

Q1 2025

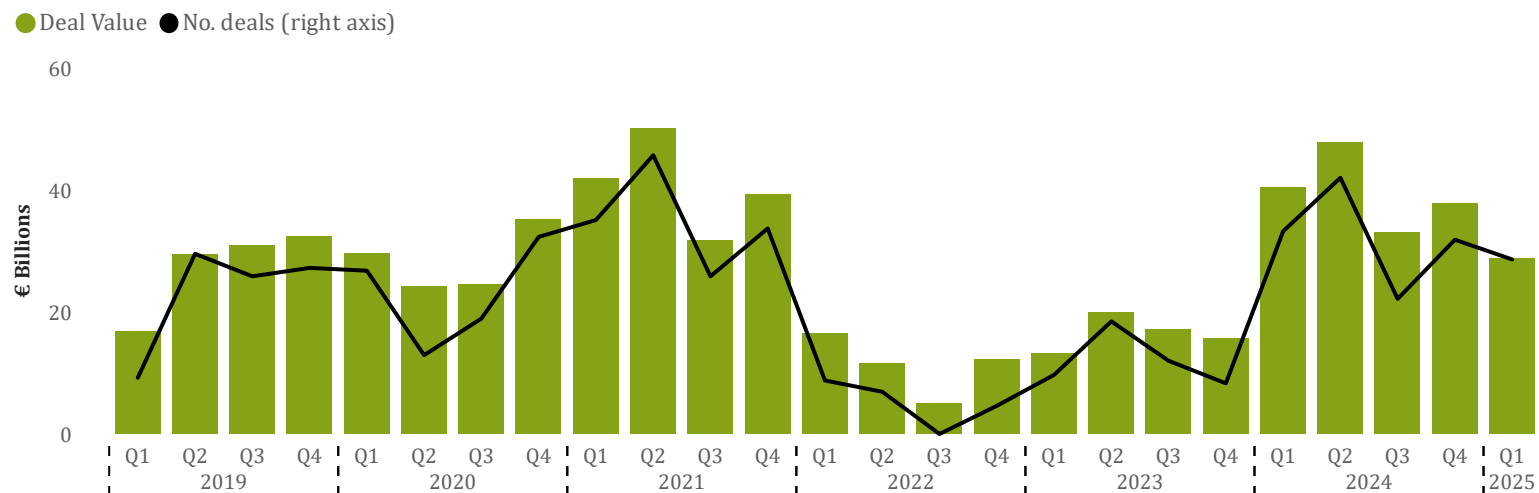
# European High Yield and Leveraged Loan Report

European Leveraged Finance

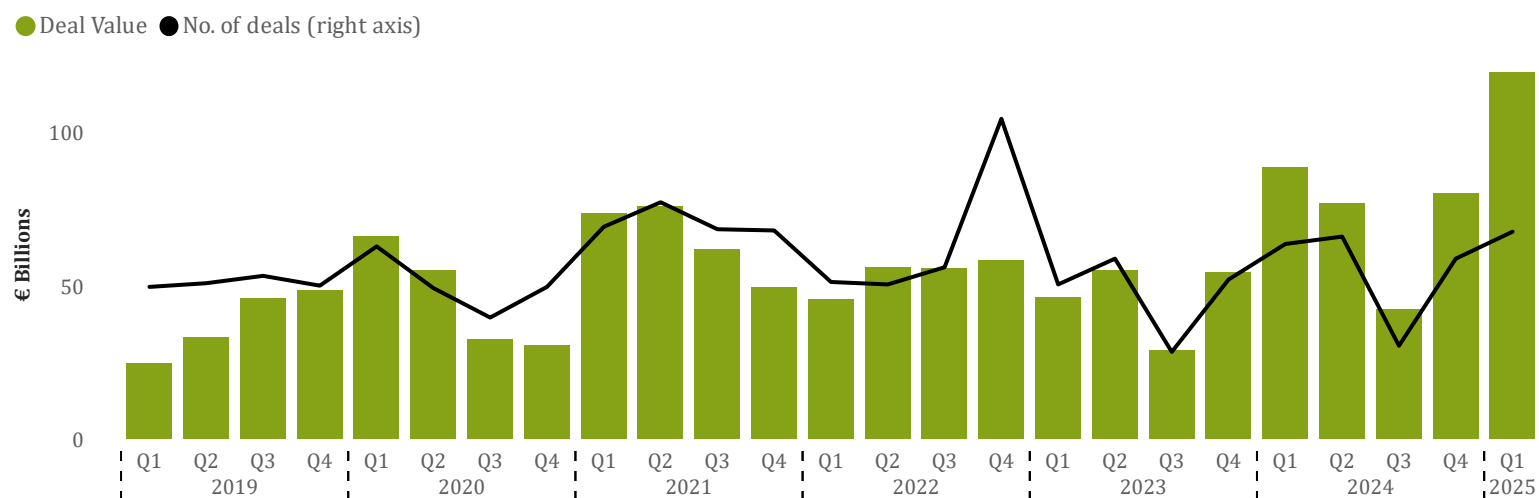


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## 1.1 European High Yield Bond Issuance



## 1.2 European Leveraged Loan Issuance



Source: Dealogic

## European Leveraged Loans origination starting the year with record levels

European high yield bond issuance slowed in Q1 2025, generating €28.8bn in proceeds. This represents a decrease of 29% YoY and 23% QoQ.

The number of deals also decreased, from 89 in Q4 2024 to 82 in Q1 2025.

In contrast, leveraged loans started the year on a strong note. Origination reached €119.5bn in Q1 2025 - the highest quarterly figure on record - representing a 35% YoY and 49% QoQ increase.

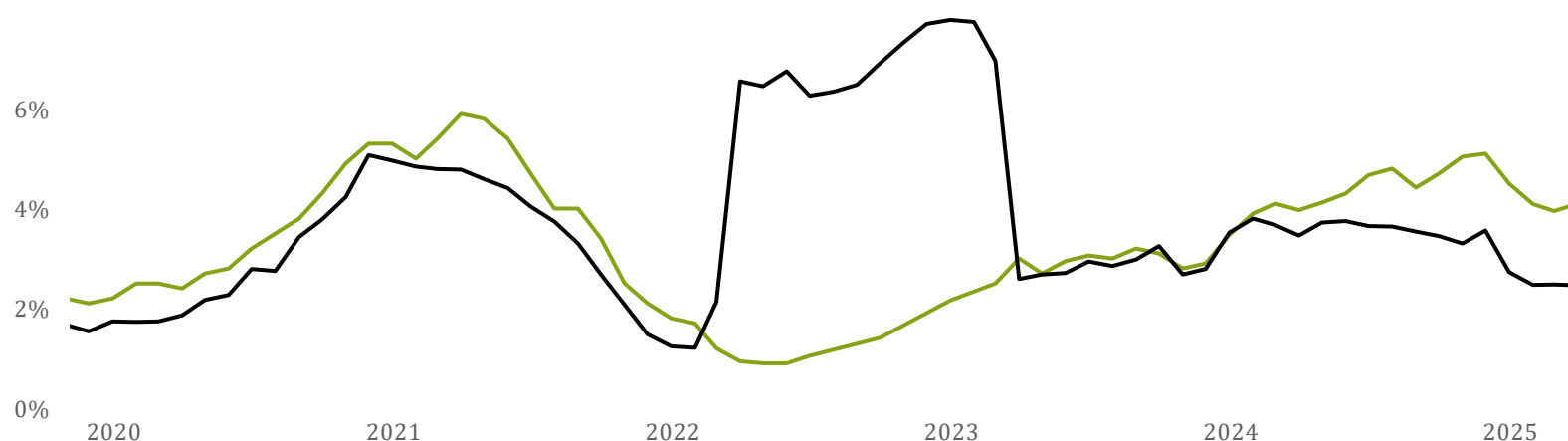
Deal count also rose to 169, up from 147 in Q4 2024 and 159 in Q1 2024. This resulted in an increase in average deal size, rising from €545m in Q4 2024 to €707m in Q1 2025.

### 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]

## European high yield bond spreads on the rise amidst geopolitical tensions

The European high yield option-adjusted spread started the quarter at 3.09%, tightened to 2.76% by the end of February, then widened to 3.28% by March-end. We expect further spread widening as market uncertainty drive investors to demand higher risk premiums.

S&P's trailing 12-month speculative-grade bond default rate declined from its peak of 5.1% in November, ending Q1 2025 at 4.1%. Moody's reported a similar trend, with the speculative-grade bond default rate falling to 2.46% in March, down from a peak of 3.56% in November 2024.

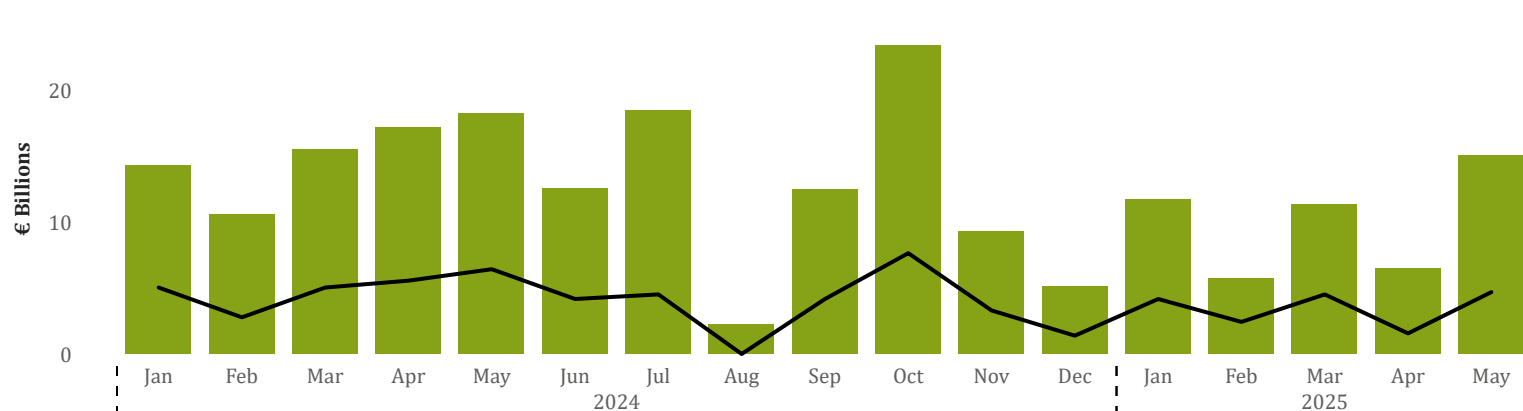
Fitch reported a trailing 12 months European leveraged loan default rate of 1% in March 2025, down from 1.8% in December 2024.

According to Octus (formerly Reorg), 97% of the European leveraged loan deals examined so far in 2025 were covenant-lite.



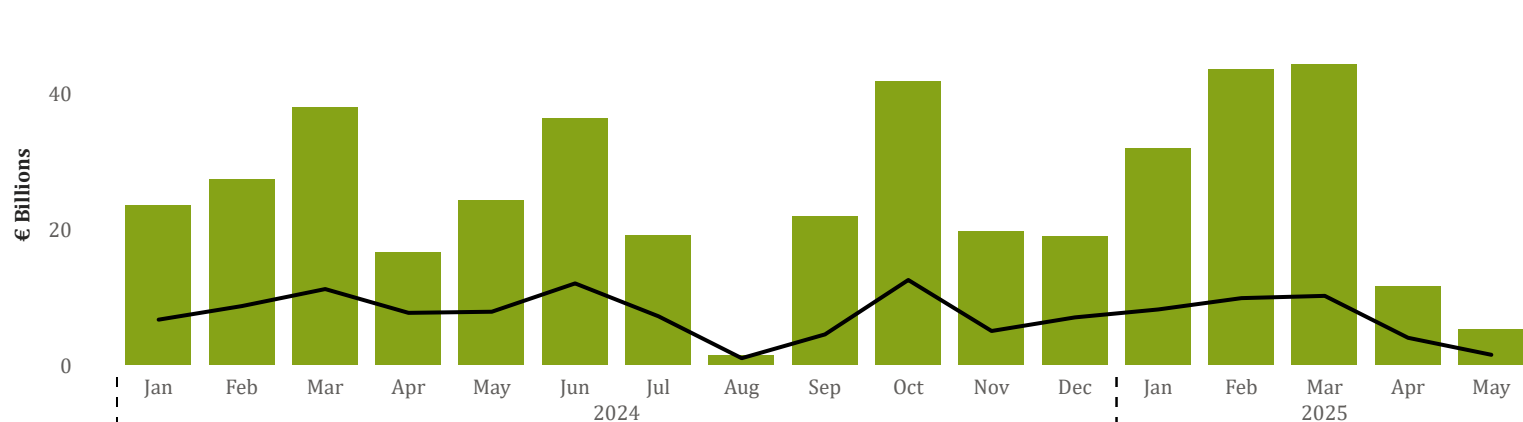
## European High Yield Bond Issuance

● Deal Value ● No. deals (right axis)



## European Leveraged Loan Issuance

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



Data as of May 20, 2025

Source: Eikon

## Market Reaction to Tariffs

Although not included in detail in this Q1 2025 report, on **April 5, tariffs announced by the U.S. Government officially came into effect**, triggering diverse market reactions.

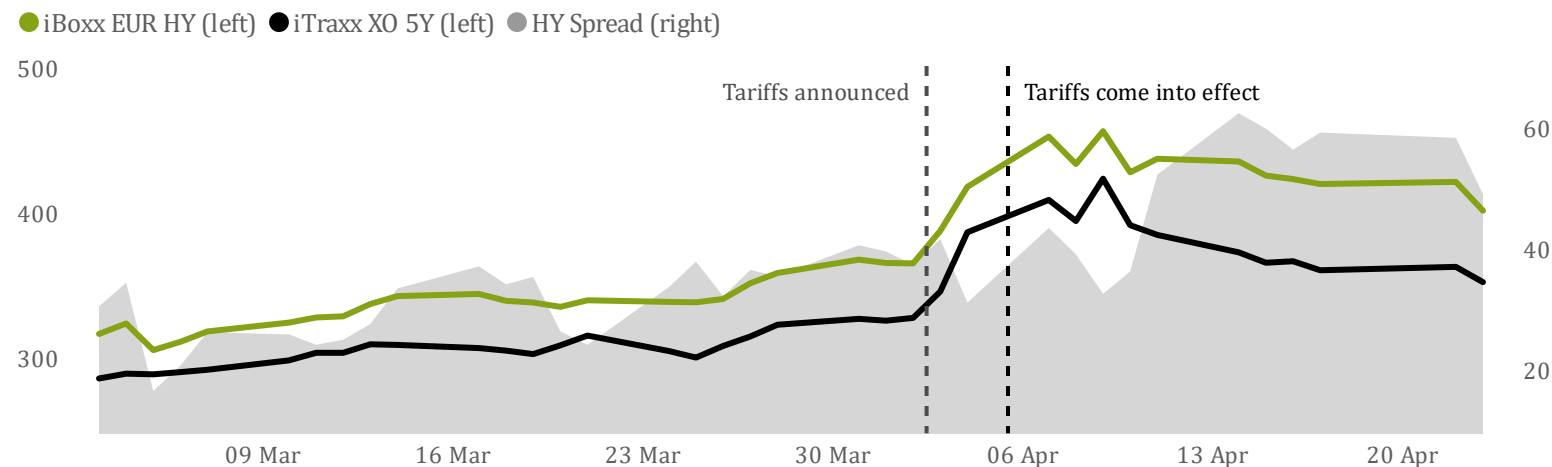
High yield bond issuance declined in April, reaching €6.4bn, a 49% decrease from last month. However, issuance rebounded in May, with volumes as of May 27 reaching the highest level so far this year (€15bn).

In contrast, leveraged loan issuance experienced a sharp decline- from €44.16bn in March to €11.53bn in April.

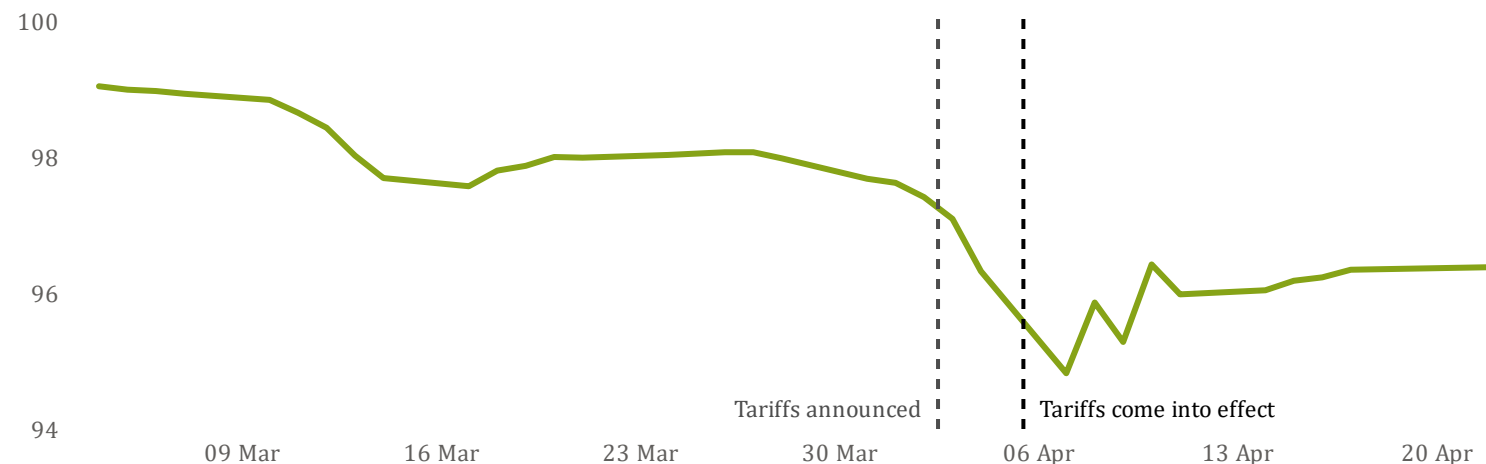
# afme / Market Reaction to Tariffs

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## European High Yield Bonds, Cash vs. Synthetic



## European Leveraged Loans, Cash (EURO Lev40)



## Market Reaction to Tariffs

Although not included in detail in this Q1 2025 report, on **April 5, tariffs announced by the U.S. Government officially came into effect**, triggering diverse market reactions.

Both the cash (iBoxx EUR HY) and synthetic (iTraxx XO 5Y) indexes experienced sharp increases, rising from 365.5bps and 328bps, respectively, just before the tariffs on April 1, to 452.8bps and 409.2bps by April 7 - immediately after the announcement and enforcement of the tariffs. They subsequently eased slightly, settling at 423.5bps (iBoxx EUR HY) and 367bps (iTraxx XO 5Y). The relative value spread between the two references widened following the initial shock, narrowing from approximately 41bps to 30bps.

In parallel, the European leveraged loan price index (EURO Lev 40) dropped from 97.7bps at the end of March to 94.8bps on April 7. However, the index recovered some ground in the following days, stabilising around 96bps by April 14.

# Leveraged Finance Overview

## Issuance Highlights

European leveraged finance issuance (leveraged loans and high yield bonds) rose from €117.9bn in Q4 2024 to €148.3bn in Q1 2025—marking the strongest quarterly volume on record. This growth was driven primarily by a sharp increase in leveraged loan activity, which climbed to €119.5bn, up from €80.2bn the previous quarter. In contrast, high-yield bond issuance declined by 23% QoQ to €28.8bn.

Leveraged loans accounted for 81% of total issuance in Q1 2025, while developed market high yield bonds represented 15%, and emerging market high yield bonds made up 4%.

Average deal sizes for leveraged loan deals reached a record high of €707.3 million. In comparison, the average high yield bond deal size was €351 million in developed markets and €350 million in emerging markets—both down from last year's figures.

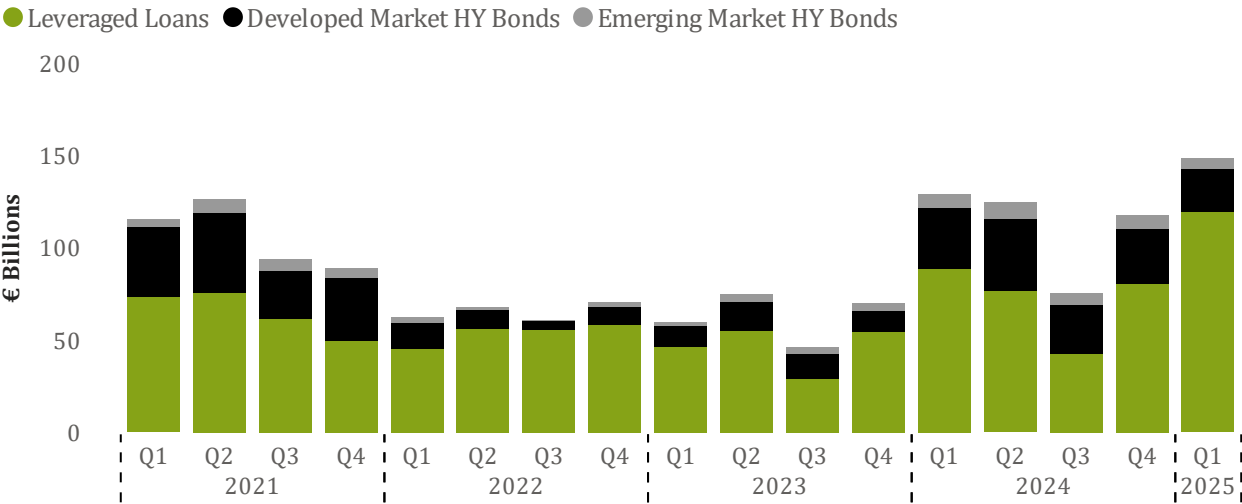
## Credit Standards and Loan Demand

According to the European Central Bank's lending survey, credit standards for loans to both large firms and SMEs slightly tightened throughout Q1 2025. This tightening was largely driven by the industry and firm-specific outlook, as well as the broader economic environment.

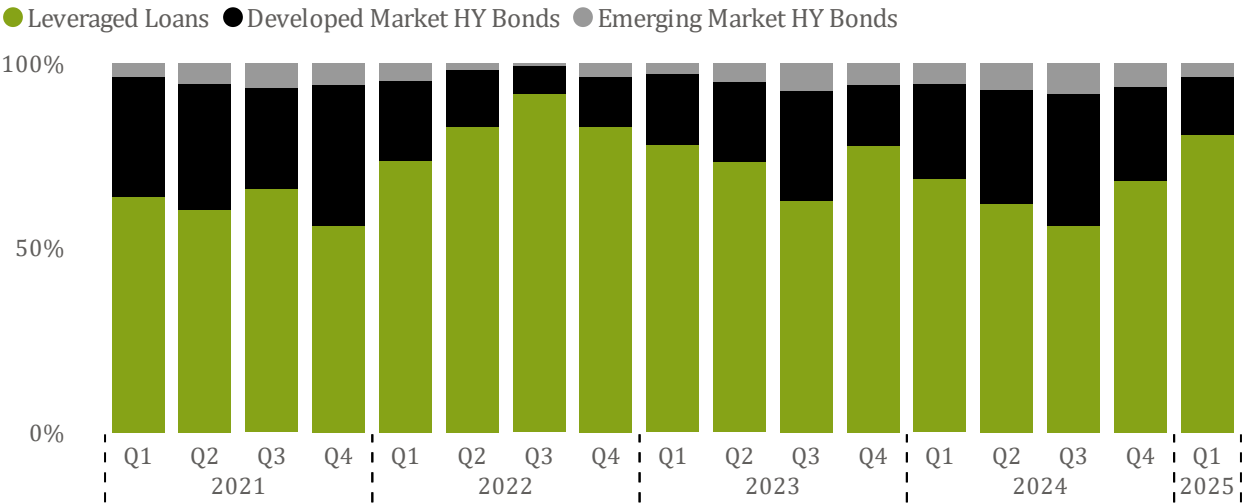
The survey also indicated an overall decline in loan demand, primarily due to reduced demand from large enterprises. However, net demand for loans from SMEs also decreased. Despite the support of falling interest rates, the decline in loan demand was mainly attributed to a negative contribution from firms' inventories and working capital needs.



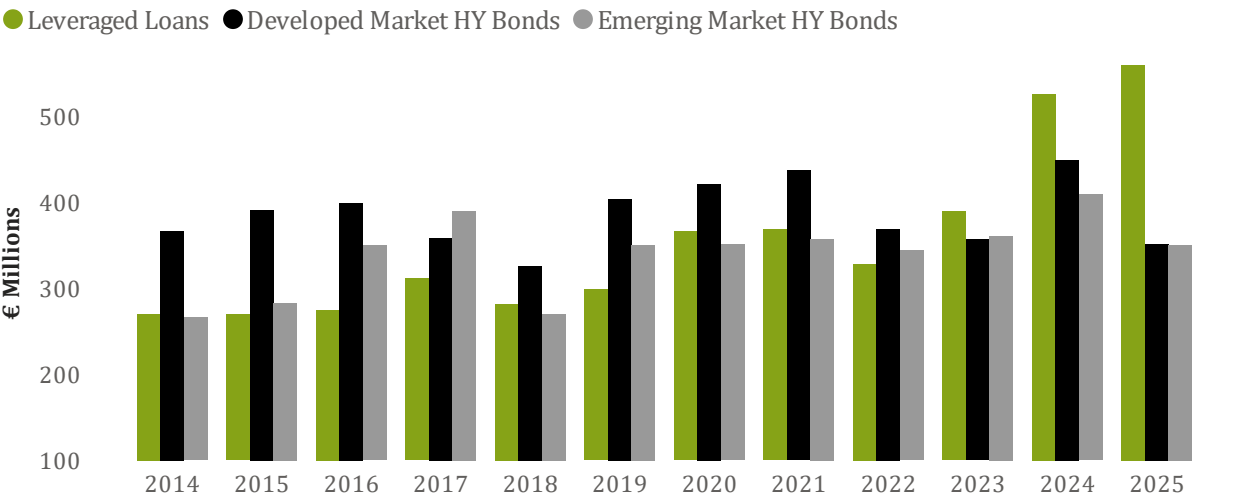
2.1 European Leveraged Issuance by Type



2.2 European Leveraged Issuance Percentage, by Type



2.3 European Leveraged Finance Average Deal Size

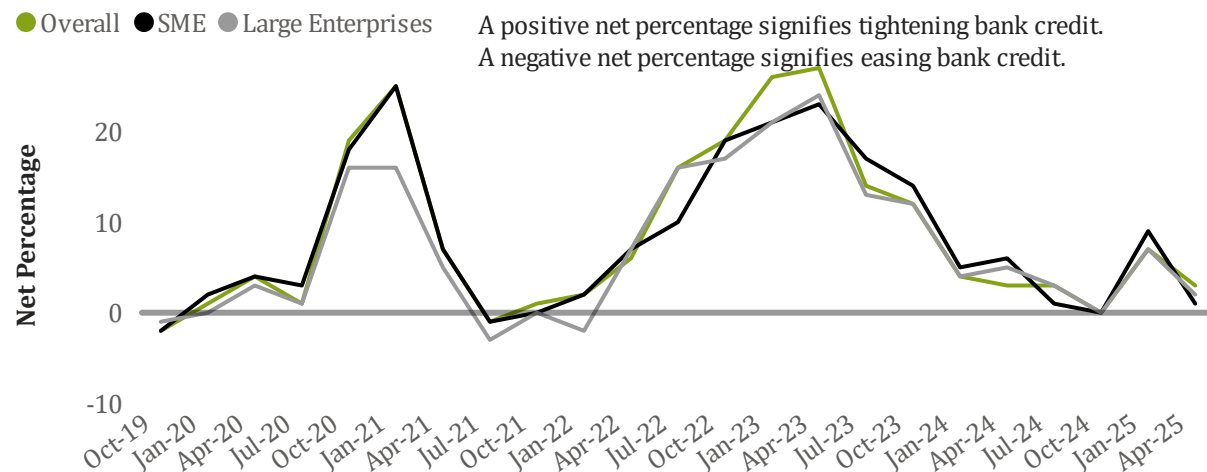


2.4 Global Comparison High Yield Issuance (€ Billions)

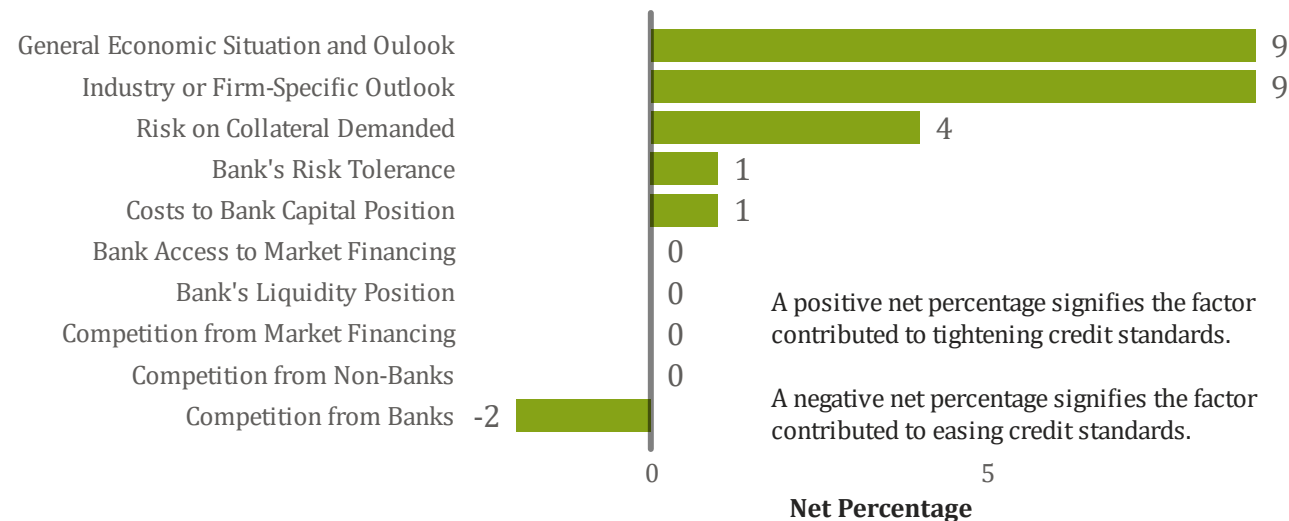
Year	2023				2024				2025
Region	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Americas	34.7	48.9	37.9	32.5	67.8	57.0	66.2	39.9	54.0
Asia	7.8	6.4	4.9	9.2	6.2	8.4	6.1	5.3	6.8
Europe	13.2	20.0	17.2	15.7	40.3	47.9	33.1	37.7	28.8
Total	55.8	75.3	60.1	57.4	114.4	113.3	105.3	82.8	89.7

Region	2021	2022	2023	2024	2025
Americas	343.9	95.1	154.0	230.8	54.0
Asia	58.0	23.0	28.3	26.0	6.8
Europe	162.8	45.3	66.2	159.0	28.8
Total	564.8	163.5	248.5	415.8	89.7

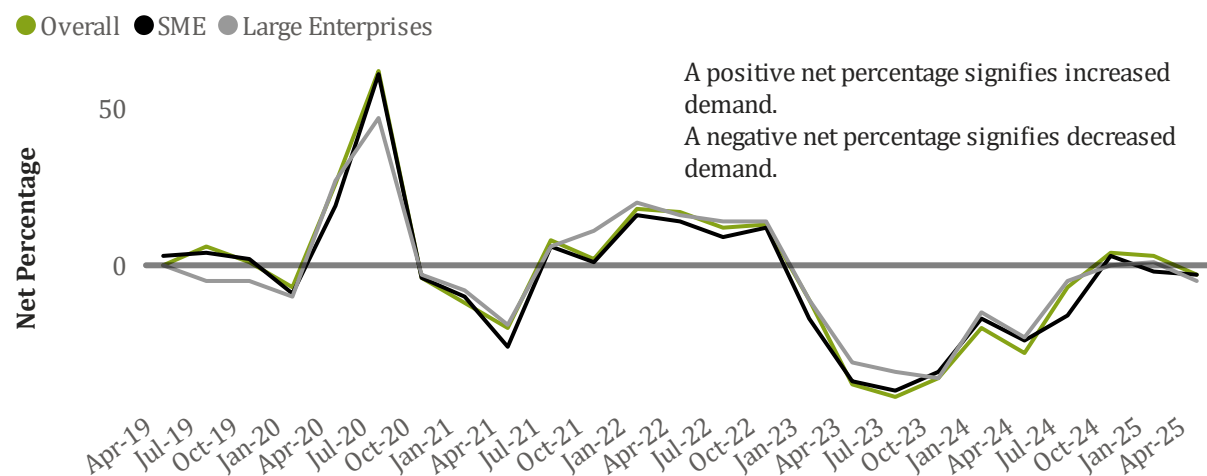
## 2.5 Bank Credit Standards



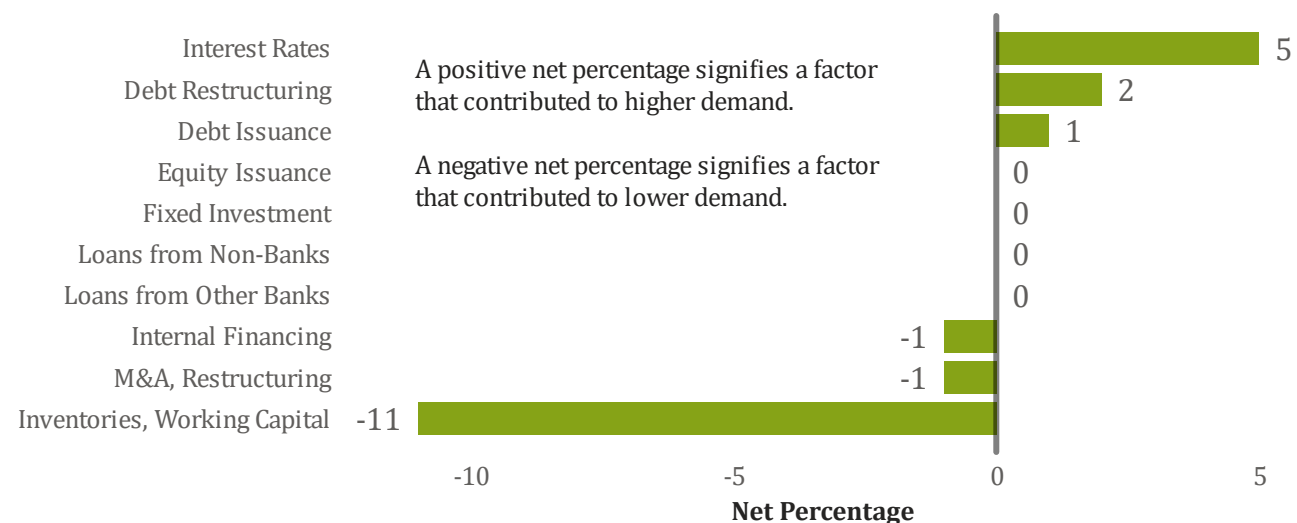
## 2.6 Factors Affecting Bank Credit Standards : March 2025



## 2.7 Loan Demand



## 2.8 Factors Affecting Loan Demand: March 2025



# Leveraged Loans

## **Issuance: Leveraged Loans**

In Q1 2025, total leveraged loan origination only included first lien financing, reaching €119.5bn, an increase compared to the previous quarter (+€39.4bn), and a 35% YoY increase from Q1 2024.

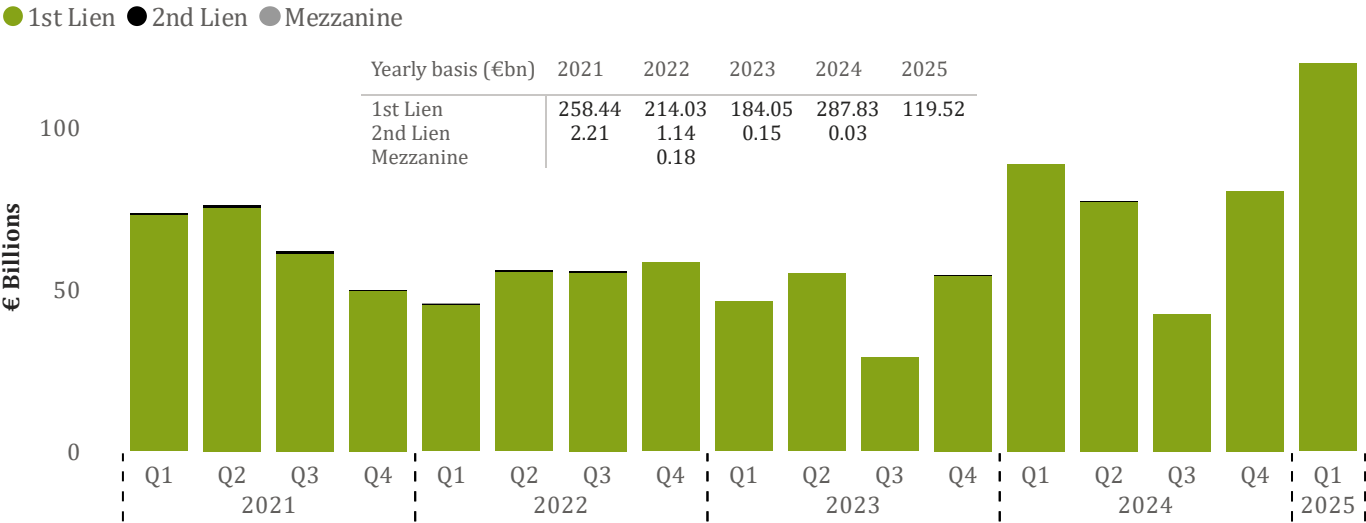
Since 2021, first-lien loans have accounted for 99.65% of the total volume of leveraged loans, with second-lien and mezzanine financing representing 0.33% and 0.02%, respectively.

In Q1 2025, institutional spreads, as measured by a 3-month rolling average, tightened from 371.14 basis points in December to 341.27 basis points in March. Pro-rata spreads experienced a more pronounced tightening, dropping from 280 basis points in December to 200 basis points by the end of the quarter. Consistent with previous quarters, institutional spreads remained above pro-rata spreads throughout Q1 2025.

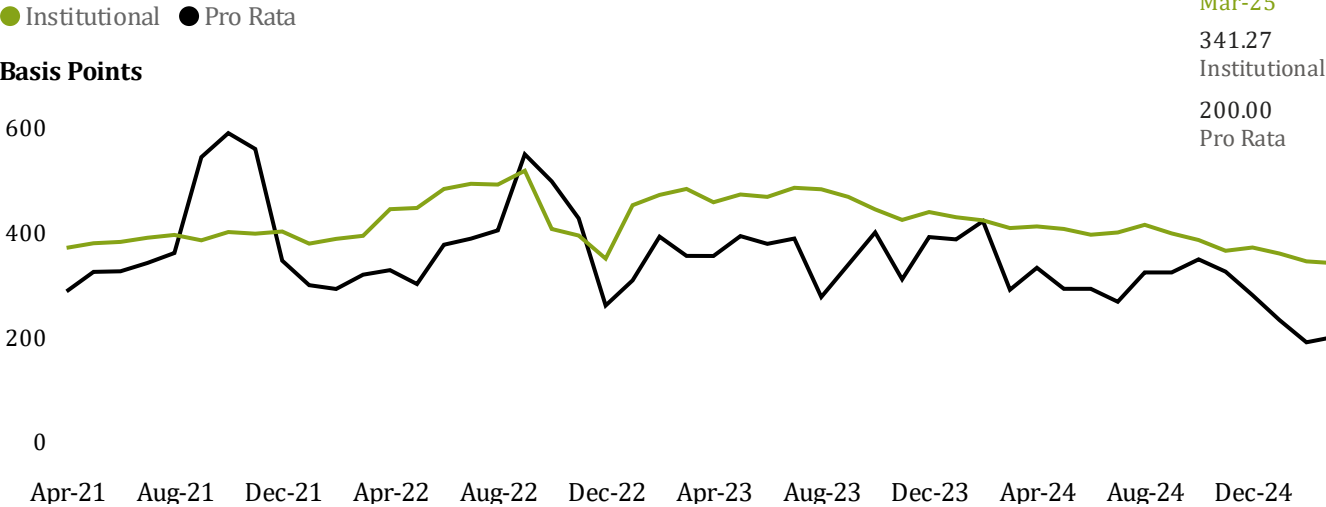
The healthcare sector emerged as the leading sector by loan origination amount in Q1 2025, reaching €26bn. It was followed by Professional Services and Computers & Electronics, which originated €17bn and €16bn in loans, respectively.



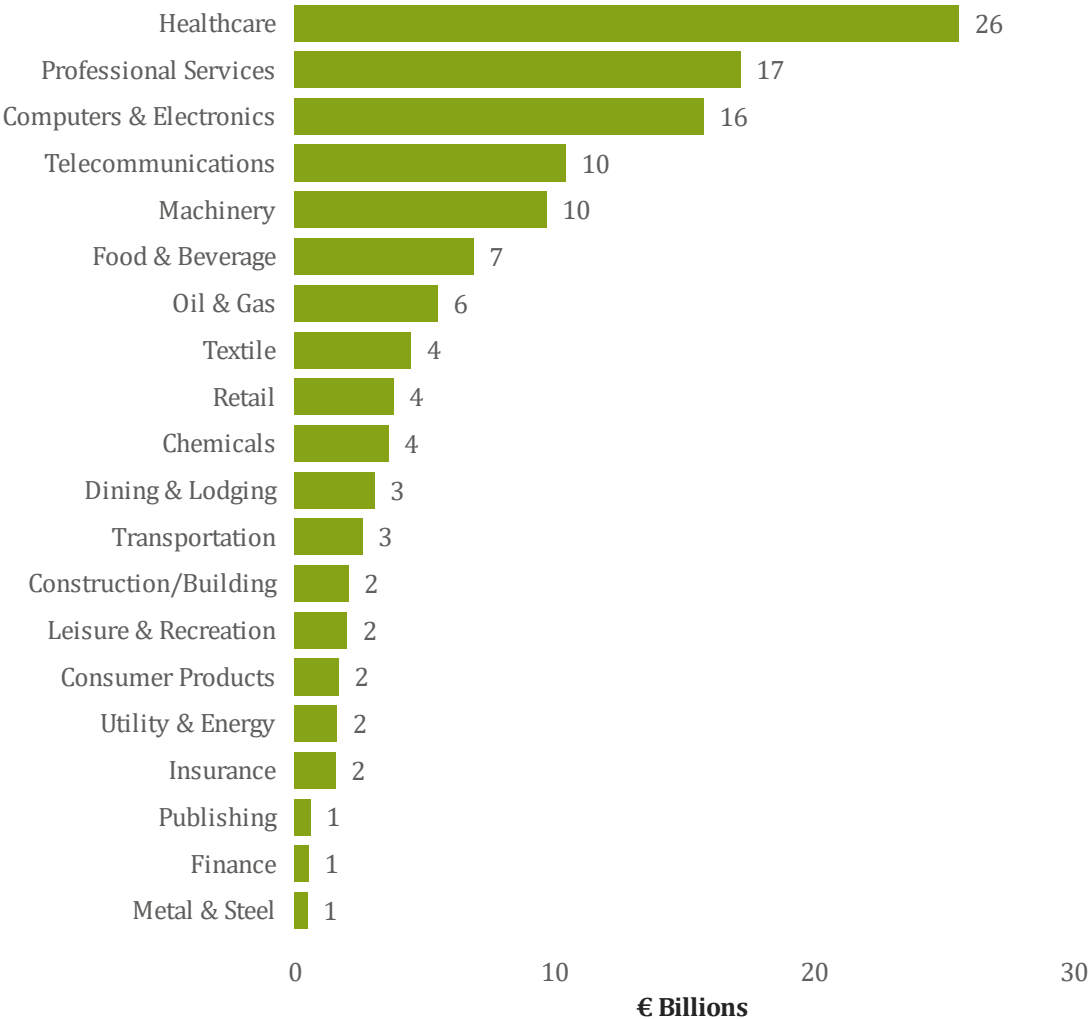
3.1 European Leveraged Loan Issuance by Type



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



3.2 European Leveraged Loan Issuance by Industry: Q1 2025 (Top 20)



# High Yield Bonds Overview

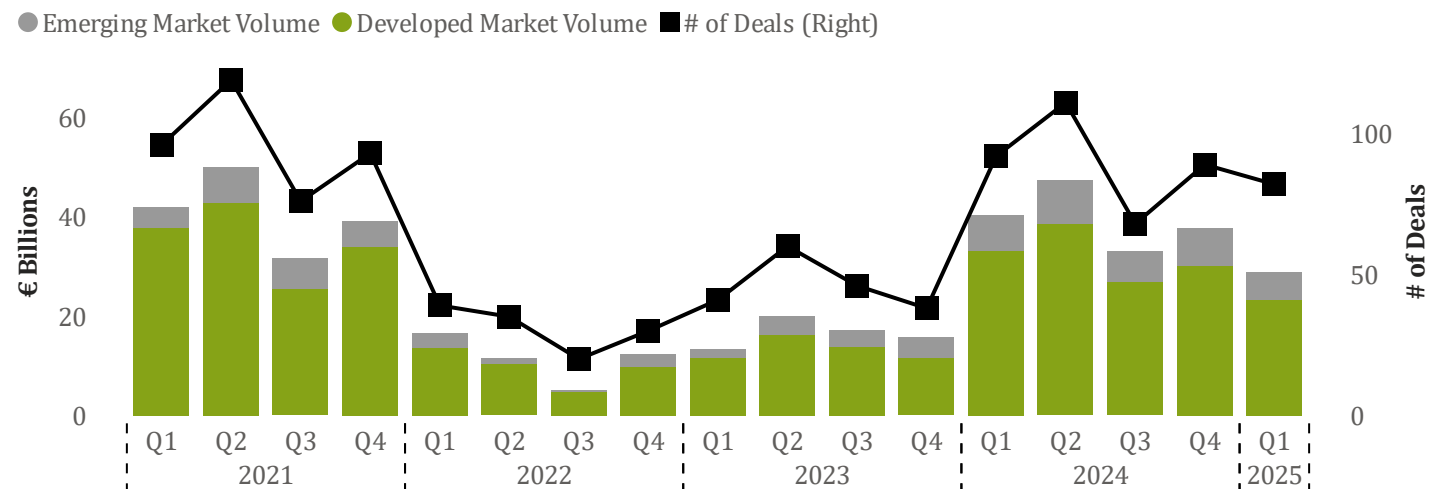
## Issuance: High Yield Bonds

Primary high yield bond issuance reached €28.81bn (on 82 deals) in Q1 2025, a 23.6% decrease from €37.72bn (on 89 deals) in Q4 2024, and a 29% decrease compared to Q1 2024. During this quarter, issuance by firms located in European developed markets represented 80.5% of the total (€23.2bn), while firms in European emerging markets represented the remaining 19.5% (€5.61bn).

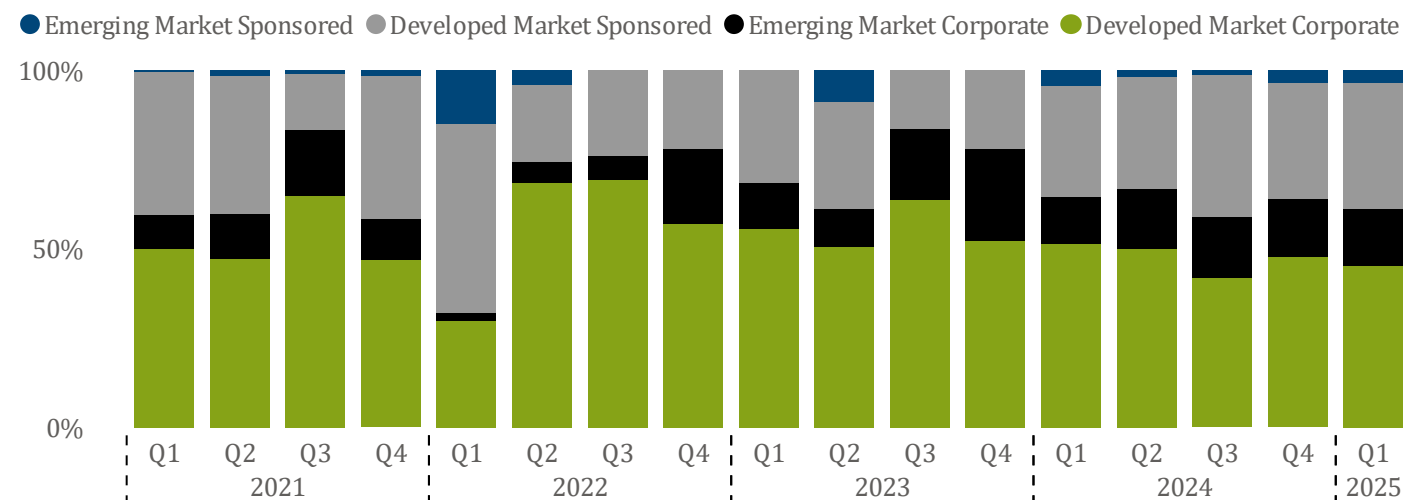
In Q1 2025, the primary use of proceeds was general corporate purposes, accounting for 47% of total issuance, followed by refinancing (40.7%) and LBOs/MBOs (10.6%). The share of LBO/MBO-related issuance has seen a sharp increase this year, after remaining relatively stable between 3% and 7% from 2021 to 2024. Notably, there have been no deals related to restructuring or acquisitions year-to-date.

In Q1 2025, three sectors accounted for 59.1% of the high yield market by outstanding amount: Financial, Consumer Discretionary and Communications with €212bn, €138bn, and €113bn of the total outstanding value respectively.

## 4.1 European High Yield Issuance, Developed and Emerging Markets

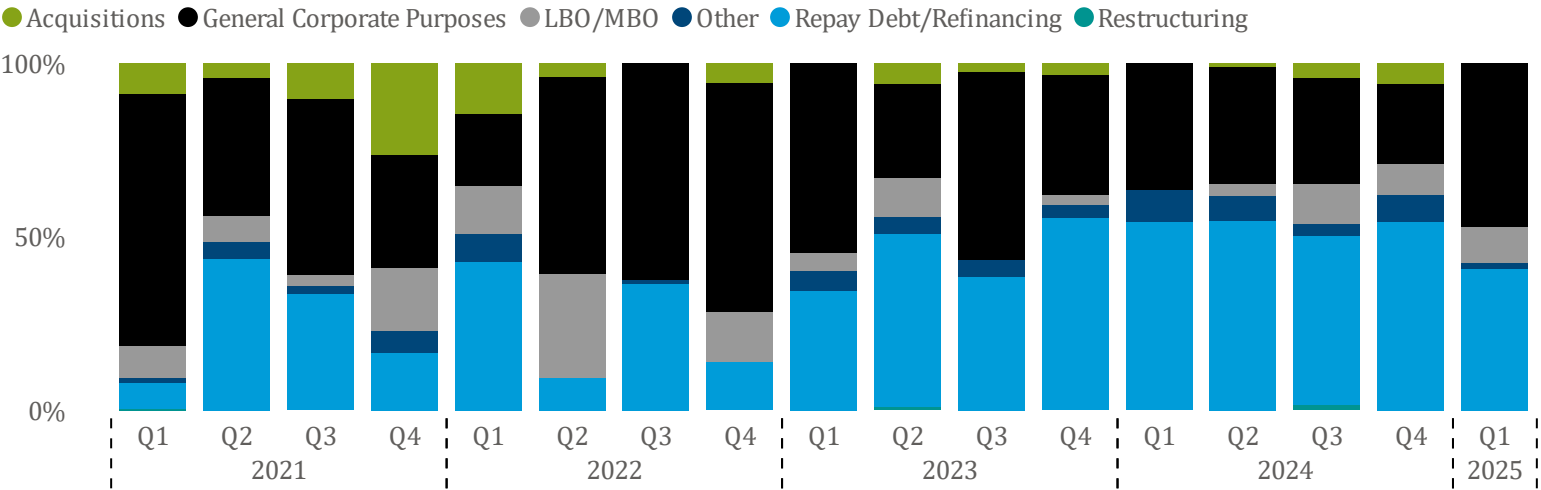


## 4.2 European High Yield Issuance, Sponsored vs Corporate

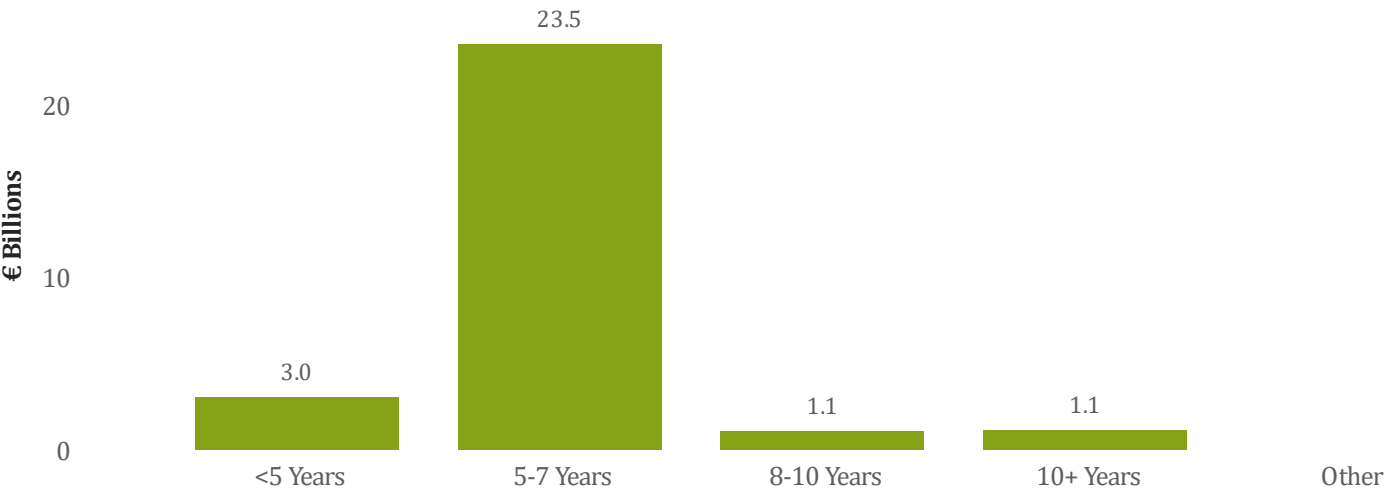




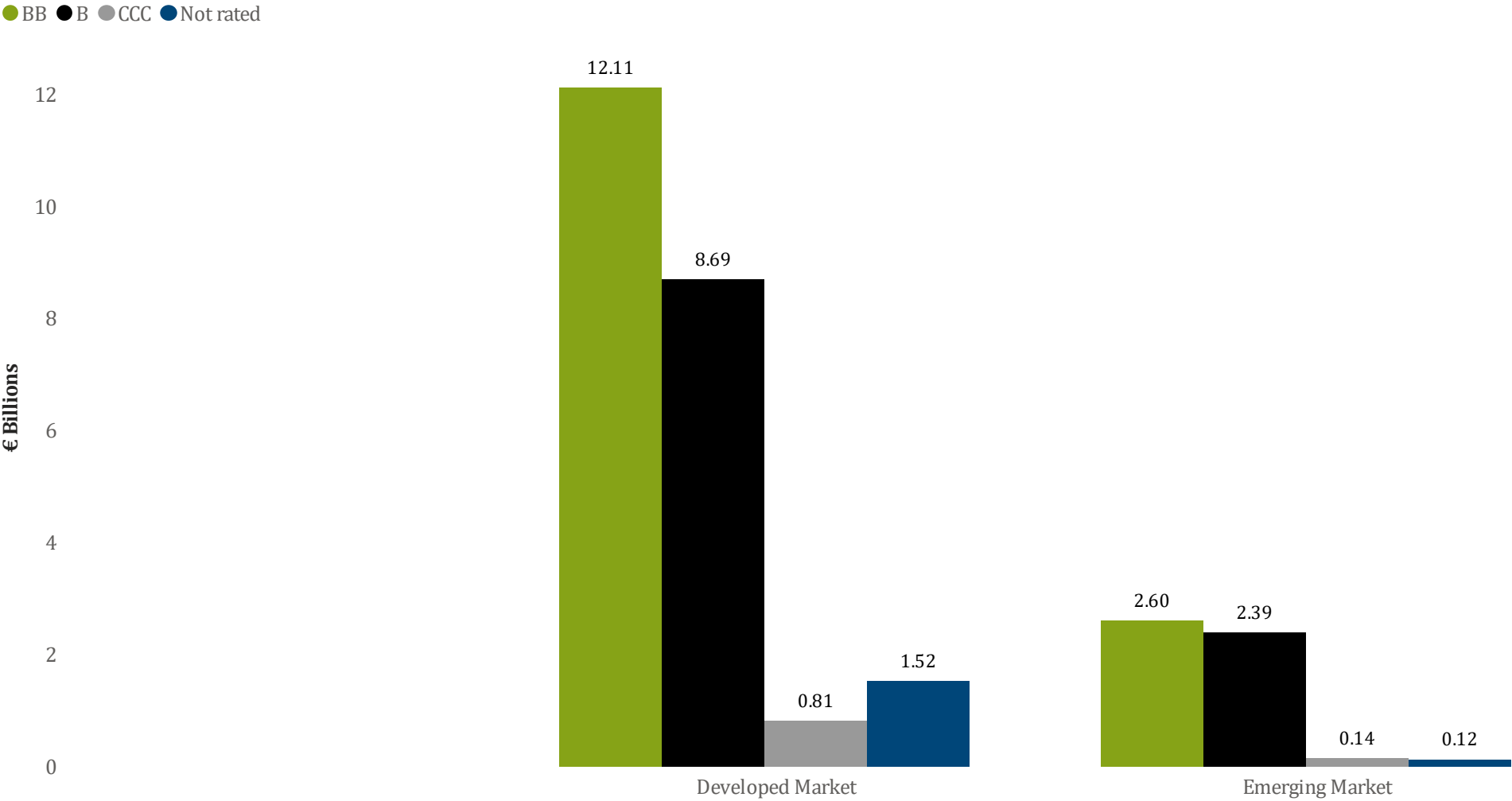
4.3 European High Yield Issuance, Use of Proceeds



4.4 European High Yield Issuance by Tenor: Q1 2025

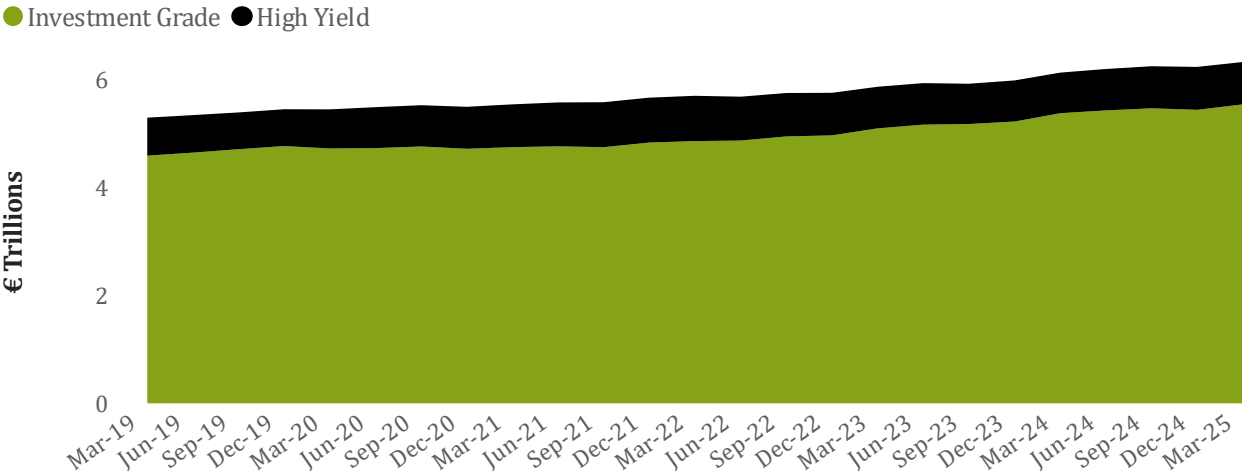


4.5 European High Yield Issuance by Rating: Q1 2025

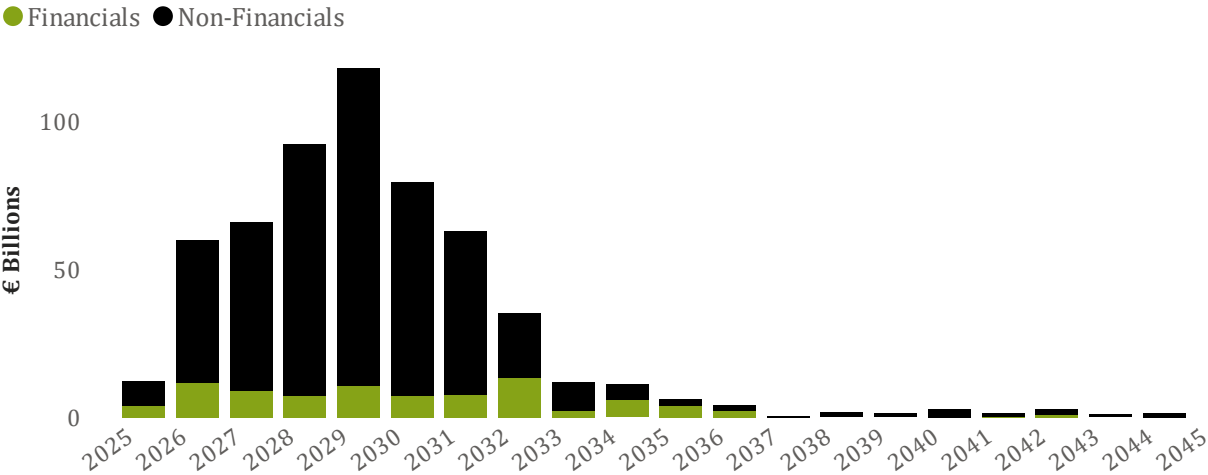


\*Corporate Bond Issuance denotes corporate and sponsored bonds, excluding government bonds.

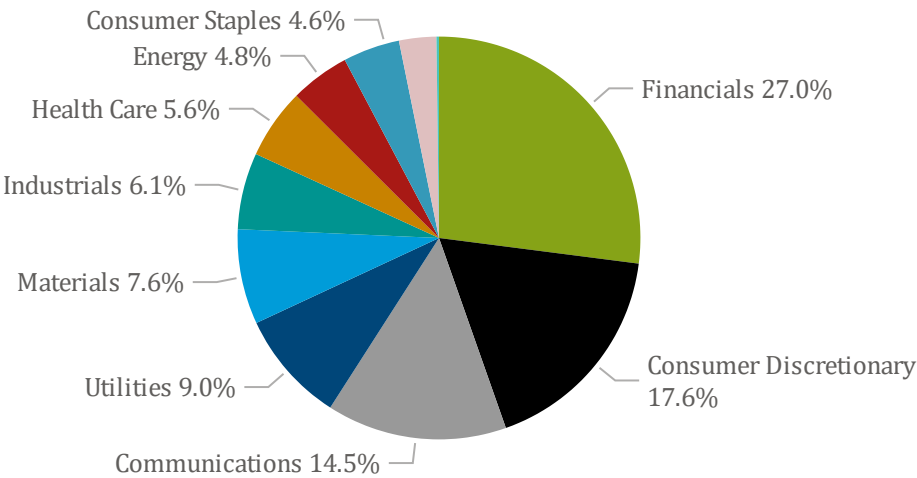
4.6 European Corporate Bonds Outstanding



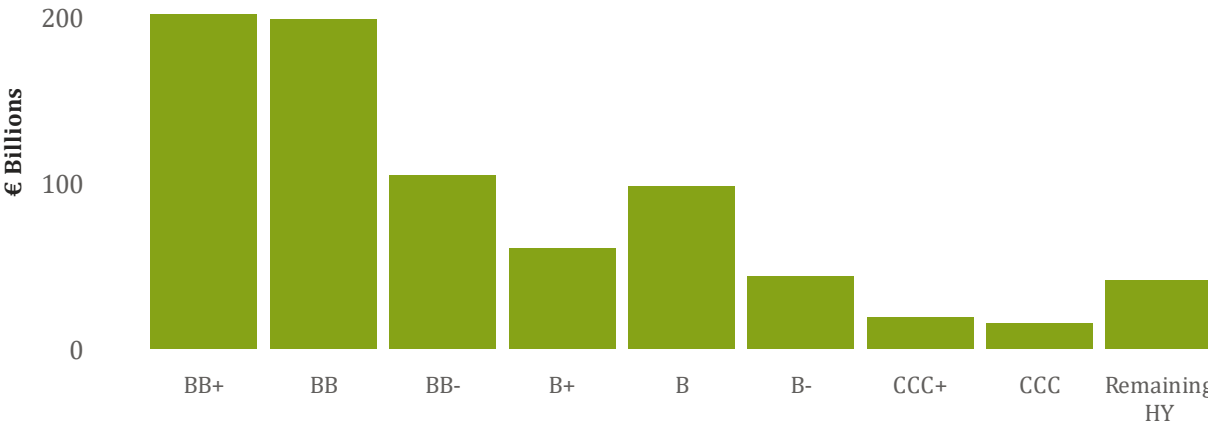
4.7 European Corporate High Yield Maturity Wall



4.8 European Corporate High Yield Outstanding by Sector: March 2025



4.9 European Corporate High Yield Outstanding by Current Rating: March 2025



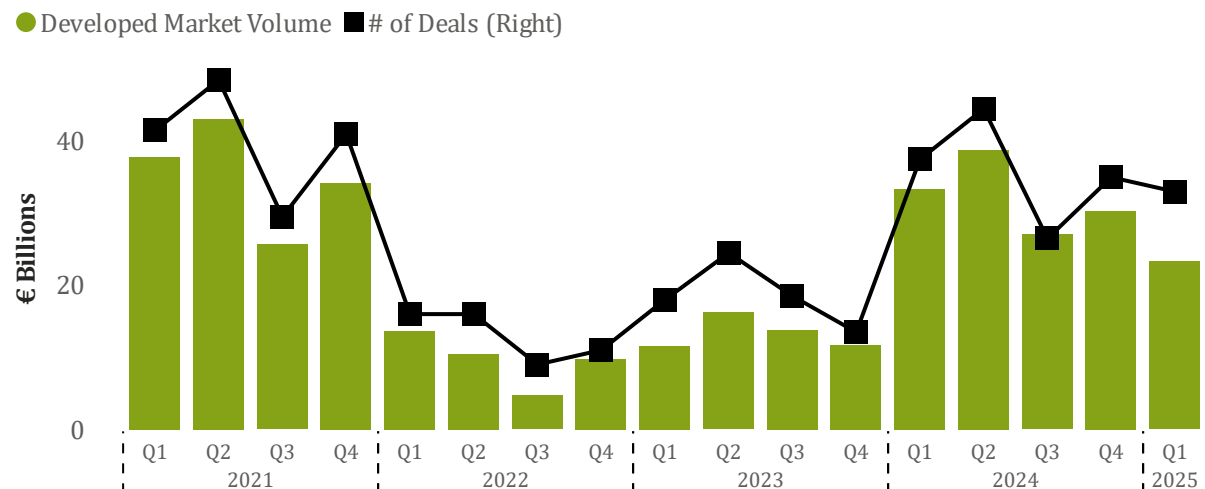
# European Developed Market High Yield Bonds



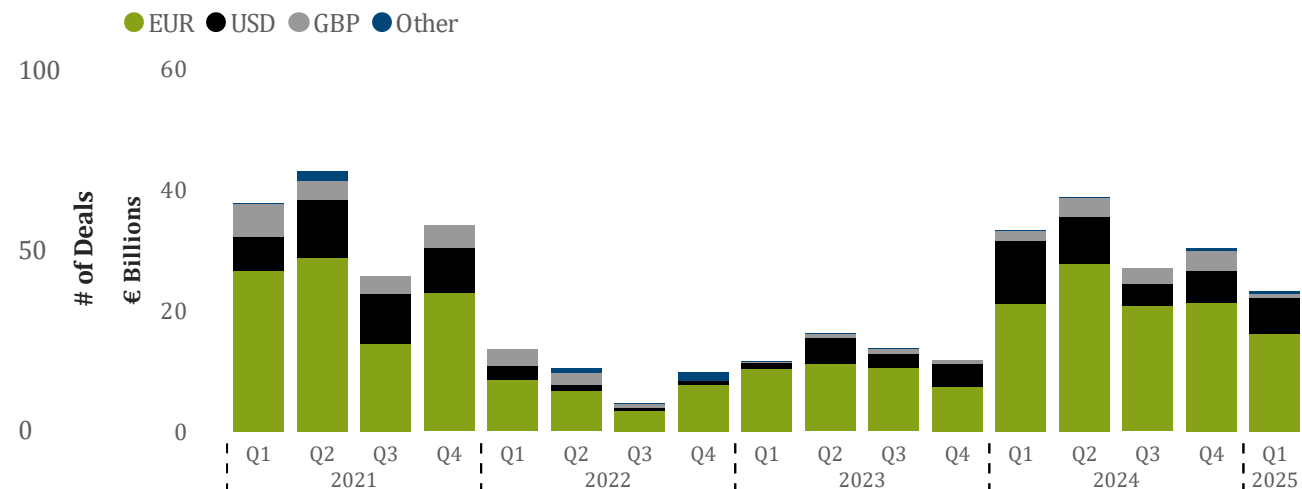
# afme / Developed Market High Yield Bonds

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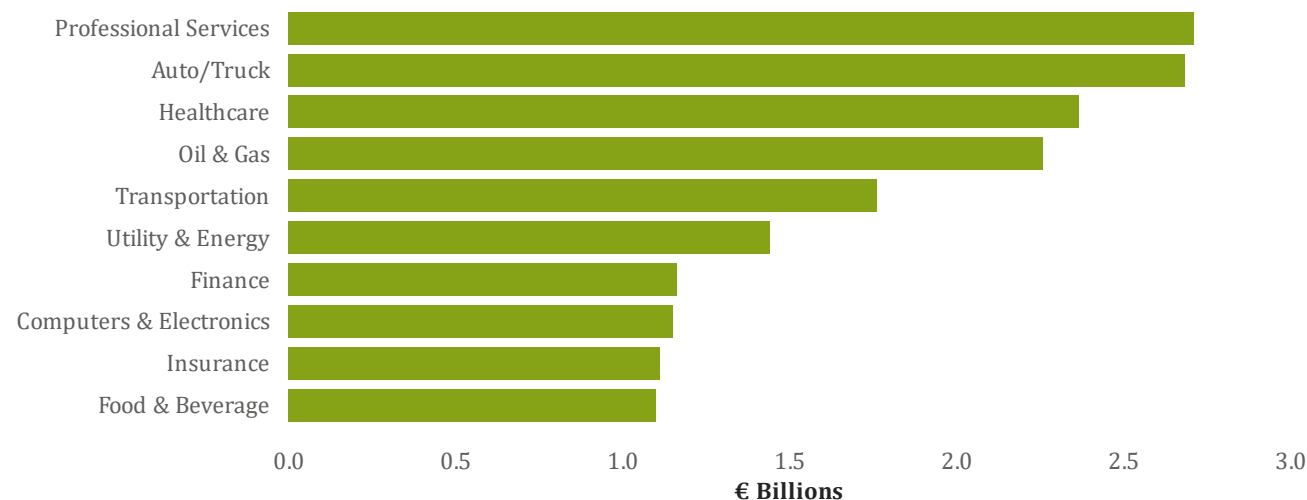
## 5.1 European Developed Market High Yield Issuance



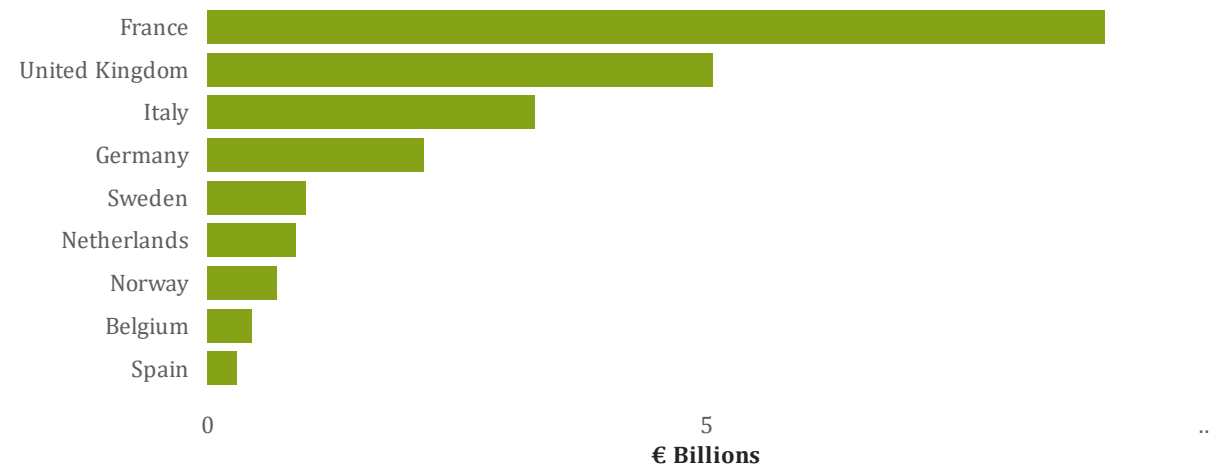
## 5.2 European Developed Market High Yield Issuance by Currency



## 5.3 European Developed Market High Yield Issuance by Industry: Q1 2025 (top 10)



## 5.4 European Developed Market High Yield Issuance by Country of Risk: Q1 2025 (top 9)

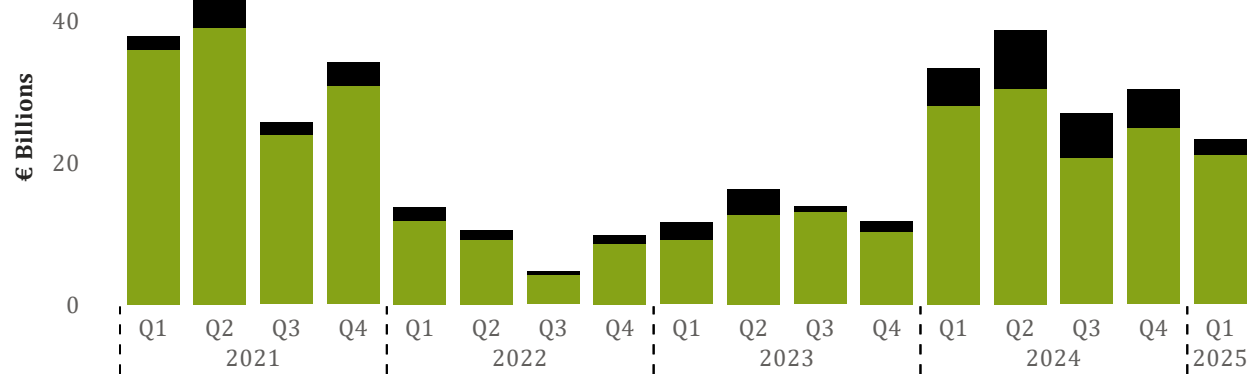


# afme / Developed Market High Yield Bonds

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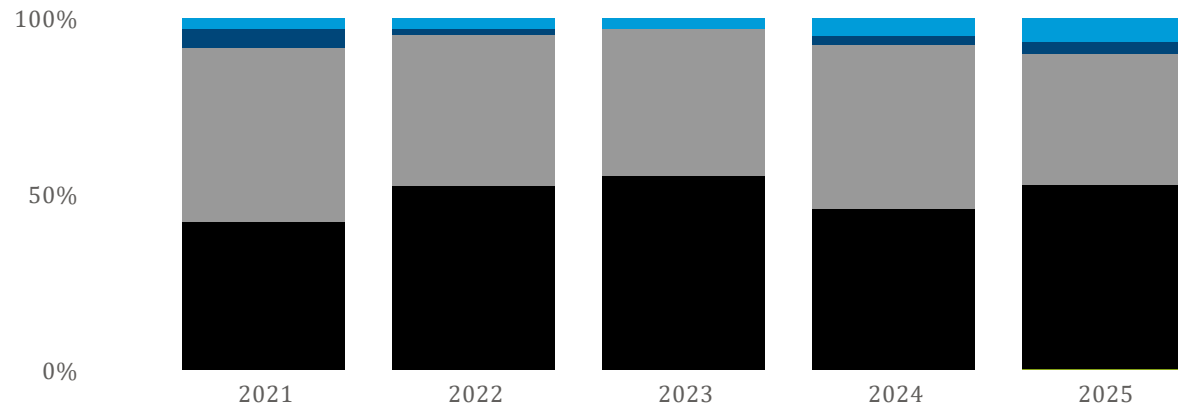
## 5.5 European Developed Market High Yield Issuance, Fixed vs. Floating

● Fixed ● Floating



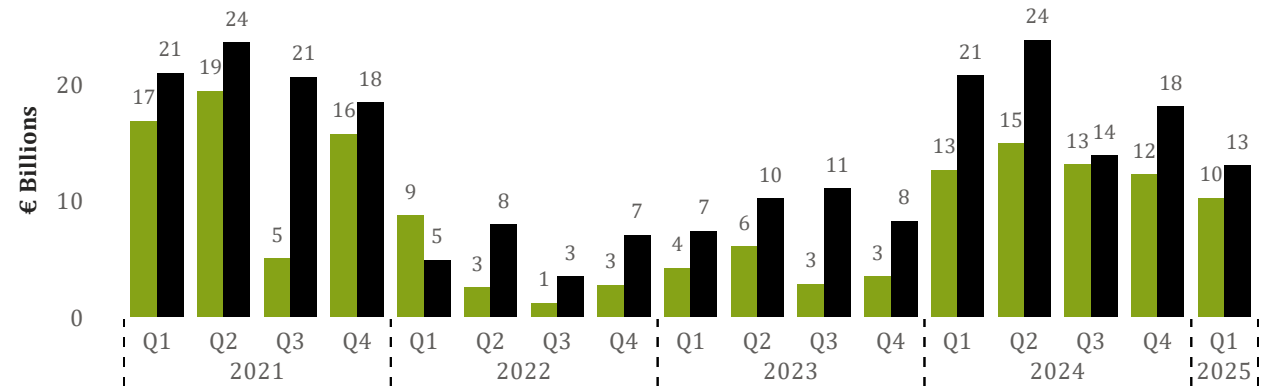
## 5.7 European Developed Market High Yield Rating Distribution at Issuance

● BBB ● BB ● B ● CCC ● Not rated



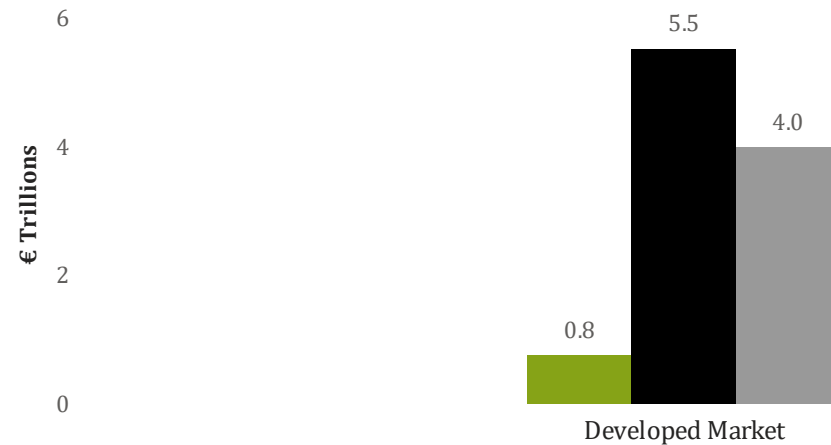
## 5.6 European Developed Market High Yield Issuance, Sponsored vs. Corporate

● Sponsored ● Corporate



## 5.8 European Developed Market Corporate Bonds Outstanding: Q1 2025

● High Yield ● Investment Grade ● Non-Rated



# afme / Developed Market High Yield Bonds

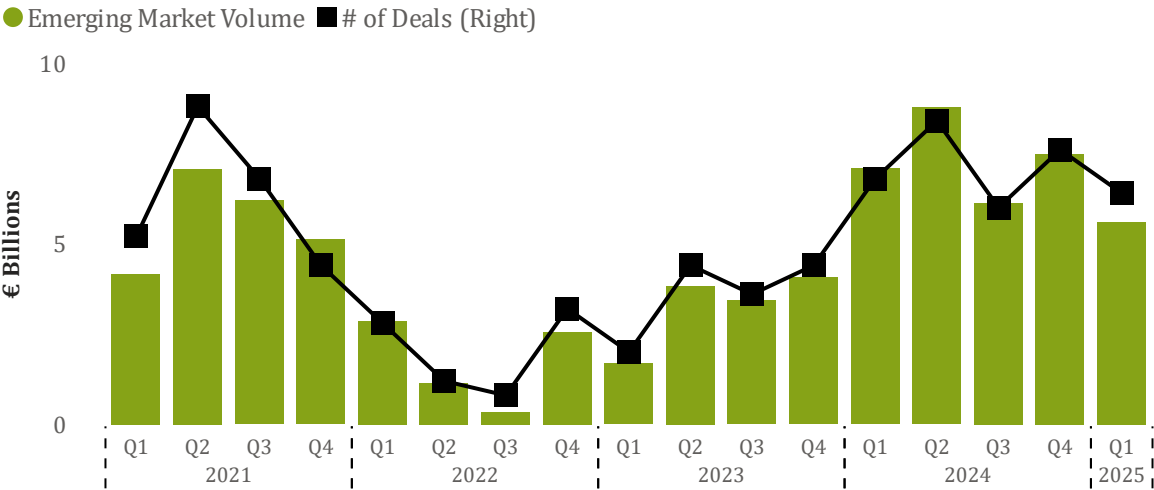
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## 5.9 European Developed Market High Yield Issuance (25 most recent)

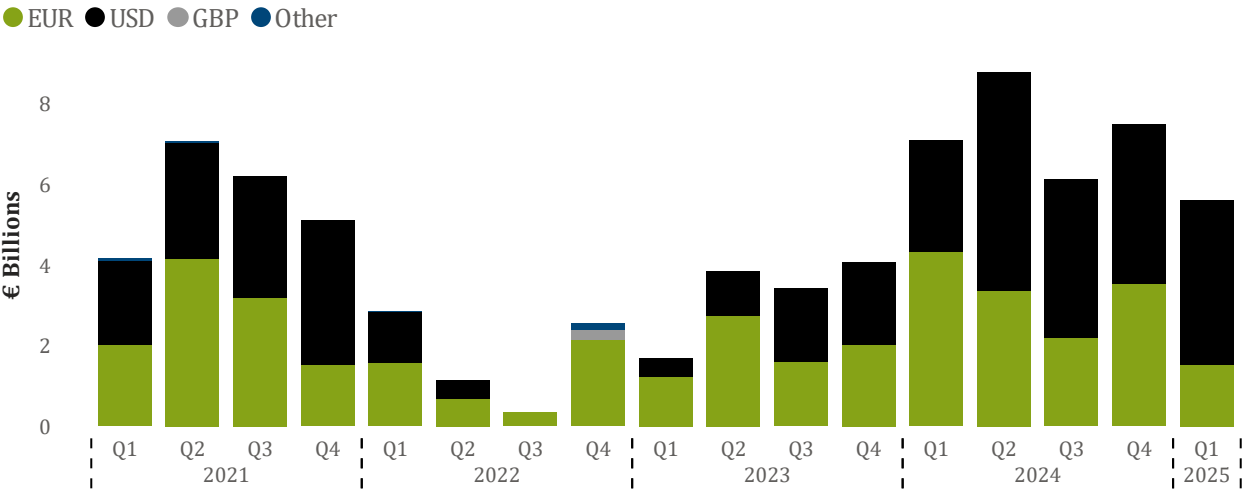
Issuer	Industry Group	Date	Currency	Amount (billion)	Coupon	Moody's	S&P	Fitch
Opal Bidco SAS	Healthcare	31/03/2025	EUR	1.25	5.5	B1	B+	BB-
Opal Bidco SAS	Healthcare	31/03/2025	USD	1.02	6.5	B1	B+	BB-
Navigator Holdings Ltd	Transportation	28/03/2025	USD	0.04	7.25			
Getlink SE	Transportation	27/03/2025	EUR	0.60	4.125		BB+	BB+
Forvia SE	Auto/Truck	27/03/2025	USD	0.46	8	B1	BB-	BB+
Itelyum	Oil & Gas	26/03/2025	EUR	0.73	5.75	B2	B	
Ontex Group SA/NV	Consumer Products	26/03/2025	EUR	0.40	5.25	B2	B+	
Genel Energy Finance 4 plc	Oil & Gas	26/03/2025	USD	0.09	11			
Empark	Transportation	25/03/2025	EUR	0.30	3-mth Euribor +250	Ba3	BB	
Schaeffler AG	Auto/Truck	25/03/2025	EUR	0.55	4.25	Ba1	BB+	BB+
Schaeffler AG	Auto/Truck	25/03/2025	EUR	0.60	5.375	Ba1	BB+	BB+
Fnac Darty SA	Retail	24/03/2025	EUR	0.30	4.75		BB+	BB+
Forvia SE	Auto/Truck	19/03/2025	EUR	0.75	5.625	B1	BB-	BB+
Metro Bank plc	Finance	19/03/2025	GBP	0.30	13.875			CCC+
Banca Sella Holding SpA	Finance	18/03/2025	EUR	0.05	5.125			
IHO Verwaltungs GmbH	Auto/Truck	18/03/2025	EUR	0.20	6.75	Ba2	BB-	BB
IHO Verwaltungs GmbH	Auto/Truck	18/03/2025	EUR	0.12	7	Ba2	BB-	BB
Seche Environnement SA	Utility & Energy	18/03/2025	EUR	0.40	4.5		BB	BB
DNO ASA	Oil & Gas	14/03/2025	USD	0.55	8.5			
alstria office REIT AG	Real Estate/Property	13/03/2025	EUR	0.50	5.5		BB+	
SNF Group SA	Chemicals	11/03/2025	EUR	0.55	4.5		BB+	
Viridien SA	Oil & Gas	11/03/2025	EUR	0.48	8.5	B3	B-	B+
Viridien SA	Oil & Gas	11/03/2025	USD	0.42	10	B2	B	BB-
Stena International SA	Transportation	10/03/2025	USD	0.14	7.25	Ba3	BB+	
Alexandrite Monnet UK HoldCo plc	Real Estate/Property	07/03/2025	EUR	0.05	10.5	Nr	B+	BB-
PrestigeBidCo GmbH	Retail	05/03/2025	EUR	0.05	3-mth Euribor +375	B1	B+	
Transportes Aereos Portugueses SA - TAP SA	Transportation	04/03/2025	EUR	0.20	5.125	Ba3	BB-	
Galileo Global Technologies Ltd	Utility & Energy	04/03/2025	USD	0.05	13.75			
Neopharmed Gentili SpA	Healthcare	14/02/2025	EUR	0.10	7.125		B	
Rekeep SpA	Professional Services	13/02/2025	EUR	0.36	9	B3	B	

# European Emerging Market High Yield Bonds

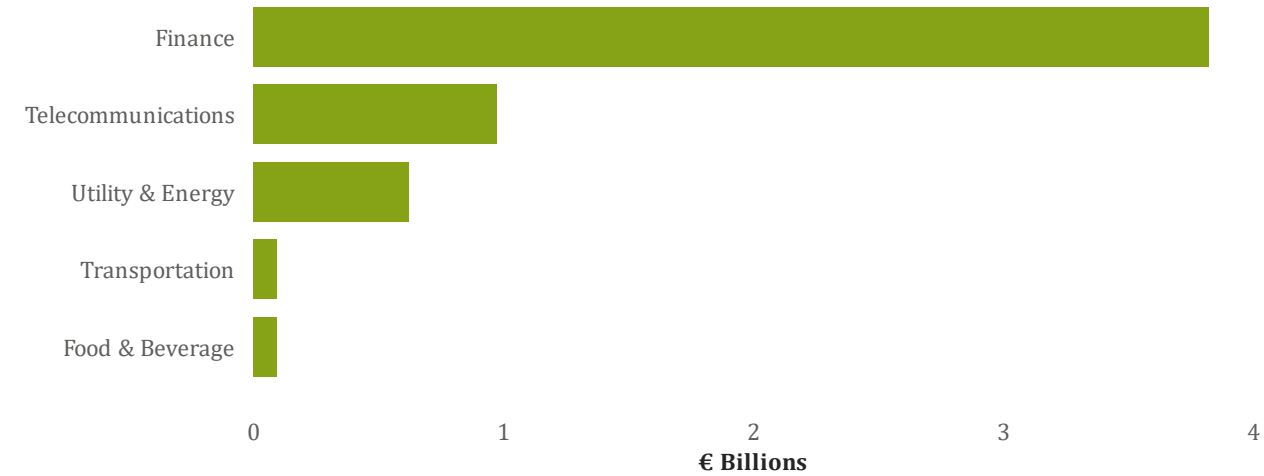
6.1 European Emerging Market High Yield Issuance



6.2 European Emerging Market High Yield Issuance by Currency



6.3 European Emerging Market High Yield Issuance by Industry: Q1 2025



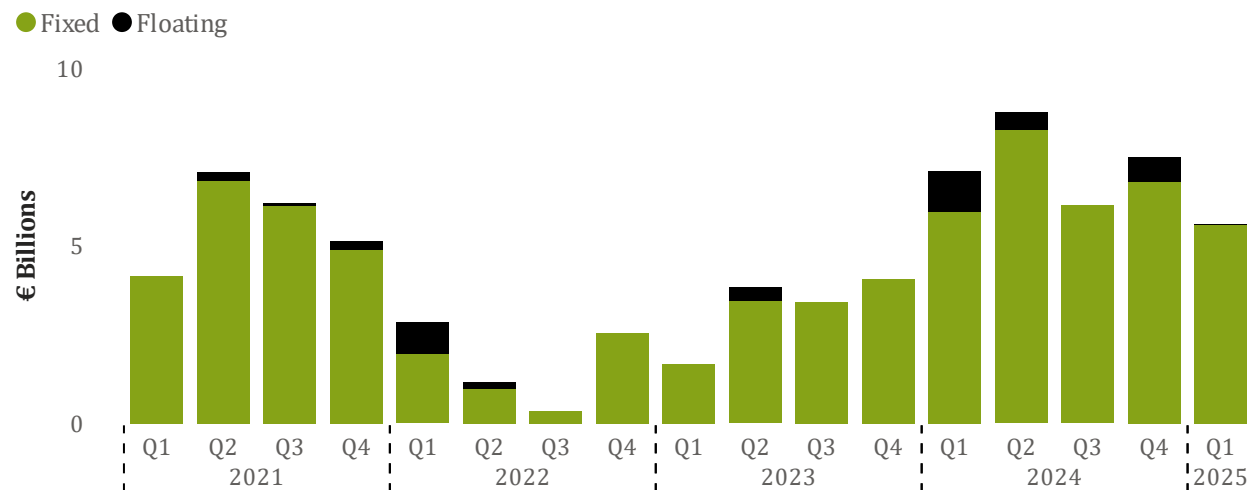
6.4 European Emerging Market High Yield Issuance by Country of Risk: Q1 2025



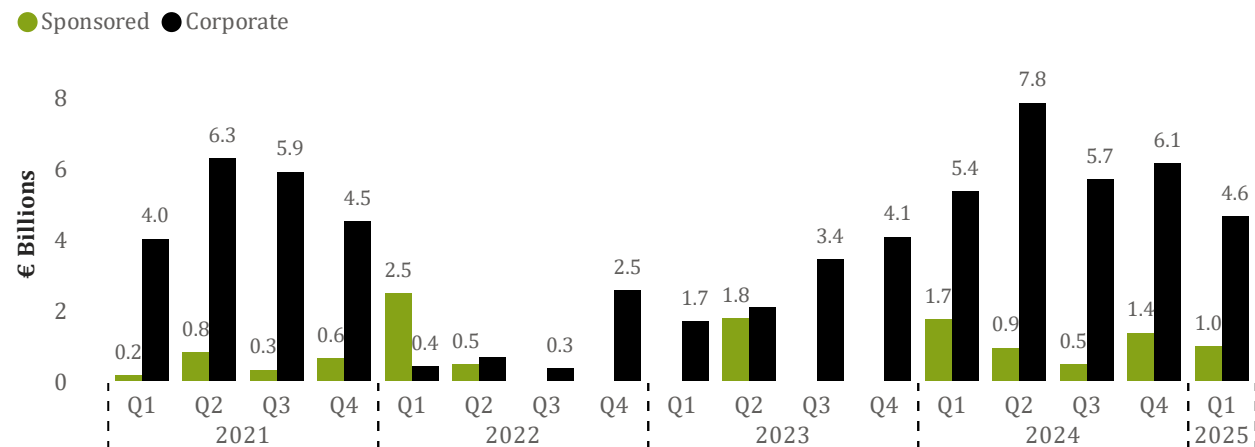
# afme / Emerging Market High Yield Bonds

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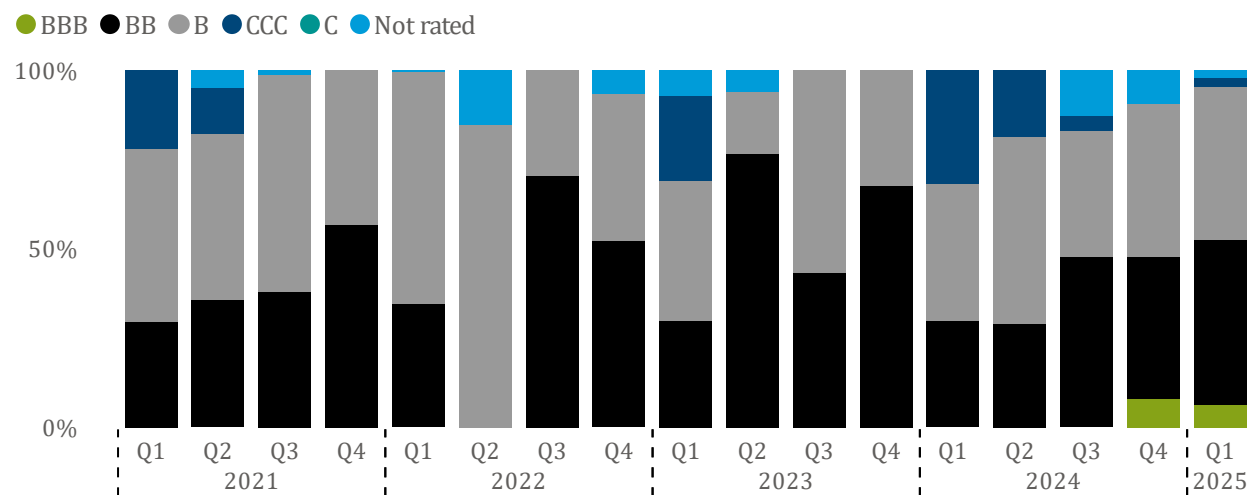
## 6.5 European Emerging Market High Yield Issuance, Fixed vs. Floating



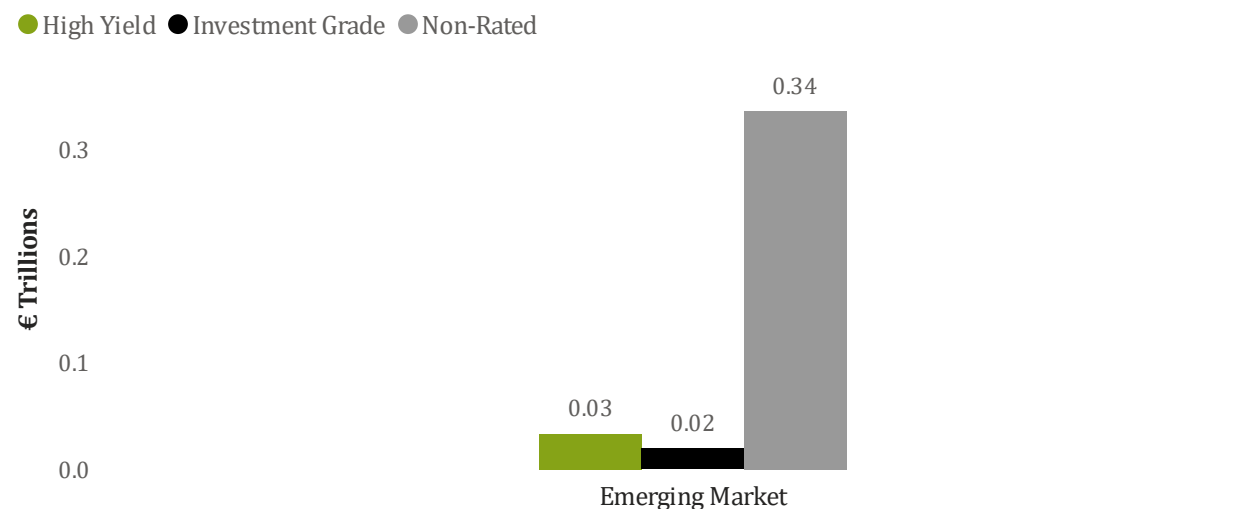
## 6.6 European Emerging Market High Yield Issuance, Sponsored vs. Corporate



## 6.7 European Emerging Market High Yield Rating Distribution at Issuance



## 6.8 European Emerging Market Corporate Bonds Outstanding: Q1 2025



## 6.9 European Emerging Market High Yield Issuance

Issuer	Industry Group	Date	Currency	Amount (billion)	Coupon	Moody's	S&P	Fitch
Aragvi Finance International DAC	Food & Beverage	11/03/2025	USD	0.09	11.125		B	B+
Multitude Bank plc	Finance	05/03/2025	EUR	0.03	3-mth Euribor +1100			
Akbank	Finance	25/02/2025	USD	0.48	7.875			B
Yapi ve Kredi Bankasi AS	Finance	24/02/2025	USD	0.48	7.25			BB-
Anadolubank AS	Finance	19/02/2025	USD	0.14	9.125			CCC+
Limak Yenilenebilir Enerji AS	Utility & Energy	12/02/2025	USD	0.07	9.625	B2		BB-
GDZ Elektrik Dagitim AS	Utility & Energy	10/02/2025	USD	0.12	9	B2	BB-	
Eurobank SA	Finance	06/02/2025	EUR	0.35	4	Baa2	BBB-	BB+
Limak Yenilenebilir Enerji AS	Utility & Energy	05/02/2025	USD	0.44	9.625	B2		BB-
Contships Logistics Corp	Transportation	30/01/2025	USD	0.10	9			
TC Ziraat Bankasi AS	Finance	28/01/2025	USD	0.72	7.25			B+
Eurobank Holdings	Finance	21/01/2025	EUR	0.40	4.25	Ba2		BB-
MBH Bank Nyrt	Finance	21/01/2025	EUR	0.75	5.25	Ba2		
Turkcell Iletisim Hizmetleri AS	Telecommunications	16/01/2025	USD	0.49	7.45		BB	BB-
Turkcell Iletisim Hizmetleri AS	Telecommunications	16/01/2025	USD	0.49	7.65		BB	BB-
Isbank	Finance	08/01/2025	USD	0.48	9.125			B-

# Credit Quality



## Credit Quality

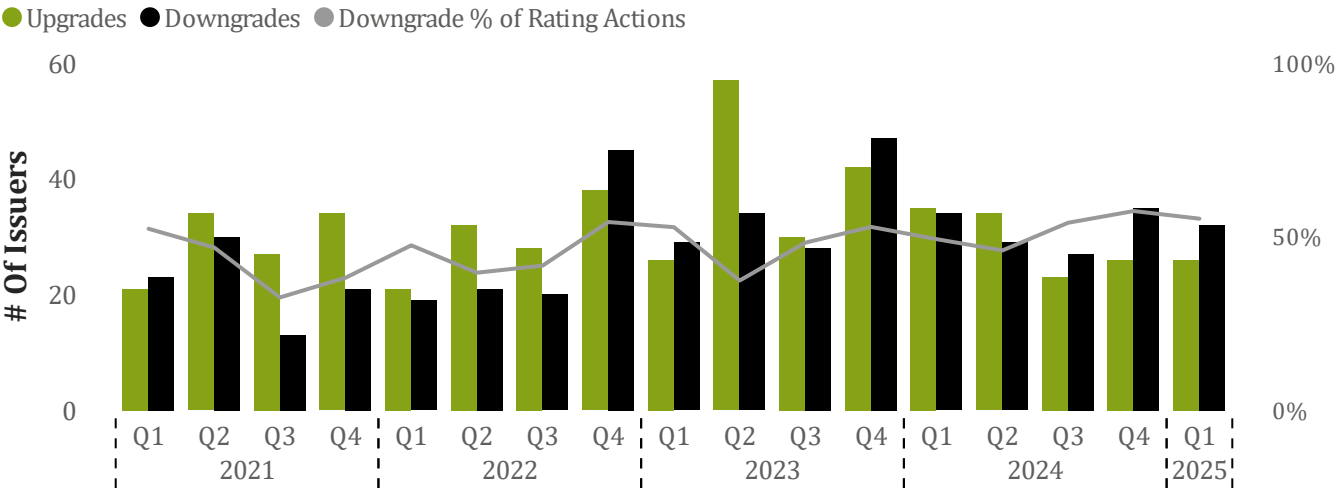
S&P's trailing 12-month speculative-grade bond default rate declined from its peak of 5.1% in November, ending Q1 2025 at 4.1%. Moody's reported a similar trend, with the speculative-grade bond default rate falling to 2.46% in March, down from a peak of 3.56% in November 2024. Moody's and S&P reported 12 bond defaults during Q1 2025, most of them caused by Distressed Exchange.

S&P reported 26 upgrades and 32 downgrades during the first quarter in Developed European markets. Upgrades were mostly related to Banks, Consumer Products and Media & Entertainment companies, while downgrades were spread mainly across three different sectors, mostly affecting Media & Entertainment, Automotive and Chemicals, Packaging & Environment Services. In contrast, in Emerging European markets, S&P issued 6 upgrades—primarily in the Banking and Financial Institutions sectors—while recording three downgrades. Meanwhile, in Q1 2025, Moody's reported a decrease in rating actions compared to the previous quarter, with 17 upgrades and 17 downgrades.

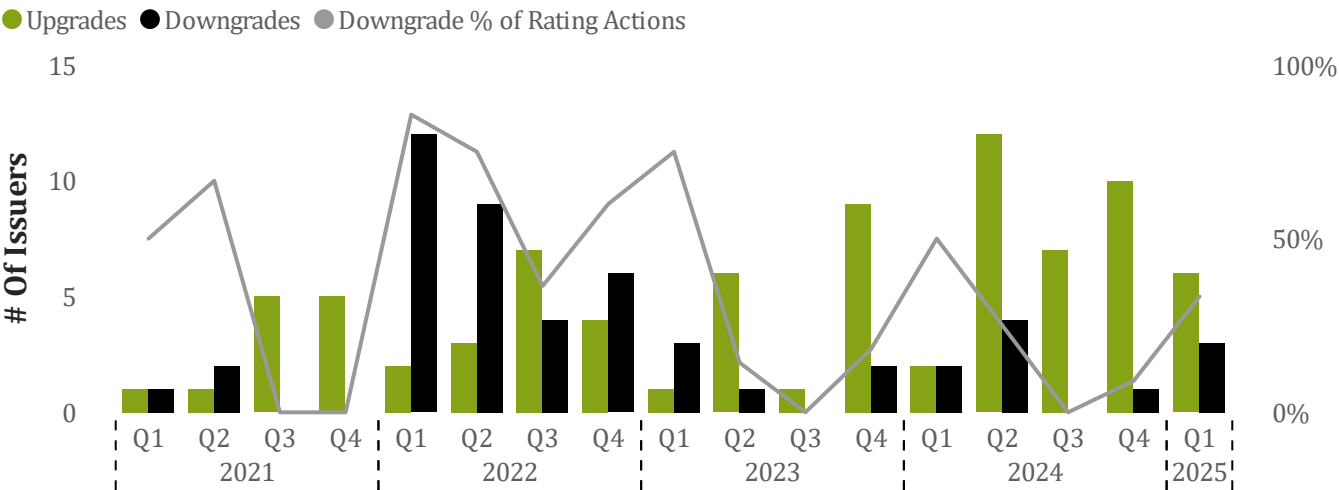
According to Fitch, the European leveraged loan trailing 12 months (TTM) default rate stood at 1% in Q1 2025, down from 1.8% in December 2024.

According to Octus (formerly Reorg), 97% of the European leveraged loan deals examined so far in 2025 were covenant-lite.

7.1 S&P Developed Europe Issuer Rating Actions

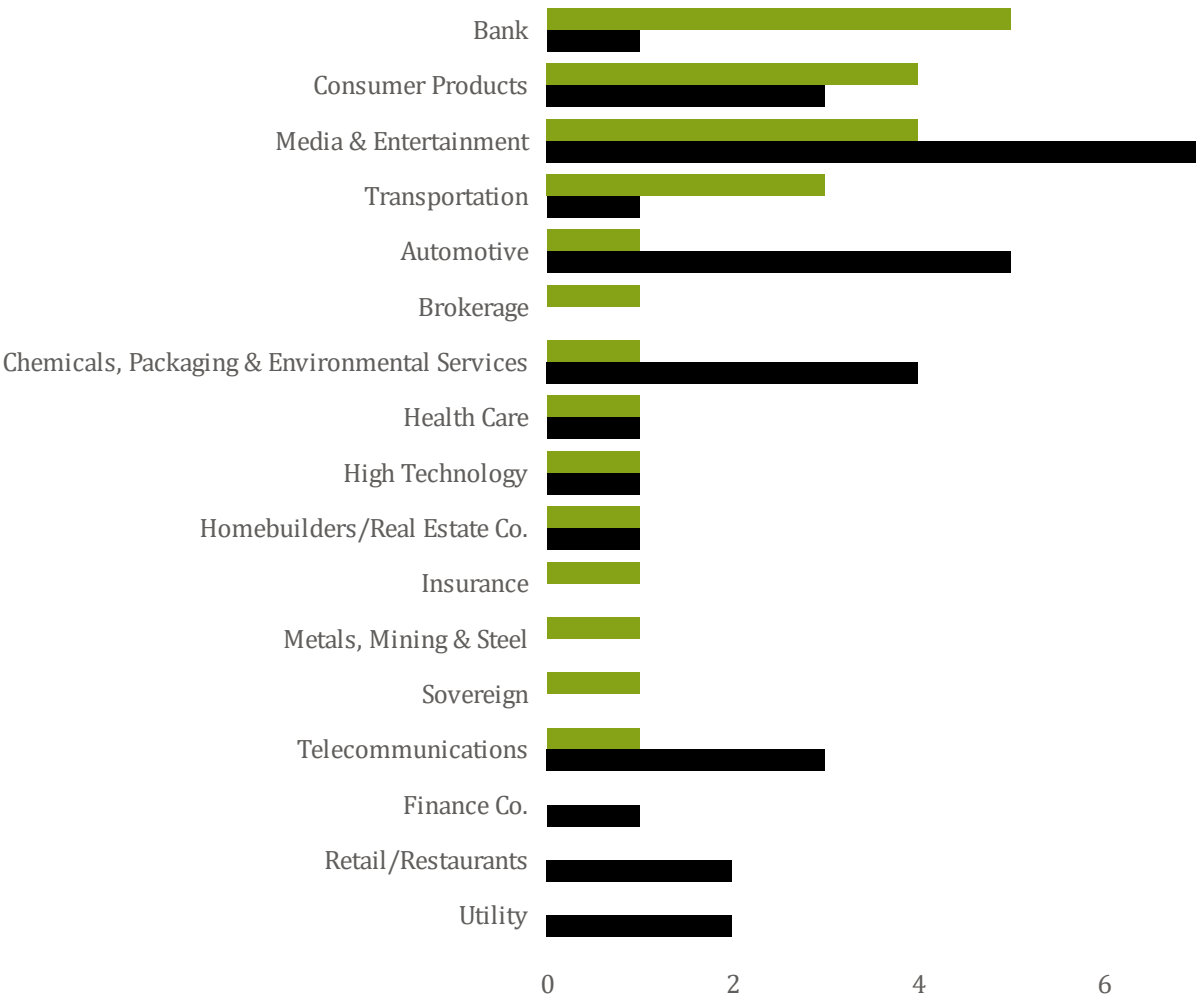


7.2 S&P Emerging Europe Issuer Rating Actions



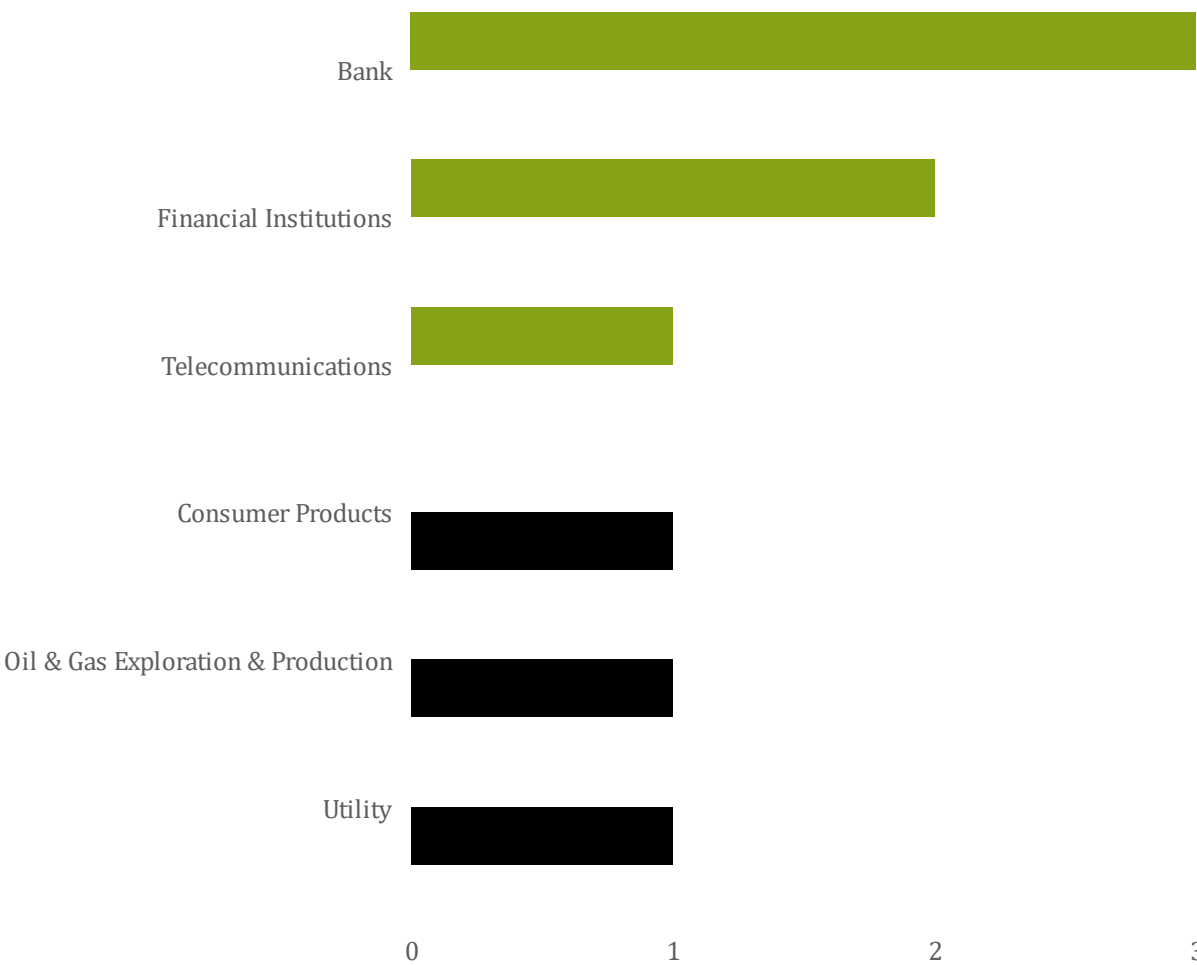
7.3 S&P Developed European Industry Rating Actions by # of Ratings: Q1 2025

● Upgrades ● Downgrades

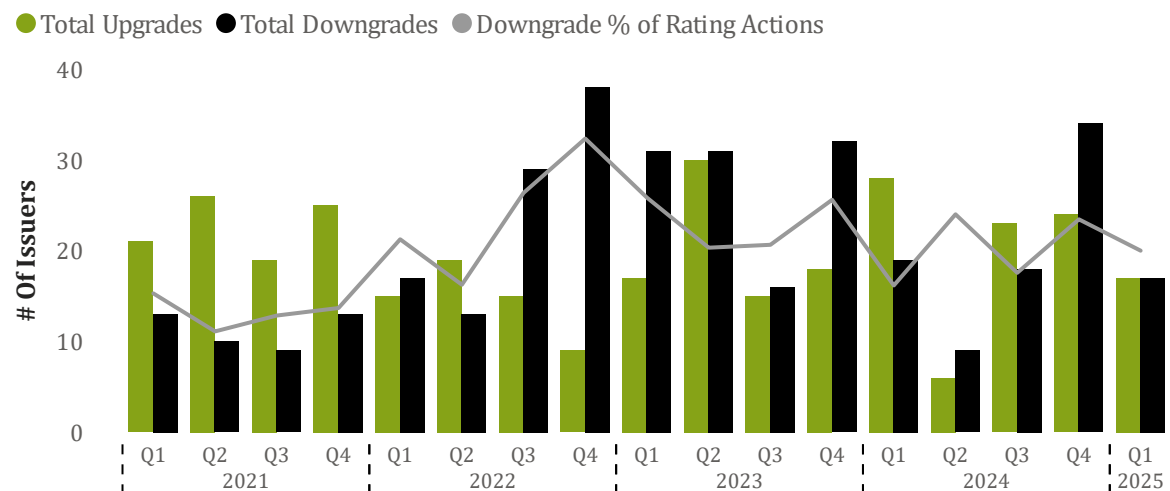


7.4 S&P Emerging European Industry Rating Actions by # of Ratings: Q1 2025

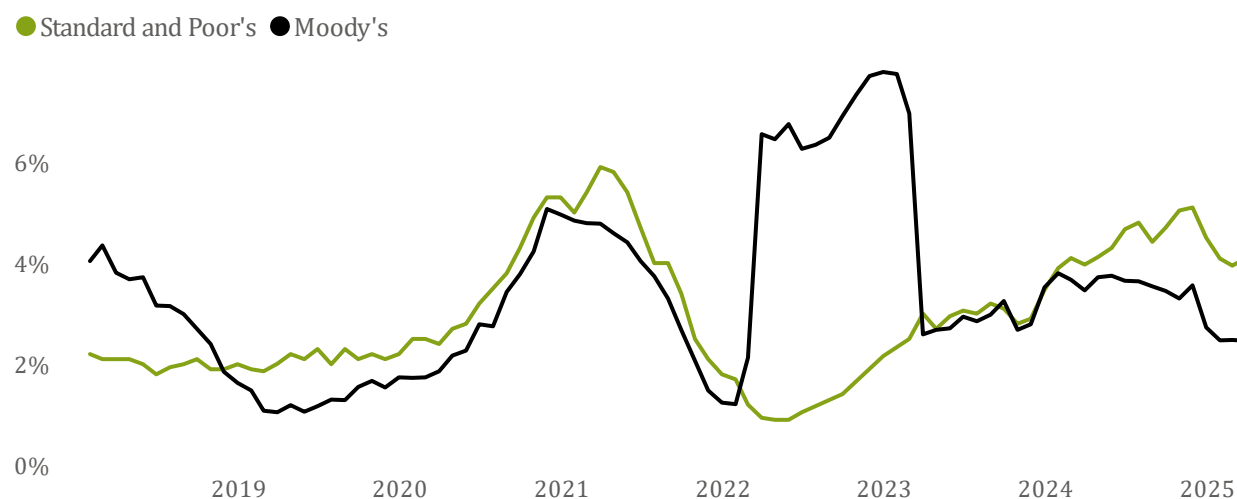
● Upgrades ● Downgrades



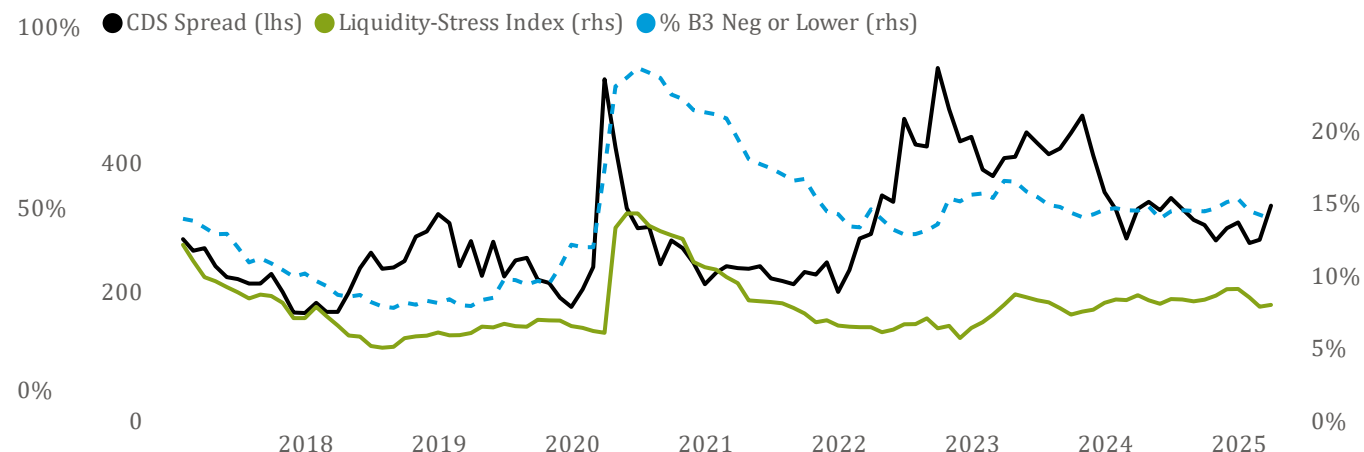
## 7.5 Moody's: Europe Issuer Rating Actions (corporate)



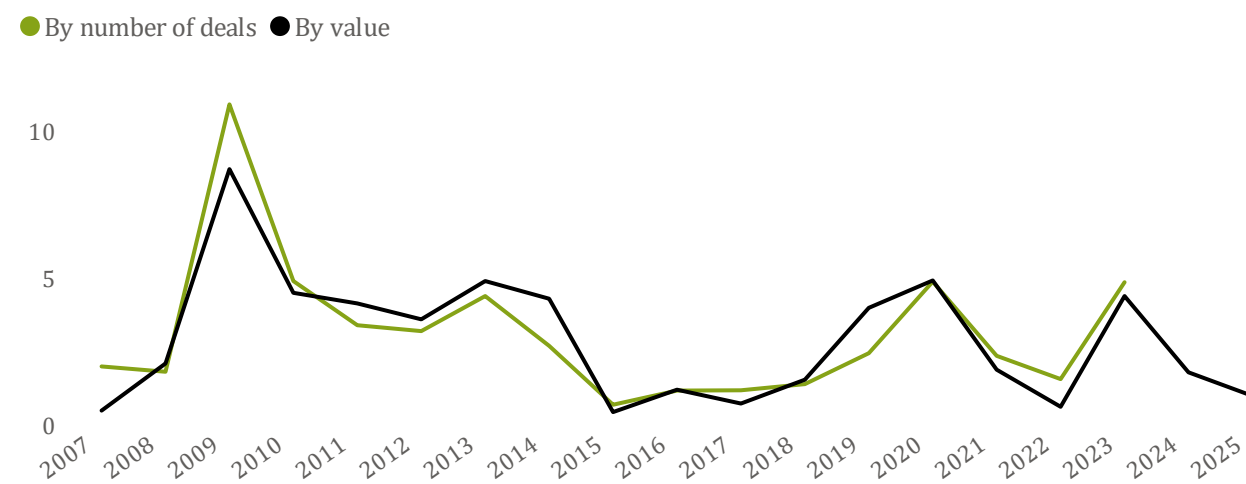
## 7.7 European High Yield Default Rates



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



## 7.8 Fitch: European Leveraged Loan Default Rates

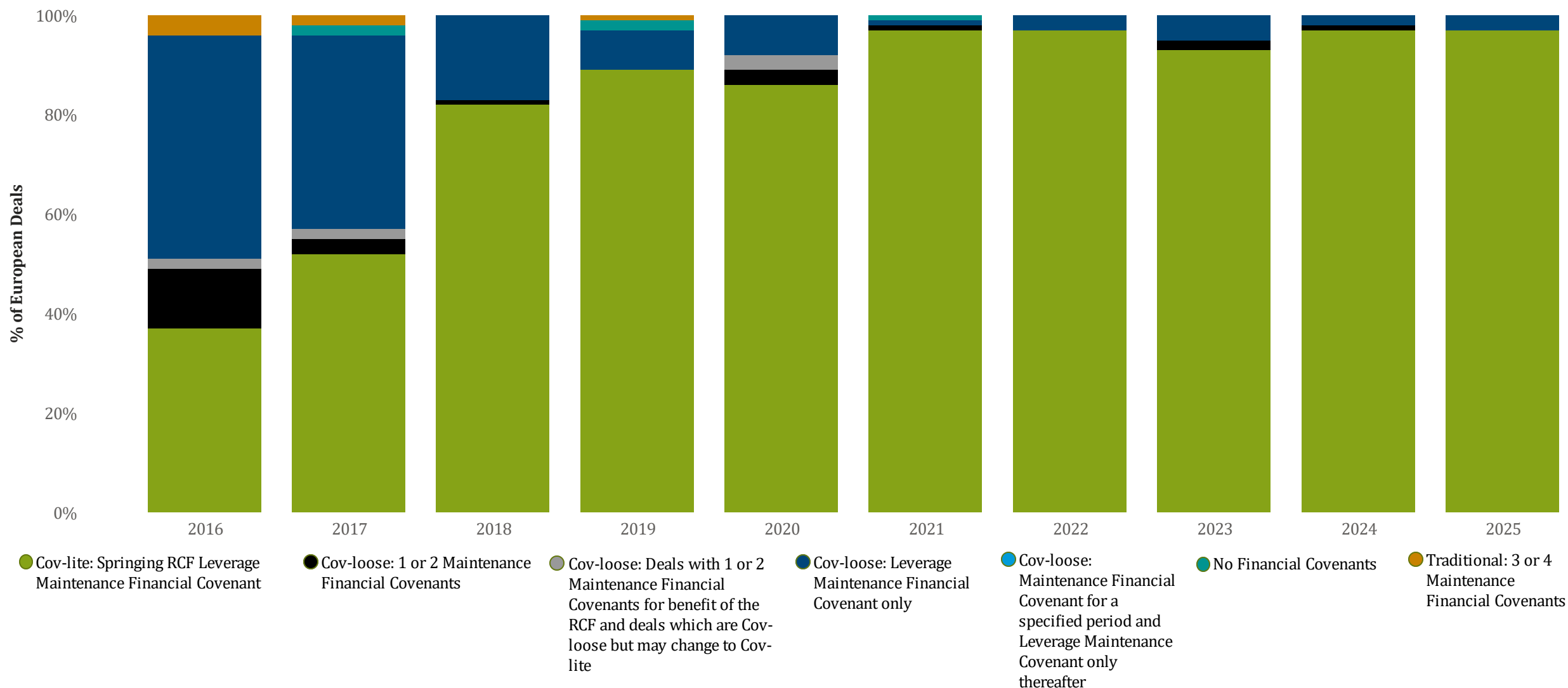


\*Adjusted includes c\* and cc\* rated issuers as if those had already defaulted.

## 7.9 European Defaults

Issuer	Industry Group	Country	Date	Reported By	Reason
Bright Bidco B.V.	Automotive	Netherlands	Mar-2025	S&P	Missed Payments
Hunkemoller International B.V.	retail: specialty	Netherlands	Mar-2025	Moody's	Distressed Exchange
Mitel Networks (International) Ltd	High Technology	U.K.	Mar-2025	S&P	Bankruptcy
Altisource Portfolio Solutions S.A.	Finance companies	Luxembourg	Feb-2025	S&P	Distressed Exchange
Selecta Group B.V.	Consumer Products	Netherlands	Feb-2025	S&P	Missed Payments
Explorer II AS	leisure & entertainment: cruise lines	Norway	Feb-2025	Moody's	Distressed Exchange
Hurtigruten Group AS	leisure & entertainment: cruise lines	Norway	Feb-2025	Moody's	Distressed Exchange
Hurtigruten Newco AS	Media and Entertainment	Norway	Feb-2025	S&P	Distressed Exchange
Thames Water Utilities Ltd.	Utilities	U.K.	Feb-2025	S&P	Distressed Exchange
Trinseo PLC	Chemicals, packaging, and environmental services	Ireland	Jan-2025	S&P	Distressed Exchange
Intrum AB (publ)	Finance companies	Sweden	Jan-2025	S&P	Missed Payments
Selecta Group B.V.	services: business	United Kingdom	Jan-2025	Moody's	Distressed Exchange

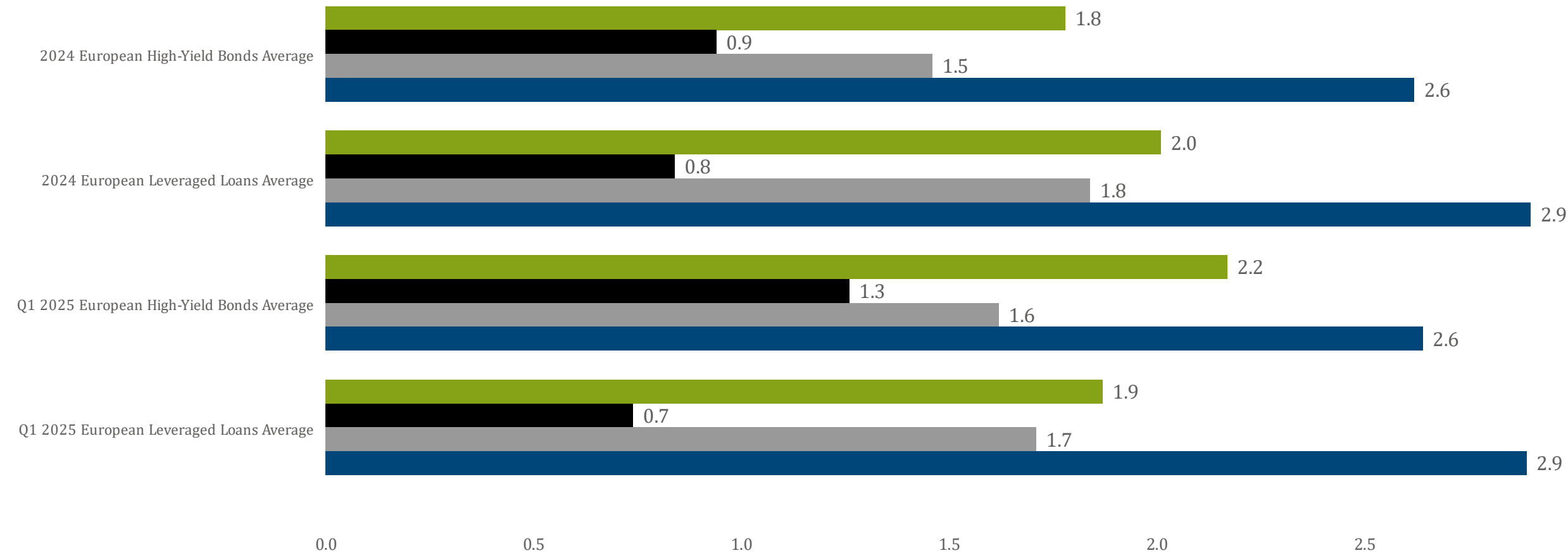
## 7.10 Financial Covenant Packages in European Leveraged Loans 2016 - 2025



\* Figures based on Octus calculations for European deals

## 7.11 Minimum Day-One Capped Basked Capacity - Europe

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



# Relative Value and Total Return



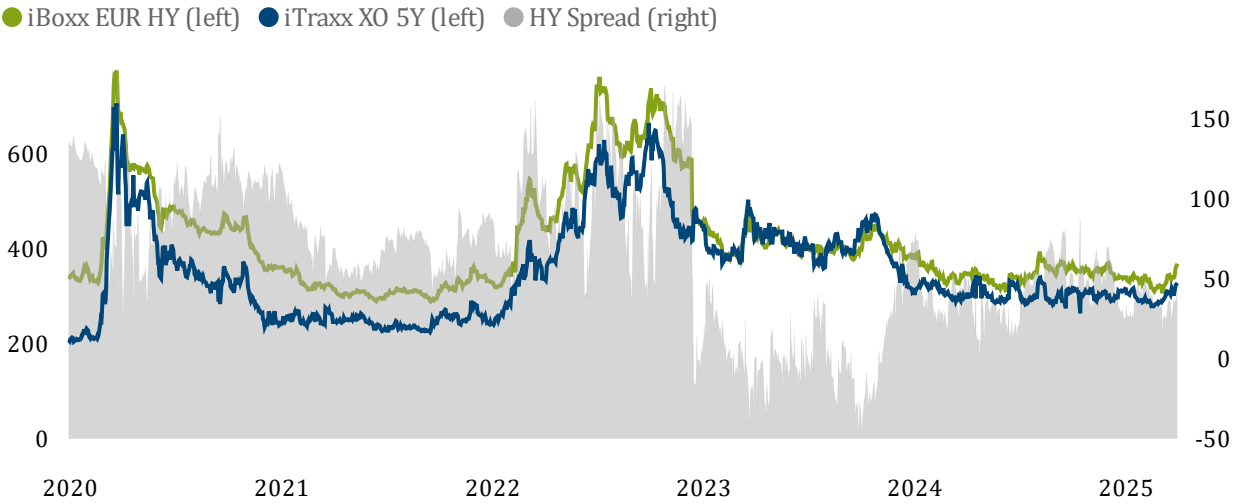
## Returns

During the first quarter of 2025, a majority of the asset classes tracked in this report experienced a quarter-on-quarter price increase (14 out of the 19). The top performer was the US Treasuries with a total return of 3.01%, followed by the US Mortgages 30Y that recorded a gain of 2.97%. The Russel 2000 had the largest negative return, with a loss of 9.79%, followed by the S&P500, with a negative return of 4.59%.

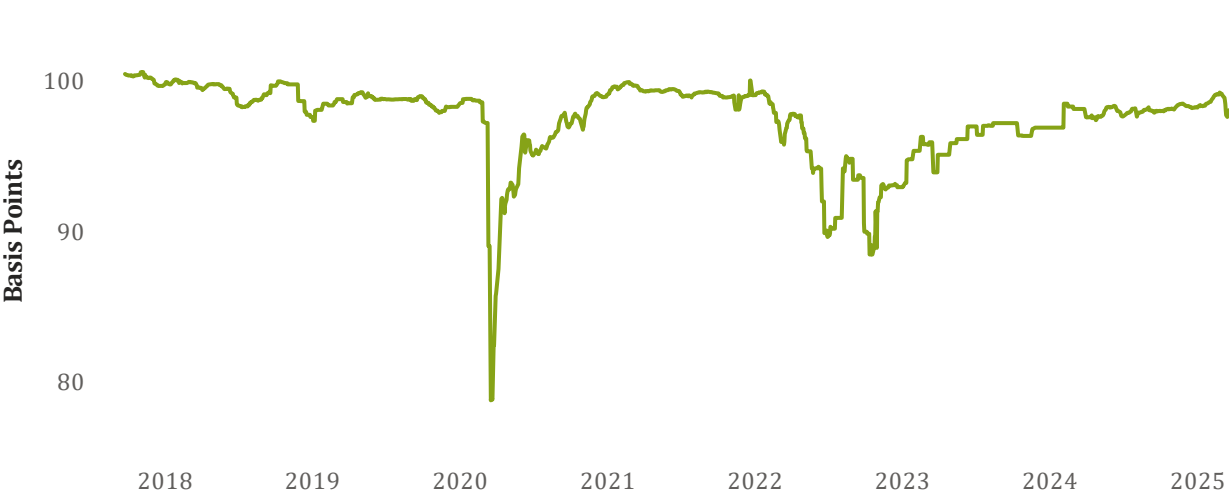
The relative value spread between the cash (iBoxx EUR HY) and synthetic (iTraxx XO 5Y) references increased during the first quarter, from 26bps at the end of Q4 2024 to 41bps in Q1 2025.

The leveraged loan price reference (EURO Lev 40) remained relatively stable in Q1 2025. It started the year at 92.2bps and decreased slightly to end the quarter at 97.7bps.

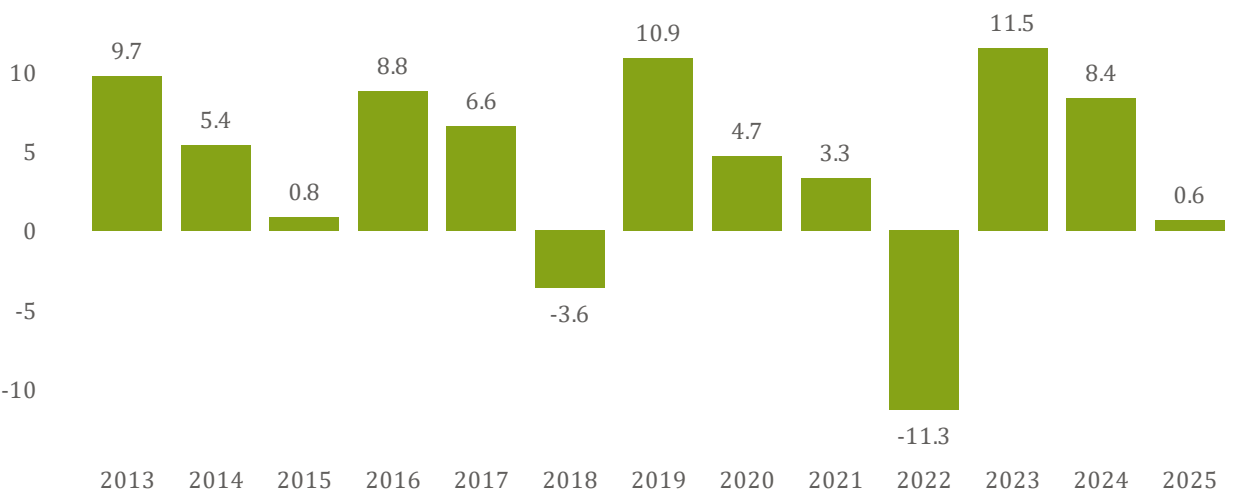
8.1 Relative value: European High Yield Bonds, Cash vs. Synthetic



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

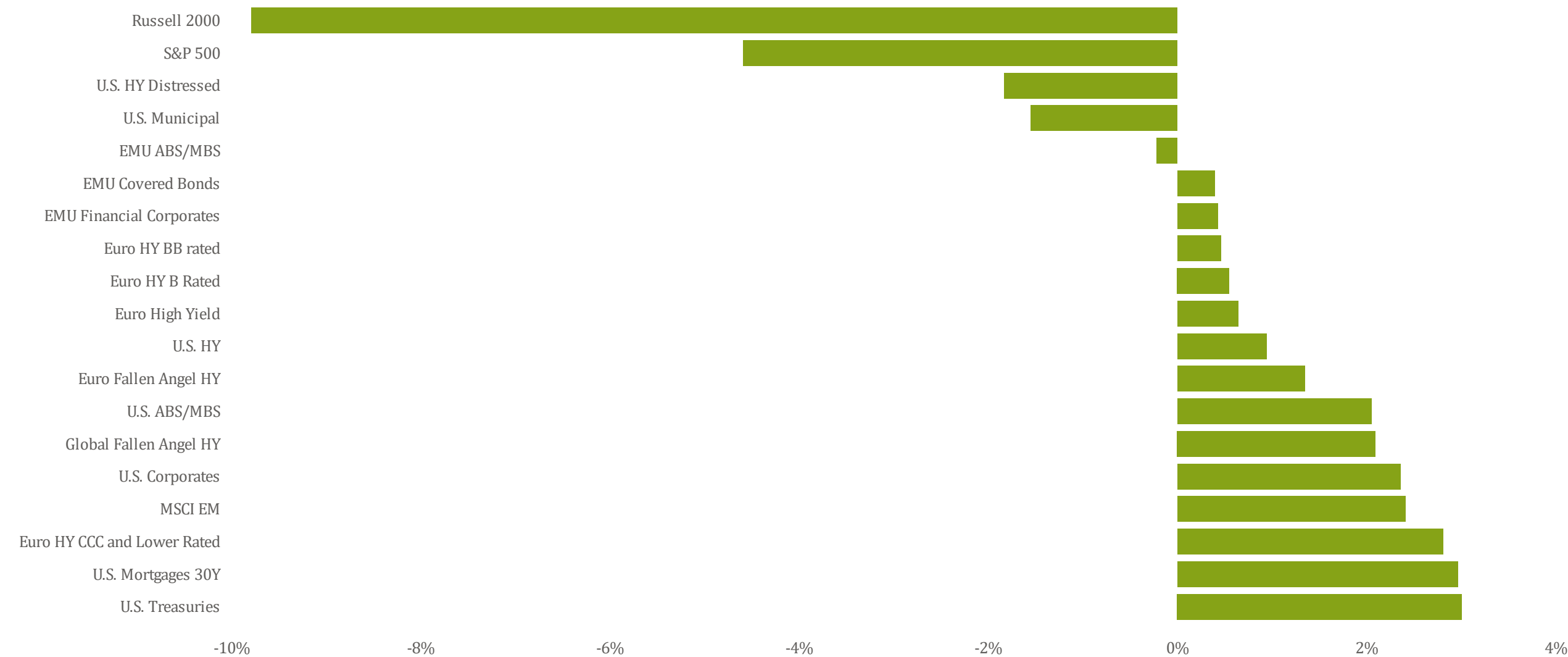


8.3 European High Yield Bonds Total Return



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

8.4 Asset Class Total Return: Q1 2025



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