European Leveraged Loan Chart Book – 1H18

Fitch Ratings' European Leveraged Loan Chart Book series illustrates recent trends in leveraged loan issuance, maturities and default rates

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Recent Trends in the European Leveraged Loan Market

The data and analysis provided in this chart book are based on Fitch's portfolio of private credit opinions (COs), and private and public ratings on 443 European leveraged credits (as of 30 June 2018), primarily LBOs. Seventy-six percent of the portfolio is composed of leveraged loan-only borrowers, 15% of issuers with both loans (RCF or term loan) and high-yield bonds in the capital structure, and 9% of private debt/unitranche borrowers. In total, the portfolio represents about EUR365bn of committed senior and junior debt. COs are private point-in-time assessments of credit risk principally based on confidential information supplied by asset managers (mainly CLO investors) on individual borrowers. COs are regularly updated but are not monitored as private monitored or public ratings, and there is no formal relationship between Fitch and the borrower's management or owners. They are identified by lower-case letters and an asterisk. Data and charts fall into three categories: Primary Market Trends, Portfolio Quality, and Default and Recovery Outlook. We also highlight market cohorts by distinguishing sponsor and non-sponsor deals, broadly syndicated and privately placed issues, covenanted and covenant-lite structures as well as borrowers by debt size (below EUR200m, between EUR200m-EUR500m and above EUR500m).

Primary Market: 1H18 may have registered peak pricing and leverage multiples. "Jumbo" multi-billion euro take-private buyouts and large corporate carve-outs continued the momentum from 2017. These helped shift primary market EV multiple medians lower as sponsors targeted more traditional global and European champions. These contrast with high-multiple secular growth and service-oriented targets characteristic of the market through 2017. However, jumbo deals require large volumes of unsecured or subordinated debt. Unsecured pricing appeared to be impacted by the ECB's 1H18 statements confirming the withdrawal of asset purchases by the end of 2018. The slowdown in issuance in June and July reflected the increasing supply of more marginal credits and renewed bargaining power for investors to push back on aggressive pricing and terms. The outlook for current multiples remains supported by top-line and stable profit outlooks. In our view, the market remains better positioned to adjust to additional refinancing risk due to higher coupons than it does from any reversion in multiples.

Portfolio Quality: Fitch's portfolio of leveraged credits exhibits a balanced upgrade/downgrade ratio and credit quality remains stable. Higher-rated leveraged credits, many with historically high opening leverage levels, typically enjoy some combination of rising volumes and pricing power to increase operating profits which leads to gross deleveraging as well as strong free cash flow generation. Many highly leveraged credits with less dynamic operating profit outlooks also exhibit sustainable free cash flow, which adds cash to the balance sheet and generates net deleveraging. Upgrades do not necessarily follow net deleveraging as sponsors prefer to re-lever via dividend recapitalisations, secondary buyouts or employ cash towards bolt-on-acquisitions.

Default and Recovery Outlook: Post-crisis declines in default rates and the percentage of Fitch's "At-Risk" portfolio of 'b-*'/Negative Outlook and below credits at below 9% of the total portfolio reflect the combination of: 1) pre-crisis deals recovering or restructuring; 2) post-crisis asset selection with an emphasis among sponsors on cash-generative secular growth targets; 3) improving demand conditions from the eurozone recovery, the delivery of cost savings and economies of scale in 'buy-and build' strategies; and 4) ultra-loose financial conditions from global and ECB monetary policies. The risk of "tourist" capital fleeing riskier leveraged credit for similar yields in higher-rated and more liquid asset classes together with the reluctance of issuers to refinance current low coupons with higher ones raises the spectre of eventual refinancing risk and rising default rates when maturities come due in the early 2020s. Meanwhile, the median expected senior recovery for the whole portfolio remains below 60%, reflecting the stable senior leverage around 5.5x.

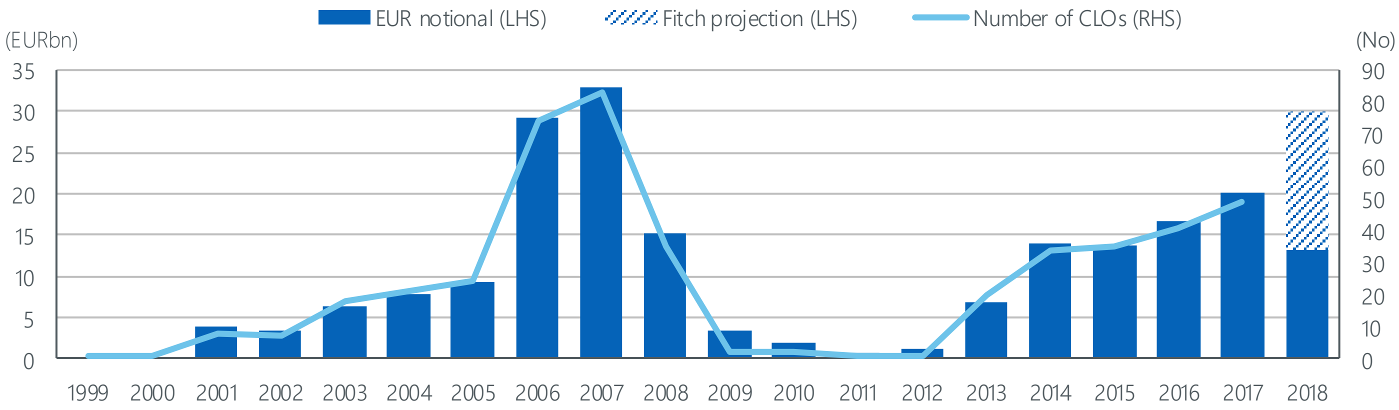
1 Primary Market Trends

Primary Market | European CLO and Leveraged Loan Issuance

- With close to EUR30bn expected in 2018, European CLO issuance (excluding resets and repricings) is set to exceed its level of 2017 and mark a new post-crisis high.
- In late June 2018, spreads for AAA notes reached their lowest level post-crisis, when two CLOs priced below 70bp over Euribor. Spreads have widened since then with the latest deals pricing close to 100bp in September 2018.
- New CLO issuance has outpaced leveraged loan issuance which remains constrained by a scarcity of assets.
- We expect 2018 European leveraged loan issuance (excluding repricings and US borrowers) will achieve a similar level as 2017 at around EUR80bn.
- 2018 loan issuance benefits from sustained sponsor activity, with secondary buyouts, dividend recapitalisations, bolt-on acquisitions and refinancings.
- However, constraints to issuance include high entry valuation multiples, lower expected recoveries on senior debt and the threat of ECB tapering.

European CLO Issuance

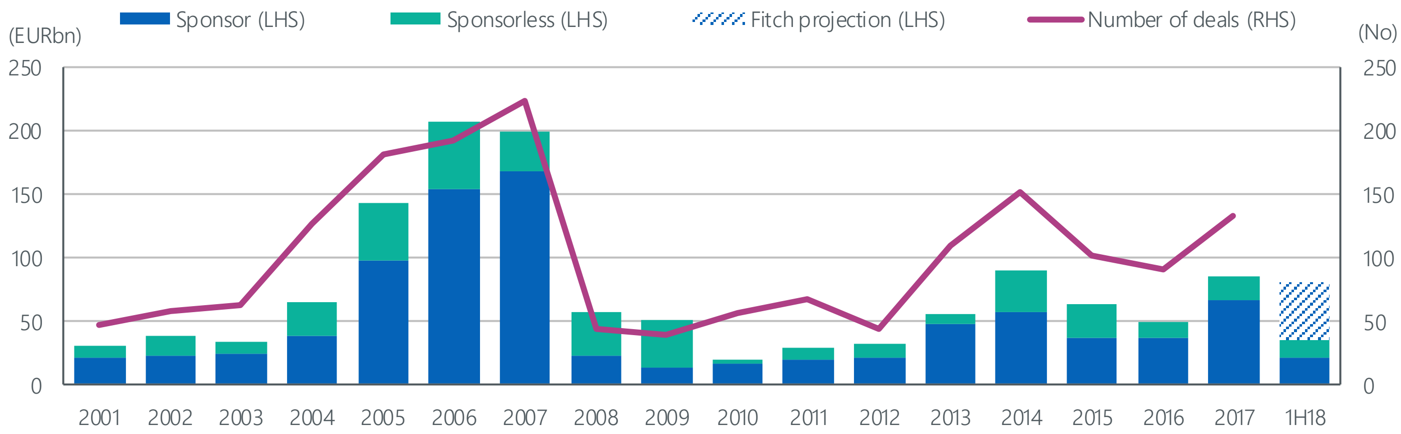
1999-1H18



Source: Fitch, Bloomberg

Western European Leveraged Loan Issuance (excluding US Borrowers and Repricings)

2001-1H18

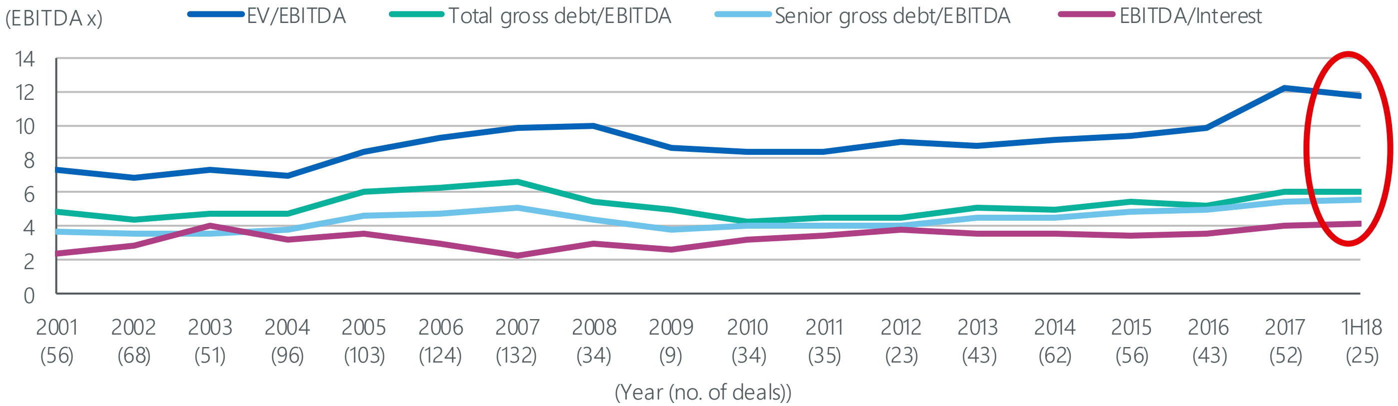


Source: Fitch Credit Opinions Database

Primary Market | Enterprise Value, Debt Multiples and Credit Opinions Distribution

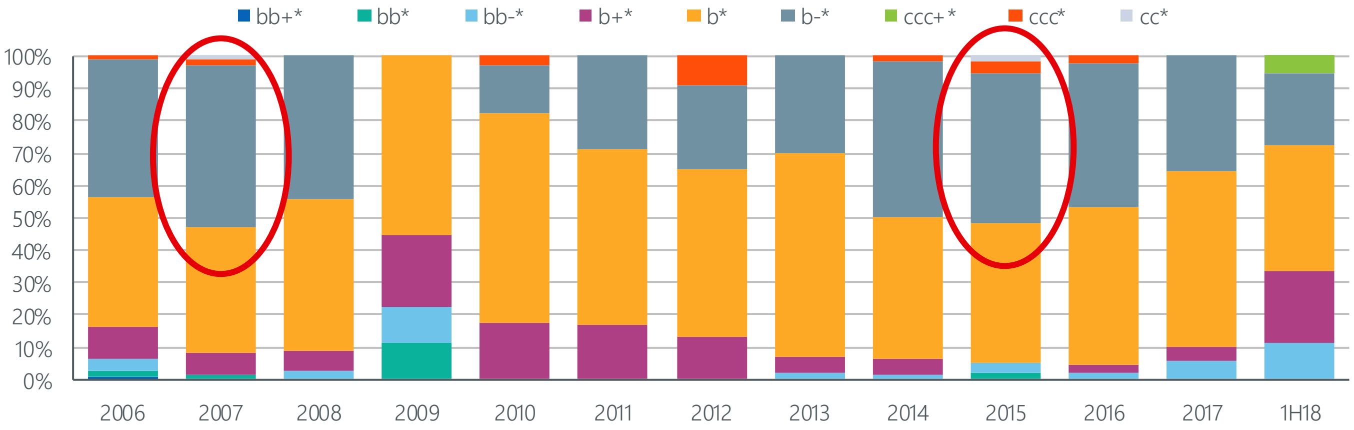
- EV multiples in 1H18 have stabilised around 12x EBITDA (median), in line with 2017. The number of new transactions (annualised) remains flat year-on-year despite historically accommodative debt market conditions.
- Primary market deal structures have remained broady stable compared with 2017. At a median 6x and 5.5x EBITDA over 2018 respectively, total leverage and senior leverage remained stable.
- Equity cushion remains around 50%, much higher than in 2006-07 (around 30%).
- b-* and below Issuer Default Credit Opinions (IDCOs) accounted for the largest proportion of first-time leveraged buy-outs (LBO), secondary buy-outs (SBO) and tertiary buy-outs (TBO) in a post-crisis vintage in 2015.
- The proportion of b-* has fallen since then, as high leverage is partly compensated by stronger business profiles, comfortable interest coverage ratios, supported by declining median margins on TLBs and improving operating profit outlook in many sectors.
- Financial sponsors and leveraged credit investors exercise risk aversion via business model selection rather than leverage or covenant constraints, with the high-yield bond market accepting more credits from challenged sectors such as retail.

Enterprise Value (EV), Leverage and Interest Cover Multiples at Closing (Median)
2001-1H18, Primary market LBO/SBO/TBO/QBO



Note: Multiples are based on a Fitch EBITDA which may differ from the reference EBITDA used in information memoranda and marketing materials.
Source: Fitch Credit Opinions Database

Distribution of Issuer Default Credit Opinion (IDCO) in New Issuance
As % of total number of primary market LBO/SBO/TBO/QBO



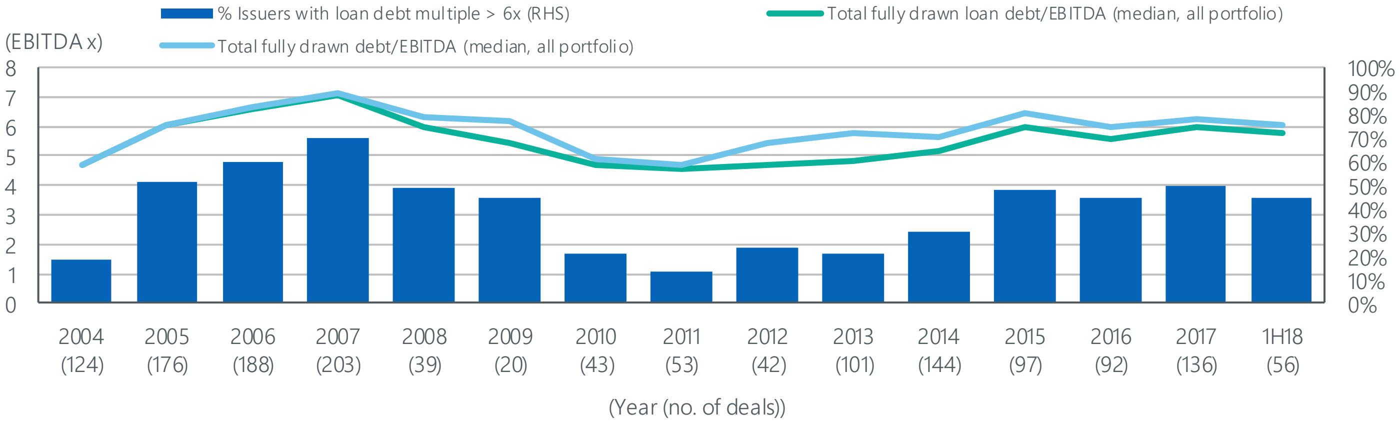
Source: Fitch Credit Opinions Database

Primary Market | Buyout and Refinancing Deals Above 6x Total Gross Leverage

- 6x EBITDA is the threshold beyond which regulated banks have to report new transactions under the ECB's leveraged lending guidelines (LLG) for eurozone banks introduced at the end of 2017.
- In 2017, half of the 136 European leveraged finance transactions observed by Fitch, including both buyouts and refinancings, had a total gross loan debt to EBITDA multiple in excess of 6x, on a fully drawn basis at closing (excluding shareholder debt).
- Only 45% of 1H18 transactions breached the 6x threshold.
- Fitch anticipates more floating rate note issuance as these borrower-friendly instruments remain eligible CLO collateral, which are unconstrained by LLG. However, the substitution effect may be limited as ECB's LLG also captures regulated banks' exposure to senior secured revolving credit facilities supporting FRN and unitranche financings.
- German borrowers represent a materially smaller share of highly leveraged deals than in the total loan portfolio as they tend to operate in more cyclical or capital-intensive industries with less tolerance for leverage.

Proportion of Transactions with Loan Debt Multiple Above 6x - Entire Portfolio

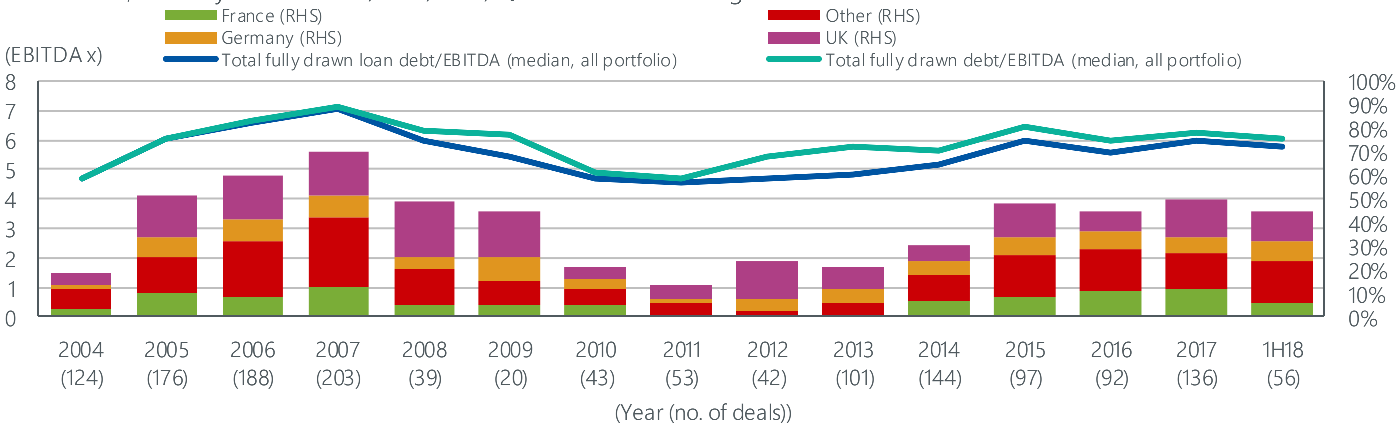
2004-1H18, Primary market LBO/SBO/TBO/QBO and Refinancings



Note: Multiples are based on a Fitch EBITDA which may differ from the reference EBITDA used in information memoranda and marketing materials.
Source: Fitch Credit Opinions Database

Proportion of Transactions with Loan Debt Multiple Above 6x - By Country

2004-1H18, Primary market LBO/SBO/TBO/QBO and Refinancings



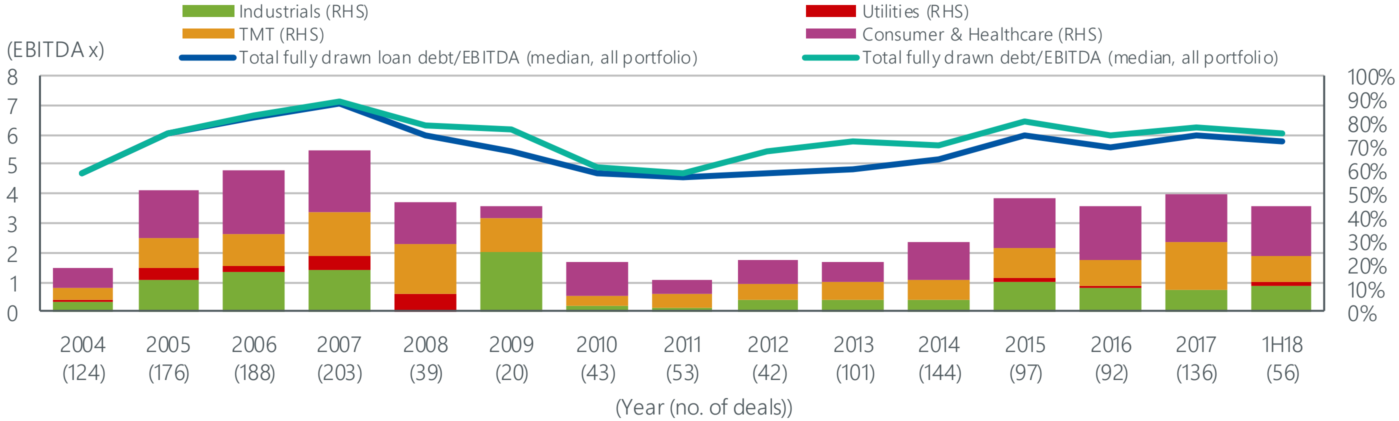
Note: Multiples are based on a Fitch EBITDA which may differ from the reference EBITDA used in information memoranda and marketing materials.
Source: Fitch Credit Opinions Database

Primary Market | Buyout and Refinancing Deals Above 6x Total Gross Leverage (Cont.)

- In 2018, the broad consumer and health-care sector continued to stand out as the most aggressive on leverage, just above TMT and Industrials. 46% of transactions crossing the 6x threshold were originated in that sector, although most highly leveraged structures came from health-care issuers with strong free cash-flow and deleveraging profiles.
- However, issuers in the more challenged non-food retail segment also exhibited debt-funded expansion and dividend recap strategies, despite less robust top-line revenue and like-for-like operating profit performance.
- Mid-market and larger deals, with total debt committed above EUR200m, are often able to issue in both the leveraged loan and high-yield bond markets and therefore drive median leverage up.
- Smaller borrowers with less than EUR200m in debt represent a small proportion of deals exceeding 6x as this cohort primarily consists of borrowers in loan-only "club"–style deals or unitranche financings, with notably smaller EV multiples yet higher debt service costs.

Proportion of Transactions with Loan Debt Multiple Above 6x - By Industry

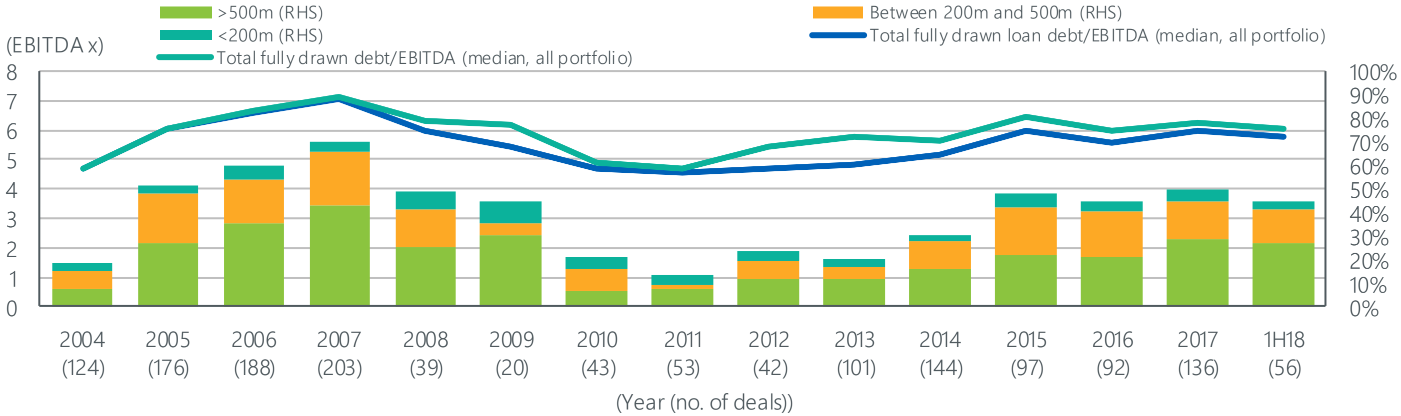
2004-1H18, Primary market LBO/SBO/TBO/QBO and Refinancings



Note: Multiples are based on a Fitch EBITDA which may differ from the reference EBITDA used in information memoranda and marketing materials.
Source: Fitch Credit Opinions Database

Proportion of Transactions with Loan Debt Multiple Above 6x - By Loan Size (EURm)

2004-1H18, Primary market LBO/SBO/TBO/QBO and Refinancings



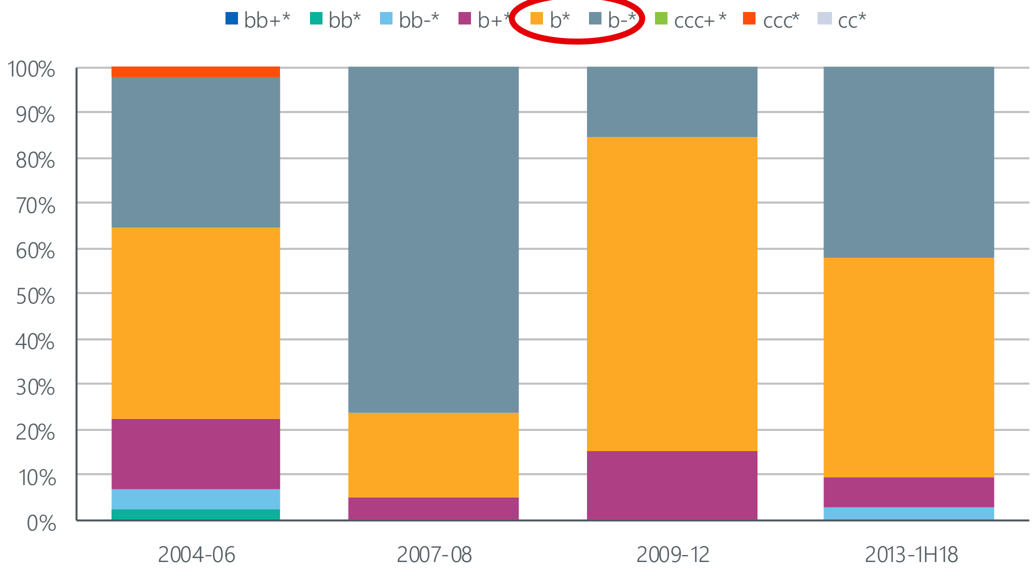
Note: Multiples are based on a Fitch EBITDA which may differ from the reference EBITDA used in information memoranda and marketing materials.
Source: Fitch Credit Opinions Database

Primary Market | EV, Debt Multiples and CO Distribution in Healthcare and Pharma

- The Fitch credit opinions assigned to health-care and pharma transactions over 2013-1H18 reflect a balanced portfolio of b* and b-*, as opposed to the pre-crisis period of 2007-08 that had a strong bias towards b-*.
- Despite more conservative valuations and credit metrics post-crisis overall, business models are more niche and tend to lack product and/or geographical diversification. However, high valuation multiples in the sector can sometimes be justified through potential synergies and increasing scale which may lead to margins expansion, stronger cash generation and a higher multiple at exit.
- The health-care and pharma sector stands out as the most aggressive on leverage in the post-crisis period. About 56% of all transactions (including refinancings) completed since 2013 in the sector have crossed the 6x total loan debt to EBITDA threshold on a fully drawn basis.

Distribution of IDCOs in New Issuance – Healthcare and Pharma

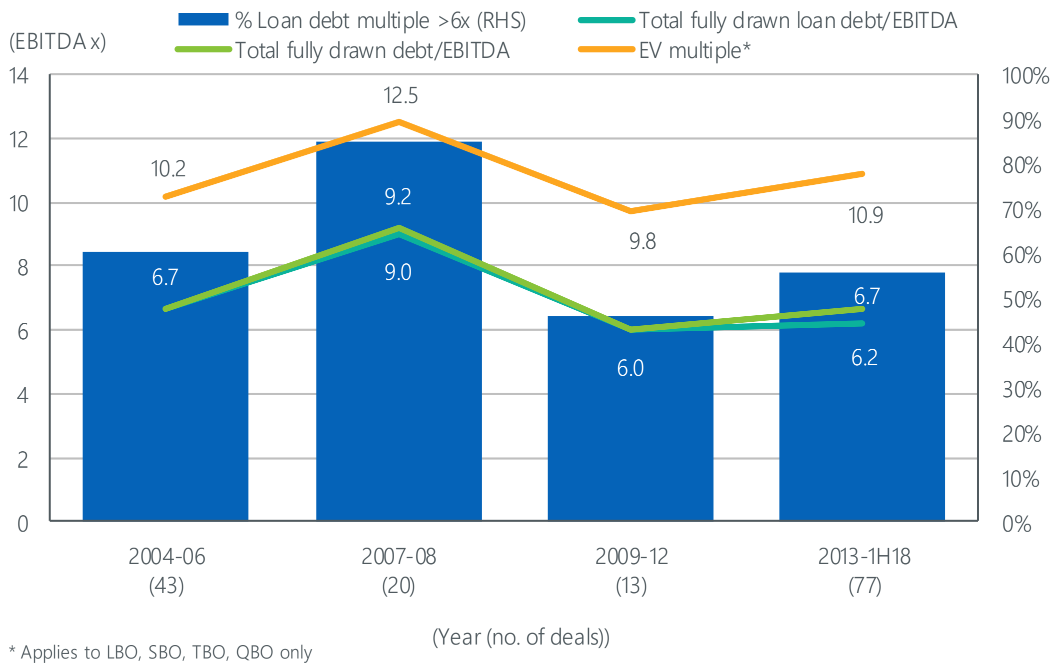
As % of total number of primary market LBO/SBO/TBO/QBO and Refis in the sector



Source: Fitch Credit Opinions Database

Total Debt and EV Multiples (Median) – Healthcare and Pharma

2004-1H18, Primary Market LBO/SBO/TBO/QBO and Refis in the sector



* Applies to LBO, SBO, TBO, QBO only

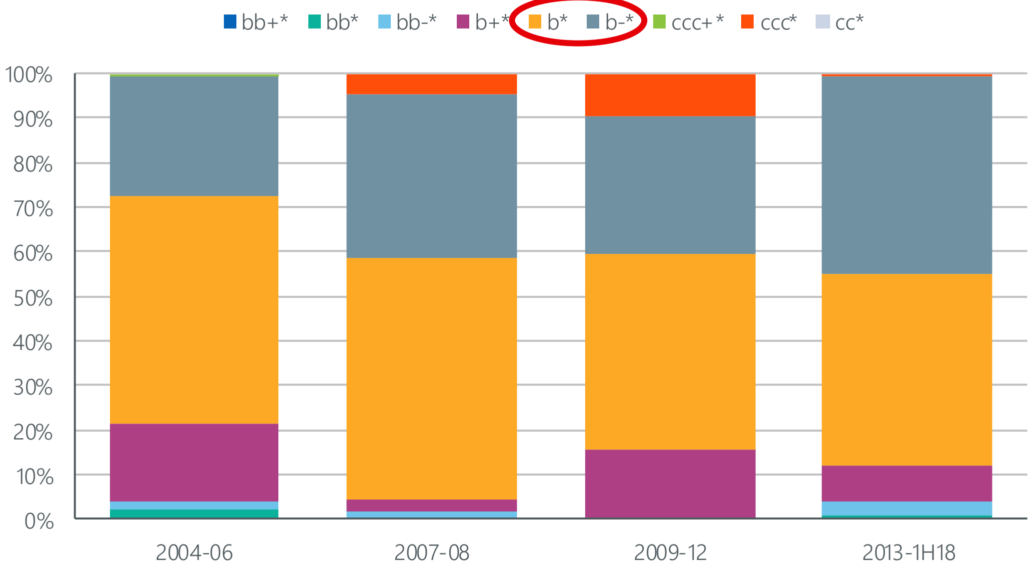
Source: Fitch Credit Opinions Database

Primary Market | EV, Debt Multiples and CO Distribution in Industrials

- Borrowers in the broad industrials sector maintain a higher equity cushion than in the 2007-08 period and a lower leverage level.
- In the pre-crisis 2007-08 period, confidence in profit growth and the ability of companies to generate free cash flow and deleverage supported a majority of b* credit opinions.
- In the post-crisis period of 2013-2018, the more conservative leverage metrics (only 32% of transactions exceeded 6x total debt to EBITDA on a fully drawn basis) were offset by slower revenue growth and weaker margin expansion prospects that limit deleveraging potential and leave high refinancing risk at maturity in most cases. The share of b-* credit opinions has been growing since 2013.
- High valuations can be justified for companies with niche applications and defendable market positions and stable profitability.

Distribution of IDCOs in New Issuance – Industrials

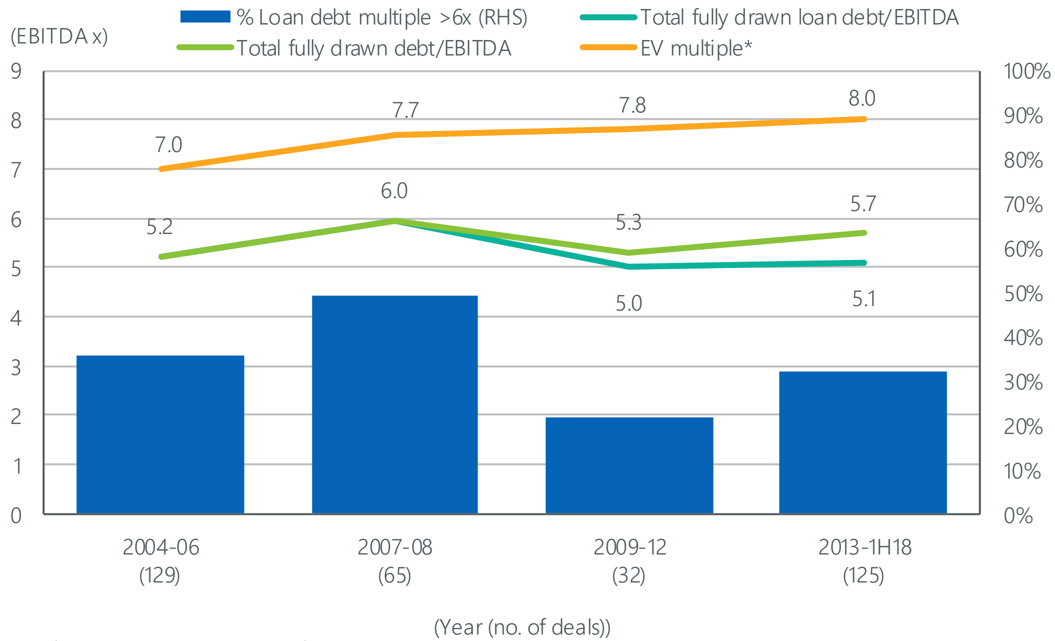
As % of total number of primary market LBO/SBO/TBO/QBO and Refis in the sector



Source: Fitch Credit Opinions Database

Total Debt and EV Multiples (Median) – Industrials

2004-1H18, Primary Market LBO/SBO/TBO/QBO and Refis in the sector



* Applies to LBO, SBO, TBO, QBO only

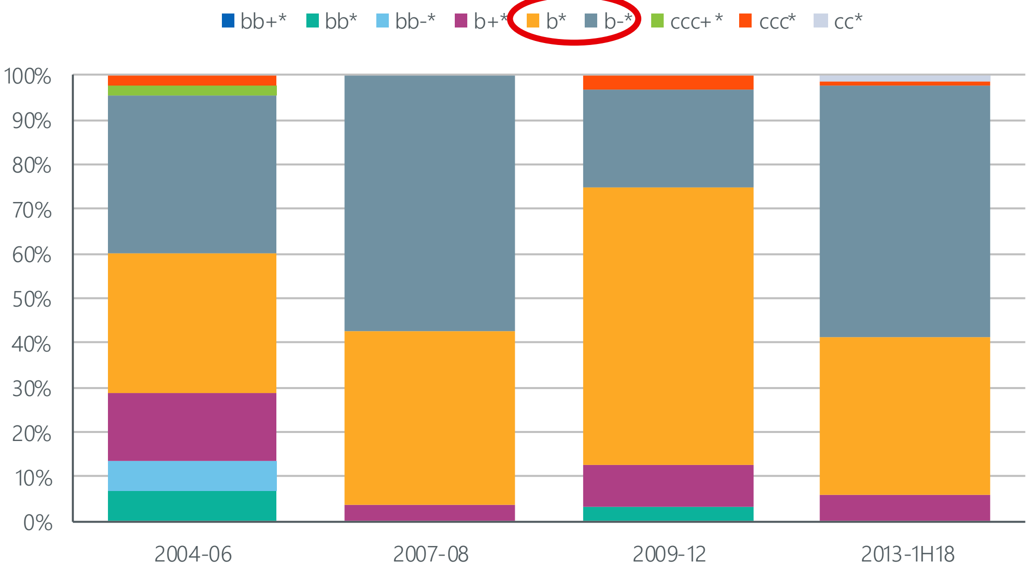
Source: Fitch Credit Opinions Database

Primary Market | EV, Debt Multiples and CO Distribution in Retail, Lodging and Rest.

- Transactions in the retail, lodging and restaurants sector completed since 2013 have lower leverage and higher equity cushion than in 2007-08. Only 34% of transactions exceeded 6x total debt to EBITDA on a fully drawn basis in 2013-1H18 compared to 75% in 2007-08.
- This is supported by the fact that non-food retailers are largely confined to their core markets with benefits from greater scale less obvious than in manufacturing activities, thus resulting in less strategic M&A in retail than in other segments. Moreover, differences in culture leading to high integration risk is also a constraint to cross-border non-food retail M&A.
- The three segments (retail, lodging and restaurants) face significant challenges from weak organic growth, disruptive technology and changing competitive dynamics in certain segments that exert pressure on profitability and cash-flow generation, which is ultimately reflected in lower leverage ratios at closing of LBOs compared to 2007-08.

Distribution of IDCOs in New Issuance – Retail, Lodging and Restaurants

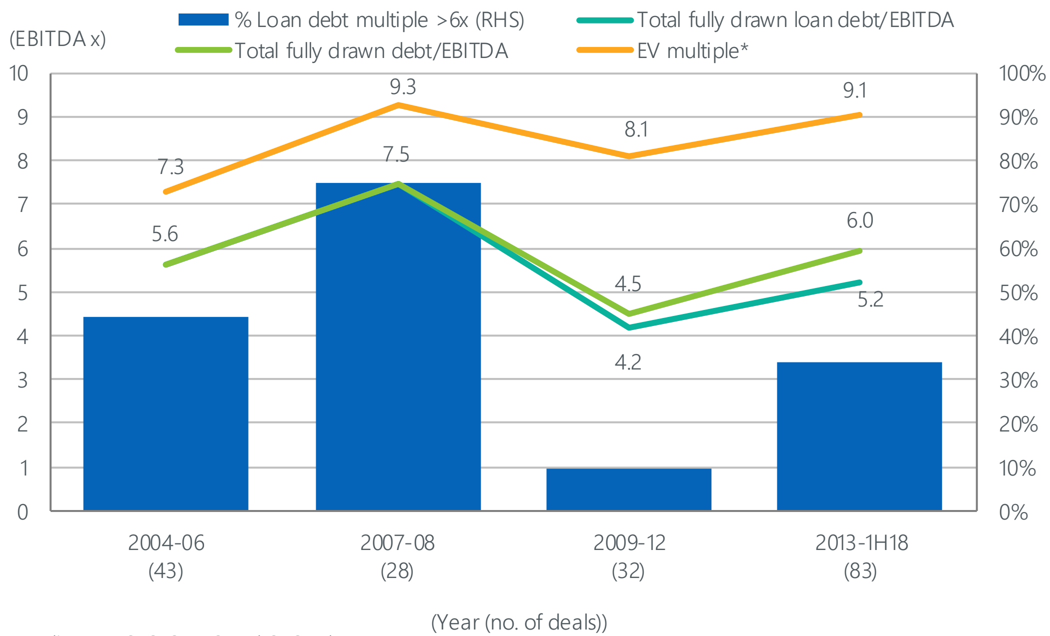
As % of total number of primary market LBO/SBO/TBO/QBO and Refis in the sector



Source: Fitch Credit Opinions Database

Total Debt and EV Multiples (Median) – Retail, Lodging and Restaurants

2004-1H18, Primary Market LBO/SBO/TBO/QBO and Refis in the sector



* Applies to LBO, SBO, TBO and QBO only

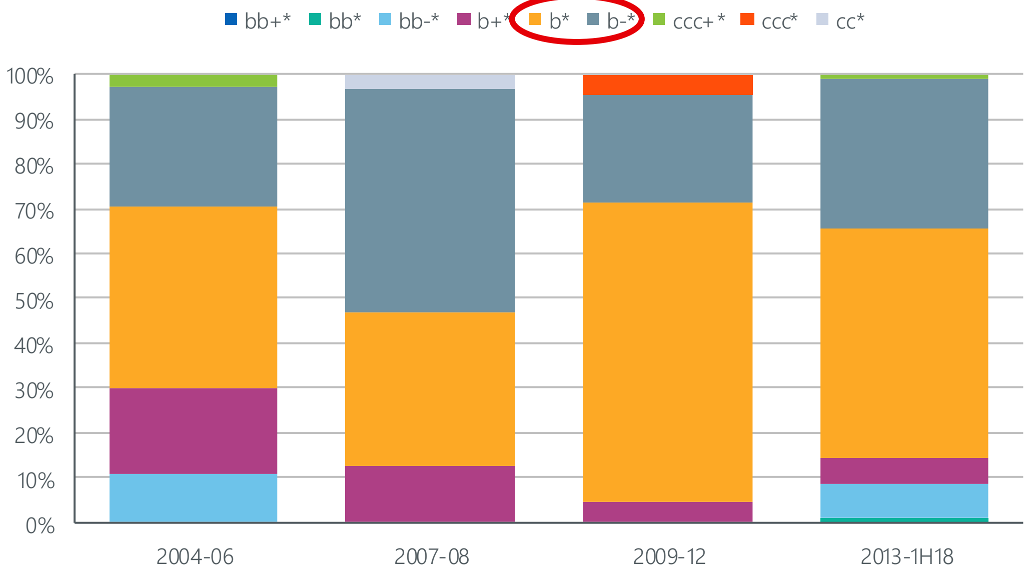
Source: Fitch Credit Opinions Database

Primary Market | EV, Debt Multiples and CO Distribution in Business Services

- Despite similar enterprise valuations (EVs) in the 2007-08 and 2013-1H18 periods, business services companies exhibit more conservative leverage in the present cycle than in 2007-08. Around 46% of transactions exceeded 6x total loan debt to EBITDA on a fully drawn basis in 2013-1H18 compared with 81% in 2007-08.
- Higher equity contributions often reflect sponsor comfort in the high-margin, high barrier-to-entry and growth profiles of multiple service sub-sectors.
- The better balance between financial risk and business risk in the recent vintages is reflected in a higher proportion of b* and above credit opinions compared with 2007-08; their business model is typically supported by long-term customer relationships, low churn rates, stable levels of profitability and low cash-flow volatility, all of which underscore confidence in deleveraging forecasts.

Distribution of IDCOs in New Issuance – Business Services

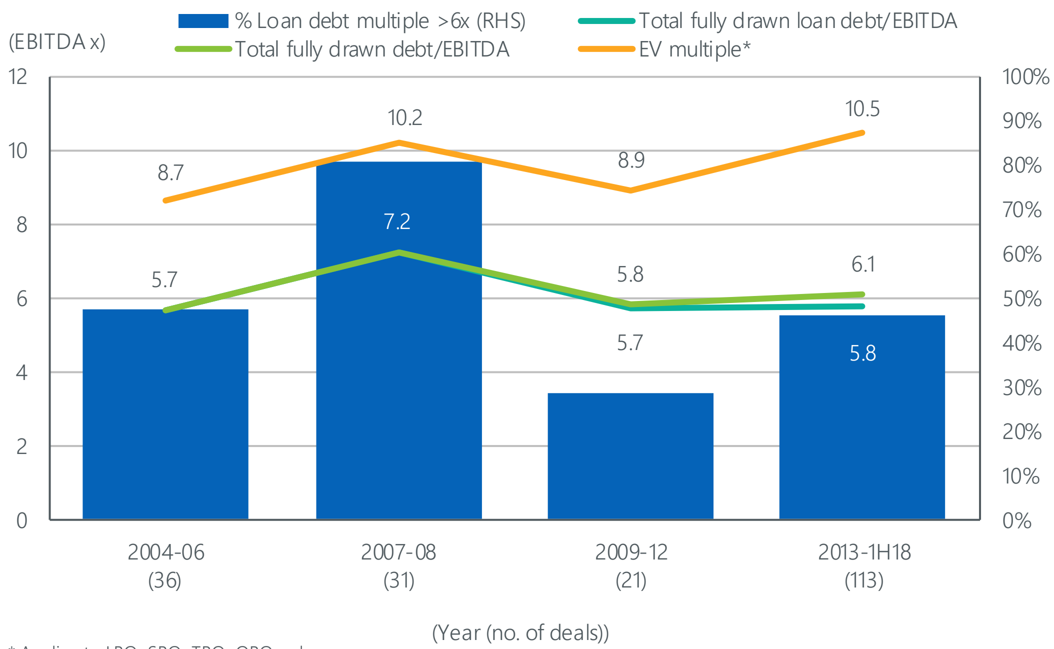
As % of total number of primary market LBO/SBO/TBO/QBO and Refis in the sector



Source: Fitch Credit Opinions Database

Total Debt and EV Multiples (Median) – Business Services

2004-1H18, Primary Market LBO/SBO/TBO/QBO and Refis in the sector



* Applies to LBO, SBO, TBO, QBO only

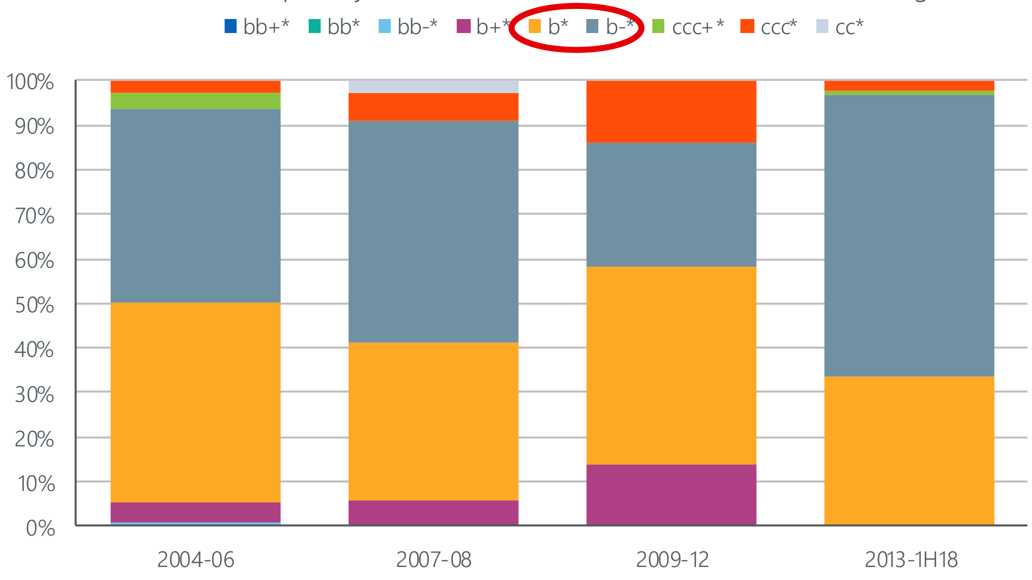
Source: Fitch Credit Opinions Database

Primary Market | EV, Debt Multiples and CO Distribution (Debt Below EUR200m)

- A majority of new deals with total debt committed below EUR200m carry a b-* or below IDCO due to their small operating scale, lack of diversification and key-man risk.
- Private equity sponsors face less competition for smaller targets, although their efforts to combine portfolio companies and emphasise synergies from size and scale has contributed to an increase in valuations since 2013.
- While leverage for this category of borrowers remains lower than new issuance across the portfolio as a whole (around 28% of transactions exceeded 6x total debt to EBITDA on a fully drawn basis in 2013-1H18), the high proportion of b-* IDCOs reflects the idiosyncratic business risks facing smaller borrowers.

Distribution of IDCO in New Issuance with Debt Below EUR200m

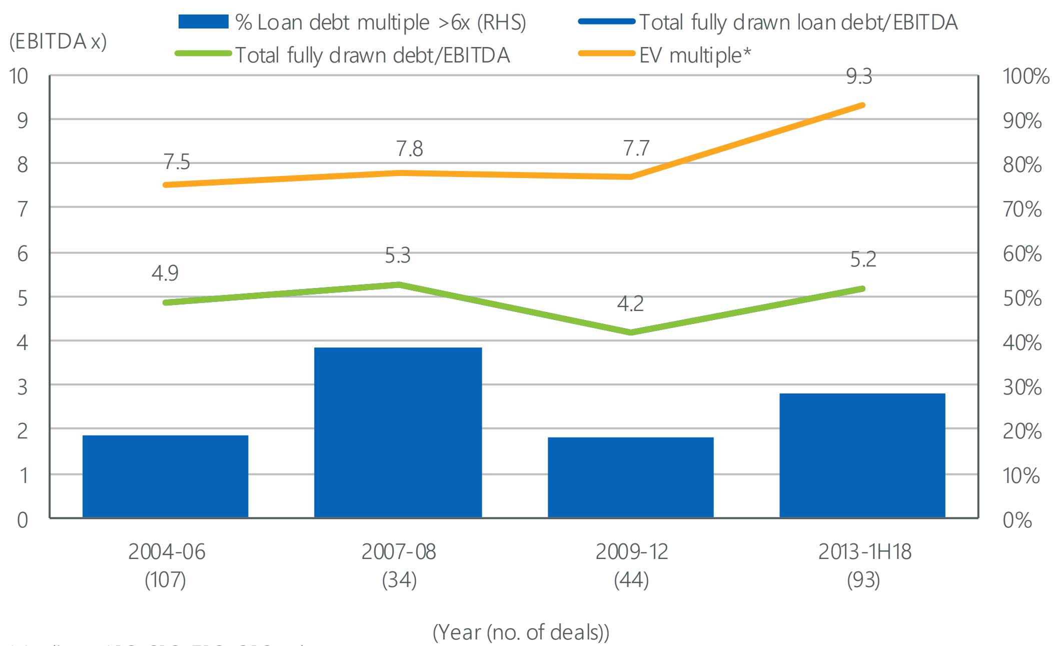
As % of total number of primary market LBO/SBO/TBO/QBO and Refis in this segment



Source: Fitch Credit Opinions Database

Total Debt and EV Multiples (Median) in New Issuance Below EUR200m Debt

2004-1H18, Primary Market LBO/SBO/TBO/QBO and Refis in this segment



* Applies to LBO, SBO, TBO, QBO only

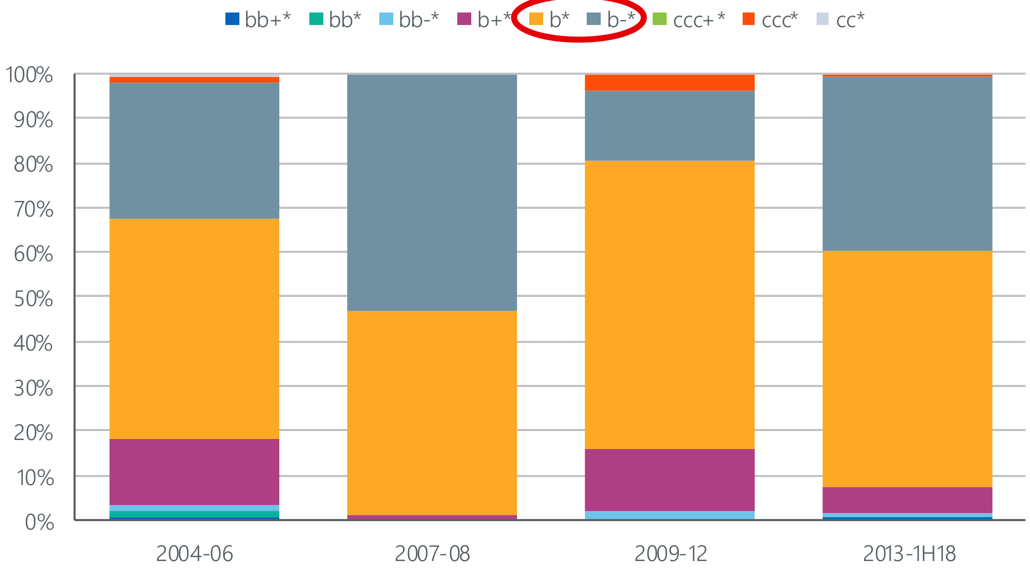
Source: Fitch Credit Opinions Database

Primary Market | EV, Debt Multiples and CO Distribution (Debt Betw. EUR200m-500m)

- New transactions with committed debt between EUR200m and EUR500m carry higher leverage than those with less than EUR200m, but a higher proportion is rated b*.
- The larger debt amount often implies that the underlying businesses enjoy the benefits of scale and incumbent status in their sectors.
- Geographic and product diversification typically helps mid-sized credits absorb adverse market or operating conditions better than a smaller issuer, hence supporting a higher IDCO for a given leverage profile.

Distribution of IDCO in New Issuance with Debt Between EUR200m-500m

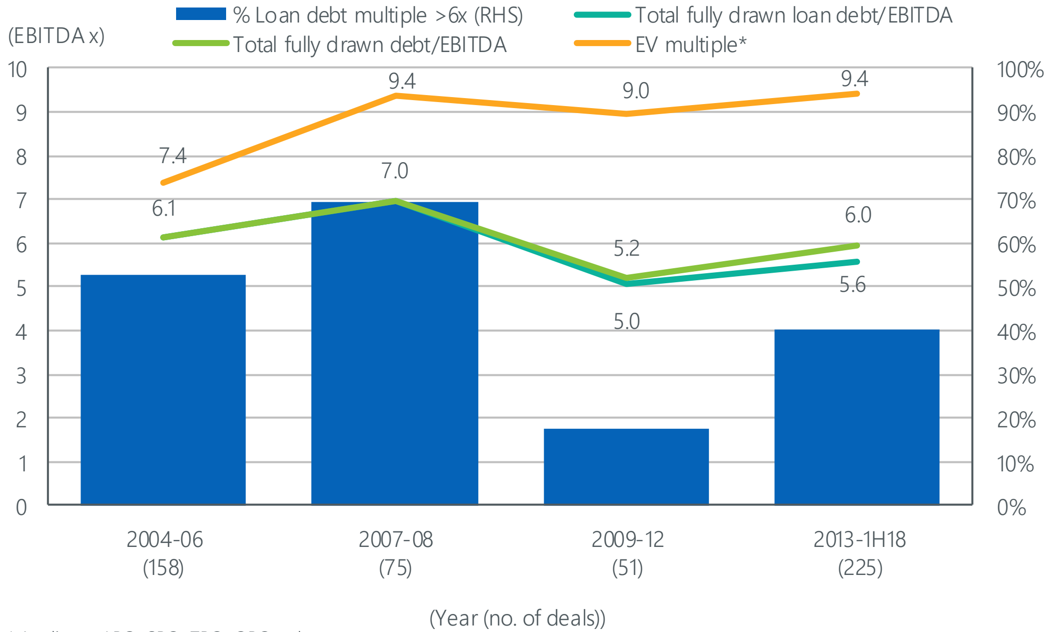
As % of total number of primary market LBO/SBO/TBO/QBO and Refis in this segment



Source: Fitch Credit Opinions Database

Total Debt and EV Multiples (Median) in New Issuance Between EUR200-500m Debt

2004-1H18, Primary Market LBO/SBO/TBO/QBO and Refis in this segment



* Applies to LBO, SBO, TBO, QBO only

Source: Fitch Credit Opinions Database

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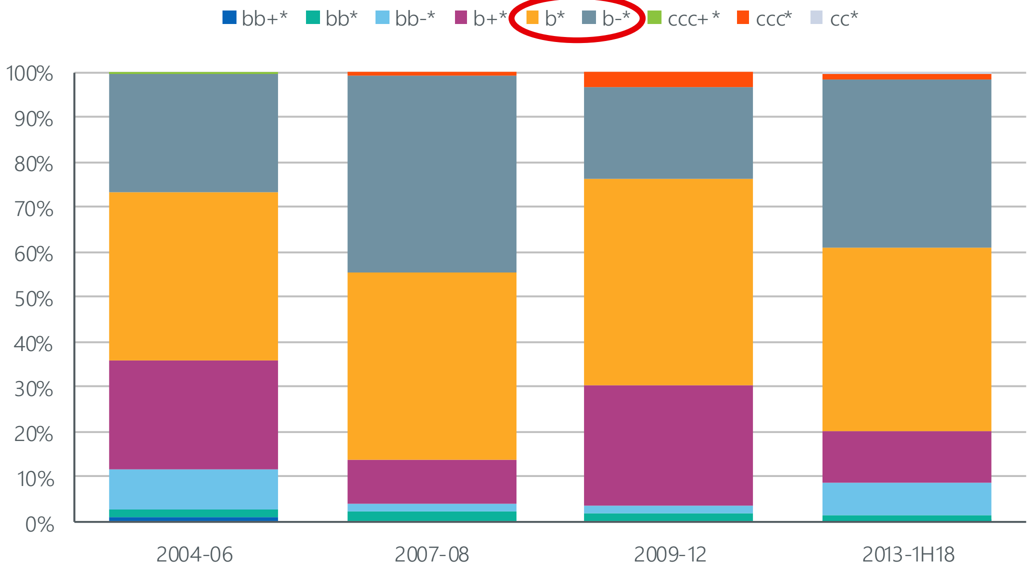
Primary Market | EV, Debt Multiples and CO Distribution (Debt Above EUR500m)

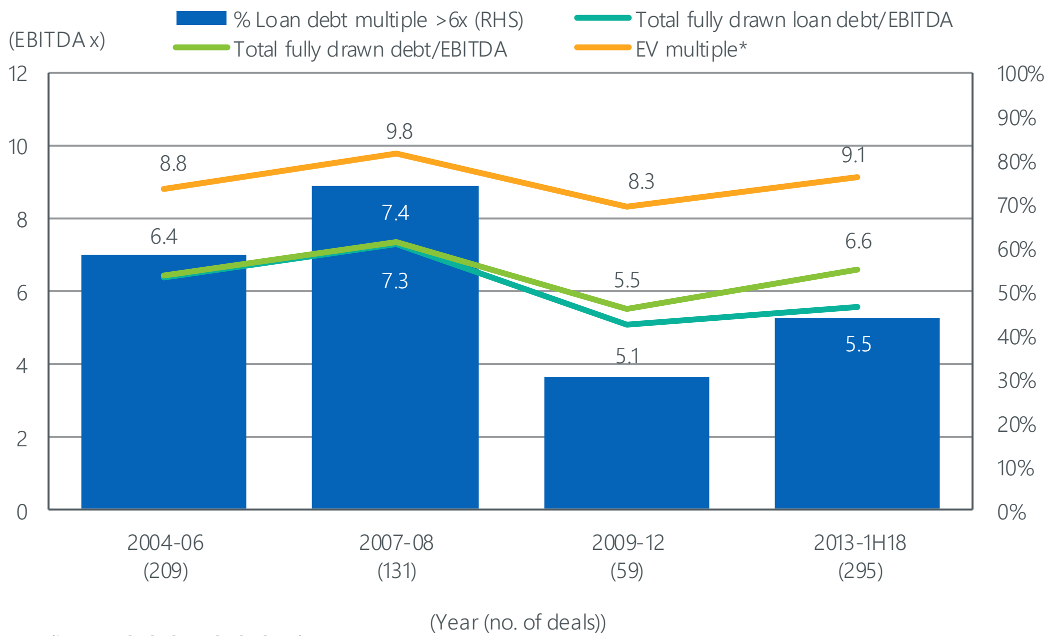
- IDCOs of larger transactions – with committed debt above EUR500m – can often reach the b+* and above levels.
- Larger transactions are often international or domestic champions with proven market positions, pricing power and cash generation profiles that imply the ability to service debt and reduce leverage.
- However, since 2013, around 39% of new issues above EUR500m have received an IDCO of b-* or below, primarily due to limited deleveraging visibility from top-line revenue growth, limited pricing power, and aggressive debt-funded acquisition and financial policies. Forty-four percent of transactions have also exceeded the 6x threshold over that period.

Distribution of IDCO in New Issuance with Debt Above EUR500m
As % of total number of Primary Market LBO/SBO/TBO/QBO and Refis in this segment



Source: Fitch Credit Opinions Database

Total Debt and EV Multiples (Median) in New Issuance Above EUR500m Debt
2004-1H18, Primary Market LBO/SBO/TBO/QBO and Refis in this segment



* Applies to LBO, SBO, TBO, QBO only
Source: Fitch Credit Opinions Database

Primary Market | EV and Debt Multiples By Size and Ownership

- Financial sponsor-led deals contributed to historically high leveraged loan volumes, but competition from strategic buyers and IPO markets have driven up EVs for larger, established European market leaders since 2013.
- Large equity cushions in recent sponsor transactions reflect demand for companies in growth-related technology and services sectors.
- Larger sponsor deals have seen modest equity cushion increase as valuations are high and leverage has stabilised.

Total Debt and EV Multiples (Median) by Ownership and Debt Size at Issuance in EUR

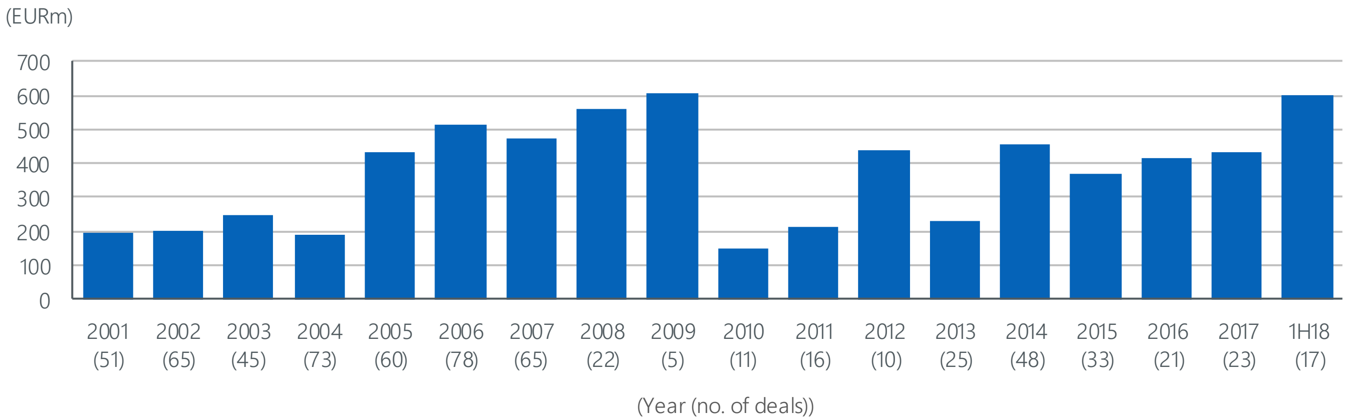
LBO/SBO/TBO/QBO

Source: Fitch Credit Opinions Database

Primary Market | Use of Proceeds and Size of Transactions

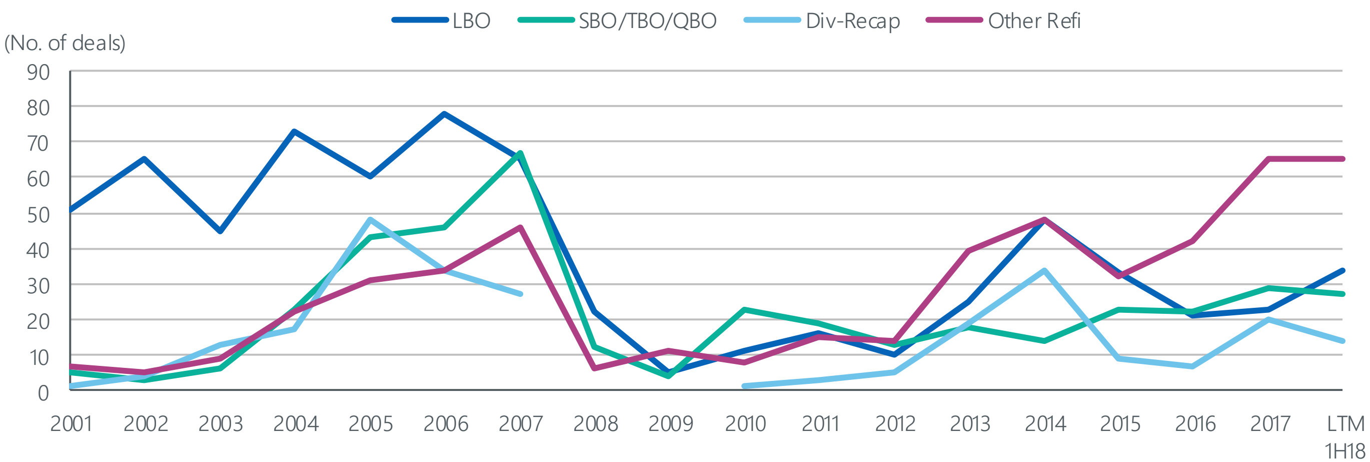
- 2018 saw a pick-up in the number and the size of first-time LBOs as shareholder activism created spin-off opportunities for sponsors (e.g. CVC's purchase of Teva's Theramex and more recently Carlyle's acquisition of Akzo Nobel's Specialty Chemicals division) while family-owned businesses sought to secure high EVs.
- However, sponsors still face difficulties in competing on valuations for certain primary assets where synergies can be difficult to realise.
- Therefore, they rely heavily on recycling credits via SBOs, TBOs, dividend recaps and bolt-on acquisitions.
- Refinancing deals remain the main driver of loan issuance in Europe, supported by a strong "bond-to-loan" trend in early 2017 as cov-lite loans became the norm, with no prepayment penalty and lower senior loan pricing.
- The number of dividend recaps dramatically fell in 2015 and 2016 compared with 2014 but picked up in 2017 driven primarily by favourable market conditions and sustained loan investor appetite. Their number has now fallen again as credit investors push back on aggressive structures.

Median Committed Debt at Issuance for First-time LBOs



Source: Fitch Credit Opinions Database

Use of Proceeds in Fitch Rated Transactions

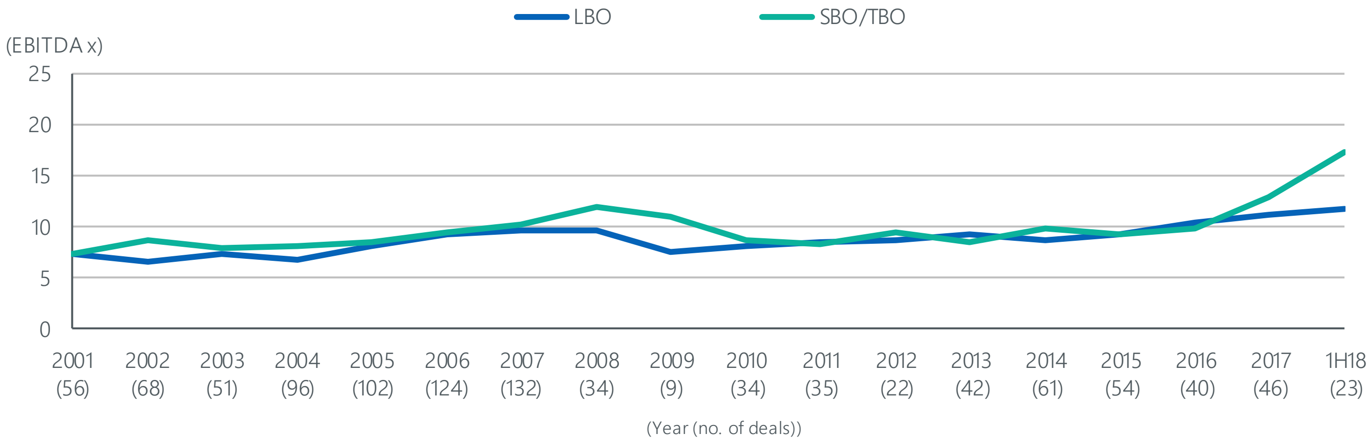


Source: Fitch Credit Opinions Database

Primary Market | EV, Debt Multiples Comparison Between LBOs and SBO/TBOs

- First-time LBO EV multiples in 1H18 exceeded their 2007 levels.
- EV and leverage multiples in SBO/TBOs has exceeded those of first-time LBOs as sponsors and trade buyers frequently chase the same assets given the scarcity of deals.

Comparison of EV Multiples in LBOs and SBO/TBOs (Median)



Source: Fitch Credit Opinions Database

Comparison of Total Debt Multiples in LBOs and SBO/TBOs (Median)

Source: Fitch Credit Opinions Database

Primary Market | Profile of Loan-Only LBOs, SBOs, TBOs, etc.

- Comparing separate market phases, transactions between 2013 and 2016 showed interest margin rising in tandem with leverage with senior secured margins peaking at 500bp for first-time LBOs in 2016.
- Since then, however, leverage has kept rising but margin has fallen for both first-time LBOs and recycled buyouts as asset scarcity and funding conditions contributed to borrower-friendly repricing trends until the beginning of 2018.

Debt Amounts, Margin, Tenor and Leverage by Period

	First-time LBOs						SBO/TBO/QBO					
Median statistics	No.	Drawn amount (EURm)	Margin (bp)	Tenor (years)	Drawn debt at closing/ EBITDA	Fully drawn debt/ EBITDA	No.	Drawn amount (EURm)	Margin (bp)	Tenor (years)	Drawn debt at closing/ EBITDA	Fully drawn debt/ EBITDA
2013-2014	64	261	450	7	4.6	5.2	23	282	450	7	5.1	5.9
2015	23	283	475	7	5.4	6.3	15	240	475	7	5.6	6.7
2016	20	369	500	7	5.0	6.3	19	352	475	7	5.3	6.2
2017	20	312	450	7	4.9	6.1	25	535	400	7	6.3	7.3
1H18	13	455	475	7	6.0	6.7	7	410	403	7	8.1	8.5

Note:
In the above statistics, fully drawn debt takes committed facilities such as revolver and capex facilities as fully drawn at closing of the transaction.
Leverage ratios are based on a "Fitch EBITDA" which may differ from the reference EBITDA used in information memoranda and marketing materials.
Source: Fitch Credit Opinions Database

Primary Market | Profile of Loan-Only Dividend Recaps and Other Refinancings

- Loan-only dividend-recaps and other refinancings replicate the same pattern of deterioration in risk/reward given consistently high leverage and declining compensation overall.
- However, leverage became more conservative in div-recaps in 2015 as the number of such transactions fell dramatically.
- In 2016, div-recaps saw a slight increase in median pricing, in line with more leveraged transactions, while other refinancings saw a decrease in median pricing, on the back of more conservative leverage levels.
- However, 2017 has been characterised by a surge in the number of recap/refinancing transactions. These transactions offered less compensation for around half a turn of incremental leverage.
- YTD 2018 suggests more discipline as total leverage decreased and margin decreased accordingly.

Debt Amounts, Margin, Tenor and Leverage by Period

	Div-Recaps						Other Refinancings					
Median statistics	No.	Drawn amount (EURm)	Margin (bp)	Tenor (years)	Drawn debt at closing/ EBITDA	Fully drawn debt/ EBITDA	No.	Drawn amount (EURm)	Margin (bp)	Tenor (years)	Drawn debt at closing/ EBITDA	Fully drawn debt/ EBITDA
2013-2014	43	350	462	6.5	5.2	5.7	46	332	450	6.5	4.5	5.4
2015	9	322	444	7	4.5	5.3	21	253	475	7	4.7	6.0
2016	6	640	450	7	5.1	5.7	26	375	450	6	4.2	5.4
2017	18	355	406	7	5.4	6.3	49	355	400	7	4.8	5.8
1H18	6	373	375	7	5.1	5.6	16	538	350	7	4.6	5.3

Note:
In the above statistics, fully drawn debt takes committed facilities such as revolver and capex facilities as fully drawn at closing of the transaction.
Leverage ratios are based on a "Fitch EBITDA" which may differ from the reference EBITDA used in information memoranda and marketing materials.
Source: Fitch Credit Opinions Database

Primary Market | Profile of LBOs, SBOs, TBOs and Refis with Secured HY

- Structures with senior secured notes sitting alongside senior loans saw leverage peak in 2013-14 for leveraged buyouts.
- Since 2015, few leveraged buyouts have included senior secured notes together with senior loans. Leverage declined whilst pricing increased in 2015, as risk appetite for new HY-funded LBOs fell amid volatility prior to the ECB's Corporate Securities Purchase Programme.
- Refinancings in 2015 saw further increases in leverage and pricing pressure as borrowers took advantage of existing and price-taking investor bases.
- The supportive credit market conditions with higher leveraged tolerance and corporate bond yields touching fresh, all-time lows contributed to new refinancing-driven HY issuance in 2017 and early 2018.

Debt Amounts, Margin, Tenor and Leverage by Period

	LBO/SBO/TBO/QBO						Refinancings					
Median statistics	No.	Drawn amount (EURm)	Margin (bp)	Tenor (years)	Drawn debt at closing/ EBITDA	Fully drawn debt/ EBITDA	No.	Drawn amount (EURm)	Margin (bp)	Tenor (years)	Drawn debt at closing/ EBITDA	Fully drawn debt/ EBITDA
2013-2014	10	522	687	7	5.6	6.3	35	400	625	6	4.5	5.1
2015	<5	225	775	7	4.9	5.2	6	887	413	6	4.9	5.9
2016	<5	725	650	5	3.8	4.4	9	510	538	6	4.3	4.8
2017	<5	493	550	6.5.	5.6	6.0	15	425	507	5.5	4.6	5.3
1H18	<5	1,560	515	6	4.8	6.1	9	450	525	6	4.1	4.5

Note:
In the above statistics, fully drawn debt takes committed facilities such as revolver and capex facilities as fully drawn at closing of the transaction.
Leverage ratios are based on a "Fitch EBITDA" which may differ from the reference EBITDA used in information memoranda and marketing materials.
Source: Fitch Credit Opinions Database

Primary Market | Profile of LBOs, SBOs, TBOs and Refis with Secured + Unsecured HY

- Since 2013-14, high-yield notes increasingly became an unsecured/subordinated instrument, helping borrowers increase financial leverage.
- The rise in senior leverage appetite from the term loan B market in 2016 contributed to active refinancing of legacy unsecured note issues into all senior loan structures.
- Senior secured note issuance since 2016 has remained concentrated in out of favour loan market sectors, such as retail and UK care homes.

Debt Amounts, Margin, Tenor and Leverage by Period

	LBO/SBO/TBO/QBO						Refinancings					
Median statistics	No.	Drawn amount (EURm)	Margin (bp)	Tenor (years)	Drawn debt at closing/ EBITDA	Fully drawn debt/ EBITDA	No.	Drawn amount (EURm)	Margin (bp)	Tenor (years)	Drawn debt at closing/ EBITDA	Fully drawn debt/ EBITDA
2013-2014												
Senior Sec.	5	489	675	7	4.9	5.2	16	420	487	5.5	3.1	3.7
Unsecured	5	234	887	8	2.4	2.4	16	380	700	6	1.9	1.9
Total Debt					7.4	7.9					4.6	5.6
2015												
Senior Sec.	10	1,494	438	7	5.8	6.6	<5	325	308	5.3	0.8	2.1
Unsecured	10	391	725	8	1.8	1.8	<5	484	425	7	1.4	1.4
Total Debt					7.6	8.4					2.9	3.7
2016-1H18												
Senior Sec.	<5	1,929	336	7	6.3	7.1	10	275	625	6	2.8	3.6
Unsecured	<5	462	525	8	1.9	1.9	7	282	788	7	2.7	2.7
Total Debt					7.5	8.6					5.1	5.6

Note:
n.m. = not meaningful
Adding up the senior secured leverage and unsecured leverage ratios does not match the total debt to EBITDA ratio. This is due to median calculations.
In the above statistics, fully drawn debt takes committed facilities such as revolver and capex facilities as fully drawn at closing of the transaction.
Leverage ratios are based on a "Fitch EBITDA" which may differ from the reference EBITDA used in information memoranda and marketing materials.
Source: Fitch Credit Opinions Database

Primary Market | Impact of 24 Months Refinancing Activity (2Q16-2Q18)

- Fitch recorded 75 transactions undertaking refinancings (of which 18 dividend recaps) over the past 24 months.
- Median total gross leverage has remained stable for refinancings overall, however it has increased by around half a turn of EBITDA for dividend recaps specifically.
- Dividend recaps' senior leverage also increased as senior secured debt extensions replaced junior debt such as second lien.
- Median pricing decreased by 75bp to 100bp. This led to an improvement in EBITDA/cash interest metrics, even for dividend recaps.
- However, the higher senior leverage translated into lower recovery expectations for senior secured lenders. Dividend recaps in particular generate no accretive value from the additional debt.
- The median credit opinion for refinancings remains b* due to improving business performance, stable leverage and a slight improvement in coverage metrics.
- However, for dividend recaps, the median credit opinion has fallen to b*/b-* from b*, primarily due to higher leverage and extended de-leveraging paths.

Impact of Refinancing Activity On Credit Metrics of 75 Transactions in Fitch's Portfolio

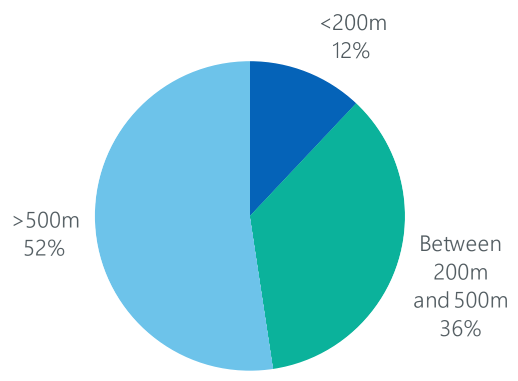
			Of which Dividend Recaps	
	Pre-Refinancing	Post-Refinancing	Pre-Dividend Recap	Post-Dividend Recap
Median metrics				
Number of transactions	75	75	18	18
Drawn amount at issuance (EURm)	348	520	400	584
Margin at issuance (bp)	475	400	488	388
Tenor at issuance (years)	7	7	7	7
Drawn debt at closing/EBITDA (x)	5.1	4.9	5.2	5.4
Senior gross debt/EBITDA (x)	4.1	4.1	4.0	4.9
Total gross debt/EBITDA (x)	5.2	5.0	4.8	5.3
EBITDA/cash interest (x)	3.4	3.7	3.2	4.3
Free cash flow margin in year 1*	1.3%	1.1%	1.0%	3.3%
Fitch-expected senior secured recovery rate	61.0%	58.0%	60.0%	56.5%
Average credit opinion at issuance	b*	b*	b*	b*/b-*

* Fitch's forecasts
Source: Fitch Credit Opinions Database

Primary Market | Covenant-Lite and Loose Structures

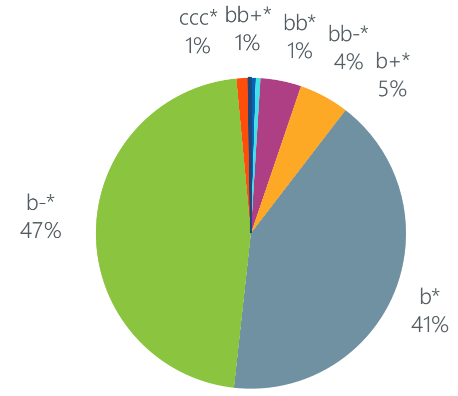
- Covenant-lite/loose structures have been prevalent in new issuance since 2014. Covenant protection is usually reserved for the revolving credit facility in the form of a springing covenant once drawn above a certain level.
- Less than 10% of the 2016 transactions in our portfolio had a full set of covenants and in 2017, only 4% offered a full set of covenants.
- 1H18 has seen a slight increase in the number of covenanted transactions but their proportion remains below 10% of all transactions.
- Such structures applied primarily in transactions where debt exceeds EUR500m and predominantly among credits in untested or challenged sectors and generally at the lower end of the 'b' IDCO category.
- TBOs/QBOs borrowers took advantage of increased risk appetite over time, primary market benchmarks and investor familiarity with the issuer to remove financial covenants.

Covenant Lite-Loose Issuers (2013-1H18)
Debt committed at Issuance (EUR)



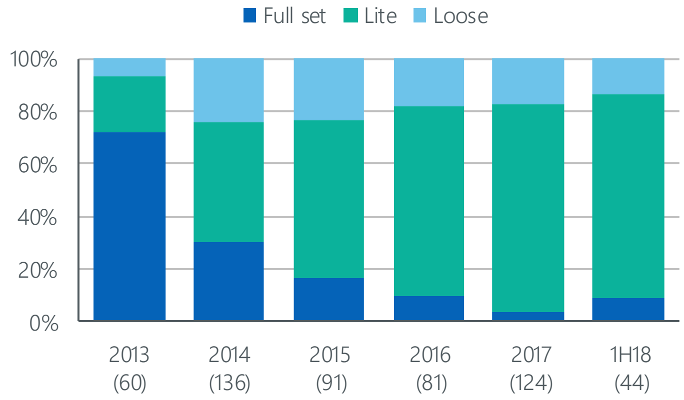
Source: Fitch Credit Opinions Database

Covenant Lite-Loose Issuers (2013-1H18)
Credit Quality



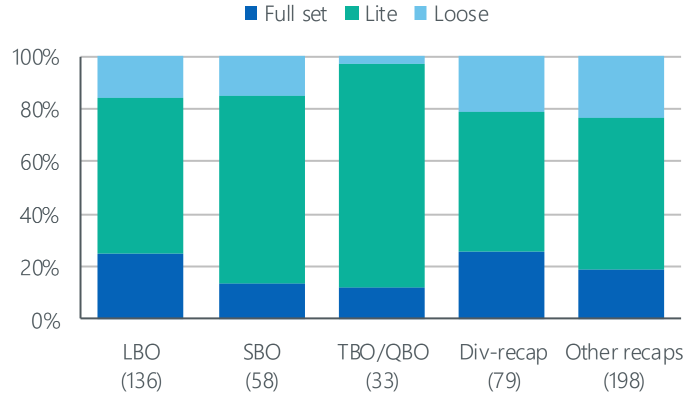
Source: Fitch Credit Opinions Database

Evolution of Cov-Lite Issuance (2013-1H18)
As % of total number of deals



Source: Fitch Credit Opinions Database

Cov-Lite Issuance by Type of Transaction (2013-1H18)
As % of total number of deals

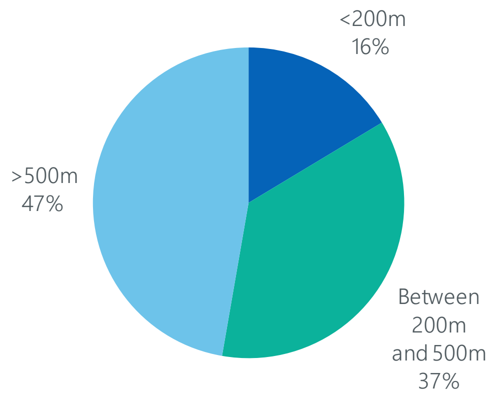


Source: Fitch Credit Opinions Database

Primary Market | Covenant-Lite and Loose Structures in Healthcare and Pharma

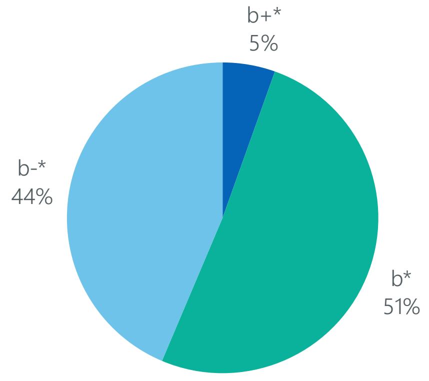
- Health-care and pharma credits have been large issuers of covenant-lite and loose structures since 2014.
- Relative to the broader portfolio, cov-lite and loose structures have proven more popular with borrowers with debt below EUR500m in this sector. The structure allows sponsors to maintain high leverage with excess cash to be reinvested for future growth or acquisitions.
- Health-care and pharma is a good example of a sector where first-time LBOs with untested or niche business models offer covenant protection that subsequently disappears in "recycled" transactions.

Covenant Lite-Loose Issuers (2013-1H18)
Debt Committed at Issuance (EUR) – Healthcare & Pharma



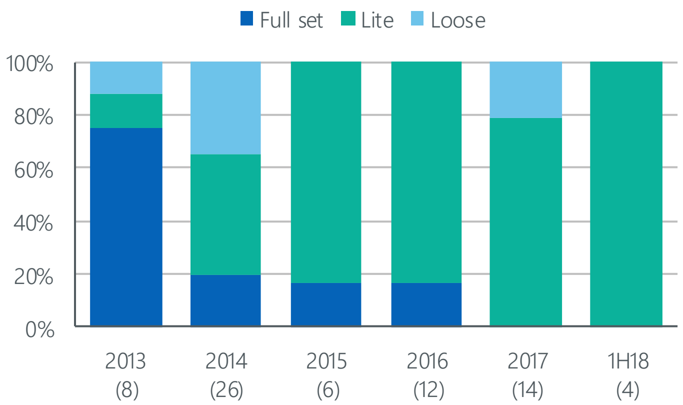
Source: Fitch Credit Opinions Database

Covenant Lite-Loose Issuers (2013-1H18)
Credit Quality – Healthcare & Pharma



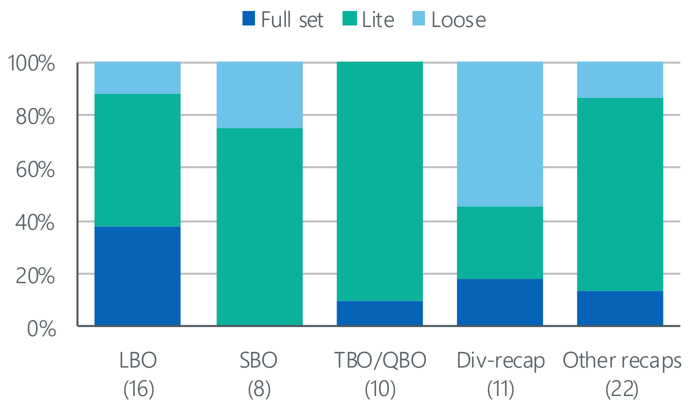
Source: Fitch Credit Opinions Database

Evolution of Cov-Lite Issuance (2013-1H18)
As % of total number of deals – Healthcare & Pharma



Source: Fitch Credit Opinions Database

Cov-Lite Issuance by Type of Transaction (2013-1H18)
As % of total number of deals – Healthcare & Pharma

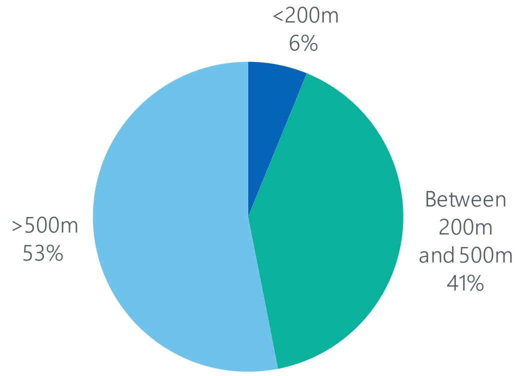


Source: Fitch Credit Opinions Database

Primary Market | Covenant-Lite and Loose Structures in Industrials

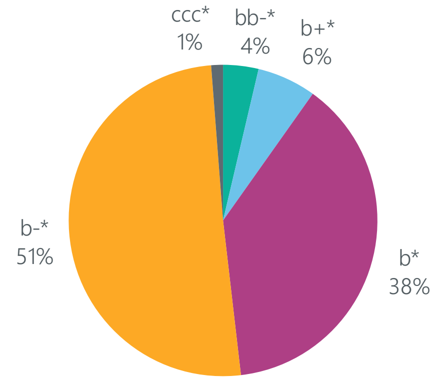
- While Industrials borrowers have historically offered more covenant protection than their peers in other sectors due to business cyclicality and capex requirements, a majority of them have still benefited from high sponsor demand to remove covenants in documentation and the trend has remained clear since 2017.

Covenant Lite-Loose Issuers (2013-1H18)
Debt Committed at Issuance (EUR) – Industrials



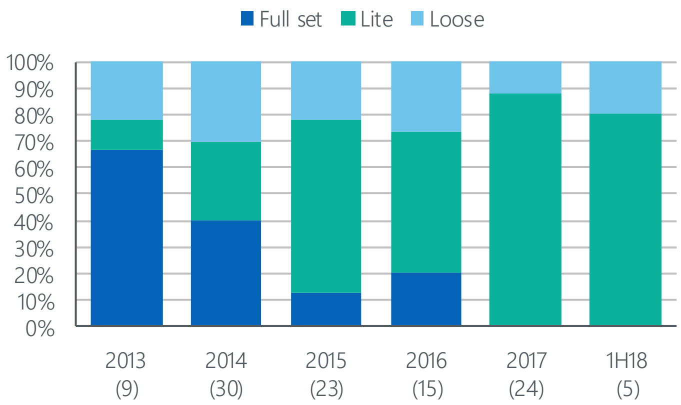
Source: Fitch Credit Opinions Database

Covenant Lite-Loose Issuers (2013-1H18)
Credit Quality – Industrials)



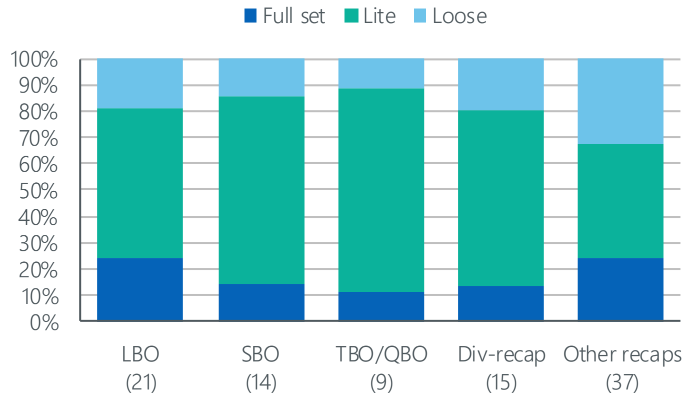
Source: Fitch Credit Opinions Database

Evolution of Cov-Lite Issuance (2013-1H18)
As % of total number of deals – Industrials



Source: Fitch Credit Opinions Database

Cov-Lite Issuance by Type of Transaction (2013-1H18)
As % of total number of deals – Industrials

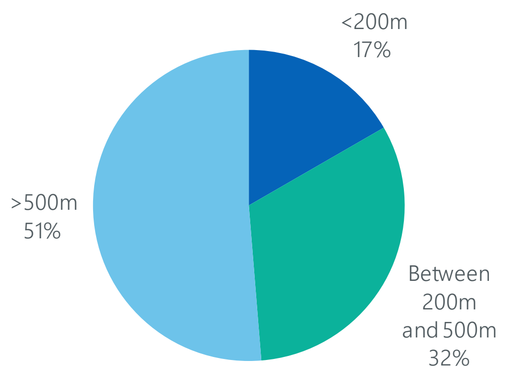


Source: Fitch Credit Opinions Database

Primary Market | Covenant-Lite and Loose Structures in Business Services

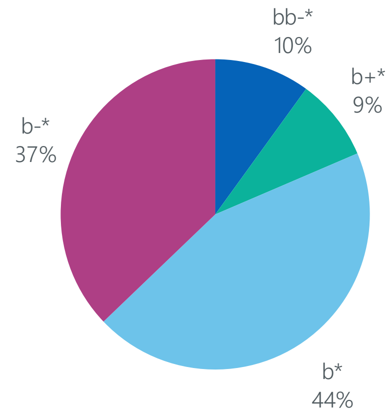
- In line with the broader portfolio, the covenant-lite trend in the business services sector is equally split between above EUR500m and below EUR500m deals.
- A vast majority of 1H18 transactions in that sector remains covenant-lite.

Covenant Lite-Loose Issuers (2013-1H18)
Debt Committed at Issuance (EUR) – Business Serv.



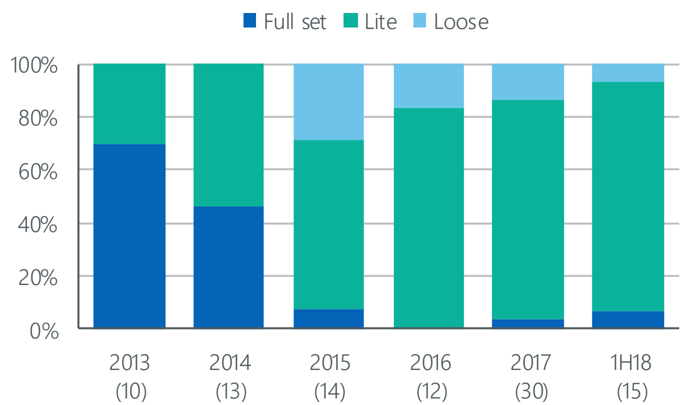
Source: Fitch Credit Opinions Database

Covenant Lite-Loose Issuers (2013-1H18)
Credit Quality – Business Services



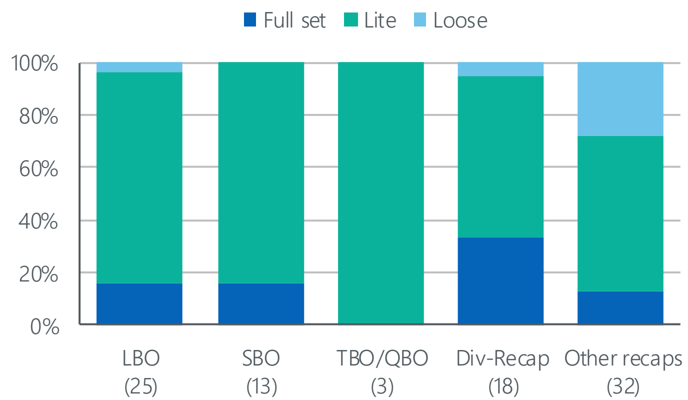
Source: Fitch Credit Opinions Database

Evolution of Cov-Lite Issuance (2013-1H18)
As % of total number of deals – Business Services



Source: Fitch Credit Opinions Database

Cov-Lite Issuance by Type of Transaction (2013-1H18)
As % of total number of deals – Business Services

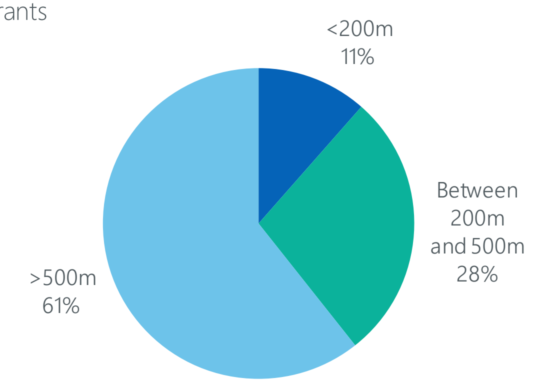


Source: Fitch Credit Opinions Database

Primary Market | Covenant-Lite and Loose Structures in Retail, Lodging & Restaurants

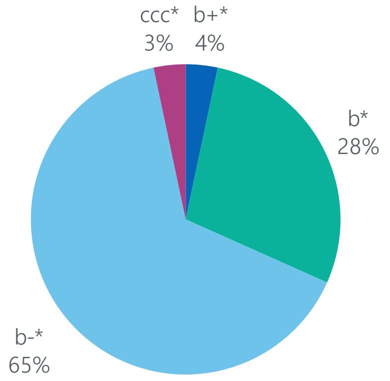
- After benefiting from looser covenants in 2014, retail, lodging and restaurant issuers faced tighter terms in 2015 as more full sets of covenants returned given higher perceived risk in the sector and some credit underperformance, also evidenced by a higher representation of b-* IDCOs than other sectors in the broader portfolio.
- However, lack of covenant protection has become a standard feature of the market. In 2017 there was only one issuance with a full set of covenants, in France.

Covenant Lite-Loose Issuers (2013-1H18)
Debt Committed at Issuance (EUR) – Retail, Lodging & Restaurants



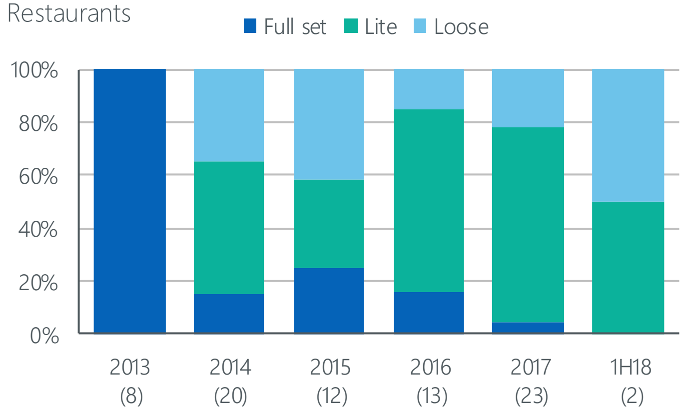
Source: Fitch Credit Opinions Database

Covenant Lite-Loose Issuers (2013-1H18)
Credit Quality – Retail, Lodging & Restaurants



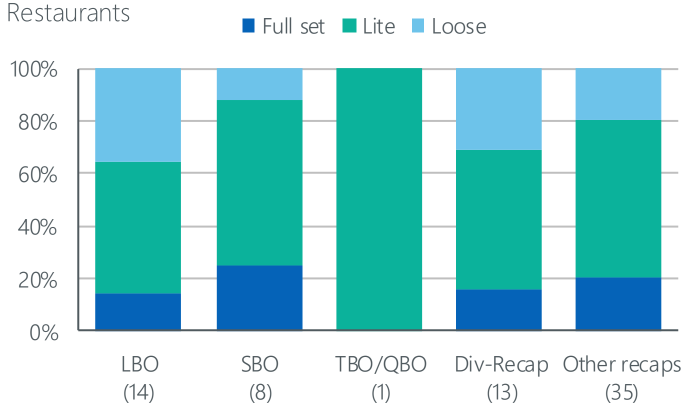
Source: Fitch Credit Opinions Database

Evolution of Cov-Lite Issuance (2013-1H18)
As % of total number of deals – Retail, Lodging & Restaurants



Source: Fitch Credit Opinions Database

Cov-Lite Issuance by Type of Transaction (2013-1H18)
As % of total number of deals – Retail, Lodging & Restaurants

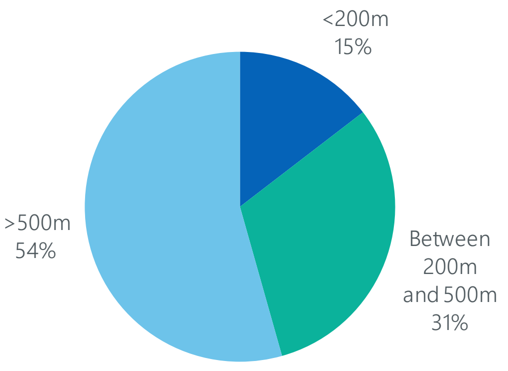


Source: Fitch Credit Opinions Database

Primary Market | Covenant-Lite and Loose Structures in the UK

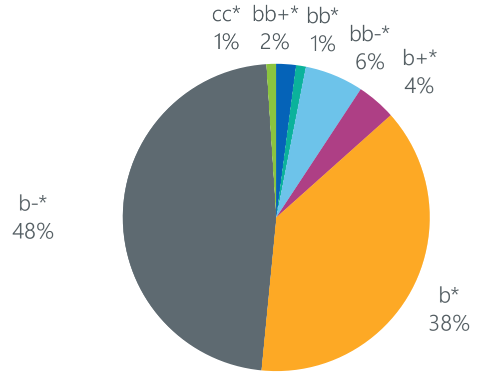
- Covenant-lite/loose structures for UK issuers broadly replicate the trend observed in the portfolio as a whole.

Covenant Lite-Loose Issuers (2013-1H18)
Debt Committed at Issuance (EUR) – United Kingdom



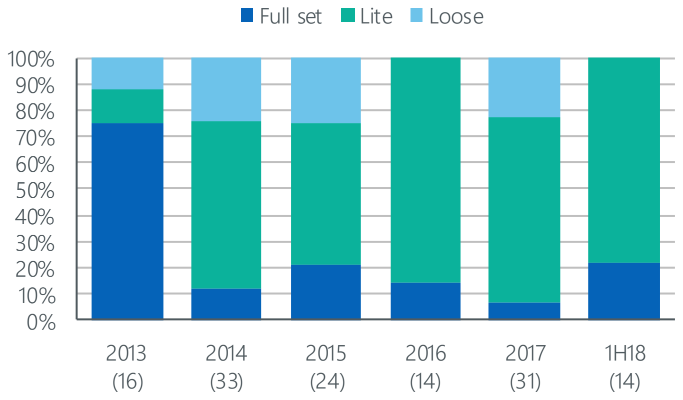
Source: Fitch Credit Opinions Database

Covenant Lite-Loose Issuers (2013-1H18)
Credit Quality – United Kingdom



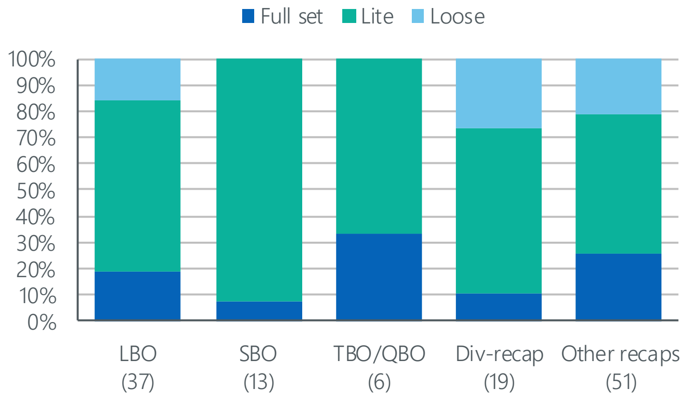
Source: Fitch Credit Opinions Database

Evolution of Cov-Lite Issuance (2013-1H18)
As % of total number of deals – United Kingdom



Source: Fitch Credit Opinions Database

Cov-Lite Issuance by Type of Transaction (2013-1H18)
As % of total number of deals – United Kingdom

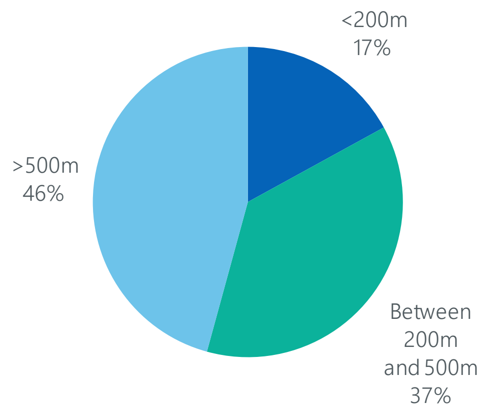


Source: Fitch Credit Opinions Database

Primary Market | Covenant-Lite and Loose Structures in France

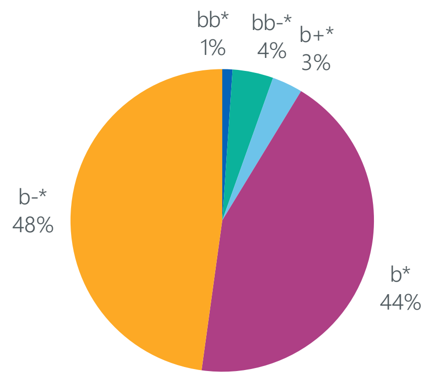
- In contrast to the broader portfolio, covenant-lite/loose structures in France apply mainly to issuers with debt below EUR500m.

Covenant Lite-Loose Issuers (2013-1H18)
Debt Committed at Issuance (EUR) – France



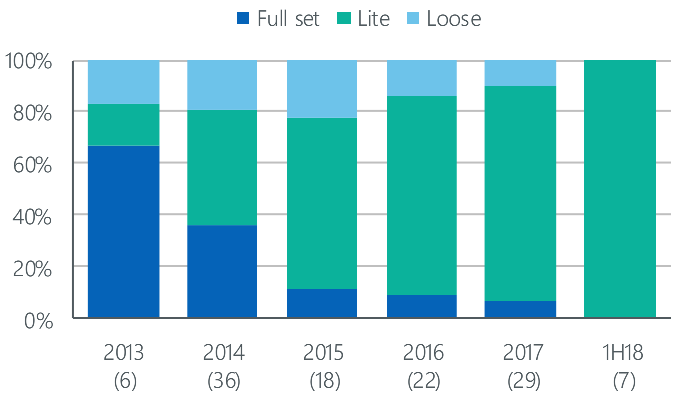
Source: Fitch Credit Opinions Database

Covenant Lite-Loose Issuers (2013-1H18)
Credit Quality – France



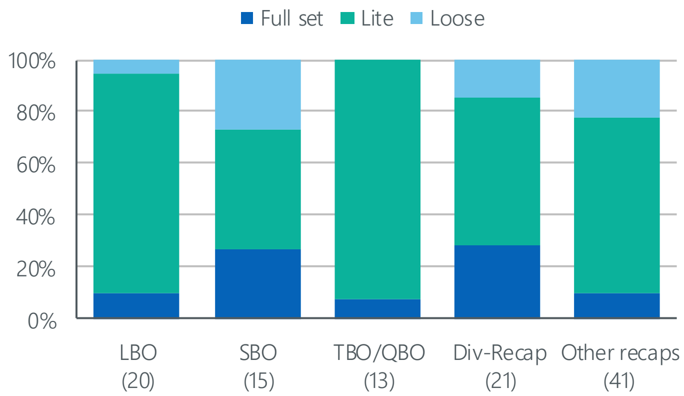
Source: Fitch Credit Opinions Database

Evolution of Cov-Lite Issuance (2013-1H18)
As % of total number of deals – France



Source: Fitch Credit Opinions Database

Cov-Lite Issuance by Type of Transaction (2013-1H18)
As % of total number of deals – France

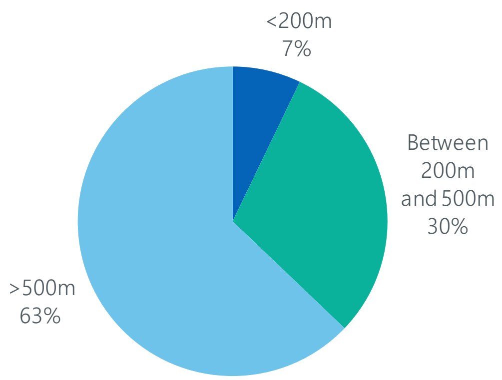


Source: Fitch Credit Opinions Database

Primary Market | Covenant-Lite and Loose Structures in Germany

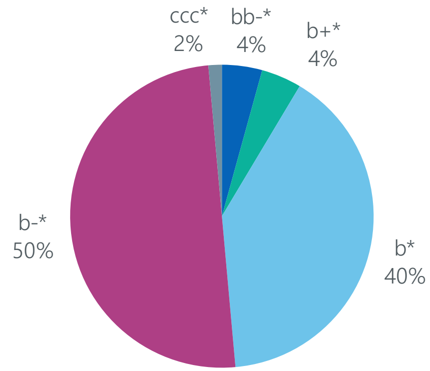
- Covenant-lite/loose structures in Germany apply to a greater extent to large transactions than in France or the UK. A higher proportion has a b-* or b* CO.

Covenant Lite-Loose Issuers (2013-1H18)
Debt Committed at Issuance (EUR) – Germany



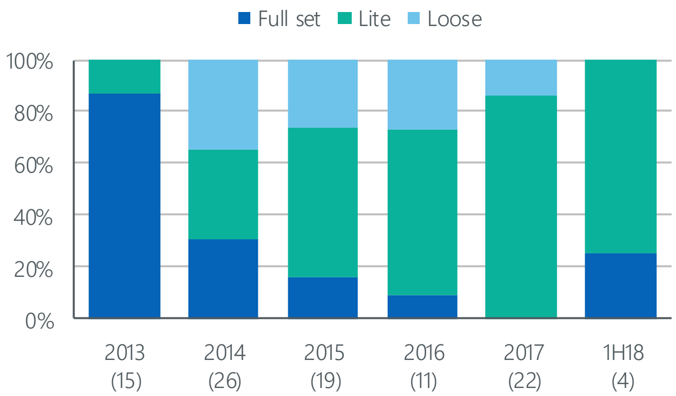
Source: Fitch Credit Opinions Database

Covenant Lite-Loose Issuers (2013-1H18)
Credit Quality – Germany



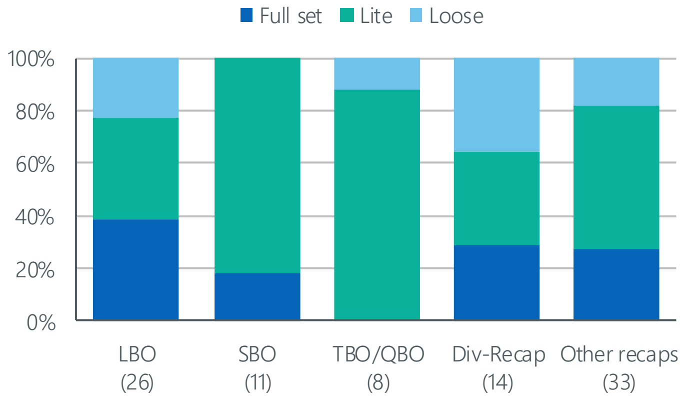
Source: Fitch Credit Opinions Database

Evolution of Cov-Lite Issuance (2013-1H18)
As % of total number of deals – Germany



Source: Fitch Credit Opinions Database

Cov-Lite Issuance by Type of Transaction (2013-1H18)
As % of total number of deals – Germany



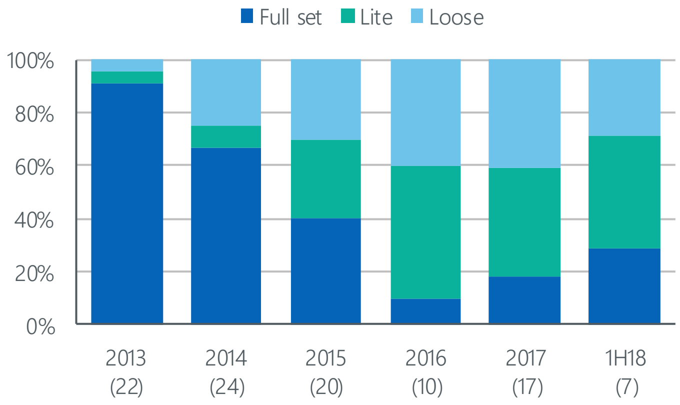
Source: Fitch Credit Opinions Database

Primary Market | Covenant-Lite and Loose Structures with Debt Below EUR500m

- Around 50% of small deals (below EUR200m debt) completed between 2013 and 1H18 featured a full set of covenants.
- Borrowers with debt below EUR200m tend to be more vulnerable to deteriorating market or operating conditions.
- They are also often financed by a "club" of banks where documentation tends to include a customary covenant package.
- However, such deals have increasingly carried covenant-lite or loose structures replicating the broader trend of the market with 2016 representing the most aggressive vintage.
- In 2017 and 1H18, Fitch rated five unitranche/direct lending transactions below EUR200m in debt with a full set of covenants.
- Medium-sized borrowers with debt between EUR200m and EUR500m have increasingly adopted covenant-lite structures as well, across a variety of transaction types as covenant-lite documentation spread to become the norm in Europe from 2014 onwards.

Evolution of Cov-Lite Issuance (2013-1H18)

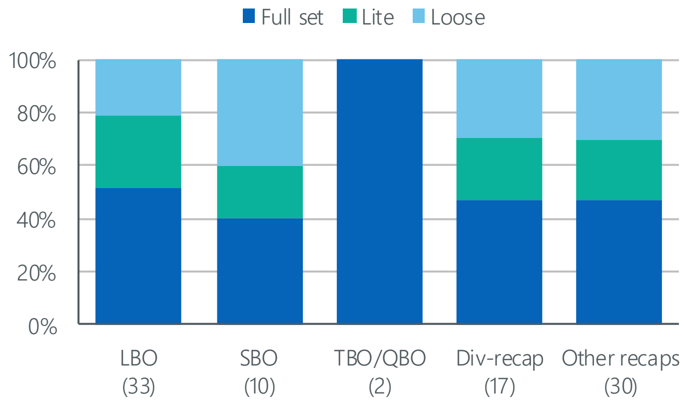
As % of total number of deals – Debt Committed Below EUR200m



Source: Fitch Credit Opinions Database

Cov-Lite Issuance by Type of Transaction (2013-1H18)

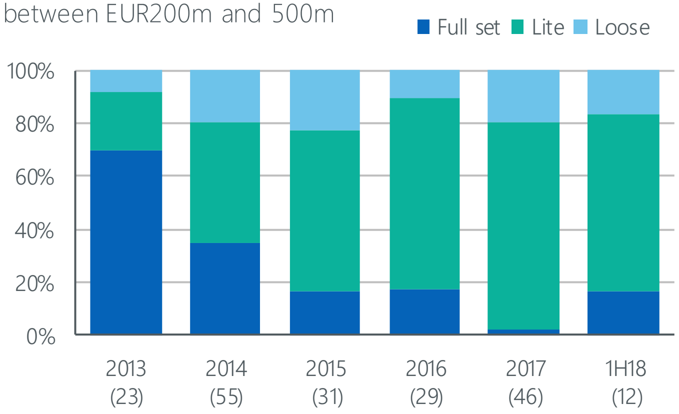
As % of total number of deals – Debt Committed Below EUR200m



Source: Fitch Credit Opinions Database

Evolution of Cov-Lite Issuance (2013-1H18)

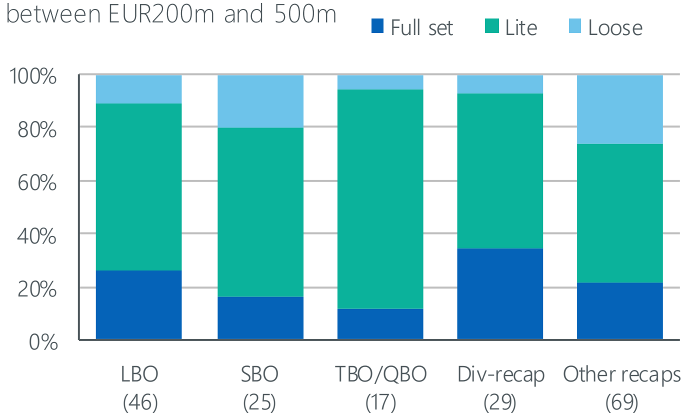
As % of total number of deals – Debt committed at Issuance between EUR200m and 500m



Source: Fitch Credit Opinions Database

Cov-Lite Issuance by Type of Transaction (2013-1H18)

As % of total number of deals - Debt committed at Issuance between EUR200m and 500m



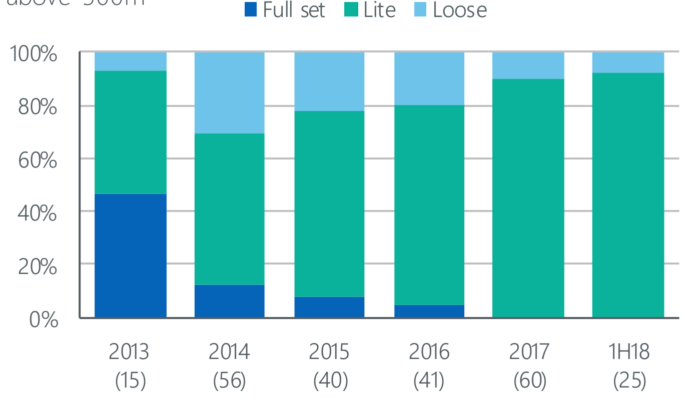
Source: Fitch Credit Opinions Database

Primary Market | Covenant-Lite and Loose Structures with Debt Above EUR500m

- The covenant-lite and loose trend has been driven by larger transactions.
- Almost all large transactions observed by Fitch since 2016 have been covenant-lite or loose.
- Certain large borrowers are well known by credit investors and perceived as less risky than smaller issuers, thereby offering less protection to lenders.
- Large borrowers have also been active in cross-border transactions that attract US institutional investors accustomed to covenant-lite documentation.

Evolution of Cov-Lite Issuance (2013-1H18)

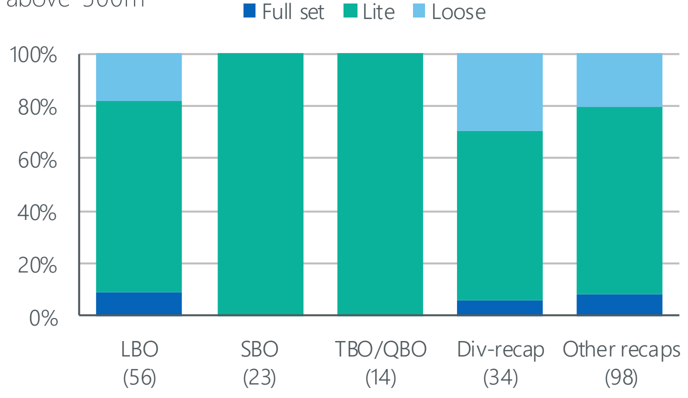
As % of total number of deals – Debt committed at issuance above 500m



Source: Fitch Credit Opinions Database

Cov-Lite Issuance by Type of Transaction (2013-1H18)

As % of total number of deals – Debt committed at issuance above 500m



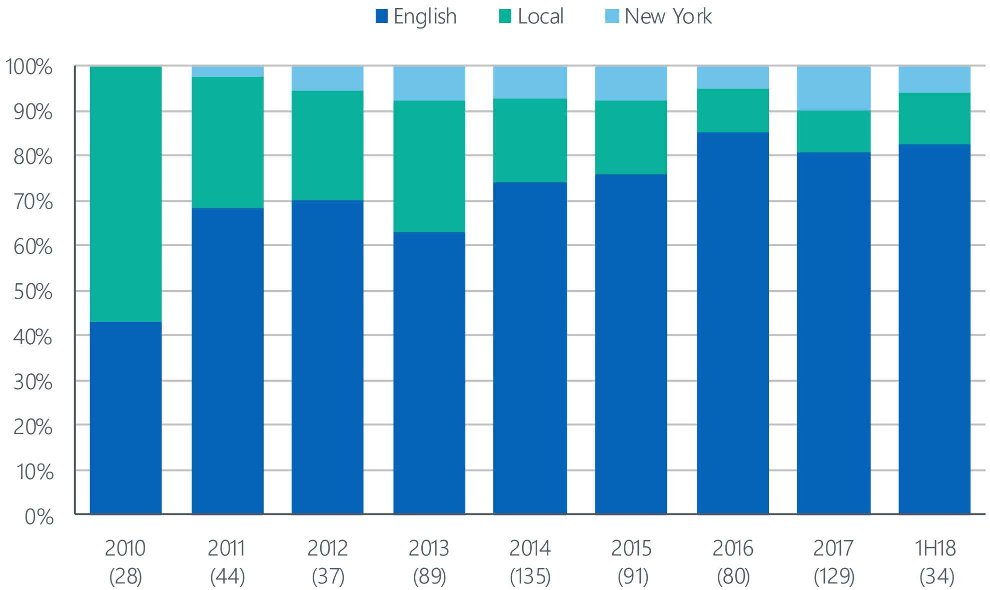
Source: Fitch Credit Opinions Database

Primary Market | Loan Documentation

- Despite the threat to English law supremacy in leveraged loan documentations after the UK leaves the European Union in March 2019, English law has been considered the most robust and reliable among cross-border bank and non-bank leveraged loan investors. Therefore, the proportion of European leveraged loan agreements governed by English law has been rising since the global financial crisis.
- However, a number of European loans have actually been governed by New York law as US-style features entered loan documentation in larger European deals from 2013.
- In the UK, the Scheme of Arrangement has developed as the "pre-insolvency" forum of choice for creditor-driven restructurings.
- Non-UK credits generally need English law loan contracts and inter-creditor agreements to shift jurisdiction under EU COMI (Centre Of Main Interest) directives.

Governing Law in European Loan Documentation

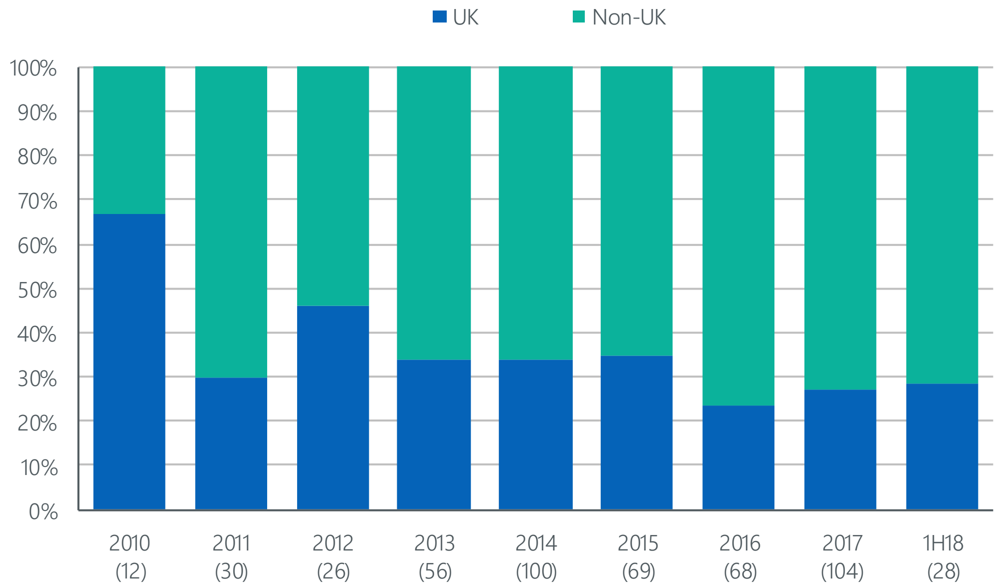
As % of total number of deals



Source: Fitch Credit Opinions Database

COMI of Borrowers Using English Law Documentation

As % of total number of issuers using English law loan documentation

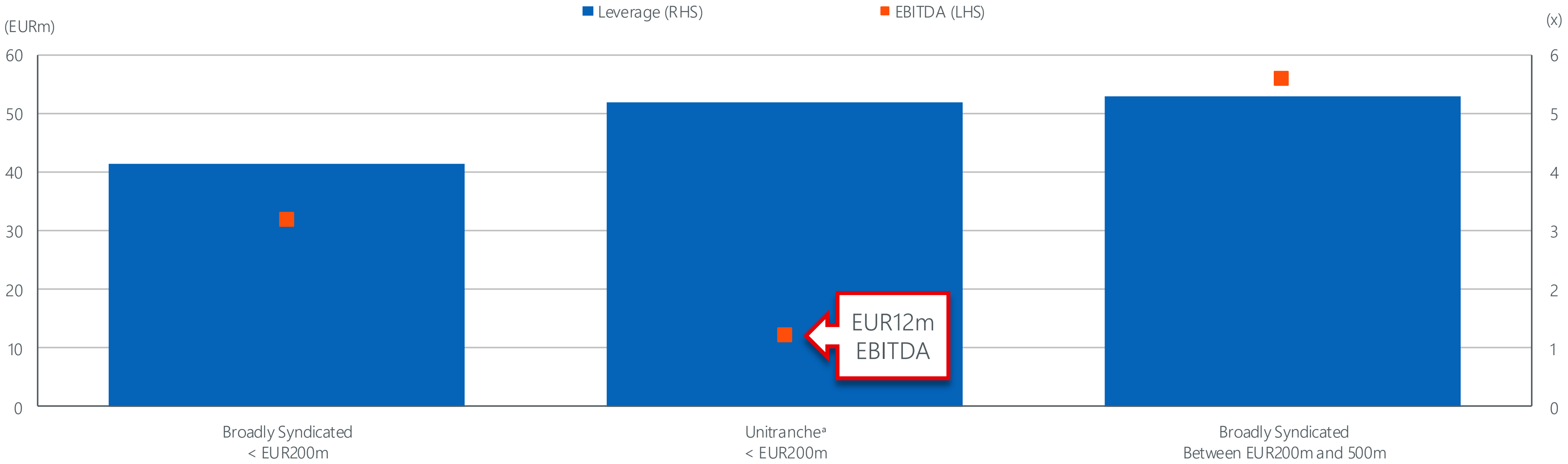


Source: Fitch Credit Opinions Database

Primary Market | Unitranche

- Unitranche financings group a senior loan and a second lien loan into one single tranche with a blended interest rate.
- This enables borrowers at the smaller end of the market (debt committed below EUR200m) to raise higher leverage than would otherwise be available through an all-senior loan financing traditionally provided by bank investors.
- Unitranche borrowers in Fitch's portfolio have a median EBITDA of EUR12m compared to around EUR30m for the broadly syndicated deals with debt below EUR200m.

Total Debt Multiple and EBITDA at Closing (Median)
2013-1H18



[a] 29 unitranche deals
Source: Fitch Credit Opinions Database

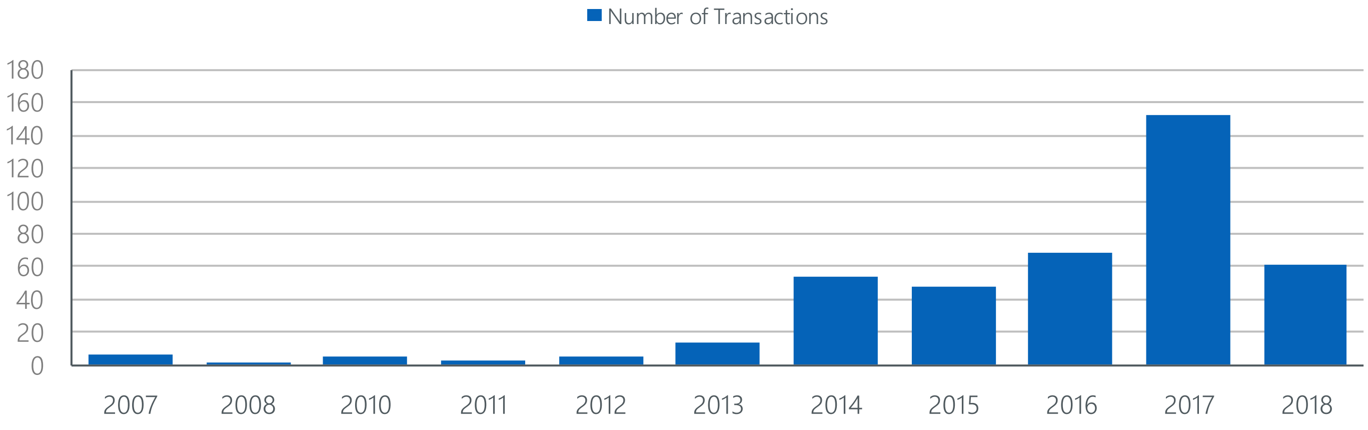
2 Portfolio Quality

Portfolio Quality | Credit Opinion (CO) Universe At a Glance

- Healthy refinancing and primary market issuance has skewed the vintage distribution in our portfolio towards 2014-2018.
- As of June 2018, more than a half of the portfolio was related to refinancing and div-recap transactions.

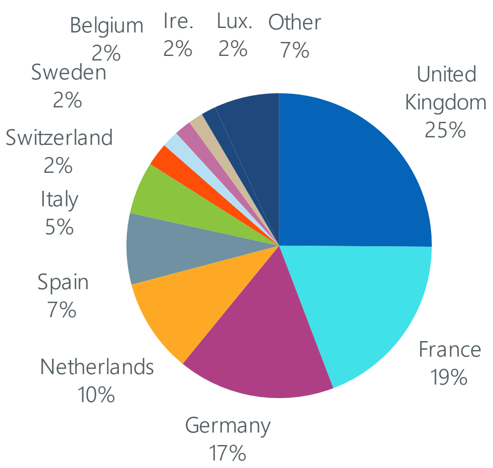
Portfolio Split By Vintage

Primary market transactions and refinancings of legacy transactions



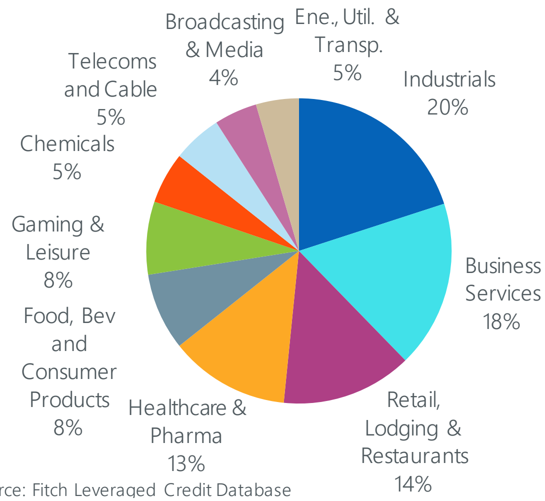
Source: Fitch Leveraged Credit Database

Portfolio Split by Geography



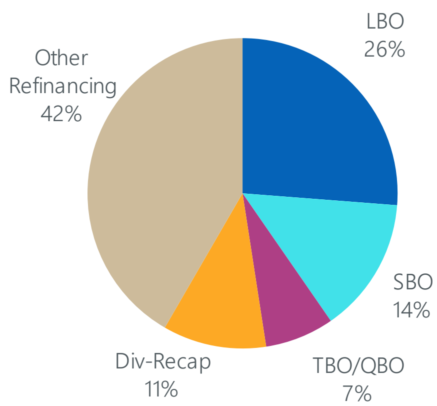
Source: Fitch Leveraged Credit Database

Portfolio Split by Sector



Source: Fitch Leveraged Credit Database

Portfolio Split by Type of Transaction



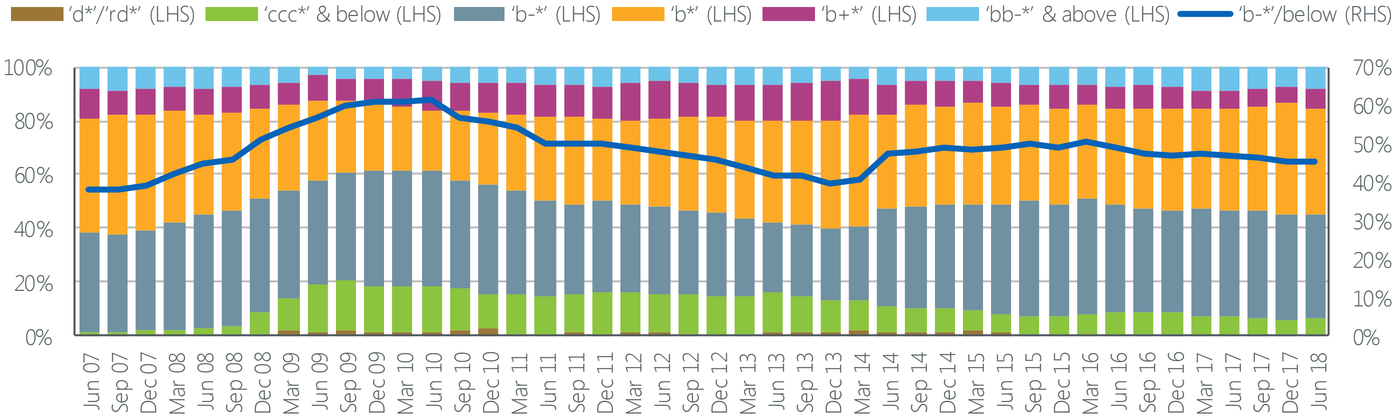
Source: Fitch Leveraged Credit Database

Portfolio Quality | Evolution of COs

- The proportion of 'b-*' and below rated issuers increased above 50% in 2014 from 40% in 2013 after a marked deterioration in underwriting standards and rising leverage in the first half of 2014.
- In the LTM June 2018, 'b-*' IDCOs have been more often upgraded than downgraded but 'b*' IDCOs have seen more downgrades, leading to a stable proportion of 'b-*' and below issuers compared with 2017 (around 45%).
- More than 85% of 'b*' and 'b-*' credits in our portfolio have been affirmed in the LTM June 2018, supported by adequate balance sheet liquidity situations, satisfactory interest coverage and generally long-dated maturities offsetting high financial leverage.

Portfolio Credit Quality – Entire Portfolio

Evolution of Fitch Ratings' leveraged credit IDCOs



Source: Fitch Leveraged Credit Database

LTM June 2018 Credit Opinion Transition Matrix

	Frequency stable		Frequency up		Frequency down		Out of which frequency default	
(% in category)	By number	By debt amount	By number	By debt amount	By number	By debt amount	By number	By debt amount
b+*	67%	74%	21%	21%	13%	5%	0%	0%
b*	85%	90%	2%	3%	13%	6%	0%	0%
b-*	84%	78%	13%	20%	3%	2%	0%	0%
ccc* to c*	57%	48%	29%	40%	14%	12%	5%	1%

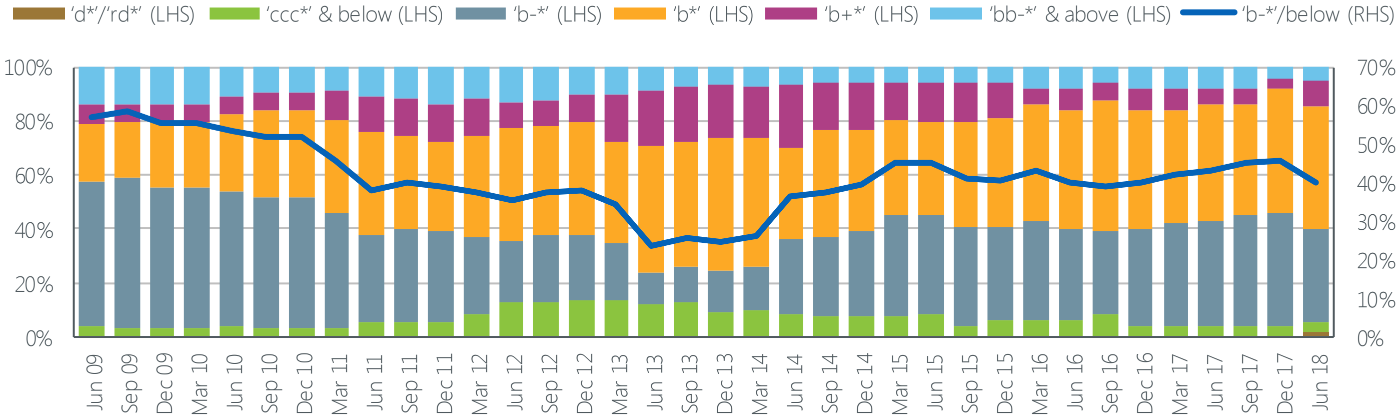
Source: Fitch Leveraged Credit Database

Portfolio Quality | Evolution of COs in Healthcare and Pharma

- Credit quality in health-care and pharma is slightly improving.
- Upgrades come from 'b-*' credits that had high initial leverage but have outperformed their business plan over time.
- Downgrades are concentrated in 'b+*' credits as stronger businesses with high rates of growth are re-leveraged.

Portfolio Credit Quality – Healthcare & Pharmaceuticals

Evolution of Fitch Ratings' leveraged credit IDCOs



Source: Fitch Leveraged Credit Database

LTM June 2018 Credit Opinion Transition Matrix – Healthcare and Pharma

	Frequency stable		Frequency up		Frequency down		Out of which frequency default	
(% in category)	By number	By debt amount	By number	By debt amount	By number	By debt amount	By number	By debt amount
b+*	67%	100%	0%	0%	33%	0%	0%	0%
b*	95%	96%	0%	0%	5%	4%	0%	0%
b-*	72%	62%	22%	30%	6%	8%	0%	0%
ccc* to c*	0%	0%	0%	0%	100%	100%	100%	100%

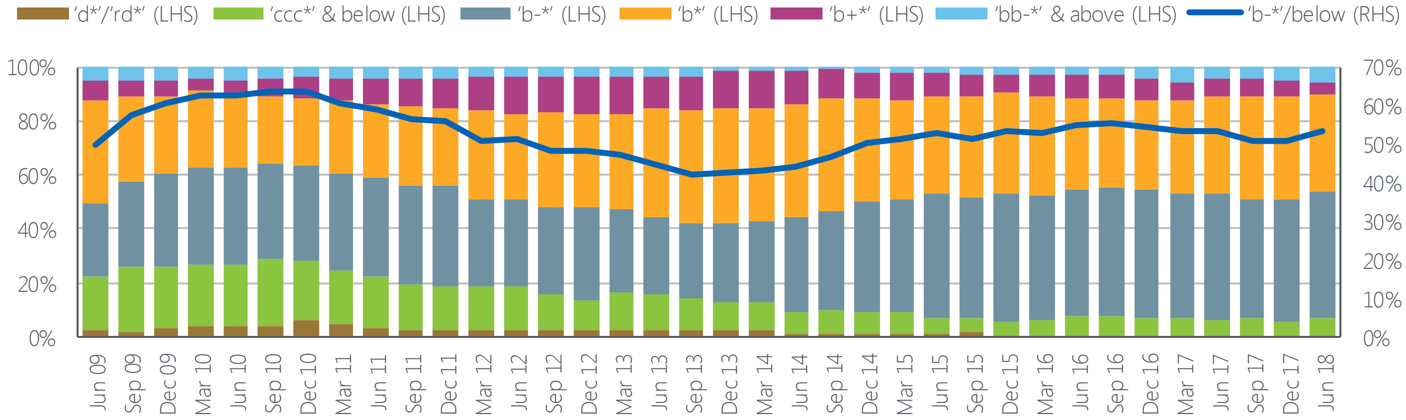
Source: Fitch Leveraged Credit Database

Portfolio Quality | Evolution of COs in Industrials

- Since the global economic downturn of 2008-2010, industrials credit quality has recovered which has translated into the proportion of 'b-*' and below credit opinions gradually declining until the end of 2013.
- Industrial names contributed to a deterioration in the credit portfolio in early 2014, as significant volumes of untested, niche business models were carved out from large corporates and entered our portfolio.
- The proportion of 'b-*' and below credit has however been fairly stable for the last two years.

Portfolio Credit Quality – Industrials

Evolution of Fitch Ratings' leveraged credit IDCOs



Source: Fitch Leveraged Credit Database

LTM June 2018 Credit Opinion Transition Matrix – Industrials (ex. Chemicals)

(% in category)	Frequency stable		Frequency up		Frequency down		Out of which frequency default	
	By number	By debt amount	By number	By debt amount	By number	By debt amount	By number	By debt amount
b+*	60%	84%	40%	16%	0%	0%	0%	0%
b*	74%	75%	3%	9%	23%	17%	0%	0%
b-*	85%	92%	12%	4%	3%	3%	0%	0%
ccc* to c*	67%	14%	17%	57%	17%	29%	0%	0%

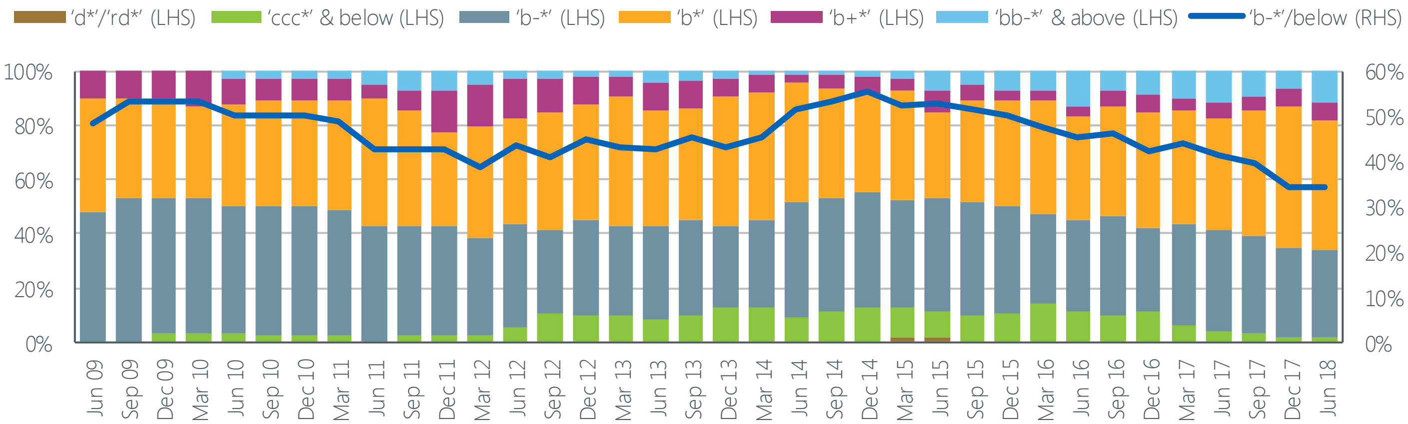
Source: Fitch Leveraged Credit Database

Portfolio Quality | Evolution of COs in Business Services

- Since 2015, the proportion of 'b-*' and below business services companies has declined significantly as some new transactions exhibiting high growth and deleveraging prospects (especially in the payment processing sector) entered our portfolio.
- Some existing transactions in our portfolio have met their business plans and/or exceeded their performance targets such that their IDCOs have been upgraded or otherwise affirmed.

Portfolio Credit Quality – Business Services

Evolution of Fitch Ratings' leveraged credit IDCOs



Source: Fitch Leveraged Credit Database

LTM June 2018 Credit Opinion Transition Matrix – Business Services

(% in category)	Frequency stable		Frequency up		Frequency down		Out of which frequency default	
	By number	By debt amount	By number	By debt amount	By number	By debt amount	By number	By debt amount
b+*	75%	68%	25%	32%	0%	0%	0%	0%
b*	96%	99%	0%	0%	4%	1%	0%	0%
b-*	72%	46%	28%	54%	0%	0%	0%	0%
ccc* to c*	100%	100%	0%	0%	0%	0%	0%	0%

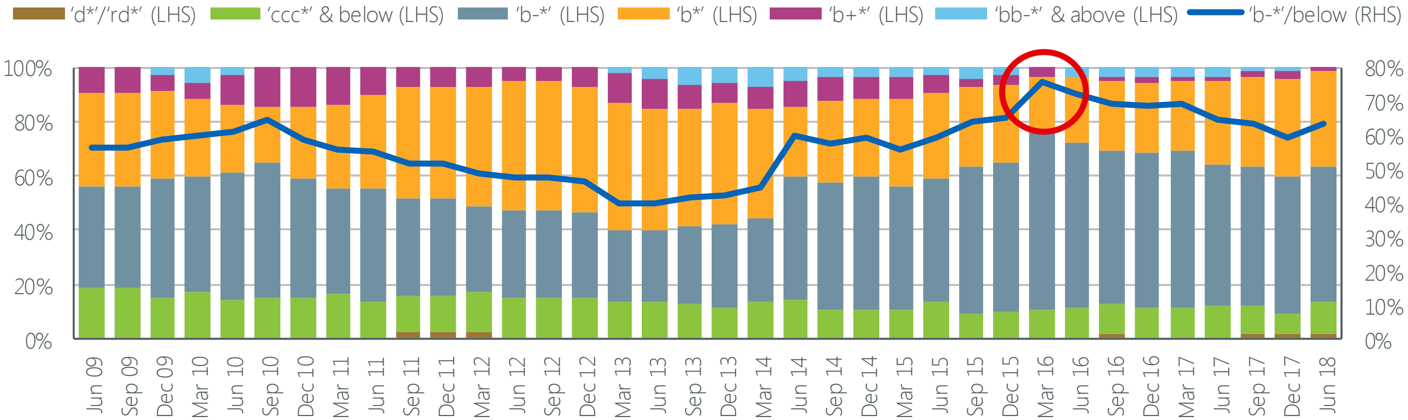
Source: Fitch Leveraged Credit Database

Portfolio Quality | Evolution of COs in Retail, Lodging and Restaurants

- The retail, lodging and restaurants sector experienced weaker performance and issuance than other large sectors over 2014 and 2015.
- The proportion of 'b-*' and below credit opinions peaked at 75% in 1Q16 as disruption from online competition accelerated the underperformance of companies with highly leveraged capital structures, leading to downgrades outpacing upgrades.
- In December 2017, the portion of 'b-*' and below credit opinions declined to around 60% (its lowest level since 2015), driven by several successful operational restructurings and refinancing activities with favourable pricing leading to improvement of coverage metrics. This improvement is particularly stark for 'ccc*' names as 57% were upgraded in the LTM June 2018.
- However, underlying performance remains fragile for many business models, especially within the non-food retail sector.

Portfolio Credit Quality – Retail, Lodging & Restaurants

Evolution of Fitch Ratings' leveraged credit IDCOs



Source: Fitch Leveraged Credit Database

LTM June 2018 Credit Opinion Transition Matrix – Retail, Lodging & Restaurants

(% in category)	Frequency stable		Frequency up		Frequency down		Out of which frequency default	
	By number	By debt amount	By number	By debt amount	By number	By debt amount	By number	By debt amount
b+*	100%	100%	0%	0%	0%	0%	0%	0%
b*	82%	94%	0%	0%	18%	6%	0%	0%
b-*	77%	74%	15%	25%	8%	1%	0%	0%
ccc* to c*	29%	17%	57%	70%	14%	13%	0%	0%

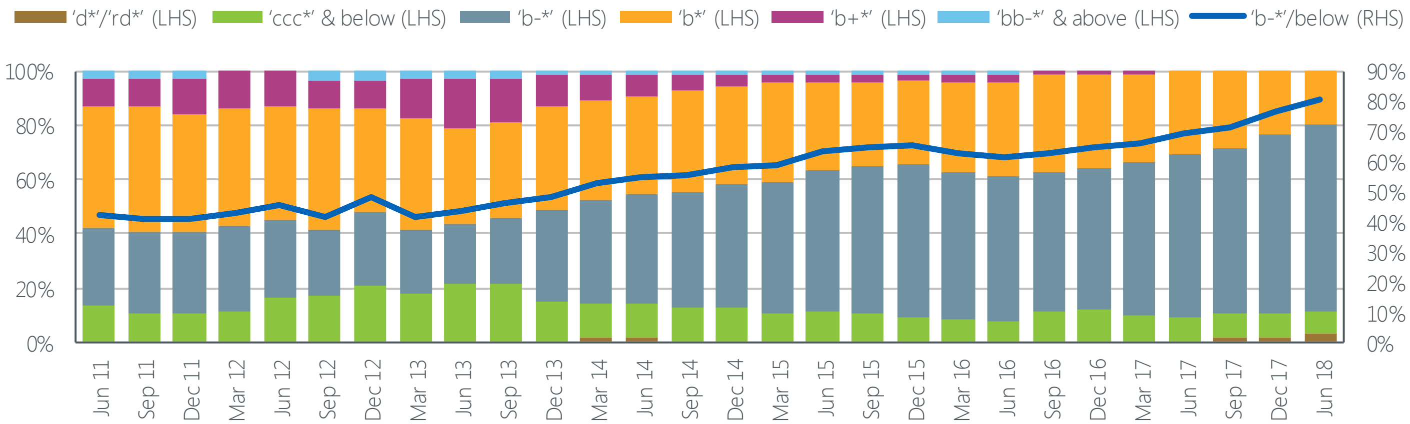
Source: Fitch Leveraged Credit Database

Portfolio Quality | Evolution of COs for Issuers with Debt Below EUR200m

- Around 80% of Fitch's borrowers with debt below EUR200m carry an IDCO of b-* and below, largely because they lack size and scale to offset high leverage and rely on aggressive growth assumptions to deleverage. Lower barriers to entry and key man risks also limit the credit rating profile of small borrowers.
- IDCO transition in this segment of the market has generally proved stable in the last twelve months to June 2018.

Portfolio Credit Quality – Debt Committed at Issuance Below EUR200m

Evolution of Fitch Ratings' leveraged credit IDCOs



Source: Fitch Leveraged Credit Database

LTM June 2018 Credit Opinion Transition Matrix – Debt Below EUR200m

(% in category)	Frequency stable		Frequency up		Frequency down		Out of which frequency default	
	By number	By debt amount	By number	By debt amount	By number	By debt amount	By number	By debt amount
b+*	100%	100%	0%	0%	0%	0%	0%	0%
b*	94%	96%	0%	0%	6%	4%	0%	0%
b-*	98%	98%	2%	2%	0%	0%	0%	0%
ccc* to c*	88%	84%	0%	0%	13%	16%	20%	47%

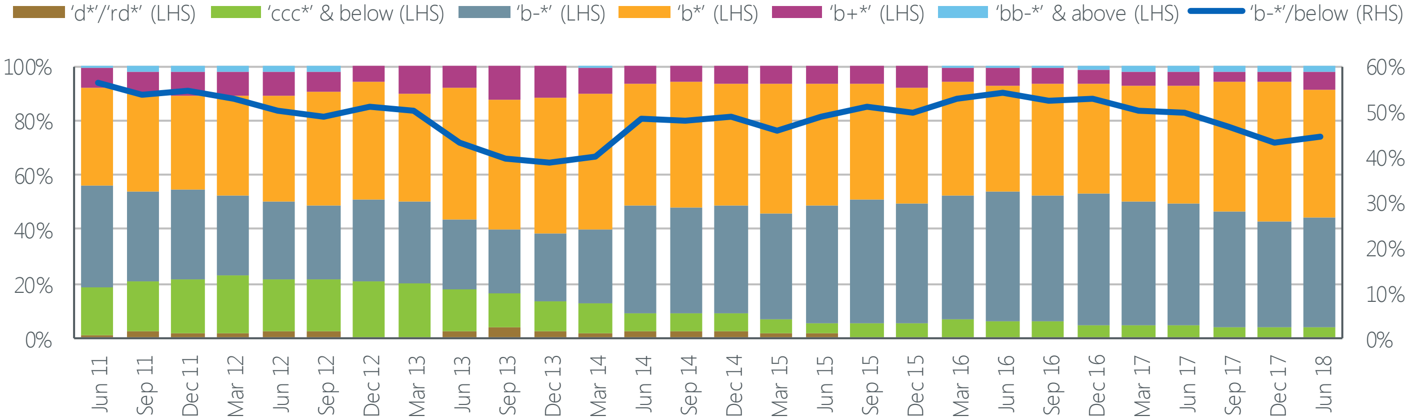
Source: Fitch Leveraged Credit Database

Portfolio Quality | Evolution of COs for Issuers with Debt Between EUR200-500m

- Overall, Fitch's borrowers with debt between EUR200m and EUR500m exhibit slightly better credit quality than smaller issuers, and b-* and below credits have been generally trending down since June 2016.
- While heavily skewed towards b*/b-*, the proportion of b-* and below IDCOs alone is around 45% (versus around 80% for smaller issuers).
- Across the portfolio, ratings have been stable with few upgrades or downgrades over the last twelve months to June 2018.

Portfolio Credit Quality – Debt Committed at Issuance Between EUR200m and EUR500m

Evolution of Fitch Ratings' leveraged credit IDCOs



Source: Fitch Leveraged Credit Database

LTM June 2018 Credit Opinion Transition Matrix – Debt Committed Between EUR200m – 500m

(% in category)	Frequency stable		Frequency up		Frequency down		Out of which frequency default	
	By number	By debt amount	By number	By debt amount	By number	By debt amount	By number	By debt amount
b+*	100%	100%	0%	0%	0%	0%	0%	0%
b*	94%	95%	1%	1%	5%	4%	0%	0%
b-*	95%	96%	4%	4%	1%	0%	0%	0%
ccc* to c*	90%	89%	10%	11%	0%	0%	0%	0%

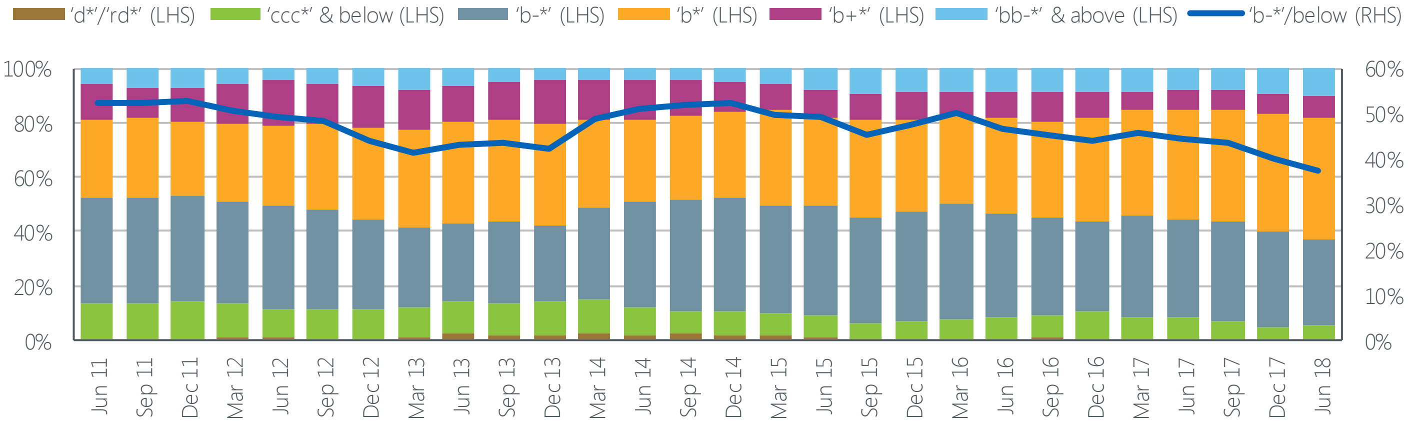
Source: Fitch Leveraged Credit Database

Portfolio Quality | Evolution of COs for Issuers with Debt Above EUR500m

- For larger borrowers, the proportion of b-* and below IDCOs is around 37%.
- However, about 15% of issuers in this segment have an IDCO of 'b+*' and above.
- Such issuers tend to exhibit large scale, leading market positions and geographical diversification, sometimes commensurate with an investment-grade profile but remain sub-investment grade due to high financial leverage or aggressive financial policies.
- Some existing transactions in our portfolio have exceeded Fitch's forecasts and reached their sensitivity guidance such that their IDCOs have been upgraded in the LTM June 2018 as upgrades have exceeded downgrades for 'b+*' and 'b-*' and below credits.

Portfolio Credit Quality – Debt Committed at Issuance Above EUR500m

Evolution of Fitch Ratings' leveraged credit IDCOs



Source: Fitch Leveraged Credit Database

LTM June 2018 Credit Opinion Transition Matrix – Debt Committed at Issuance Above EUR500m

(% in category)	Frequency stable		Frequency up		Frequency down		Out of which frequency default	
	By number	By debt amount	By number	By debt amount	By number	By debt amount	By number	By debt amount
b+*	78%	80%	17%	18%	4%	2%	0%	0%
b*	88%	91%	3%	4%	10%	5%	0%	0%
b-*	84%	82%	13%	17%	3%	1%	0%	0%
ccc* to c*	74%	65%	16%	26%	11%	10%	0%	0%

Source: Fitch Leveraged Credit Database

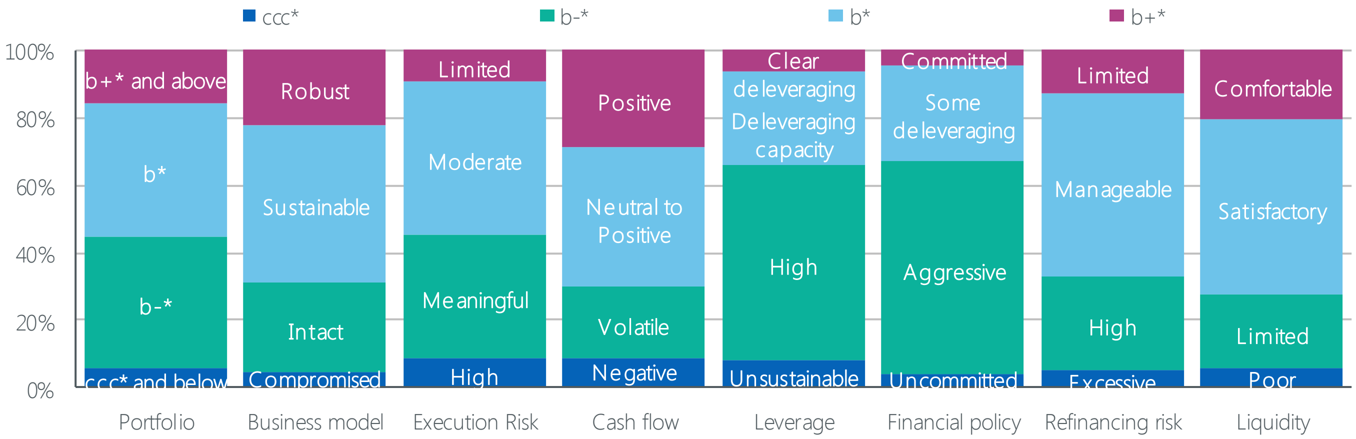
Portfolio Quality | Credit Quality

- High volumes of 'b-*' and 'b*' issuers reflect weak deleveraging profiles, challenged strategies amid weak growth, and higher leverage from past dividend recaps.
- Smaller credits exhibit weaker margins and higher leverage.
- 'ccc*' and below rated names tend to exhibit consistent negative free cash flow.
- Satisfactory liquidity positions mitigate weak operating profit and high leverage.
- Sixty-three percent of issuers in Fitch's portfolio have an "aggressive" financial policy and 57% a "high but sustainable" leverage profile.
- These factors typically lead to a 'b-*' credit opinion and reflect the large proportion of private equity-backed transactions in the portfolio. The current market environment enables financial sponsors to maximise leverage and pursue expansionary growth strategies or acquisitions rather than debt reduction.
- Most leveraged credits have 'satisfactory' liquidity buffers and 'manageable' refinancing risks. Debt service capacity is further supported by a majority of at least 'neutral to positive' free cash flow profiles.

Median statistics as of Jun 18	bb-*/ above	b+*	b*	b–*	ccc*	cc*/c*
Number of transactions	36	33	166	166	16	8
Net sales (EURm)	1,743	1,283	445	442	657	615
EBITDA (EURm)	355	304	93	58	63	53
EBITDA margin (%)	19.7	27.1	20.5	13.9	9.3	10.2
EBITDA/cash interest (x)	8.4	5.3	4.2	3.0	1.7	1.8
Total debt (incl. PIK[a])/EBITDA (x)	3.3	4.6	4.9	5.5	10.5	8.9
FFO adjusted leverage (x)	4.0	4.6	5.4	6.5	8.8	8.2
FCF margin – Yr. 1 (%)	2.8	1.2	2.2	0.3	-2.7	-4.8
Liquidity ratio[b] (x)	1.7	1.4	2.4	2.2	1.6	0.7

Note: This table does not constitute a prescriptive grid to determine ratings but rather it is a descriptive summary of statistics in Fitch Ratings' credit opinions portfolio
[a] In case of Holdco PIK loans not in compliance with Fitch Ratings' methodology
[b] (Cash + Undrawn RCF) / (Debt Service N+1)
Source: Fitch Leveraged Credit Database

Distribution of Differentiating Factors for 'b+*' and Below Credits – Entire Portfolio



Source: Fitch Leveraged Credit Database

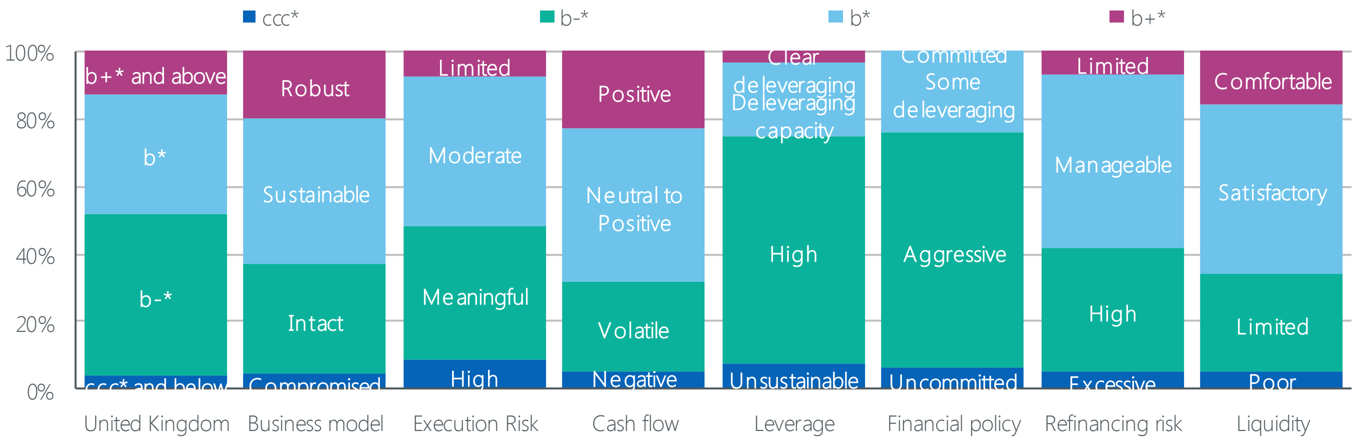
Portfolio Quality | Credit Quality in the UK

- UK credits exhibit consistent financial leverage (measured by FFO adjusted leverage) with the overall portfolio as these companies have recently benefitted from some deleveraging.
- The uncertainty generated by the Brexit process might have some impact over the medium term and will put pressure on UK companies to generate strong top-line revenue and profit growth to service their debt and maintain or improve their leveraged credit profiles.
- Otherwise, over-reliance on favourable capital market conditions for refinancing will likely increase, constraining credit opinions to the low single b* category (42% of UK credits have a 'high' or 'excessive' refinancing risk in our view).

Median statistics as of Jun 18	b+*/above	b*	b–*	ccc*/below
Number of transactions	13	37	50	<5
Net sales (EURm)	1,514	559	268	497
EBITDA (EURm)	309	108	51	46
EBITDA margin (%)	21.3	17.6	13.7	10.2
EBITDA/cash interest (x)	6.0	3.7	3.2	1.3
Total debt (incl. PIK[a])/EBITDA (x)	3.6	5.7	5.9	11.0
FFO adjusted leverage (x)	5.0	5.5	6.4	8.2
FCF margin – Yr. 1 (%)	4.5	1.0	0.3	-6.5
Liquidity ratio[b] (x)	1.9	2.1	2.0	1.0

Note: This table does not constitute a prescriptive grid to determine ratings but rather it is a descriptive summary of statistics in Fitch Ratings' credit opinions portfolio
[a] In case of Holdco PIK loans not in compliance with Fitch Ratings' methodology
[B] (Cash + Undrawn RCF) / (Debt Service N+1)
Source: Fitch Leveraged Credit Database

Distribution of Differentiating Factors for 'b+*' and Below Credits – United Kingdom



Source: Fitch Leveraged Credit Database

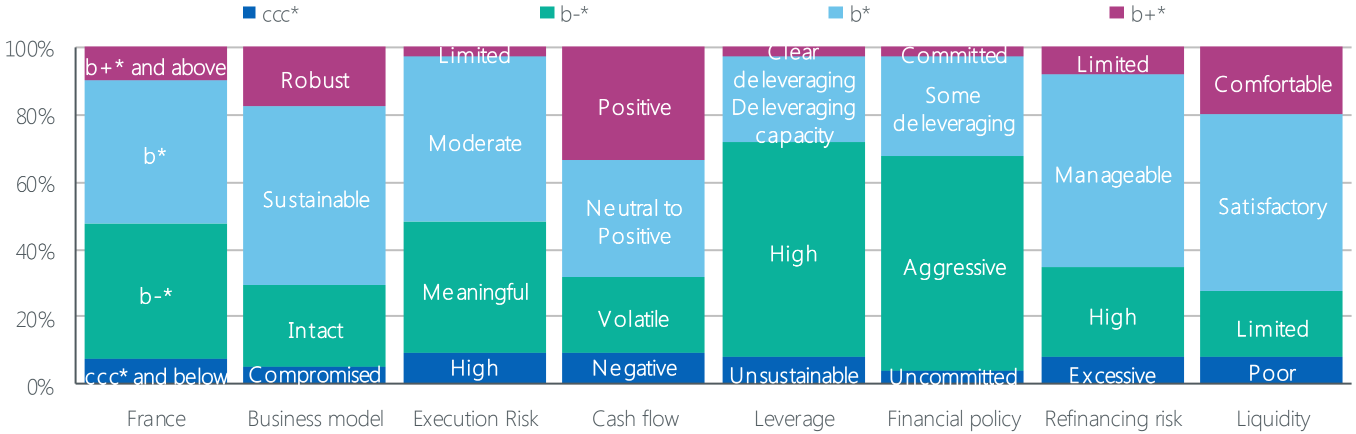
Portfolio Quality | Credit Quality in France

- Credits in France span a wide range of industries, which are representative of the portfolio as a whole.
- Around 65% of credits in France exhibit a 'high' leverage profile and have an 'aggressive' financial policy.

Median statistics as of Jun 18	b+*/above	b*	b−*	ccc*/below
Number of transactions	8	35	33	6
Net sales (EURm)	3,491	424	472	504
EBITDA (EURm)	383	100	57	46
EBITDA margin (%)	11.0	20.8	14.1	9.8
EBITDA/cash interest (x)	8.6	4.2	3.2	2.4
Total debt (incl. PIK[a])/EBITDA (x)	3.5	4.7	5.3	10.5
FFO adjusted leverage (x)	3.8	5.9	6.6	9.7
FCF margin – Yr. 1 (%)	0.8	4.5	0.7	-3.6
Liquidity ratio[b] (x)	2.9	2.1	2.4	0.7

Note: This table does not constitute a prescriptive grid to determine ratings but rather it is a descriptive summary of statistics in Fitch Ratings' credit opinions portfolio
[a] In case of Holdco PIK loans not in compliance with Fitch Ratings' methodology
[B] (Cash + Undrawn RCF) / (Debt Service N+1)
Source: Fitch Leveraged Credit Database

Distribution of Differentiating Factors for 'b+*' and Below Credits – France



Source: Fitch Leveraged Credit Database

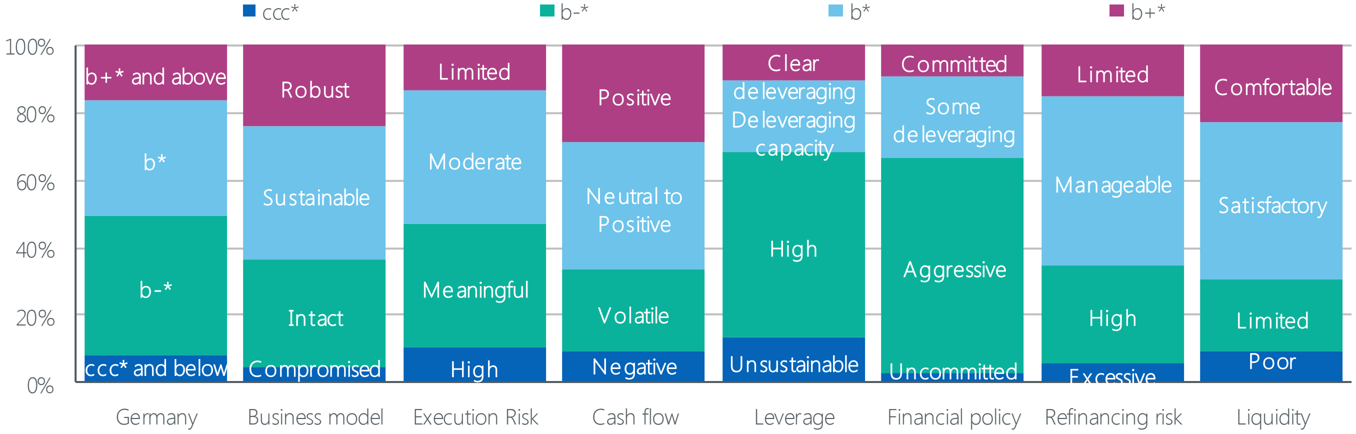
Portfolio Quality | Credit Quality in Germany

- The German portfolio has an over-representation of chemicals, automobiles and manufacturing companies relative to the overall portfolio.
- Longer term, these sectors may be impacted by Brexit as Germany's tradeable goods sectors export surpluses to the UK.

Median statistics as of Jun 18	b+*/above	b*	b–*	ccc*/below
Number of transactions	12	25	30	6
Net sales (EURm)	1,044	528	562	735
EBITDA (EURm)	265	93	65	70
EBITDA margin (%)	20.8	23.4	13.3	10.4
EBITDA/cash interest (x)	5.7	4.0	2.3	1.5
Total debt (incl. PIK[a])/EBITDA (x)	3.6	4.9	5.7	8.7
FFO adjusted leverage (x)	4.2	5.8	6.3	7.2
FCF margin – Yr. 1 (%)	5.2	3.4	0.5	-2.8
Liquidity ratio[b] (x)	2.1	2.2	2.4	1.3

Note: This table does not constitute a prescriptive grid to determine ratings but rather it is a descriptive summary of statistics in Fitch Ratings' credit opinions portfolio
[a] In case of Holdco PIK loans not in compliance with Fitch Ratings' methodology
[B] (Cash + Undrawn RCF) / (Debt Service N+1)
Source: Fitch Leveraged Credit Database

Distribution of Differentiating Factors for 'b+*' and Below Credits – Germany



Source: Fitch Leveraged Credit Database

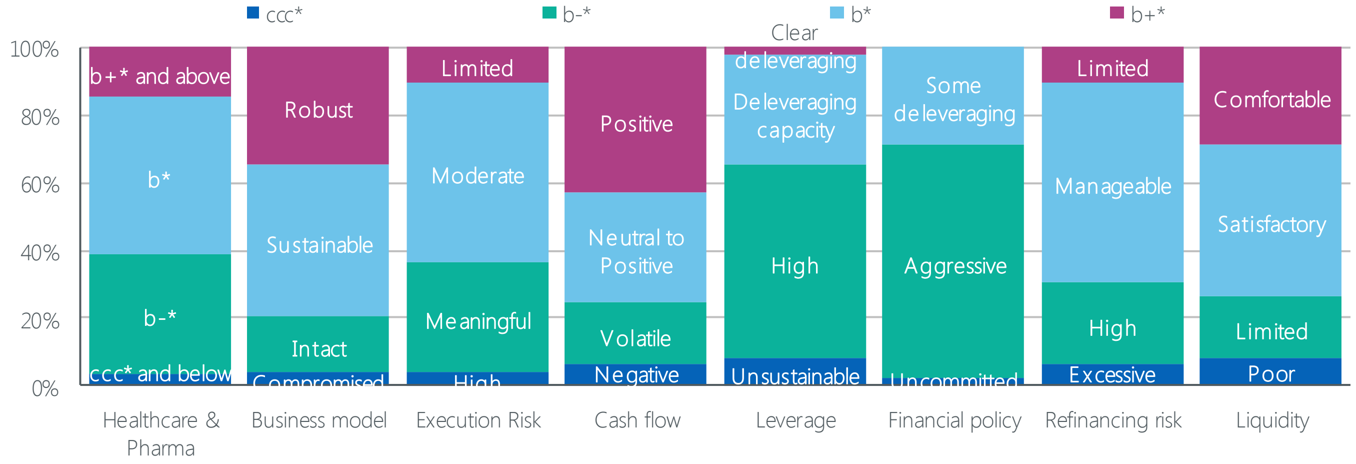
Portfolio Quality | Credit Quality in Healthcare and Pharma

- Health-care and pharma names have more aggressive leverage metrics than the portfolio median (around 65% of leverage profiles have been assessed as 'high' or 'unsustainable') but their business risk is more moderate (around 80% of business models have been assessed as at least 'sustainable' and 35% of them are deemed 'robust').
- At the 'b-*' level, free cash-flow margin can be marginal and leverage levels high but the resilience to economic cycles provides some margin of safety.
- While there are few ccc* names, credits in that category significantly underperform on both leverage and cash flow.

Median statistics as of Jun 18	b+*/above	b*	b−*	ccc*/below
Number of transactions	8	25	19	<5
Net sales (EURm)	1,107	384	399	749
EBITDA (EURm)	180	90	58	78
EBITDA margin (%)	27.4	23.7	15.8	10.4
EBITDA/cash interest (x)	5.5	4.2	2.4	1.2
Total debt (incl. PIK[a])/EBITDA (x)	4.9	5.6	6.3	10.3
FFO adjusted leverage (x)	3.4	6.4	7.5	4.3
FCF margin – Yr. 1 (%)	5.4	1.8	0.8	-5.5
Liquidity ratio[b] (x)	1.1	1.5	2.1	0.4

Note: This table does not constitute a prescriptive grid to determine ratings but rather it is a descriptive summary of statistics in Fitch Ratings' credit opinions portfolio
[a] In case of Holdco PIK loans not in compliance with Fitch Ratings' methodology
[B] (Cash + Undrawn RCF) / (Debt Service N+1)
Source: Fitch Leveraged Credit Database

Distribution of Differentiating Factors for 'b+*' and Below Credits – Healthcare & Pharma



Source: Fitch Leveraged Credit Database

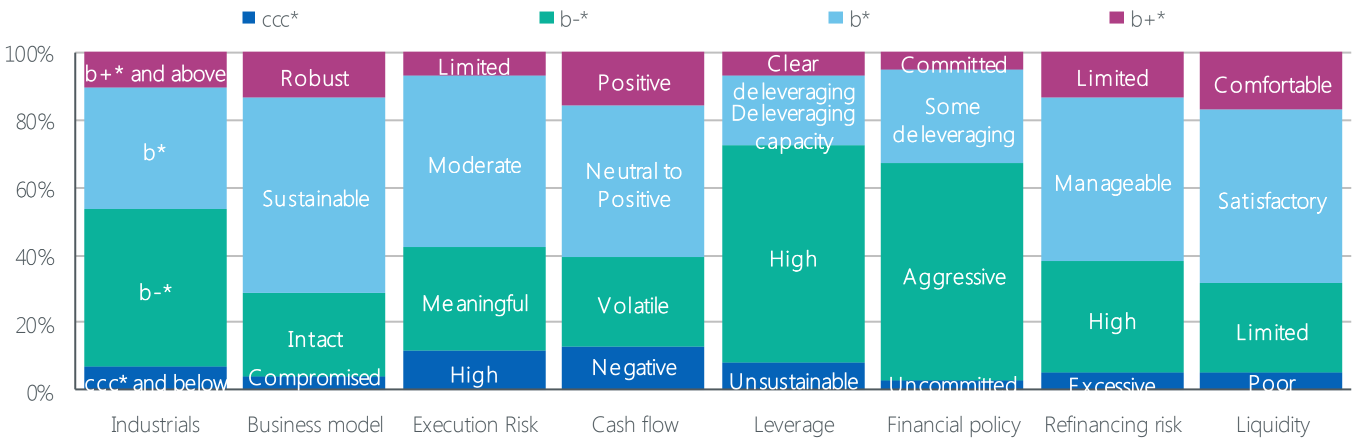
Portfolio Quality | Credit Quality in Industrials

- Industrial credits exhibit lower leverage than the portfolio median as their business risk profile is higher than average.
- However, Fitch has assessed that over 70% of leverage profiles for industrials borrowers are 'high' or 'unsustainable', relative to the associated business risks.
- Clear differentiation in metrics between 'b-*' and 'ccc*' and below rated names as the latter tend to have over-leveraged capital structures and negative free cash-flow generation.

Median statistics as of Jun 18	b+*/above	b*	b−*	ccc*/below
Number of transactions	9	31	40	6
Net sales (EURm)	1,449	476	627	615
EBITDA (EURm)	206	88	78	52
EBITDA margin (%)	15.6	18.9	12.6	8.9
EBITDA/cash interest (x)	8.4	4.8	3.0	1.9
Total debt (incl. PIK[a])/EBITDA (x)	2.9	4.0	5.5	8.6
FFO adjusted leverage (x)	3.8	4.6	7.0	8.9
FCF margin – Yr. 1 (%)	2.2	3.4	0.1	-2.8
Liquidity ratio[b] (x)	2.5	2.4	2.3	1.3

Note: This table does not constitute a prescriptive grid to determine ratings but rather it is a descriptive summary of statistics in Fitch Ratings' credit opinions portfolio
[a] In case of Holdco PIK loans not in compliance with Fitch Ratings' methodology
[B] (Cash + Undrawn RCF) / (Debt Service N+1)
Source: Fitch Leveraged Credit Database

Distribution of Differentiating Factors for 'b+*' and Below Credits – Industrials



Source: Fitch Leveraged Credit Database

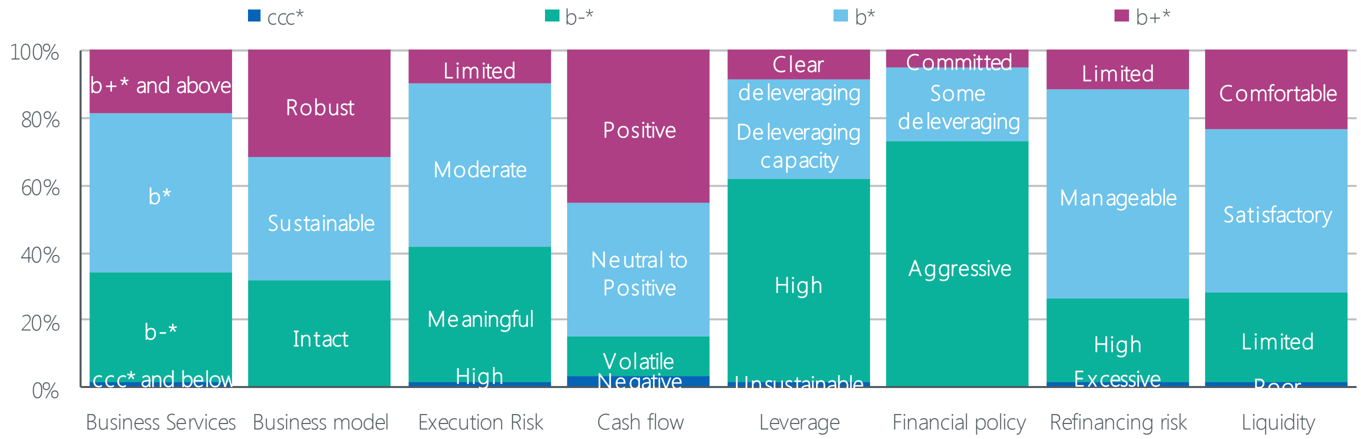
Portfolio Quality | Credit Quality in Business Services

- Even at 'b-*', business services companies can exhibit healthy free cash-flow (FCF) margins due to relatively low capex intensity in their business models.
- Business services borrowers have the highest proportion (45%) of 'consistently positive' FCF across major sectors and over two-thirds of business models are either 'sustainable' or 'robust'.
- However, high leverage ratios, limited scale and higher execution risks tend to weigh negatively on their credit opinions.

Median statistics as of Jun 18	b+*/above	b*	b−*	ccc*/below
Number of transactions	13	33	23	<5
Net sales (EURm)	993	332	129	25
EBITDA (EURm)	352	82	28	9
EBITDA margin (%)	15.0	23.8	22.8	35.9
EBITDA/cash interest (x)	6.9	4.1	3.2	2.5
Total debt (incl. PIK[a])/EBITDA (x)	4.4	5.1	5.2	6.8
FFO adjusted leverage (x)	4.8	6.1	6.0	7.6
FCF margin – Yr. 1 (%)	0.4	4.0	5.2	1.7
Liquidity ratio[b] (x)	0.7	2.7	1.4	0.6

Note: This table does not constitute a prescriptive grid to determine ratings but rather it is a descriptive summary of statistics in Fitch Ratings' credit opinions portfolio
[a] In case of Holdco PIK loans not in compliance with Fitch Ratings' methodology
[B] (Cash + Undrawn RCF) / (Debt Service N+1)
Source: Fitch Leveraged Credit Database

Distribution of Differentiating Factors for 'b+*' and Below Credits – Business Services



Source: Fitch Leveraged Credit Database

Portfolio Quality | Credit Quality in Retail, Lodging and Restaurants

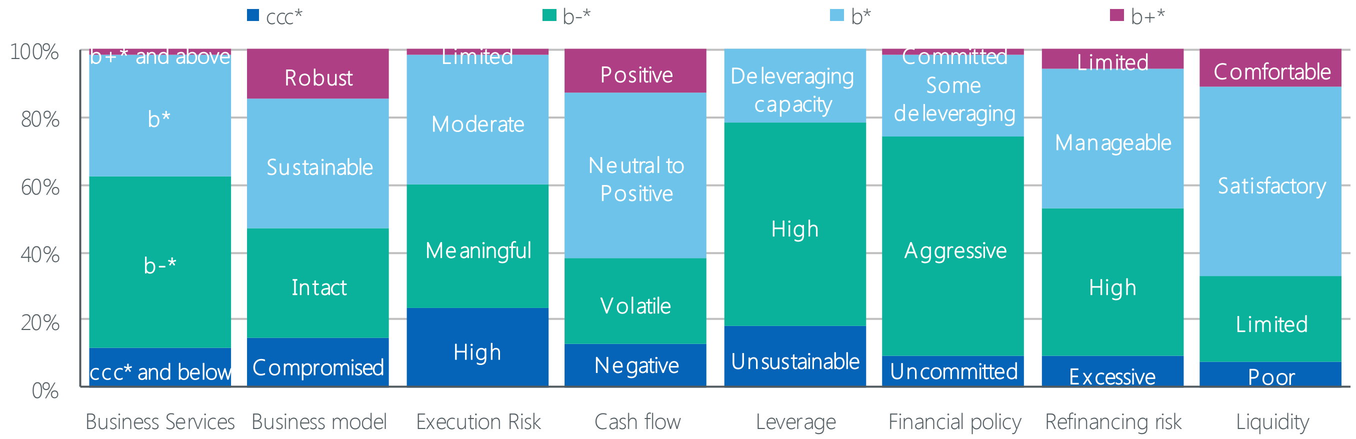
- Credit opinions in the retail, lodging and restaurant sector are skewed towards ‘b-*’ due to sustained high leverage and weak cash-flow metrics in a subdued economic environment.
- A combination of low margin, excessive leverage, cash burn and weak liquidity score forms the cohort of ‘ccc*’ names in this cyclical sector.

Median statistics as of Jun 18	b+*/above	b*	b–*	ccc*/below
Number of transactions	<5	21	30	7
Net sales (EURm)	15,505	790	502	346
EBITDA (EURm)	981	115	72	38
EBITDA margin (%)	6.3	14.8	13.0	8.6
EBITDA/cash interest (x)	5.4	4.0	2.8	2.3
Total debt (incl. PIK[a])/EBITDA (x)	4.4	5.3	5.2	10.3
FFO adjusted leverage (x)	5.9	5.5	6.6	9.2
FCF margin – Yr. 1 (%)	1.0	1.4	-0.6	-3.8
Liquidity ratio[b] (x)	3.3	2.5	2.3	1.2

Note: This table does not constitute a prescriptive grid to determine ratings but rather it is a descriptive summary of statistics in Fitch Ratings’ credit opinions portfolio
[a] In case of Holdco PIK loans not in compliance with Fitch Ratings’ methodology
[B] (Cash + Undrawn RCF) / (Debt Service N+1)
Source: Fitch Leveraged Credit Database

- Nearly 60% of credits in the sector have ‘high’ or ‘meaningful’ execution risk in strategy given an appetite for debt-funded expansion and M&A to secure top-line revenue growth and scale. Therefore, Fitch assesses 78% of financial leverage profiles as ‘high’ or ‘unsustainable’ and financial policy as ‘aggressive’. Over one-third of liquidity positions are either ‘limited’ or ‘poor’.

Distribution of Differentiating Factors for 'b+*' and Below Credits – Retail, Lodging & Restaurants



Source: Fitch Leveraged Credit Database

Portfolio Quality | Credit Quality of Borrowers With Debt Below EUR200m

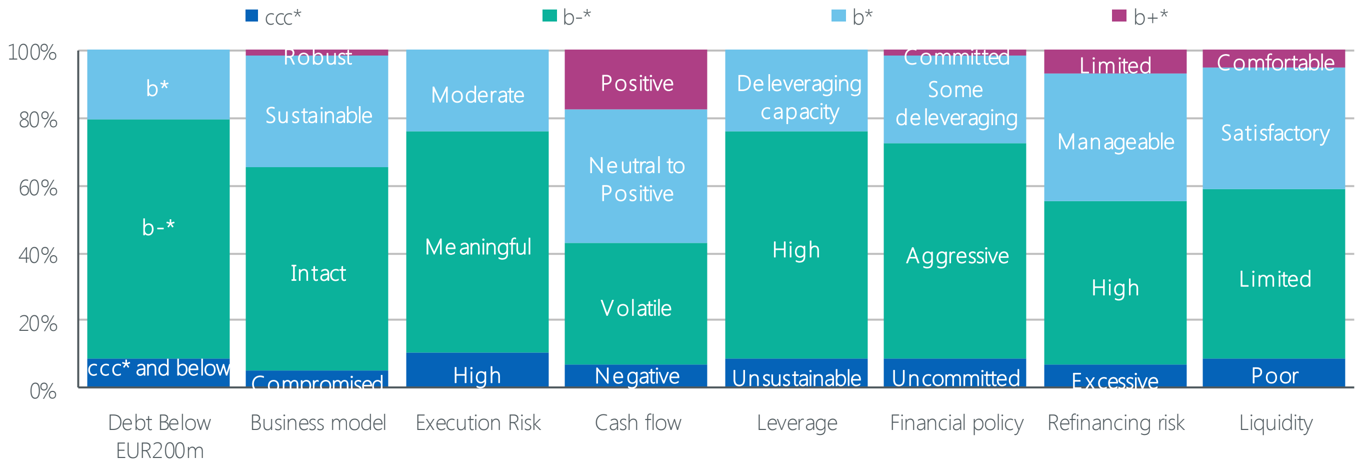
- Smaller credits are less diversified and more susceptible to idiosyncratic risks due to their small operating scale, preventing credit opinions higher than ‘b*’ in most cases.
- Lower leverage, higher interest cover and higher free cash-flow margins compensate for the unique risks that smaller issuers face.

Median statistics as of Jun 18	b*	b–*	ccc*/below
Number of transactions	12	42	5
Net sales (EURm)	228	134	51
EBITDA (EURm)	36	17	14
EBITDA margin (%)	17.5	13.5	6.8
EBITDA/cash interest (x)	5.1	3.2	1.6
Total debt (incl. PIK[a])/EBITDA (x)	2.9	5.1	11.7
FFO adjusted leverage (x)	4.7	5.5	9.2
FCF margin – Yr. 1 (%)	5.0	0.1	-2.0
Liquidity ratio[b] (x)	2.1	2.0	0.7

Note: This table does not constitute a prescriptive grid to determine ratings but rather it is a descriptive summary of statistics in Fitch Ratings’ credit opinions portfolio
[a] In case of Holdco PIK loans not in compliance with Fitch Ratings’ methodology
[B] (Cash + Undrawn RCF) / (Debt Service N+1)
Source: Fitch Leveraged Credit Database

- In Fitch’s view, execution risk in the strategy tends to be ‘meaningful’ or ‘high’. Cash flow is typically ‘neutral to positive’ but rarely proves ‘consistently positive’ through the cycle. Leverage is predominantly ‘high’ and financial policies are often ‘aggressive’.

Distribution of Differentiating Factors for 'b+*' and Below Credits – Debt Below EUR200m



Source: Fitch Leveraged Credit Database

Portfolio Quality | Credit Quality of Borrowers With Debt From EUR200m to EUR500m

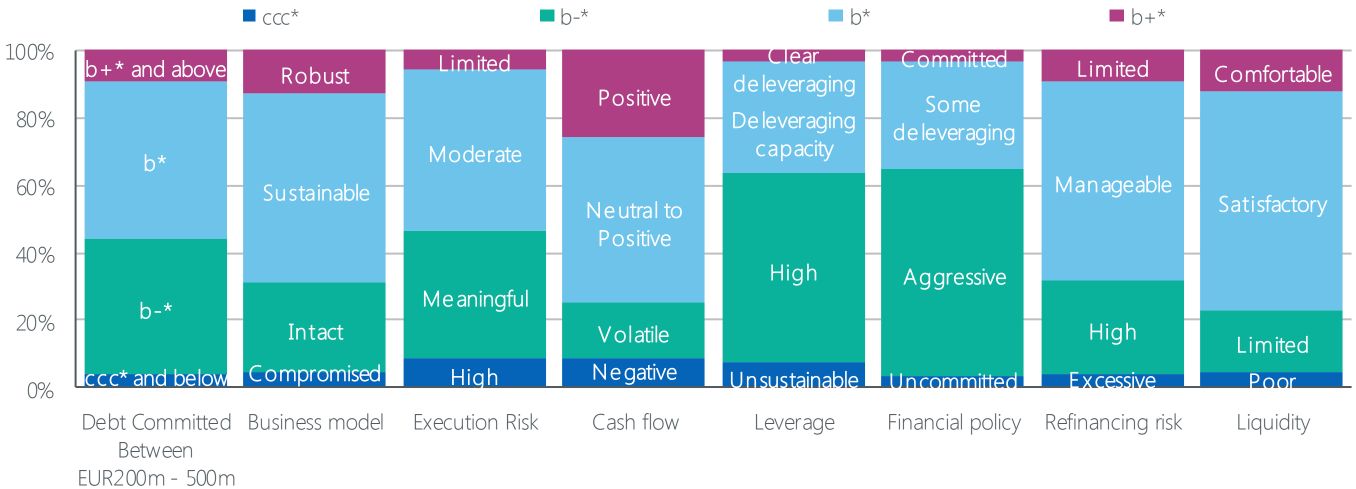
- Medium-sized borrowers can tolerate higher financial leverage and weaker interest cover than their counterparts with debt below EUR200m and yet carry the same IDCO thanks to a more 'sustainable' business profile.
- However, ccc* and below borrowers often differentiate themselves by excessive leverage and negative free cash flow.

Median statistics as of Jun 18	b+*/above	b*	b–*	ccc*/below
Number of transactions	12	62	54	5
Net sales (EURm)	624	279	441	294
EBITDA (EURm)	94	59	56	33
EBITDA margin (%)	19.7	23.1	14.1	8.6
EBITDA/cash interest (x)	5.6	4.5	3.0	1.7
Total debt (incl. PIK[a])/EBITDA (x)	3.4	4.9	5.6	13.4
FFO adjusted leverage (x)	4.2	4.5	6.4	9.0
FCF margin – Yr. 1 (%)	3.2	2.8	1.2	-3.1
Liquidity ratio[b] (x)	3.4	2.4	2.3	2.0

Note: This table does not constitute a prescriptive grid to determine ratings but rather it is a descriptive summary of statistics in Fitch Ratings' credit opinions portfolio
[a] In case of Holdco PIK loans not in compliance with Fitch Ratings' methodology
[B] (Cash + Undrawn RCF) / (Debt Service N+1)
Source: Fitch Leveraged Credit Database

- Borrowers with debt up to EUR500m cluster at the b* and b-* level. Most exhibit higher leverage and more 'aggressive' financial policy than their peers below EUR200m. But business models tend to be more often 'sustainable' and strategies carry a more 'moderate' execution risk. Liquidity is in a majority of cases 'satisfactory'.

Distribution of Differentiating Factors for 'b+*' and Below Credits – Debt Committed Between EUR200m - 500m



Source: Fitch Leveraged Credit Database

Portfolio Quality | Credit Quality of Borrowers With Debt Above EUR500m

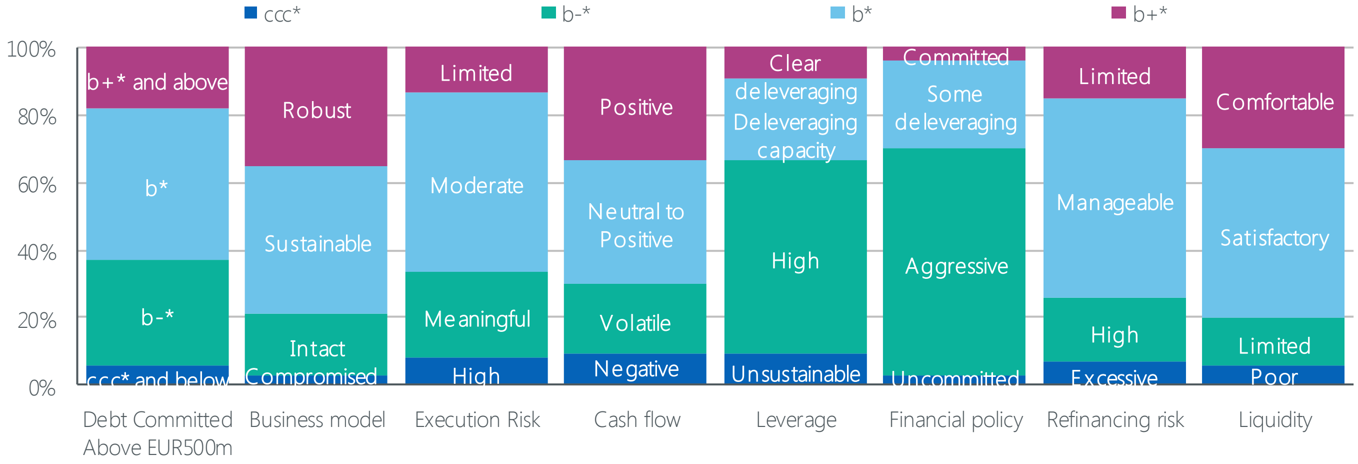
- Borrowers with debt above EUR500m have a more diverse IDCO distribution.
- Credit metrics for b+* and above issuers in this segment of the market reflect large scale, healthy interest cover and a relatively low leverage.
- A combination of lower scale, lower profit margins and more aggressive financial metrics shifts issuers to the 'b-*' level.

Median statistics as of Jun 18	b+*/above	b*	b−*	ccc*/below
Number of transactions	33	80	57	10
Net sales (EURm)	1,499	797	855	1,008
EBITDA (EURm)	351	133	111	135
EBITDA margin (%)	21.4	17.8	13.9	10.4
EBITDA/cash interest (x)	5.9	3.9	2.5	1.7
Total debt (incl. PIK[a])/EBITDA (x)	4.0	5.3	6.2	7.7
FFO adjusted leverage (x)	4.5	5.9	7.0	7.8
FCF margin – Yr. 1 (%)	2.2	1.1	-0.4	-4.9
Liquidity ratio[b] (x)	1.6	2.6	2.0	1.0

Note: This table does not constitute a prescriptive grid to determine ratings but rather it is a descriptive summary of statistics in Fitch Ratings' credit opinions portfolio
[a] In case of Holdco PIK loans not in compliance with Fitch Ratings' methodology
[B] (Cash + Undrawn RCF) / (Debt Service N+1)
Source: Fitch Leveraged Credit Database

- Almost two-thirds of credits with debt above EUR500m have an aggressive financial policy. But this is often offset by a proven 'sustainability' or even 'robustness' of the business model, 'limited' or 'moderate' execution risk and, for the majority, at least neutral free cash-flow generation.

Distribution of Differentiating Factors for 'b+*' and Below Credits – Debt Committed Above EUR500m



Source: Fitch Leveraged Credit Database

Portfolio Quality | Credit Quality of Borrowers With Subordinated Debt

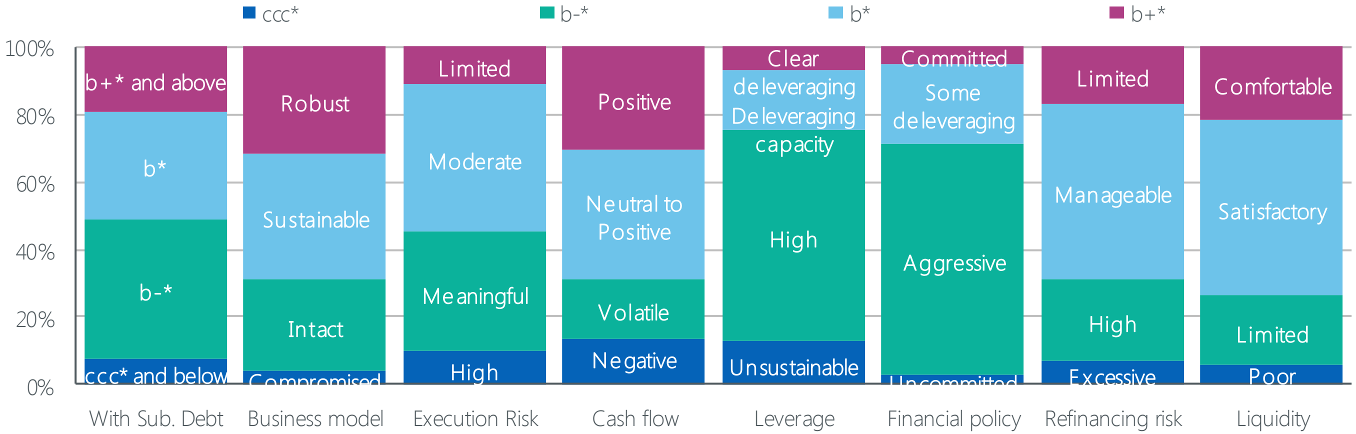
- Around half of Fitch's credit opinions that include subordinated debt are 'b-*' and below.
- Subordinated debt contributes to higher leverage and weaker debt service profiles than portfolio medians.

Median statistics as of Jun 18	b+*/above	b*	b−*	ccc*/below
Number of transactions	22	37	48	9
Net sales (EURm)	2,164	441	564	742
EBITDA (EURm)	462	115	95	81
EBITDA margin (%)	24.2	23.0	14.7	10.0
EBITDA/cash interest (x)	6.3	3.3	2.5	1.3
Total debt (incl. PIK[a])/EBITDA (x)	3.7	5.9	5.5	6.2
FFO adjusted leverage (x)	3.8	6.0	6.5	7.3
FCF margin – Yr. 1 (%)	4.0	1.5	-0.4	-4.5
Liquidity ratio[b] (x)	1.6	2.3	2.2	0.8

Note: This table does not constitute a prescriptive grid to determine ratings but rather it is a descriptive summary of statistics in Fitch Ratings' credit opinions portfolio
[a] In case of Holdco PIK loans not in compliance with Fitch Ratings' methodology
[B] (Cash + Undrawn RCF) / (Debt Service N+1)
Source: Fitch Leveraged Credit Database

- Over 70% of credits with subordinated debt have an aggressive financial policy, high or unsustainable leverage. Such features are consistent with 'b-*' and below COs.

Distribution of Differentiating Factors for 'b+*' and Below Credits – Borrowers with Subordinated Debt

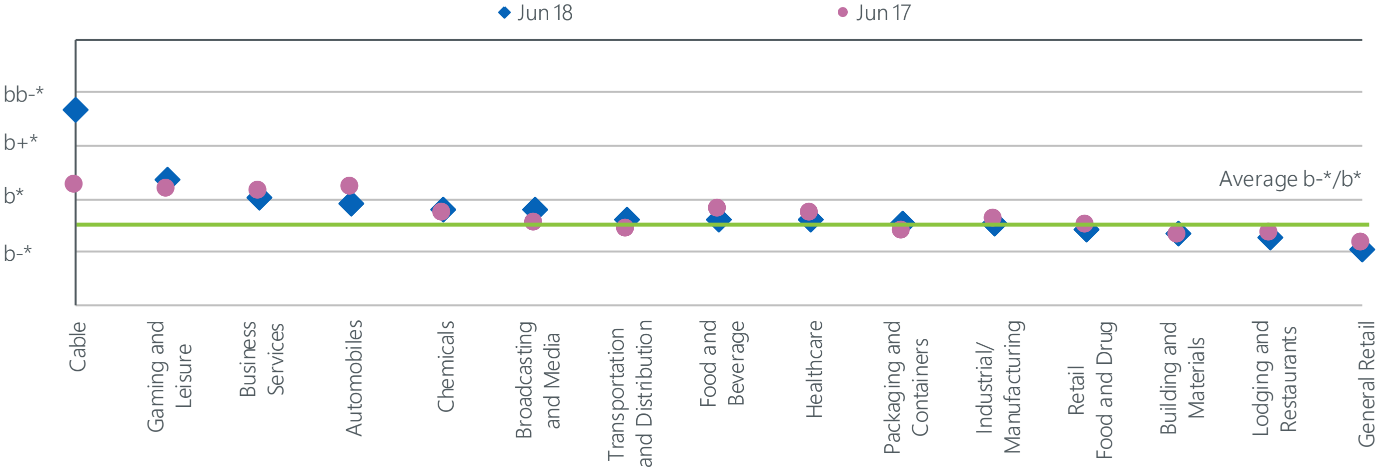


Source: Fitch Leveraged Credit Database

Portfolio Quality | Evolution of Median Credit Opinion by Sector

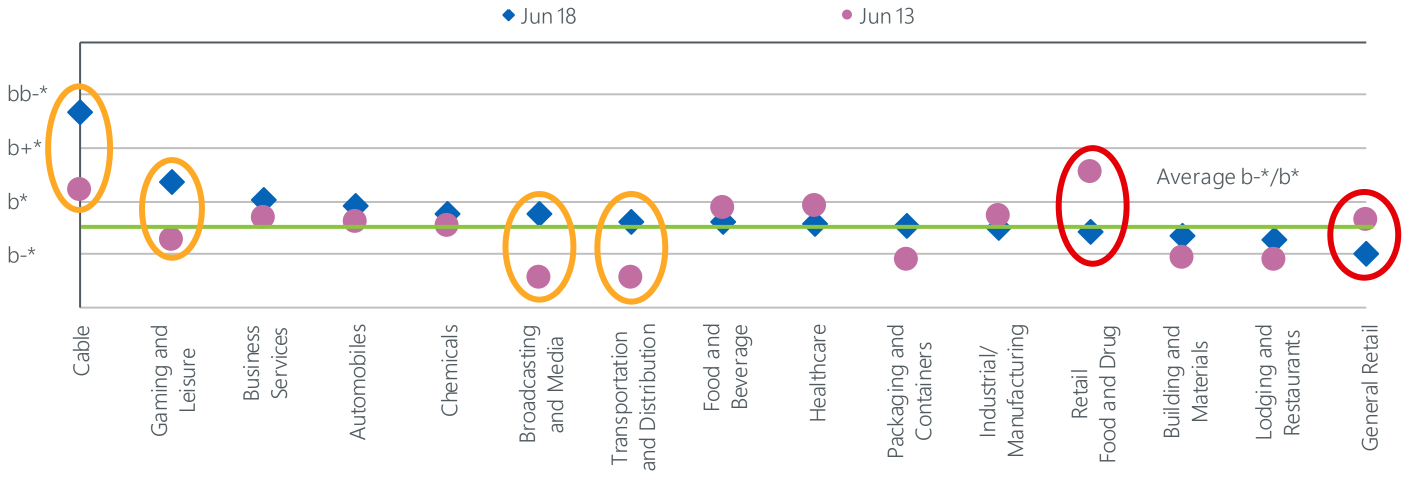
- Over the past year, average credit quality in most sectors has been stable.
- Over a five-year period (June 2013 to June 2018), the food and retail sectors stand out as underperformers from weak operating results and sometimes aggressive financial policies. The median credit opinion score for the sector is lower than five years ago.
- Looking at the evolution of credit quality over five years, the greatest improvements have been in gaming and leisure, broadcasting and media, cable and transportation due to a mix of deleveraging events or recovery in financial performance.

IDCO Distribution by Sector – Jun 18 vs. Jun 17



Source: Fitch Leveraged Credit Database

IDCO Distribution by Sector – Jun 18 vs. Jun 13

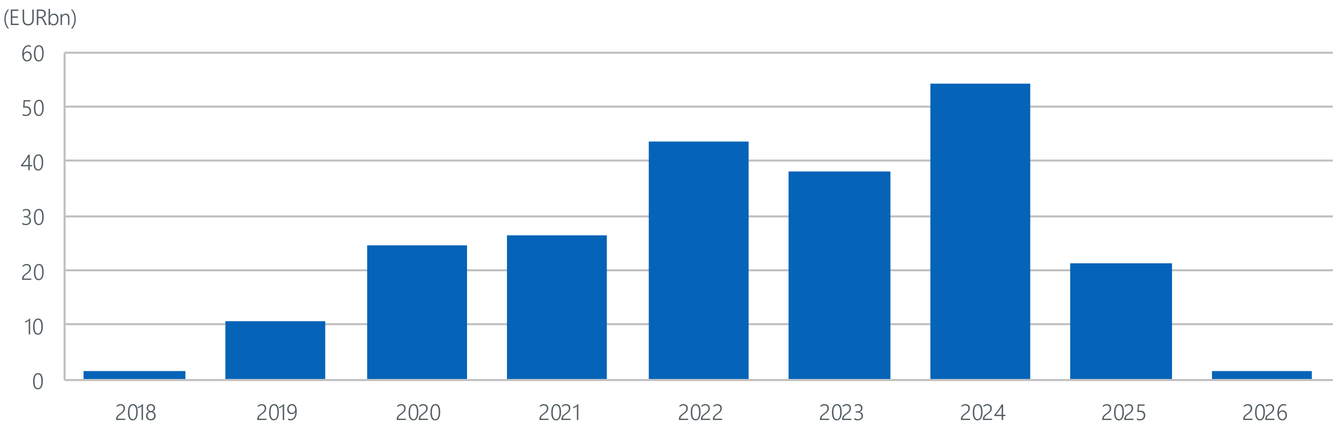


Source: Fitch Leveraged Credit Database

Portfolio Quality | Debt Maturity Profile and Refinancing

- The refinancing wall has shifted to 2020 and beyond when around 90% of outstanding loan volumes mature.
- The high proportion of issuers rated ‘b-*’ or ‘b*’ suggests loan investors increasingly rely on capital markets to resolve maturing debt rather than organic cash flow.

European Leveraged Finance Maturities
As of 1H18



Source: Fitch Leveraged Finance Database

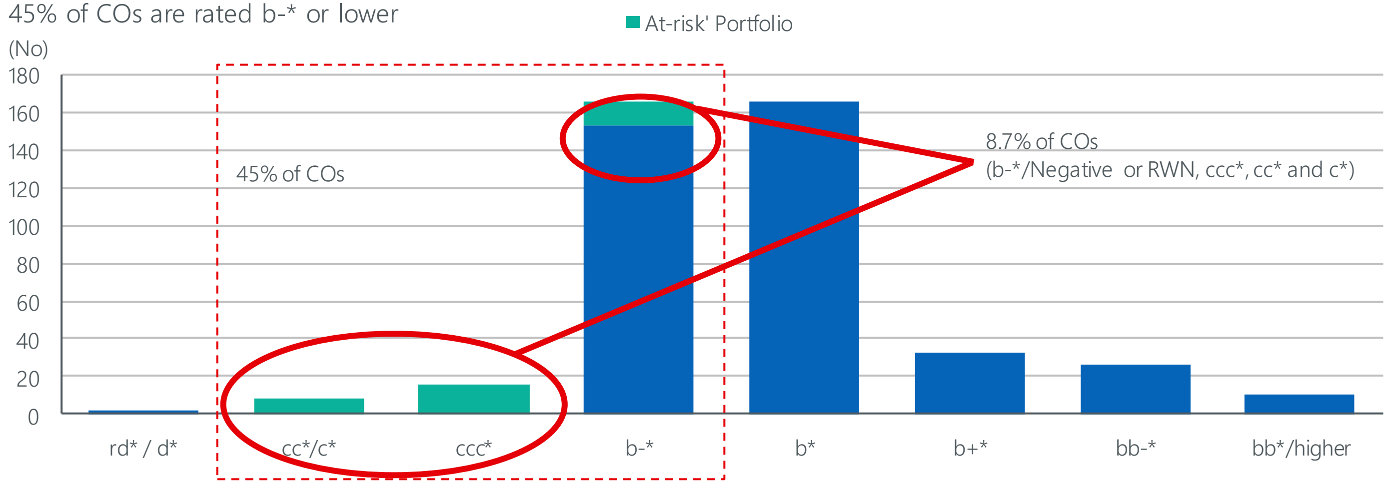
3 Default and Recovery Outlook

'At-Risk' Credits | Reaching New Post-Crisis Low

- The share of European leveraged borrowers with credit opinions at 'b-*' with a Negative Outlook and below, known as the 'at-risk' portfolio, fell just below 9% of the total portfolio as of June 2018, a new post-crisis record low.
- However, 'b-*' issuers generally have relatively stable profiles given their liquidity and maturity headroom despite maintaining high leverage.

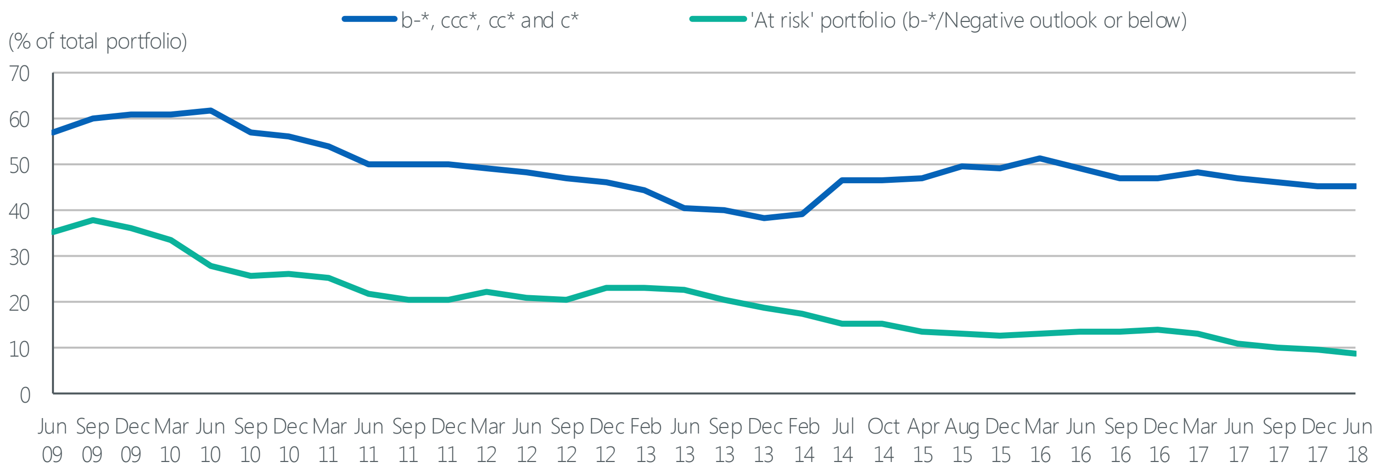
The "At-Risk" Portion of the Portfolio

45% of COs are rated b-* or lower



Source: Fitch Leveraged Credit Database

Evolution of 'At Risk' Portfolio

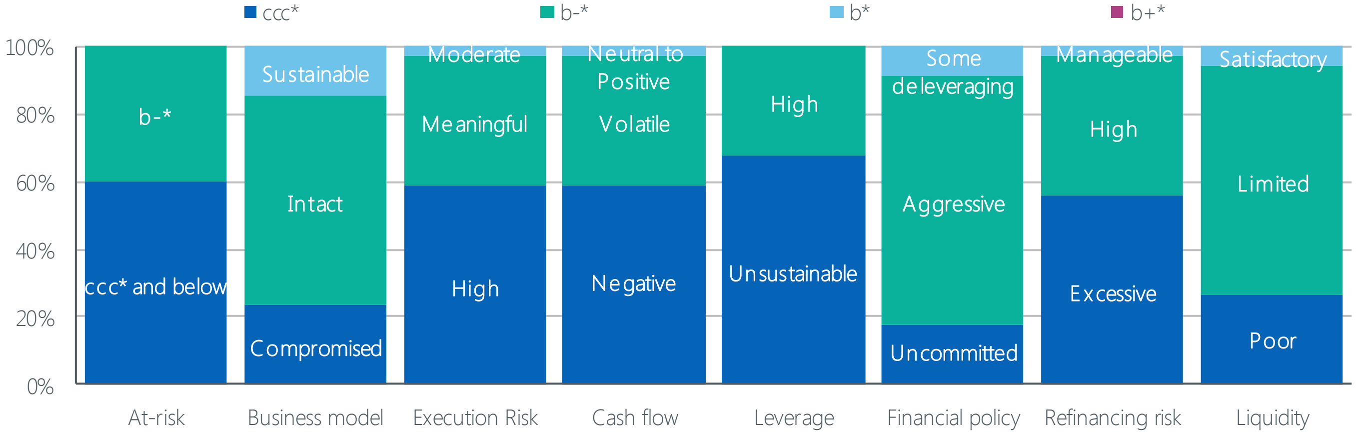


Source: Fitch Leveraged Credit Database

'At-Risk' Credits | Differentiating Factors and Distribution by Sector / Country

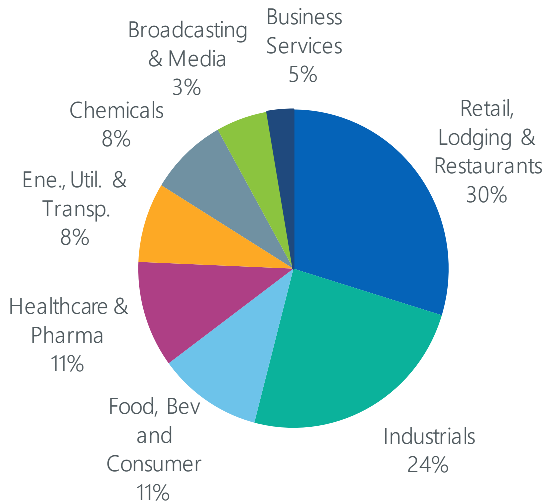
- A vast majority of 'at-risk' credits exhibit intact business models but unsustainable leverage and excessive refinancing risk are common characteristics. Typically, cash flow is negative and execution risk is high.
- The geographic diversification of the "at-risk" portfolio broadly mirrors that of the CO portfolio as a whole.
- Vulnerable issuers from France and the UK are generally large transactions and suffer from industry- or company-specific issues.
- Issuers in cyclical sectors like industrials, chemicals, retail, lodging and restaurants represent nearly 65% of the "at-risk" portfolio and up to 75% operate in cyclical or somewhat cyclical sectors (see definitions in Appendices).
- A few pre-2009 highly leveraged transactions remain in our at-risk portfolio, but for nearly 50% of the at-risk portfolio, 2014 appears the riskiest post-crisis vintage. The supply/demand imbalance in Europe's leveraged finance credit markets intensified from 2014 until the summer of 2015 and led to a deterioration in underwriting standards.

Distribution of Differentiating Factors for the At-Risk portfolio



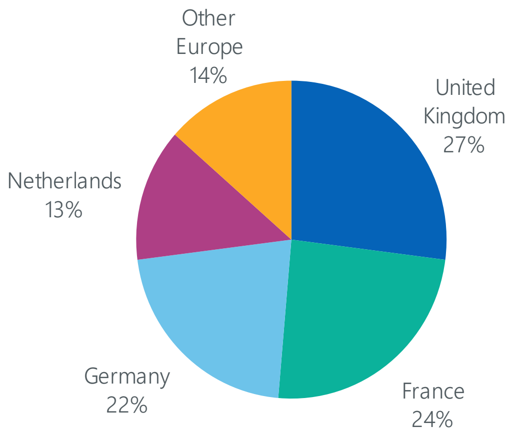
Source: Fitch Leveraged Credit Database

Split By Sector (by No.)



Source: Fitch Leveraged Credit Database

Split By Geography (by No.)

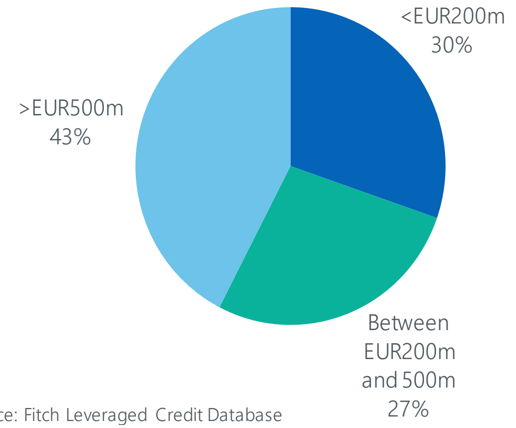


Source: Fitch Leveraged Credit Database

'At-Risk' Credits | Deal Size and Stats on Repeat Defaulters Since 2007

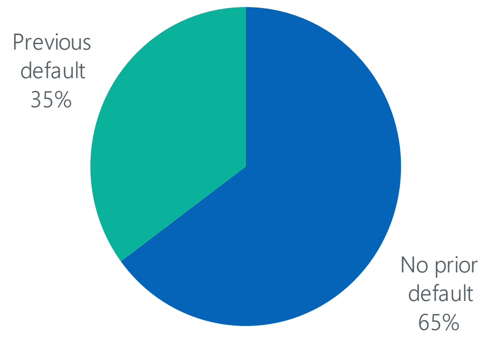
- Thirty-five percent of "at-risk" issuers have previously defaulted. Half of defaults stemmed from either broken business models or management and operational issues that led to unsustainable capital structures.
- 'At-risk' credits that have already defaulted since 2007 are concentrated in cyclical sectors such as retail, industrials and chemicals. Fitch believes that they remain vulnerable to sharp deterioration in the operating environment.
- Nearly 40% of them are in France where economic recovery has lagged that of many European countries for many years, thereby preventing significant turnarounds and deleveraging.

Deal Size (Debt Amount Committed at Issuance)



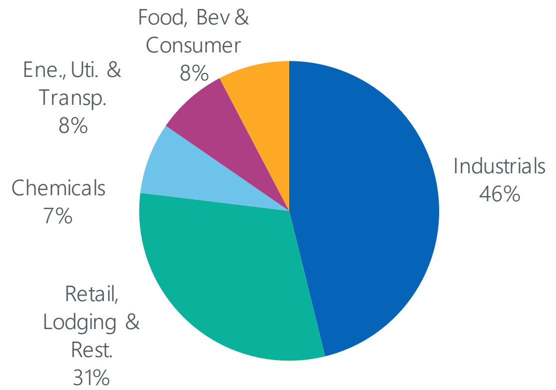
Source: Fitch Leveraged Credit Database

35% of 'At-Risk' Credits Have Already Defaulted Since 2007 (by No.)



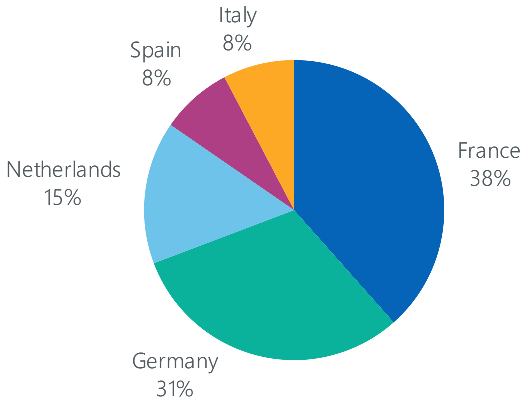
Source: Fitch Leveraged Credit Database

Sector Breakdown of 'At-Risk' Credits that Have Already Defaulted Since 2007 (by No.)



Source: Fitch Leveraged Credit Database

Country Breakdown of 'At-Risk' Credits that Have Already Defaulted Since 2007 (by No.)

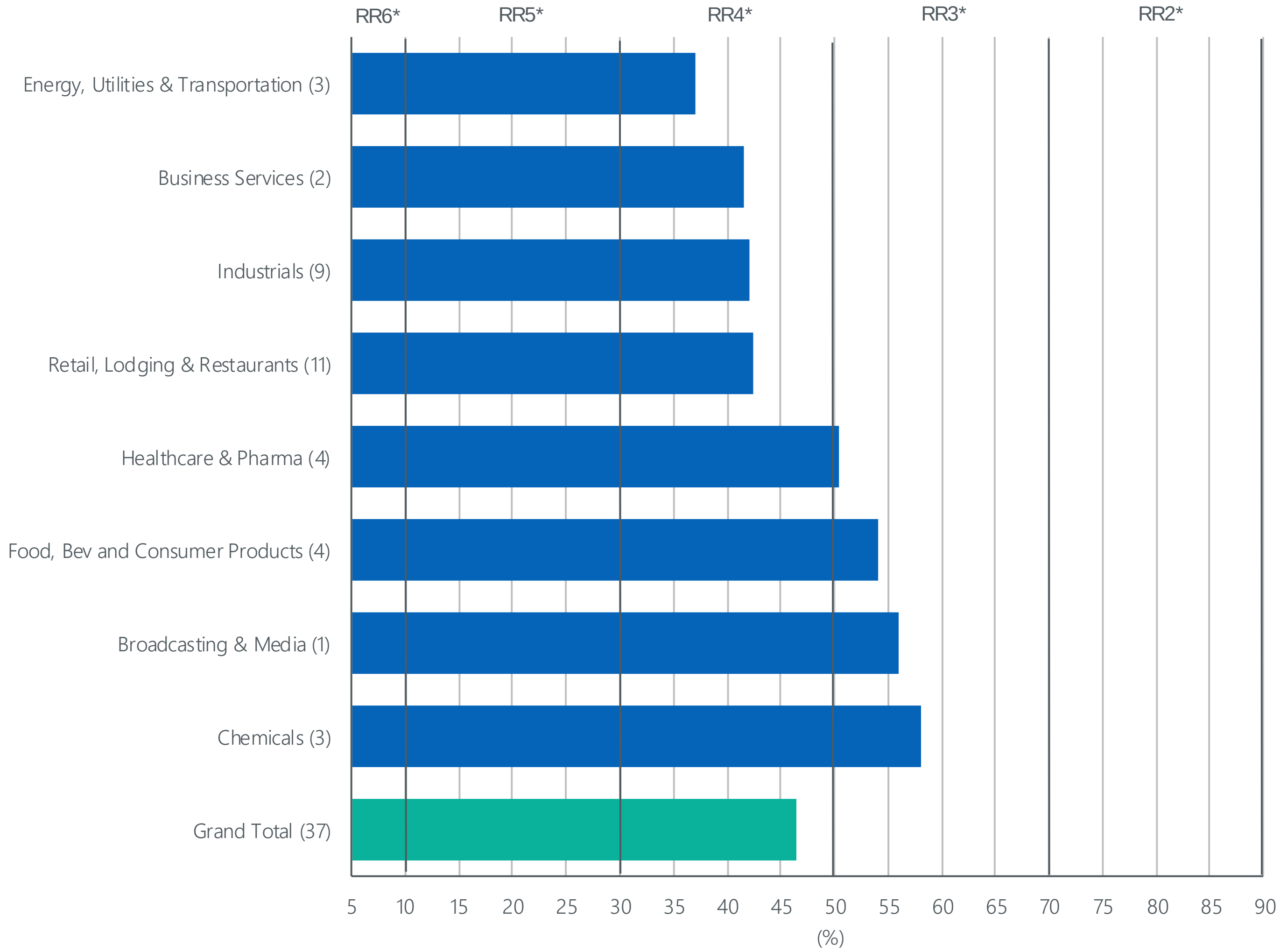


Source: Fitch Leveraged Credit Database

'At-Risk' Credits | Fitch-Expected Senior Debt Recoveries

- Fitch-expected recovery for senior loans in the "at-risk" portfolio remains stable at around 45% which is lower than the overall portfolio at just under 60%.
- Most 'at-risk' credits exhibit higher, often unsustainable leverage compared with the overall portfolio as well as weak business models that are likely to attract lower going concern multiples.
- As a result, valuations in a distressed scenario tend to be lower, leading to lower recoveries expectations.

Fitch Expected Median Senior Debt Recovery Rates for the 'At-Risk' Portfolio by Sector

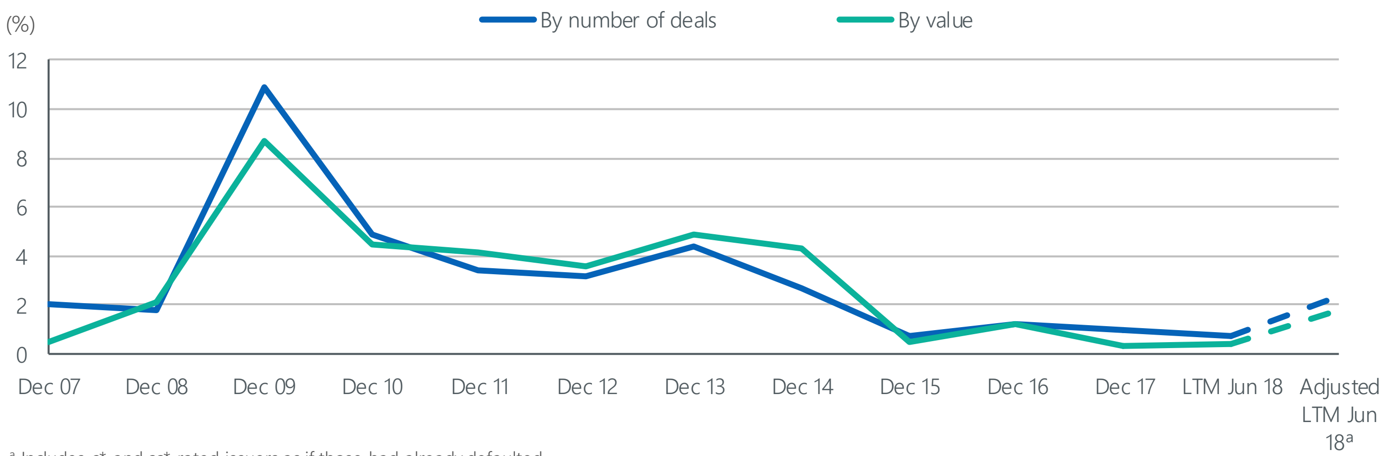


Source: Fitch Leveraged Credit Database

Defaults | Leveraged Loans Default Rates

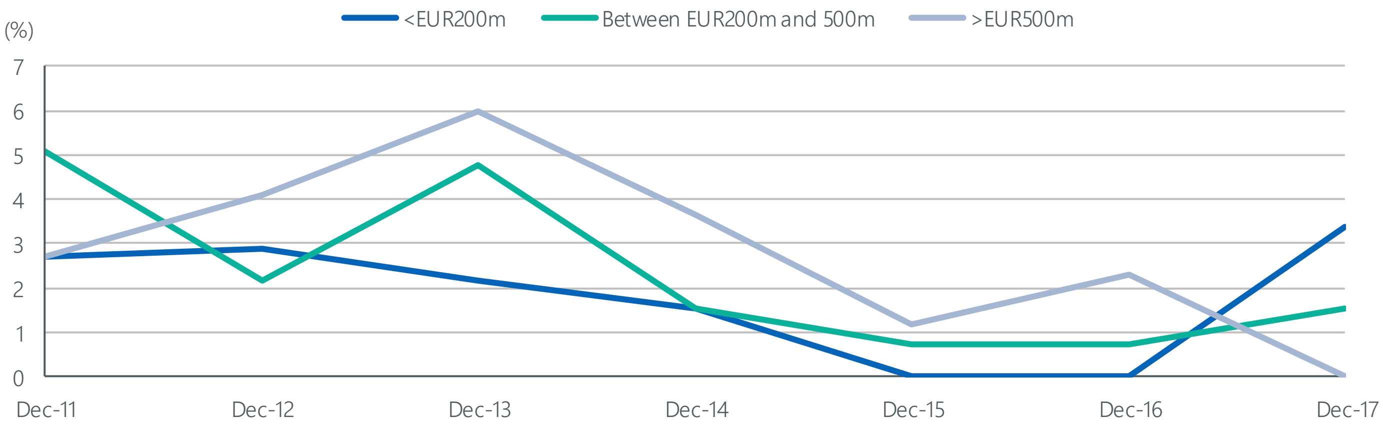
- The next default cycle will probably be preceded by credit migration. With less than 9% of credit opinions at 'b-*' with a Negative Outlook or below, default rates are set to remain below historical average as post-crisis deals reflect recent vintages, with ample cash positions, few covenants, long maturities and less exposure to cyclical sectors.
- Default rates between 2011-2016 have been lower among issuers with debt below EUR200m than among larger borrowers. Higher equity cushions and more conservative credit metrics as well as the ability to agree amendments to loan documentation from a smaller pool of lenders have limited the number of defaults in this segment.
- But 2017 saw two defaults in sub-200m niche retail deals that propelled the default rate to above 3% for that category of borrowers.
- Larger borrowers tend to carry higher leverage and weaker coverage ratios through multi-tiered capital structures. In stressed operating and financial conditions, subordinated and "out-of-the-money" debt tranches have been converted into equity, leading to distressed debt exchanges accounted for as restricted defaults by Fitch.

European Leveraged Loan Default Rates



[a] Includes c* and cc* rated issuers as if those had already defaulted
Source: Fitch Leveraged Credit Database

European Leveraged Loan Default Rates by Deal Size

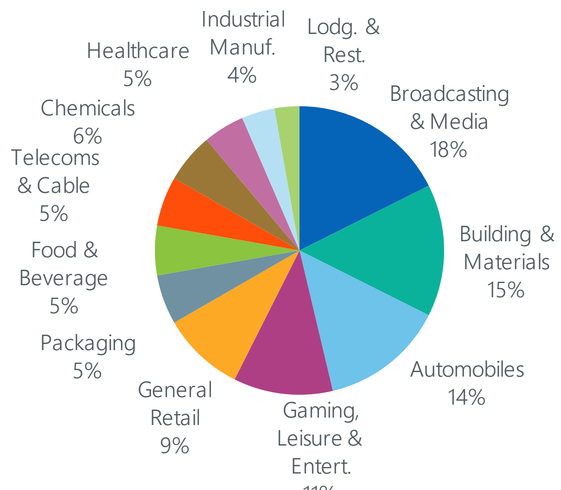


Source: Fitch Leveraged Credit Database

Defaults | Distribution by Sector, Country, Vintage and Size

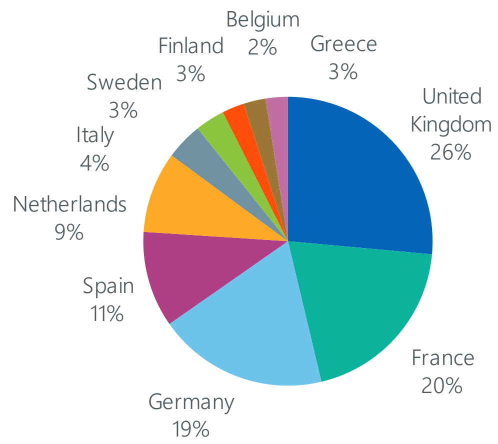
- Around 80% of defaults recorded by Fitch since 2007 have been triggered by distressed debt exchanges (DDEs).
- Debt for equity swaps – which Fitch views as DDEs – principally impacted 2006-2007 deals in cyclical industries.
- Cyclical sectors unsurprisingly show the highest proportion of defaults with broadcasting and media, autos, building materials, gaming/leisure and retail representing the majority of defaults.
- UK, France and Germany represent the largest proportion of defaults, consistent with their share of the total European leveraged credit market.
- A majority of defaults have come from large borrowers with debt above EUR500m at the onset of the transaction.
- Despite usually exhibiting scale, diversification and leading market shares, large borrowers also carry high financial leverage which explains why around 40% of this segment of the portfolio is rated b-* and below.

Default Split By Sector (by No.)



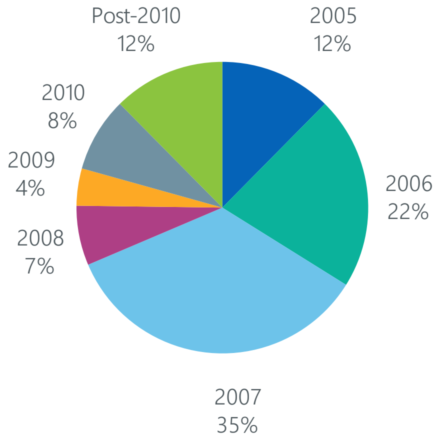
Source: Fitch Leveraged Credit Database

Default Split By Geography (by No.)



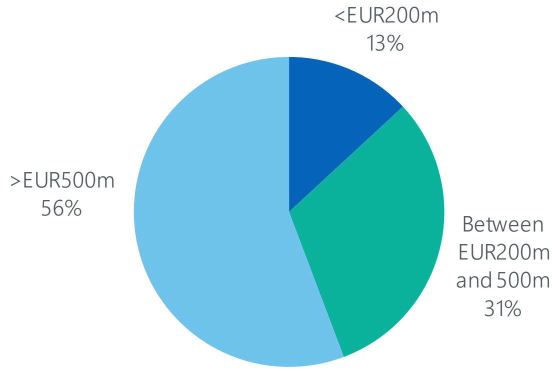
Source: Fitch Leveraged Credit Database

Split By Vintage (by No.)



Source: Fitch Leveraged Credit Database

Split By Debt Committed at Issuance

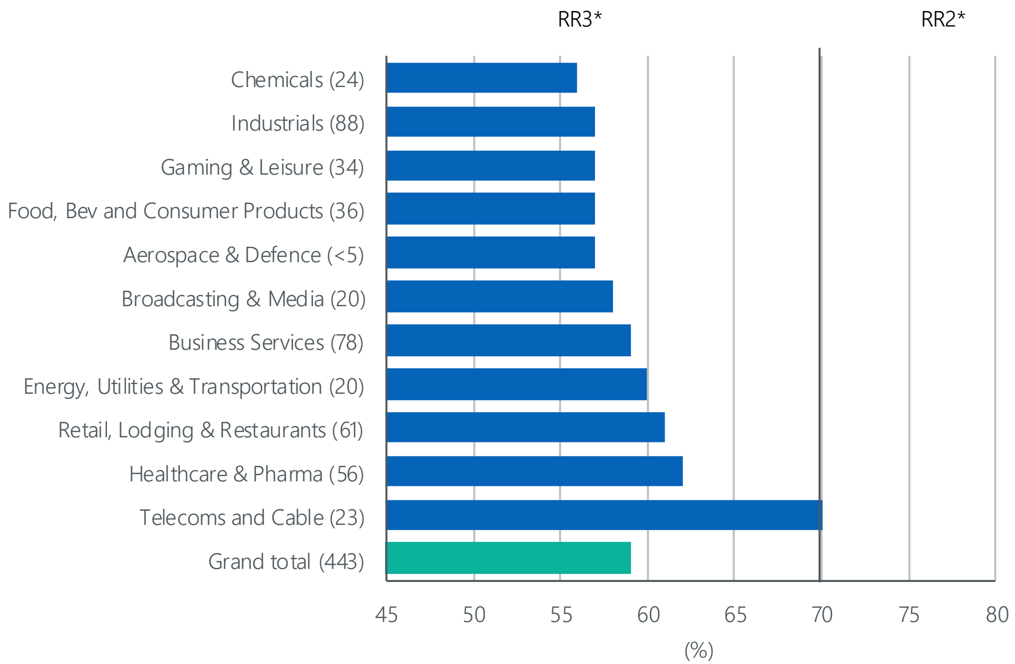


Source: Fitch Leveraged Credit Database

Recovery Rates | Fitch-Expected Senior Debt Recoveries

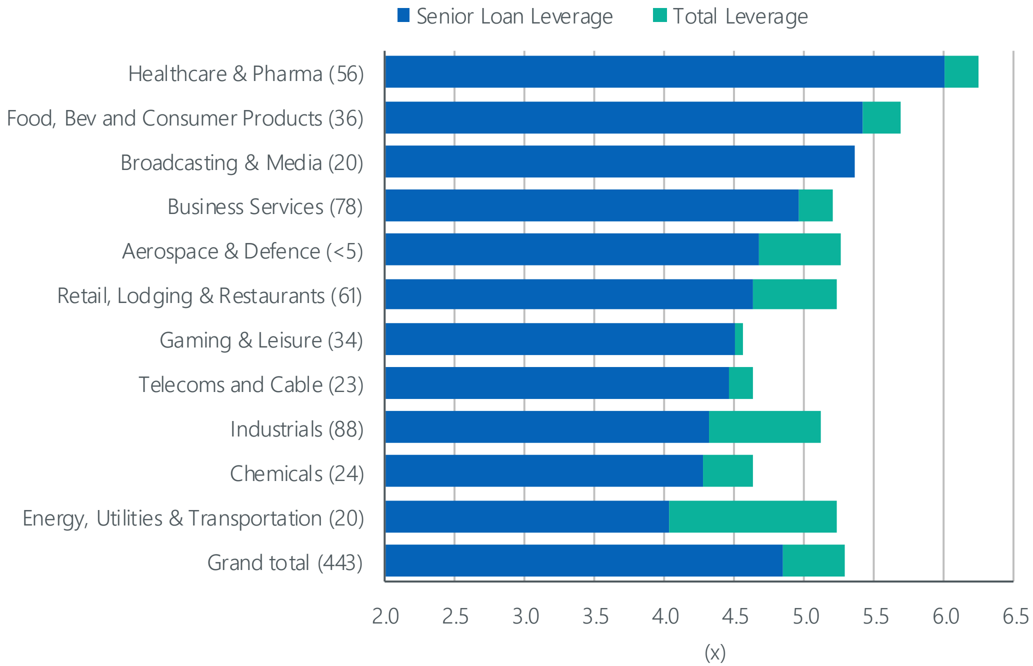
- Median Fitch expectations for senior debt recovery post-default remained just under 60% in June 2018 (like in December 2017), having dropped from 70% in August 2014. This is because 2015-2018 transactions included mostly all-senior capital structure profiles without offsetting accretive value and less buffers from subordinated second-lien or mezzanine.
- However, senior leverage does not, on its own determine Fitch's senior debt recovery expectations. The discounted, post-restructuring EBITDA and distressed multiple assumptions that Fitch applies in its bespoke recovery analysis of issuers with a 'b+*' and below IDCO are key to recoveries. The health-care and pharma sector is a good example where the relatively higher median distressed multiple used by Fitch to value companies in this sector supports higher than average senior recoveries despite senior and total leverage above the portfolio median.

Fitch Expected Median Senior Debt Recovery Rates by Sector



Source: Fitch Leveraged Credit Database

Fitch Calculated Median Senior Loan and Total Leverage by Sector

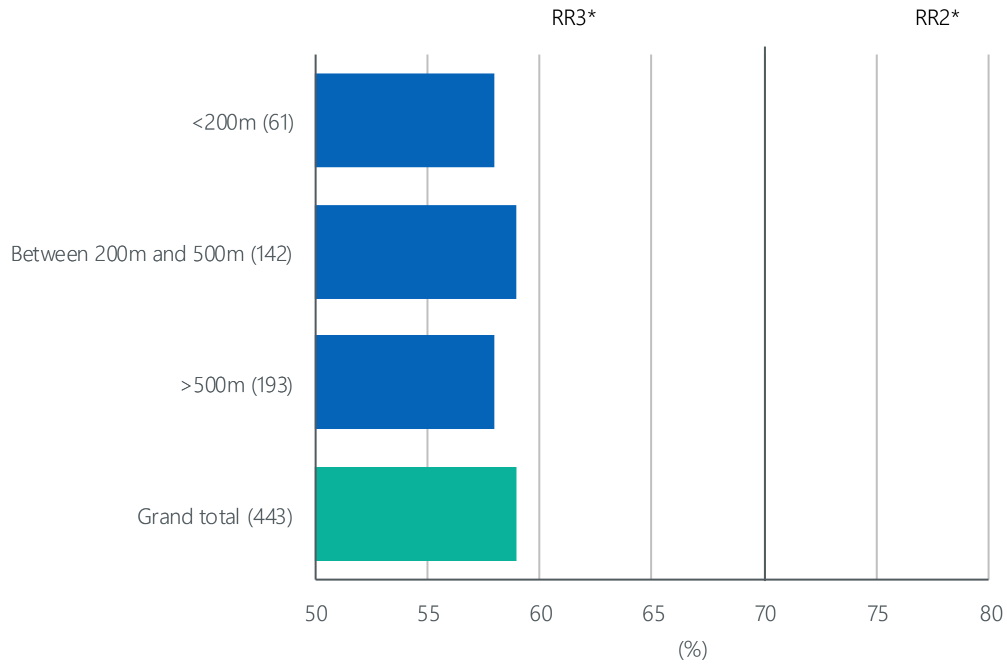


Source: Fitch Leveraged Credit Database

Recovery Rates | Fitch-Expected Senior Debt Recoveries

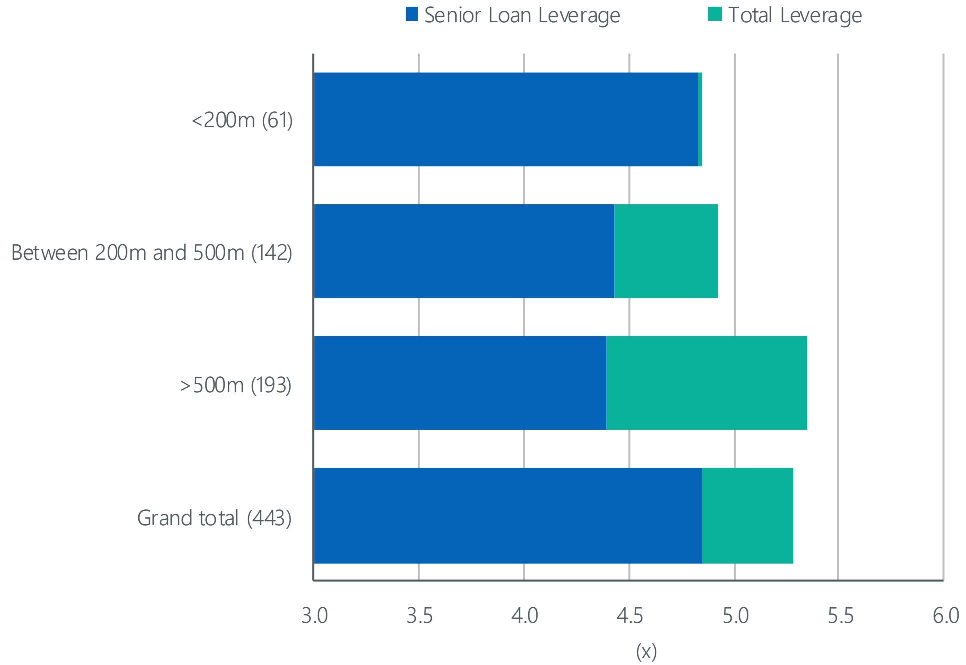
- Fitch's expectations for senior recoveries are slightly higher for borrowers with debt between EUR200-500m than other segments of the market.
- This is a function of lower senior leverage and higher distressed EVs than on smaller transactions as well as lower total leverage and better equity cushions than on larger transactions.

Fitch Expected Median Senior Debt Recovery Rates by Debt Outstanding



Source: Fitch Leveraged Credit Database

Fitch Calculated Median Senior Loan and Total Leverage by Debt Outstanding



Source: Fitch Leveraged Credit Database

Recovery Rates | Median Senior Loan Recovery Rates (Actual)

- Fitch's recoveries expectations are based on going-concern restructurings that reflect a plausible, conservative valuation by a third party and follow the principle of priority ranking (waterfall).
- While the recoveries seen in 2011, 2012 and 2014 (when the number of defaults was above 10 per year) have been relatively high, they primarily reflect the outcomes of out-of-court negotiations between existing stakeholders (lenders and shareholders) instead of a valuation by a third party.
- Fitch has seen that senior lenders have typically been reluctant to write down debt during the initial restructuring. In many cases however, the companies were left exposed to a subsequent (and deeper) restructuring with greater losses for senior lenders (e.g. Seat PG, Camaieu, Primacom).
- New money solutions in some deeper restructurings has come as super senior debt, layering and reducing post-exchange recoveries for legacy senior secured debt.
- The period from 2015 to June 2018 has not seen a sufficient number of defaults for data to be statistically meaningful.

Default year	Defaulted total deal amount (EURm)	Defaulted senior loan debt amount (EURm)	No. of defaults	Average outstanding senior loan amount (EURm)	Senior loan default rate (%)	Median senior recovery rate[a] (%)
LTM Jun-18	1,270	515	3	220,278	0.2	30
2017	1,032	1,032	4	219,336	0.5	100
2016	4,147	3,313	5	213,762	1.6	73
2015	1,461	759	3	218,276	0.3	100
2014	13,250	8,765	11	206,387	4.2	93
2013	13,973	9,880	15	189,350	5.2	55
2012	10,850	6,190	10	198,024	3.1	93
2011	12,259	6,387	11	204,730	3.1	80
2010	14,022	8,823	16	204,979	4.3	66
2009	25,593	20,798	38	207,987	10.0	60

[a] Median cash realised (cash or cash-pay debt received) recoveries
Source: Fitch Leveraged Credit Database

Recovery Rates | Median Mezzanine Recovery Rates (Actual)

- Few mezzanine defaults have been recorded since 2014, as post-crisis vintages tend to not use this junior debt instrument.
- Weak recoveries for subordinated mezzanine in 2009-2010 reflected strong senior credit bids in northern European jurisdictions, as well as over-leverage and weak documentation in most pre-crisis transactions.

Default year	Defaulted Mezz amount (EURm)	No. of defaults	Average outstanding mezzanine amount (EURm)	Mezzanine default rate[a] (%)	Time to default (months)	Average recovery rate[b] (%)
LTM Jun-18	0	0	0	n.a.	n.a.	n.a.
2017	0	0	0	n.a.	n.a.	n.a.
2016	140	1	4,898	2.9	110	100
2015	527	2	7,226	7.3	45	37.0
2014	246	3	10,483	2.3	62	33.3
2013	650	4	13,071	5.0	58	0.0
2012	959	6	15,064	6.4	61	0.0
2011	822	5	22,648	3.6	40	14.3
2010	1,886	11	29,854	6.3	37	10.0
2009	2,958	25	31,754	9.3	32	11.2
2008	350	4	31,725	1.1	21	0.0
2007	449	5	28,097	1.6	31	33.4
2006	371	5	21,178	1.8	43	1.3
2005	538	5	15,134	3.6	33	40.4
2004	102	4	11,431	0.9	54	6.8
2003	336	5	8,736	3.8	39	45.4
2002	146	4	6,407	2.3	40	n.a.

[a] In percentage of the average outstanding mezzanine debt amount
[b] Average cash realised recoveries (excluding any equity/warrants given in a debt exchange)
Source: Fitch Leveraged Credit Database

4 Appendices

Top 10 European Leveraged Loan Issuers by Transaction Size – LTM June 2018

Company	Owners	Country	Industry	Transaction type	Total debt issued (EURm)
EG Group	TDR Capital	UK	Retail	Refinancing/Acquisition	4,758
Flora Foods	KKR	Netherlands	Food, Beverage & Tobacco	LBO	3,991
Cineworld	Listed	UK	Gaming, Leisure & Entertainment	Refinancing/Acquisition	3,919
TDC	Macquarie Infrastructure	Denmark	Telecommunications	LBO	3,912
Nets	Hellman & Friedman	Denmark	Business Services	LBO	2,950
Paysafe	Blackstone, CVC	UK	Business Services	LBO (+ Acquisition)	2,825
GVC	Listed	UK	Gaming, Leisure & Entertainment	Refinancing/Acquisition	2,525
Action	3i	Netherlands	Retail	Dividend recap	2,410
Altran Technologies	Listed	France	Business Services	Refinancing/Acquisition	2,125
Refresco	PAI, BCIMC	Netherlands	Food, Beverage and Tobacco	Refinancing/Acquisition	2,068

Source: Fitch Leveraged Credit Database

European CLOs Most Referenced Issuers

Most Referenced Issuer #	Issuer	% of CLO Referencing This Issuer	Average CLO Exposure to This Issuer	Fitch Derived Rating	Outlook
1	VodafoneZiggo Group B.V.	96.67%	1.58%	B+	Rating Outlook Stable
2	Evergood 4 APS	94.44%	0.90%	B+	Rating Outlook Stable
3	Verisure Holding AB (publ) (Securitas Direct)	93.33%	1.51%	*	
4	ION Trading Technologies Limited	92.22%	1.09%	*	
5	Eircom Holdings (Ireland) Limited	88.89%	1.22%	B+	Rating Outlook Stable
6	SFR Group S.A.	85.56%	1.66%	*	
7	Nidda BondCo GmbH	83.33%	1.05%	B+	Rating Outlook Stable
8	Infor (US), Inc.	83.33%	1.14%	B	Rating Outlook Stable
9	Allnex (Luxembourg) & Cy S.C.A.	83.33%	0.90%	*	
10	LSF10XL Bidco SCA	82.22%	1.17%	*	
11	Kirk Beauty One GmbH	82.22%	1.12%	*	
12	Paysafe Group PLC	81.11%	1.11%	*	
13	Onex Wizard Acquisition Company II SCA	80.00%	1.02%	*	
14	Nord Anglia Education, Inc.	80.00%	1.07%	*	
15	Sigma Holdco BV	78.89%	1.14%	B+	Rating Outlook Stable
16	Oberthur Technologies Group S.A.S.	78.89%	1.13%	B	Rating Outlook Stable
17	HomeVi S.A.S.	78.89%	0.88%	*	
18	Wind Tre SpA	78.89%	1.04%	B+	Rating Watch Positive
19	Unilabs Midholding AB	77.78%	0.90%	*	
20	DKT Holdings ApS	76.67%	1.09%	B+	Rating Outlook Stable

Note: (*) denotes a Credit Opinion
Source: Fitch (European Leveraged Loan CLO Tracker 2Q18)

European CLOs Industry Rating Map

Fitch Industry	Issuer Count	BBB	BBB-	BB+	BB	BB-	B+	B	B-	CCC+	CCC	CCC-	CC	C	D	Default	CCC+ & Below	TOTAL CLO	CCC+ Ratio
pharmaceuticals	14				0.03%		1.20%	1.61%	0.15%	0.26%					0.05%	0.25%	0.55%	3.54%	15.60%
broadcasting and media	19				0.18%		0.62%	2.00%	0.76%	0.33%							0.33%	3.89%	8.52%
chemicals	35			0.93%	0.64%	0.99%	1.86%	1.22%	3.39%	0.01%	0.28%						0.29%	9.31%	3.16%
food and beverage and tobacco	15				0.02%	0.77%	0.89%	0.42%	1.44%		0.14%						0.14%	3.67%	3.75%
retail	29				0.03%		0.79%	2.74%	1.53%			0.01%	0.02%			0.09%	0.13%	5.21%	2.41%
industrial and manufacturing	37				0.29%	0.17%	0.26%	2.70%	2.75%		0.11%						0.11%	6.28%	1.78%
gaming and leisure and entertainment	29			0.41%		0.29%	0.66%	3.56%	0.58%		0.10%						0.10%	5.59%	1.71%
banking and finance	26				0.00%	0.35%		3.22%	0.13%		0.06%						0.06%	3.76%	1.59%
lodging and restaurants	13						0.04%	0.66%	0.25%		0.02%	0.02%					0.05%	1.00%	4.93%
healthcare	41					0.71%	1.56%	6.85%	2.17%		0.04%						0.04%	11.34%	0.33%
transportation and distribution	10					0.01%	0.71%	0.07%	0.58%		0.03%						0.03%	1.41%	2.46%
business services	40				0.35%	0.48%	1.70%	3.96%	2.11%		0.02%						0.02%	8.62%	0.27%
computer and electronics	29					1.12%	1.02%	6.76%	1.17%		0.02%						0.02%	10.09%	0.22%
environmental services	6					0.28%	0.02%	0.84%			0.01%						0.01%	1.15%	0.80%
energy oil and gas	3								0.02%		0.01%						0.01%	0.02%	25.29%
utilities pow er	5						0.56%	0.02%	0.01%		0.00%						0.00%	0.59%	0.00%
aerospace and defence	4			0.01%				0.51%	0.02%								0.00%	0.54%	0.00%
automobiles	9			0.01%		0.44%	0.35%	0.68%	0.14%								0.00%	1.61%	0.00%
building and materials	11							2.47%	0.97%								0.00%	3.43%	0.00%
cable	5					0.30%	2.40%	0.64%									0.00%	3.34%	0.00%
consumer products	16				0.02%	0.32%		2.99%	0.29%								0.00%	3.62%	0.00%
farming and agricultural services	2							0.12%	0.22%								0.00%	0.35%	0.00%
packaging and containers	21				0.13%	0.16%		1.24%	2.34%								0.00%	3.87%	0.00%
paper and forest products	3						0.14%		0.37%								0.00%	0.52%	0.00%
real estate	3						0.01%	0.46%	0.32%								0.00%	0.79%	0.00%
retail food and drug	3							0.33%	0.05%								0.00%	0.38%	0.00%
telecommunications	15				0.10%	0.68%	4.19%	0.89%	0.51%								0.00%	6.37%	0.00%
textiles and furniture	2						0.01%		0.16%								0.00%	0.16%	0.00%

Source: Fitch (European Leveraged Loan CLO Tracker 2Q18)

Fitch Median Projections for 2018-2020 for Different Sectors

Fitch Median Projections for 2018-2020 for Different Sectors

As of Jun 2018	No of issuers	Operating EBITDA margin (%)			FFO margin (%)			FCF margin (%)			FFO adjusted leverage (x)			FFO interest cover (x)		
Sectors		2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020
Broadcasting and Media	20	26%	25%	21%	15%	13%	11%	6%	7%	7%	6.8	6.6	6.1	3.2	3.2	3.2
Business Services	70	23%	24%	24%	13%	14%	14%	3%	6%	7%	6.2	5.9	5.6	3.3	3.4	3.5
Chemicals	22	14%	15%	15%	8%	9%	9%	2%	2%	1%	5.8	5.9	6.3	4.1	3.7	3.7
Energy, Utilities and Transportation	18	12%	9%	9%	5%	6%	5%	3%	3%	2%	5.8	5.8	5.2	3.5	3.7	3.4
Food, Beverage and Consumer Products	34	16%	15%	16%	10%	10%	10%	3%	3%	3%	6.4	6.7	7.0	3.5	3.5	3.3
Gaming and Leisure	30	20%	19%	17%	13%	14%	12%	2%	4%	3%	5.3	5.0	5.5	4.1	4.4	4.9
Healthcare and Pharma	56	19%	20%	19%	11%	13%	12%	3%	4%	4%	6.9	6.5	5.8	3.2	3.4	3.8
Industrials	88	15%	14%	14%	8%	8%	8%	2%	2%	2%	6.3	6.4	6.2	3.3	3.1	2.9
Retail, Lodging and Restaurants	60	13%	13%	10%	8%	8%	6%	1%	2%	2%	6.8	6.7	6.9	3.2	3.4	3.4
Telecoms and Cable	21	37%	38%	41%	26%	27%	27%	1%	4%	7%	5.3	5.2	5.4	4.1	4.3	4.1

Source: Fitch Leveraged Credit Database

List of Live Fitch Credit Opinions in Europe as of 31 August 2018

Aerospace & Defence
- Defence Electronics
- Mettis Aerospace

Automobiles
- Antolin
- Autodistribution
- Belron
- Fraikin
- Gestamp
- TI Automotive

Broadcasting & Media
- All3Media
- Autovista
- Chime
- Clarion Events
- Comexposium
- Dorna Sports
- Endemol
- Formula One
- Infinitas Learning
- Infopro Digital
- Mergermarket Group
- Springer

Building & Materials
- Armacell
- Chryso
- CMC Ravenna
- Corialis
- Esmalglass
- Loxam
- Parex
- Pfleiderer
- Xella

Business Services
- ACTA
- Assystem
- Atalian
- Capital Economics

Business Services (Cont.)
- Comdata
- Concardis
- CPA Global
- diva-e
- Hofmann Menu
- House of HR
- NGA
- Paysafe
- Personal & Informatik AG
- PHS
- Plus Server
- QA Group
- Raet
- RSK
- Safety Kleen
- Socotec
- Third Bridge
- TMF
- Trescal
- Triangle
- Vermaat
- VFS
- Webhelp
- WHP Telecoms

Cable
- Euskaltel
- United Group

Chemicals
- Alcaliber
- Archroma
- ASK
- Azelis
- Cabb
- Caldic
- Compo
- Flint
- HC Starck
- Houghton
- Inovyn

Chemicals (Cont.)
- Materis Paints
- Novacap
- Orion Engineered Carbons
- Oxea
- Rhodia
- Styrolution
- TFL
- Top Hat

Computer & Electronics
- Audiotonix
- Avaloq
- Avast
- Causeway
- Cegid
- Civica
- DLSoft
- IFS
- Ion
- Kerridge
- McAfee
- PomGen
- TeamViewer
- Technicolor
- Technogroup
- Unit4

Consumer Products
- Breitling
- Busy Bees
- Cambridge Education
- Keter
- Marcolin
- Securitas (Verisure)
- SLV
- WEPA Hygieneprodukte

Energy (Oil & Gas)
- Redwave

Environmental Services
- Befesa
- Groupo Memora
- OGF

Farming & Agricultural Services
- Dummen Orange
- Planasa

Food, Beverage & Tobacco
- Addo Food
- Boparan
- Continental Foods
- Deoleo
- DGF
- EPF
- Iglo Foods
- Jacobs Douwe Egberts
- Labeyrie
- Partners in Pet Food
- R&R Ice Cream
- Refresco
- Solina
- St Hubert
- Valeo Foods

Gaming, Leisure & Entertainment
- Carlson Wagonlit
- CarTrawler
- Cruise
- David Lloyd
- Gamenet
- Hotelbeds
- Napoleon Games
- PortAventura
- Premier Lotteries Ireland
- Scientific Games
- SkyBet
- Snai
- Stage Entertainment
- Tipico
- Trainline

Gaming, Leisure & Entertainment (Cont.)
- Vue

Healthcare
- Amedes
- Ameos
- Amplitude
- Atos Medical
- Care UK
- Cerba
- Colisee
- ConvaTec
- DentalPro
- Diaverum
- Doctari
- DomusVi
- Elysium
- General De Sante
- GHD Gesundheits
- ICSG
- IDH
- LGC
- Lima Corporate
- Lumenis
- Mediq NV
- Remedco
- Sebia
- Tunstall Holdings
- Unilabs
- Vedici

Industrial & Manufacturing
- ADB
- AHT Cooling
- Alstom
- Ammeraal Beltech
- Averys
- Bartec
- Brammer
- Constellium
- Delachaux
- DencoHappel-Flakt Woods

List of Live Fitch Credit Opinions in Europe as of 31 August 2018

Industrial & Manufacturing (Cont.)
- Doncaster Group
- Kelvion (Heat Exchangers)
- Linxens (MIC)
- Megadyne
- Minimax
- N&W
- Norican
- Novafives
- Senvion
- SGB-SMIT
- Survitec
- Ten Cate
- Wittur

Lodging & Restaurants
- B & B Group
- Burger King France
- Club Med
- Courtepaille
- Daltys II
- Eleanor
- European Camping Group
- Orient-Express
- Parkdean
- Pret A Manger
- Prezzo
- Soho House
- Stonegate Pubs
- Travelodge
- Welcome Break

Packaging & Containers
- Albea
- Ardagh
- Bormioli
- Faerch Plast
- Guala Closures
- Kloeckner Pentaplast
- Logoplaste
- Saverglass

Packaging & Containers (Cont.)
- Schoeller Allibert
- SIG
- Verallia

Paper & Forest Products
- ENCE
- Lecta
- Powerflute

Pharmaceuticals
- aenova
- Cooper
- DOC Generici
- Ethypharm
- Famar
- Grifols
- HRA Pharma
- Ino
- Riemser
- Unither

Retail
- Adventure
- CBR
- Christ
- Cortefiel
- Douglas
- ECI
- Fat Face
- Hema
- Histoire d'Or
- Holland and Barrett
- HSE24
- Hunkemoller
- Jack Wolfskin
- Maxeda DIY
- MRH
- Photobox Group
- Prestige
- Private Sport Shop

Retail
- Pronovias
- Scotch & Soda
- SMCP
- Takko
- Twin Set

Retail (Food & Drug)
- Iceland
- Prosol
- Selecta

Telecommunications
- Altice
- Altice International
- Cable Communications Systems
- GNFT
- Interoute
- Melitalink
- Numericable/SFR
- Salt
- Softbank

Textiles & Furniture
- Balta
- Hilding Anders
- Sport Group

Transportation and Distribution
- Ceva
- Empark
- HES International
- Naviera Armas
- Parkeon
- Sun Mark
- Swissport
- Unifeeder
- WFS

Utilities (Power)
- Morrison Utility Services

Definitions

- **Credit Opinion:** Credit Opinions (COs) use a published rating scale, but either omit certain analytical characteristics of a rating, or match them to a lower standard than in a credit rating. The limitations of COs, compared to a rating, include: "point-in-time" coverage, limited information availability and review, an abbreviated surveillance review process in certain cases, and reduced robustness of outlooks and watch status. These limitations are consistent with the terms of their application within a pooled asset context, and are clearly signalled in the notation used to identify COs.
- **Covenant lite**: none or only one maintenance covenant (usually on leverage)
- **Covenant loose** : two maintenance covenants, typically leverage and interest cover
- **FFO**: Funds from operations
- **NFCF**: Net free cash flow
- **Liquidity score** = (Available cash on balance sheet + undrawn committed facilities)/(12-month debt maturities + FCF (if negative) – FCF (if positive))

For more information on Fitch ratios refer to Corporate Rating Criteria (March 2018)

- **Cyclical sectors**: include building and materials, broadcasting and media, automobiles, chemicals and general retail
- **Somewhat cyclical sectors**: include business services, consumer products, gaming, leisure and entertainment and transportation and distribution
- **Non-cyclical sectors**: include healthcare, cable, telecommunications and food-related businesses

- **RR**: Recovery Rating
- **RR1**: Recovery between 91-100%
- **RR2**: Recovery between 71-90%
- **RR3**: Recovery between 51-70%
- **RR4**: Recovery between 31-50%
- **RR5**: Recovery between 11-30%
- **RR6**: Recovery between 0-10%

For more information on Fitch Recovery Rating criteria refer to Non-Financial Corporates Notching and Recovery Ratings Criteria (December 2017)

Related Research

- *European High-Yield Insight* (May 2018)
- *European Leveraged Loan Chart Book – 4Q17* (March 2018)
- *Unitranche Versus Syndicated Leveraged Loans* (February 2018)
- *European Leveraged Loan Chart Book – 3Q17* (December 2017)
- *European High-Yield Insight* (November 2017)
- *Changes Related to the Issuance of Credit Opinions in the European Leveraged Credit Market* (Sept 2017)
- *EMEA LevFin Risks Tempered by Debt Affordability, Reforms* (Sept 2017)
- *European Leveraged Loan Chart Book – 2Q17* (August 2017)
- *European and US High-Yield Comparator* (July 2017)
- *EMEA Leveraged Loan Interest Rate Stress* (July 2017)
- *ECB Lending Guidelines add to Impending Constraints on Leveraged Credit Market* (May 2017)
- *European Leveraged Loan Chart Book – 1Q17* (May 2017)
- *European High Yield Insight* (April 2017)
- *Unitranche Versus Syndicated Leveraged Loans* (February 2017)
- *European Leveraged Loan Chart Book – 4Q16* (January 2017)
- *Fitch 50 Europe: Focus on Shrinking Single B High-Yield Bond Market* (December 2016)

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