

# Default Risk and Recoveries

Moderator: David Gillmor – S&P Global

Matt Dunn, Partner – Clifford Chance

Christopher Kandel, Partner – Morrison Foerster

Robert Schach, Distressed Debt and Restructuring Editor – Reorg

Rob Reynolds, Managing Director, Head of CLO – Pemberton Capital Advisors

Nick Wood, Partner – Grant Thornton



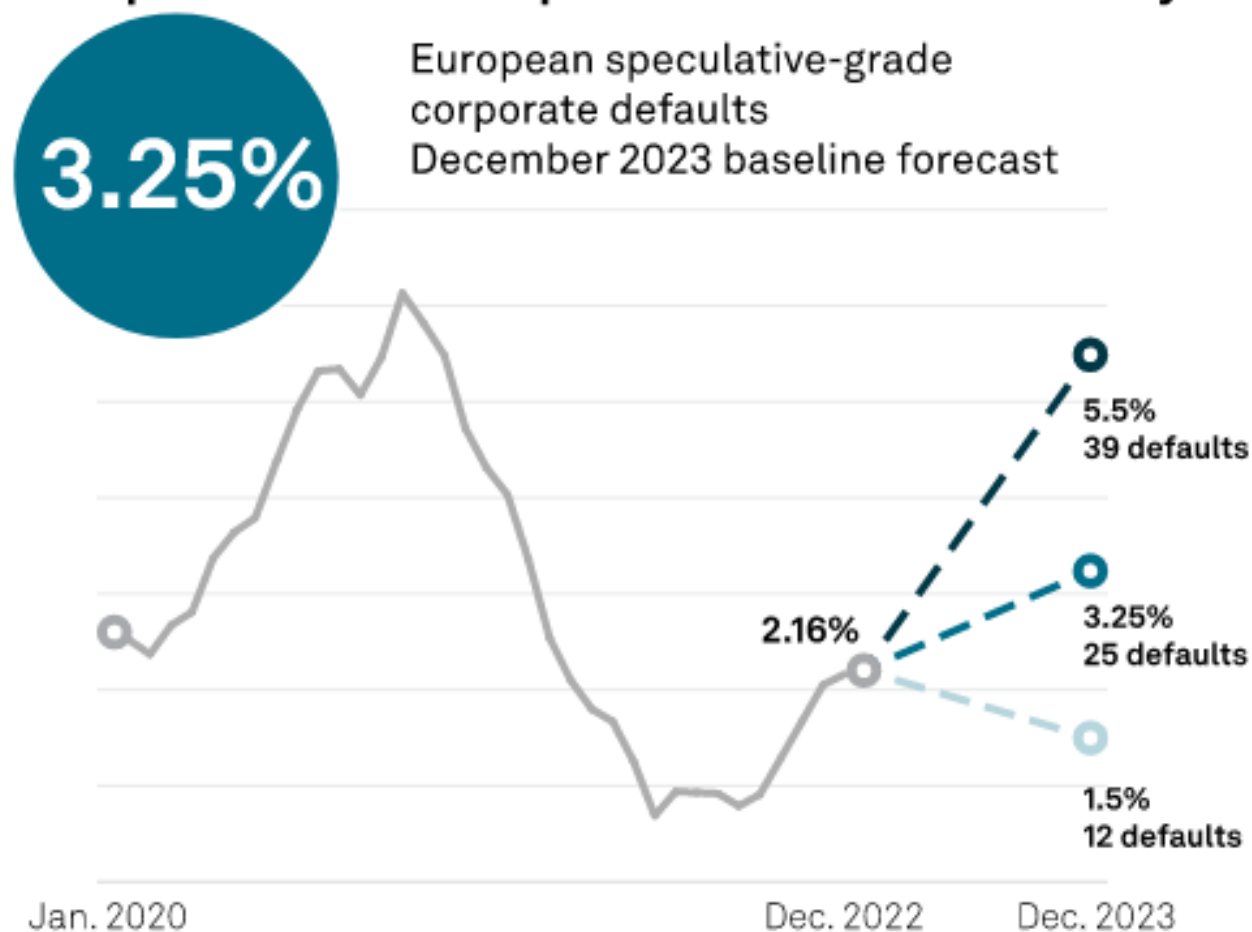
# European Trailing-12-Month Speculative-Grade Default Rate And December 2023 Forecast



Shaded areas are periods of recession as defined by the Center for Economic Policy Research. Data as of Dec. 31, 2022. Sources: S&P Global Ratings Credit Research & Insights, and S&P Global Market Intelligence's



## European Defaults Expected To Rise Moderately In 2023



As of the start of the year, S&P Global Ratings rates 784 European speculative-grade corporate issuers

**Pessimistic scenario:** Deeper or more widespread recessions combine with “sticky” inflation to push defaults up further. And any escalation to the ongoing Russia-Ukraine conflict would also add to the downside.

**Base scenario:** Defaults will rise later this year as elevated (if falling) inflation and sporadic recessions combine to strain growth prospects. This, alongside higher interest rates, could strain cash flow, particularly for the weakest issuers.

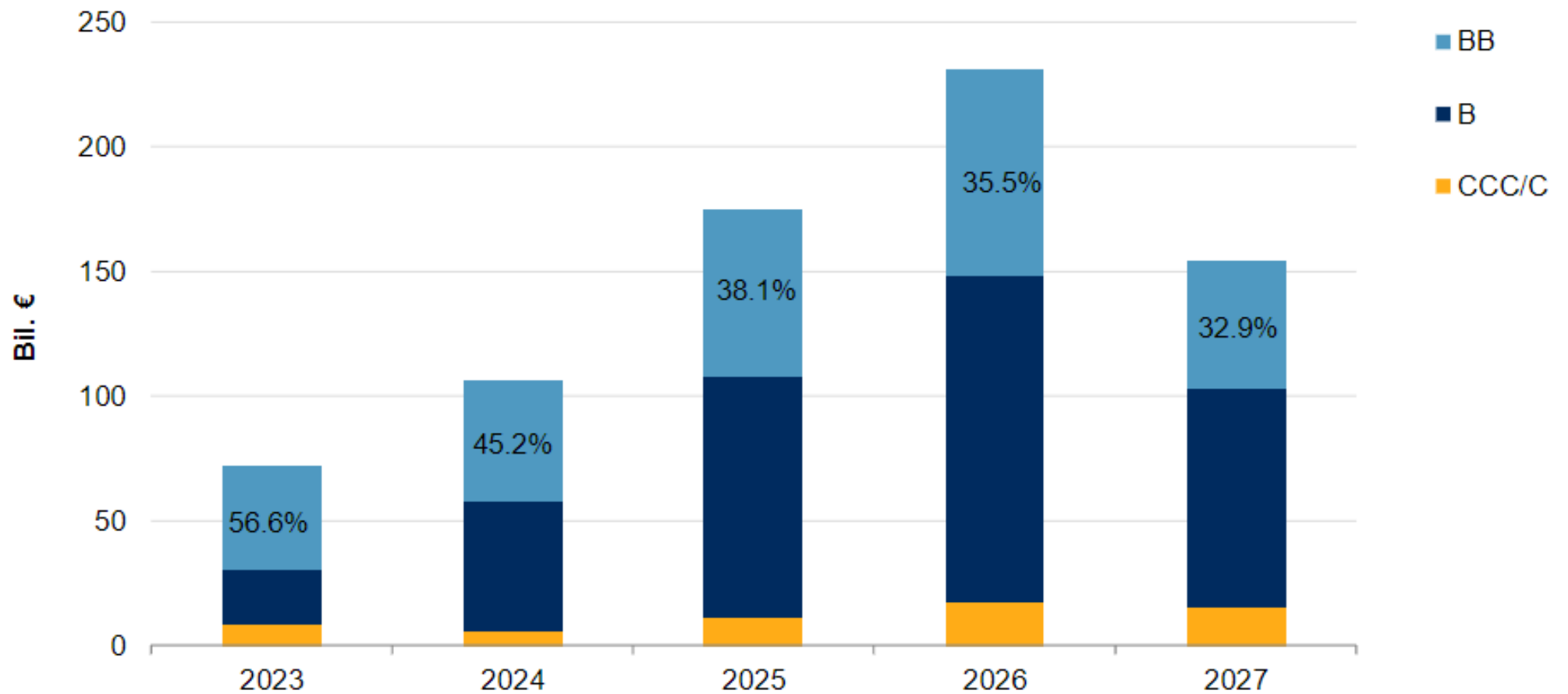
**Optimistic scenario:** The default rate remains largely subdued as recent positive economic readings persist and interest rates start to decline, keeping profits in positive territory and making the small near-term maturity wall nonthreatening.

Data as of Dec. 31, 2022. Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

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## Near-Term Maturities Manageable, But A Step-Up In 2025 And Beyond



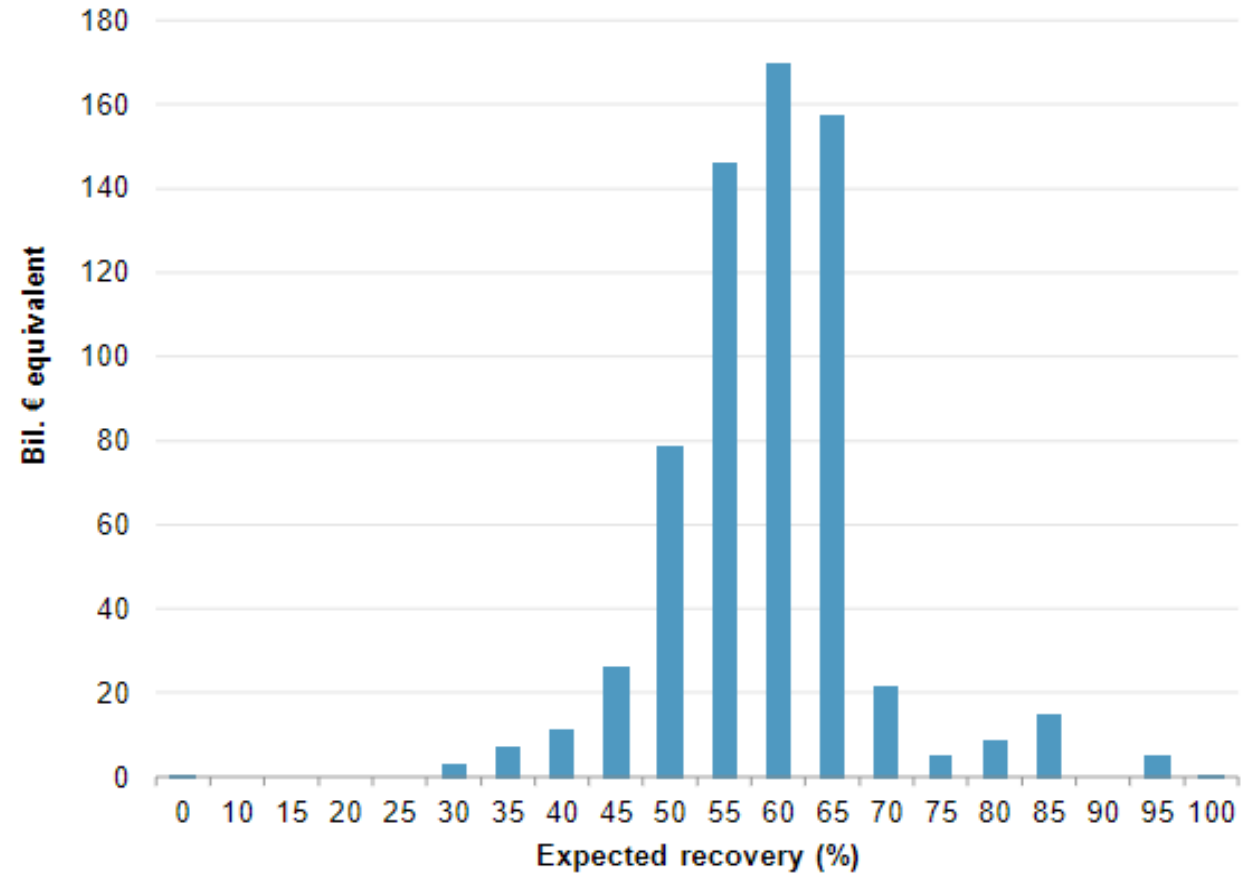
The percentages refer to the proportion of each annual total attributable to the 'BB' category.

Source: S&P Global Ratings Credit Research & Insights



# European Speculative-Grade Senior Secured Debt Outstanding Debt Per Expected Recovery Estimate

As of Dec. 31, 2022



Source: S&P Global Ratings.

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# Recovery, Standard Deviation | By Debt Type

## 2003-2021 Recovery Data Snapshot

Type of debt	No. of instruments	Increase in no. of instruments	Average recovery (%)	Median recovery (%)	Standard deviation (%)
First lien	1026	87	72.5%	80.4%	30.0%
Second lien	128	30	33.7%	17.5%	42.0%
Mezzanine	169	1	39.2%	1.5%	43.3%
Senior unsecured	150	47	51.8%	49.1%	36.5%
Subordinated	49	3	26.8%	0.0%	39.3%
<b>Total</b>	<b>1522</b>	<b>168</b>	<b>61.9%</b>	<b>68.1%</b>	<b>37.4%</b>

Source: S&P Global Ratings



# Questions?

