

Leveraged Finance Chart Book

Europe 3Q/2020

Bloomberg

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3Q20 Summary

Active Bond Supply Sustains Europe's Leveraged Finance Market

The high-yield bond market again put in a stronger showing than loans during the third quarter, preventing overall primary issuance across the two market from falling far behind the previous year amid the ongoing impact of the pandemic.

At EU103b to end-3Q20, combined 2020 leveraged loan and high-yield bond issuance is less than 10% down on 1-3Q19. That's down to high-yield bond volume being 14% ahead on the year-ago period while loans are nearly 30% behind.

The quarterly loan total of EU11.6b edged ahead of 2Q20, but September's contribution of EU4.6b fell far below the post-summer flood of previous years. This sluggish pace was largely the result of the pandemic putting a brake on M&A dealmaking. At EU6.5b, third-quarter M&A-driven lending was the lowest of the year.

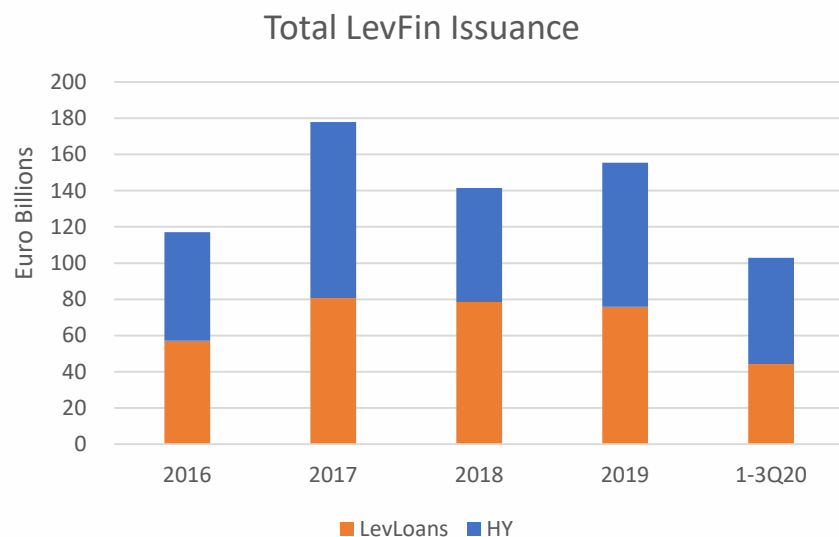
By the end of September, a handful of sponsor-led borrowers had launched M&A loans. They were mainly mid-sized but did include an EU875m facility for French care homes firm Colisee SAS, the largest LBO loan of the quarter.

Overall, debt for single-B average loans is getting cheaper after the mid-pandemic spike, falling by more than roughly 125bps during the third quarter to an average all-in spread of 512bps. Appetite including from ramping CLOs could help drive pricing tighter again in the run to year-end unless supply increases or lenders' confidence falls foul of risks such as the U.S. election, a no-deal Brexit or renewed lockdowns across Europe.

Powered by Bonds

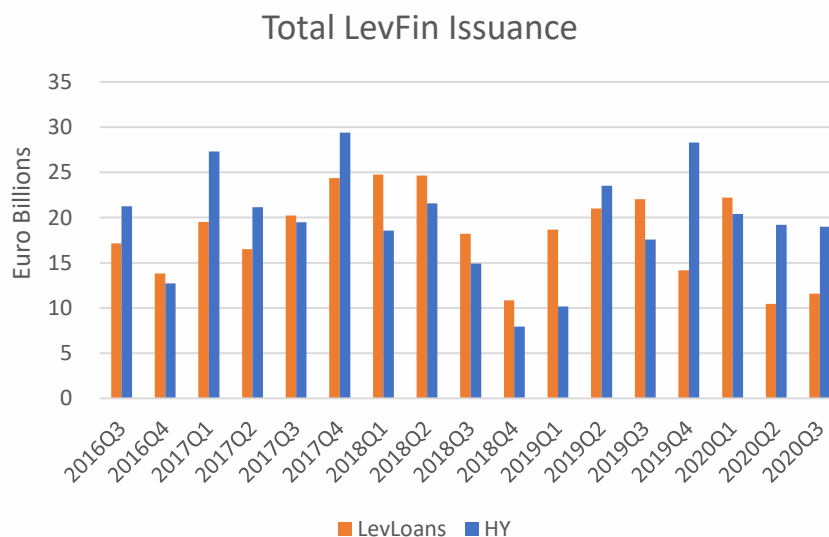
Fourth quarter begins with small lag vs 2019 thanks to active HY market

At EU103b, the year's combined issuance of leveraged loans and high-yield bonds through end-Sept. is less than 10% down on the year-ago period--despite the ravages of the Covid-19 pandemic on Europe's economies. That's driven not by loans, where primary activity suffered another meager quarter, but by companies tapping the high-yield market to boost liquidity and refinance existing debt.



EUR/GBP 1L/2L institutional loans (excludes repricings) and European HY corporate bonds.

Loan issuance so far this year stands at EU44.2b, nearly 30% down versus 1-3Q19. But the bond market is ahead, by 14%.



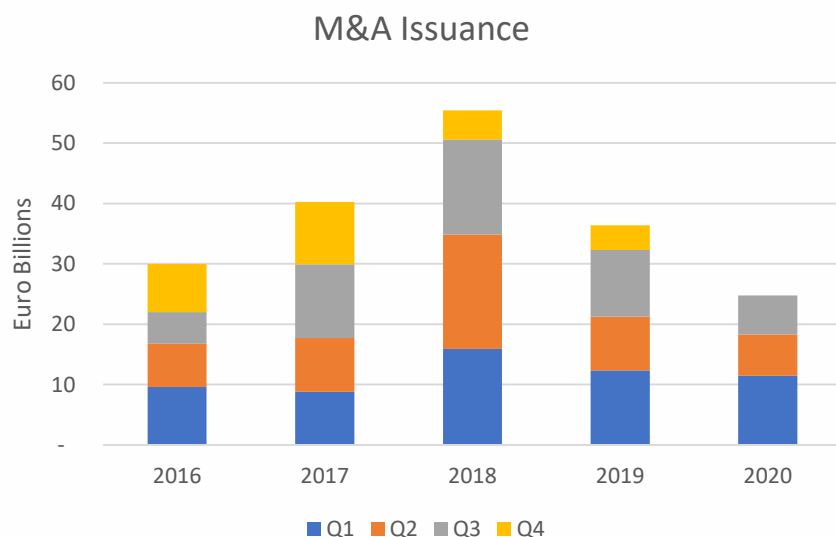
EUR/GBP 1L/2L institutional loans (excludes repricings) and European HY corporate bonds.

Risk appetite returning through the third quarter helped fuel EU19b of bonds. That's on a par with the second quarter and well up on the EU11.6 seen in loans in 3Q20.

M&A Lacking

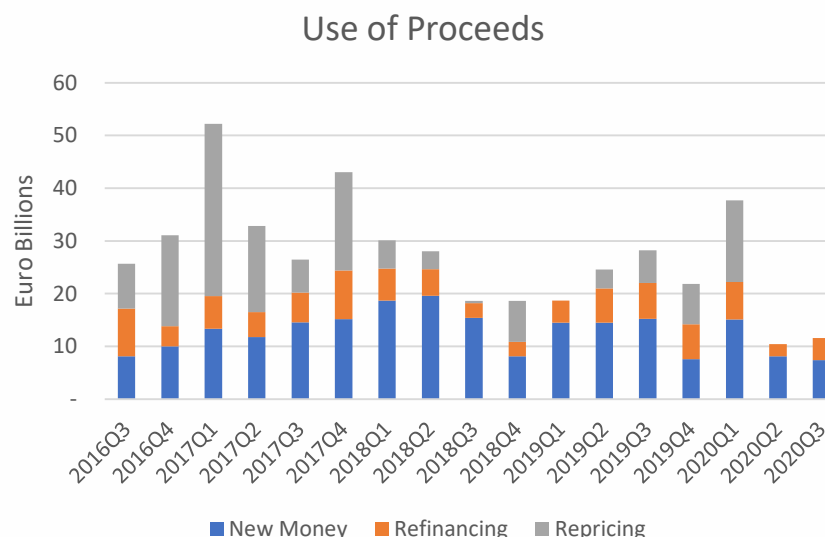
Quarterly acquisition loan financing at its lowest for the year

Auctions were put on hold during the second quarter and many are only just getting going again, so the queue of LBO and other M&A financings has been thin. The telecommunications sector churned out some larger deals, including Virgin Media/O2, but LBOs have been scarce and the waiting could extend into the fourth quarter.



EUR/GBP 1L/2L institutional loans. Excludes repricings.

M&A loan volume amounted to EU6.5b in 3Q20, just below the previous quarter. Nearly half of the year's M&A loans to date launched in Jan/Feb, leaving slim pickings for investors since then.



EUR/GBP 1L/2L institutional loans.

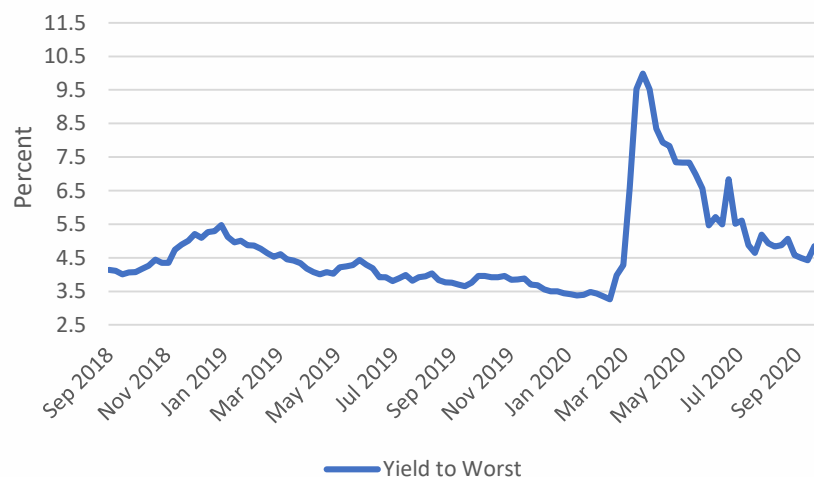
With acquisitions sparse, the volume of new money raised in 3Q20 was the lowest in five years. Boosted by borrowers pushing out maturities, refinancing topped EU4b.

Tightening Spreads

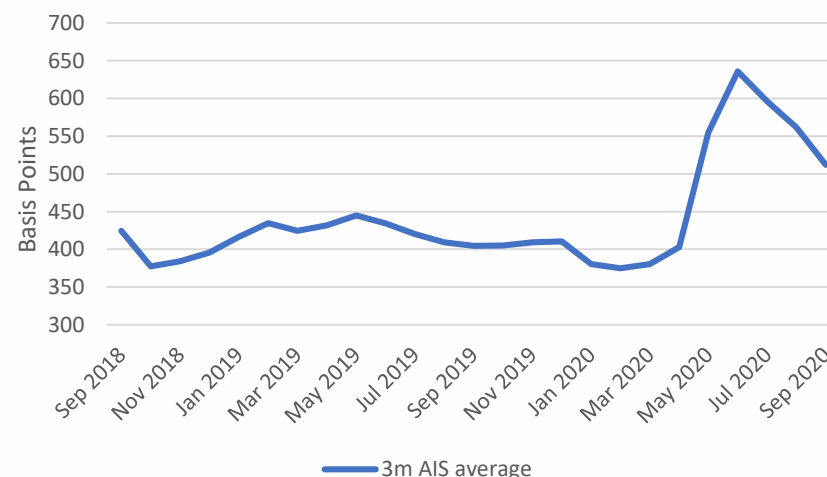
Risk-on tone prevails through much of 3Q in Europe driving yields tighter

The third quarter saw a continuation of the recovery after the spike in March as the pandemic took hold. That allowed companies to raise debt at more attractive levels, even if not at the ultra-tight levels of January. But September also saw a late bout of volatility and the fourth quarter brings risks including the potential for a contested U.S. election result and a no-deal Brexit.

Bloomberg Barclays Pan-European HY Index



Single B All-in Spreads



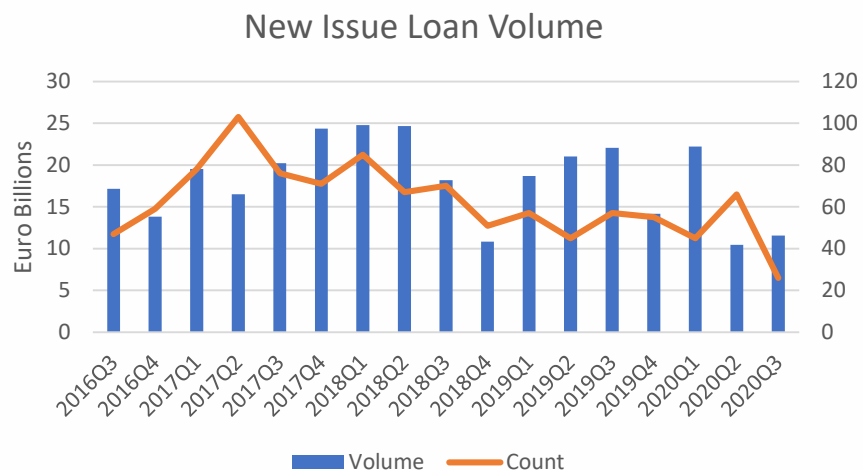
EUR 1L institutional loans. Single B and unrated issuers.

Bond yields fell below 4% in September before jumping back above that level late in the month, but remain tighter than were they were at end-2Q20.

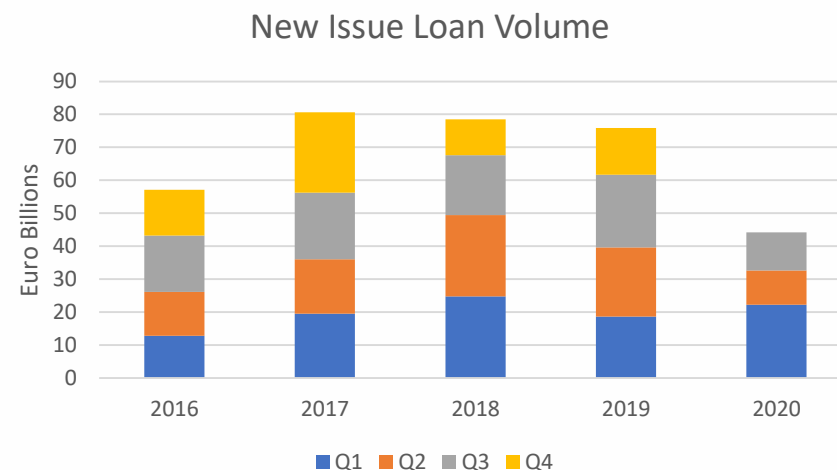
Average pricing for new-issue single-B loans tightened again in September to 512bps. Falling liability spreads for CLOs encouraged more issuance and deepened demand.

All Charts

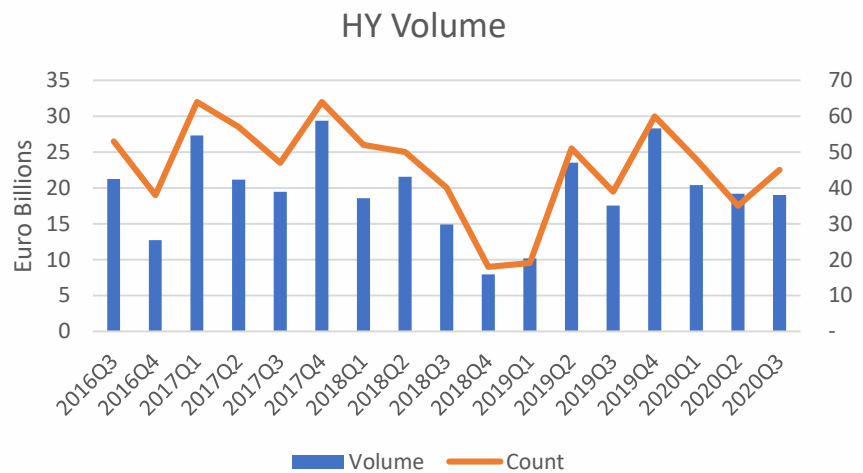




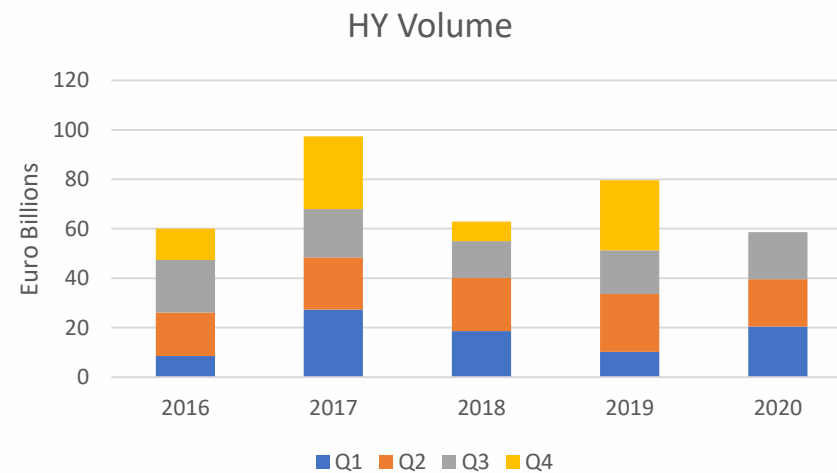
EUR/GBP 1L/2L institutional loans. Excludes repricings. Historical loan volume restated to include maturity extensions.



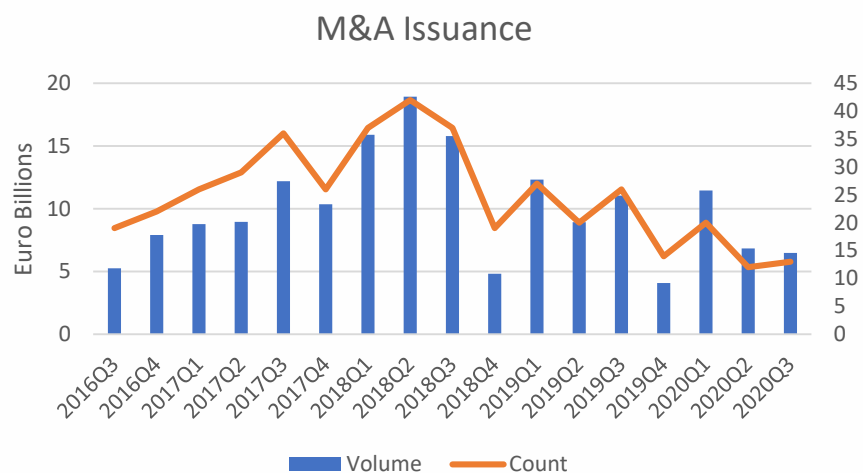
EUR/GBP 1L/2L institutional loans. Excludes repricings.



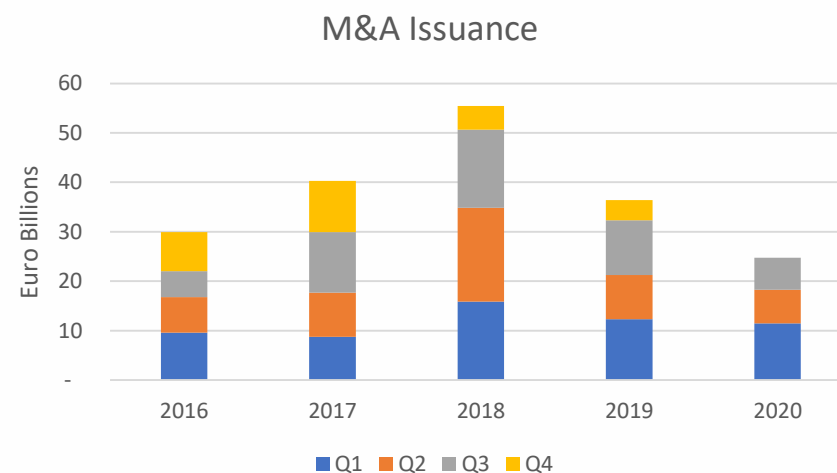
HY corporate bonds.



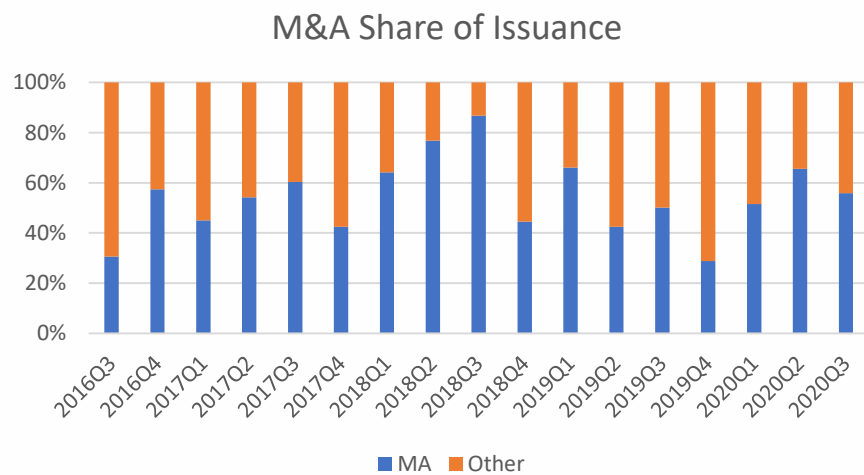
HY corporate bonds.



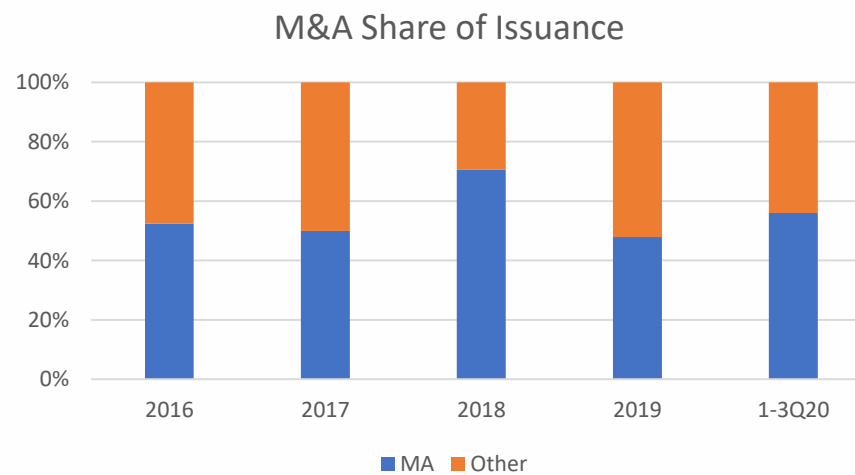
EUR/GBP 1L/2L institutional loans. Excludes repricings.



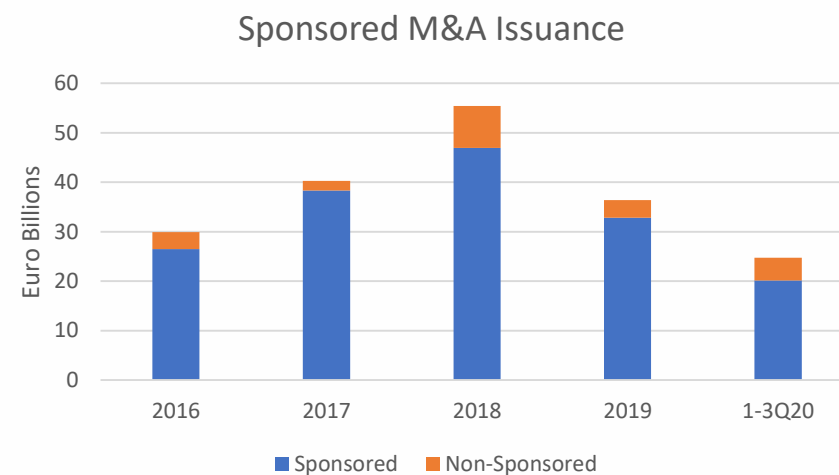
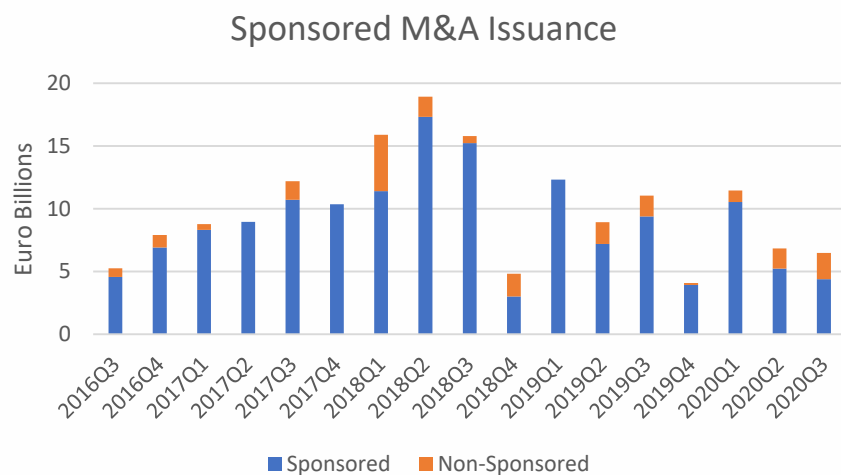
EUR/GBP 1L/2L institutional loans. Excludes repricings.



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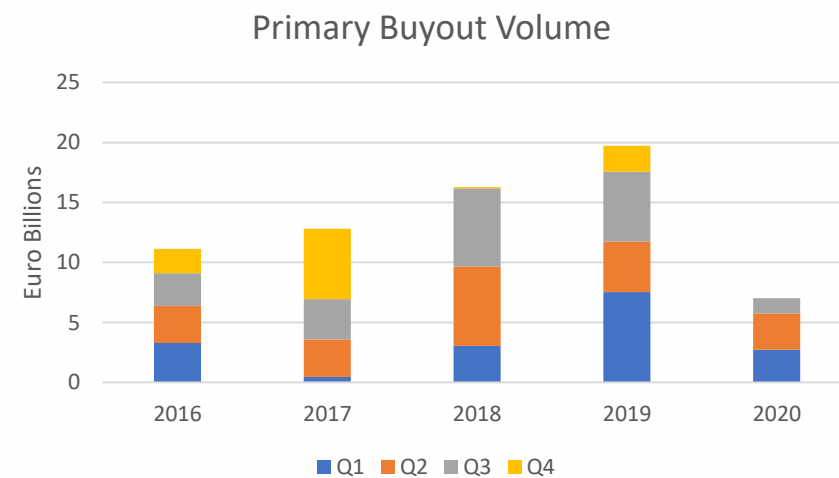
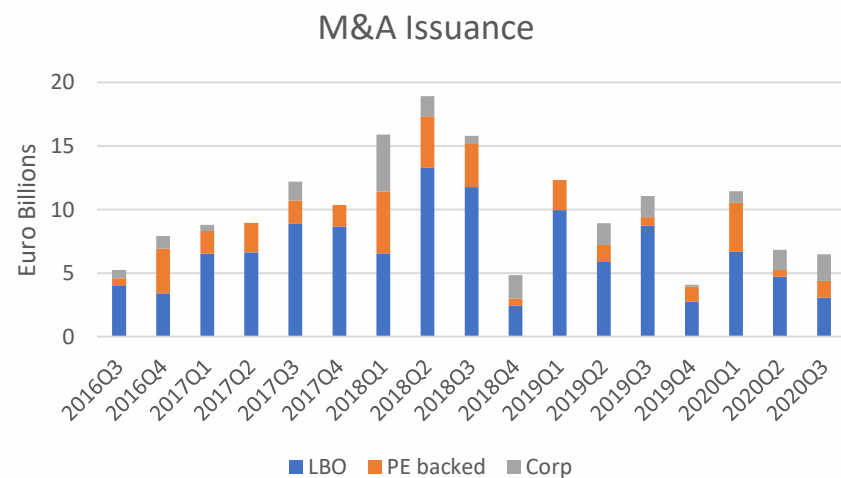


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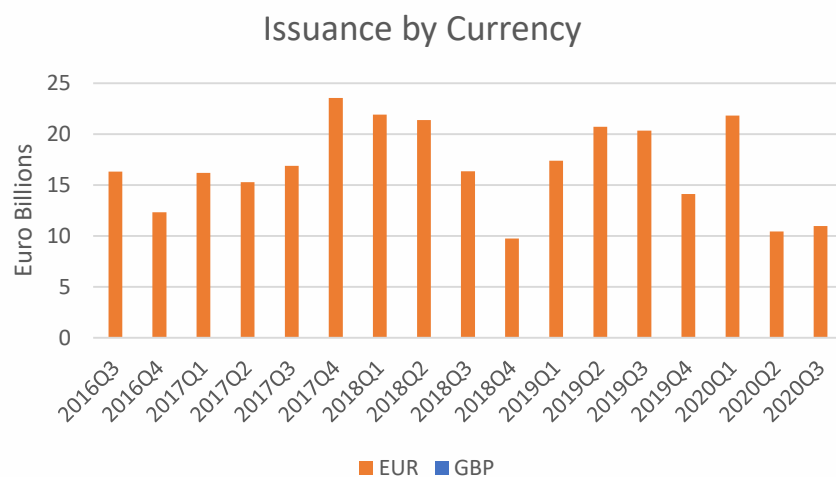
EUR/GBP 1L/2L institutional loans. Excludes repricings.

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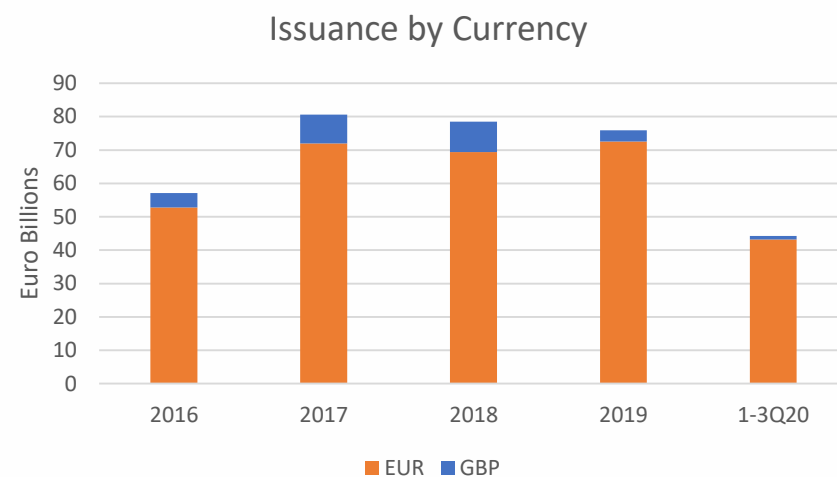


EUR/GBP 1L/2L institutional loans. Excludes repricings.

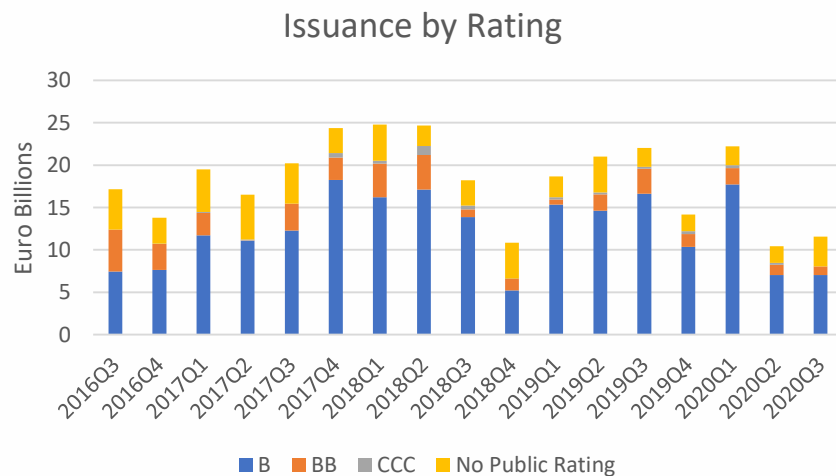
EUR/GBP 1L/2L institutional loans. Excludes repricings.



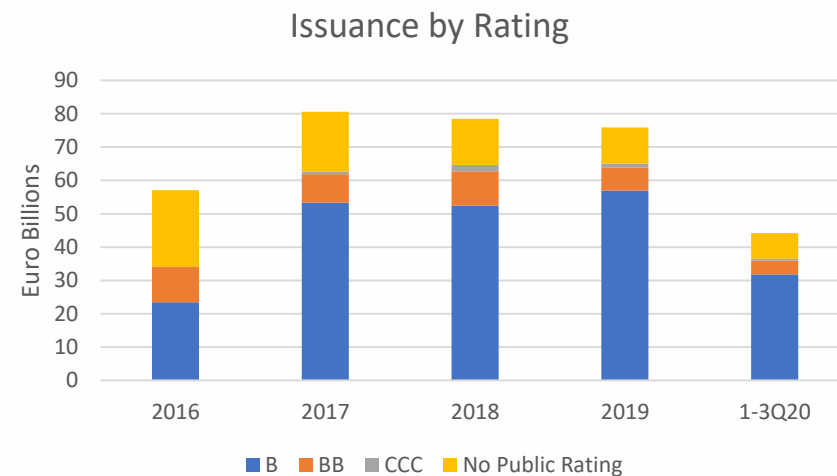
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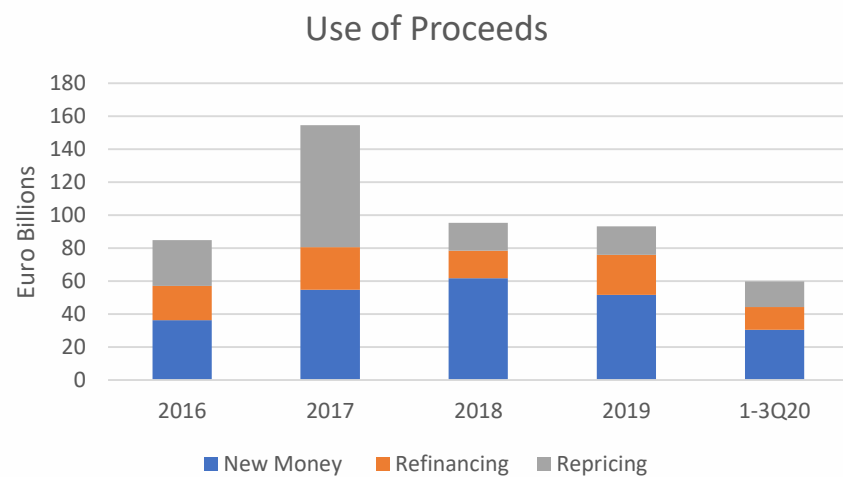
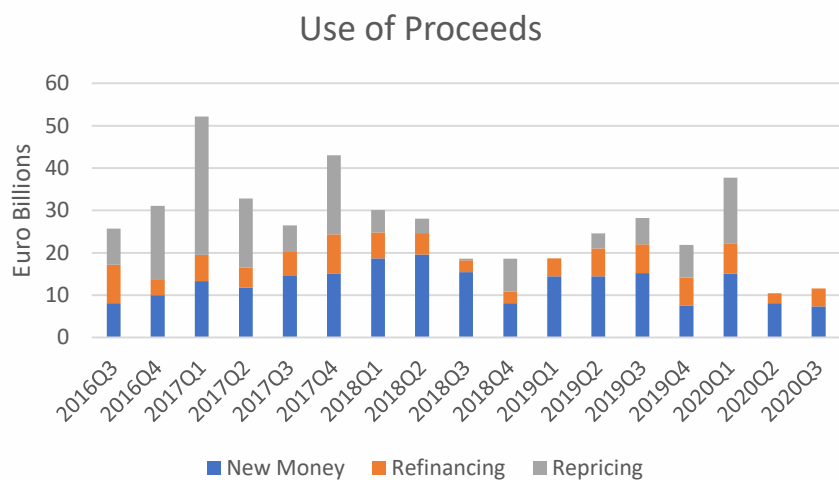
EUR/GBP 1L/2L institutional loans. Excludes repricings.



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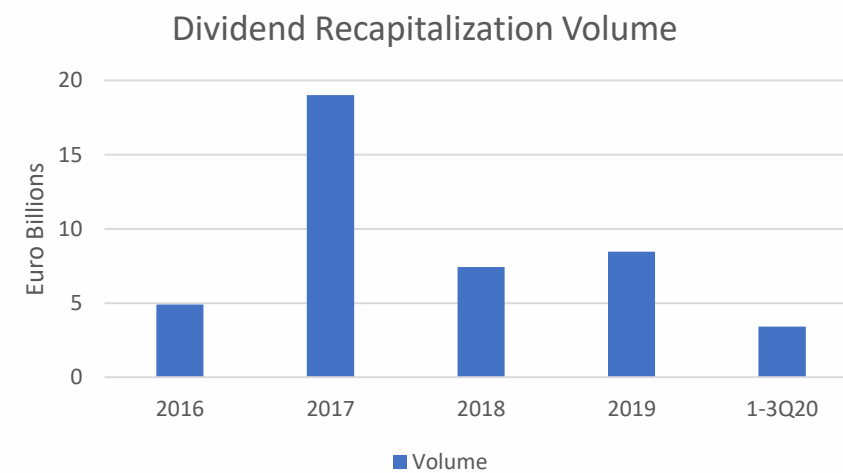
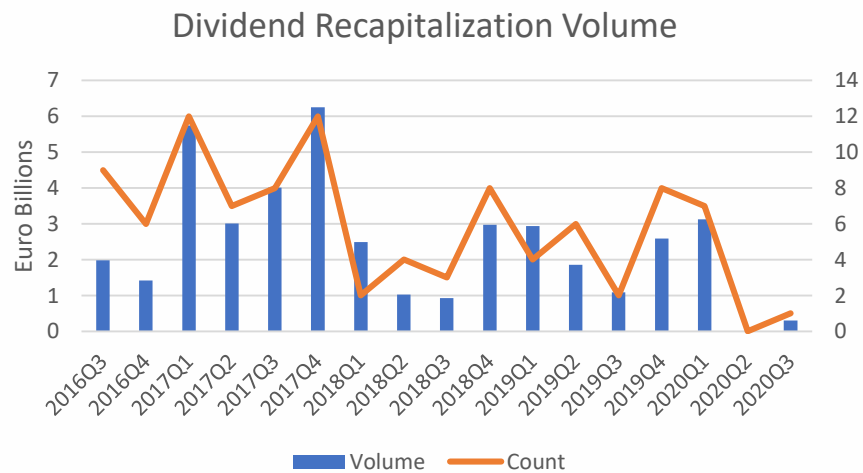


EUR/GBP 1L/2L institutional loans. Excludes repricings.



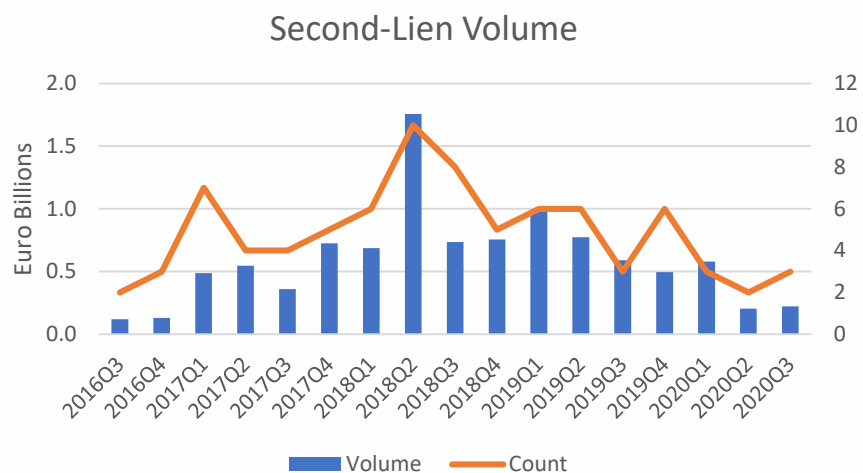
EUR/GBP 1L/2L institutional loans.

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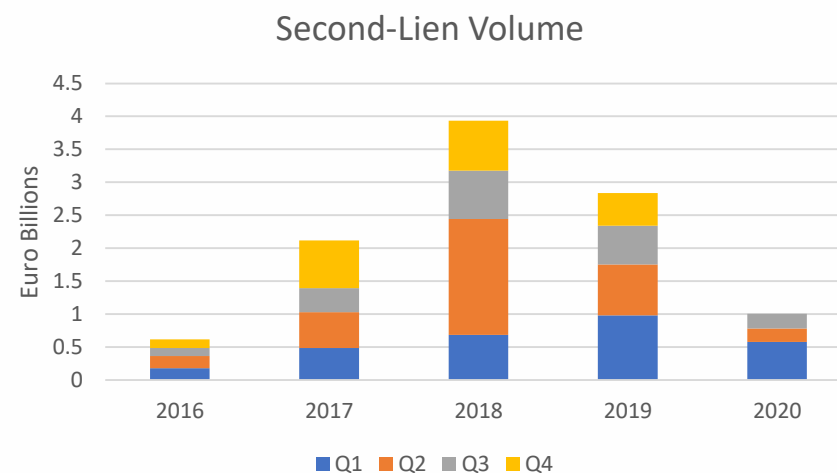


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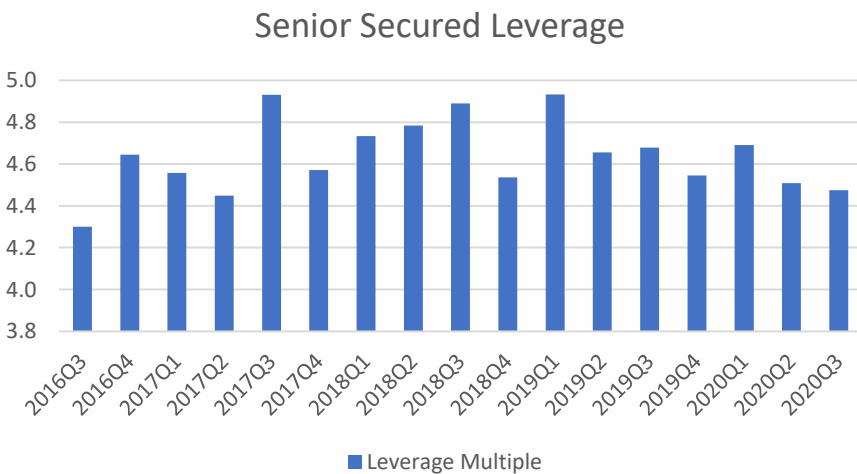
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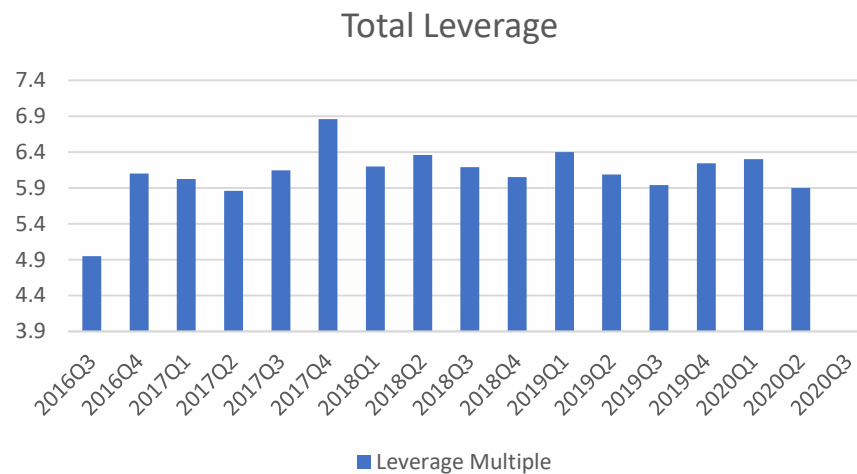
EUR/GBP 2L institutional loans. Excludes repricings.



EUR/GBP 2L institutional loans. Excludes repricings.

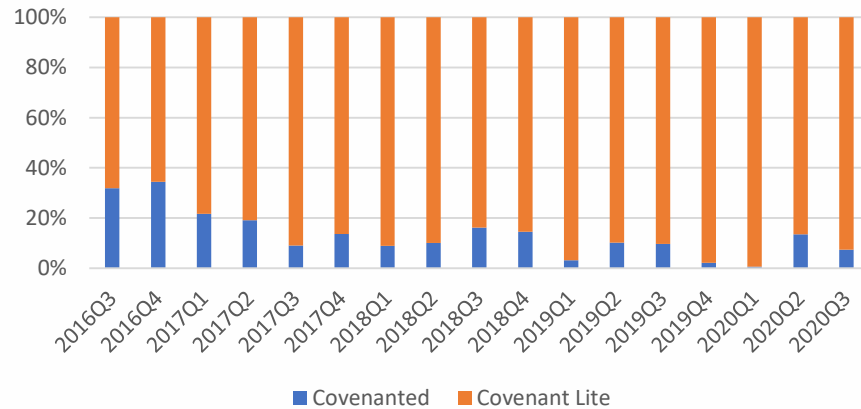


EUR/GBP 1L institutional loans. Excludes repricings.



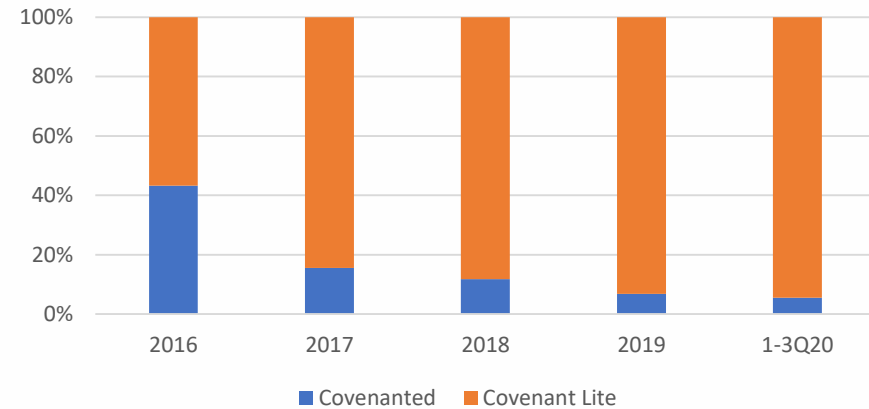
EUR/GBP institutional loans. Excludes repricings.

Covenant-Lite Issuance



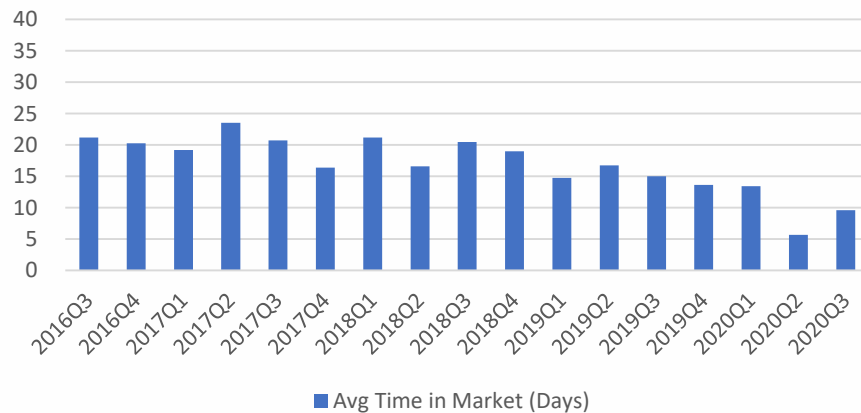
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Covenant-Lite Issuance



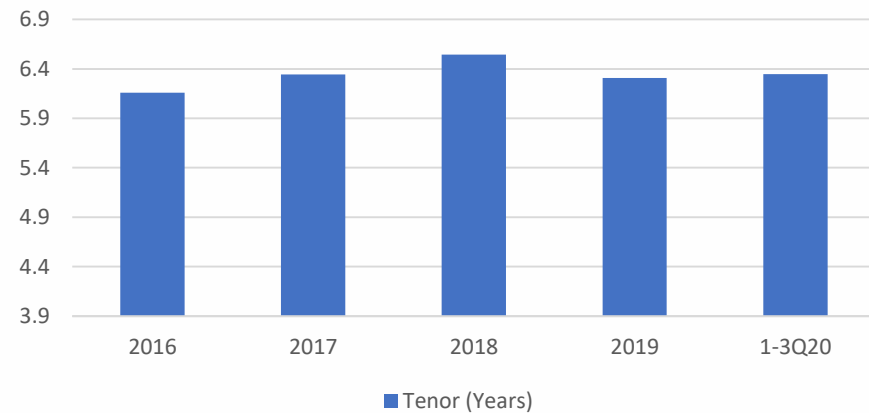
EUR/GBP 1L/2L institutional loans. Excludes repricings.

Average Time in Market

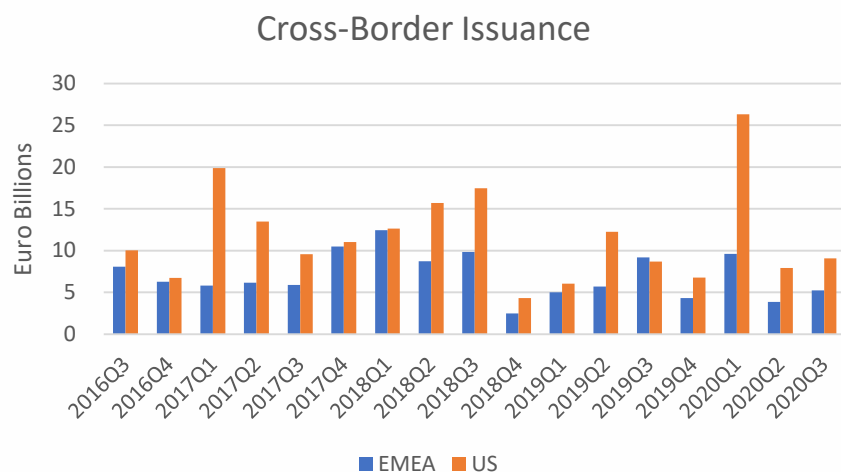


EUR 1L institutional loans. Excludes repricings. Average Time in Market calculated as time elapsed between Launch and Pricing.

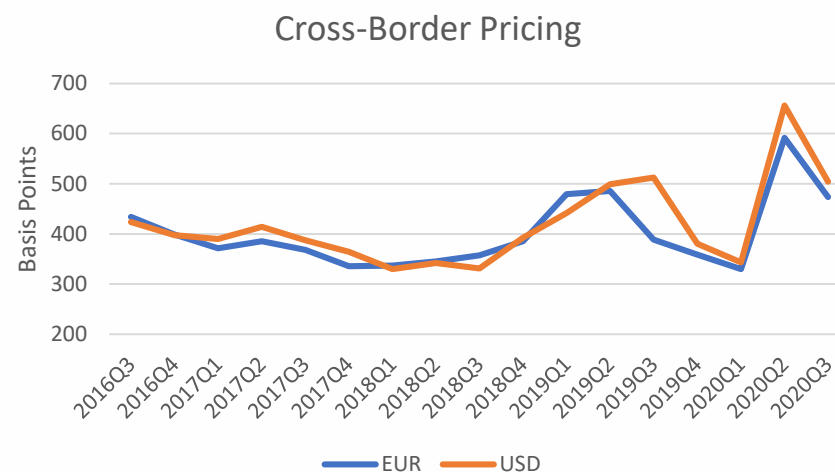
Average Tenor



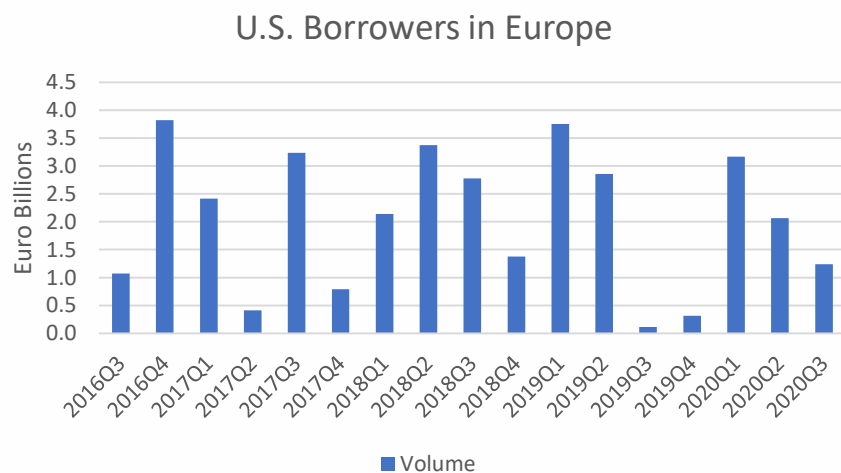
EUR 1L institutional loans.



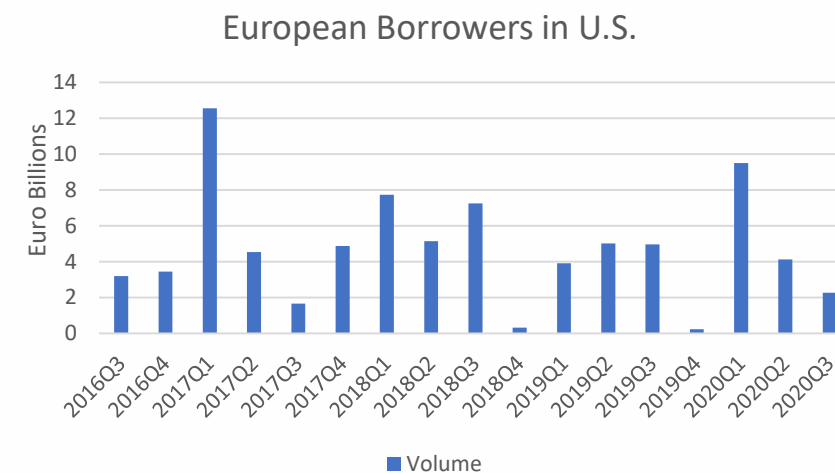
EUR/GBP & USD 1L/2L institutional loans. Excludes repricings.



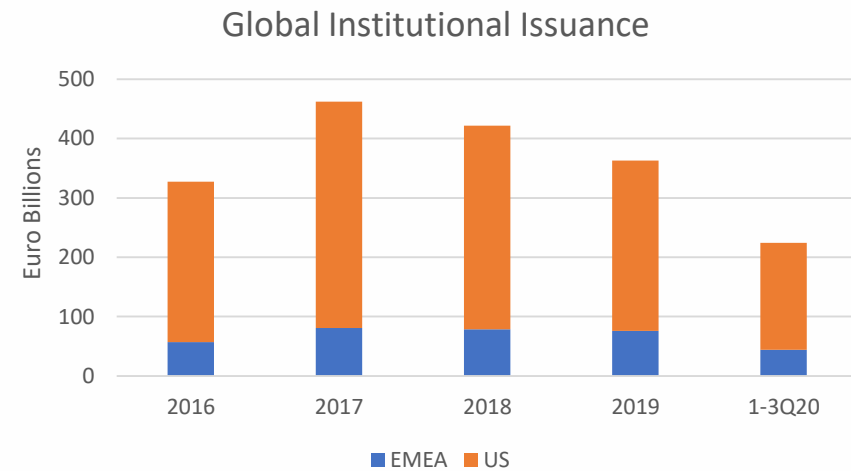
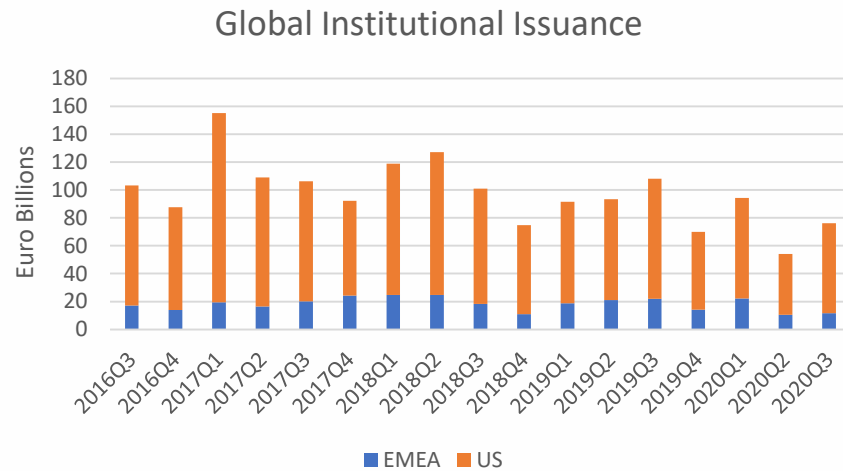
EUR & USD 1L/2L institutional loans. Excludes repricings.



EUR/GBP 1L/2L institutional loans. Excludes repricings.

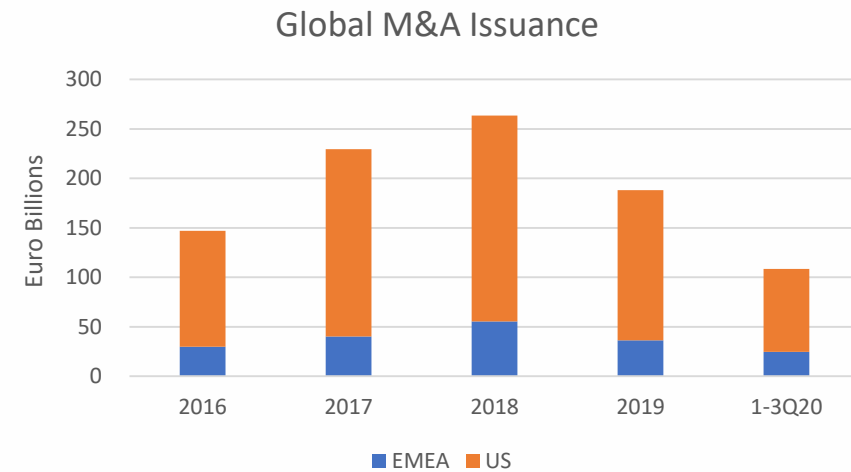
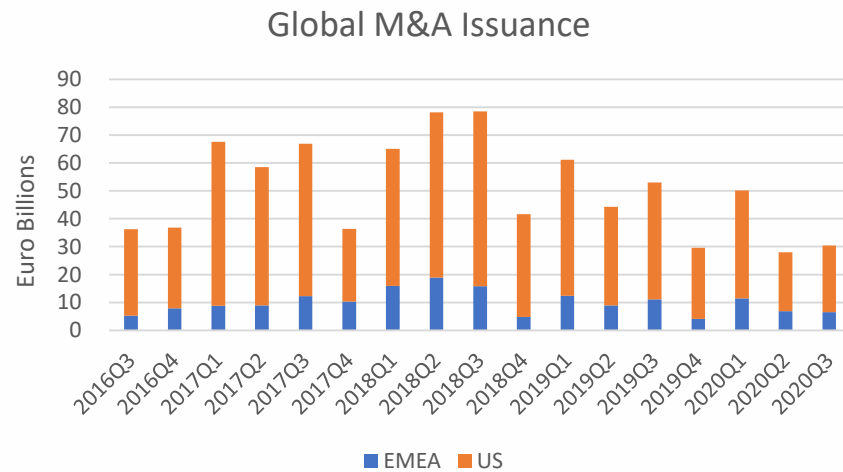


USD-denominated 1L/2L institutional loans. Excludes repricings.



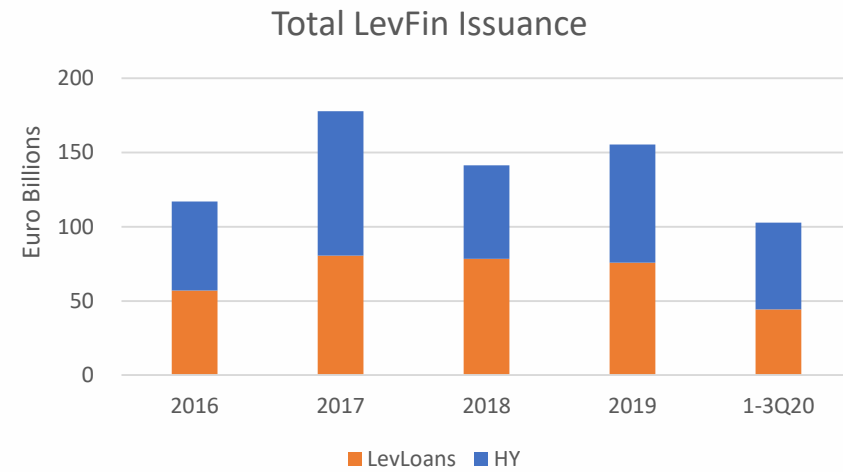
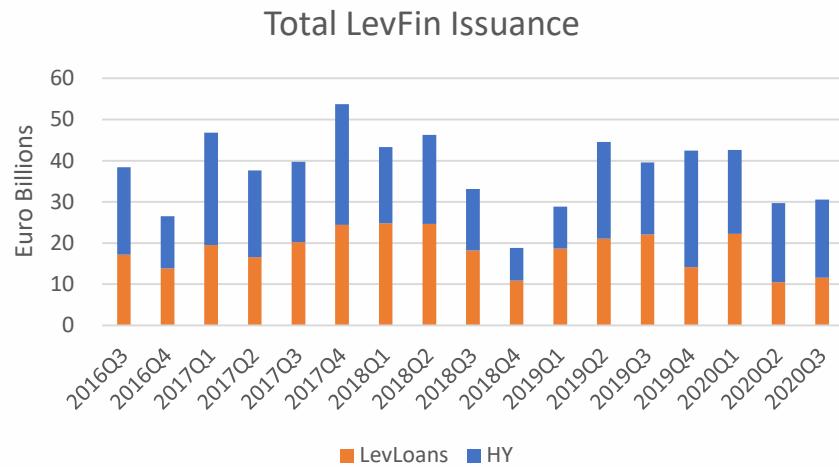
EUR/GBP & USD 1L/2L institutional loans. Excludes repricings.

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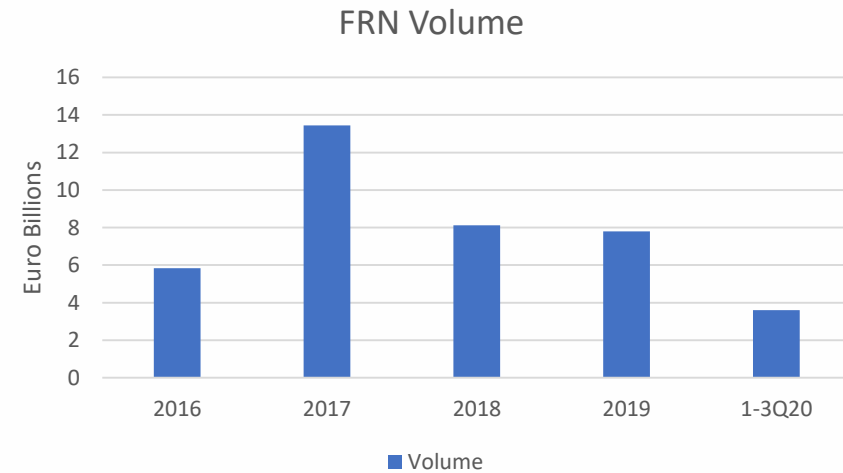
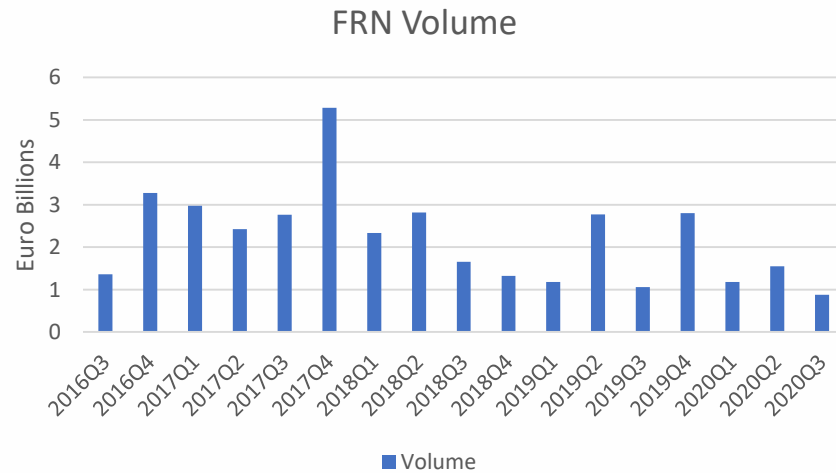
EUR/GBP & USD 1L/2L institutional loans. Excludes repricings.

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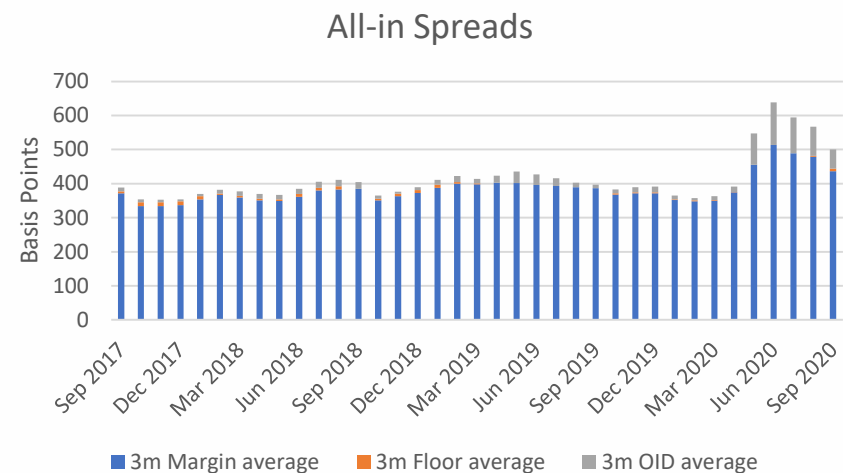
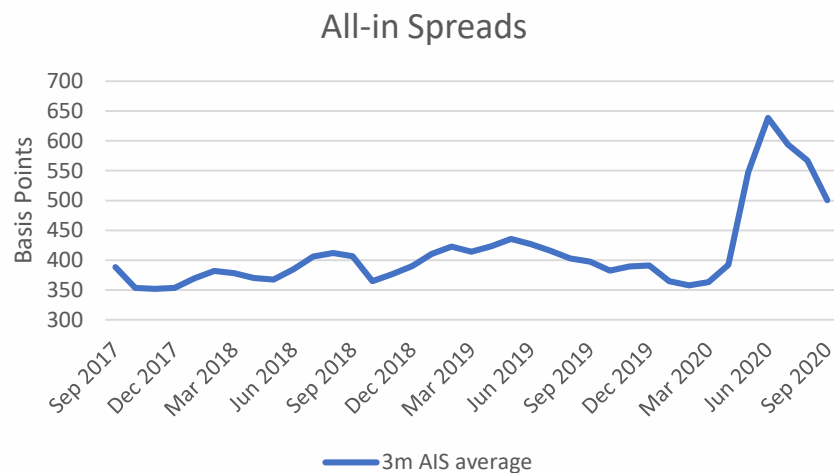
EUR/GBP 1L/2L institutional loans(excludes repricings) and European HY corporate bonds.

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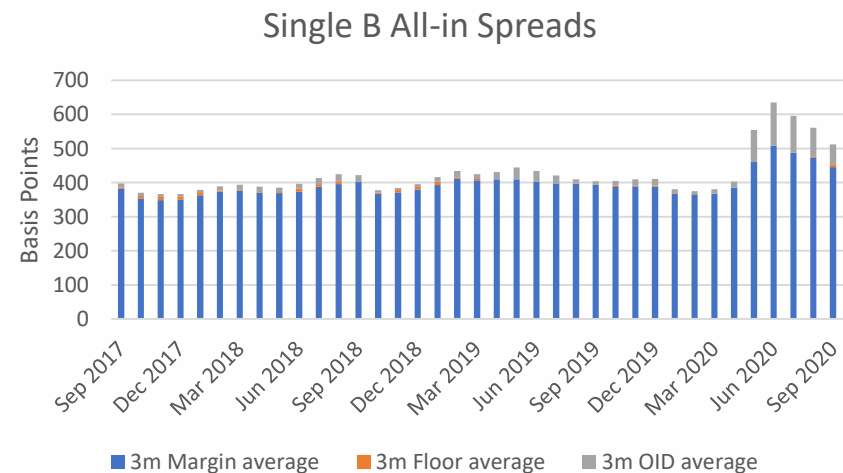
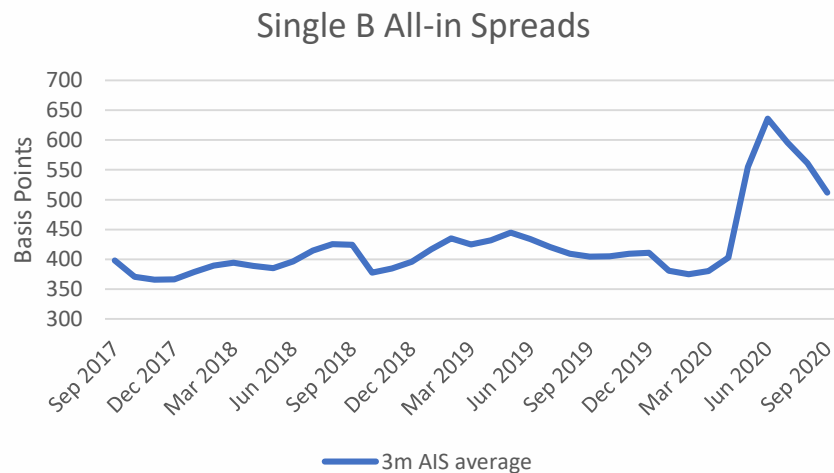
FRN corporate bonds.

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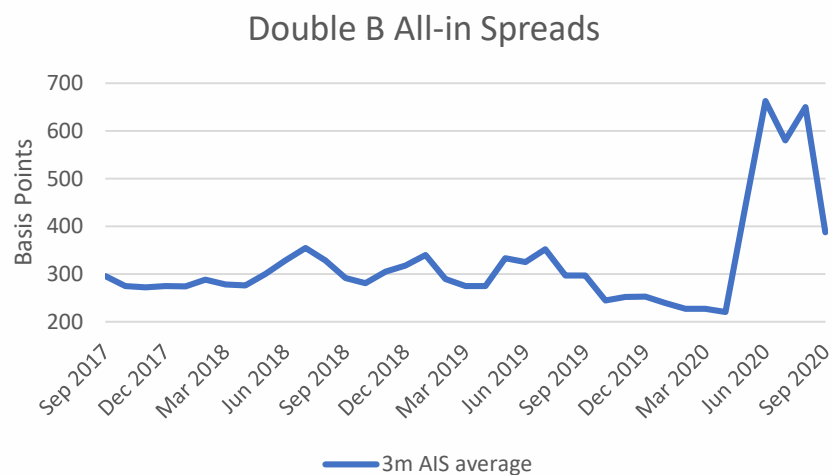
EUR 1L institutional loans.

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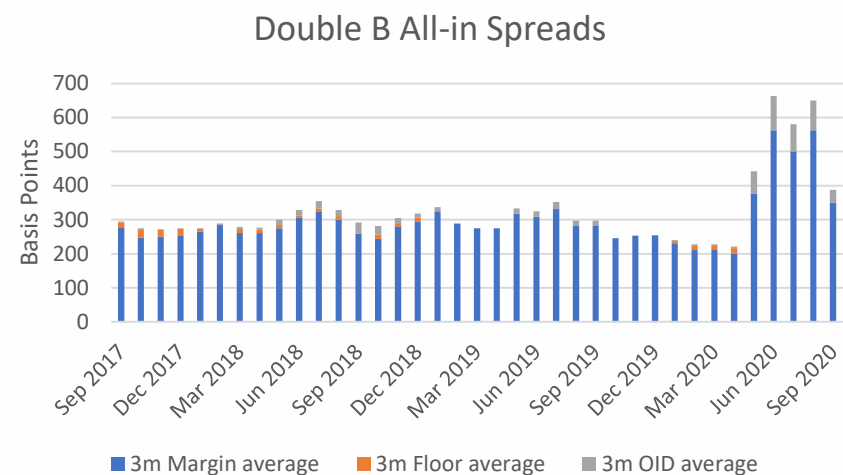


EUR 1L institutional loans. Single B and unrated issuers.

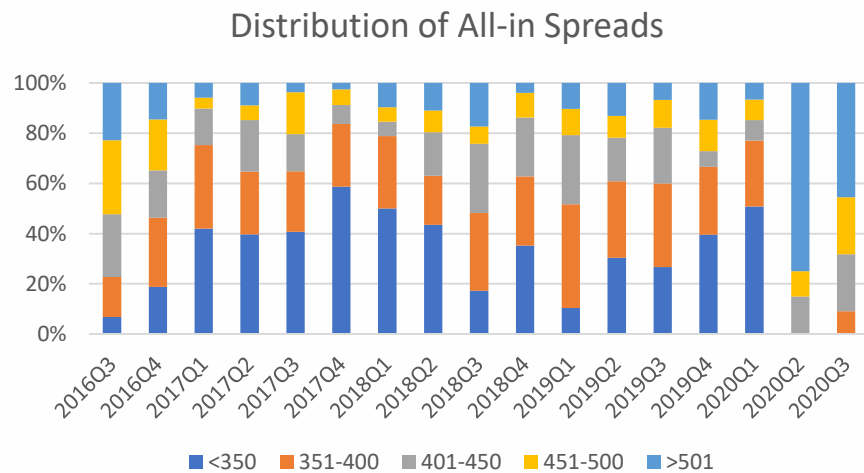
EUR 1L institutional loans. Single B and unrated issuers.



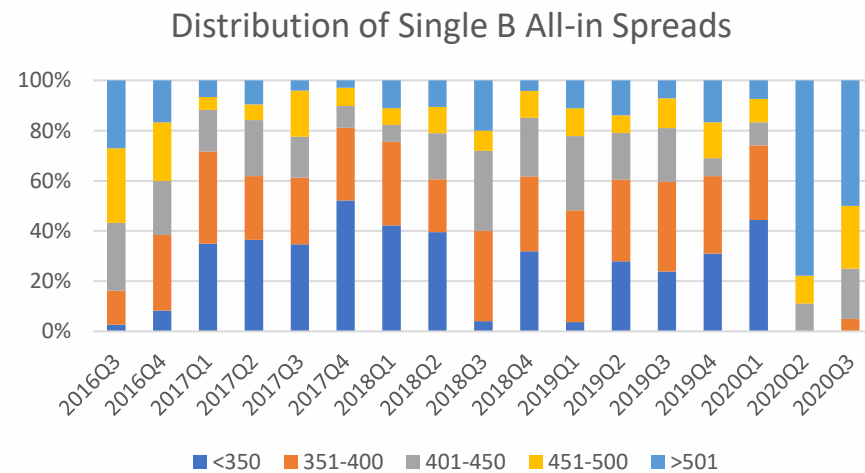
EUR 1L institutional loans. Double B issuers. 2Q20 readings based on two deals.



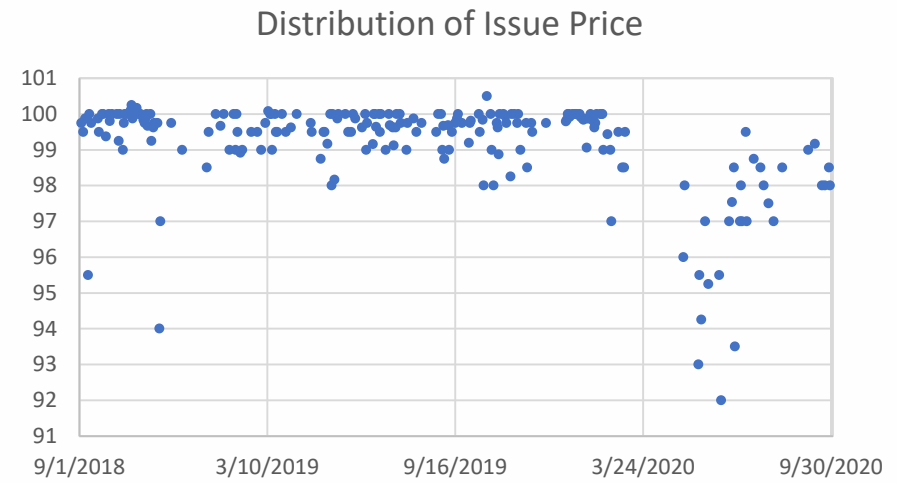
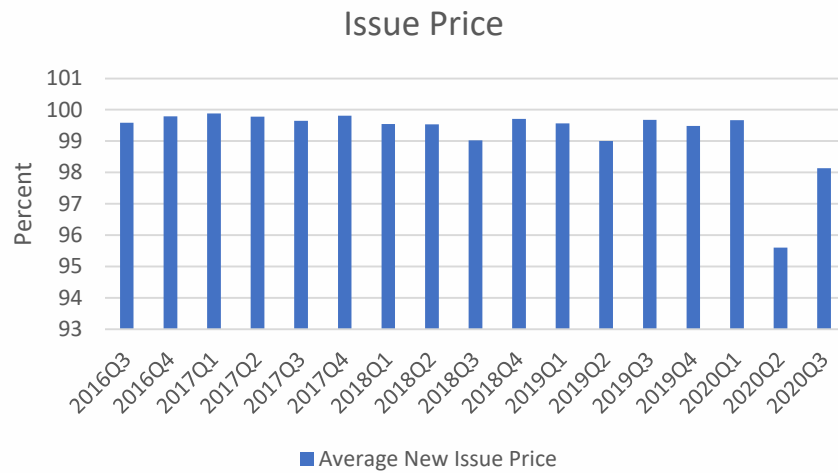
EUR 1L institutional loans. Double B issuers. 2Q20 readings based on two deals.



EUR 1L institutional loans.

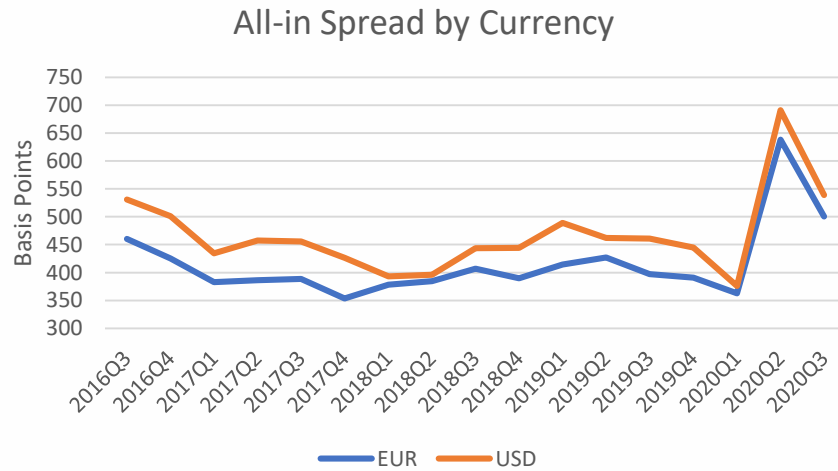


EUR 1L institutional loans. Single B and unrated issuers.

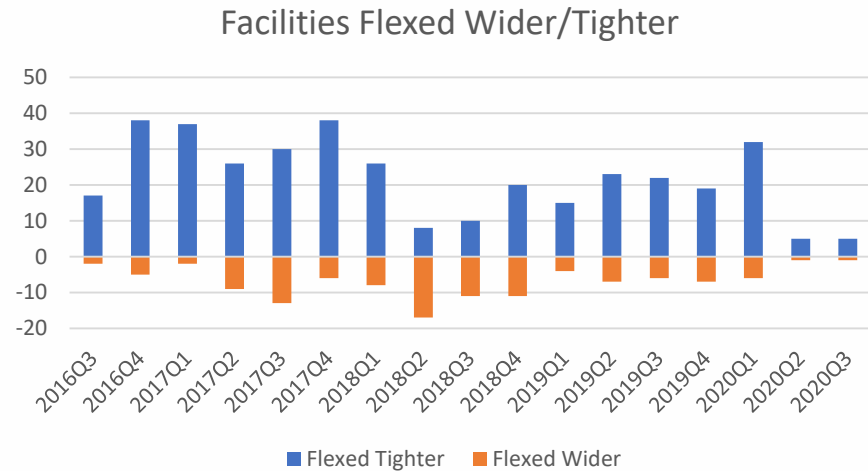


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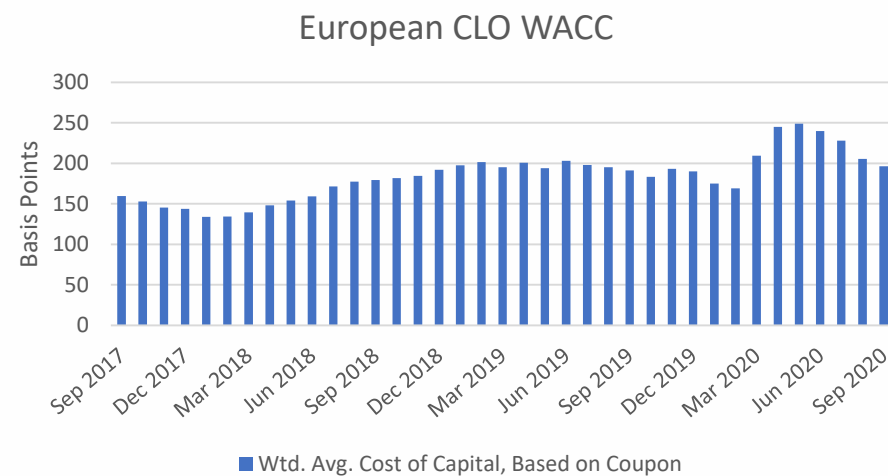
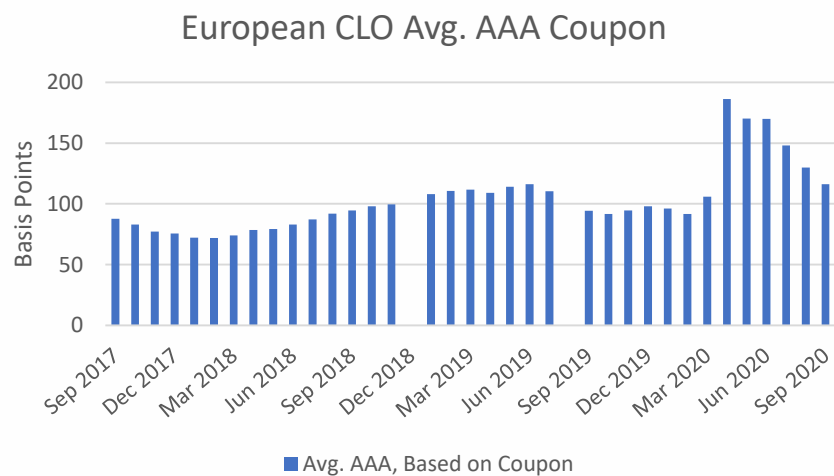
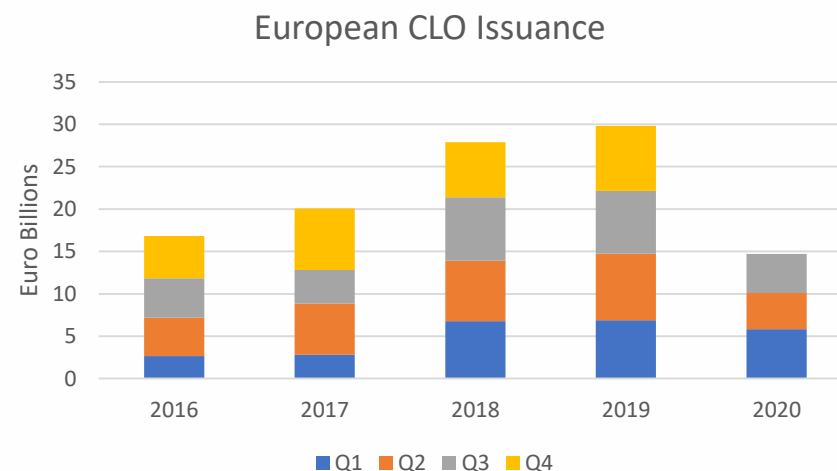
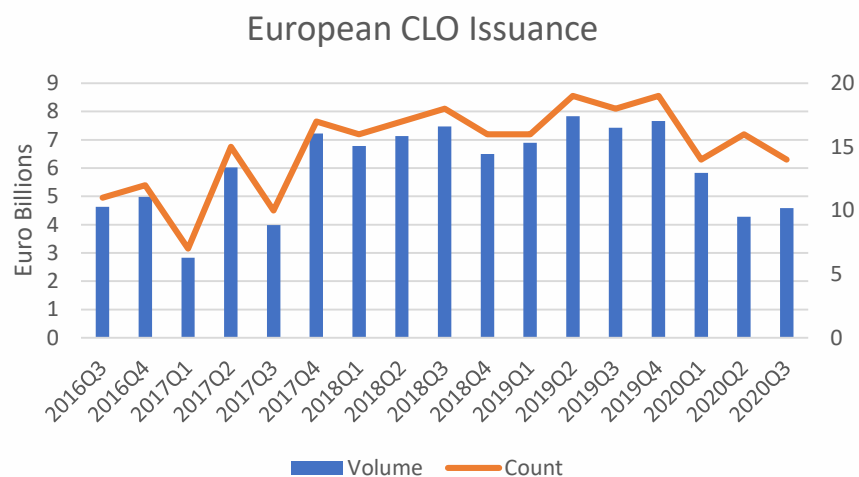
EUR 1L institutional loans.



EUR/GBP/USD 1L institutional loans.

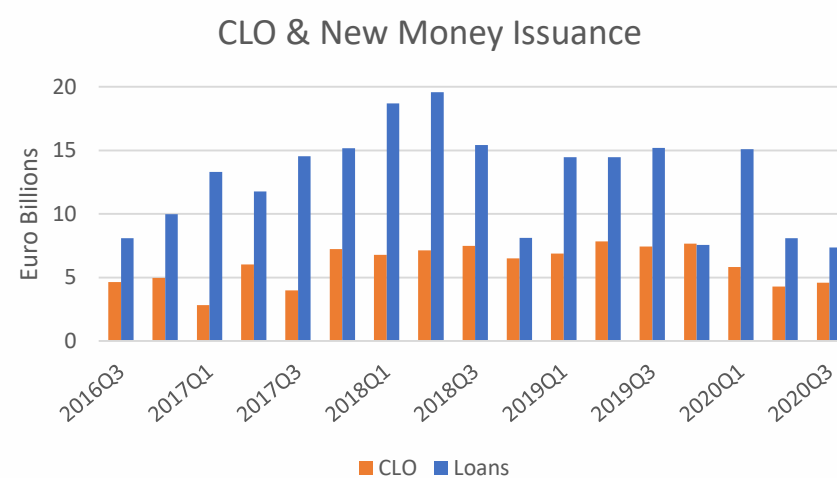


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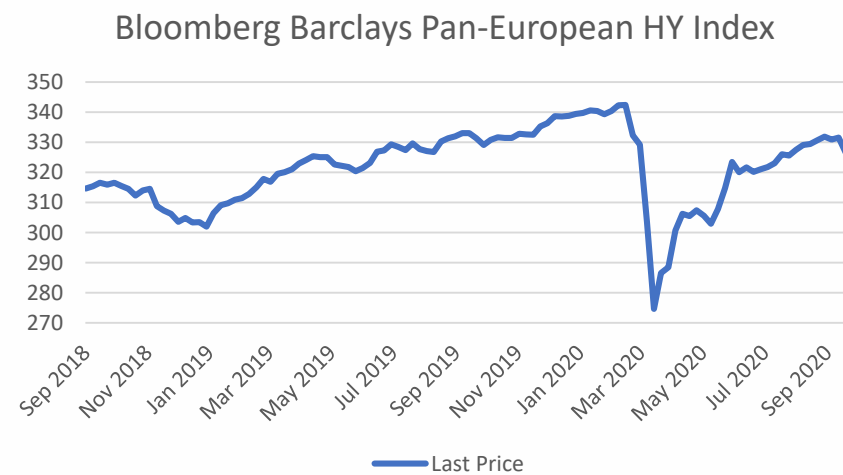
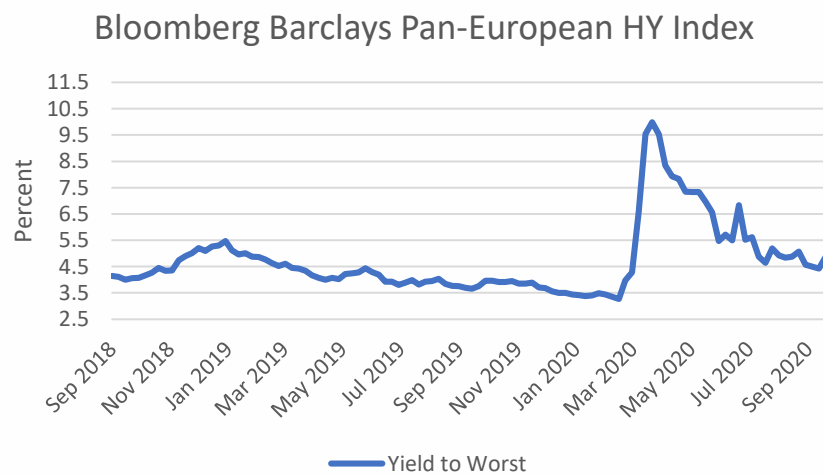


Based on coupon.

Includes deals that had no single B tranche; the average is higher if these deals are excluded (201bps for March 2019).



New loan issuance, excluding repricings/refinancings.



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