Secondary Market Bid Levels: Europe

The European secondary market gained 7pts in April, rising from 85.69 at the end of March to end April at 92.70. The par-plus share remained at 0.00% throughout the month, however the share pricing at distressed levels in the EuroLev 40 cohort dropped from 22.5% at the start of April to 0.00% by the end of the month.

Average bid (% of Par)

Share
New-issue volume remains muted in a post-COVID-19 world, with three structures pricing in April, for €835m. The average CLO has also decreased to €278m in April, from approximately €400m before the crisis.
European CLO AAA Spreads*

Three CLOs priced in April, with spreads ranging from 195bp for KKR’s Avoca XXIV to 225bp for Redding Ridge’s Zinnia Finance CLO. Both structures carried a three-year re-investment period while Permira’s Providus CLO 4 priced its AAAs at 200bp with one-year re-investment and non-call periods.

AAA Discount Margin (bp)

*based on deals where discount margin is available

Source: Refinitiv LPC
Defaulted Assets – European CLOs (post-crisis)

Compared to the U.S. market, the increase in reported defaults has been less pronounced in European CLOs, with 8.4% of CLOs reporting more than 1% of their principal balance in default.

*For an overview of the CLO Distressed Market, please download Refinitiv LPC’s Distressed Monthly presentation from LoanConnector*
On the European side, post-crisis CLOs hold the lion’s share of assets.
Distribution of Secondary Market Prices of Loan Assets in European CLOs

It was a similar picture in Europe, with the share of assets marked below 80 decreasing 22% in one month, to 15%. Thirty two percent of assets were marked between 90 and <95, compared to 8% a month earlier. And 21% are marked between 95 and <98, an increase of 20% from levels at the end of March.

Source: LPC Collateral
After dropping close to 16pts by the end of March, the weighted average bid on European CLOs gained over 7pts to the 88.6 context. The median bid also rallied 730bp to the 89 context.

*excludes CLOs less than $50 million in size.

Source: Refinitiv LPC, LPC Collateral
EMEA Leveraged Volume by Segment – Monthly

Refinancing issuance totalled $1.95bn for April. Compared to the same period last year, refinancings are down 68%. There was no M&A or new money issuance in April.

* The breakdown includes Refinancing, M&A and New money exclusive of M&A

Source: Refinitiv LPC
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