

Leveraged Finance Chart Book

Europe 1Q/2019

Bloomberg

Contents

3 Summary

4 Loans Lag While Bonds Sag

5 Many Little, A Few Large

6 Borrowers Pay Up

7 CLOs Forge Ahead in 1Q19

8 All Charts

24 Contact Details

1Q19 Summary

A Slow Start But 1Q19 Loan Issuance Reaches EU19.2b

The opening months of 2019 were balanced and orderly in Europe's leveraged loan market without being dramatic, and there's a fair chance that the second quarter will be similar, based on expectations of investors and arranging banks.

Primary issuance picked up from a weak start to close the quarter roughly 23% down on the previous year at around EU19.2b. Set against this supply, investor demand has been solid but not so strong as to force lenders to grab every deal that landed on their desks.

The quarter didn't entirely lack drama--that was provided by the multi-billion euro/dollar financing for Power Solutions and by pushback on some transactions. But a steady session of dealmaking made a change from the volatility of late 2018, and more borrowers flexed tighter than wider during syndication.

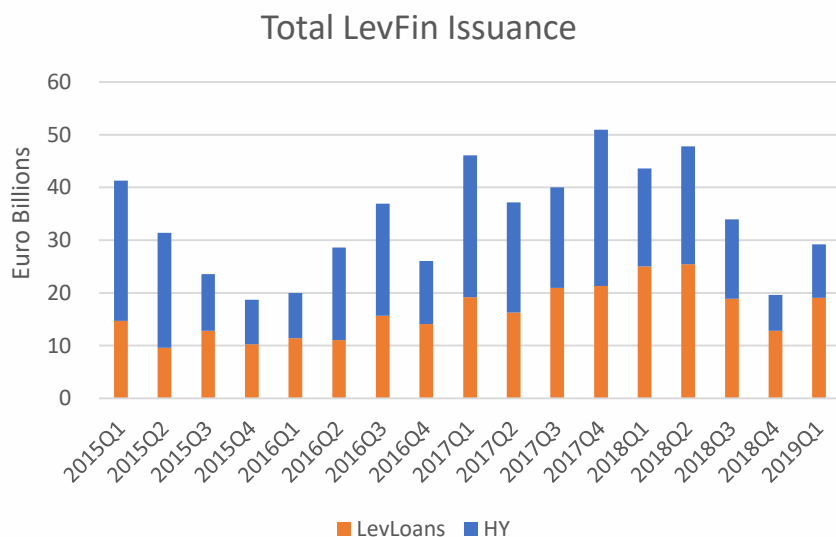
Companies issuing in the single B bracket paid an all-in spread of 423bps to raise first-lien euro-denominated loans in the first quarter. Within that average, pricing stretches across a broad range as investors looked for a fair match of risk and return on individual credits. Hence the popular and comparatively well-rated Power Solutions tightened its margin to E+375 while Grupo Konecta had to pay E+500 to compensate for its Latin America exposure.

The hope among banks and CLO managers is that the coming months will be less lumpy on the LBO front. There's nearly EU1.5b of loans to come for the buyout of Evonik's plastics business, and further out a potential jumbo for Nestle's skin health unit, but CLOs thrive on a steady flow of mid-sized transactions.

Loans Lag While Bonds Sag

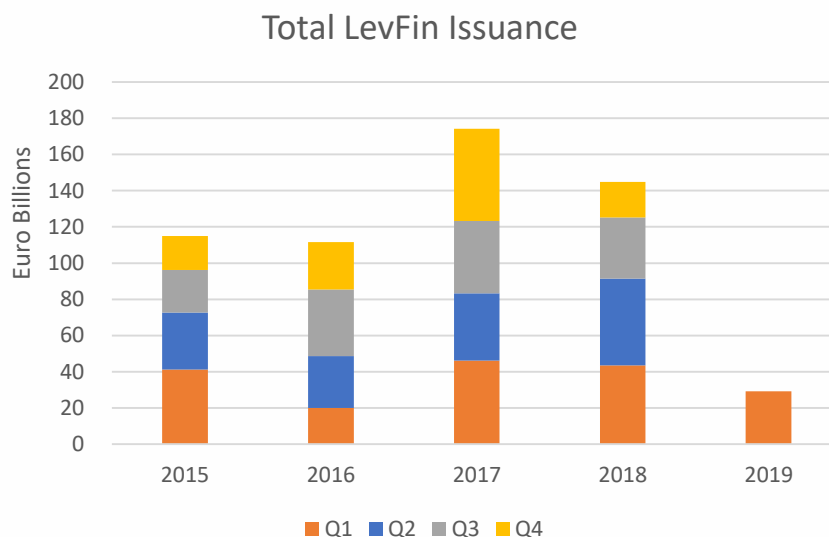
Loan issuance gets going after 4Q18 turbulence, but bonds still struggle

Europe's combined issuance for institutional loans and bonds amounted to a saggy EU29.4b in the first quarter of the year. While activity in the primary loan market improved during February and March, bond issuance was weak and almost entirely confined to double B credits.



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

In 1Q19, European institutional issuance was 23% down on 1Q18 at EU19.2b, while bond issuance was down a steeper 45% at EU10.2b.



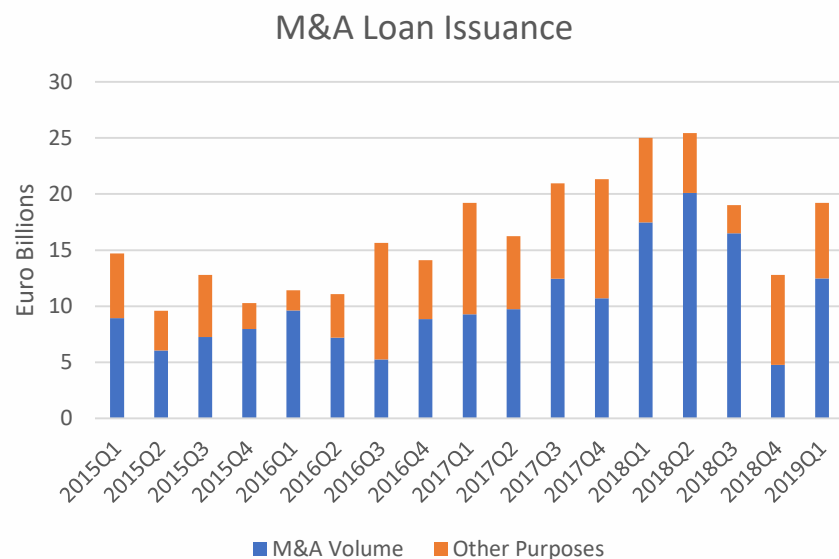
EUR/GBP 1L/2L institutional loans (excludes repricings) and European HY corporate bonds.

In a repeat of the fourth quarter, loans took a roughly 65% share of Europe's overall leveraged finance volume, the highest quarterly share of the last three years.

Many Little, A Few Large

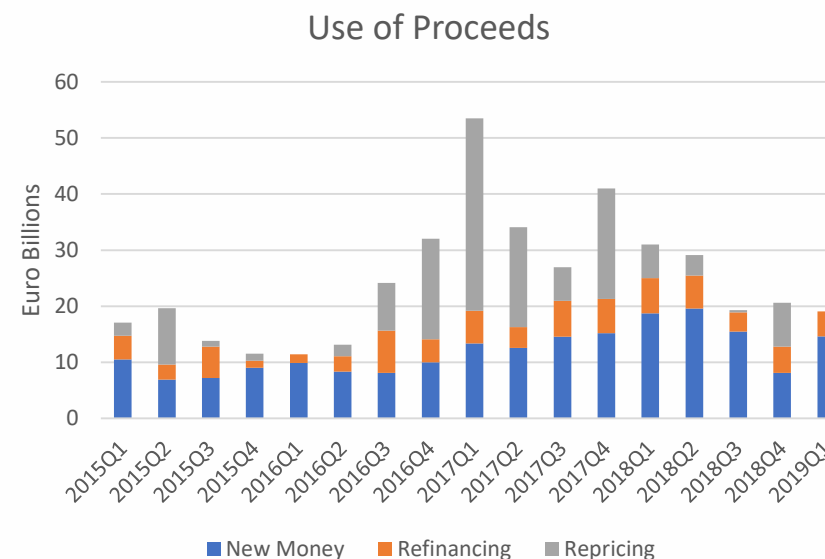
Big M&A deals punctuate 1Q19's run of TLB add-on facilities

Cross-border jumbo buyout Power Solutions was the biggest deal of the first quarter, and indeed the biggest in six months, and the arrangers successfully placed a EU1.96b TLB and EU700m of senior secured notes. Other big deals included Amer Sports Oyj and Ahlsell AB. But in between these, the deal flow mainly consisted of small add-on facilities for existing borrowers.



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

1Q19 M&A loan volume amounted to a respectable EU12.6b. But 1Q18 was especially strong so this year's tally is still 27.5% down on the year.



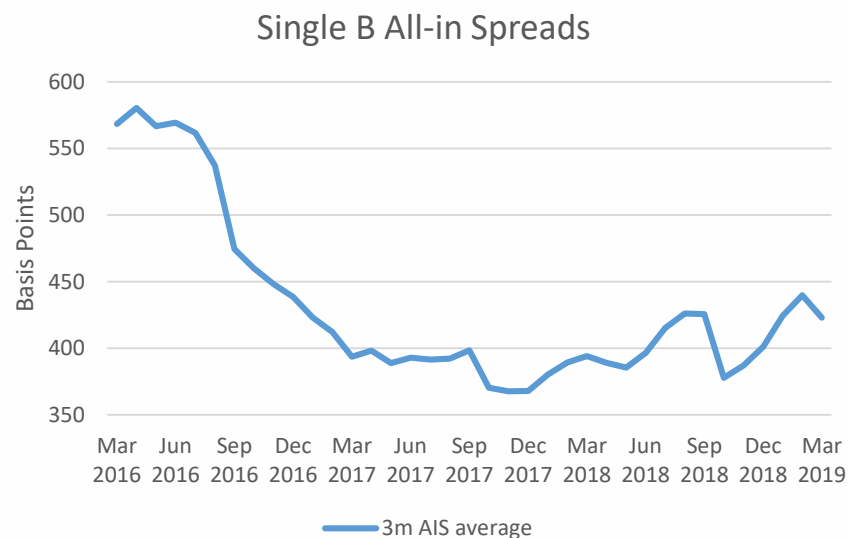
EUR/GBP 1L/2L institutional loans.

New money issuance of EU14.8b is down 21% on 1Q18, and refinancing of EU4.4b is down 30% on that quarter.

Borrowers Pay Up

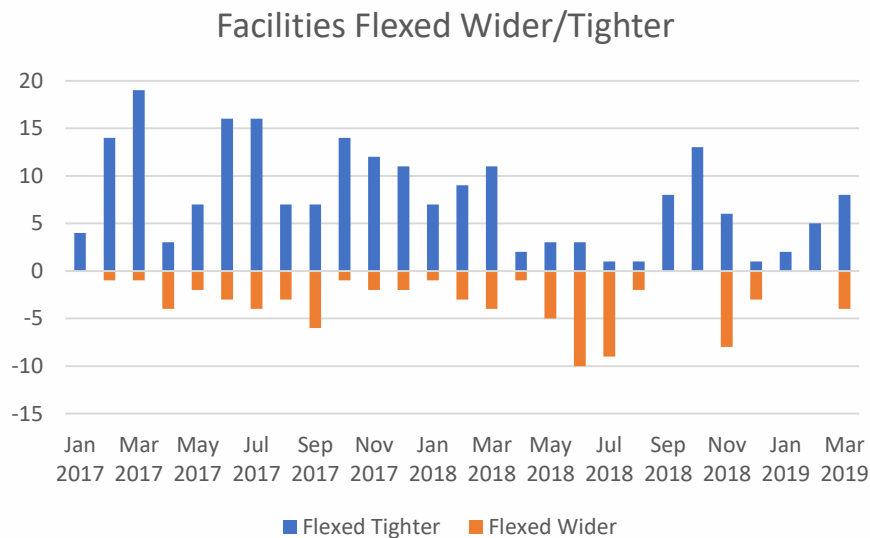
New issue spreads at 423bps for opening quarter of 2019

Companies raising first-lien euros in Europe paid a richer spread on average in the first quarter than they did the previous quarter. Whereas conditions swung around in 4Q18, the market has so far been steadier and more consistent this year. Most single B borrowers paid a margin of E+400 or above, but many found enough demand to thin their OID and some stronger credits managed a three-handle.



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

Borrowers paid a 423bps all-in spread on average in 1Q19, in an increase from 4Q18 when the market was unsettled.



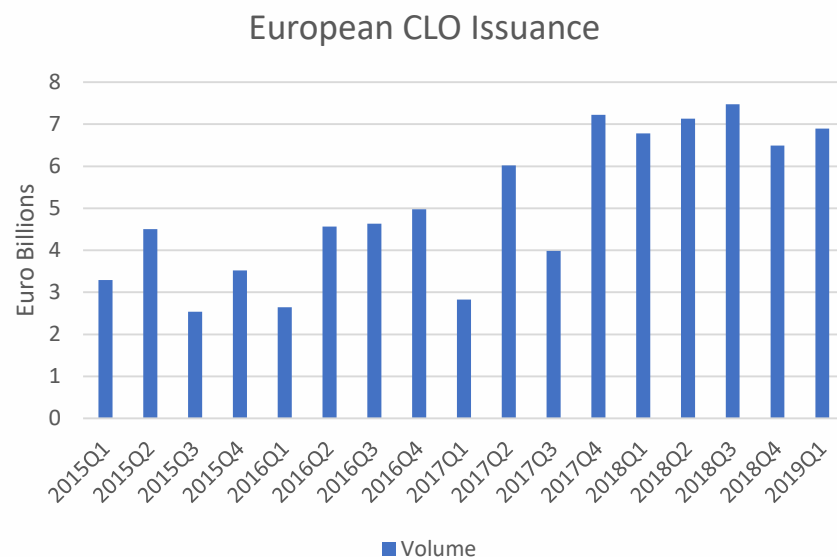
EUR 1L EUR/GBP 1L/2L institutional loans.

During the quarter, fifteen facilities flexed tighter and four widened from original talk, reflecting a keen but not desperate investor bid.

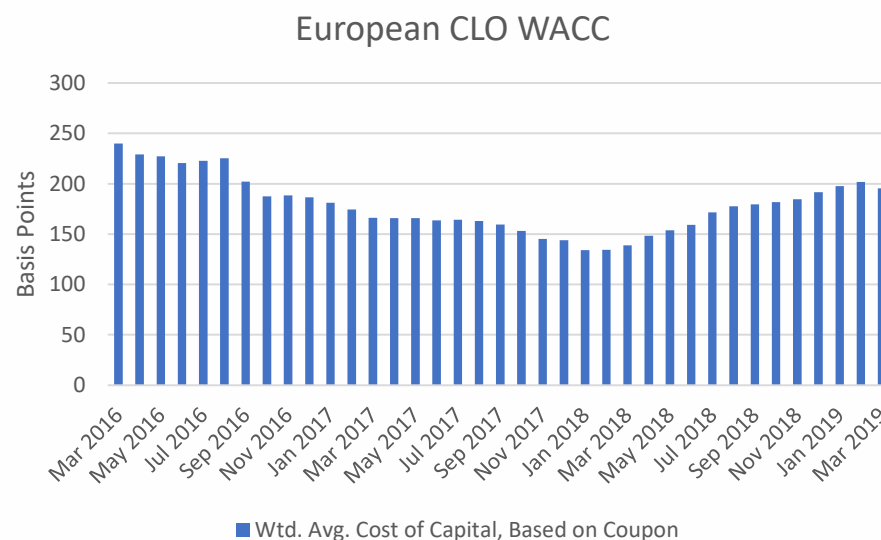
CLOs Forge Ahead in 1Q19

High liability costs make primary issuance hard going for managers

The European CLO market churned out EU6.9b of primary issuance in the first quarter, despite some of the toughest conditions since the financial crisis. Arrangers and managers had to pay away fees and make creative adjustments to standard structures, including targeting investors with appetite for short-dated paper, in order to clear a backlog of deals hanging over from the previous year.



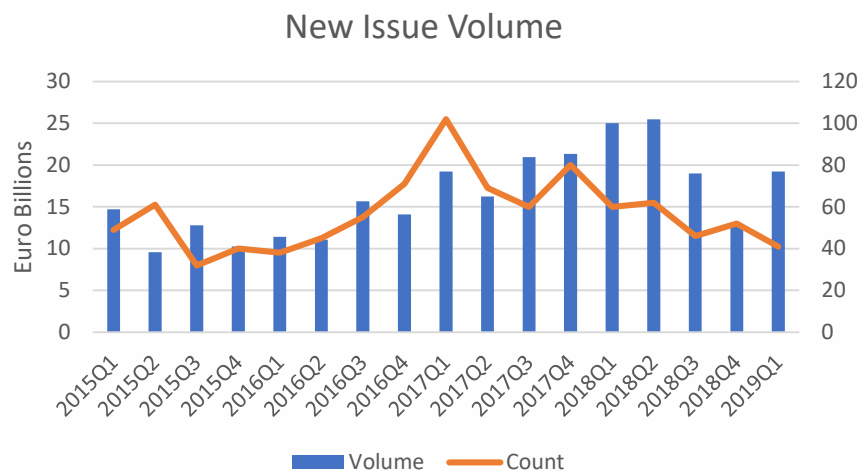
January issuance was weak but in total ~EU6.9b of primary supply came from 16 issuers in 1Q19, just ahead of 1Q18. Another eight are in the near-term pipeline



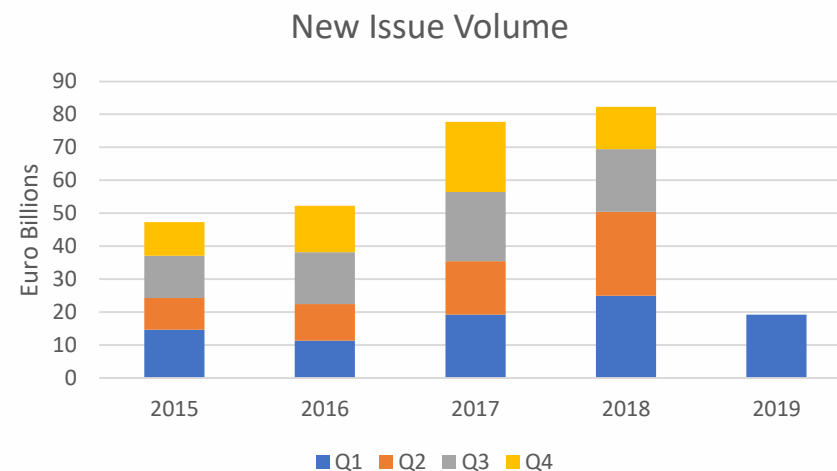
The average weighted average cost of capital, based on coupons, was 195bps for March. Note that this data includes deals where there was no single B tranche, and the average is higher if these deals are excluded (201bps for March).

All Charts

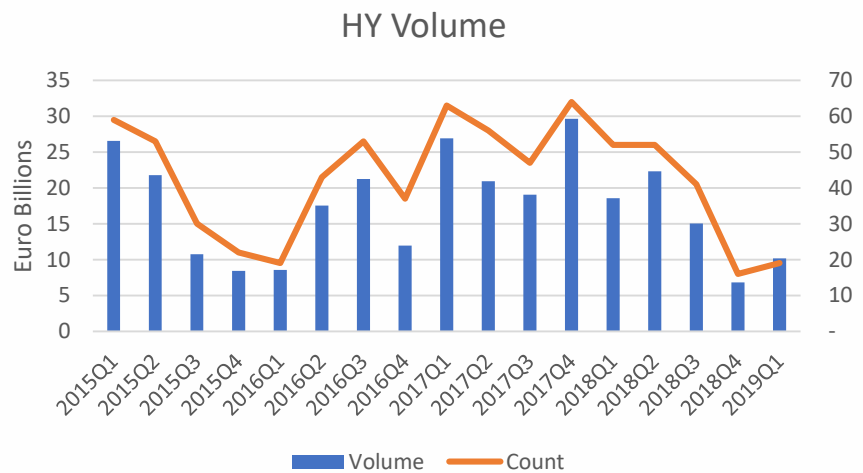




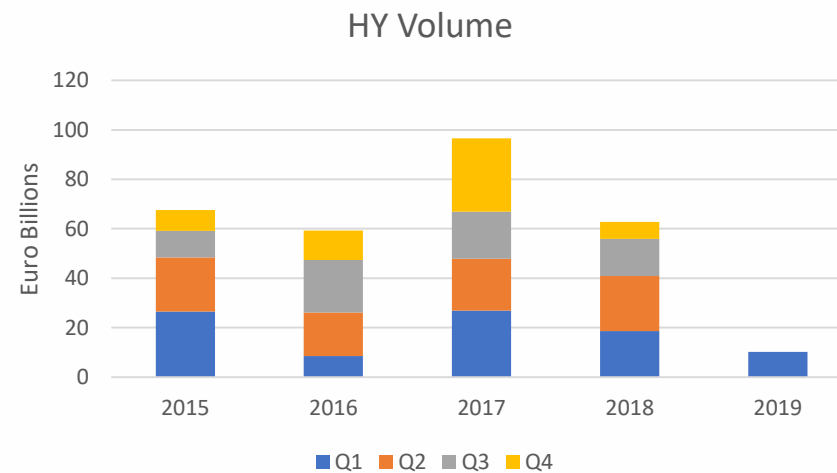
EUR/GBP 1L/2L institutional loans. Excludes repricings.



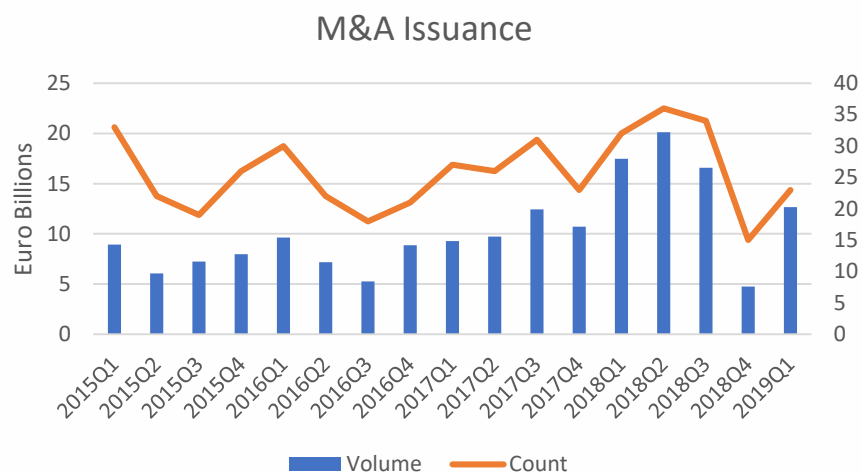
EUR/GBP 1L/2L institutional loans. Excludes repricings.



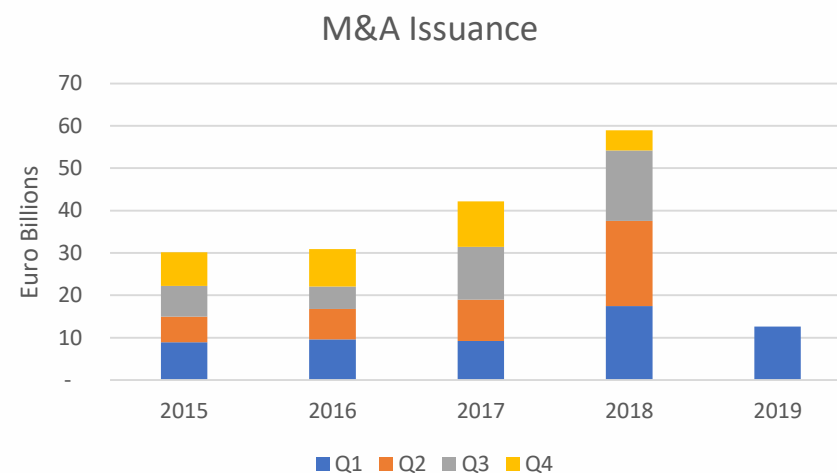
HY corporate bonds.



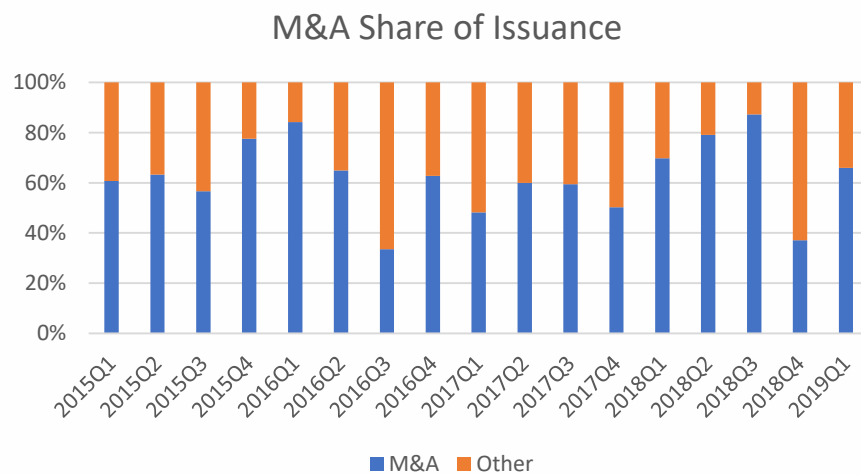
HY corporate bonds.



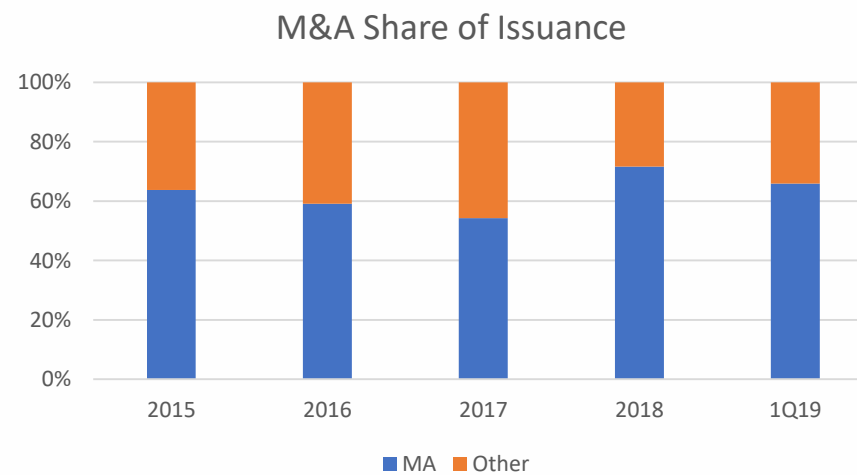
EUR/GBP 1L/2L institutional loans. Excludes repricings.



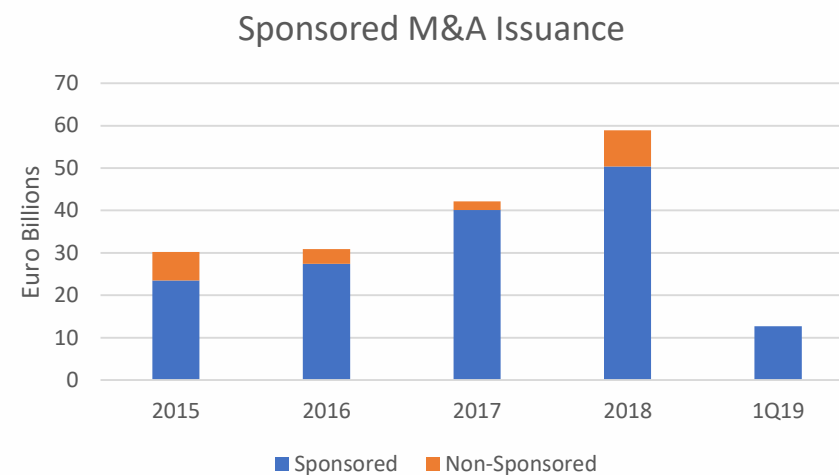
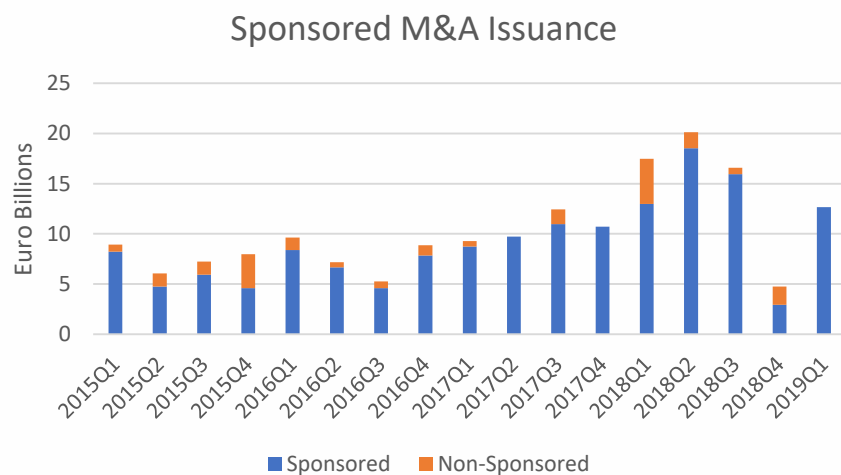
EUR/GBP 1L/2L institutional loans. Excludes repricings.



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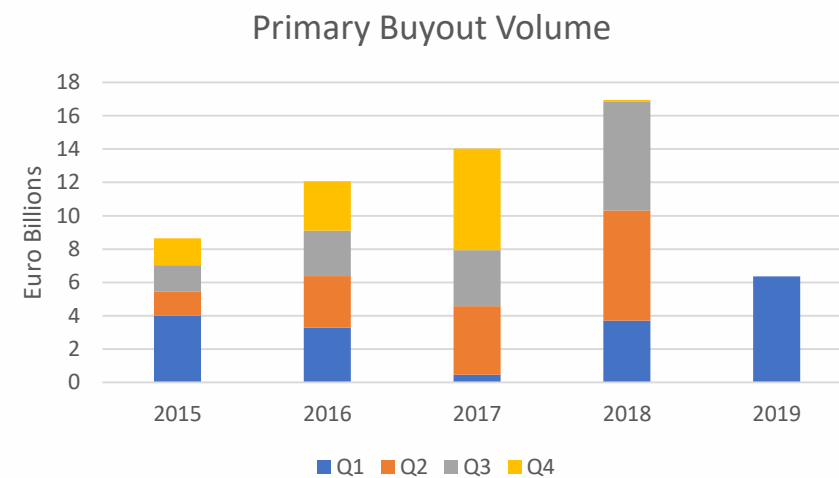
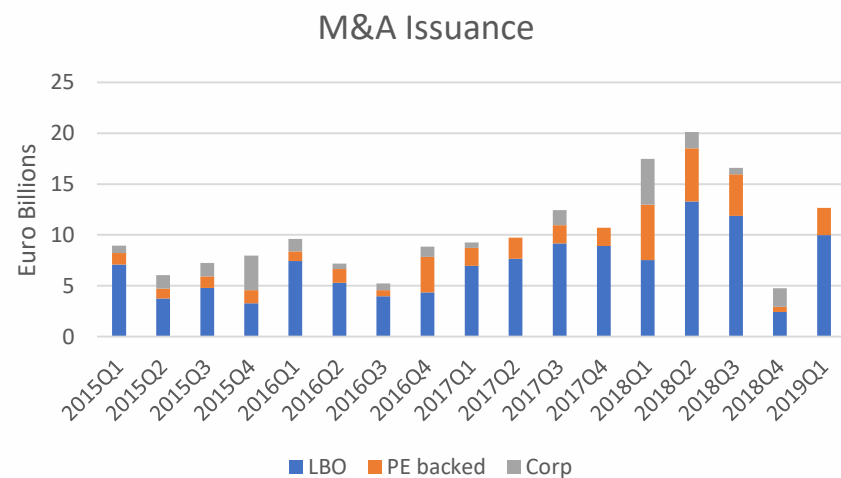


EUR/GBP 1L/2L institutional loans. Excludes repricings.



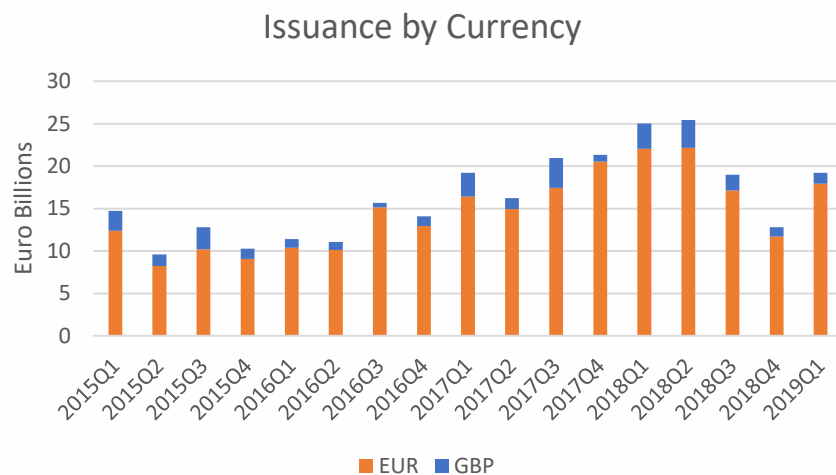
EUR/GBP 1L/2L institutional loans. Excludes repricings.

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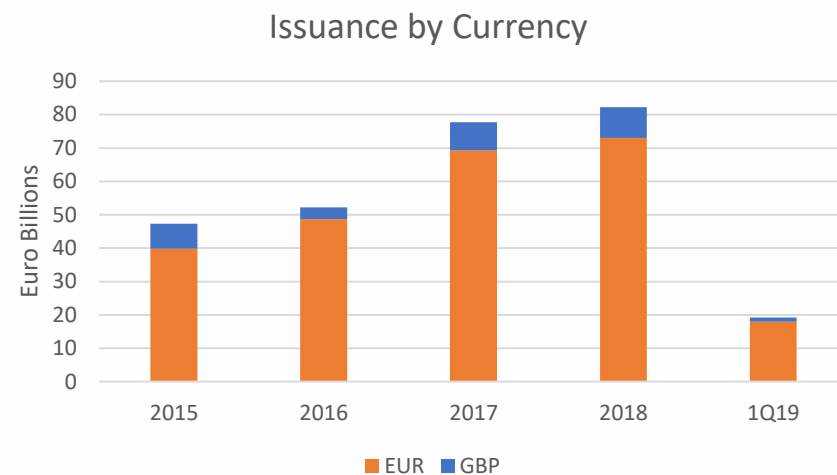


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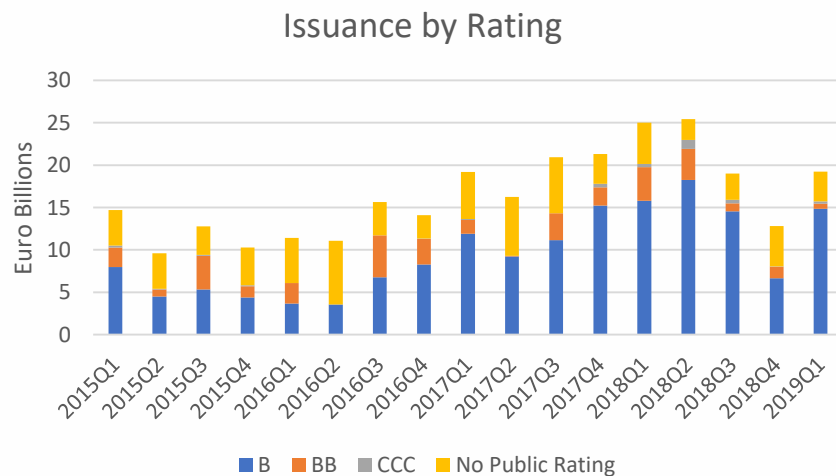
EUR/GBP 1L/2L institutional loans. Excludes repricings.



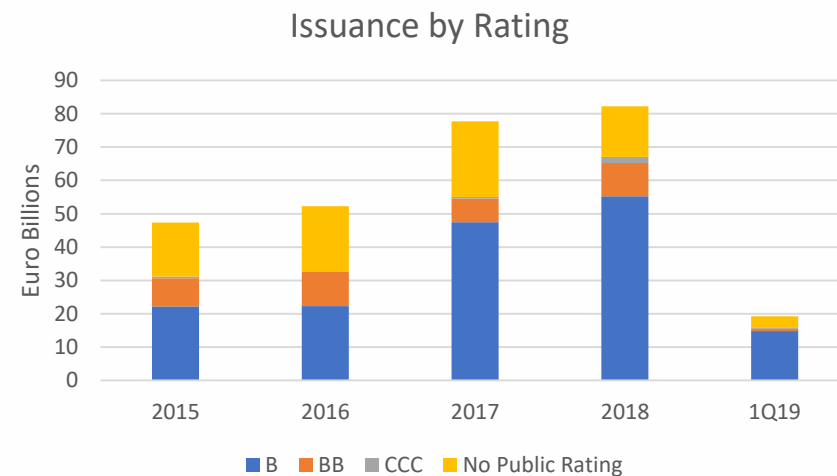
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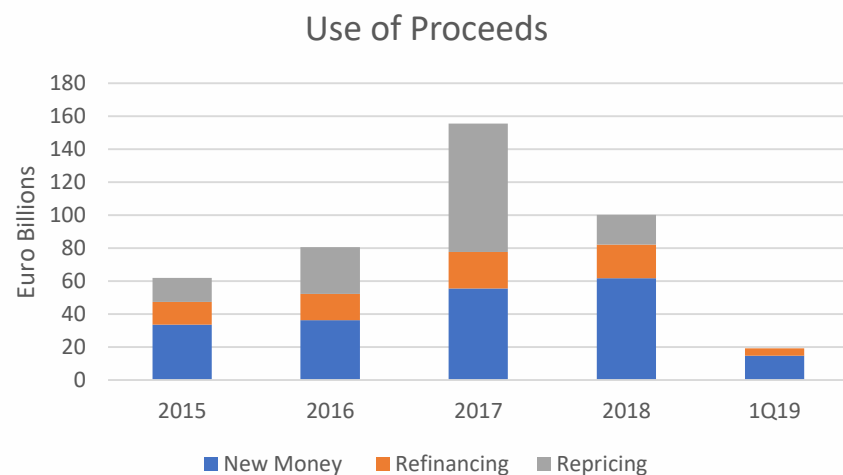
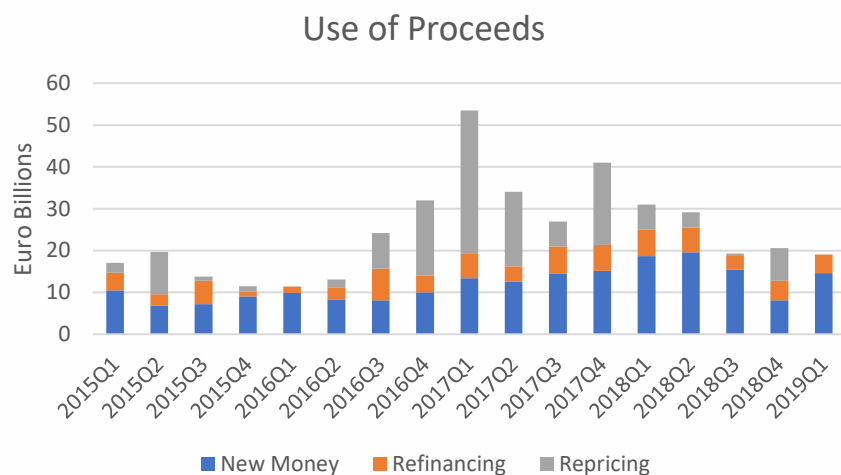
EUR/GBP 1L/2L institutional loans. Excludes repricings.



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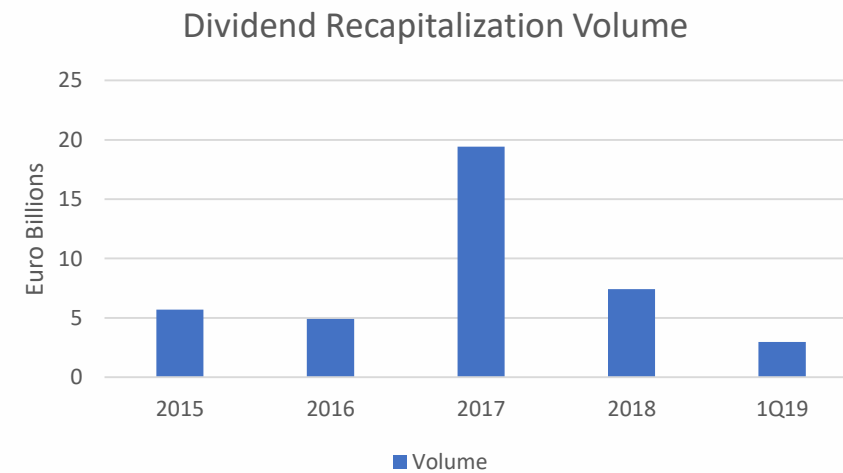
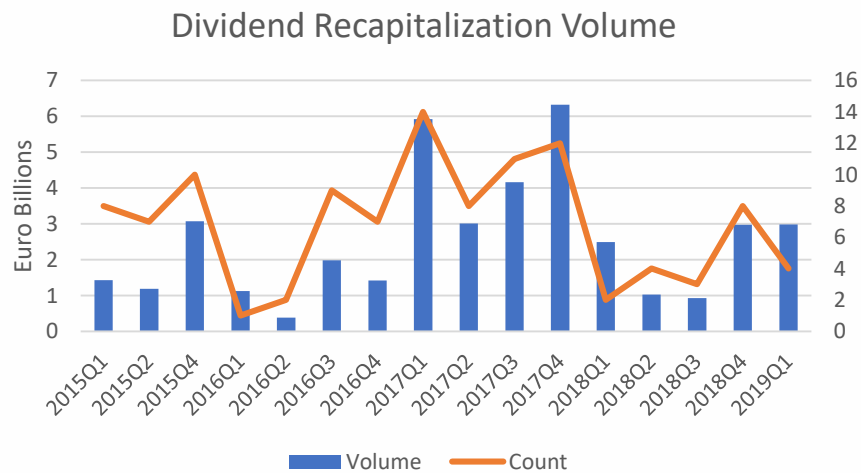


EUR/GBP 1L/2L institutional loans. Excludes repricings.



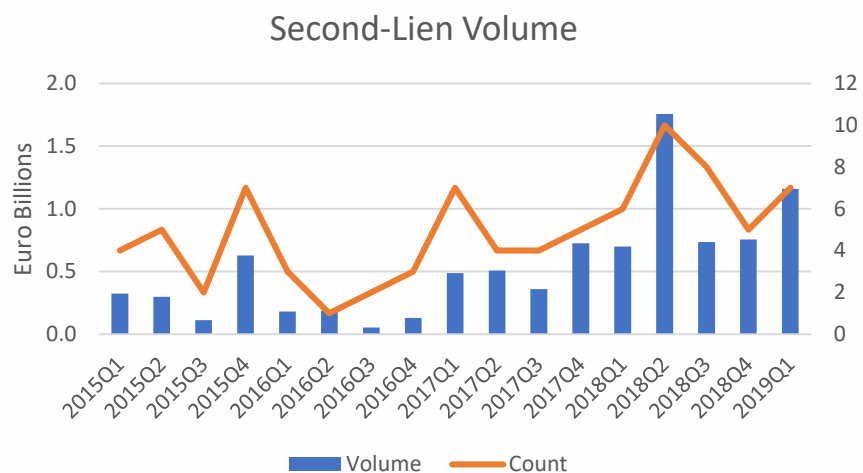
EUR/GBP 1L/2L institutional loans.

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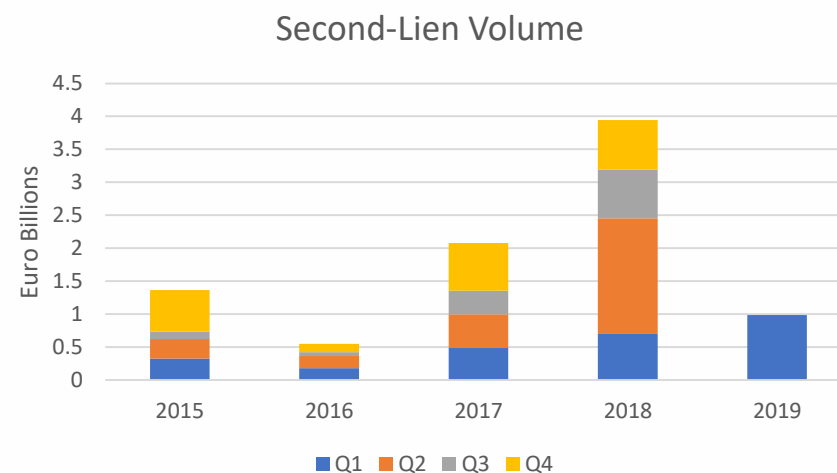


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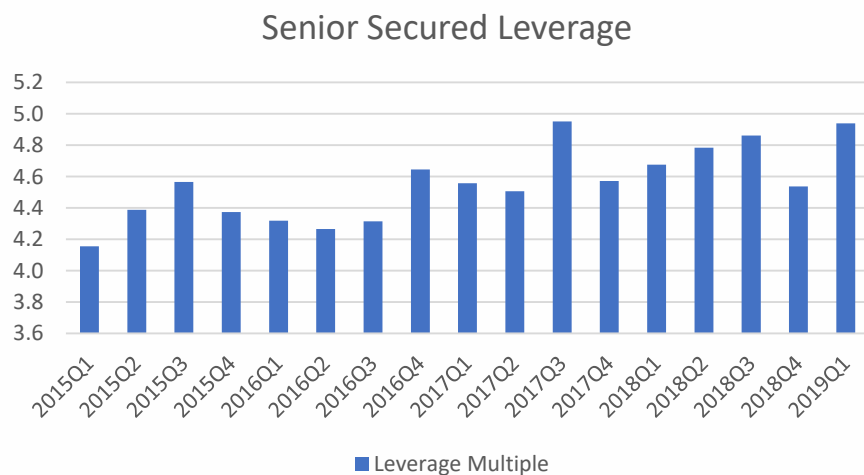
EUR/GBP 1L/2L institutional loans.



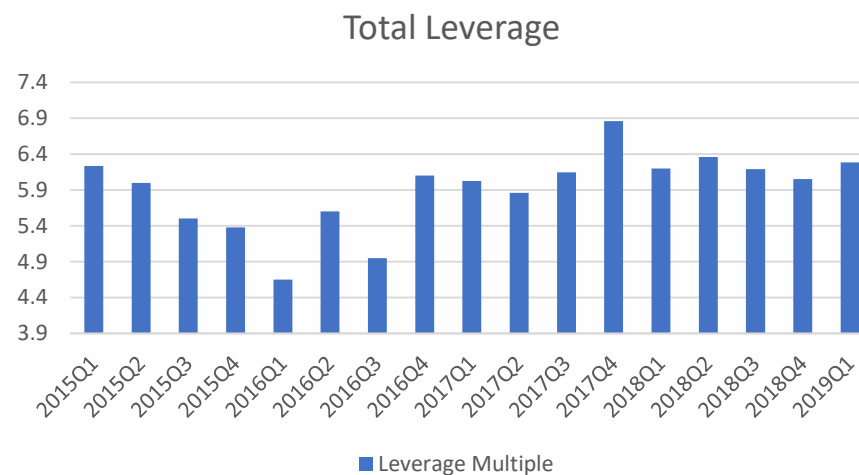
EUR/GBP 2L institutional loans. Excludes repricings.



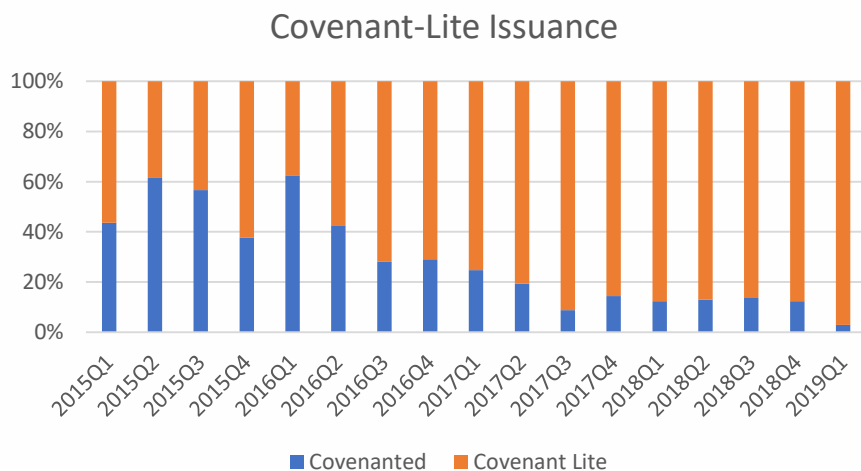
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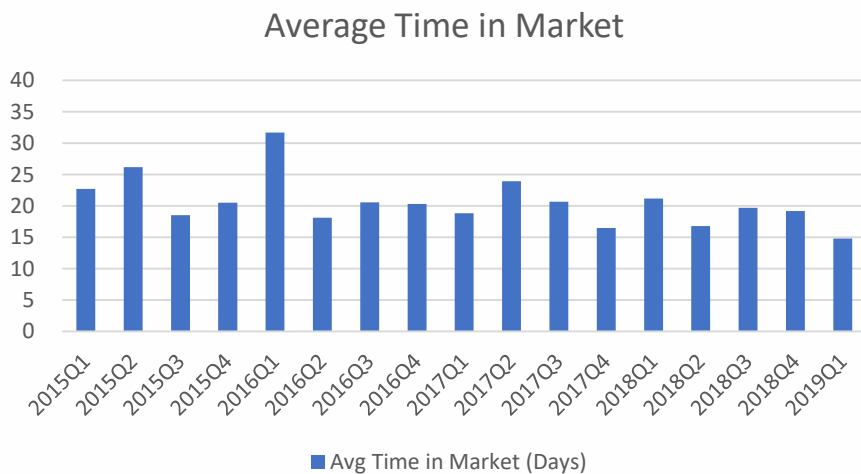
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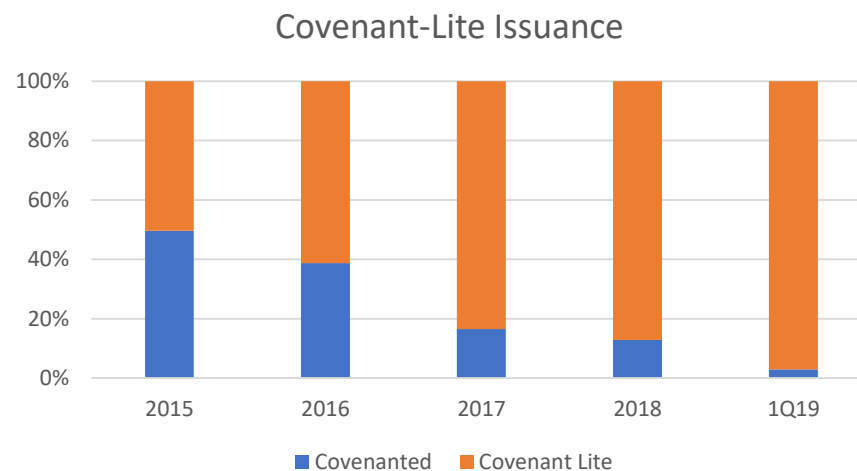
EUR/GBP institutional loans. Excludes repricings.



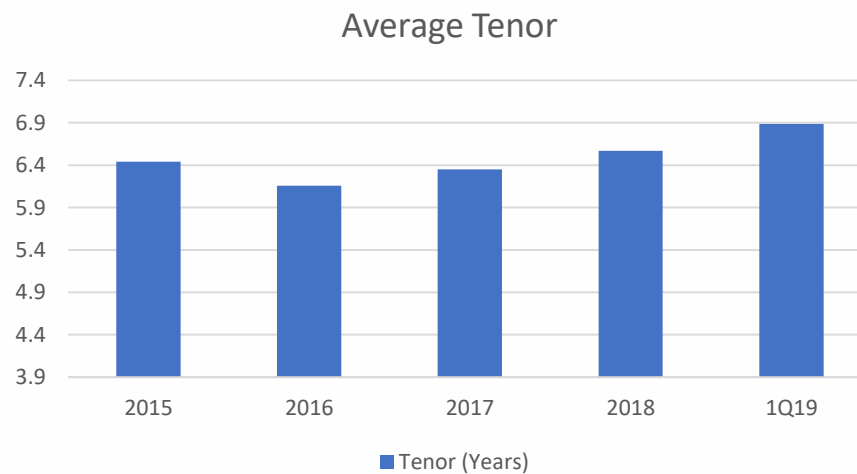
EUR/GBP 1L/2L institutional loans. Excludes repricings.



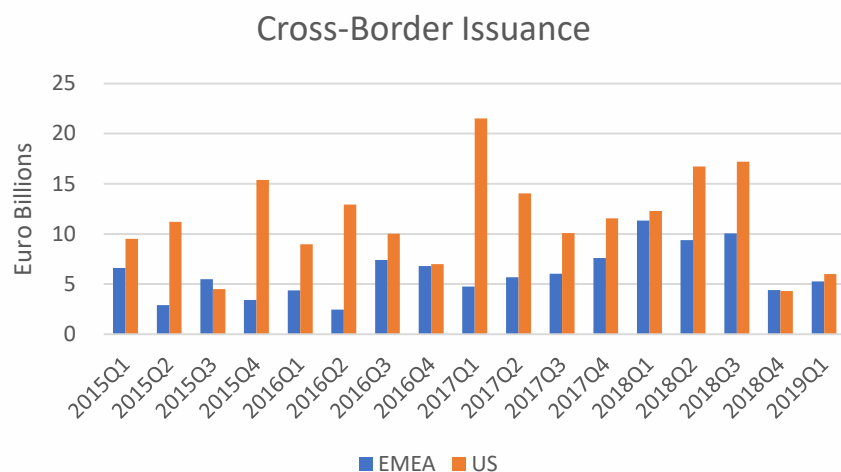
EUR 1L institutional loans. Excludes repricings. Average Time in Market calculated as time elapsed between Launch and Pricing.



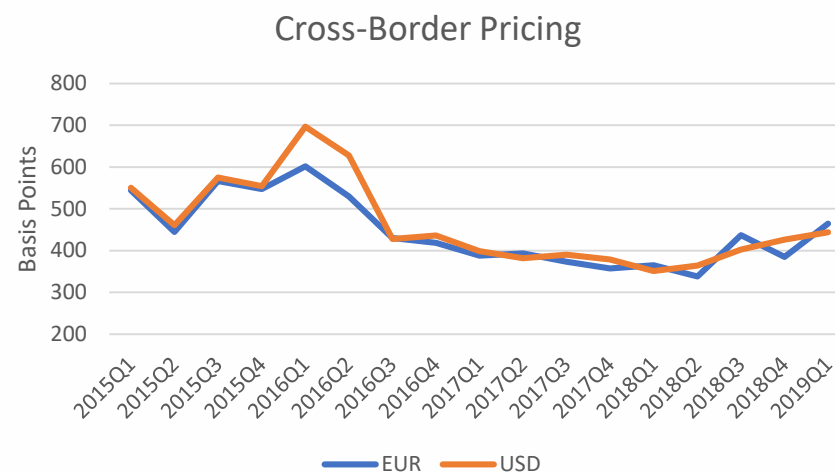
EUR/GBP 1L/2L institutional loans. Excludes repricings.



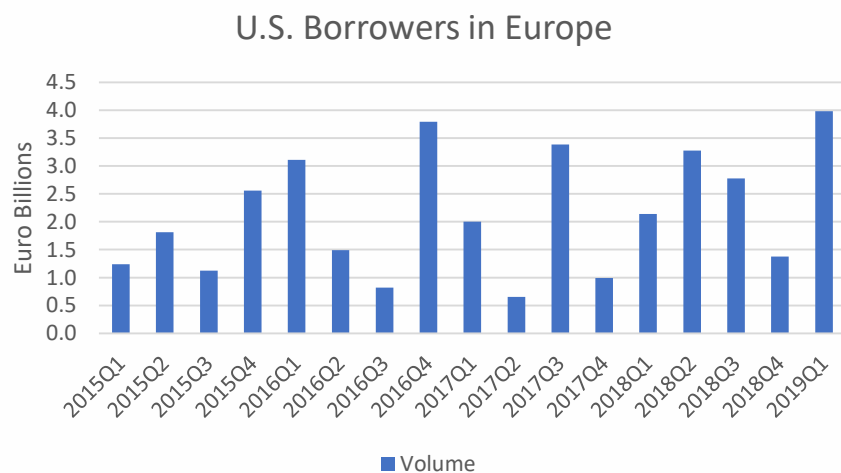
EUR 1L institutional loans.



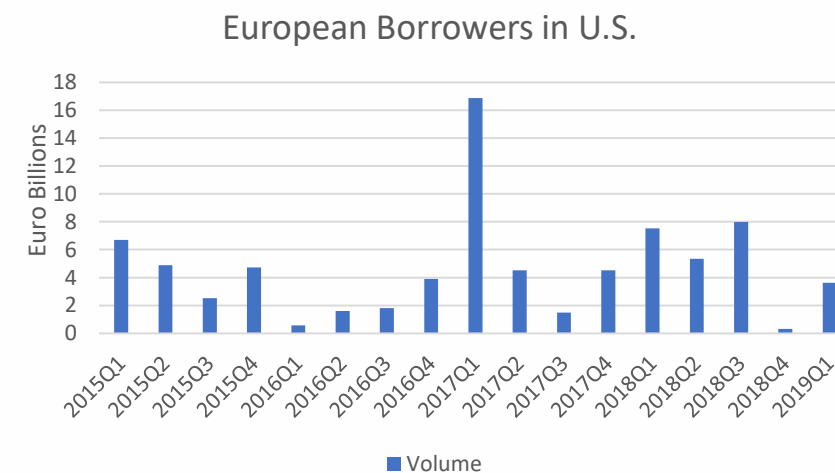
EUR/GBP & USD 1L/2L institutional loans. Excludes repricings.



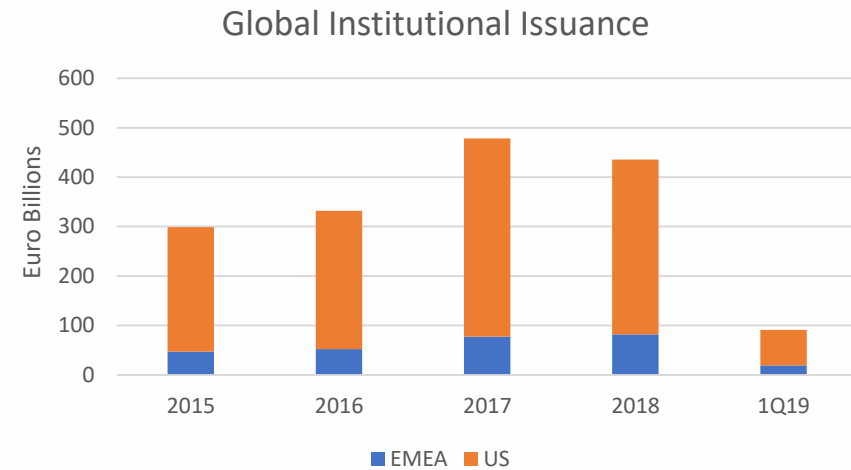
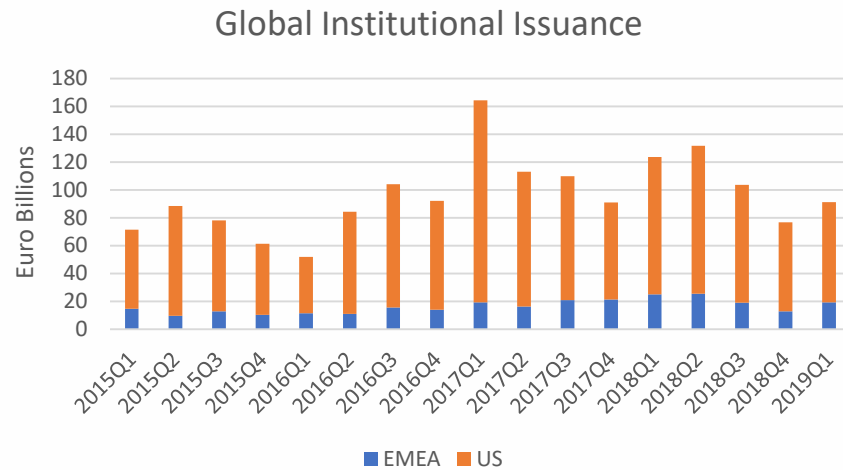
EUR & USD 1L/2L institutional loans. Excludes repricings.



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

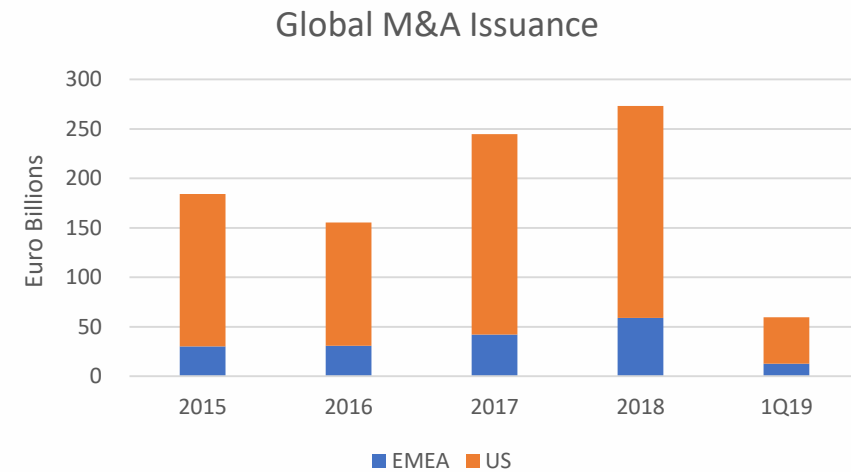
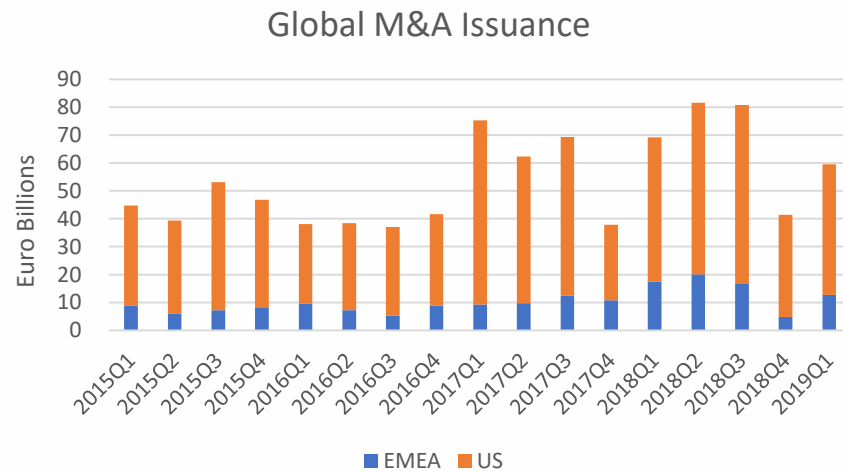


USD-denominated 1L/2L institutional loans. Excludes repricings.



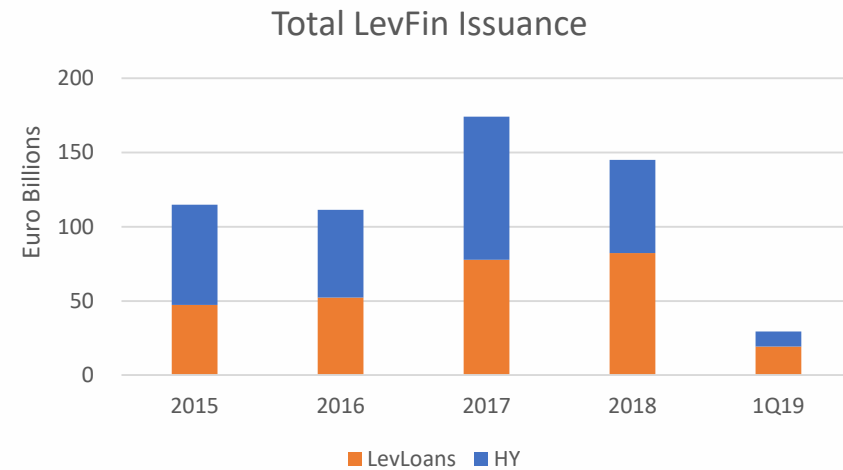
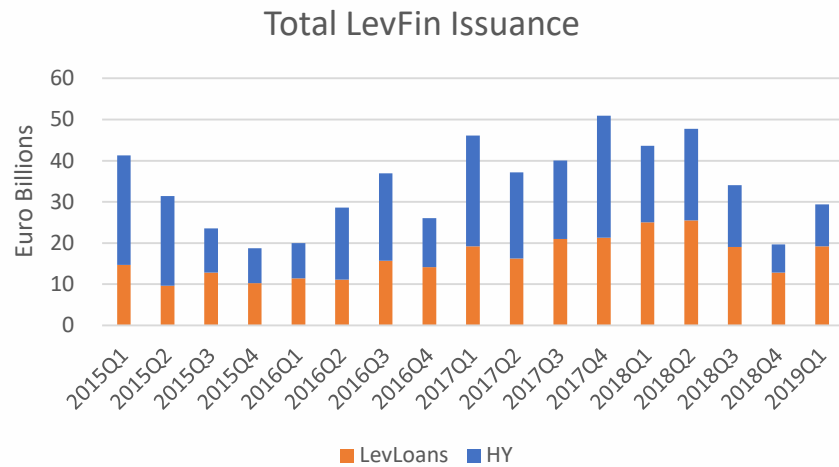
EUR/GBP & USD 1L/2L institutional loans. Excludes repricings.

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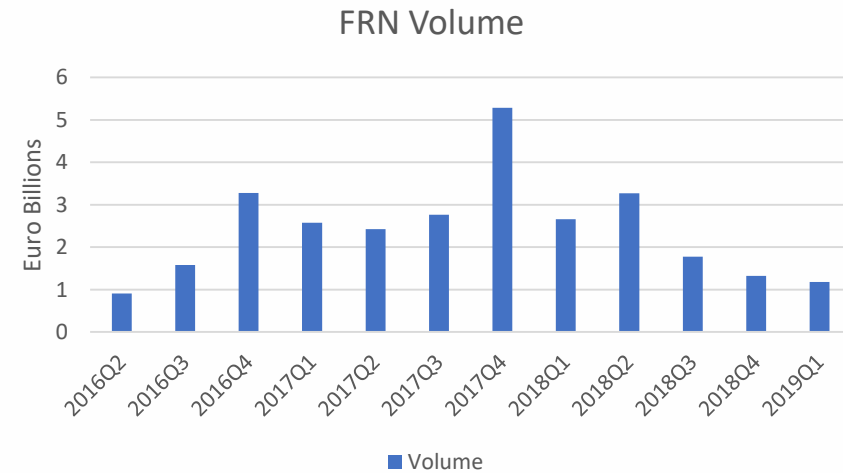
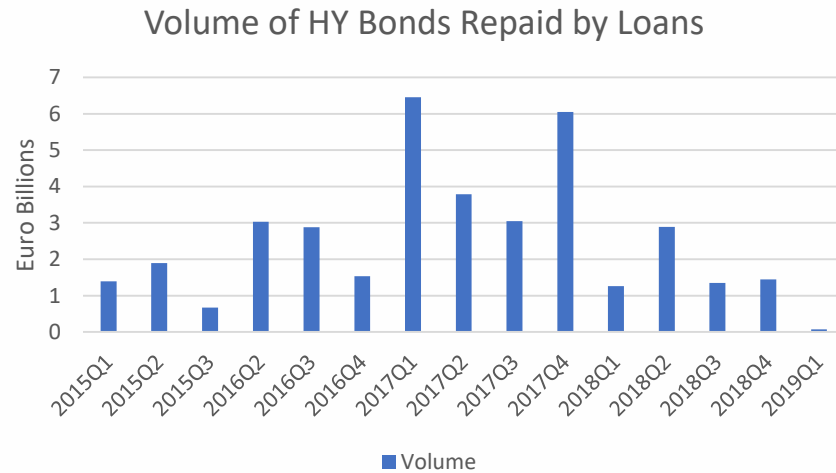
EUR/GBP & USD 1L/2L institutional loans. Excludes repricings.

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



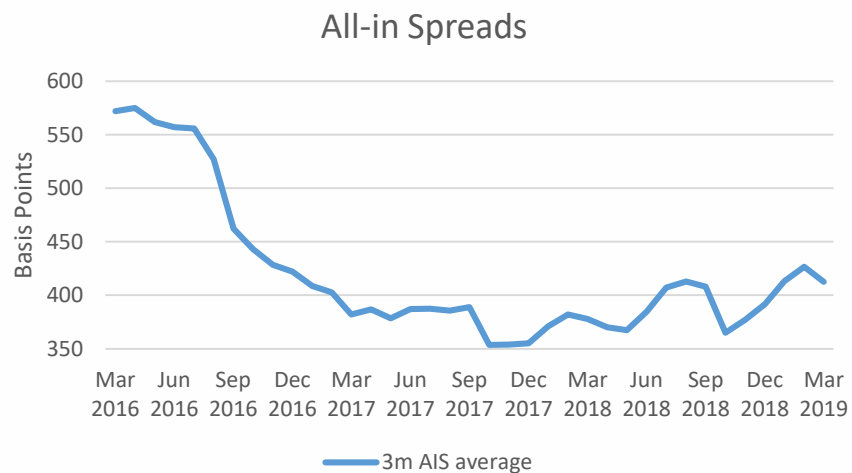
EUR/GBP 1L/2L institutional loans(excludes repricings) and European HY corporate bonds.

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

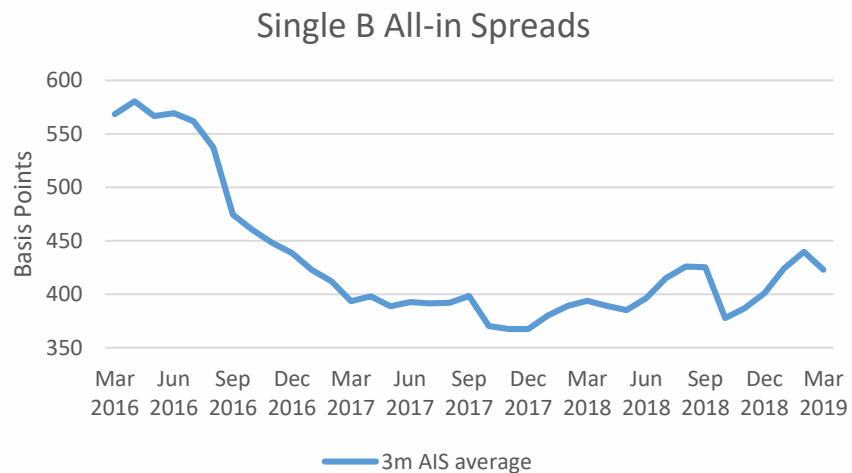


EUR/GBP/USD bonds repaid by EUR/GBP institutional loans

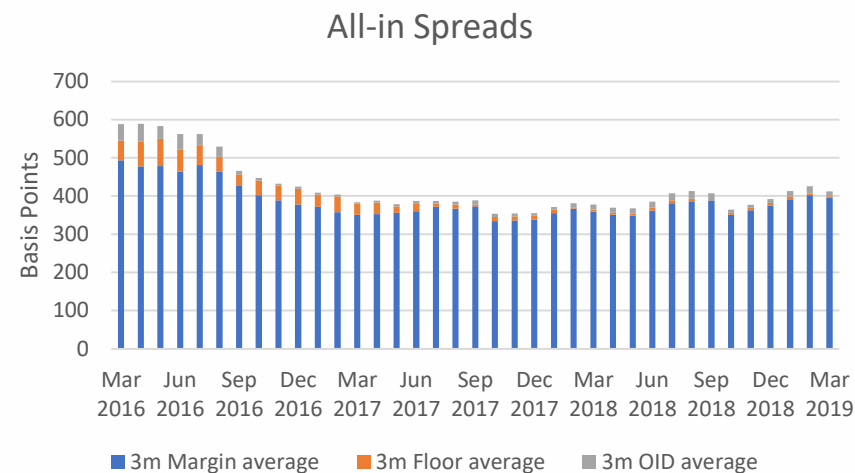
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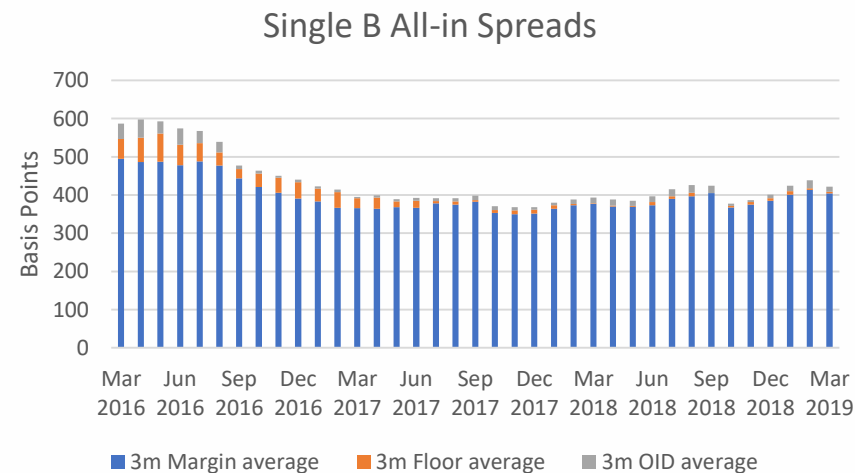
EUR 1L institutional loans.



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

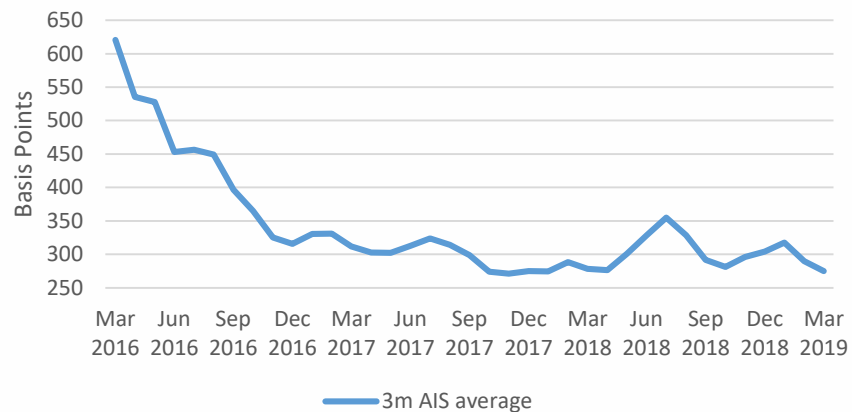


EUR 1L institutional loans.



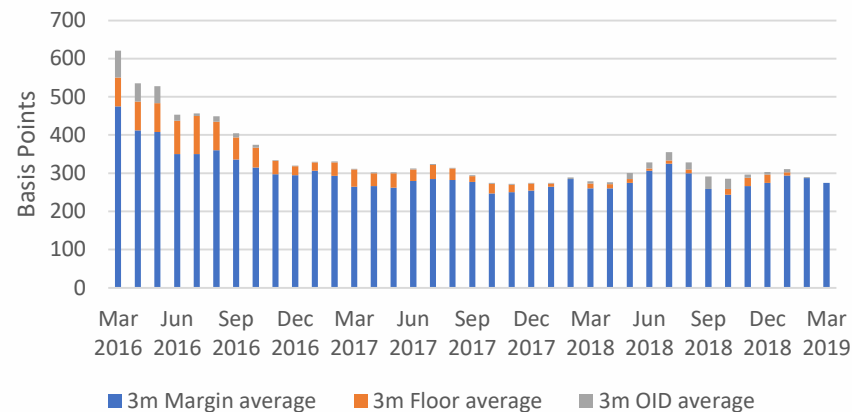
EUR 1L institutional loans. Single B and unrated issuers.

Double B All-in Spreads



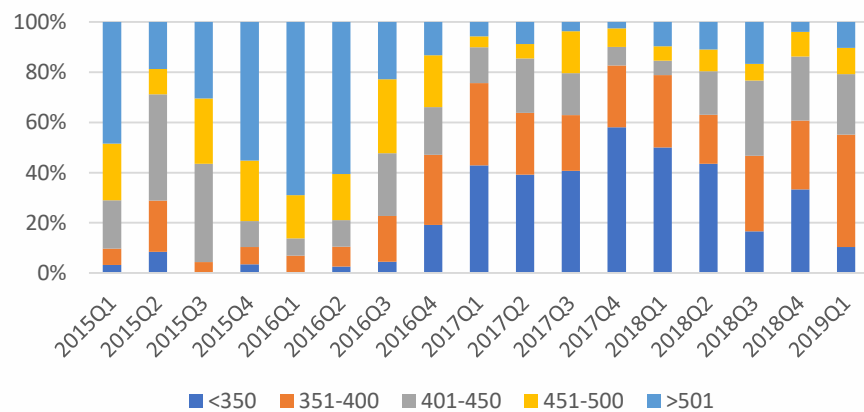
EUR 1L institutional loans. Double B issuers.

Double B All-in Spreads



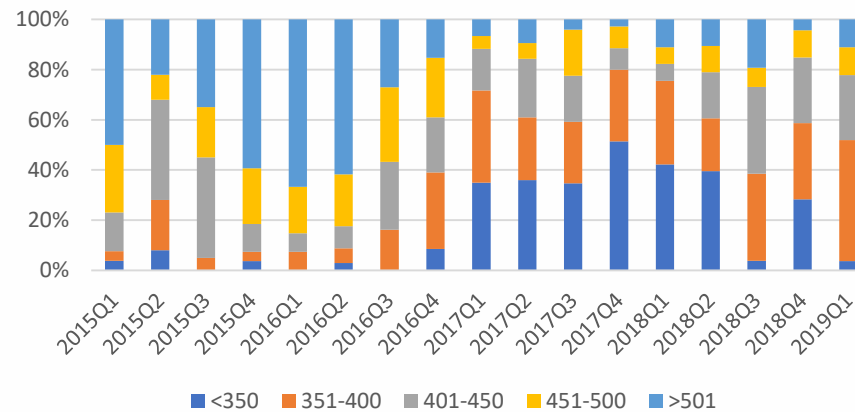
EUR 1L institutional loans. Double B issuers.

Distribution of All-in Spreads

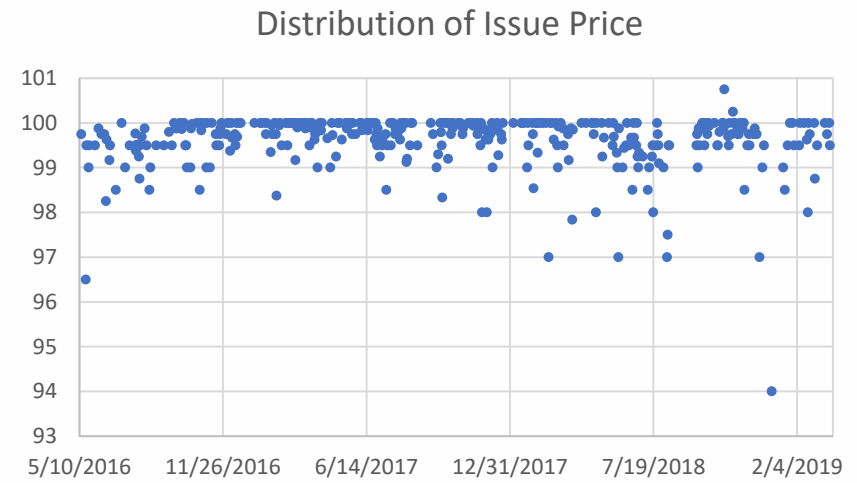
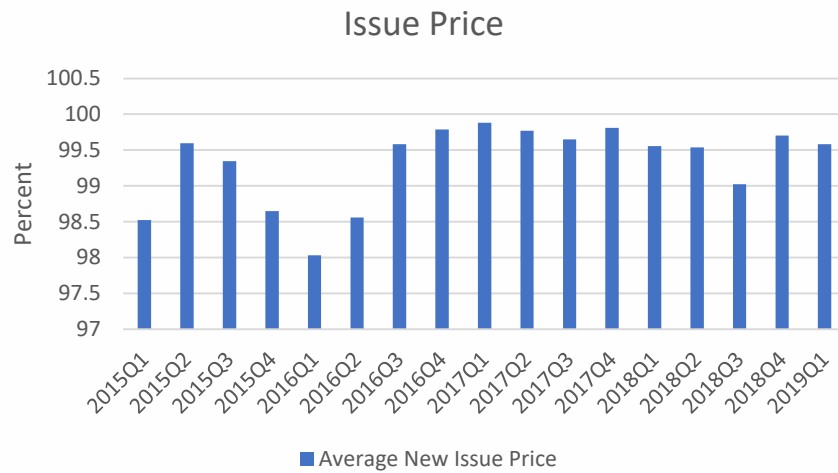


EUR 1L institutional loans.

Distribution of Single B All-in Spreads

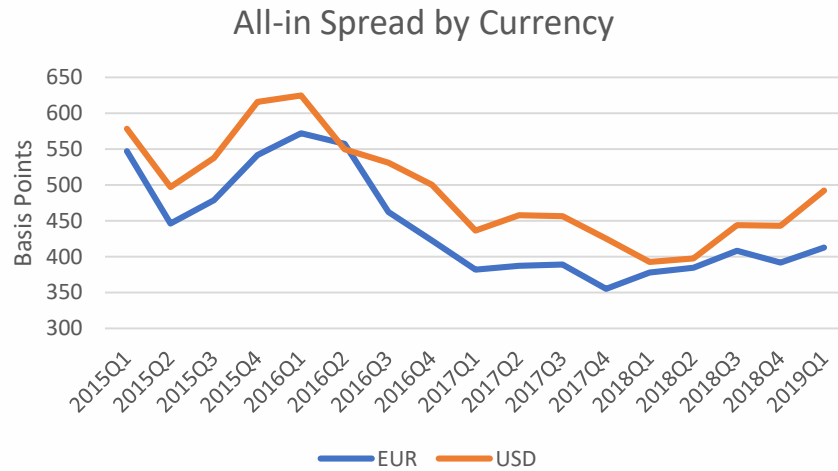


EUR 1L institutional loans. Single B and unrated issuers.

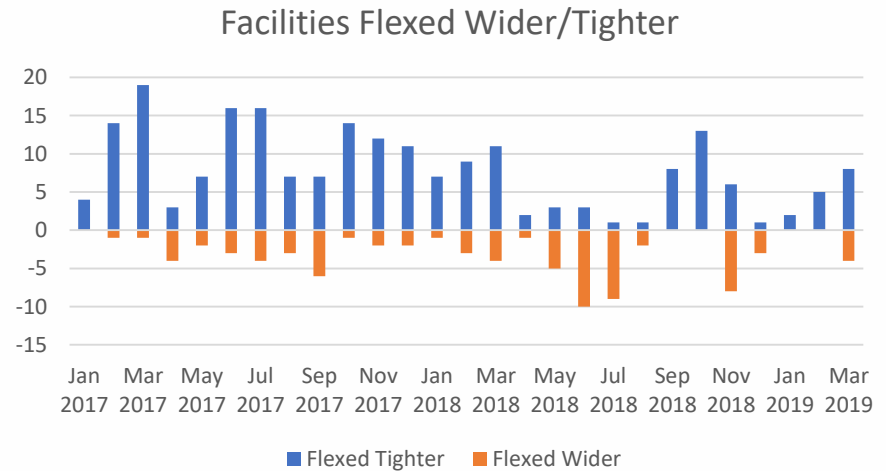


EUR 1L institutional loans.

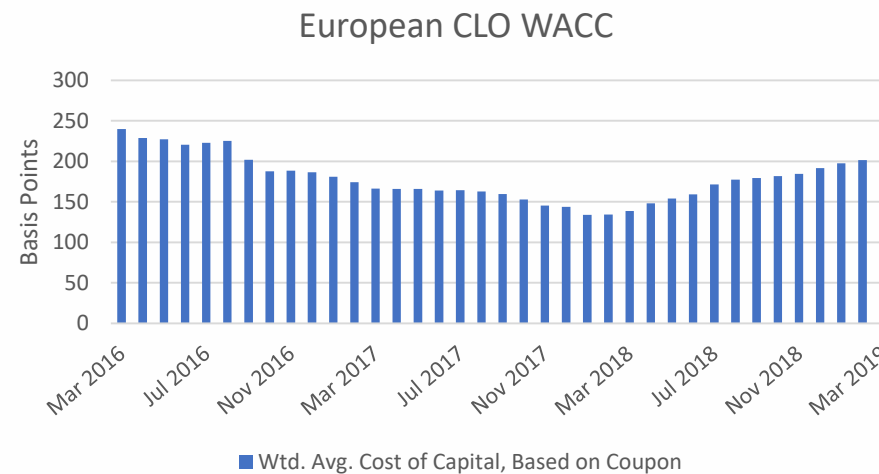
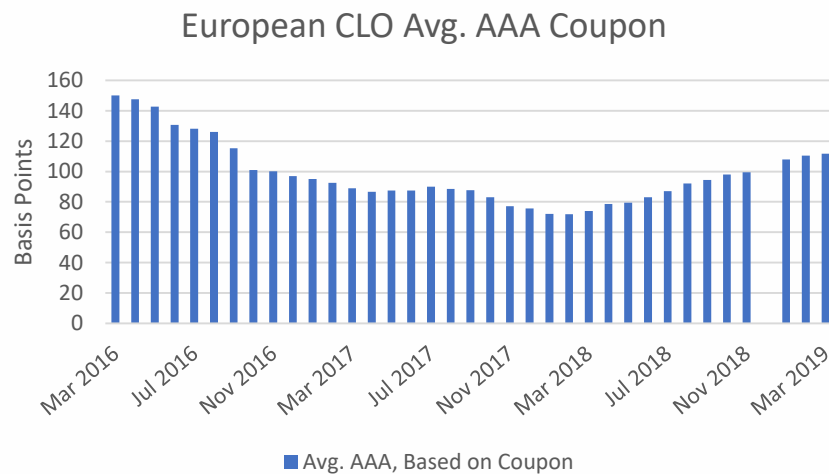
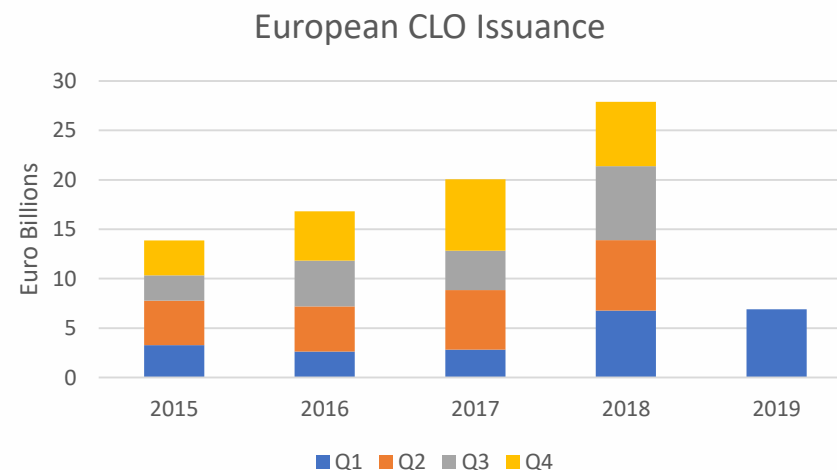
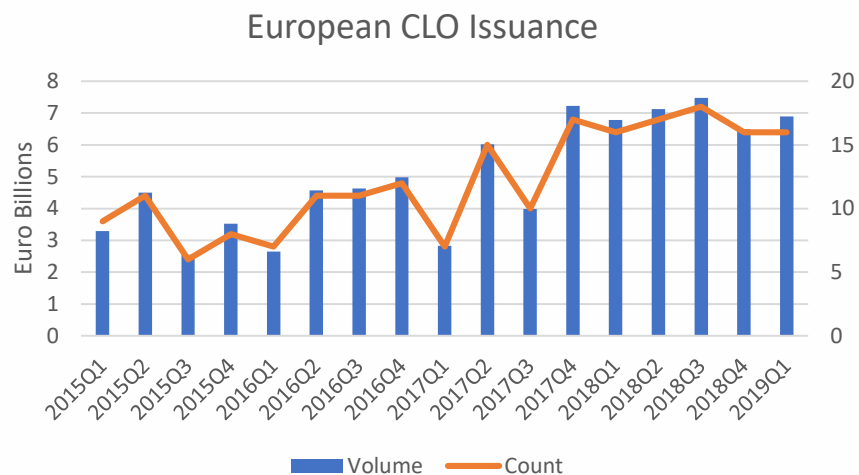
EUR 1L institutional loans.



EUR/GBP/USD 1L institutional loans.

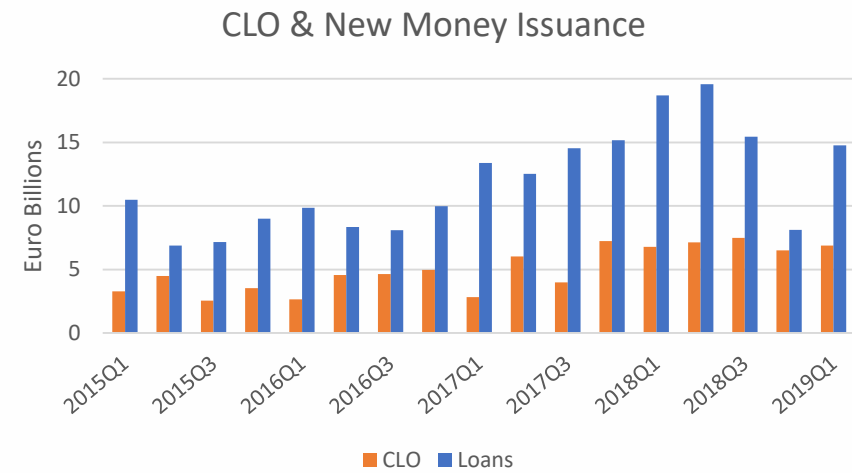
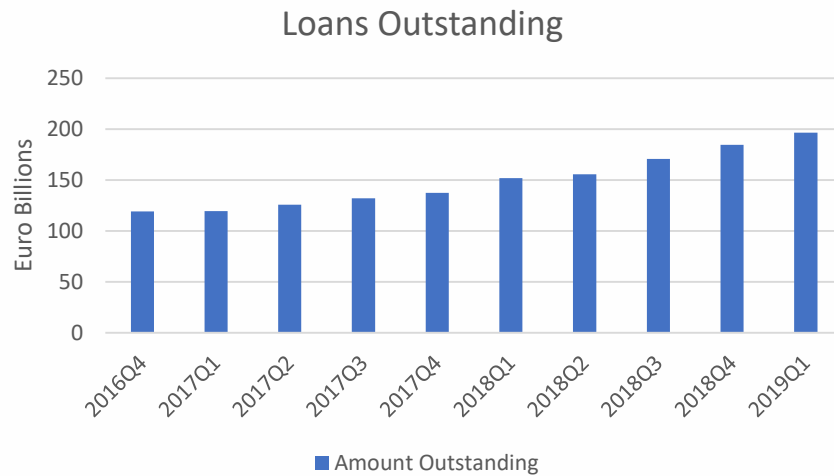


EUR/GBP 1L/2L institutional loans.

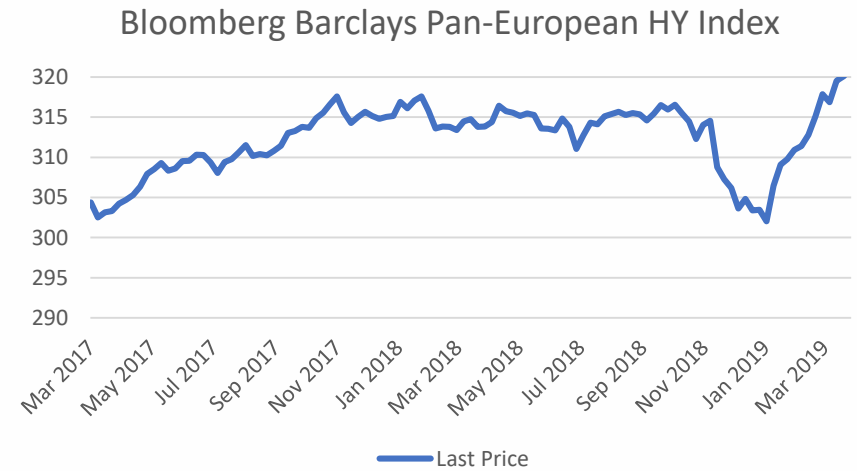
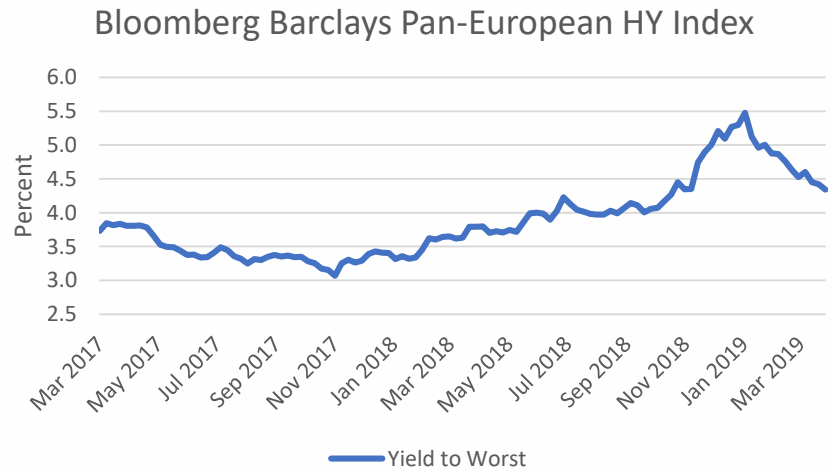


Based on coupon.

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



New loan issuance, excluding repricings/refinancings.



Contact Details

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Bloomberg Market Specialists – Credit, Loans and ABS/CLO

*Please contact if you would like to arrange a demonstration of Bloomberg functionality for leveraged finance

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