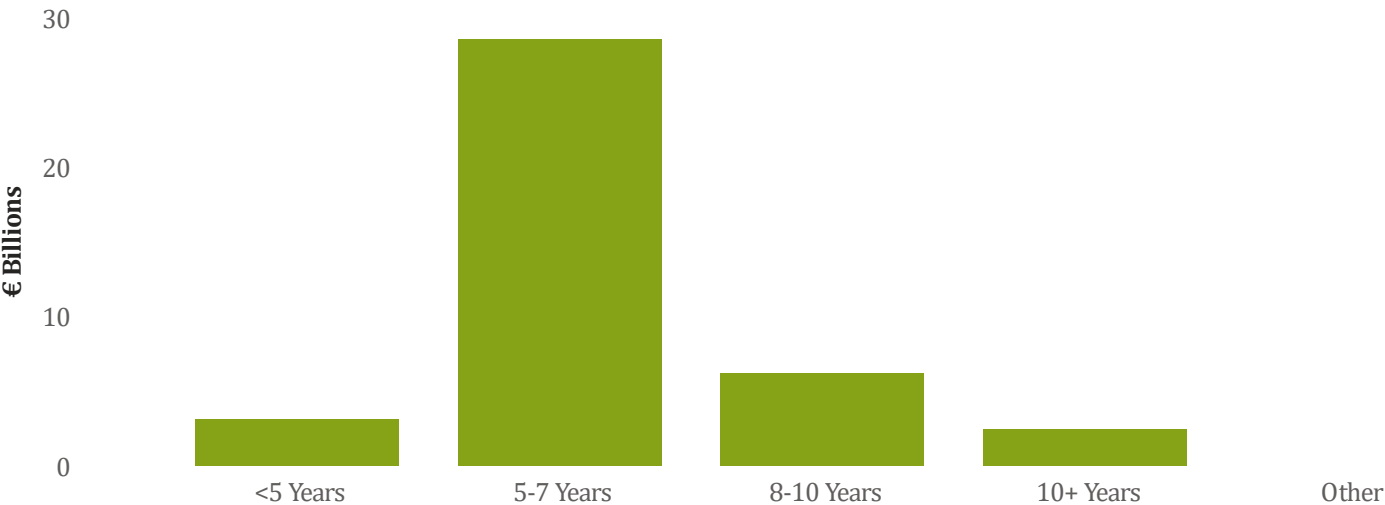
4.2 European High Yield Issuance, Sponsored vs Corporate



4.3 European High Yield Issuance, Use of Proceeds



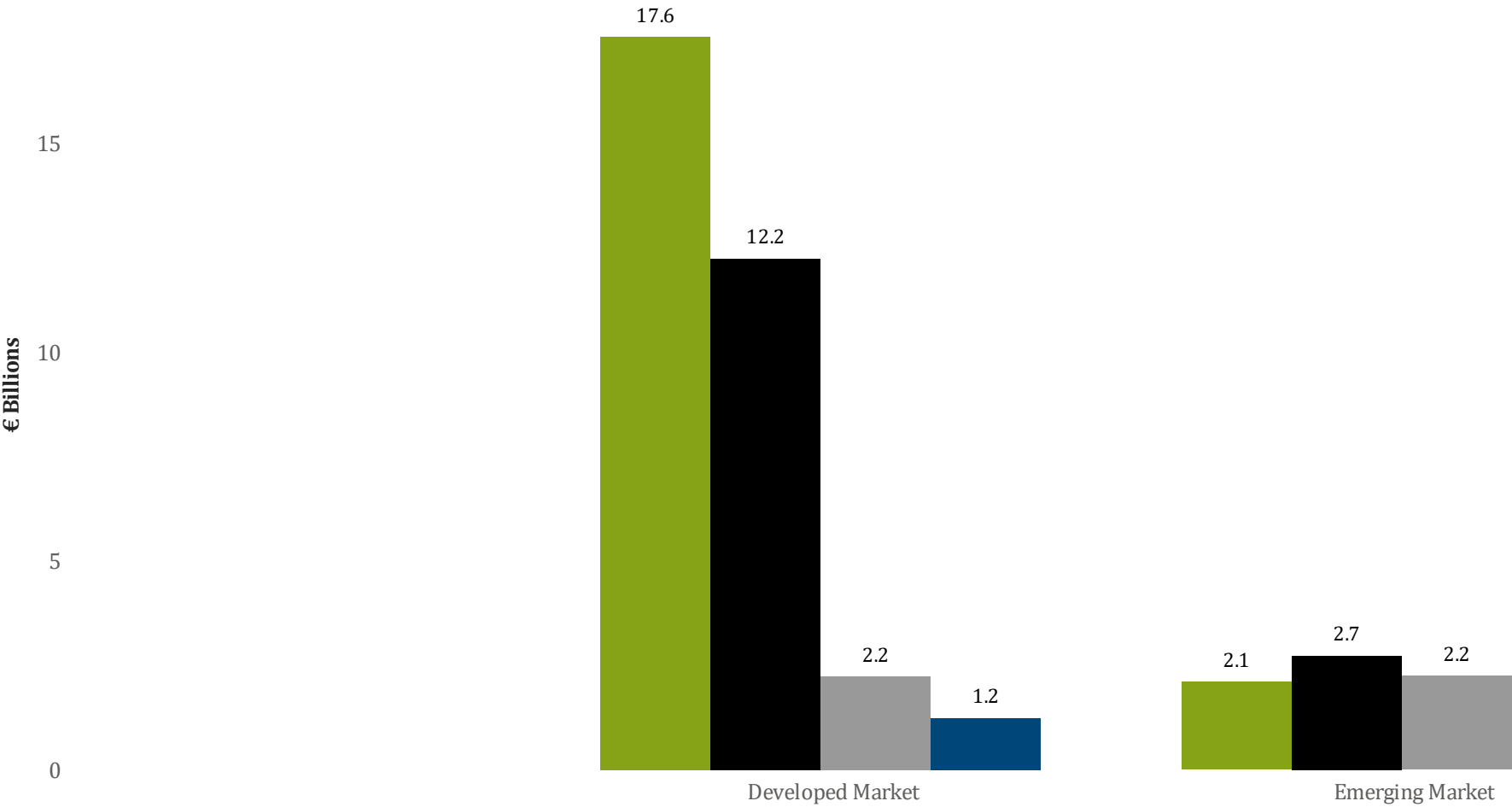
4.4 European High Yield Issuance by Tenor: Q1 2024



Source: Dealogic

4.5 European High Yield Issuance by Rating: Q1 2024

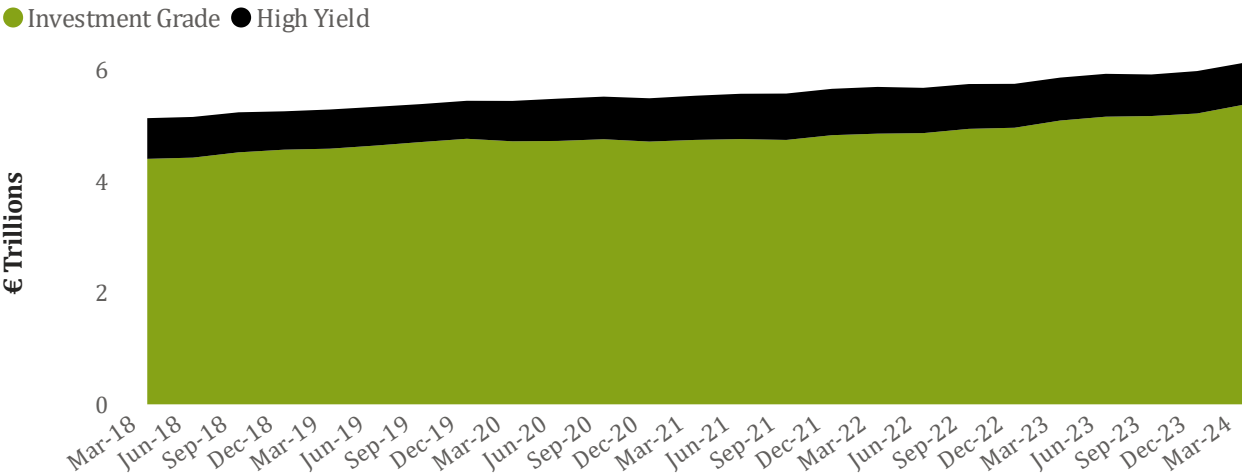
● BB ● B ● CCC ● Not rated



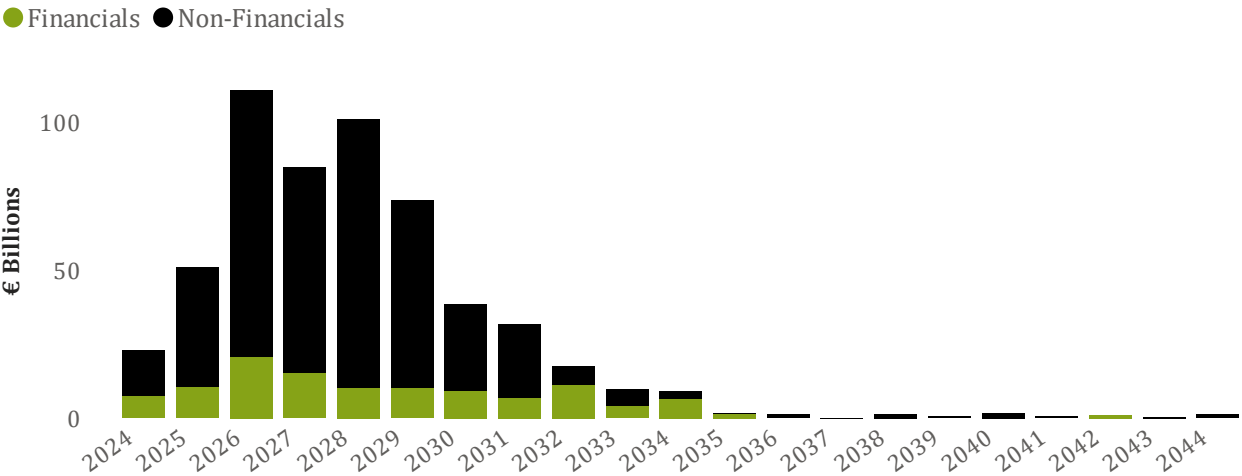
*Corporate Bond Issuance denotes corporate and sponsored bonds, excluding government bonds.

Source: Bloomberg

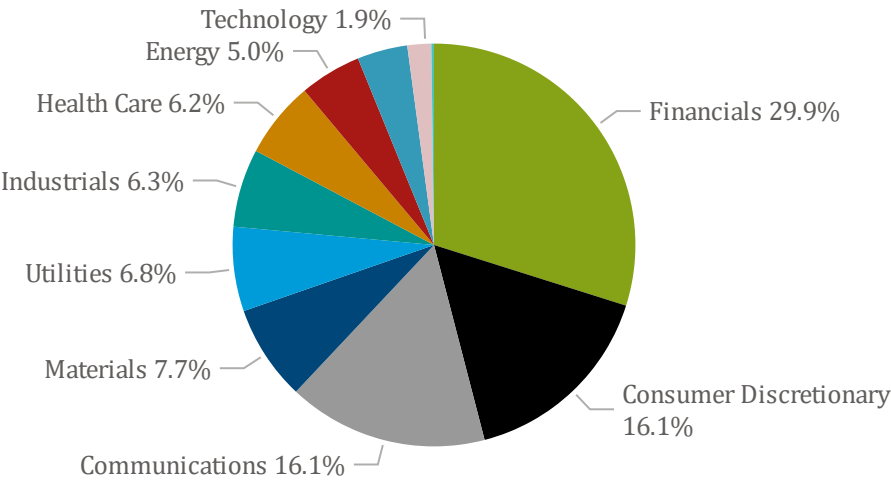
4.6 European Corporate Bonds Outstanding



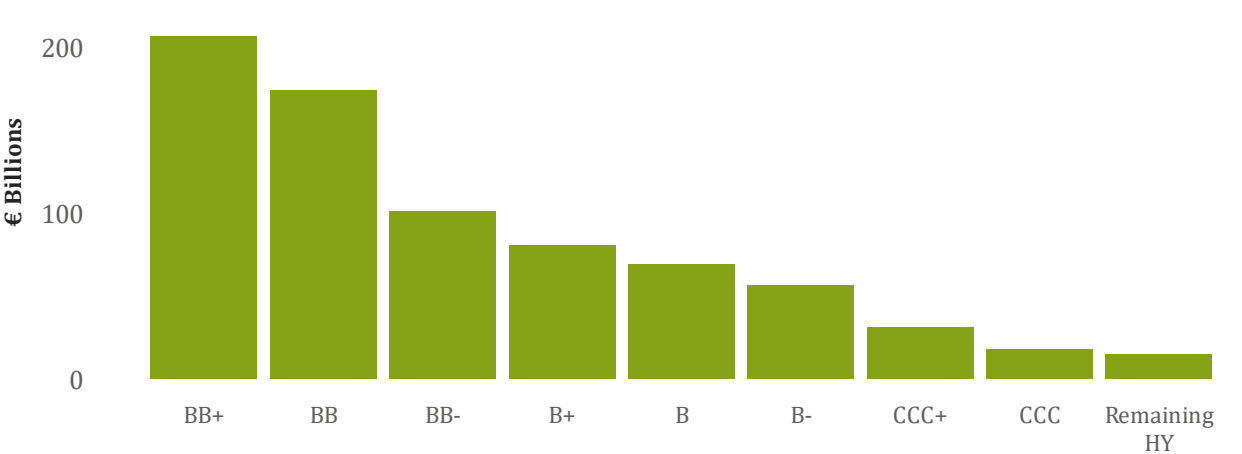
4.7 European Corporate High Yield Maturity Wall



4.8 European Corporate High Yield Outstanding by Sector: March 2024



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



Source: Bloomberg

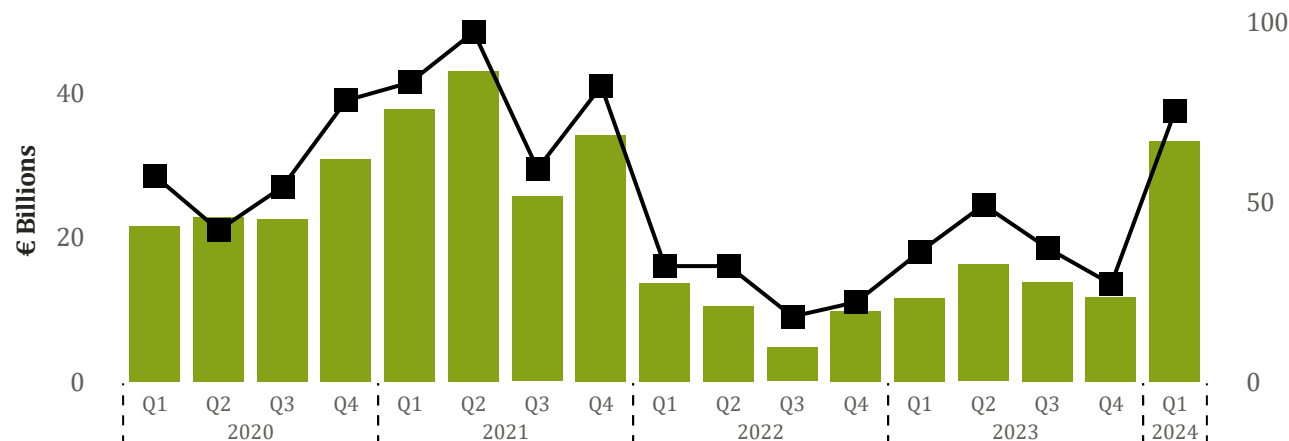
European Developed Market High Yield Bonds

afme / Developed Market High Yield Bonds

Finance for Europe

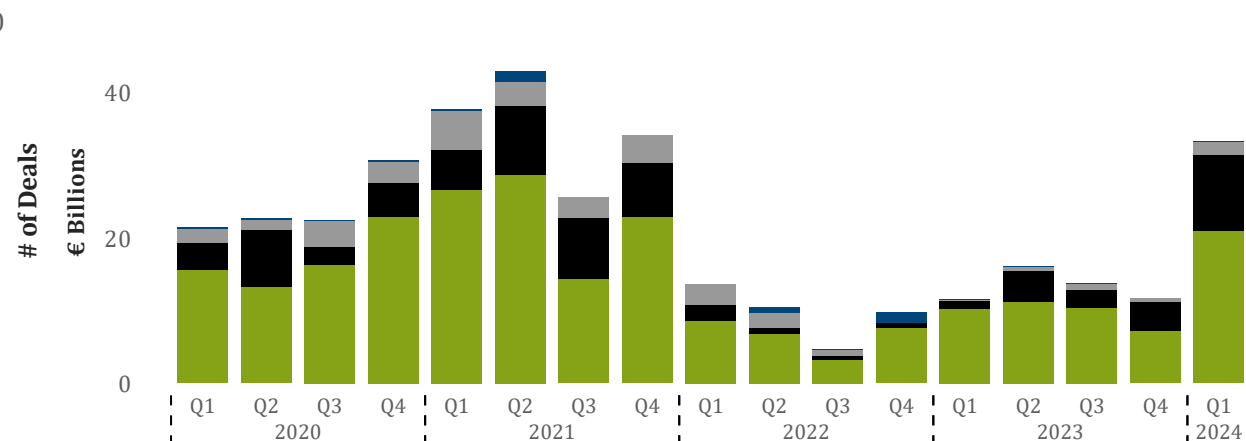
5.1 European Developed Market High Yield Issuance

Developed Market Volume ■ # of Deals (Right)

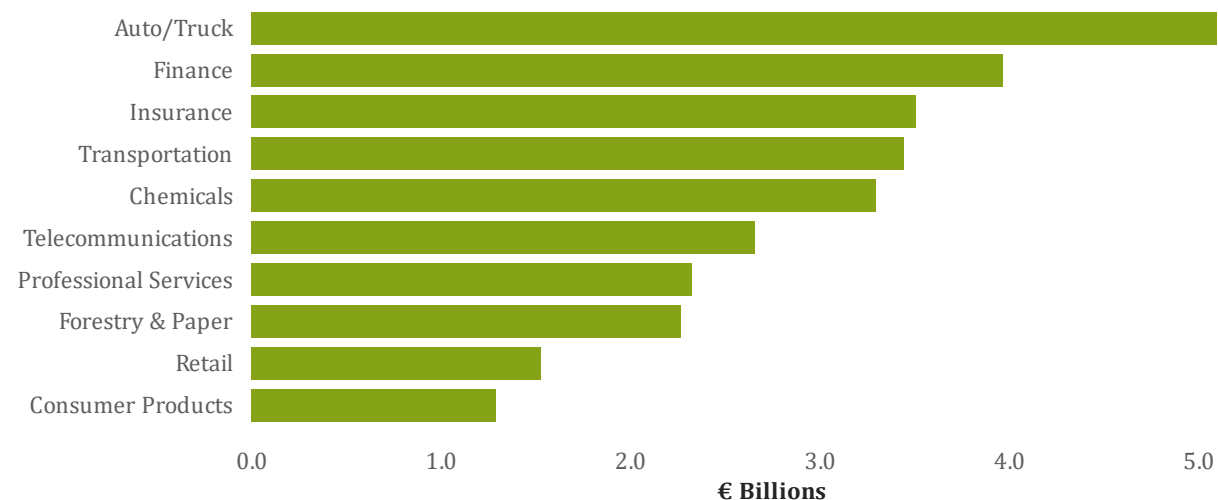


5.2 European Developed Market High Yield Issuance by Currency

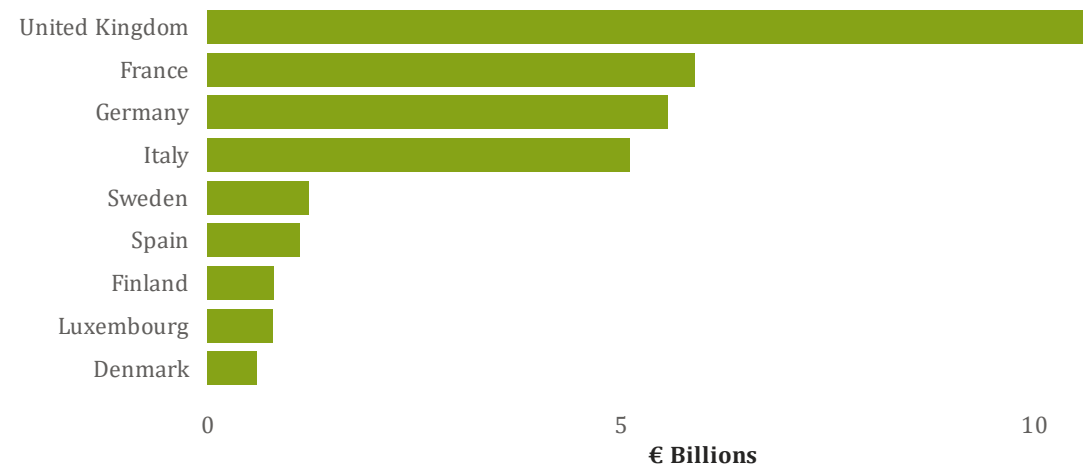
EUR ■ USD ■ GBP ■ Other



5.3 European Developed Market High Yield Issuance by Industry: Q1 2024 (top 10)



5.4 European Developed Market High Yield Issuance by Country of Risk: Q1 2024 (top 9)

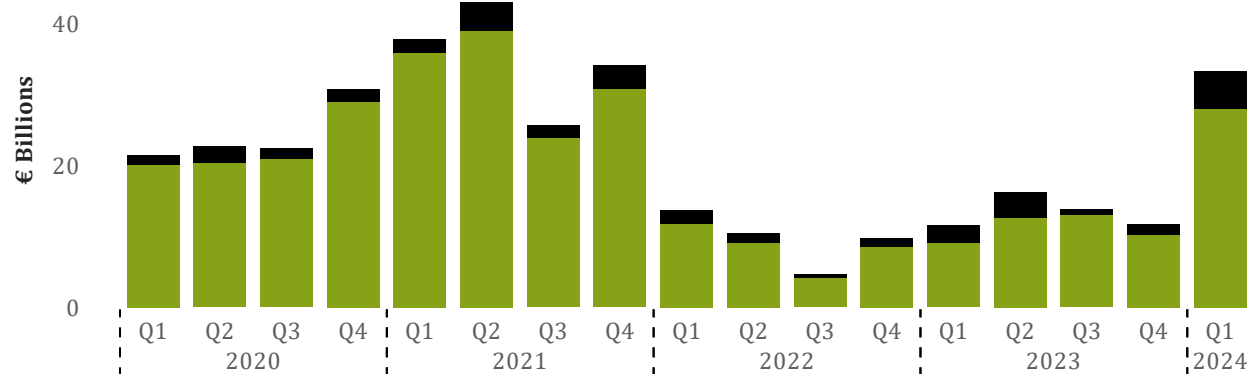


afme / Developed Market High Yield Bonds

Finance for Europe

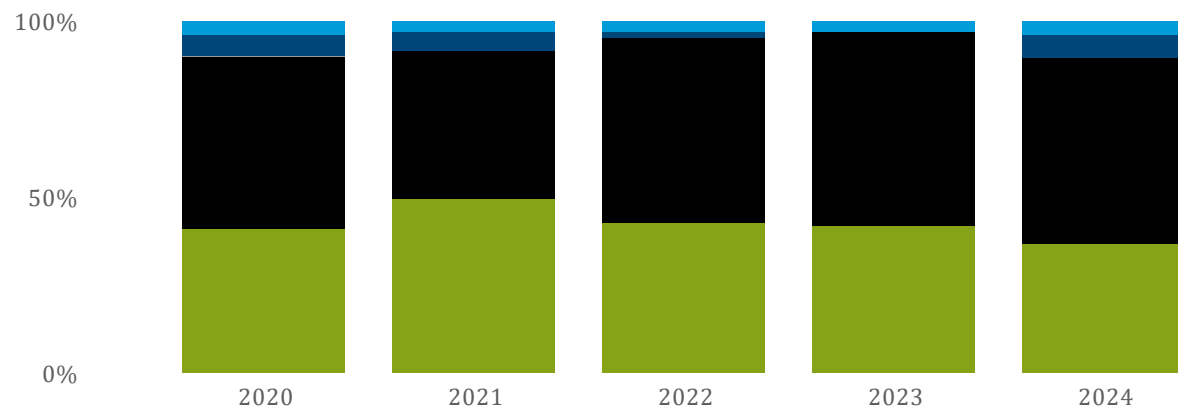
5.5 European Developed Market High Yield Issuance, Fixed vs. Floating

● Fixed ● Floating



5.7 European Developed Market High Yield Rating Distribution at Issuance

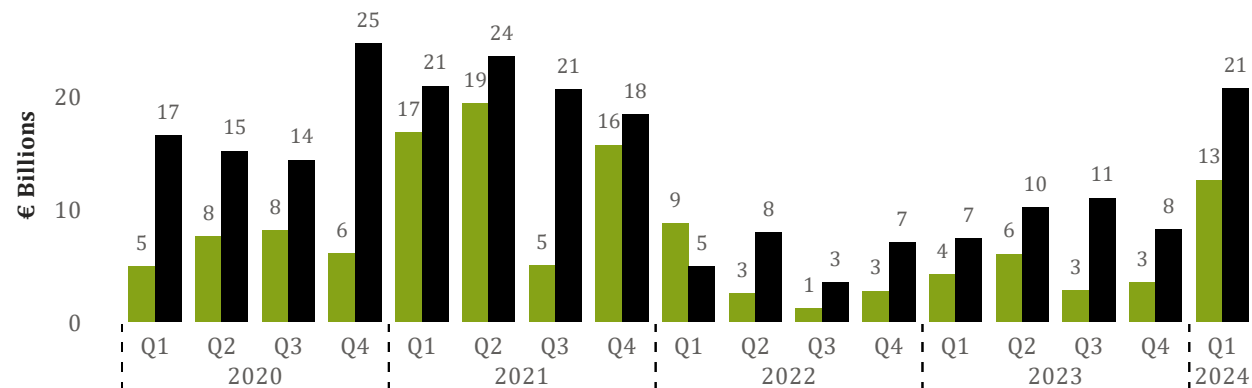
● B ● BB ● CC ● CCC ● Not rated



Source: Dealogic

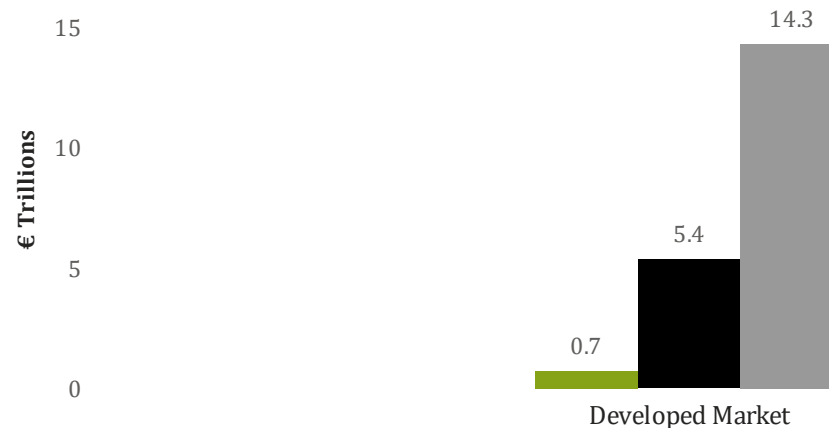
5.6 European Developed Market High Yield Issuance, Sponsored vs. Corporate

● Sponsored ● Corporate



5.8 European Developed Market Corporate Bonds Outstanding: Q1 2024

● High Yield ● Investment Grade ● Non-Rated



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

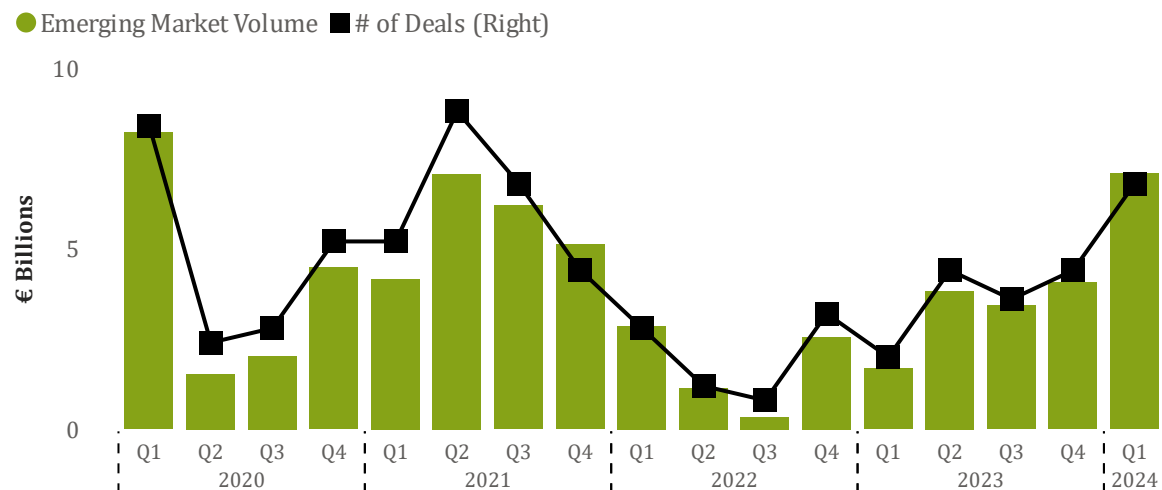
Issuer	Industry Group	Date	Currency	Amount (billion)	Coupon	Moody's	S&P	Fitch
La Financiere Atalian SAS	Professional Services	29/03/2022	EUR	0.84	3.5			
Neopharmed Gentili SpA	Healthcare	28/03/2022	EUR	0.40	3-mth Euribor +425	B3	B	B+
Neopharmed Gentili SpA	Healthcare	28/03/2022	EUR	0.35	7.125	B3	B	B+
Eutelsat SA	Telecommunications	27/03/2022	EUR	0.60	9.75	Ba3	B+	BB+
Evoca SpA	Consumer Products	27/03/2022	EUR	0.55	3-mth Euribor +525	B3	B-	B
Reno De Medici SpA	Forestry & Paper	27/03/2022	EUR	0.60	3-mth Euribor +500	B2	B	BB-
Jerrold FinCo plc	Finance	27/03/2022	GBP	0.52	7.875		BB	BB
VMED 02 UK Financing I plc	Telecommunications	26/03/2022	EUR	0.60	5.625	Ba3	B+	BB+
Millicom International Cellular SA	Telecommunications	26/03/2022	USD	0.42	7.375	Ba3		BB+
VMED 02 UK Financing I plc	Telecommunications	26/03/2022	USD	0.69	7.75	Ba3	B+	BB+
SGL Group ApS	Transportation	25/03/2022	EUR	0.60	3-mth Euribor +475		B	B+
Athena Midco Sarl	Computers & Electronics	20/03/2022	EUR	0.62	3-mth Euribor +900	Nr	NR	NR
CT Investment GmbH	Textile	20/03/2022	EUR	0.47	6.375	B2	B+	
Fnac Darty SA	Retail	19/03/2022	EUR	0.55	6		BB+	BB+
Progroup AG	Forestry & Paper	18/03/2022	EUR	0.30	5.125	Ba3	BB	
Progroup AG	Forestry & Paper	18/03/2022	EUR	0.45	5.375	Ba3	BB	
ADDvise Group AB	Construction/Building	18/03/2022	USD	0.06	Sofr +425			
Elis SA	Professional Services	14/03/2022	EUR	0.40	3.75		BBB-	
Ineos Quattro Finance 2 plc	Chemicals	14/03/2022	EUR	0.25	8.5	Ba3	BB	BB+
Aston Martin Capital Holdings Ltd	Auto/Truck	13/03/2022	GBP	0.47	10.375	B3	B-	B
Aston Martin Capital Holdings Ltd	Auto/Truck	13/03/2022	USD	0.88	10	B3	B-	B
Heathrow Finance plc	Transportation	12/03/2022	GBP	0.47	6.625	B1		BB+
Fortaco Group Oy	Construction/Building	11/03/2022	EUR	0.03	3-mth Euribor +700			
NOBA Bank Group AB (publ)	Finance	11/03/2022	Other	0.07	3-mth STIBOR +925			
Monte dei Paschi	Finance	08/03/2022	EUR	0.50	4.75	Ba3		BB
PHM Group Oy	Machinery	08/03/2022	EUR	0.04	3-mth Euribor +750	B2	B	
Compagnie Plastic Omnium SE	Chemicals	06/03/2022	EUR	0.50	4.875		BB+	
Caixa Economica Montepio Geral	Finance	05/03/2022	EUR	0.25	8.5	Ba3		
Nexans SA	Computers & Electronics	04/03/2022	EUR	0.35	4.25		BB+	
Forvia SE	Auto/Truck	29/02/2022	EUR	0.50	5.125	Ba2	BB	BB+
Forvia SE	Auto/Truck	29/02/2022	EUR	0.50	5.5	Ba2	BB	BB+

European Emerging Market High Yield Bonds

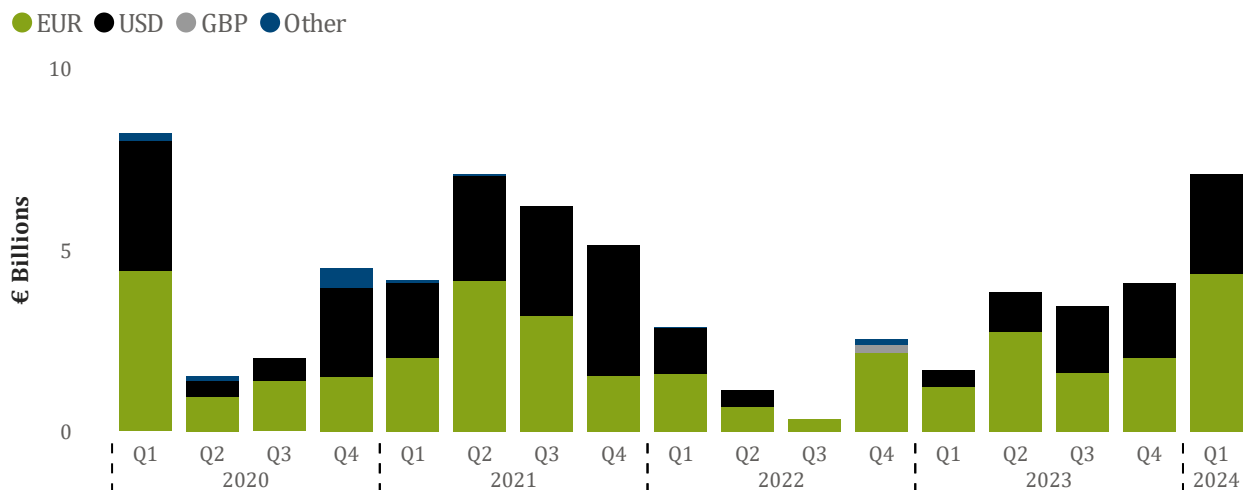
afme / Emerging Market High Yield Bonds

Finance for Europe

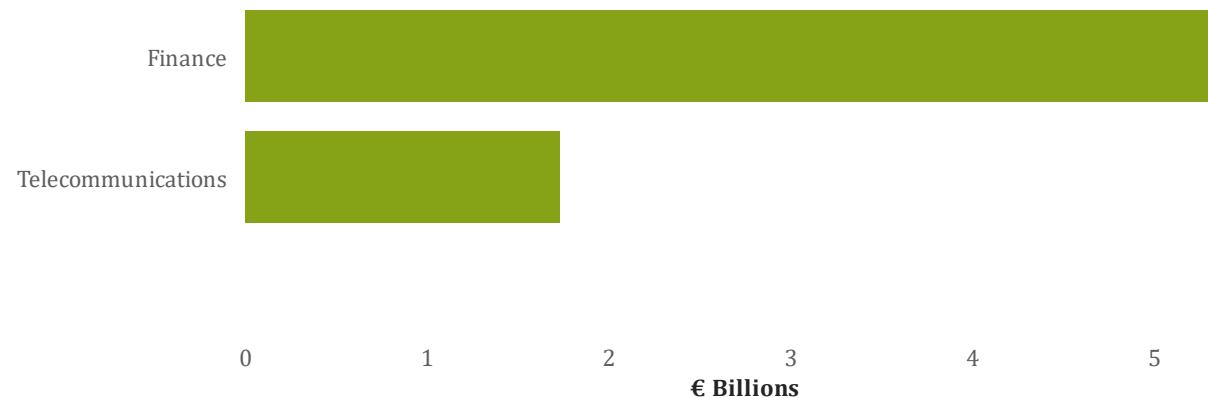
6.1 European Emerging Market High Yield Issuance



6.2 European Emerging Market High Yield Issuance by Currency

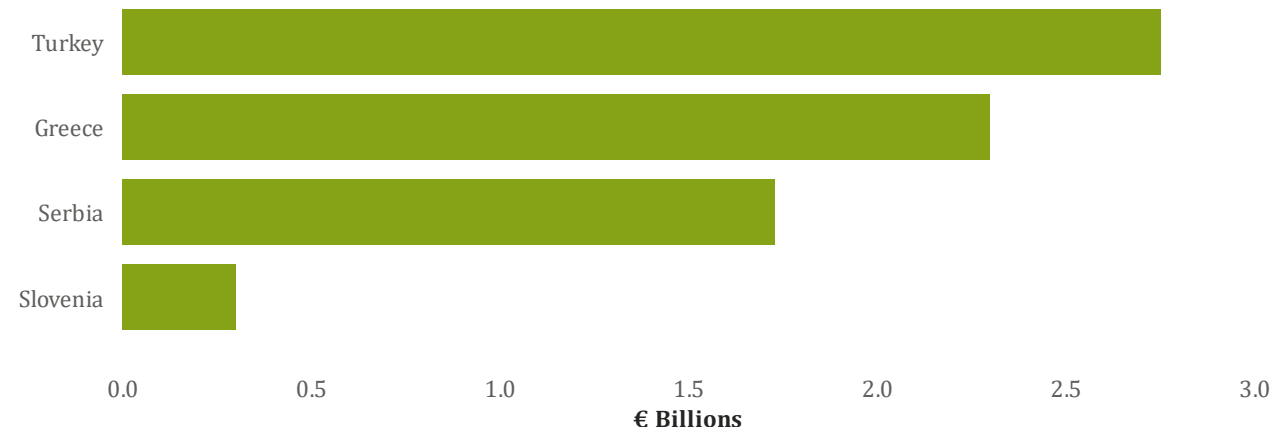


6.3 European Emerging Market High Yield Issuance by Industry: Q1 2024



Source: Dealogic

6.4 European Emerging Market High Yield Issuance by Country of Risk: Q1 2024

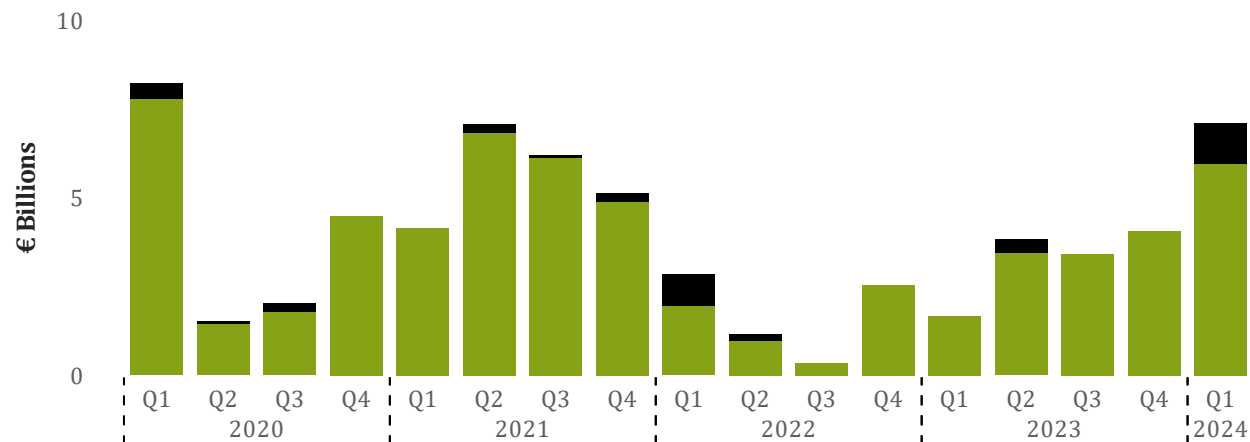


afme / Emerging Market High Yield Bonds

Finance for Europe

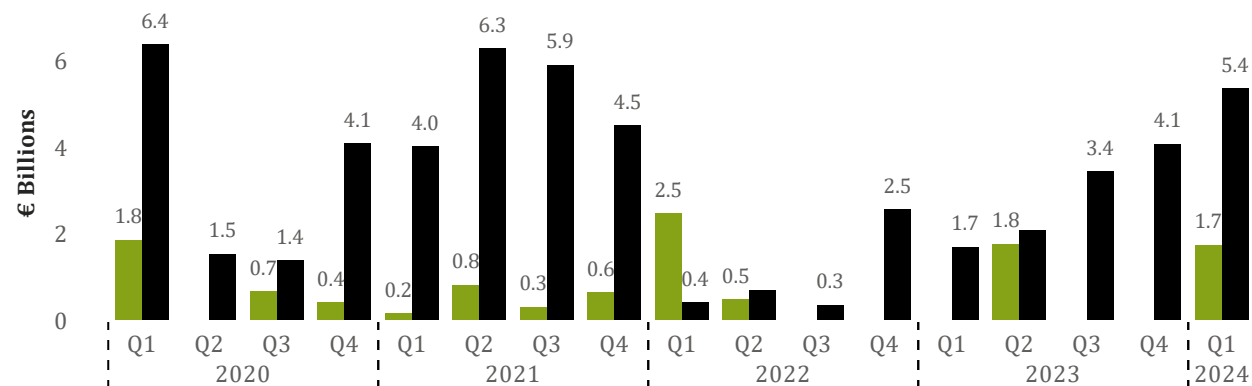
6.5 European Emerging Market High Yield Issuance, Fixed vs. Floating

● Fixed ● Floating



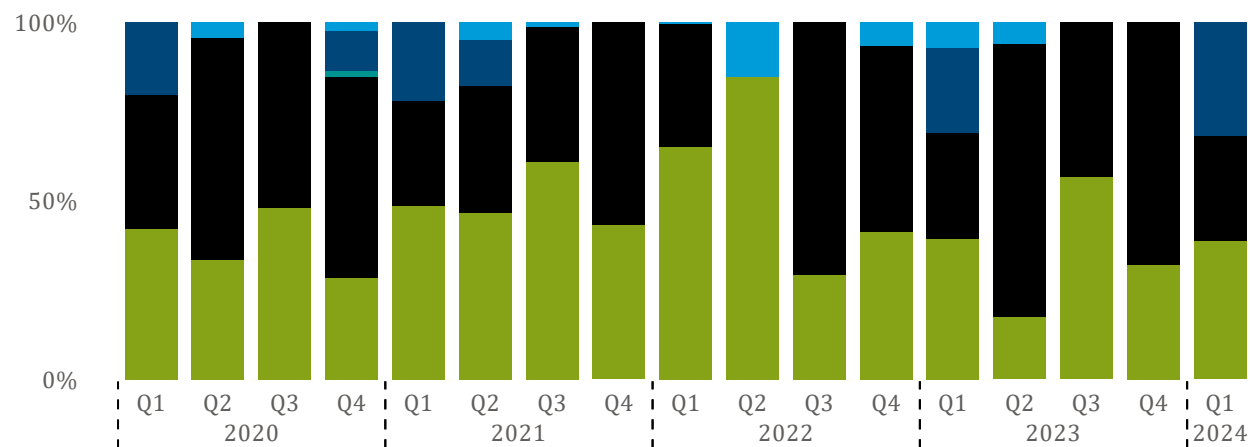
6.6 European Emerging Market High Yield Issuance, Sponsored vs. Corporate

● Sponsored ● Corporate



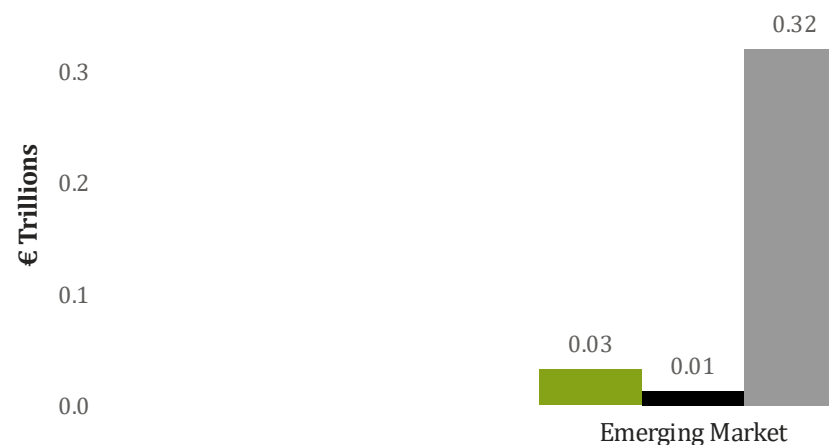
6.7 European Emerging Market High Yield Rating Distribution at Issuance

● B ● BB ● BBB ● C ● CCC ● Not rated



6.8 European Emerging Market Corporate Bonds Outstanding: Q1 2024

● High Yield ● Investment Grade ● Non-Rated



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

6.9 European Emerging Market High Yield Issuance

Issuer	Industry Group	Date	Currency	Amount (billion)	Coupon	Moody's	S&P	Fitch
Yapi ve Kredi Bankasi AS	Finance	26/03/2024	USD	0.46	9.75			CCC
NBG	Finance	20/03/2024	EUR	0.50	5.875	Ba3		
Yapi ve Kredi Bankasi AS	Finance	20/03/2024	USD	0.05	7.65			B
Turkiye Sinai Kalkinma Bankasi	Finance	14/03/2024	USD	0.27	9.75			CCC-
Akbank	Finance	06/03/2024	USD	0.55	9.369			CCC
Alpha Bank AE	Finance	05/02/2024	EUR	0.40	5	Ba2	BB-	
United Group BV	Telecommunications	26/01/2024	EUR	0.48	3-mth Euribor +425	B2	B	
Summer BidCo BV	Telecommunications	24/01/2024	EUR	0.30	10		B-	
United Group BV	Telecommunications	24/01/2024	EUR	0.65	3-mth Euribor +425	B2	B	
United Group BV	Telecommunications	24/01/2024	EUR	0.30	6.75	B2	B	
NBG	Finance	22/01/2024	EUR	0.60	4.5	Ba1		
Eurobank Holdings	Finance	18/01/2024	EUR	0.30	6.25	Ba3		B+
NLB Bank	Finance	17/01/2024	EUR	0.30	6.875		BB	
Turk Ekonomi Bankasi AS	Finance	10/01/2024	USD	0.37	9.375			CCC+
Piraeus Bank	Finance	09/01/2024	EUR	0.50	7.25	B1		B
Yapi ve Kredi Bankasi AS	Finance	09/01/2024	USD	0.59	9.25	Caa2		CCC+
Turkiye Cumhuriyeti Ziraat Bankasi (London)	Finance	08/01/2024	USD	0.46	8			B-

Source: Dealogic

Credit Quality

Credit Quality

S&P reported the trailing 12-month speculative-grade bond default rate at 4.11% in March 2024, an increase from 3.47% in December 2023. Moody's reported the speculative-grade default rate at 3.60% in March 2024, relatively unchanged from the 3.54% recorded in December 2023 but up from the 2.59% of March 2023.

11 bond defaults were reported by Moody's and Standard and Poor's during Q1 2024, 5 of which occurred in the United Kingdom. Defaults were mostly due to distressed exchanges and missed payments.

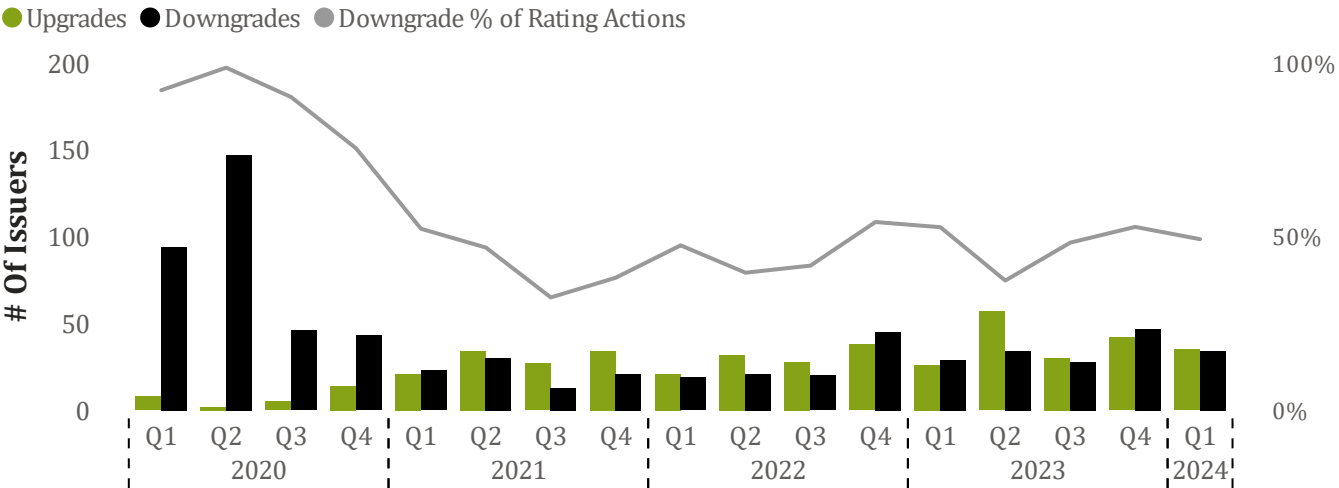
During Q1 2024, S&P reported nearly the same amount of downgrades as upgrades. In developed European markets, there were 35 upgrades and 34 downgrades. In developing European markets, there were 2 upgrades and 2 downgrades.

Moody's reported more upgrades than downgrades in the first quarter of the year, with 28 upgrades and 19 downgrades.

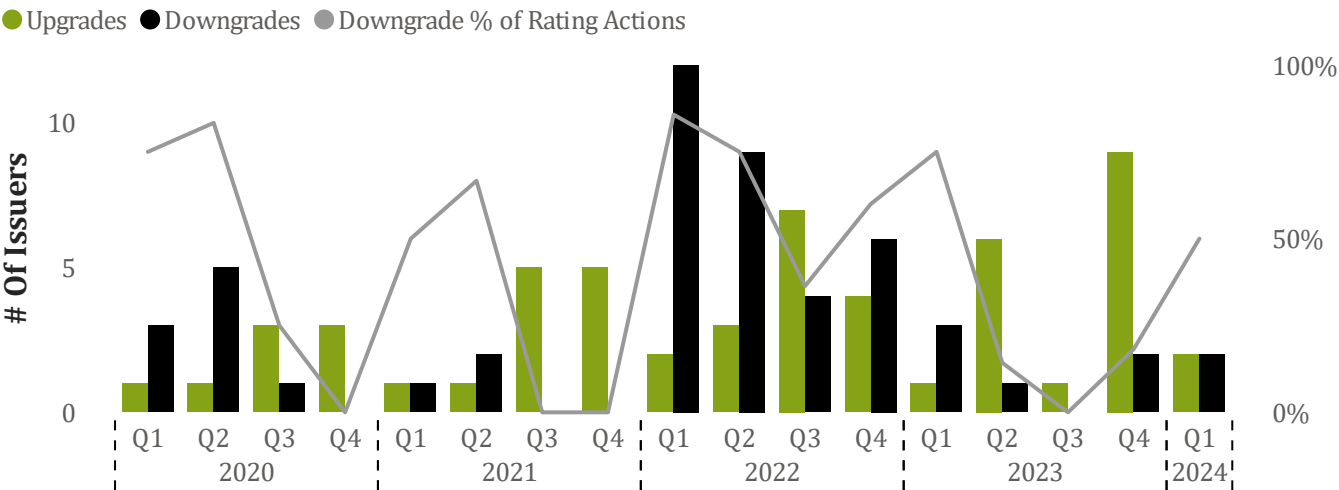
According to Fitch, the European leveraged loan trailing 12 months (TTM) default rate stood at 3.8% in March 2024, down from 4.39% in December 2023.

Data from Reorg shows that 100% of the European leveraged loan deals examined in the first quarter of the year were covenant-lite.

7.1 S&P Developed Europe Issuer Rating Actions



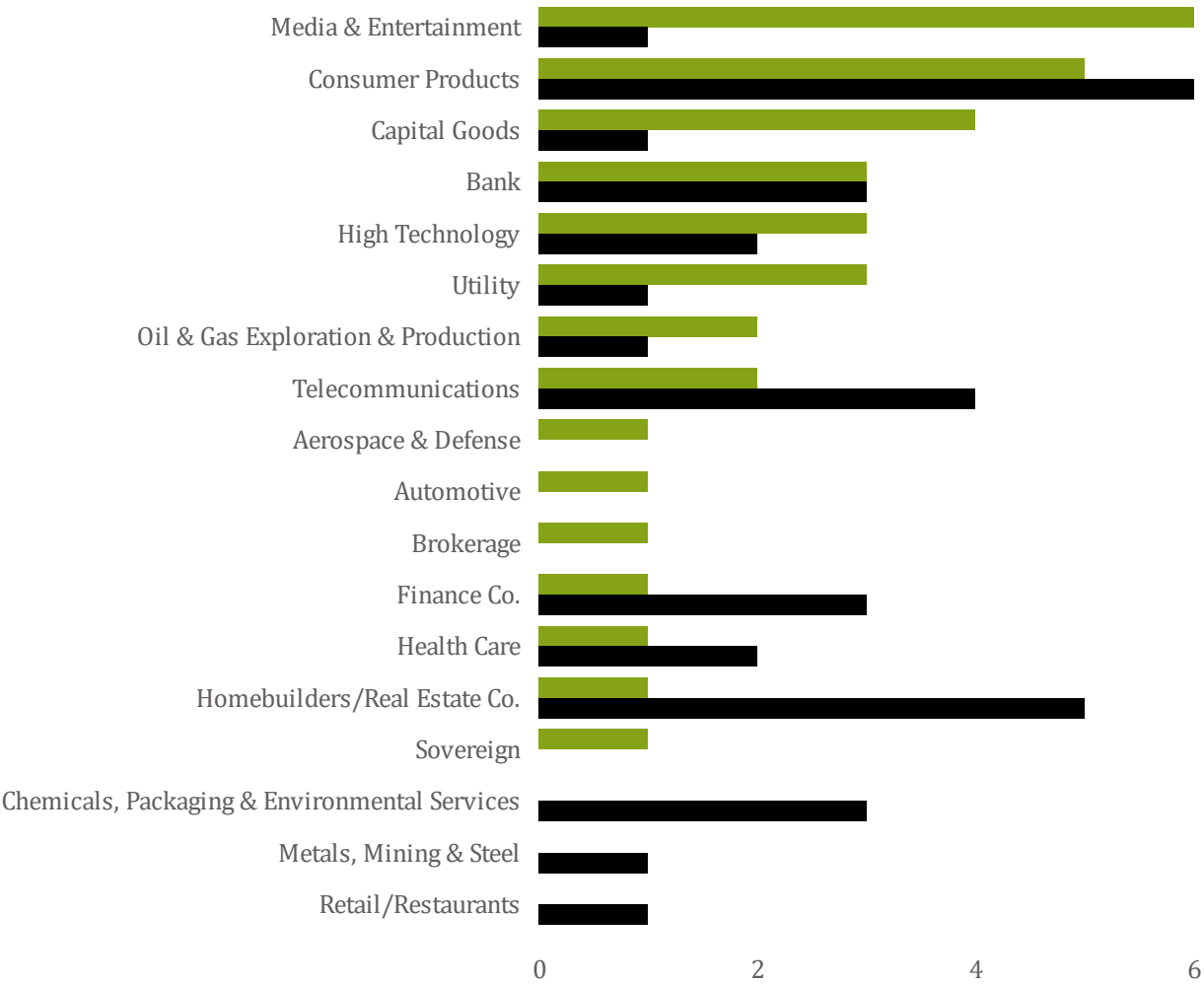
7.2 S&P Emerging Europe Issuer Rating Actions



Source: S&P

7.3 S&P Developed European Industry Rating Actions by # of Ratings: Q1 2024

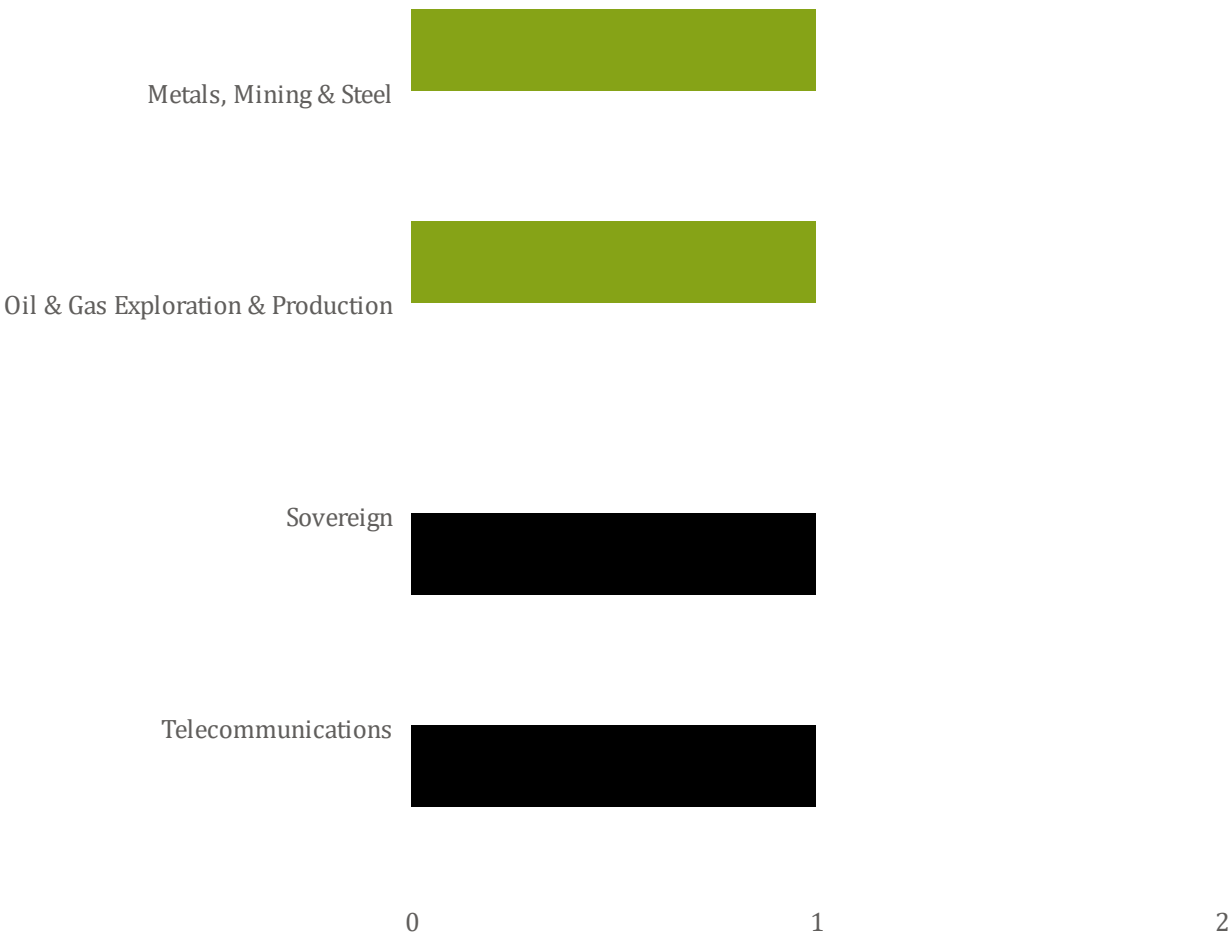
● Upgrades ● Downgrades



Source: S&P

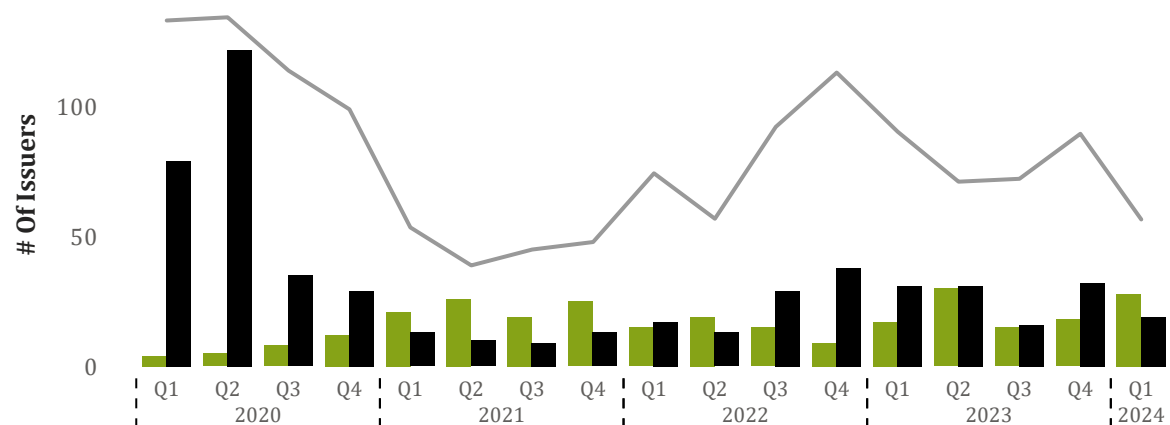
7.4 S&P Emerging European Industry Rating Actions by # of Ratings: Q1 2024

● Upgrades ● Downgrades



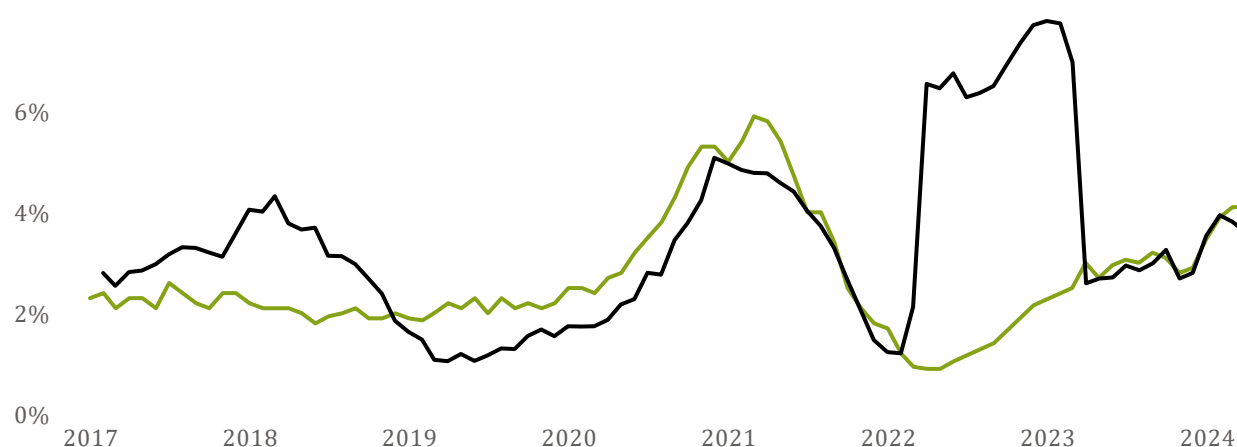
7.5 Moody's: Europe Issuer Rating Actions (corporate)

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



7.7 European High Yield Default Rates

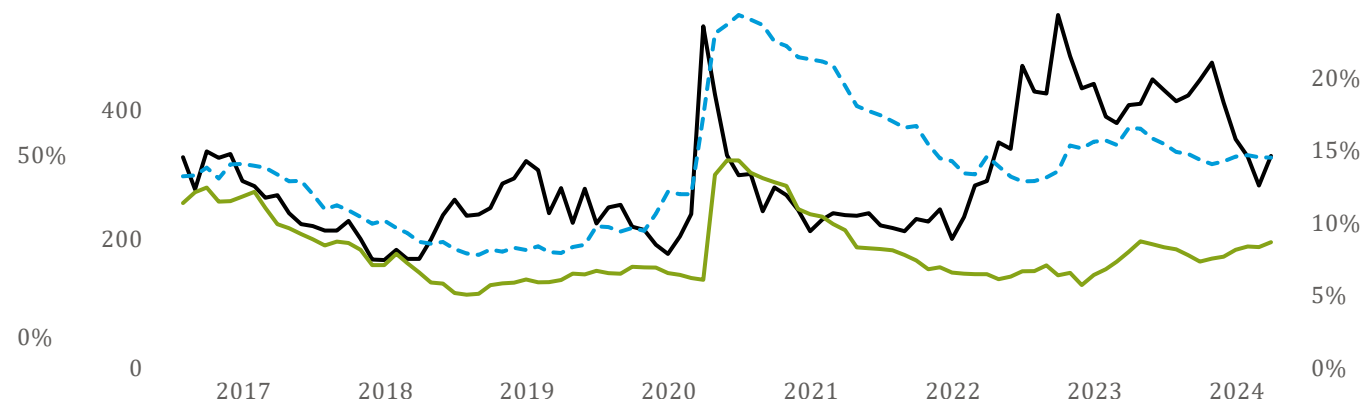
● Standard and Poor's ● Moody's



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

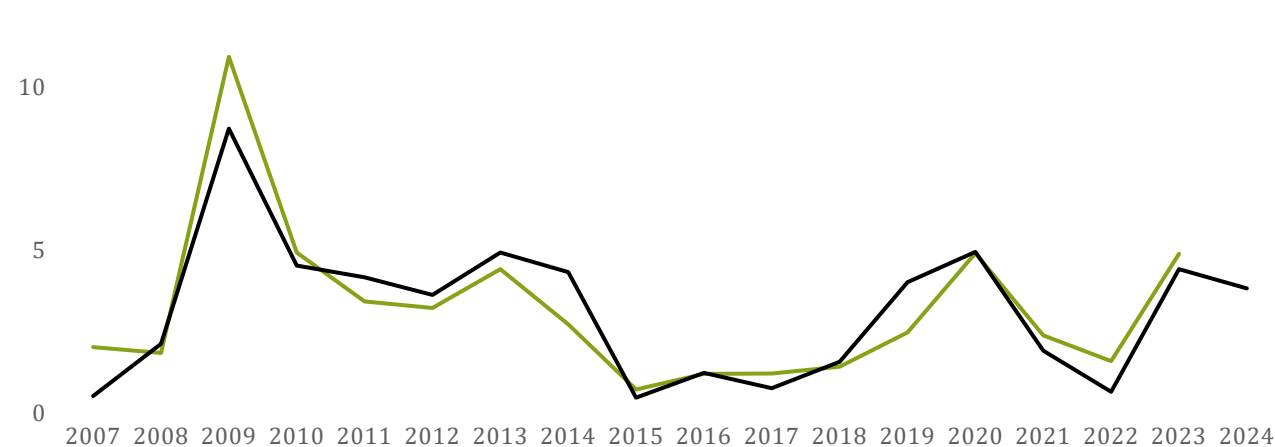
7.6 High Yield Bond CDS Spreads vs. Liquidity-Stress Index and High Yield Bonds Rated B3 Neg and Lower in Europe

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



7.8 Fitch: European Leveraged Loan Default Rates

● By number of deals ● By value



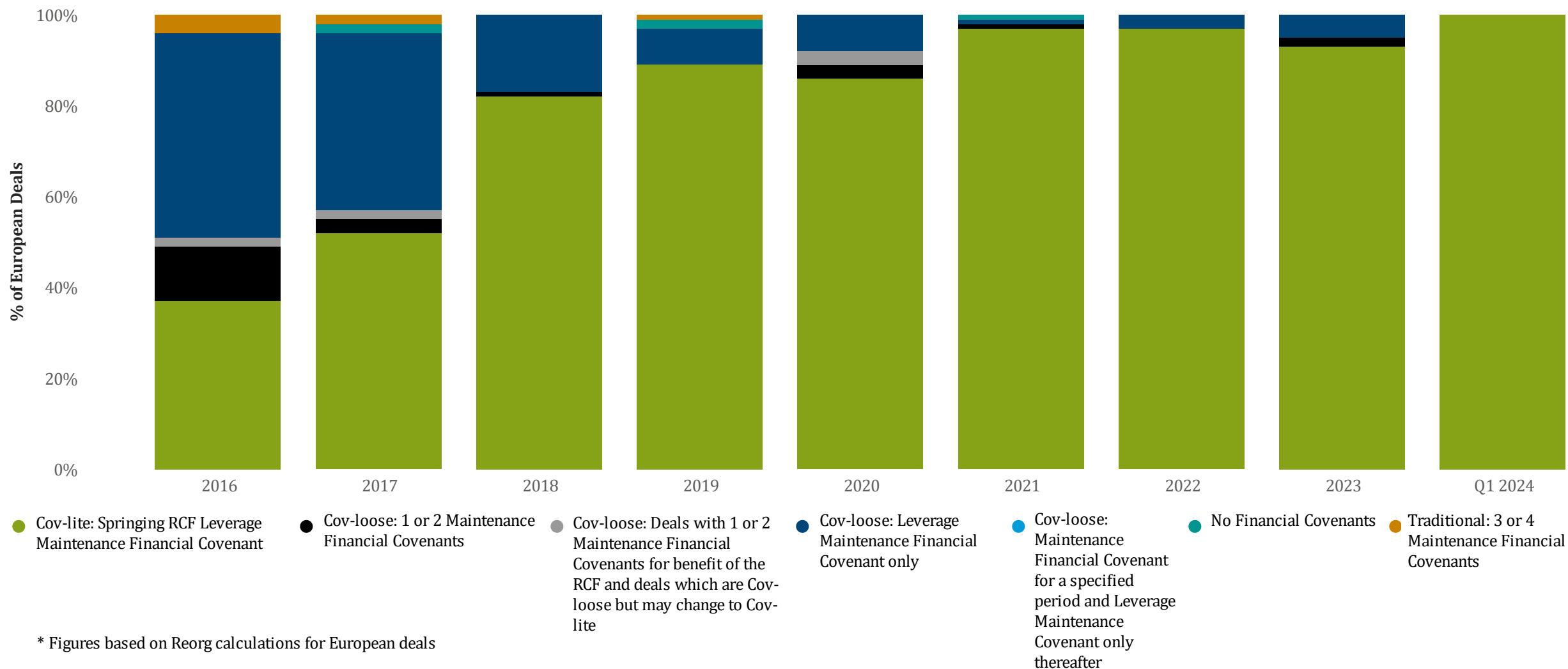
Adjusted includes c and cc* rated issuers as if those had already defaulted.

7.9 European Defaults

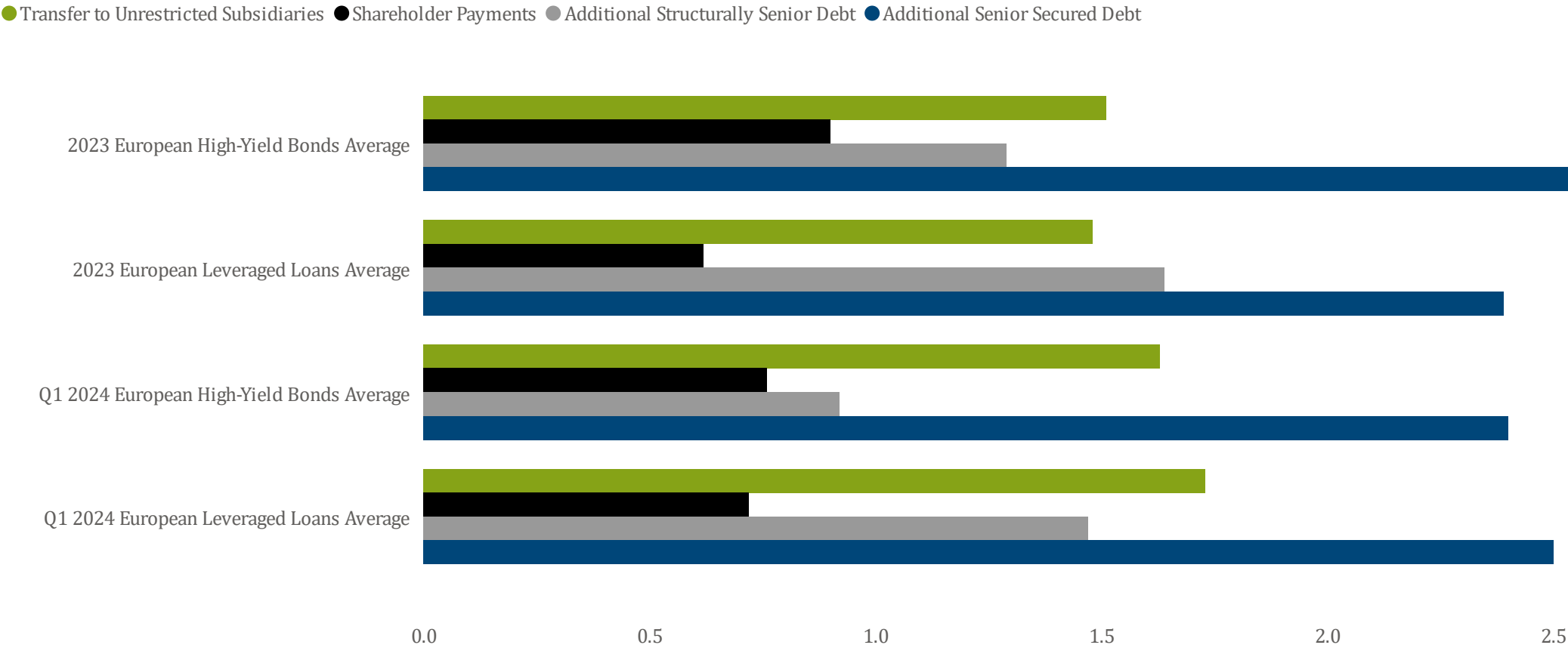
Issuer	Industry Group	Country	Date	Reported By	Reason
La Financiere Atalian SAS	Consumer Products	France	Mar-2024	S&P, Moody's	Distressed Exchange
Hurtigruten Group AS	Media & Entertainment	Norway	Mar-2024	S&P, Moody's	Distressed Exchange
Samhallsbyggnadsbolaget i Norden AB	Homebuilders/real estate companies	Sweden	Mar-2024	S&P	Distressed Exchange
AFE S.A. SICAV-RAIF	Financial institutions	U.K.	Feb-2024	S&P	Distressed Exchange
Vue Entertainment International Ltd.	Media & Entertainment	U.K.	Feb-2024	S&P, Moody's	Distressed Exchange
SK Neptune Husky Intermediate IV S.a.r.l.	chemicals: specialty chemical	Luxembourg	Jan-2024	Moody's	Missed Interest Payment
Ignition Topco BV	Chemicals, packaging, and environmental	Netherlands	Jan-2024	S&P, Moody's	Missed Payments
Covis Finco S.a r.l	Health care	Switzerland	Jan-2024	S&P	Distressed Exchange
Amphora Intermediate II Ltd.	Consumer Products	U.K.	Jan-2024	S&P	Missed Payments
Vedanta Resources Limited	Metals & mining: metal mining	U.K.	Jan-2024	Moody's	Distressed Exchange
Toro Private Holdings I, Ltd.	Transportation	U.K.	Jan-2024	S&P	Distressed Exchange

Source: S&P, Moody's

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



7.11 Minimum Day-One Capped Basked Capacity - Europe



Source: EMEA Covenants by Reorg

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Figures based on Reorg calculations for European high yield bonds and leveraged loans (Jan. 1 - Dec. 31 2023). Figures provide day 1 capacity available at issue aggregating the “general purpose” baskets only (excludes specific purpose baskets). Excludes high-yield lite offerings recorded on Reorg’s proprietary database (Market Maker)

Relative Value and Total Return

Returns

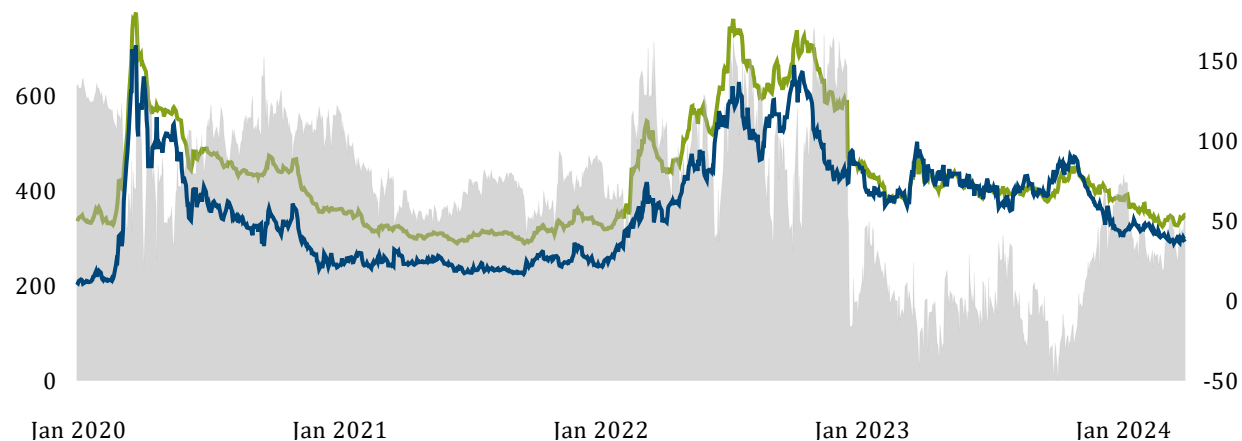
During the first quarter of 2024, 12 out of the 19 asset classes tracked in this report experienced a quarter-on-quarter price increase. The top performer was the S&P 500, which recorded a gain of 10.16%, closely followed by the Russell 2000 with an increase of 4.81%.

Conversely, U.S. 30-year Mortgages and U.S. Treasuries lost 1.19% and 0.94% respectively.

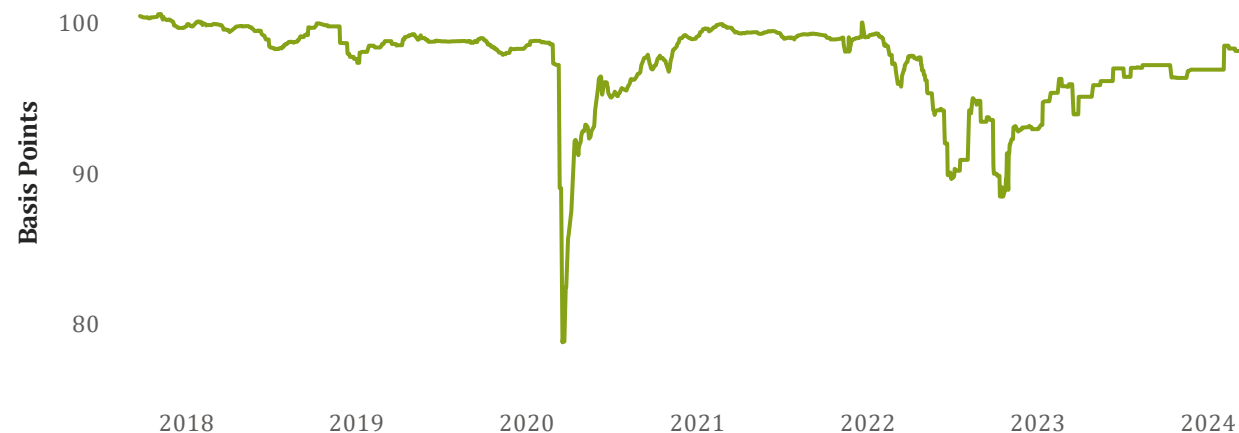
From January to April 2024, the spread between the iBoxx EUR HY and the iTraxx XO 5Y significantly tightened, from 70.81 bps to 11.64 bps. The EURO Lev 40 experienced an increase of c. 2 bps at the end of January and then stabilized at around 98 bps for the remainder of the quarter.

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

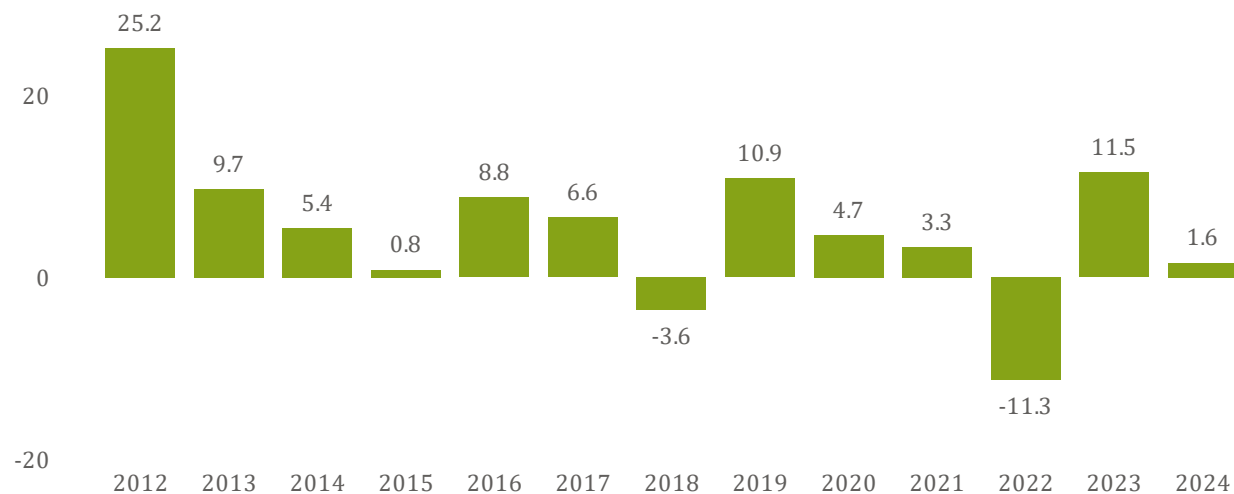
● iBoxx EUR HY (left) ● iTraxx XO 5Y (left) ● HY Spread (right)



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

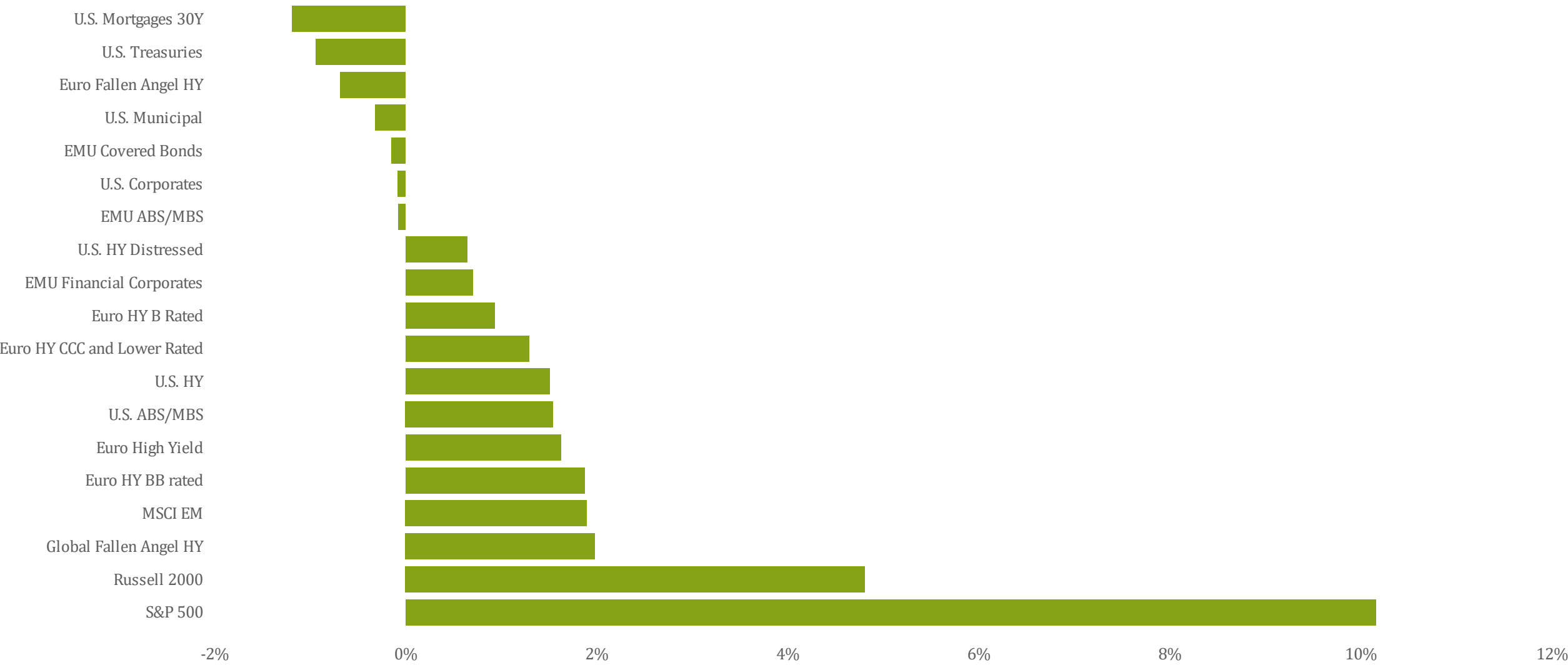


8.3 European High Yield Bonds Total Return



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

8.4 Asset Class Total Return: Q1 2024



Source: Eikon and S&P

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