

Q4 2020

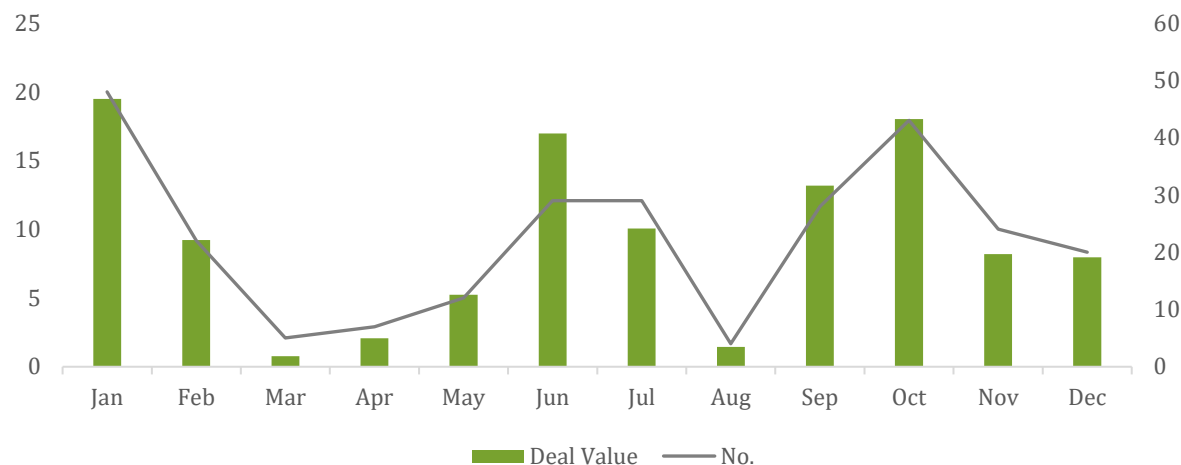
# European High Yield and Leveraged Loan Report

European Leveraged Finance

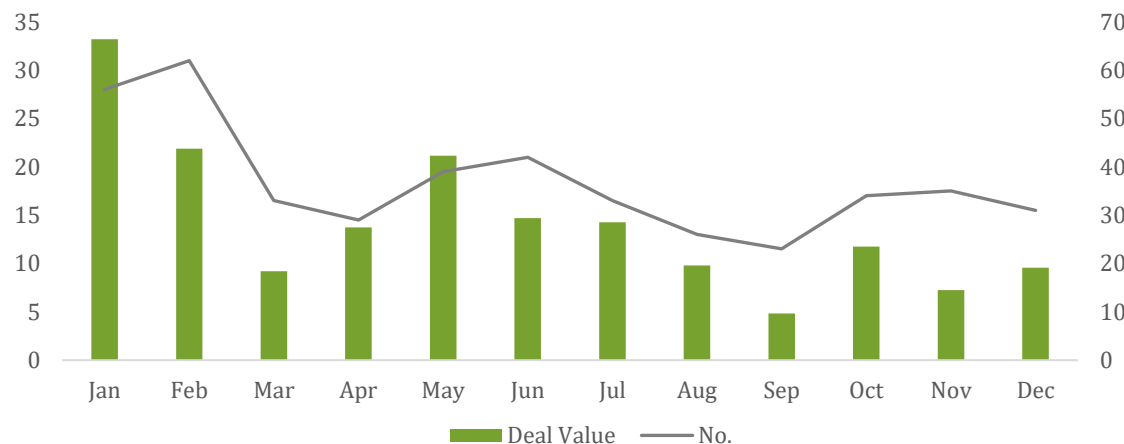


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### 1.1 European High Yield Bond Issuance (EUR bn): 2020



### 1.2 European Leverage Loan Issuance (EUR bn): 2020



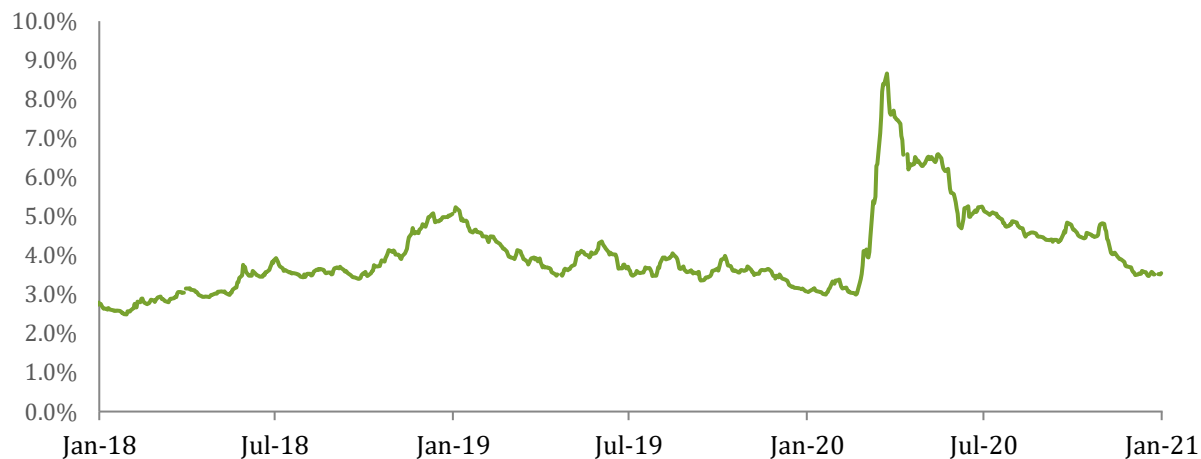
Source: Dealogic

The European leveraged finance primary market experienced an initial decline in 1Q'20, partially resuming activity during 2Q'20 and into 4Q'20.

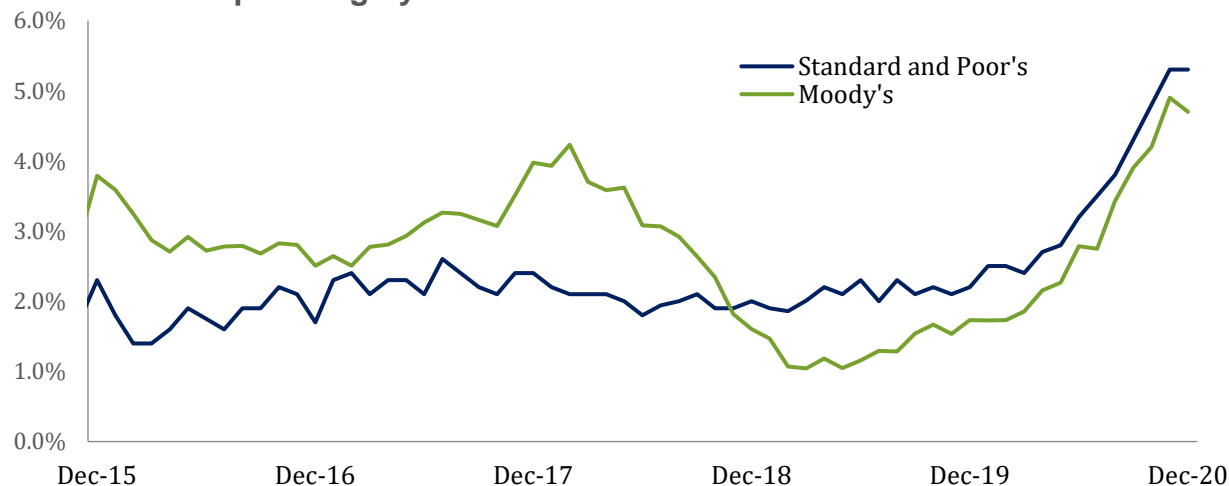
Since June 2020, the primary high yield bond market has seen monthly deal volumes comparable to those observed before the COVID-19 outbreak, with the exception of August which saw a considerable seasonal decline. (See top chart).

The primary leveraged loan market has observed a slight decrease (1.7%) in issuance in 4Q'20 (See bottom chart)

**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 rose from 300bps in January 2020 to a maximum of 866bps at the end of March. By Mid August, high yield bond spreads had declined to 450bps and have continued to decline to 350 bps in December 2020.(See top chart).

Moody's and S&P reported an increase in the trailing-12-month speculative-grade default rate to 4.7% and 5.3% respectively. (See bottom chart).

Fitch reported a decrease in leverage loan default rates to 4.34% in December 2020 from 5.8% in September 2020 (including c\* and cc\* rated issuers as if those had already defaulted).

According to Reorg, the vast majority of 2020 European leverage loan deals (86%) were covenant-lite. The remaining 14% of 2020 deals were covenant-loose, containing either a leverage maintenance and/or a minimum liquidity covenant.

More than 75% of S&P and Moody's European corporate ratings actions in 4Q'20 were downgrades, reflecting the ongoing credit concerns on the corporate sector.

# Leveraged Finance Overview

## Issuance Highlights

European leveraged finance issuance (leveraged loans and high yield bonds) accumulated to €61.9 billion in proceeds in 4Q'20, a 13.3% increase from €54.2 billion in 3Q'20, and a 28.2% decrease from €82.2 billion in 4Q'19. This quarterly increase was driven mainly by an increase in high yield bond issuance.

The high yield bond share of the leveraged finance market issuance increased to 53.9% in 4Q'20 from 46.5% in 3Q'20, and 41.3% in 4Q'19.

European leveraged finance issuance accumulated to €280.5 billion in 2020, a 3.7% increase from €270.3 billion in 2019.

## Credit Standards and Loan Demand

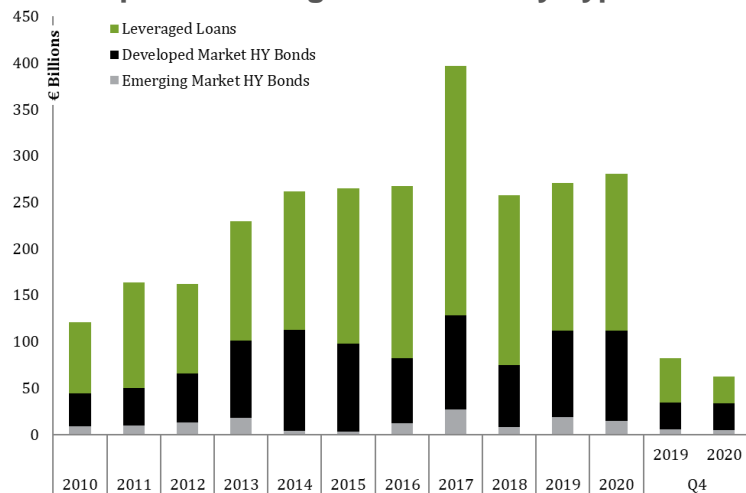
According to the January 2021 European Central Bank lending survey, credit standards for loans to enterprises and SMEs have tightened considerably in 4Q'20 compared to the 3Q'20 survey. Industry or firm-specific outlook and the general economic outlook continue as the most relevant factors contributing to tightening impact on credit standards for loans to enterprises. In contrast, risk on collateral demanded had a net positive easing impact.

Net demand for loans to enterprises continued to decline in 4Q'20, after having reached the highest net balance since the start of the survey in 2003 in Q2'20, 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 M&A and fixed investment. In contrast, working capital and debt restructuring had a net positive impact on loan demand.

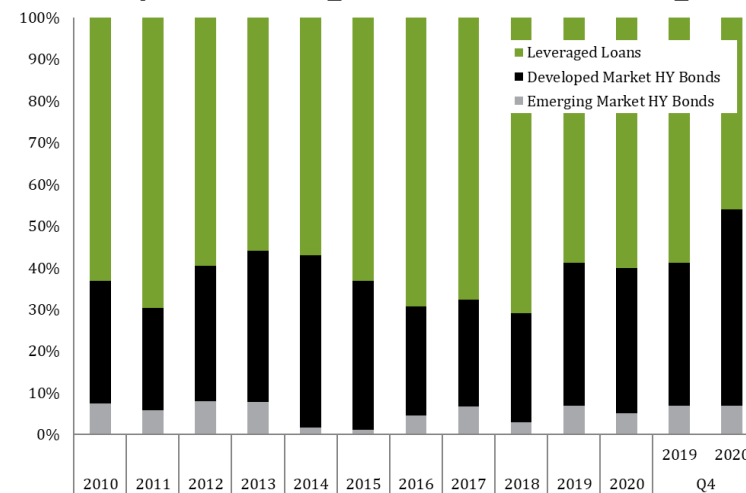


# Leveraged Finance Issuance

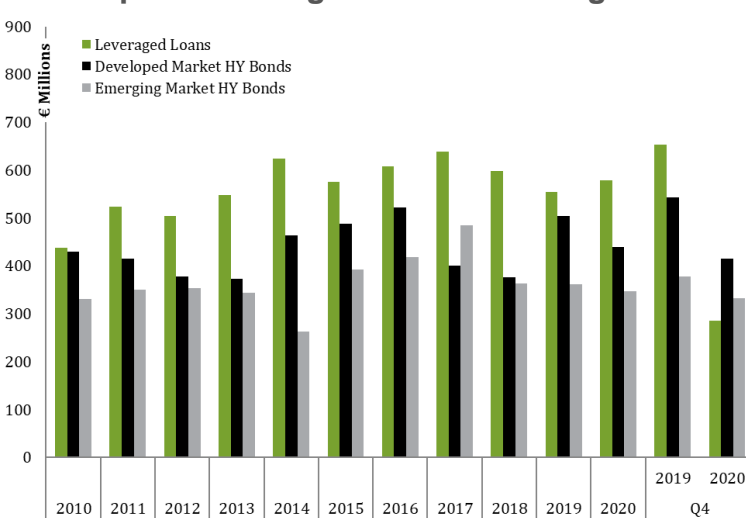
## 2.1 European Leveraged Issuance by Type



## 2.2 European Leveraged Issuance Percentage



## 2.3 European Leveraged Finance Average Deal Size

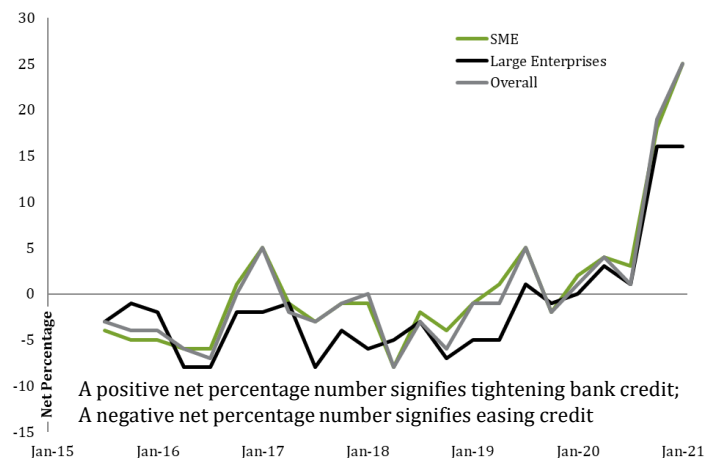


Source: Dealogic

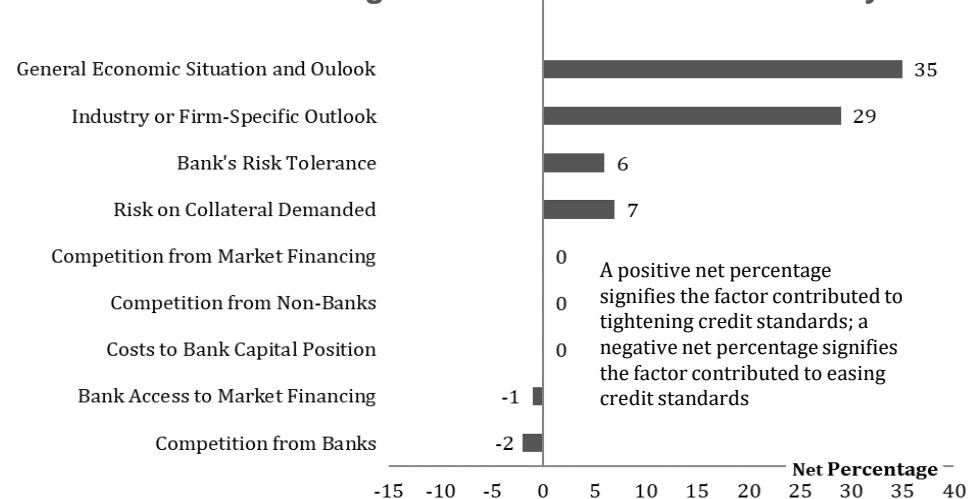
## 2.4 Global Comparison High Yield Issuance

	2020					2019					Prior Years			
EUR Billions	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Q3	Q4	Full Year	2018	2017	2016	2015
United States	56.4	114.0	97.4	72.5	340.3	48.0	47.9	46.4	57.5	199.8	115.8	192.0	187.6	164.4
Europe	29.2	24.1	24.7	33.4	164.9	17.1	29.2	31.3	33.9	111.6	74.9	82.1	97.8	112.4
Asia Pacific	26.1	7.1	17.2	12.8	96.4	29.1	26.4	20.1	16.5	92.1	51.0	27.7	25.7	27.1

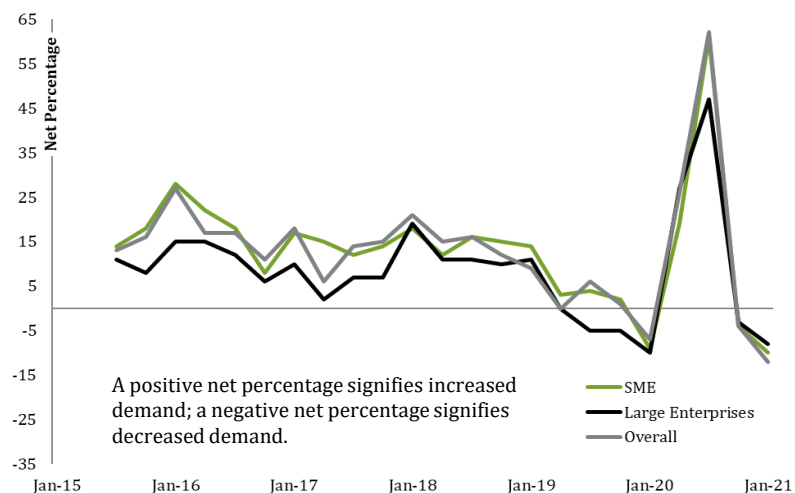
## 2.5 Bank Credit Standards



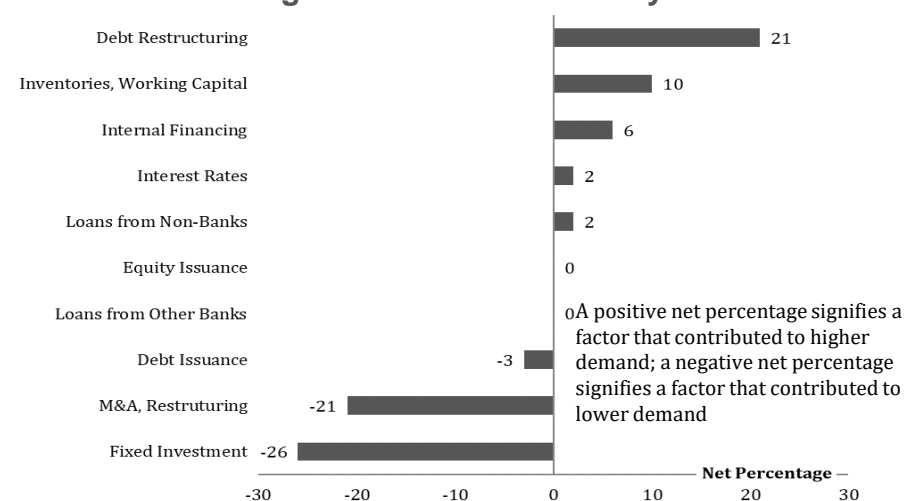
## 2.6 Factors Affecting Bank Credit Standards: January 2021



## 2.7 Loan Demand



## 2.8 Factors Affecting Loan Demand: January 2021



Source: ECB



# Leveraged Loans

## Issuance: Leveraged Loans

Leveraged loan issuance, including first lien, second lien, and mezzanine financing, totaled €28.5 billion on 100 deals in 4Q'20, down 1.7% from €29.00 billion on 44 deals in 3Q'20 and 51.6% from €48.3 billion on 74 deals in 3Q'19.

All of the leveraged loans issued in 4Q'20 were 1st lien loans (€28.3 billion) and 2nd lien loans (€0.2 billion). There were no mezzanine loans financed in 4Q'20.

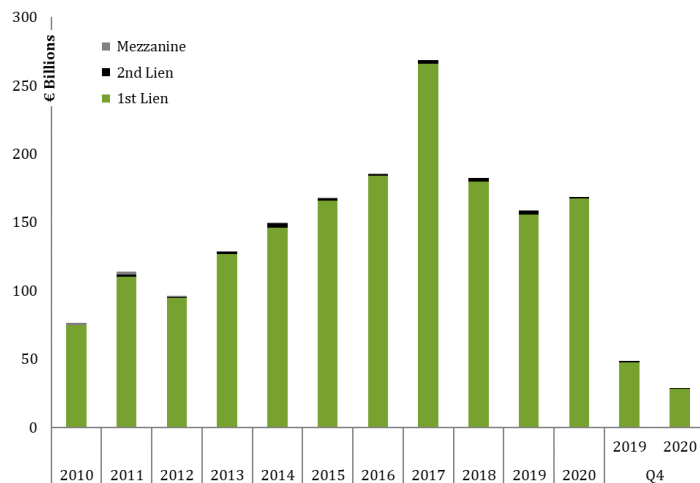
Pricing spreads for institutional loans widened by 16 basis points (bps) q-o-q and by 42 bps y-o-y. Spreads for pro rata loans tightened by 4 bps q-o-q and by 42 bps y-o-y.

In 4Q'20, €0.12 billion of amend-and-extend ("A&E") loans were financed, down from €2.6 billion in 3Q'20 and €7.0 billion in 4Q'19. There were €0.3 billion in loans amended to reduce pricing ("A&R") in 4Q'20, down from €2.6 billion in 3Q'20 and from €4.0 billion in 4Q'19.

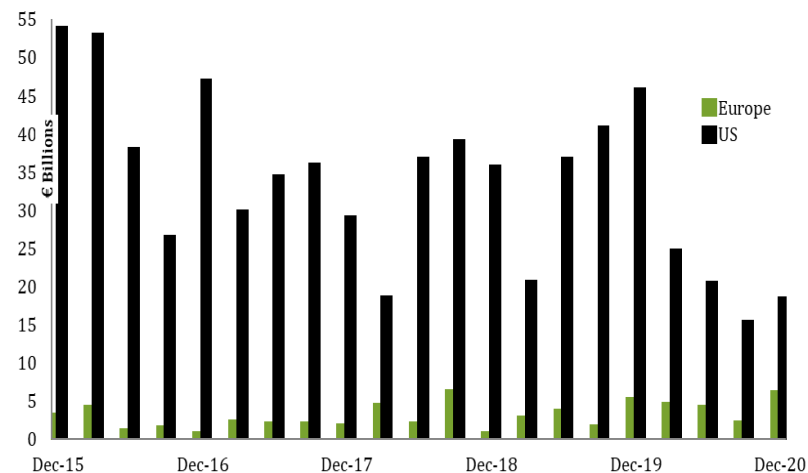
The top three sectors accounted for 43.5% of leveraged loan issuance in 4Q'20; the leading sector was Finance (€4.9 billion or 17.4% of total), followed by Healthcare (€3.8 billion, 13.2%), Computers & Electronics (€3.7 billion, 12.9%), with the balance split between 15 other sectors.

26.1% of deals financed in 4Q'20 were issued for refinancing and/or repayment of debt, up from 17.5% in 3Q'20 but down from 68.2% in 4Q'19. LBO/MBO was the largest use of proceeds in 4Q'20 with €10.9 billion, followed by refinancing and/or repayment of debt with €7.2 billion.

### 3.1 European Leveraged Loan Issuance By Type

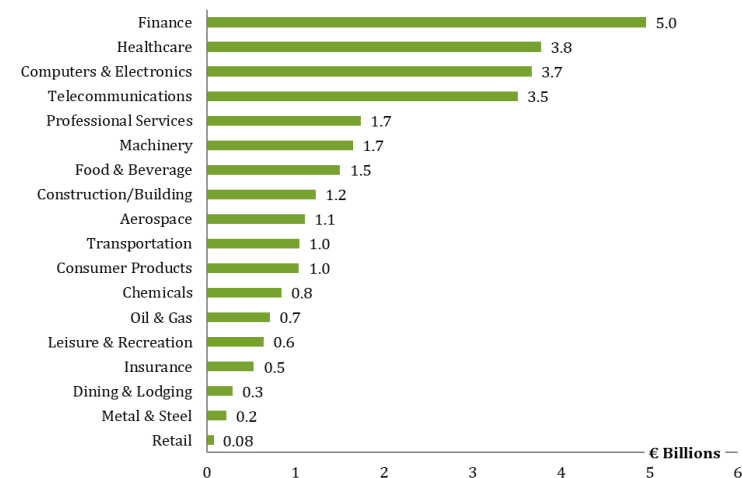


### 3.3 Forward Pipeline of Leveraged Loan Market



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

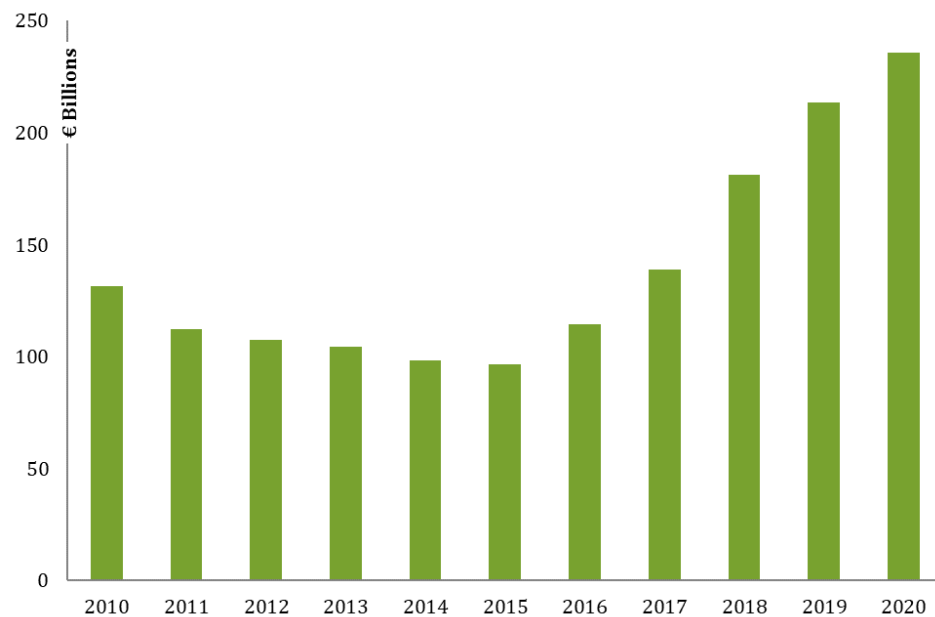
### 3.2 European Leveraged Loan Issuance by Industry: 4Q 2020



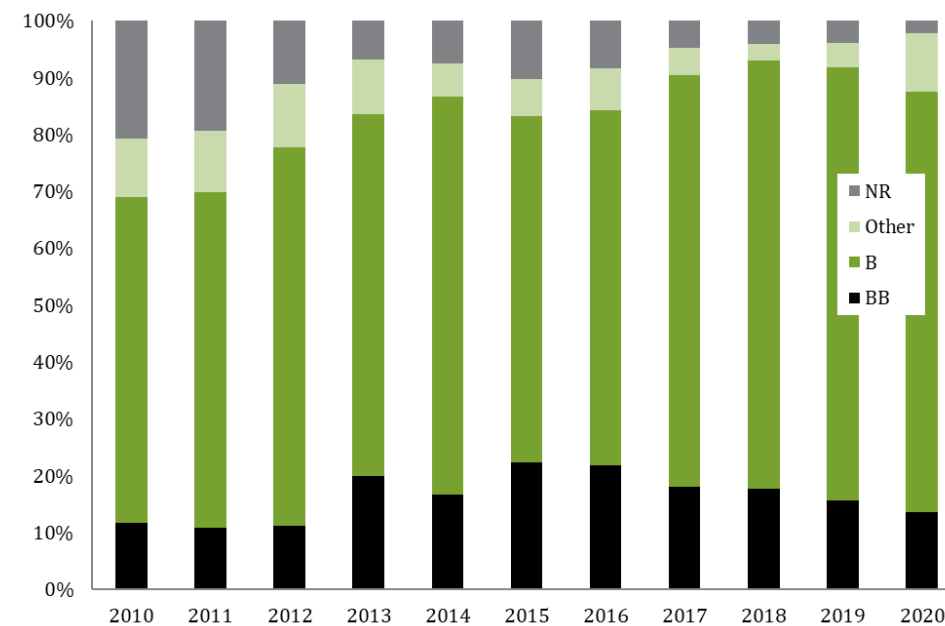
### 3.4 Institutional and Pro Rata Spreads (3-month rolling average)



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 €33.4 billion on 84 deals in 4Q'20, a 32.5% increase from €25.2 billion on 62 deals in 3Q'20 and a 1.5% decrease from €33.9 billion on 67 deals in 4Q'19. Developed market Europe issuance accounted for 87.0% of the 4Q'20 issuance (€29.1 billion on 70 deals) while the 13.0% remaining (€4.3 billion on 13 deals) was issued by Emerging market Europe firms.

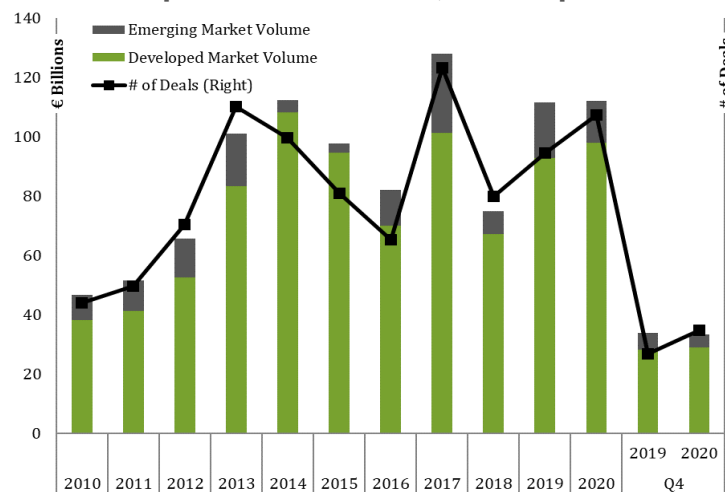
The leading use of proceeds for high yield bonds issuance in 4Q'20 was General Corporate Purposes at €25.5 billion, which was up from €12.4 billion in 3Q'20 and up from €17.7 billion in 4Q'19.

Three sectors accounted for 45.0% of the total high yield issuance volume in 4Q'20 in developed market Europe: Auto/Truck sector led issuance with €5.3 billion (18.4% of total), followed by Finance with €4.2 billion (14.2% of total), and transportation with €3.5 billion (12.1% of total). In Emerging market Europe, the top three sectors were: Finance (€2.4 billion or 55.3% of total), followed by metal and steel (€1.1 billion, 26.1%) and Food & Beverage (€0.8 billion, 18.6%).

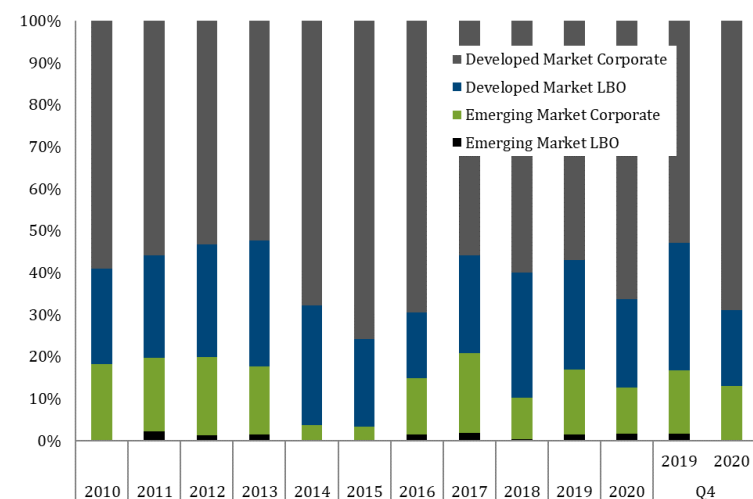
The proportion of USD-denominated issuance increased to 21.0% of all issuance in 4Q'20, up from 13.3% in 3Q'20 and down from 26.0% in 4Q'19.

# High Yield Bonds Overview

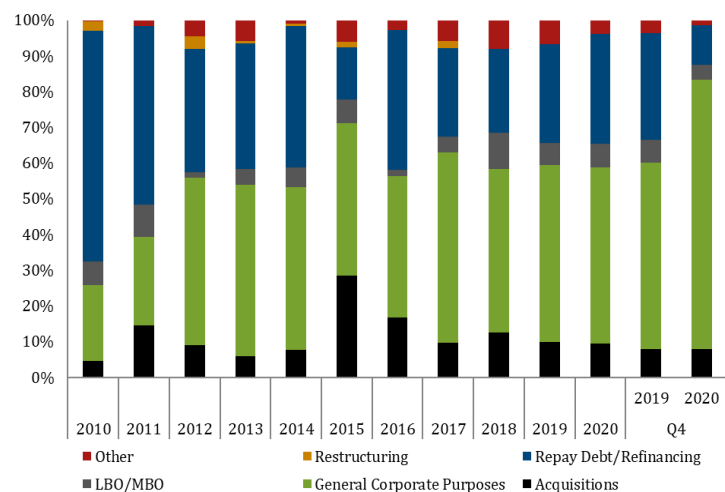
## 4.1 European HY Issuance, Developed and Emerging Markets



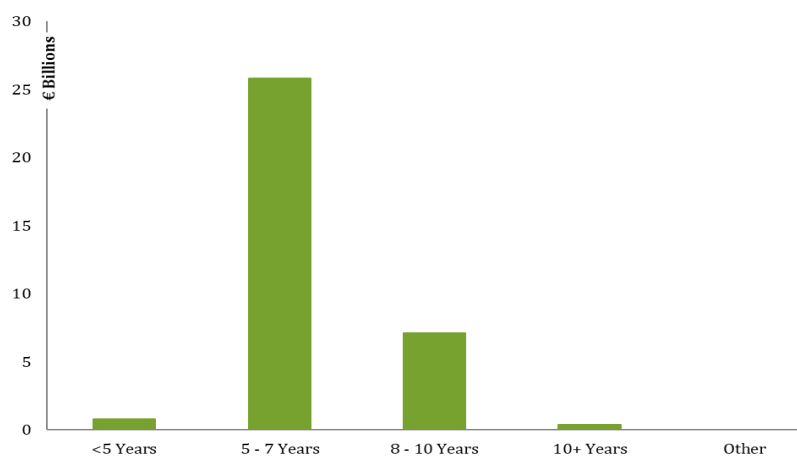
## 4.2 European HY Issuance, Sponsored vs Corporate



## 4.3 European HY Issuance. Use of Proceeds



## 4.4 European HY Bond Issuance by Tenor: 4Q 2020

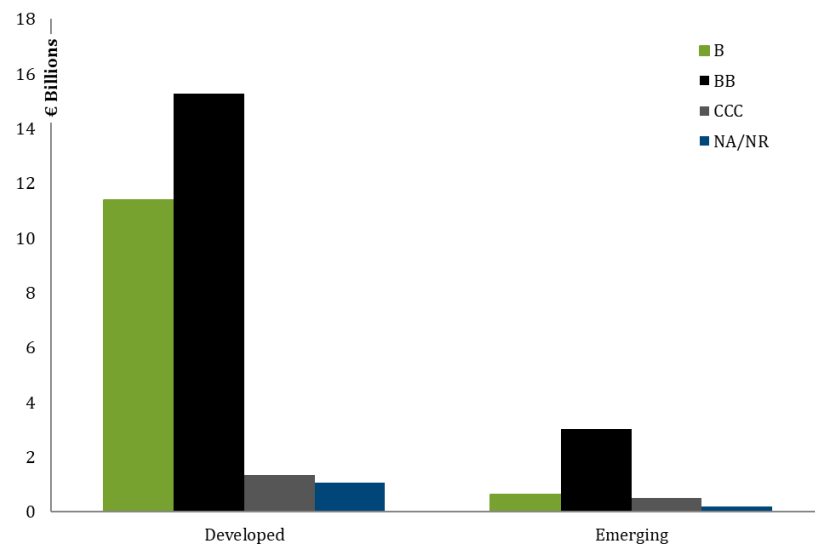


Source: Dealogic



# High Yield Bonds Overview

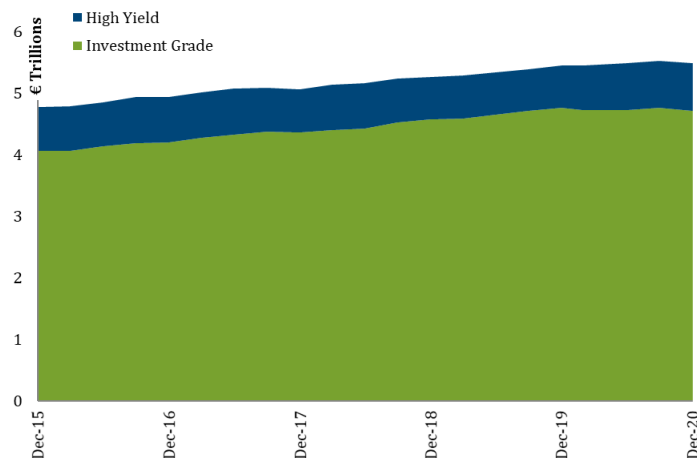
4.5 European Corporate Bond Issuance by Rating: Q4 2020



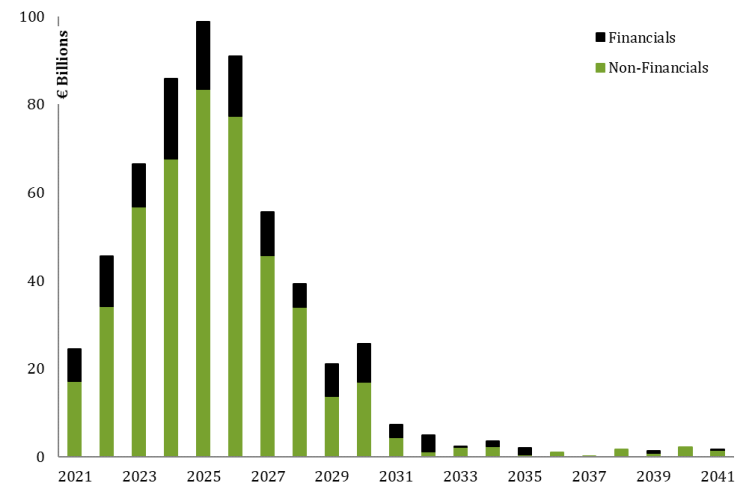
\*Corporate Bond Issuance denotes corporate and sponsored bonds, excluding government bonds.

# High Yield Bonds Overview

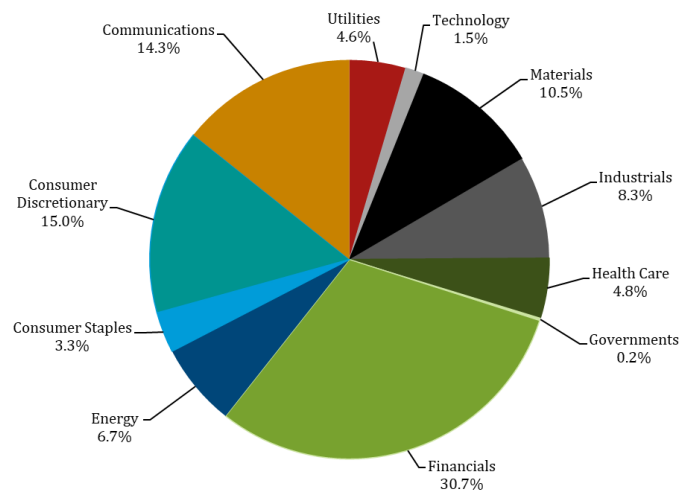
4.6 European Corporate Bonds Outstanding



4.7 European Corporate Bonds Maturity Wall

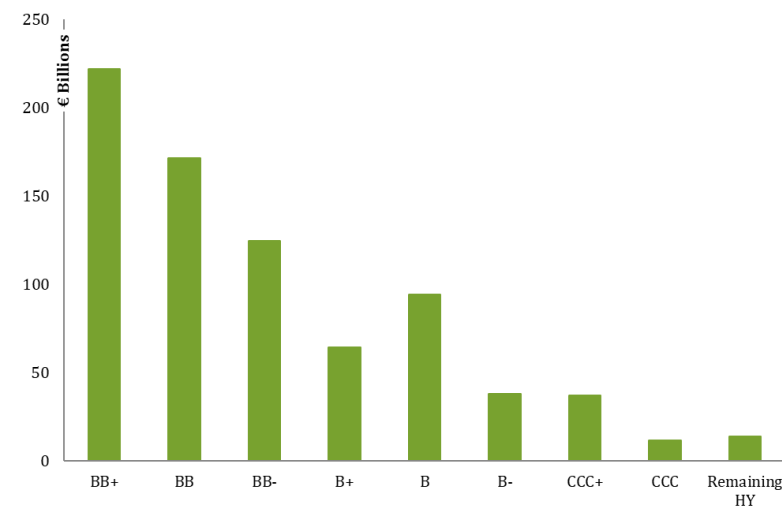


4.8 European Corporate HY Bonds Outstanding by Sector



Source: Bloomberg

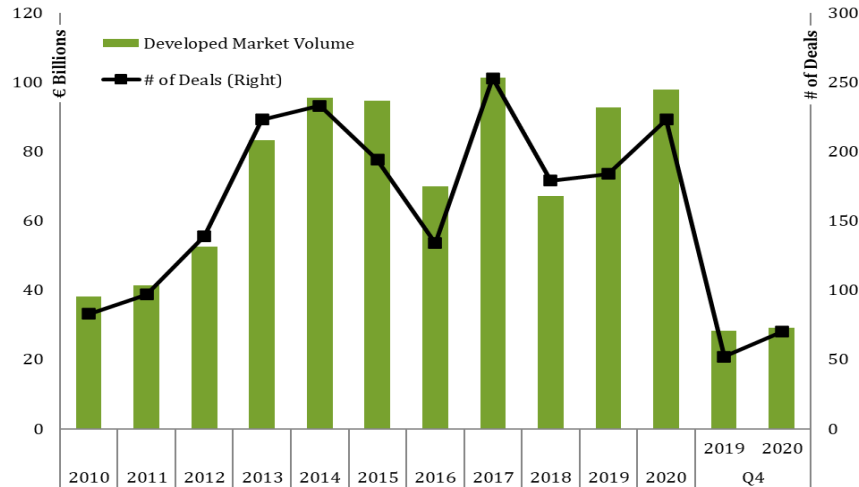
4.9 European Corporate HY Bonds Outstanding by Current Rating



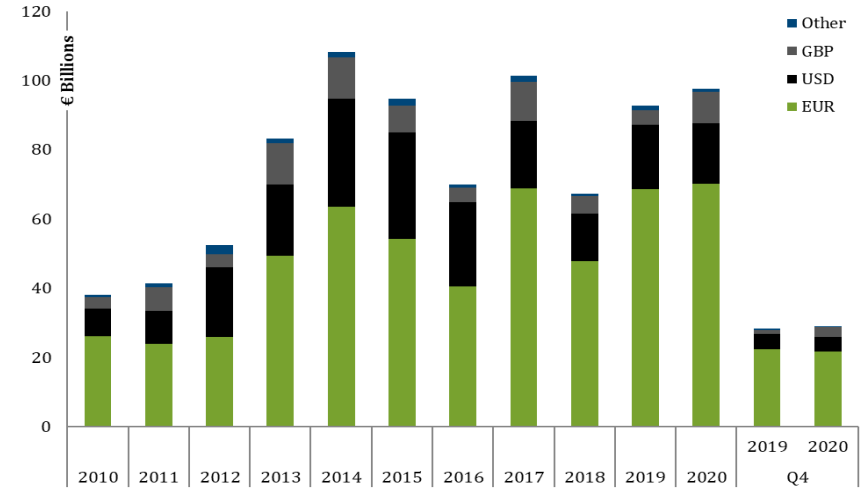
# European Developed Market High Yield Bonds

# Developed Market High Yield Bonds

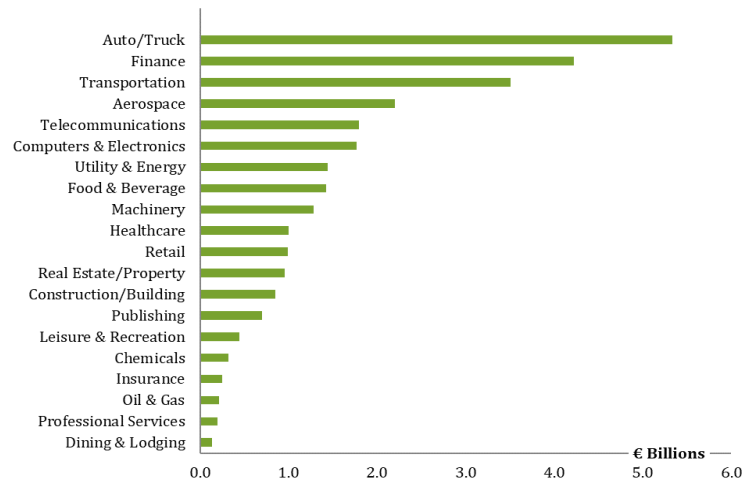
## 5.1 European Developed Market HY Bond Issuance



## 5.2 European Developed Market HY Issuance by Currency

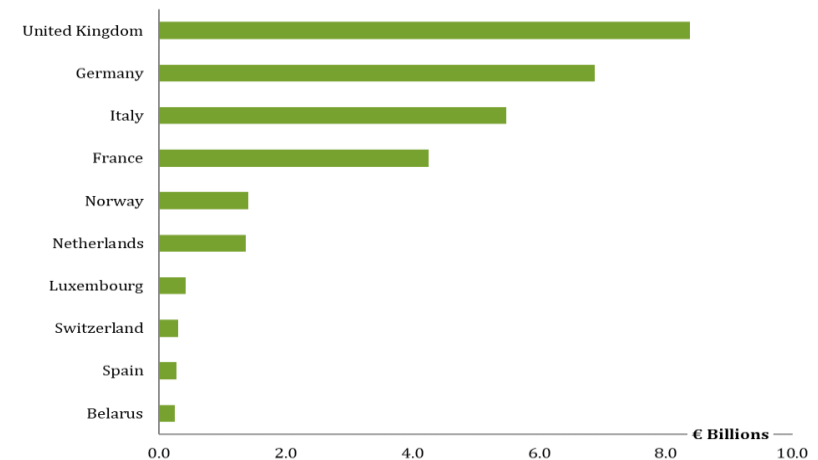


## 5.3 European Developed Market HY Issuance by Industry: 4Q 2020



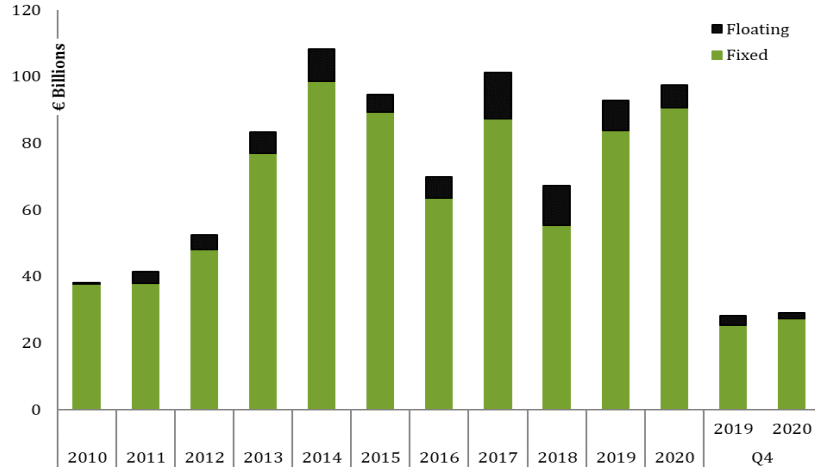
Source: Dealogic

## 5.4 European Developed Market HY Issuance by Country of Risk: 4Q 2020

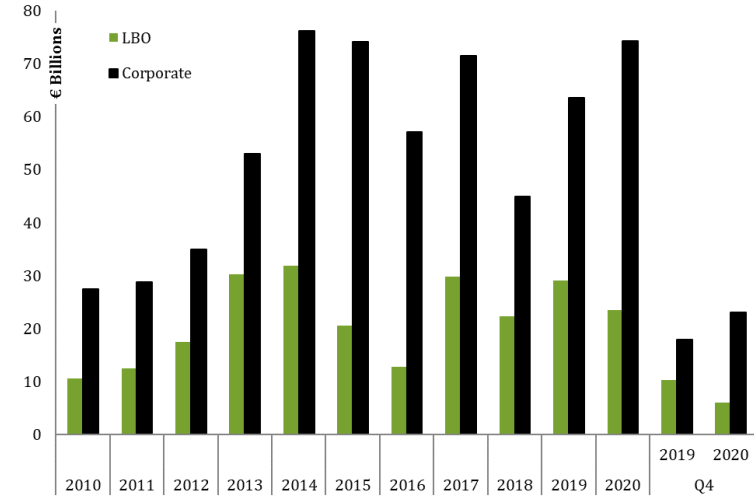


# Developed Market High Yield Bonds

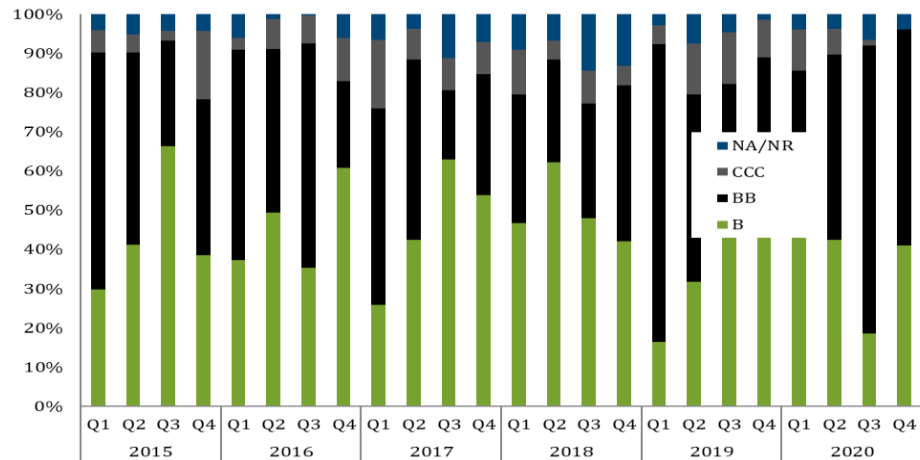
5.5 European Developed Market HY Issuance, Fixed vs. Floating



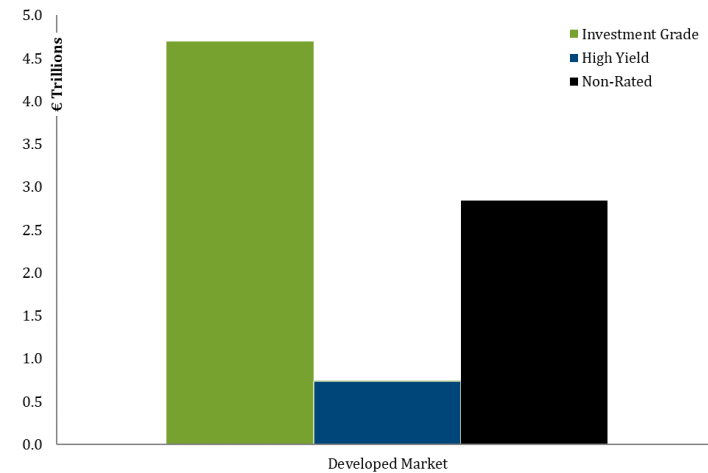
5.6 European Developed Market HY Issuance, Sponsored vs. Corporate



5.7 European Developed Market HY Rating Distribution at Issuance



5.8 European Developed Market Corporate Bonds Outstanding: 4Q 2020



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	Moodys	S&P	Fitch
ICCREA Banca SpA	Finance	13/10/2020	EUR	0.50	2.25		BB	BB-
Centurion BidCo SpA	Computers & Electronics	02/10/2020	EUR	0.61	5.88	B2	B	BB-
Schaeffler AG	Auto/Truck	05/10/2020	EUR	0.75	2.75	Ba1	BB+	BBB-
Schaeffler AG	Auto/Truck	05/10/2020	EUR	0.75	3.38	Ba1	BB+	BBB-
Rolls-Royce plc	Aerospace	14/10/2020	EUR	0.75	4.63	Ba3	BB-	BB+
Rolls-Royce plc	Aerospace	14/10/2020	GBP	0.60	5.75	Ba3	BB-	BB+
Rolls-Royce plc	Aerospace	14/10/2020	USD	0.85	5.75	Ba3	BB-	BB+
Hoegh LNG Holdings Ltd	Transportation	06/10/2020	NOK	0.03	3-mth Other +600			
Jaguar Land Rover Automotive plc	Auto/Truck	07/10/2020	USD	0.60	7.75	B1	B	B
CHEPLAPHARM Arzneimittel GmbH	Healthcare	08/10/2020	EUR	0.58	4.38	B2	B	BB-
CHEPLAPHARM Arzneimittel GmbH	Healthcare	08/10/2020	USD	0.42	5.50	B2	B	BB-
CMA CGM SA	Transportation	15/10/2020	EUR	0.53	7.50	Caa1	B-	
Tereos Finance Groupe I SA	Food & Beverage	16/10/2020	EUR	0.30	7.50		B+	B+
Parts Europe SA	Auto/Truck	20/10/2020	EUR	0.28	6.50	Caa1	B-	
Getlink SE	Transportation	22/10/2020	EUR	0.70	3.50		BB-	BB+
INEOS Finance plc	Chemicals	22/10/2020	EUR	0.33	3.38	Ba2	BB+	BBB-
Garfunkelux Holdco 3 SA	Finance	23/10/2020	EUR	0.74	6.75	B2	B+	B+
Garfunkelux Holdco 3 SA	Finance	23/10/2020	GBP	0.44	7.75	B2	B+	B+
Garfunkelux Holdco 3 SA	Finance	23/10/2020	EUR	0.60	3-mth Euribor +625		B+	
Drax FinCo plc	Utility & Energy	21/10/2020	EUR	0.25	2.63		BB+	BB+
Adevinta ASA	Computers & Electronics	22/10/2020	EUR	0.66	2.63	Ba3	BB-	BB+
Adevinta ASA	Computers & Electronics	22/10/2020	EUR	0.40	3.00	Ba3	BB-	BB+
Virgin Media Secured Finance plc	Telecommunications	23/10/2020	GBP	0.26	4.25	Ba3	BB-	BB+
Virgin Media Secured Finance plc	Telecommunications	23/10/2020	USD	0	4.50	Ba3	BB-	BB+
Virgin Media Secured Finance plc	Telecommunications	23/10/2020	GBP	0	4.125	Ba3	BB-	BB+
Rubis Terminal SA	Oil & Gas	08/10/2020	EUR	0	5.625	B1	B+	
Peach Property Finance GmbH	Construction/Building	15/10/2020	EUR	0	4.375	Baa3	BB-	BB
Eurotorg OOO	Retail	22/10/2020	USD	0	9.000		B-	B
Aggregate Holdings SA	Real Estate/Property	30/10/2020	EUR	0	6.875			
Hurricane Finance plc	Computers & Electronics	09/10/2020	GBP	0	8.000	B3		B+
Aston Martin Capital Holdings Ltd	Auto/Truck	30/10/2020	USD	0.93	10.50	Caa1	CCC	
Millicom International Cellular SA	Telecommunications	27/10/2020	USD	0.42	4.50			
Beerenberg Holding AS	Oil & Gas	30/10/2020	NOK	0.07	3-mth Other +800			

Source: Dealogic

## 5.9 European Developed Market HY Bond Issuance (continued)

Issuer	Industry Group	Date	Currency	Amount (billion)	Coupon	Moody's	S&P	Fitch
Thames Water Utilities Finance plc	Utility & Energy	11/11/2020	GBP	0.28	4.63	B1		B+
Pinnacle Bidco plc	Leisure & Recreation	10/11/2020	EUR	0.45	5.50	B3		B-
Marks & Spencer Group plc	Retail	12/11/2020	GBP	0.34	3.75	Ba1	BB+	
ADLER Group SA	Real Estate/Property	09/11/2020	EUR	0.40	2.75		BB+	
Renault	Auto/Truck	16/11/2020	EUR	1.00	2.38	Ba2	BB+	
Boparan Finance plc	Food & Beverage	18/11/2020	GBP	0.53	7.63	B3	B-	B
Louis Dreyfus Company BV	Food & Beverage	20/11/2020	EUR	0.60	2.38		BB+	
Ziggo BV	Telecommunications	13/11/2020	USD	0.08	4.88			
ZF Friedrichshafen AG	Auto/Truck	18/11/2020	EUR	0.50	2.75	Ba1	BB+	
International Personal Finance plc	Finance	10/11/2020	EUR	0.34	9.75	Ba3		BB-
IPD 3 BV	Publishing	19/11/2020	EUR	0.50	5.50	B3	B-	B+
IPD 3 BV	Publishing	19/11/2020	EUR	0.20	3-mth Euribor +550	B3	B-	B+
Stonegate Pub Co Financing 2019 plc	Dining & Lodging	19/11/2020	GBP	0.13	8.25	B3		B+
Unipol Gruppo SpA	Insurance	19/11/2020	EUR	0.25	3.25	Ba2		BB+
Co-operative Bank Finance plc	Finance	20/11/2020	GBP	0.22	9.00	Caa1		
Deutsche Lufthansa AG	Transportation	24/11/2020	EUR	1.00	3.00	Ba2	BB-	
Aggregate Holdings SA	Real Estate/Property	26/11/2020	EUR	0.10	6.88			
Monte dei Paschi	Finance	01/12/2020	EUR	0.75	1.88	Caa1		B
Autostrade per l'Italia SpA	Transportation	01/12/2020	EUR	1.25	2.00	Ba3	BB-	BB+
Lorca Telecom Bondco SAU	Telecommunications	02/11/2020	EUR	0.08	4.00	B1	B+	BB
Illimity Bank SpA	Finance	03/12/2020	EUR	0.30	3.38			B
Webuild SpA	Construction/Building	03/12/2020	EUR	0.55	5.88		BB-	BB
VZ Vendor Financing BV	Telecommunications	07/12/2020	EUR	0.70	2.88		B-	
Jaguar Land Rover Automotive plc	Auto/Truck	08/12/2020	USD	0.54	5.88	B1	B	B
ContourGlobal Power Holdings SA	Utility & Energy	10/12/2020	EUR	0.41	2.75		BB+	BB
ContourGlobal Power Holdings SA	Utility & Energy	10/12/2020	EUR	0.30	3.13		BB+	BB
Merkantilbygg Holding AS	Real Estate/Property	10/12/2020	NOK	0.06	3-mth Other +475			
Sofima Holding SPA	Machinery	10/12/2020	EUR	0.83	3.75	B2		B
Sofima Holding SPA	Machinery	10/12/2020	EUR	0.45	3-mth Euribor +400	B2		B
Platin 1426 GmbH	Computers & Electronics	08/12/2020	EUR	0.08	6.88		B	
Garfunkelux Holdco 3 SA	Finance	11/12/2020	EUR	0.06	6.75	B2	B+	B+
Garfunkelux Holdco 3 SA	Finance	11/12/2020	GBP	0.04	7.75	B2	B+	B+
Garfunkelux Holdco 3 SA	Finance	11/12/2020	EUR	0.03	3-mth Euribor +625	B2	B+	B+
House of HR NV	Professional Services	15/12/2020	EUR	0.20	7.50	Caa1	CCC+	
Audax Renovables SA	Utility & Energy	14/12/2020	EUR	0.20	4.20			
Casino Guichard-Perrachon SA	Retail	16/12/2020	EUR	0.40	6.63	Ba1	BB+	BB+
Axactor SE	Finance	11/12/2020	EUR	0.20	3-mth Euribor +700			

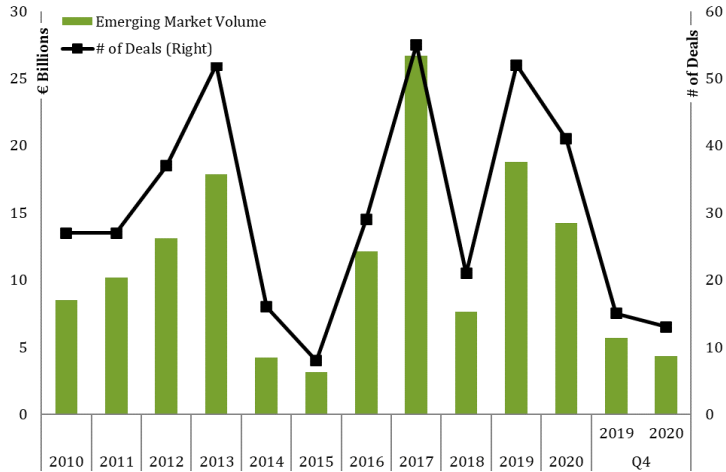
Source: Dealogic



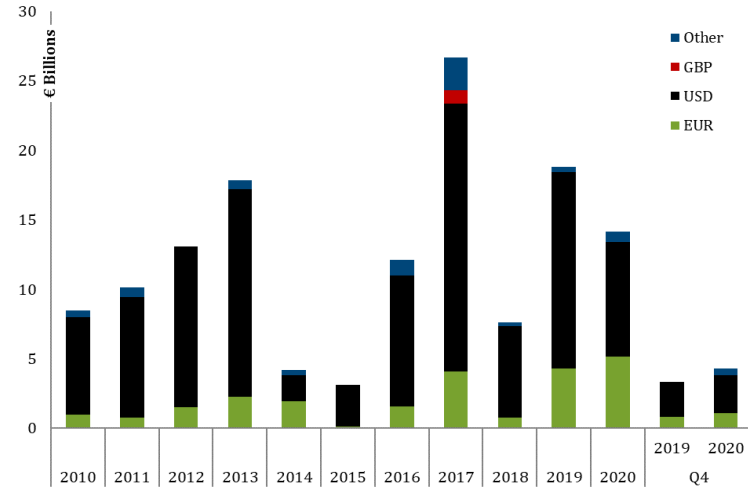
# European Emerging Market High Yield Bonds

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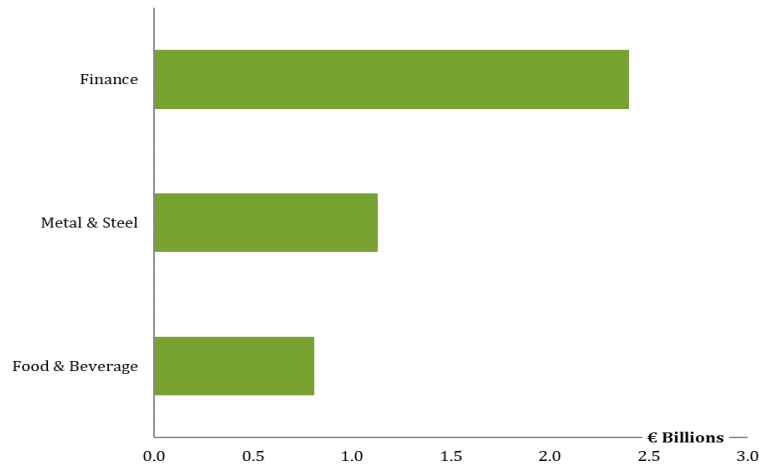
6.1 European Emerging Market HY Bond Issuance



6.2 European Emerging Market HY Issuance by Currency

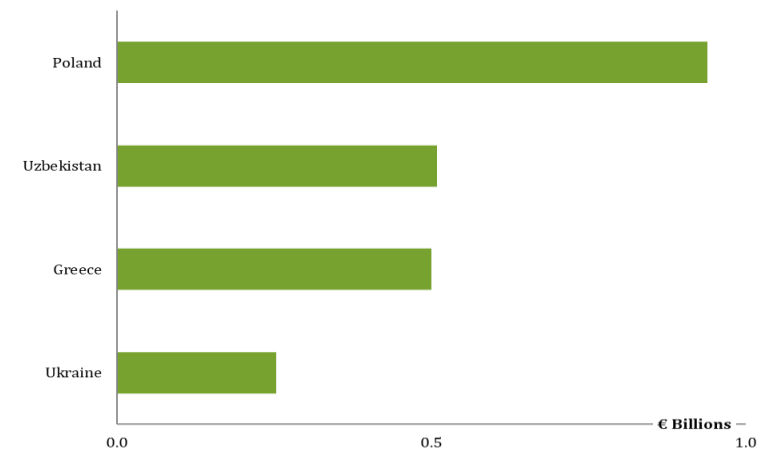


6.3 European Emerging Market HY Issuance by Industry: 4Q 2020



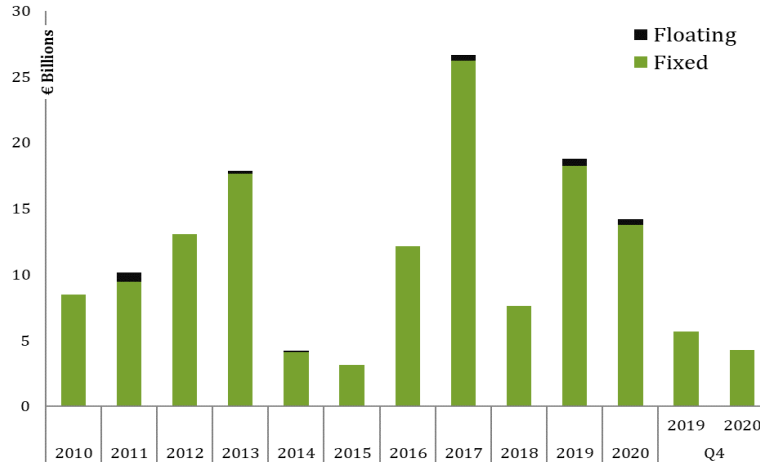
Source: Dealogic

6.4 European Emerging Market HY Issuance by Country of Risk: 4Q 2020

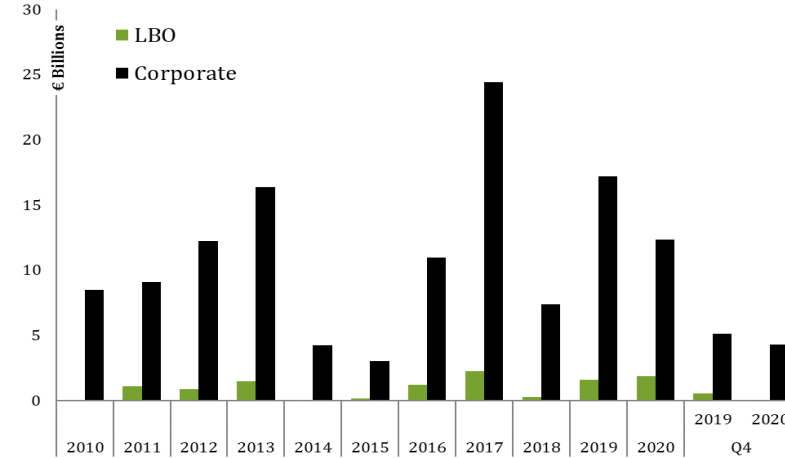


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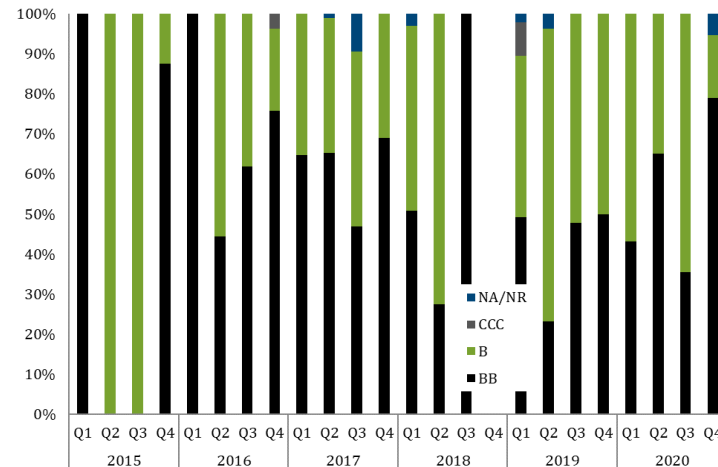
6.5 European Emerging Market HY Issuance, Fixed vs. Floating



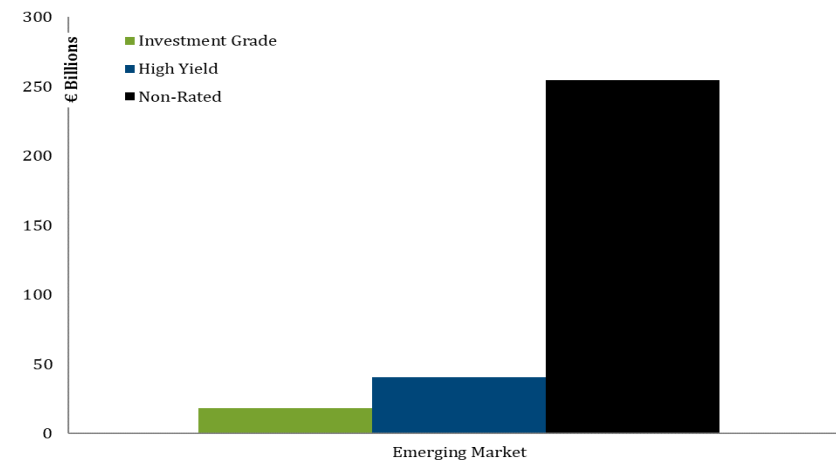
6.6 European Emerging Market HY Issuance, Sponsored vs. Corporate



6.7 European Emerging Market HY Rating Distribution at Issuance



6.8 European Emerging Market Corporate Bonds Outstanding: 4Q 2020



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

# Emerging Market High Yield Bonds

## 6.9 European Emerging Market HY Bond Issuance

Issuer	Industry Group	Date	Currency	Amount (Millions)	Coupon	Moody's	S&P	Fitch
National Bank of Greece	Finance	01-Oct-20	EUR	0.50	2.75	Caa1	B	CCC-
National Bank of Uzbekistan	Finance	14-Oct-20	USD	0.25	4.85		BB-	BB-
Can-Pack SA	Metal & Steel	15-Oct-20	USD	0.34	3.125	Ba2	BB	
Can-Pack SA	Metal & Steel	15-Oct-20	EUR	0.60	2.375	Ba2	BB	
Kernel Holding SA	Food & Beverage	27-Oct-20	USD	0.25	6.75		B+	BB-
GTLK Europe Capital dac	Finance	26-Oct-20	USD	0.42	4.8	Ba2		BB+
Ulker Biskuvi Sanayi AS	Food & Beverage	21-Oct-20	USD	0.55	6.95		B+	BB-
Ipoteka Bank OAO	Finance	12-Nov-20	USD	0.25	5.5		BB-	BB-
Turkiye Vakiflar Bankasi TAO - VakifBank	Finance	01-Dec-20	USD	0.63	6.5	B2		B+
Credit Bank of Moscow	Finance	27-Oct-20	RUB	0.01	0.010			
ChelPipe	Metal & Steel	23-Nov-20	RUB	0.08	6			
Credit Bank of Moscow	Finance	30-Nov-20	RUB	0.33	5.95			
ChelPipe	Metal & Steel	25-Nov-20	RUB	0.11	6.8			

Source: Dealogic

# Credit Quality

## Credit Quality

As of December 2020, S&P reported the trailing 12-month speculative-grade default rate at 5.3 % an increase from 4.3% in September 2020 and from 2.2% in December 2019. Moody's reported the trailing 12-month speculative-grade default rate at 4.7% in December 2020, up from 3.9% in September 2020 and 1.7% in September 2019.

Fitch reported an increase in European Leveraged Loan default rates at 4.34% in December 2020, an increase of 1.9% since December 2019.

18 bond-related defaults were reported in the fourth quarter of 2020 by Standard and Poor's and Moody's, all in developed market Europe. Distressed exchange was the most frequent reason for default.

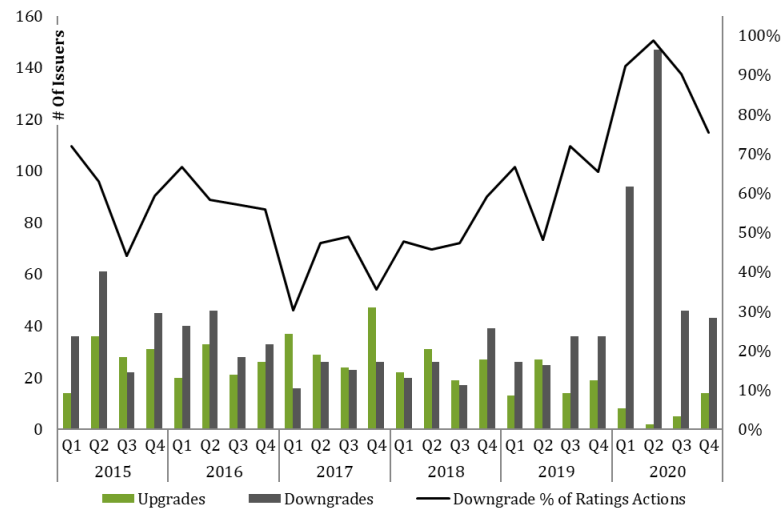
According to Moody's, in 4Q'20 downgrades exceeded upgrades in Europe (30 downgrades to 10 upgrades), However, it is a better ratio than 36 downgrades to 7 upgrades in 3Q'20 and than 34 downgrades to 6 upgrades in 4Q'19.

S&P also reported a deterioration in the downgrades-upgrades ratio. According to S&P, in 4Q'20 downgrades exceeded upgrades in Europe (43 downgrades to 14 upgrades), a better ratio than 46 downgrades to 5 upgrades in 2Q'20 and a worse ratio than 36 downgrades to 14 upgrades in 4Q'19.

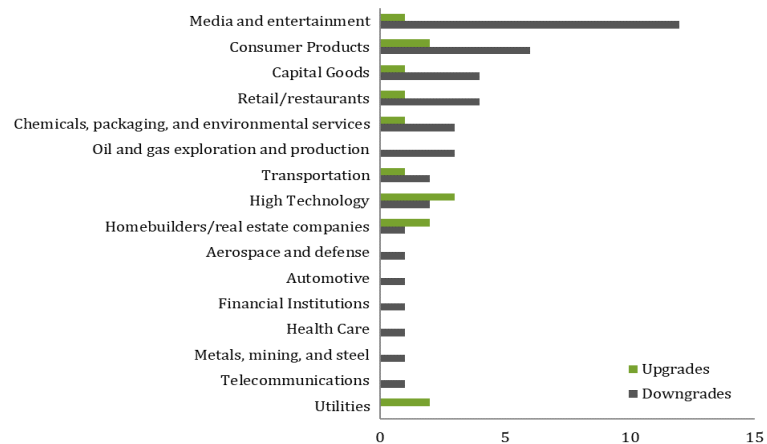
According to Reorg, the vast majority of 2020 European leverage loan deals (86%) were covenant-lite. The remaining 14% of 2020 deals were covenant-loose, containing either a leverage maintenance and/or a minimum liquidity covenant.

According to Reorg, headroom for key covenant risks for investors was generally greater for US High Yield bond deals issued during 2H 2020 compared to European High Yield bond deals. Headroom for key covenant risks for investors is measured as day-one additional capacities under general purpose baskets for incurrence of additional senior secured debt and structurally senior debt, making of restricted payments, and investments/value transfers to unrestricted subsidiaries/entities outside the restricted group.

### 7.1 S&P Developed Europe Issuer Rating Actions

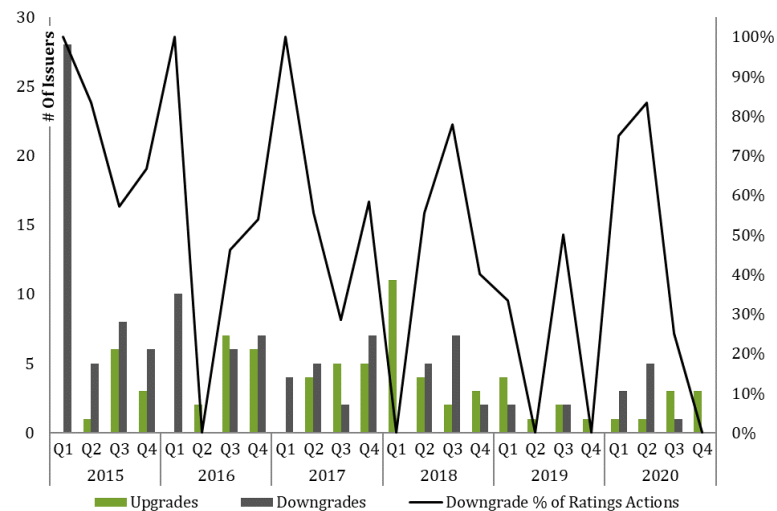


### 7.3 S&P Developed European Industry Rating Actions by # of Ratings

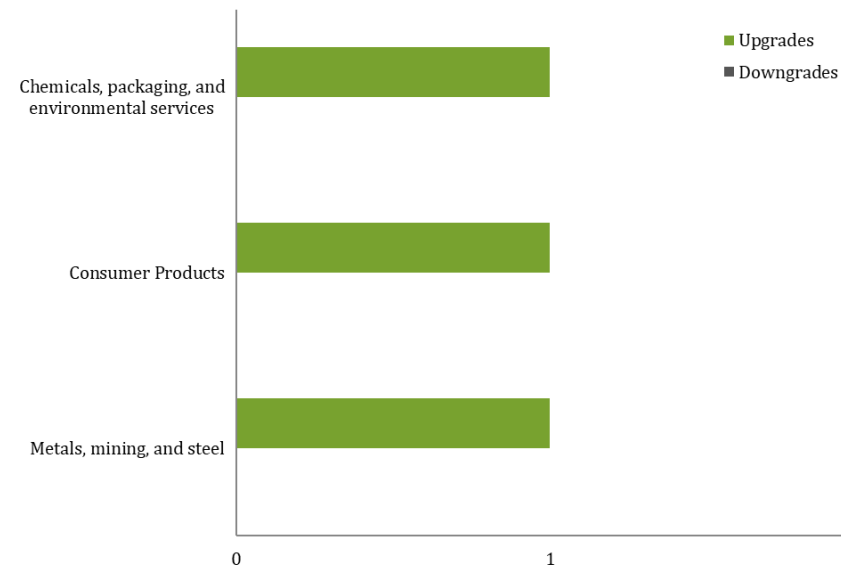


Source: S&P

### 7.2 S&P Emerging Europe Issuer Rating Actions

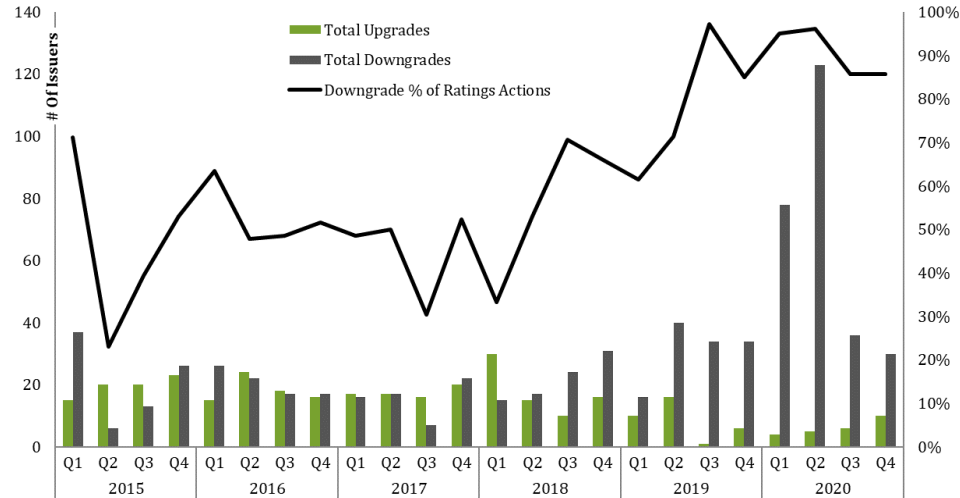


### 7.4 S&P Emerging European Industry Rating Actions by # of Ratings

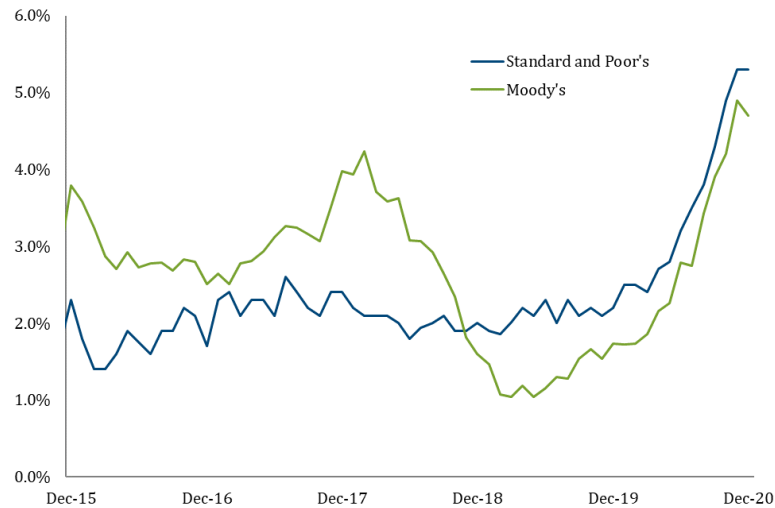




### 7.5 Moody's: Europe Issuer Rating Actions (corporate)

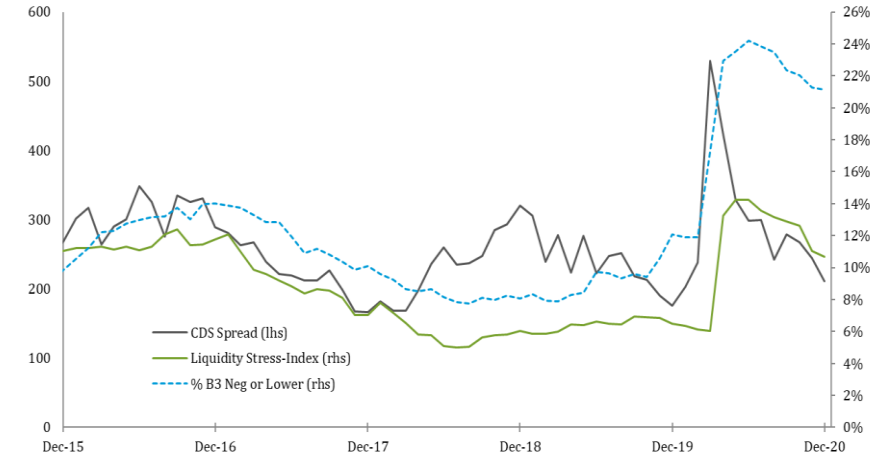


### 7.7 European High Yield Default Rates

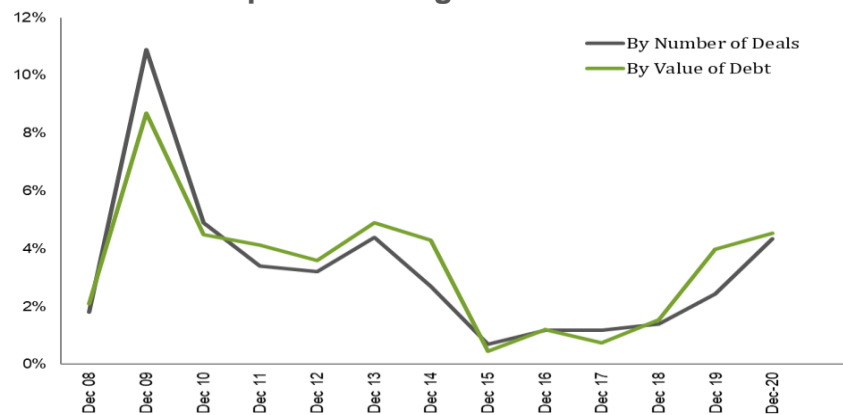


Source: Moody's [7.5], [7.6] and [7.7], Fitch [7.8], S&P [7.7]

### 7.6 High-Yield bond CDS spreads vs. liquidity-stress index and HY 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.

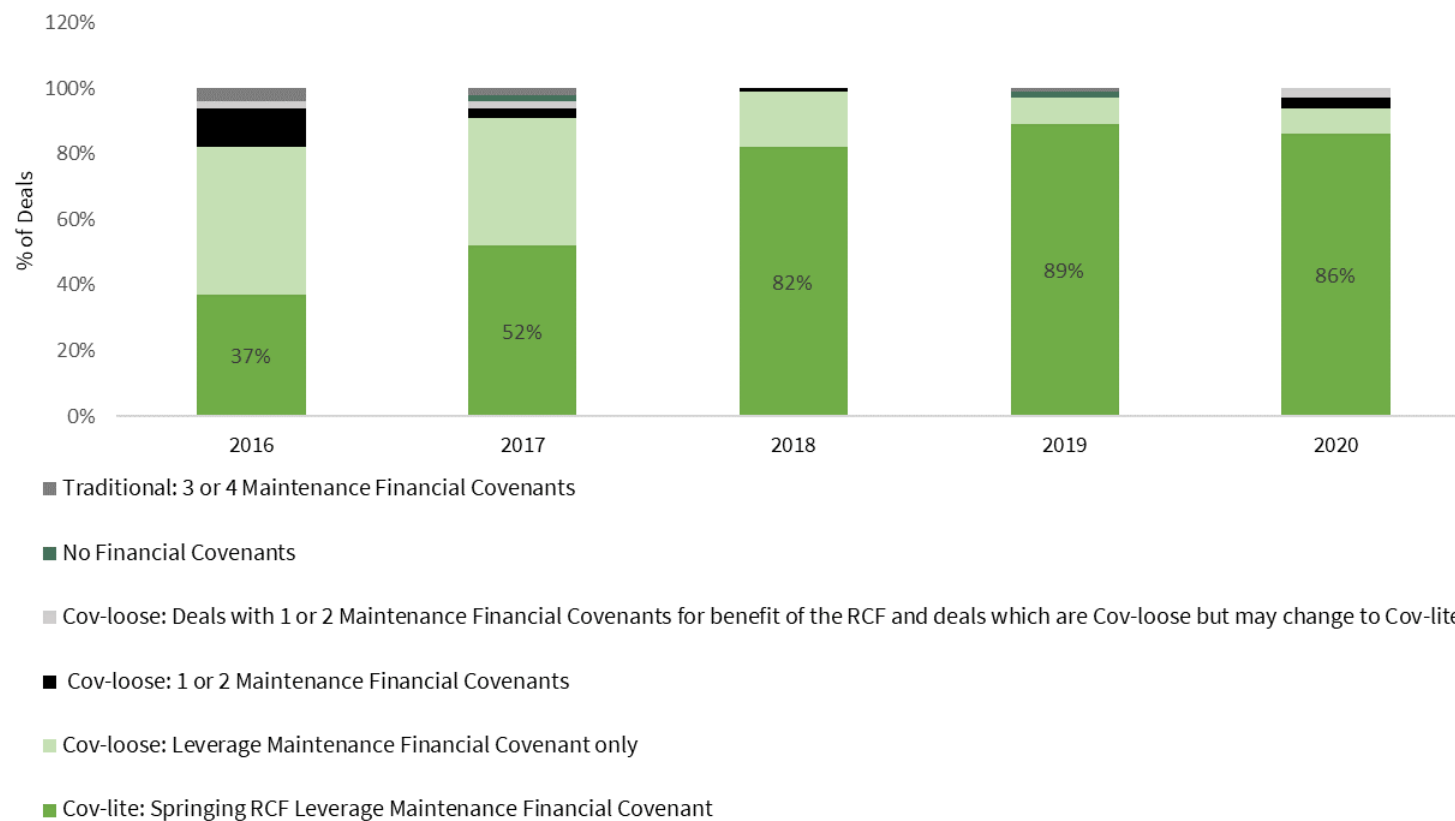
## 7.9 European Defaults

Issuer	Industry Group	Country	Date	Reported By	Reason	D/E
Toro Private Holdings I Ltd	Transportation	U.K.	October 2020	S&P	Distressed exchange	D
Mallinckrodt plc	Health care	Ireland	October 2020	S&P	Chapter 11	D
Codere S.A.	Media and entertainment	Spain	October 2020	S&P	Distressed exchange	D
SAS AB	Transportation	Sweden	October 2020	S&P, Moody's	Distressed exchange	D
Selecta Group B.V.	Consumer products	Netherlands	October 2020	S&P, Moody's	Distressed exchange	D
Hema B.V. (AMEH XXVI B.V.)	Retail/restaurants	Netherlands	October 2020	S&P	Distressed exchange	D
Pacific Drilling S.A.	Oil and gas	Luxembourg	October 2020	S&P, Moody's	Chapter 11	D
Codere S.A.	Media and entertainment	Spain	October 2020	Moody's	Distressed exchange	D
Bahia de las Isletas S.L.	Transportation	Spain	November 2020	S&P, Moody's	Missed coupon payment	D
Transocean Ltd. (B)	Oil and gas	Switzerland	November 2020	S&P	Distressed exchange	D
Cineworld Group PLC	Media and entertainment	U.K.	November 2020	S&P	Distressed exchange	D
Haya Real Estate S.A.U	Consumer products	Spain	November 2020	S&P	Distressed exchange	D
New Look Retail Holdings Ltd.	Oil and gas	U.K.	November 2020	Moody's	Distressed exchange	D
Crown UK Holdco Ltd.	Media and entertainment	U.K.	November 2020	Moody's	Distressed exchange	D
Naviera Armas, S.A.	Transportation	Spain	November 2020	Moody's	Missed interest payments	D
Europcar Mobility Group S.A.	Media and entertainment	France	December 2020	S&P, Moody's	Missed interest payments	D
Zellis Holdings Ltd.	High technology	U.K.	December 2020	S&P, Moody's	Distressed exchange	D
Swissport Group S.a.r.l.	Services	Switzerland	December 2020	Moody's	Distressed exchange	D

Source: S&P, Moody's

# Credit Quality and European Leveraged Loan Covenants

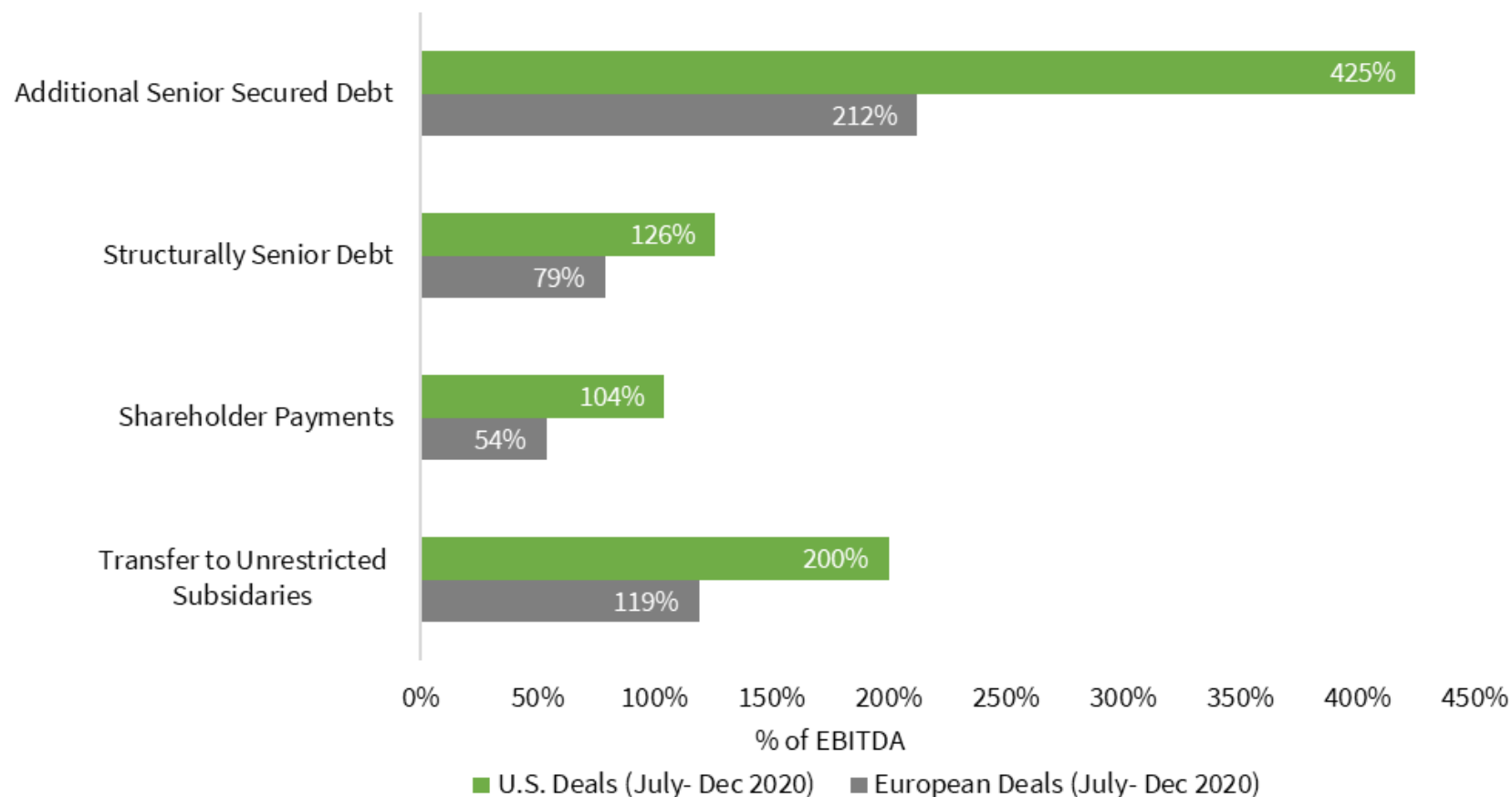
## 7.10 Financial Covenant Packages in European Leveraged Loans 2016-2020



\*Figures based on Reorg calculations for European deals (July - Dec 2020).

# Credit Quality and High Yield Day-1 Capacity

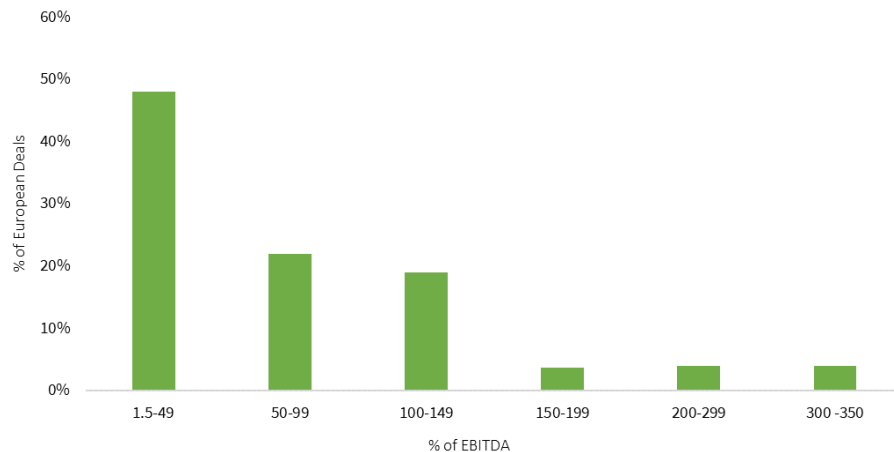
## 7.11 High-Yield: Day 1 Headroom for Key Covenants Risks in European and U.S. Deals



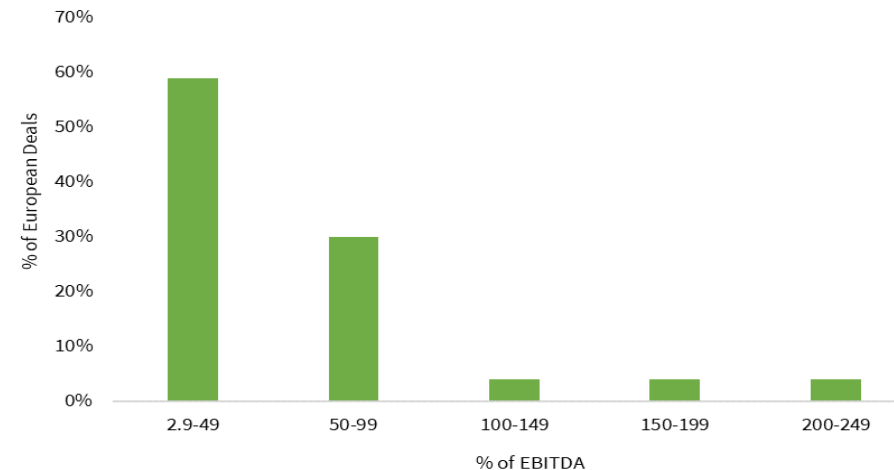
\*Figures based on Reorg calculations. Figures provide day 1 capacity available at issue aggregating the “general purpose” baskets only (excludes specific purpose baskets). Excludes cov-lite offerings recorded on Reorg’s proprietary database (Market Maker).

# Credit Quality and High Yield Day-1 Capacity

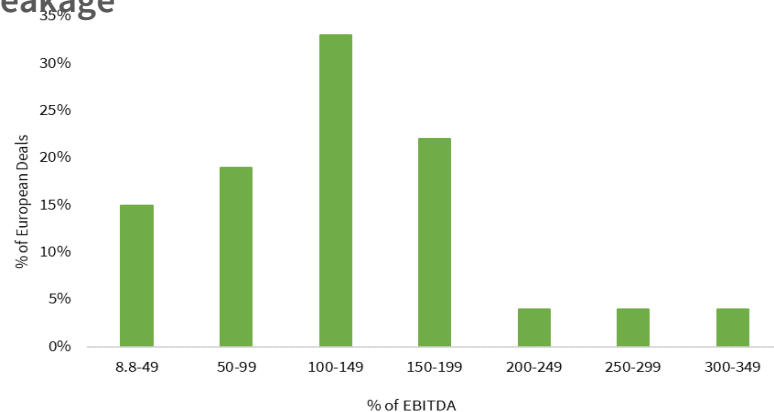
**7.12 European High-Yield: Day 1 Additional Structurally Senior Debt Capacity**



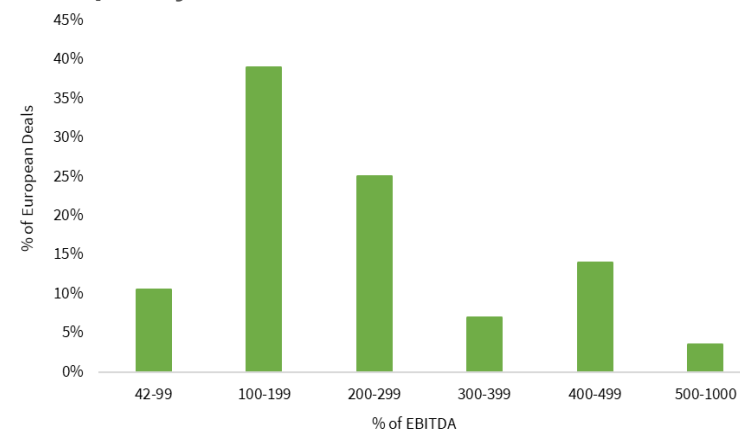
**7.13 European High-Yield: Day 1 Shareholder Payments**



**7.14 European High-Yield: Day 1 Unrestricted Subsidiary Leakage**



**7.15 European High-Yield: Day 1 Additional Senior Secured Debt Capacity**



\*Figures based on Reorg calculations for European deals (July - Dec 2020). 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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# Relative Value and Total Return

## Returns

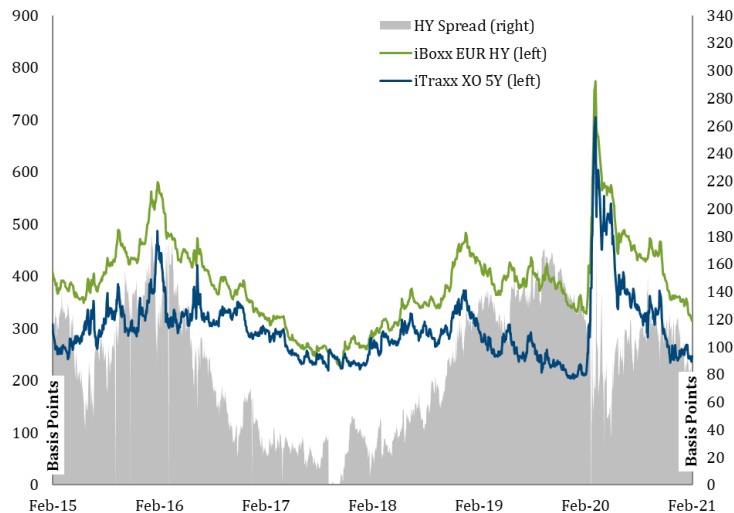
All the 20 asset classes tracked in this report recorded positive quarter-on-quarter (q-o-q) returns in 4Q'20, with the exception of US Treasuries. Russell 2000 led q-o-q returns with an increase of 31.0% in 4Q'20, followed by the U.S. HY Distressed with an 25.2% gain q-o-q.

The worst performing asset class was U.S. Treasuries with a loss of -0.9% q-o-q in 4Q'20, followed by EMU Covered Bonds with a 0.2% gain q-o-q, and U.S. Mortgages 30Y with a 0.3% gain q-o-q.



# Relative Value and Total Return

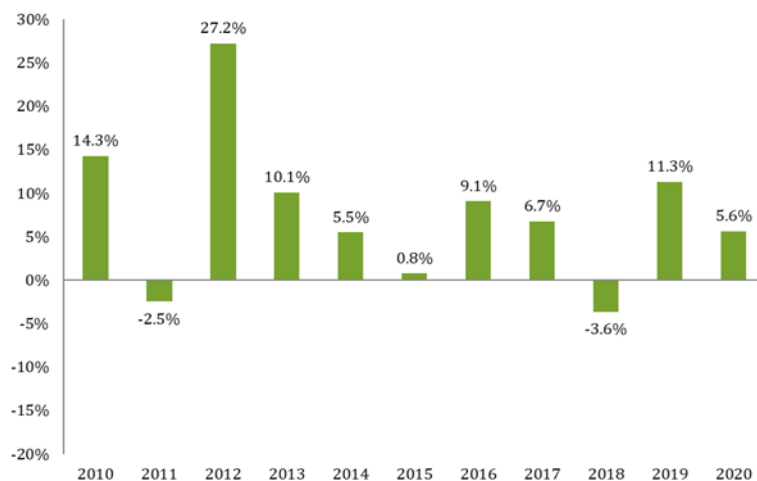
8.1 Relative value: European HY Bonds, Cash vs. Synthetic



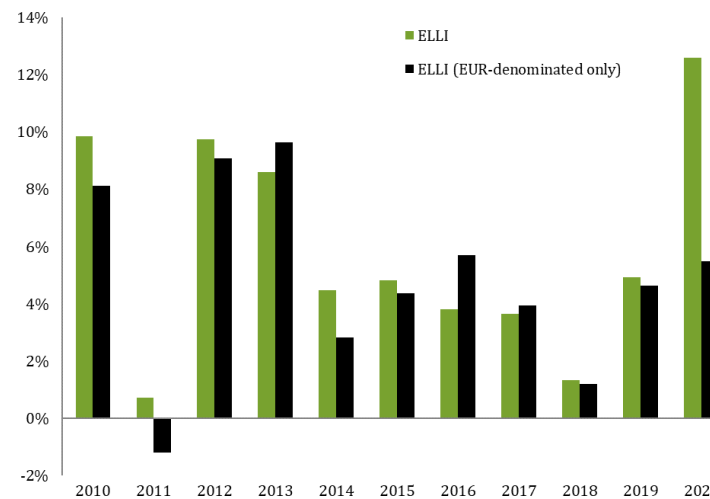
8.2 Relative value: European Leveraged Loans, Cash (EURO Lev40)



8.3 European HY Bond Total Return

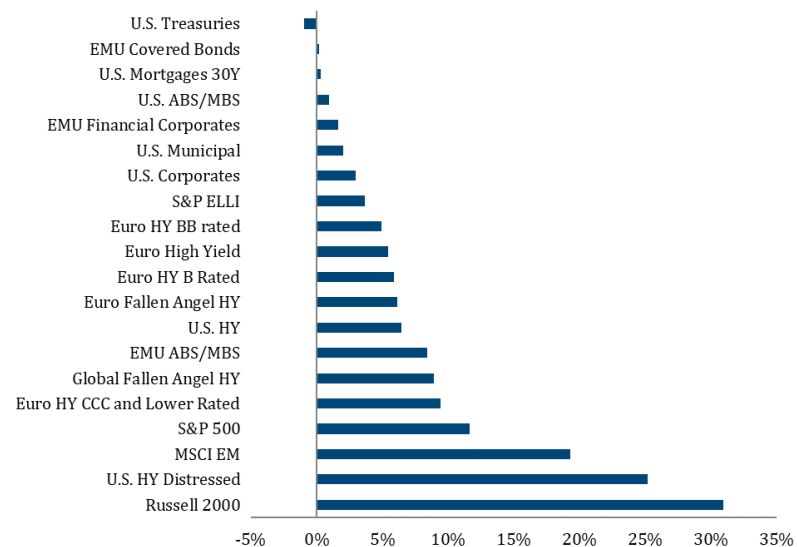


8.4 European Leveraged Loan Total Return



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

## 8.5 Asset Class Total Return: 4Q 2020 (QoQ)



Source: Eikon and S&P

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