

# European High Yield & Leveraged Loan Report



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# European Leveraged Finance, Second Quarter 2014

## Highlights and Market Environment

### Highlights

European leveraged finance issuance (leveraged loans and high yield bonds) rose in 2Q'14, with €93.6 billion issued, a 103.1% increase quarter-over-quarter (q-o-q) and an 88.3% increase year-over-year (y-o-y). The increase q-o-q stems from the increase in high yield bond issuance, which experienced a surge during the second quarter of 2014, despite continued turmoil in eastern Europe; the high yield share of the leveraged finance market rose to 62.2%, up from 56.1% in 1Q'14.

### Market and Economic Environment

According to the July 2014 European Central Bank lending survey, credit standards for all loan categories eased in net terms in the second quarter of 2014. More notably, for the first time since the second quarter of 2007, euro area banks reported a net easing of credit standards on loans to enterprises in the second quarter of 2014. Across firm size, credit standards were eased both for loans to large enterprises and for loans to small and medium-sized enterprises (SMEs). Regarding loan maturity, credit standards for both short-term and long-term loans were eased. Despite the easing during the quarter the European Central Bank stated that the level of credit standards is still relatively high.

The net demand for loans increased in the second quarter. For the first time since the second quarter of 2011, financing needs related to fixed investment contributed, albeit on a marginal basis, positively to the demand for loans to enterprises.

### Issuance

#### Issuance: Leveraged Loans

Leveraged loan issuance, including first lien, second lien, and mezzanine financing, rose in the second quarter to €35.4 billion, up 75.2% q-o-q (€20.2 billion) and 80.2% y-o-y. Amend-and-extend ("A&E") transactions continue to take place, with slightly less than a quarter of deals in the second quarter structured as such (21.4% by euro amount), a decrease from the first quarter (30.9%).

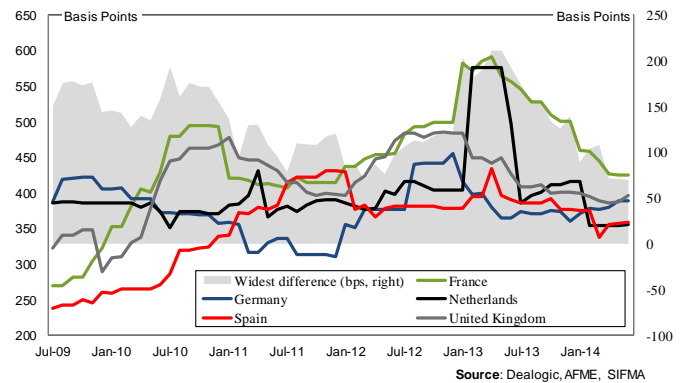
In the second quarter, no mezzanine loans and €1.3 billion in second liens were financed. Spreads at pricing for institutional loans widened by 3.4 basis points (bps) while spreads for pro rata loans tightened by 10.8 bps. Mezzanine loan spreads remained unchanged at 668.7 bps.

According to Dealogic, the leading sector in leveraged loan issuance for the second quarter of 2014 was food and beverage (€9.68 billion), followed by telecommunications (€4.64 billion) and construction and building (€2.71 billion). The largest deal was a €3.00 billion deal by Numericable Group for repayment of debt and new acquisitions.

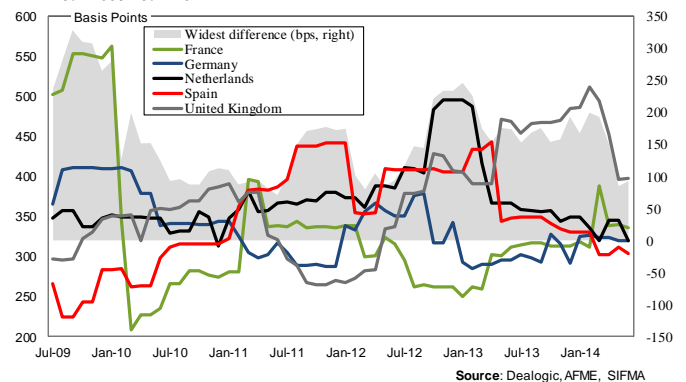
The share of deals aimed to refinance and/or repay debt fell q-o-q and y-o-y, falling to 40.0% of all deals by euro amount in the second quarter, compared to 62.0% in 1Q'14 and 65.7% in 2Q'13.

European CLO outstandings, including SME deals, declined by 22.9% on an annualized basis in the second quarter, ending June 2014 at €186.1 billion. Non-SME CLOs shrank at an annualized rate of 27.4% in 2Q'14 while SME CLOs decreased only by an annualized 0.2%.

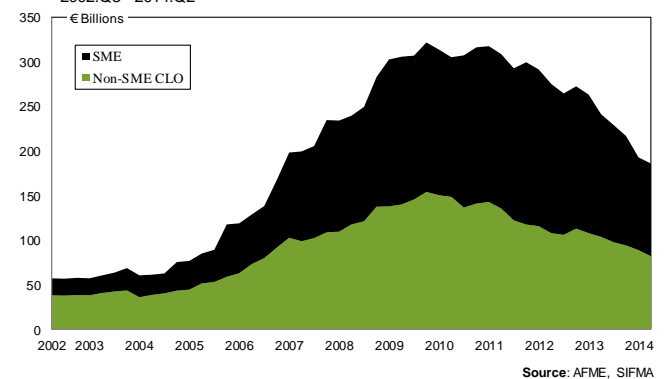
**Institutional Spreads**  
Jul. 2009 - Jun. 2014



**Pro Rata Spreads**  
Jul. 2009 - Jun. 2014



**European CLO Outstanding**  
2002:Q3 - 2014:Q2



### Issuance: High Yield Bonds

Primary issuance in 2Q'14 totalled €58.21 billion on 107 deals, an increase of 125.0% and 93.7%, respectively, q-o-q and y-o-y. Issuance from developed market Europe rose in the second quarter but, given the lingering turmoil in eastern Europe, issuance from emerging market Europe fell.

According to Standard and Poor's, some \$4.2 trillion of European corporate debt (44% of global debt) is expected to mature between 2014 and 2019.<sup>1</sup> The rating agency noted that "some recent signs that the economy is moving in the right direction are encouraging, but the uncertainty caused by geopolitical instability, both within and outside of Europe, could give investors pause. For example, the current situation in Ukraine is very delicate, and investor concerns over this conflict could impede some European companies' financing and refinancing prospects."

Primary issuance in developed market Europe in the second quarter was €57.19 billion on 102 deals, while in emerging market Europe primary issuance was €1.01 billion on 5 deals.

In second quarter 2014, average deal sizes from developed market Europe rose from first quarter, with an average of €932.0 million per deal in 2Q'14 (€655.9 million for 1Q'14). Average deal sizes for emerging market Europe also rose to €560.7 million in 2Q'14 from €406.4 million in 1Q'14.

High yield issuance for refinancing and/or repayment of debt in developed market Europe increased q-o-q but decreased y-o-y, representing 54.6% of all issuance by euro amount in 2Q'14, compared to 27.7% in 1Q'14 and 54.8%, in 2Q'13. In emerging market Europe, refinancing and/or repayment of debt deals increased q-o-q and y-o-y, representing 39.3% of issuance by euro amount in 2Q'14, up from 0% in 1Q'14 and from 13.7% in 2Q'13.

There was no issuance of senior secured structures in the second quarter 2014 in developed market Europe, although secured structures remain prevalent, representing 21.8% of deals by euro amount in 2Q'14. Secured structures were absent in emerging market Europe in 2Q'14.

The proportion of USD-denominated issuance increased in 2Q'14, representing 33.8% of all issuance by euro amount, compared to 17.2% in 1Q'14 and 43.2% in 2Q'13. USD-denominated issuance in emerging market Europe rose to represent 41.1% by euro amount, compared to 27.4% in the previous quarter, while USD-denominated issuance in developed market Europe also increased to 33.7% of all issuance by euro amount from 16.7% in the prior quarter.

### Returns & Credit Quality

Emerging markets equities led returns in the second quarter (5.64%) followed by US distressed high yield (5.54%) and US equities (4.69%). European leveraged loans, however, performed poorly, returning 0.52% as the worst performing asset class.

High-yield bond default rates fell in the second quarter, with S&P reporting 1.5% (down from 1.8% end-March). One bond-related default was reported in the second quarter: Baghlan Group FZCO.

According to S&P, upgrades exceeded downgrades in developed market Europe, with 43 upgrades and 17 downgrades. Upgrades were concentrated largely in financial institutions (12 upgrades), with the balance distributed across the sector spectrum. Downgrades were concentrated among metals, mining & steel (3 downgrades), while the remainder also distributed across sectors.

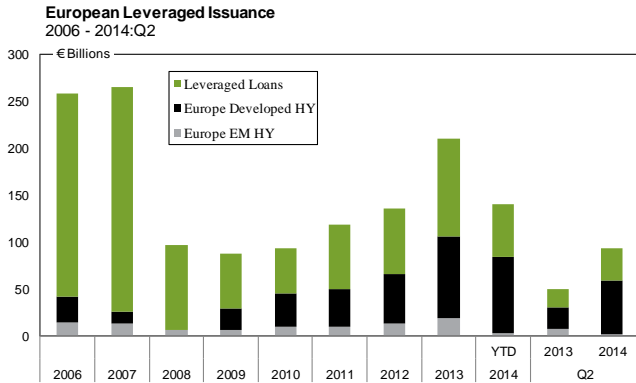
Conversely, downgrades exceeded upgrades in emerging market Europe, with four upgrades and 14 downgrades. Five financial institutions, three oil and gas producers, two sovereigns, two transportation firms and two utility companies were downgraded in the second quarter.

<sup>1</sup> Standard and Poor's, Europe Refinancing Study, Nearly \$4.2 Trillion of Rated Corporate Debt Is Expected to Mature by 2019, 24 July, 2014.

# ISSUANCE

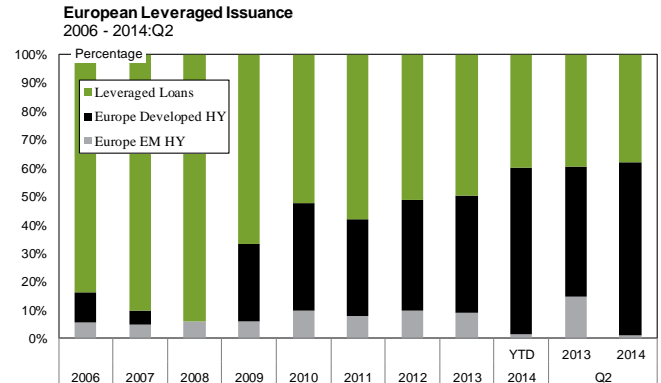
## 1. Leveraged Finance Overview

### 1.1. European Leveraged Issuance by Type



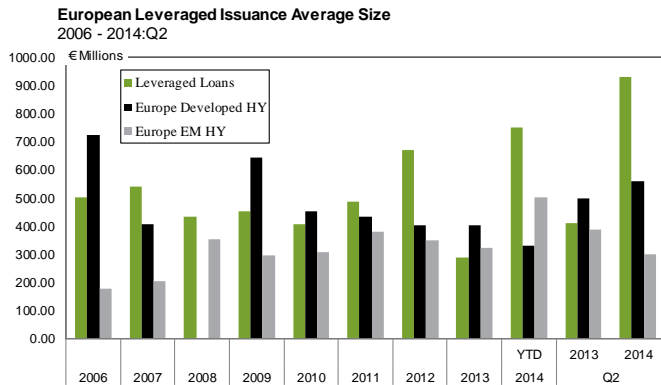
Sources: Dealogic, Thomson Reuters LPC

### 1.2. European Leveraged Issuance by Percentage



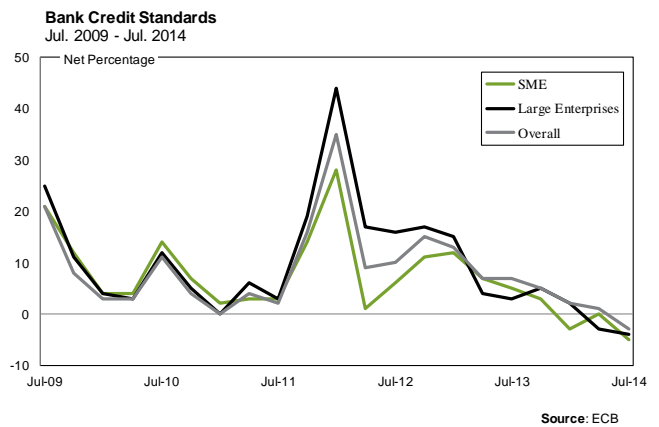
Sources: Dealogic, Thomson Reuters LPC

### 1.3. European Leveraged Issuance Average Deal Size



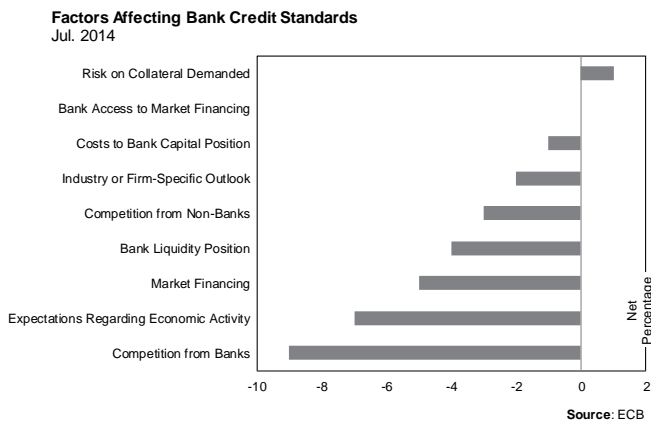
Sources: Dealogic, Thomson Reuters LPC

### 1.4. Bank Credit Standards<sup>1</sup>



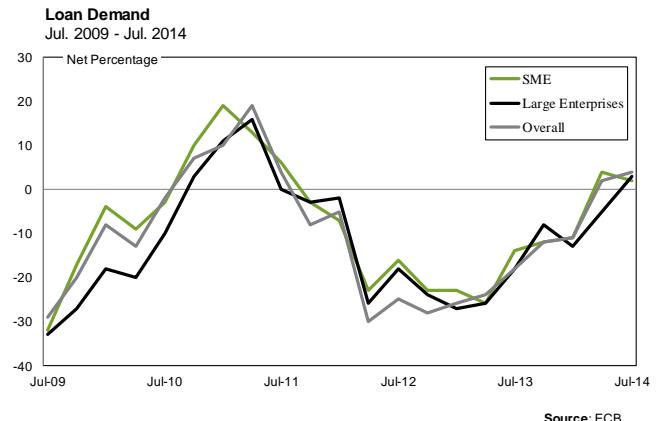
Source: ECB

### 1.5. Factors Affecting Bank Credit Standards<sup>2</sup>



Source: ECB

### 1.6. Loan Demand<sup>3</sup>



Source: ECB

<sup>1</sup> A positive net percentage number signifies tightening bank credit; a negative net percentage number signifies easing credit.

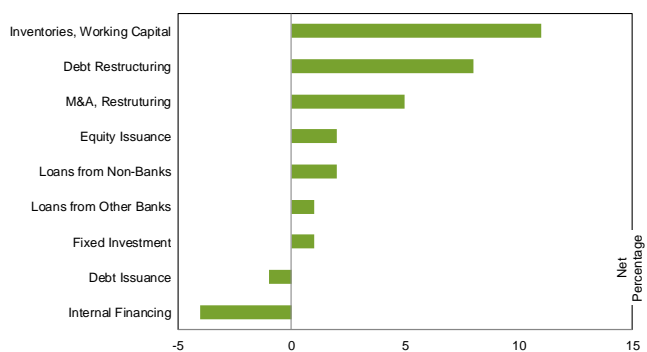
<sup>2</sup> A positive net percentage signifies the factor contributed to tightening credit standards; a negative net percentage signifies the factor contributed to easing credit standards.

<sup>3</sup> A positive net percentage signifies increased demand; a negative net percentage signifies decreased demand.

# ISSUANCE

## 1.7. Factors Affecting Loan Demand<sup>4</sup>

**Factors Affecting Loan Demand**  
Jul. 2014



Source: ECB

## 1.8. Global Comparison – High Yield Issuance

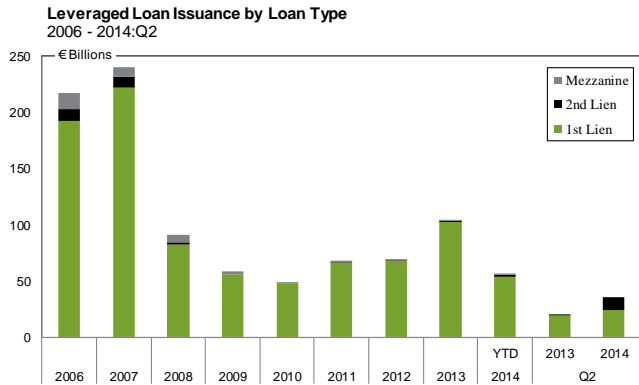
€ Billions	2014					2013					Prior
	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Q3	Q4	Full Year	2012
<b>United States</b>	44.7	50.9			95.7	57.9	48.7	51.9	37.8	196.3	212.9
<b>Asia Pacific</b>	8.4	7.8			16.2	15.6	10.8	4.9	10.2	41.4	30.2
<b>Europe</b>	28.5	62.1			90.6	36.9	34.4	23.5	27.2	122.0	82.8

<sup>4</sup> A positive net percentage signifies a factor that contributed to higher demand; a negative net percentage signifies a factor that contributed to lower demand.

# ISSUANCE

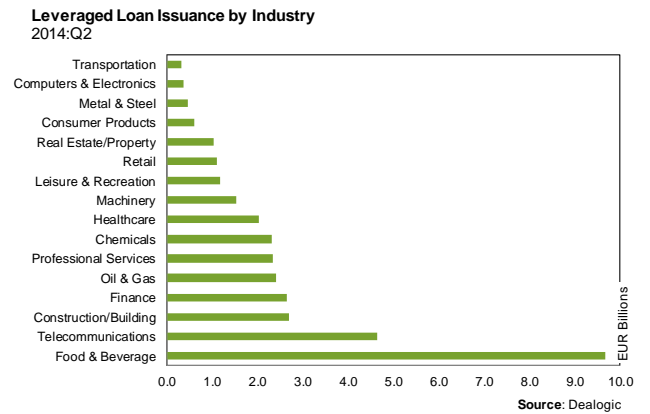
## 2. Issuance – Leveraged Loans

### 2.1. European Leveraged Loan Issuance By Loan Type



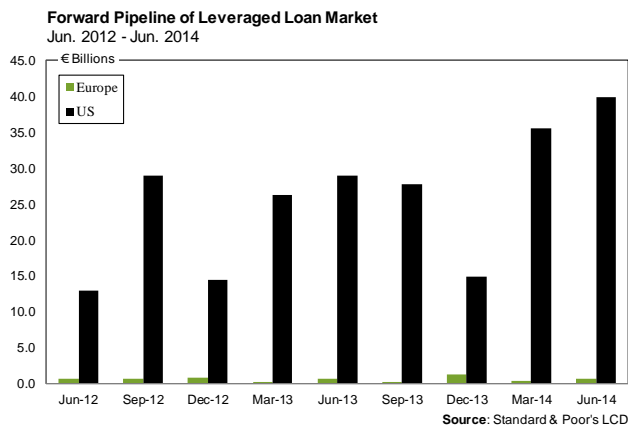
Source: Dealogic, Thomson Reuters LPC

### 2.2. European Leveraged Loan Issuance by Industry Sector



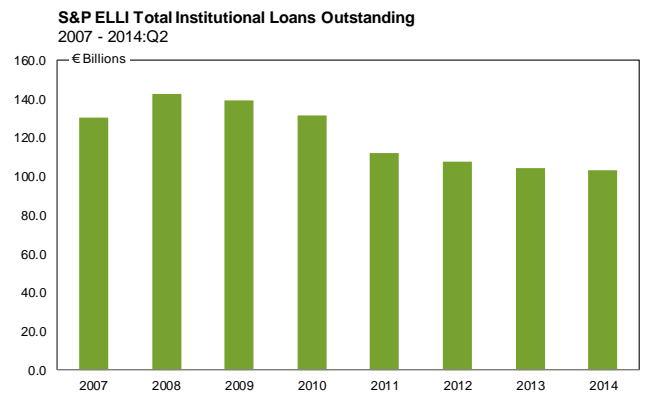
Source: Dealogic

### 2.3. Forward Pipeline of Leveraged Loan Market



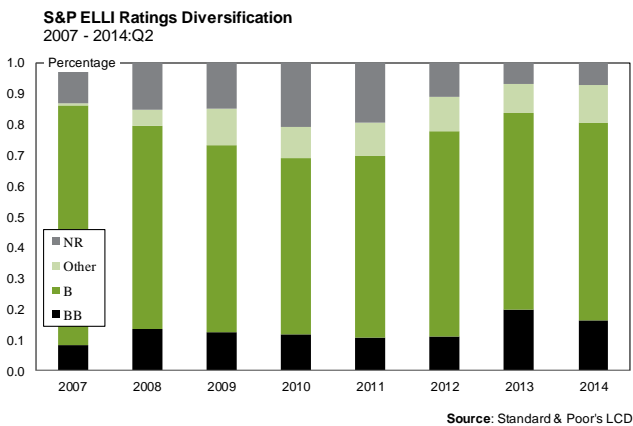
Source: Standard & Poor's LCD

### 2.4. S&P ELLI Total Institutional Loans Outstanding



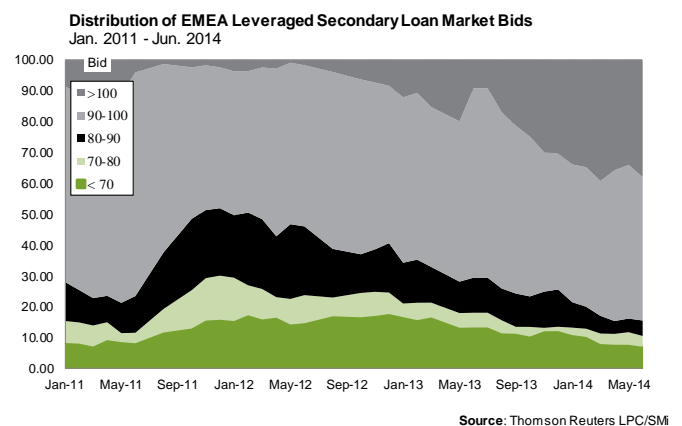
Source: Standard & Poor's LCD

### 2.5. S&P ELLI Ratings Diversification



Source: Standard & Poor's LCD

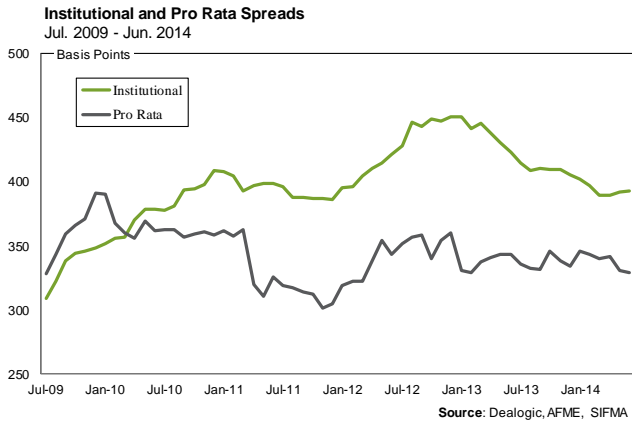
### 2.6. Distribution of Leveraged Loan Secondary Market Bids



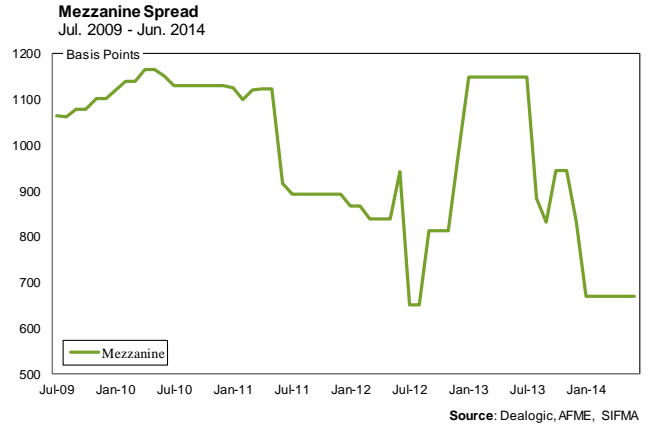
Source: Thomson Reuters LPC/SM

# ISSUANCE

## 2.7. Institutional and Pro Rata Spreads



## 2.8. Mezzanine Spread

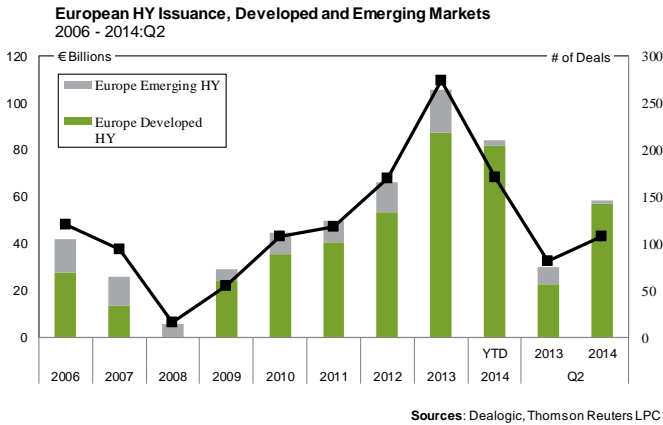




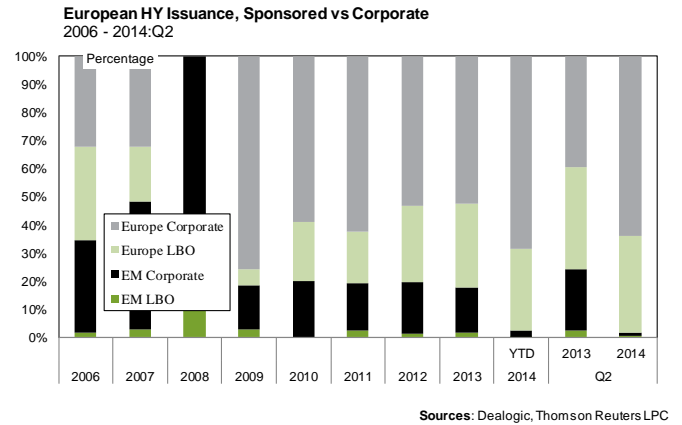
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## 3. Issuance – High Yield Bonds Overview

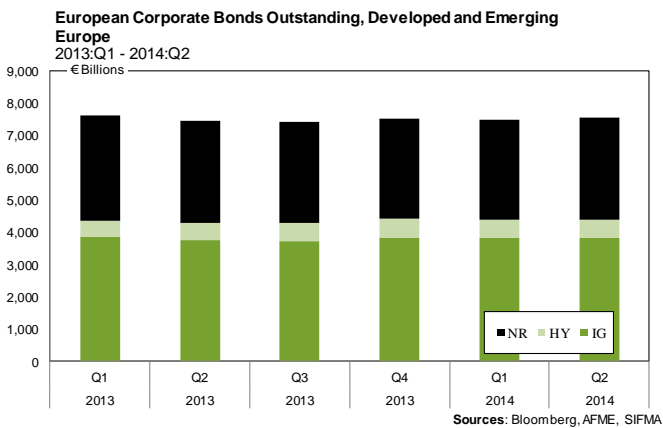
### 3.1. European HY Bond Issuance, Developed and Emerging Market



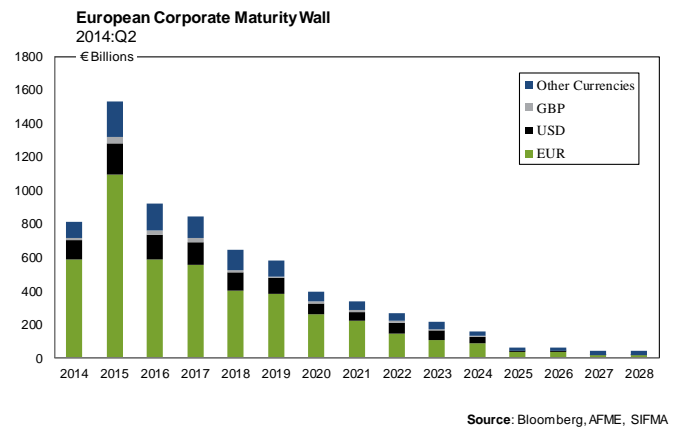
### 3.2. European HY Bond Issuance, Sponsored vs. Corporate



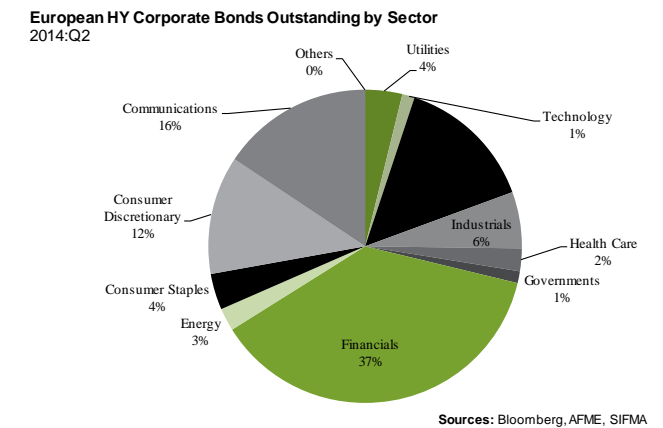
### 3.3. European Corporate Bonds Outstanding



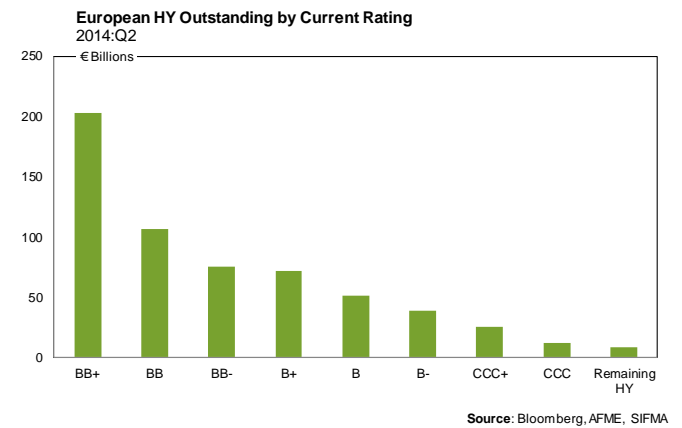
### 3.4. European Corporate Bonds Maturity Wall



### 3.5. European Corporate HY Bonds Outstanding by Sector

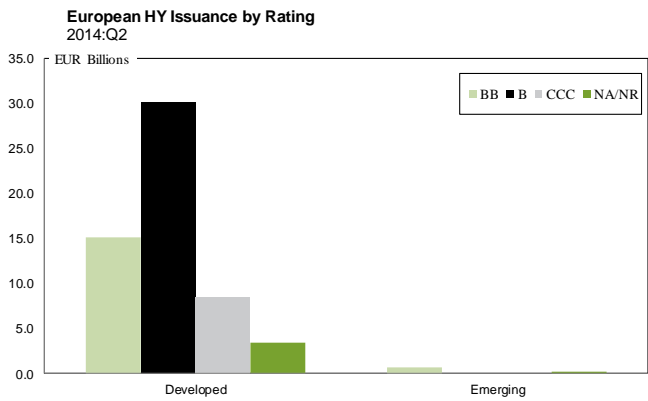


### 3.6. European Corporate HY Bonds Outstanding by Current Rating



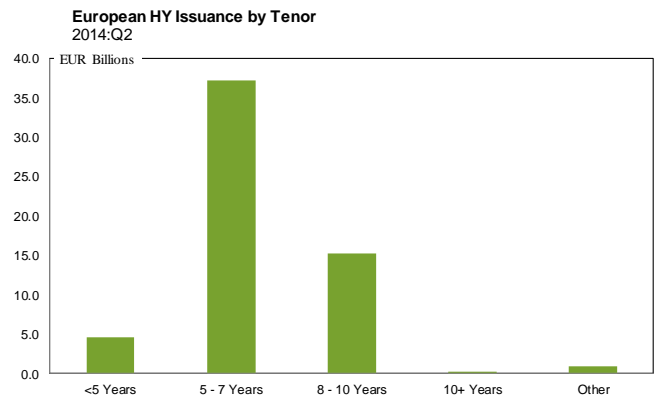
# ISSUANCE

## 3.7. European Corporate Bond Issuance by Rating



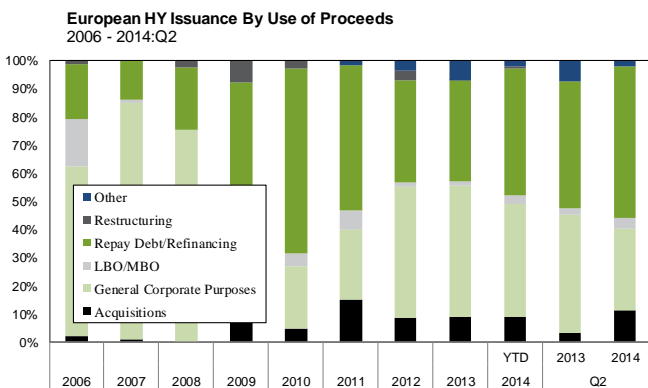
Sources: Bloomberg, Dealogic, Moody's, Standard and Poor's, Fitch Ratings

## 3.8. European Corporate Bond Issuance by Tenor



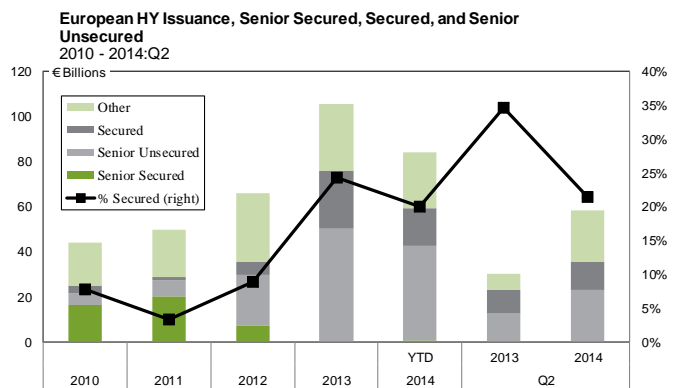
Sources: Bloomberg, Dealogic, Moody's, Standard and Poor's, Fitch Ratings

## 3.9. European HY Use of Proceeds



Source: Dealogic, AFME/SIFMA

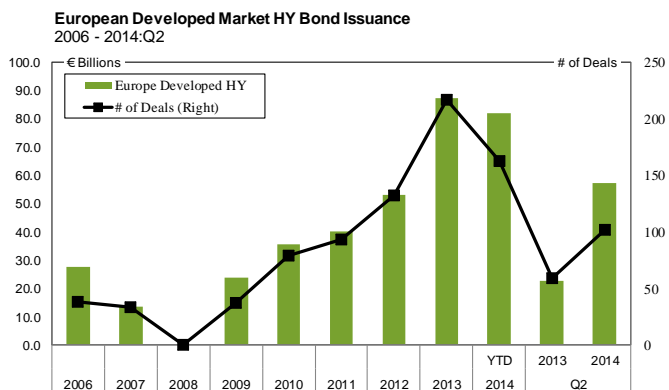
## 3.10. European HY Issuance, Secured Share



Sources: Bloomberg, Dealogic

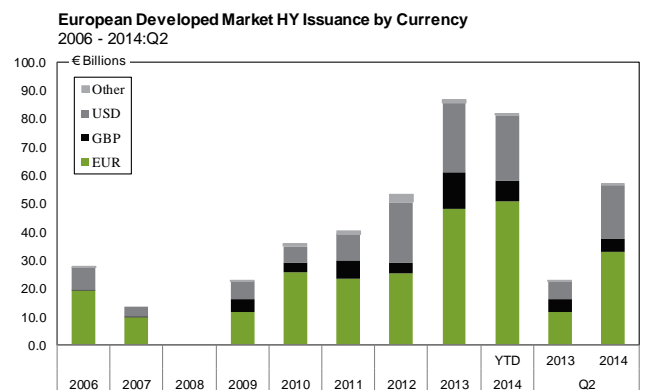
## 4. Issuance – European Developed Market High Yield Bonds

### 4.1. European Developed Market HY Bond Issuance



Source: Dealogic

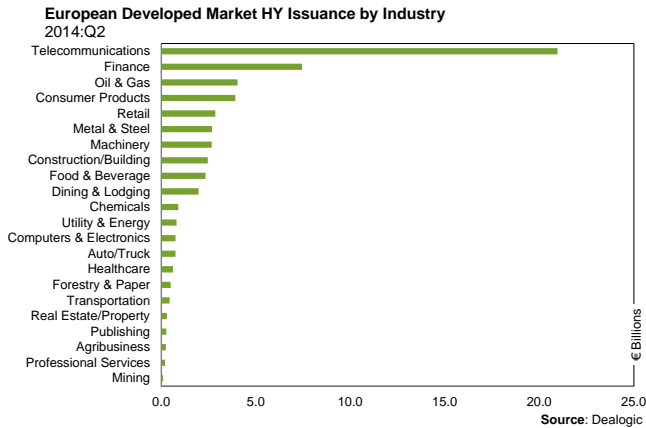
### 4.2. European Developed Market HY Issuance by Currency



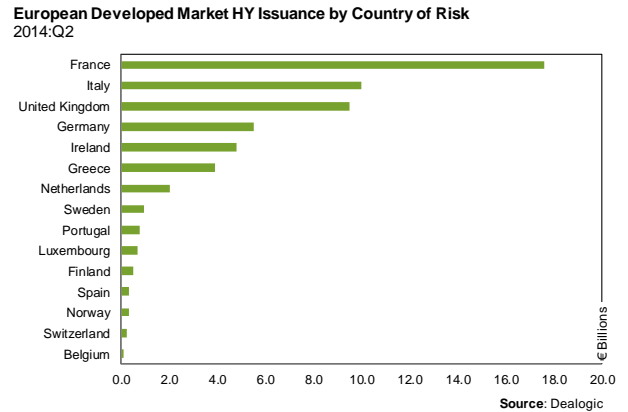
Source: Dealogic

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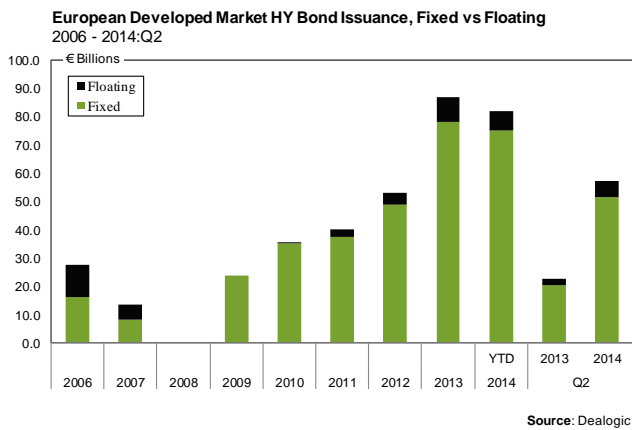
## 4.3. European Developed Market HY Issuance by Industry



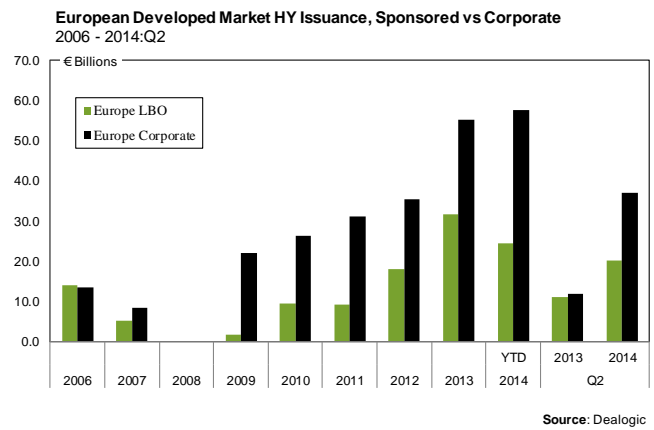
## 4.4. European Developed Market HY Issuance by Country of Risk



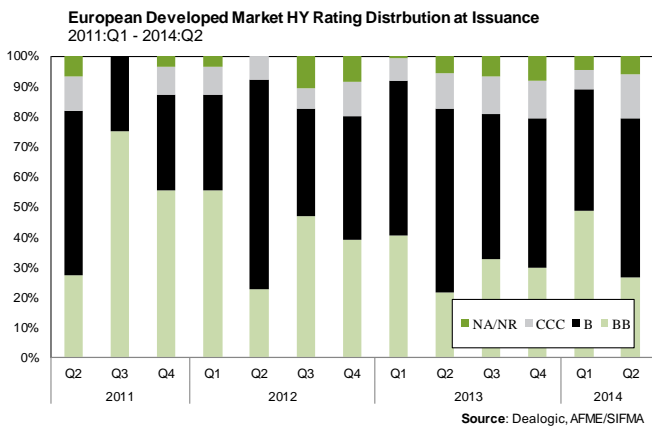
## 4.5. European Developed Market HY Issuance, Fixed vs. Floating



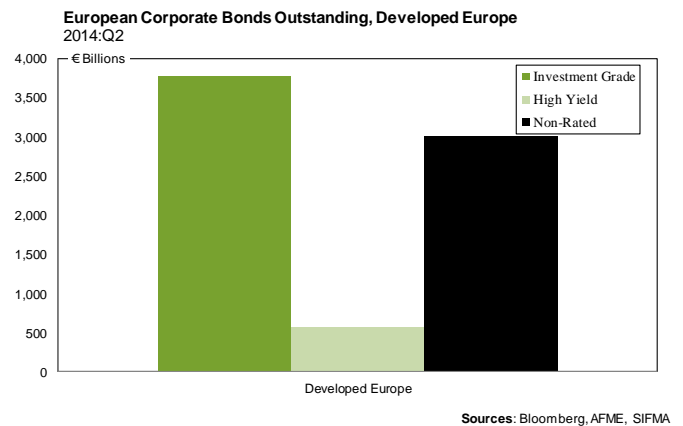
## 4.6. European Developed Market HY Issuance, Sponsored vs. Corporate



## 4.7. European Developed Market HY Rating Distribution at Issuance



## 4.8. European Developed Market Corporate Bonds Outstanding



## ISSUANCE

### 4.9. European Developed Market HY Bond Issuance

Issuer	Industry Group	Date	Currency	Amount (Millions)	Coupon	Moody's	S&P	Fitch
International Personal Finance plc	Finance	01/04/2014	EUR	300	5.750	NA	NA	BB+
Tecnocom Telecomunicaciones y Energia SA	Computers & Electronics	01/04/2014	EUR	35	6.500	NA	NA	NA
Virgin Media Secured Finance plc	Telecommunications	01/04/2014	GBP	175	6.250	Ba3	NA	BB+
SSAB Swedish Steel AB	Metal & Steel	03/04/2014	EUR	350	3.875	NA	BB-	NA
Tullow Oil plc	Oil & Gas	03/04/2014	USD	650	6.250	B1	BB-	NA
Stonegate Pub Co Financing plc	Dining & Lodging	03/04/2014	GBP	260	5.750	B2	B+	NA
		03/04/2014	GBP	140	6M LIBOR + 475	B2	B+	NA
EnQuest plc	Oil & Gas	04/04/2014	USD	650	7.000	B3	B	NA
Financiere Quick SAS	Dining & Lodging	04/04/2014	EUR	440	3M EURIBOR + 475	B3	B-	NA
		04/04/2014	EUR	155	3M EURIBOR + 750	Caa2	CCC	NA
Cegedim SA	Computers & Electronics	07/04/2014	EUR	125	6.750	NA	B+	NA
Banca Popolare di Vicenza Scarl	Finance	07/04/2014	EUR	201	2.750	NA	NA	BB
Wind Acquisition Finance SA	Telecommunications	08/04/2014	EUR	1,750	7.000	Caa1	B	B-
		08/04/2014	USD	2,800	7.375	Caa1	B	B-
ghd Bond plc	Professional Services	08/04/2014	GBP	165	7.000	B3	B-	NA
Gulf Keystone Petroleum Ltd	Oil & Gas	08/04/2014	EUR	250	13.000	NA	NA	NA
BMBG Bond Finance SCA	Construction/Building	09/04/2014	EUR	315	3M EURIBOR + 500	B1	B+	B+
Allied Irish Banks plc	Finance	09/04/2014	EUR	500	2.750	B1	BB	BBB
Grand City Properties SA	Real Estate/Property	10/04/2014	EUR	150	6.250	NA	BB+	NA
Immobiliare Grande Distribuzione SpA - IGD	Real Estate/Property	10/04/2014	EUR	150	3.875	NA	NA	NA
Societa per Azioni Esercizi Aeroportuali - SEA	Transportation	14/04/2014	EUR	300	3.125	NA	NA	NA
CGG	Oil & Gas	14/04/2014	EUR	400	5.875	B1	B+	NA
Hydra Dutch Holdings 2 BV	Food & Beverage	15/04/2014	EUR	210	3M EURIBOR + 550	B2	B	NA
Piaggio & C SpA	Auto/Truck	16/04/2014	EUR	142	4.625	Ba3	NA	NA
		16/04/2014	EUR	108	4.625	Ba3	NA	NA
Kedrion SpA	Healthcare	16/04/2014	EUR	300	4.625	NA	NA	NA
Teamsystem SpA	Computers & Electronics	16/04/2014	EUR	130	7.375	B2	B-	NA
SGD SA	Consumer Products	17/04/2014	EUR	350	5.625	NA	B	B
3AB Optique Developpement SAS	Retail	17/04/2014	EUR	365	5.625	B2	B	BB-
Lion/Seneca France 2 SAS	Retail	17/04/2014	EUR	75	7.875	Caa2	CCC+	CCC+
Altice SA	Telecommunications	23/04/2014	USD	2,900	7.750	B3	B	NA
		23/04/2014	EUR	2,075	7.250	B3	B	NA
Numericable Group	Telecommunications	23/04/2014	USD	2,400	4.875	Ba3	B+	NA
		23/04/2014	USD	4,000	6.000	Ba3	B+	NA
		23/04/2014	EUR	1,000	5.375	Ba3	B+	NA
		23/04/2014	USD	1,375	6.250	Ba3	B+	NA
		23/04/2014	EUR	1,250	5.625	Ba3	B+	NA
InterXion Holding NV	Computers & Electronics	24/04/2014	EUR	150	6.000	B2	B+	NA
Cerba European Lab	Healthcare	24/04/2014	EUR	80	7.000	B2	B+	BB-
GasLog Ltd	Transportation	24/04/2014	NOK	500	3M NIBOR +550	NA	NA	NA
NBG Finance plc	Finance	25/04/2014	EUR	750	4.375	Caa1	NA	B-
Banco Espirito Santo SA	Finance	28/04/2014	EUR	750	2.625	B3	NR	NA
CGG	Oil & Gas	28/04/2014	USD	500	6.875	B1	B+	NA
Medi-Partenaires SAS	Healthcare	29/04/2014	EUR	110	7.000	NA	NA	NA
Constellium NV	Metal & Steel	30/04/2014	EUR	300	4.625	Ba3	BB-	NA
		30/04/2014	USD	400	5.750	Ba3	BB-	NA
Public Power Corp SA	Utility & Energy	30/04/2014	EUR	200	4.750	NA	B	NA
		30/04/2014	EUR	500	5.500	NA	B	NA
Mizzen Bondco Ltd	Finance	30/04/2014	GBP	200	7.000	B2	B	B-
Bank of Ireland (Governor & Co of)	Finance	30/04/2014	EUR	750	2.000	Ba3	BB+	NA
Intralot Capital Luxembourg SA	Computers & Electronics	30/04/2014	EUR	250	6.000	B1	B+	BB-
Novacap SAS	Chemicals	01/05/2014	EUR	310	3M EURIBOR + 500	B2	B	NA
Integrated Dental Holdings Ltd - IDH	Healthcare	06/05/2014	GBP	100	3M LIBOR + 500	B2	B	BB-
IMA Industria Macchine Automatiche SpA	Machinery	06/05/2014	EUR	40	3.875	NA	NA	NA
		06/05/2014	EUR	40	4.375	NA	NA	NA
Schaeffler Finance BV	Machinery	08/05/2014	EUR	500	2.750	Ba2	BB-	NA
		08/05/2014	EUR	500	3.250	B1	B	NA
		08/05/2014	USD	700	4.250	Ba2	BB-	NA
		08/05/2014	EUR	500	3.500	Ba2	BB-	NA
R&R Ice Cream plc	Food & Beverage	08/05/2014	GBP	315	5.500	B2	B	NA
AerCap Ireland Capital Ltd	Finance	08/05/2014	USD	400	2.750	Ba2	BB+	BB+
		08/05/2014	USD	1,100	3.750	Ba2	BB+	BB+
		08/05/2014	USD	1,100	4.500	Ba2	BB+	BB+
Paroc Group Oy	Construction/Building	09/05/2014	EUR	200	6.250	B2	B	NA
		09/05/2014	EUR	230	3M EURIBOR + 525	B2	B	NA

†PIK (Payment in Kind); ‡Debut issue

Source: Bloomberg, Dealogic

## ISSUANCE

Issuer	Industry Group	Date	Currency	Amount (Millions)	Coupon	Moody's	S&P	Fitch
Hellenic Petroleum Finance plc	Oil & Gas	09/05/2014	USD	400		4.625 NA	NA	NA
BPE Financiaciones SA	Finance	12/05/2014	EUR	50	3M EURIBOR + 100	Ba3	NA	BB+
KCA Deutag UK Finance plc	Oil & Gas	13/05/2014	USD	375		7.250 B3	B	NA
Tizir Ltd	Mining	13/05/2014	USD	125		9.000 NA	NA	NA
Veneto Banca ScpA	Finance	13/05/2014	EUR	500		4.000 NA	BB	NA
Glasstank BV	Consumer Products	14/05/2014	EUR	185		8.500 Caa1	CCC	NA
Johnston Press plc	Publishing	14/05/2014	GBP	220		8.625 B3	B	NA
Genel Energy Finance Ltd	Oil & Gas	14/05/2014	USD	500		7.500 NA	NA	NA
Motor Oil Finance plc	Oil & Gas	15/05/2014	EUR	350		5.125 NA	NA	NA
Ovako AB	Metal & Steel	16/05/2014	EUR	300		6.500 B3	B	NA
Matalan Finance plc	Retail	16/05/2014	GBP	342		6.875 B2	B-	NA
		16/05/2014	GBP	150		8.875 Caa2	CCC	NA
Global Rig Company ASA	Oil & Gas	19/05/2014	USD	120		9.000 NA	NA	NA
Prospector Finance II SA	Oil & Gas	19/05/2014	USD	100		7.750 NA	NA	NA
Immarsat Finance plc	Telecommunications	20/05/2014	USD	1,000		4.875 Ba2	BB+	NA
Xefin Lux SCA	Construction/Building	21/05/2014	EUR	325	3M EURIBOR + 375	Ba3	NA	NA
International Personal Finance plc	Finance	21/05/2014	EUR	40		4.250 NA	BB+	NA
Brakes Capital	Food & Beverage	21/05/2014	GBP	257		7.125 B3	B-	NA
		21/05/2014	EUR	150	3M EURIBOR + 500	B3	B-	NA
Galapagos SA (Germany)	Metal & Steel	23/05/2014	EUR	325	3M EURIBOR + 475	B1	B	NA
		23/05/2014	EUR	200		5.375 B1	B	NA
Galapagos Holding SA	Metal & Steel	23/05/2014	EUR	250		7.000 Caa1	CCC+	NA
Moy Park (Bondco) plc	Agribusiness	23/05/2014	GBP	200		6.250 B1	B	NA
Smurfit Kappa Acquisitions	Forestry & Paper	28/05/2014	EUR	500		3.250 Ba2	BB+	BB
Officine Maccaferri SpA	Construction/Building	29/05/2014	EUR	200		5.750 B2	B	NA
Solor Bioenergi Holding AS	Utility & Energy	29/05/2014	SEK	950	3M STIB + 500	NA	NA	NA
CABB GmbH	Chemicals	30/05/2014	EUR	175	3M EURIBOR + 475	B2	B	NA
		30/05/2014	EUR	235		5.250 B2	B	NA
		30/05/2014	EUR	175		6.875 Caa1	CCC+	NA
Ardagh Finance Holdings SA	Consumer Products	05/06/2014	USD	710		8.625 Caa2	CCC+	NA
		05/06/2014	EUR	250		8.375 Caa2	CCC+	NA
Hema Bondco I BV	Retail	10/06/2014	EUR	315		6.250 NA	B+	NA
		10/06/2014	EUR	250	3M EURIBOR + 525	NA	B+	NA
Hema Bondco II BV	Retail	10/06/2014	EUR	150		8.500 NA	B-	NA
Destia Oy	Construction/Building	10/06/2014	EUR	65	3M EURIBOR + 450	NA	NA	NA
Dry Mix Solutions Investissements SAS	Construction/Building	11/06/2014	EUR	550	3M EURIBOR + 425	B2	B	NA
Ladbroke's Group Finance plc	Finance	11/06/2014	GBP	100		5.125 NA	BB	NA
DigiPlex Fet ASA	Computers & Electronics	11/06/2014	NOK	500	3M NIBOR + 400	NA	NA	NA
Selecta Group BV	Retail	12/06/2014	EUR	350		6.500 B2	B+	NA
		12/06/2014	CHF	245		6.500 B2	B+	NA
Bibby Offshore Services plc	Oil & Gas	12/06/2014	GBP	175		7.500 B2	B+	NA
Avanti Communications Group plc	Telecommunications	12/06/2014	USD	150		10.000 Caa1	B	NA
Alpha Credit Group plc	Finance	12/06/2014	EUR	500		3.375 Caa1	CCC+	B-
HEMA BV	Retail	12/06/2014	EUR	85		11.250 NA	NA	NA
Xcite Energy Ltd	Oil & Gas	12/06/2014	USD	135		12.000 NA	NA	NA
Gunnebo Troax AB	Metal & Steel	12/06/2014	EUR	70	3M EURIBOR + 550	NA	NA	NA
Dometic Group AB	Consumer Products	19/06/2014	EUR	314		9.500 Caa2	CCC	NA
R&R Ice Cream plc	Food & Beverage	19/06/2014	EUR	150		4.750 B2	B	NA
		19/06/2014	AUD	152		8.250 B2	B	NA
ERB Hellas plc	Finance	19/06/2014	EUR	500		4.250 Caa2	CCC+	B-
Ardagh Packaging Finance plc	Consumer Products	20/06/2014	USD	1,110	3M LIBOR + 300	Ba3	B+	NA
		20/06/2014	USD	440		6.000 Caa1	CCC+	NA
		20/06/2014	EUR	1,155		4.250 Ba3	B+	NA
BUT SAS	Retail	20/06/2014	EUR	180		7.375 B3	B	B
Accor SA	Dining & Lodging	23/06/2014	EUR	900		4.125 NA	BB	BB
Debenhams plc	Retail	23/06/2014	GBP	225		5.250 Ba3	BB-	NA
Wind Acquisition Finance SA	Telecommunications	24/06/2014	EUR	2,100		4.000 Ba3	BB	BB-
		24/06/2014	USD	1,900		4.750 Ba3	NA	BB-
		24/06/2014	EUR	575	3M EURIBOR + 400	Ba3	BB	BB-
Boparan Finance plc	Food & Beverage	25/06/2014	GBP	250		5.250 B1	B+	NA
		25/06/2014	GBP	330		5.500 B1	B+	NA
		25/06/2014	EUR	300		4.375 B1	B+	NA

†PIK (Payment in Kind); ‡Debut issue

## ISSUANCE

## ISSUANCE

Issuer	Industry Group	Date	Amount		Coupon	Moody's	S&P	Fitch	
			Currency	(Millions)					
Novafives SAS	Machinery	25/06/2014	EUR	200	3M EURIBOR + 400	B1	BB-	NA	
		25/06/2014	EUR	380		4.500	B1	BB-	NA
CNH Industrial Capital LLC	Finance	25/06/2014	USD	500		3.375	Ba2	BB	NA
Hellenic Petroleum Finance plc	Oil & Gas	25/06/2014	EUR	325		5.250	NA	NA	NA
Exmar NV	Transportation	26/06/2014	NOK	700	3M NIBOR +450	NA	NA	NA	NA
Samvardhana Motherson Automotive Systems Gr	Auto/Truck	26/06/2014	EUR	500		4.125	NA	BB+	NA
Grupo Isolux Corsan Finance BV	Construction/Building	26/06/2014	EUR	250		6.625	NA	B	B+
Pfleiderer AG	Construction/Building	27/06/2014	EUR	322		7.875	Caa1	CCC+	NA
ArcelorMittal SA	Metal & Steel	30/06/2014	EUR	600		2.875	Ba1	BB+	BB+

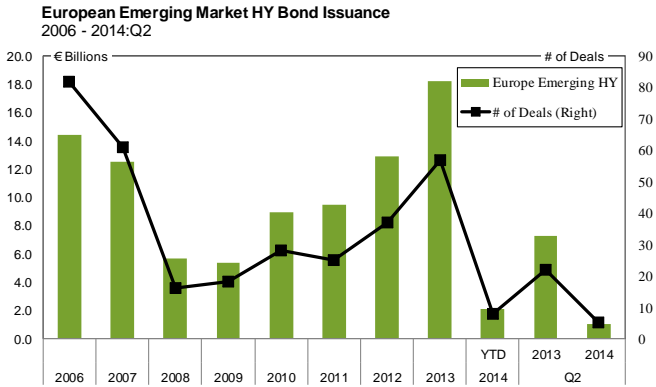
†PIK (Payment in Kind); #Debut issue

Source: Bloomberg, Dealogic

# ISSUANCE

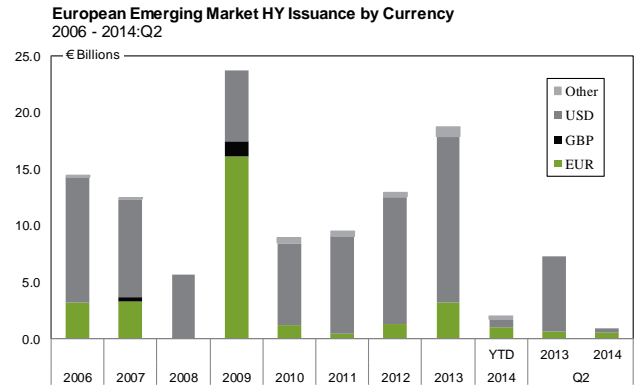
## 5. Issuance – European Emerging Market High Yield Bonds

### 5.1. European Emerging Market HY Bond Issuance



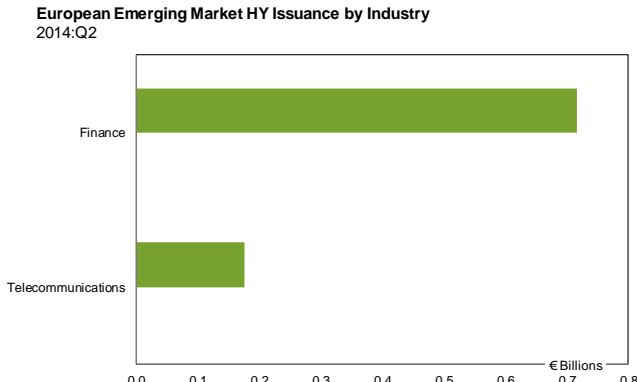
Source: Dealogic

### 5.2. European Emerging Market HY Bond Issuance by Currency



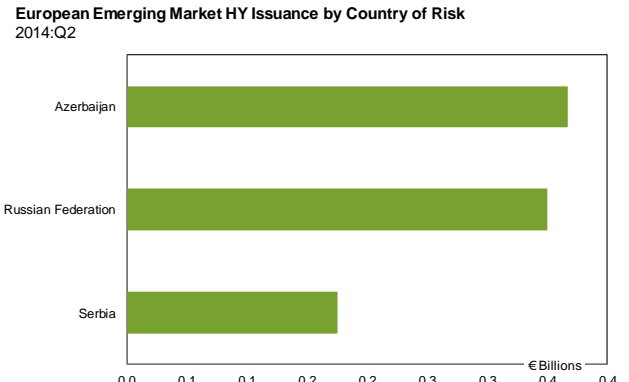
Source: Dealogic

### 5.3. European Emerging Market HY Issuance by Industry



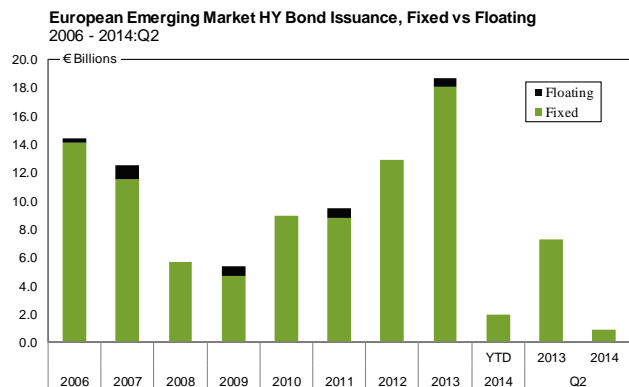
Source: Dealogic

### 5.4. European Emerging Market HY Issuance by Country of Risk



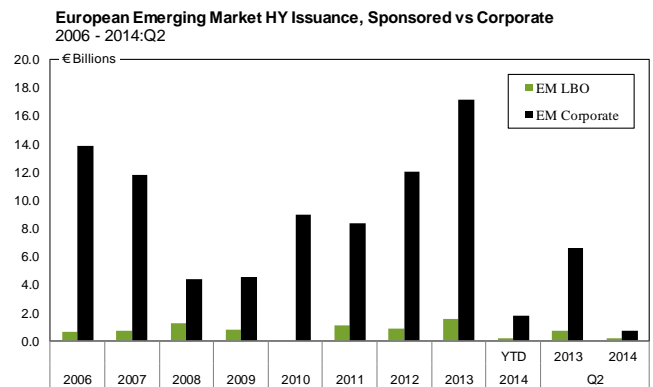
Source: Dealogic

### 5.5. European Emerging Market HY Issuance, Fixed vs. Floating



Source: Dealogic

### 5.6. European Emerging Market HY Issuance, Sponsored vs. Corporate

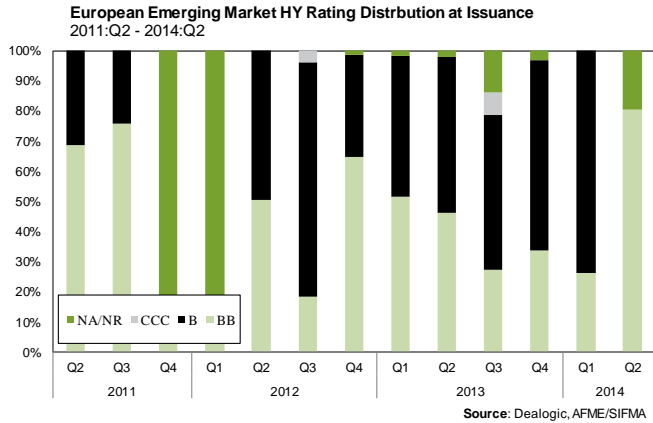


Source: Dealogic

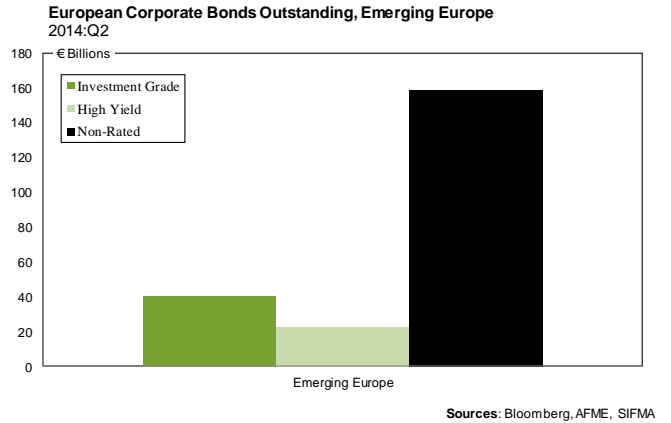


## ISSUANCE

### 5.7. European Emerging Market HY Rating Distribution at Issuance



### 5.8. European Emerging Market Corporate Bonds Outstanding



### 5.9. Emerging Market HY Bond Issuance

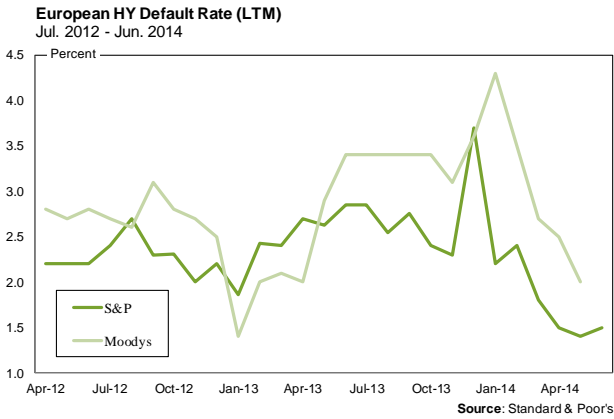
Issuer	Industry Group	Date	Currency	Amount (Millions)	Coupon	Moodys	S&P	Fitch
ABH Financial Ltd	Finance	04/06/2014	EUR	350	5.500	NA	BB-	BB+
International Bank of Azerbaijan - IBA	Finance	05/06/2014	USD	500	5.625	Ba3	NA	BB
Adria Topco BV	Telecommunications	19/06/2014	EUR	175	8.250	NA	NA	NA

†PIK (Payment in Kind); ‡Debut issue

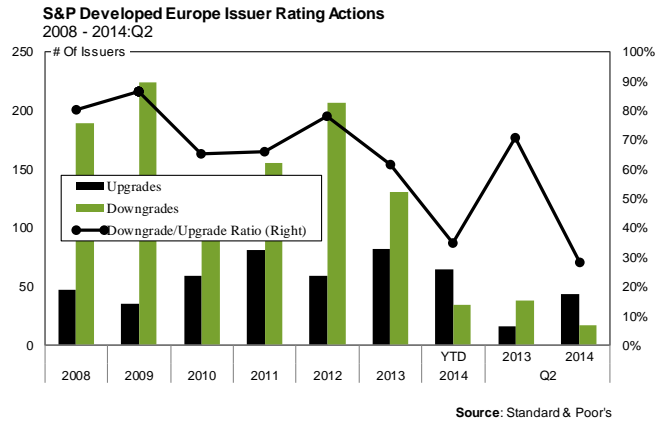
Source: Bloomberg, Dealogic

6. Credit Quality

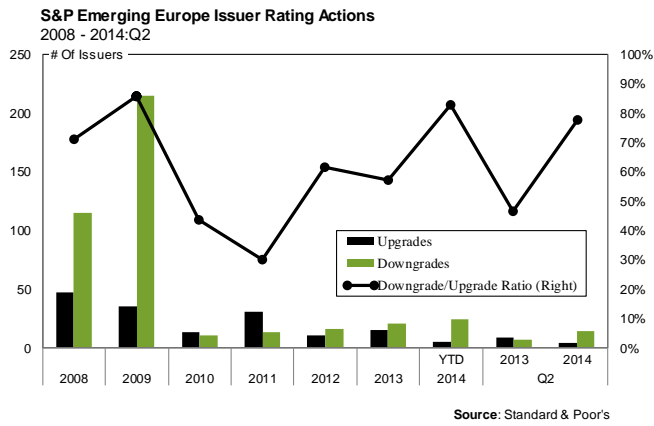
6.1. European HY Default Rate



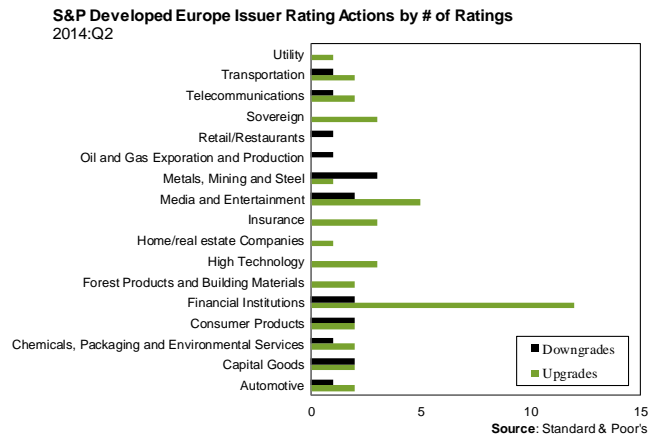
6.2. Developed Europe Issuer Rating Actions<sup>1</sup>



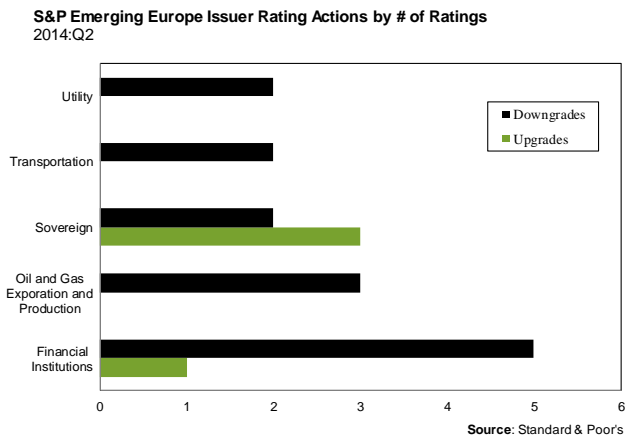
6.3. Emerging Europe Issuer Rating Actions<sup>2</sup>



6.4. Developed European Industry Rating Actions by # of Ratings



6.5. Emerging European Industry Rating Actions by # of Ratings



6.6. European Defaults

Issuer	Industry Group	Country	Date Reported	Reported By	Reason
Baghlan Group FZCO	Diversified	Azerbaijan	April 2014	S&P	Missed Coupon

Source: Moody's, Standard & Poor's

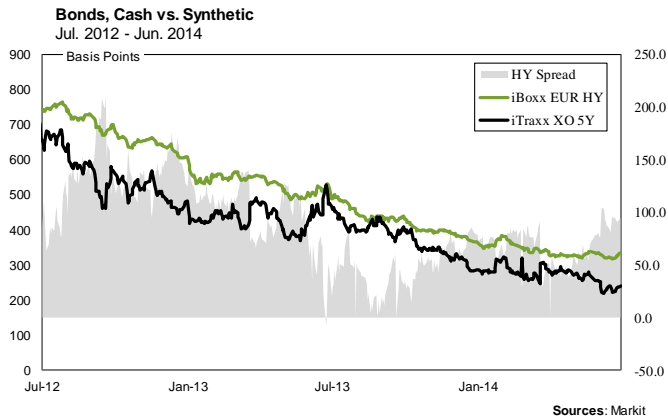
<sup>1</sup> Numbers include both corporate and sovereigns.

<sup>2</sup> Numbers include both corporate and sovereigns.

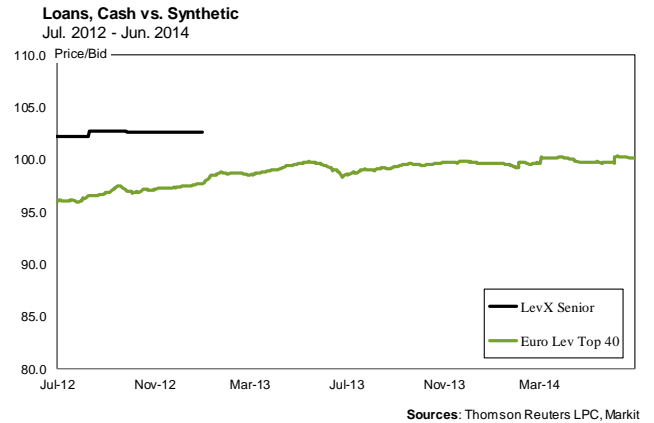
# RELATIVE VALUE

## 7. Relative Value

### 7.1. European HY Bonds, Cash vs. Synthetic



### 7.2. European Leveraged Loans, Cash vs. Synthetic

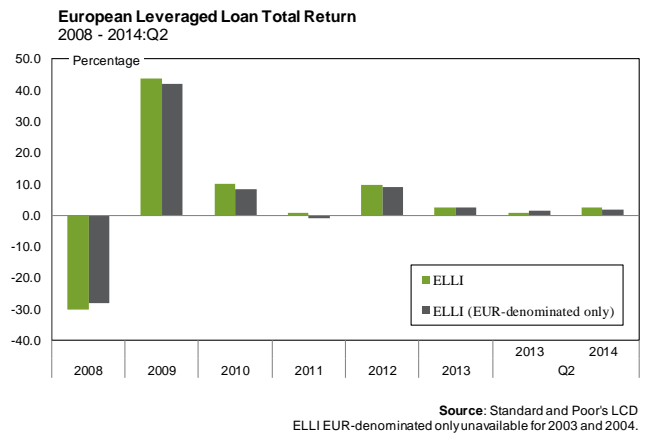


## 8. Total Return

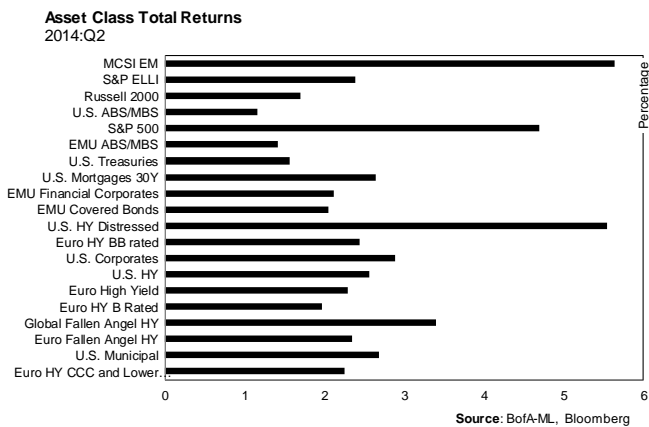
### 8.1. European HY Bond Total Return



### 8.2. European Leveraged Loan Total Return



### 8.3. Asset Class Total Return, Quarter



# Summary of the Methodologies Adopted for this Report

## 1. Leveraged Issuance – Overview

### 1.1. – 1.3. Leveraged Loans and High Yield

#### Bonds

Leveraged loan data are sourced from Thomson Reuters LPC and Dealogic.

Leveraged loan data from Thomson Reuters LPC are defined primarily as having sub-investment grade ratings and/or a margin spread minimum of 200 basis points (spread minimums will vary from year to year to make Thomson LPC's cutoff). Leveraged loan aggregates will include first lien, second lien, and mezzanine financing. Discrepancies in Thomson Reuters LPC data are due to rounding and/or currency rate of exchange.

Leveraged loan data from Dealogic are defined primarily as coming from a leveraged or highly leveraged European deal; loan tranches must have sub-investment grade ratings, or, if unrated, a margin spread minimum of 125 basis points over a benchmark (e.g., Euribor, LIBOR). Under these guidelines, sub-investment grade-rated loans with a margin spread of less than 125 basis points are included. Deals must be European and are inclusive of both developed and emerging market Europe as defined in high yield criteria in Section 3. Deals must also be marketed either in Europe or in the United States. Loans not EUR-denominated are converted to EUR as of credit date for purposes of aggregation. Aggregates include new money as well as non-new money deals.

Criteria for high yield bond transactions can be found in Section 3, 4, and 5.

### 1.4. – 1.7. Bank Lending Surveys

Data for loan demand and credit standards are sourced from the ECB's bank lending survey. Graph numbers are net percentages of reporting banks.

### 1.8. Global Comparison – High Yield Issuance

Data for global high yield issuance are sourced from Dealogic. Asian deals are inclusive of Japan and Australia.

## 2. Issuance – Leveraged Loans

### 2.1. – 2.2.

Leveraged loan issuance data are sourced primarily from Dealogic and Thomson Reuters LPC. For more details on qualifying criteria, please refer to section 1.

### 2.3. Forward Pipeline of Leveraged Loan Market

Forward leveraged loan pipeline data are sourced from S&P LCD.

### 2.4. S&P ELLI Total Institutional Loans Outstanding

Total institutional loan outstanding data are sourced from S&P LCD and are outstanding loans in the S&P ELLI index.

### 2.5. S&P ELLI Ratings Diversification

S&P ELLI ratings diversification are the percentages of currently outstanding loans in S&P's ELLI index that are rated accordingly. Data are provided by S&P LCD.

### 2.6. Leveraged Loan Secondary Market Bids

European leveraged trading volumes are sourced from Thomson Reuters LPC and are percentage of volume by bid price.

### 2.7. – 2.8. Loan Spreads

Loan spread data are sourced from Dealogic under our criteria for leveraged loans (see Section 1). For purposes of loan spread calculations, deals marketed in the US are excluded. Spreads are a weighted average of spread margin on new leveraged issuance on a rolling twelve months basis, and are typically benchmarked to LIBOR or EURIBOR. Institutional loan spread data are inclusive of 2<sup>nd</sup> lien; pro rata spreads include all revolvers and term loan A (T1a).

## 3. Issuance – High Yield Bonds Overview

High yield bond transactions are sourced primarily from Dealogic, with supplemental information sourced from Bloomberg. High yield transactions are defined as transactions with a Dealogic "effective" rating of equal or less than BB+, and may include unrated transactions based on issuer and desk notes. Split-junk rated transactions are generally excluded.

European issuance, inclusive of both emerging market Europe and developed market Europe, are defined as an issue having a Dealogic "deal nationality" as well as "nationality of risk" within Europe issued in the euro, foreign, and global markets; deals marketed locally are excluded. Sovereign, sub-sovereign, and supranational parent issuers are excluded from issuance, as well as ABS/MBS issuers.

Emerging market Europe and developed market European issuance are defined by nationality of risk, rather than nationality of deal, and although primarily sourced from Dealogic, are ultimately subject to AFME's discretion. Emerging and developed market issuance are mutually exclusive and will contain no overlap unless otherwise mentioned.

European emerging market bonds are further defined with having a minimum deal size of €75.0 million; deals on the same day from the same issuer are aggregated for the purpose of meeting this minimum. Russian ruble (RUB)-denominated issuance are excluded due to differences in

terms and documentation; as of 4Q'10 this criteria no longer applies and may be included on a case by case basis.

### 3.2. European HY Issuance by Sponsor

Data for high yield issuance by sponsor are sourced from Dealogic. LBO deals are defined as all high yield transactions whose issuer parent is a public or private finance entity (i.e., a financial sponsor), regardless of use of proceeds.

### 3.3. – 3.6. European Corporate Bonds Outstanding

Data for European corporate outstanding are sourced from Bloomberg and AFME/SIFMA estimates. Criteria for European corporate bonds are: bonds must be placed in the domestic, euro, foreign, and global markets with nationality of incorporation from a European developed or emerging market country as defined by AFME. Corporate bonds exclude all structured notes, covered bonds, warrants, deposit notes, receipts, and certificates of deposit. All currencies are included and have been converted to EUR at time of pricing and/or issue.

High-yield ratings are sourced from Bloomberg's composite rating, which is an average of all available ratings from four rating agencies: Moody's, Standard and Poor's, Fitch Ratings, or DBRS. Split-rated securities may be included in high yield numbers due to this.

Corporate bonds outstanding include certain securities that may be considered corporate securitisations or structured finance securities; while all effort is made to exclude the latter, the former will be counted toward the corporate bonds outstanding total, and will subsequently overlap to some extent to AFME structured finance outstanding numbers.

### 3.7. European Corporate Bond Issuance by Rating

Data for HY issuance by rating are sourced from Dealogic, Bloomberg, and the three rating agencies. The composite rating is determined by the lowest rating assigned by either Moody's, Standard and Poor's, or Fitch Ratings.

### 3.8. European Corporate Bond Issuance by Tenor

Data for HY issuance by tenor are sourced from Dealogic. "Other" includes perpetuals.

### 3.9. European HY Issuance By Use of Proceeds

Data for HY issuance by use of proceeds are sourced from Dealogic and aggregated for the purposes of this calculation. Please refer to Section 3 for criteria on high yield issue inclusion.

### 3.10. European HY Issuance, Senior Secured Share

Data for HY issuance by seniority are sourced from Dealogic and Bloomberg. "Senior Unsecured" totals include all bonds that are senior but not senior secured.

## 4. Issuance – European Developed Market High Yield Bonds

### 4.1. – 4.7., 4.9

High yield bond issuance data are sourced from Dealogic. For further criteria on how high yield issuance are defined, please refer to section 3.

Developed European issuance are deals predominantly from western Europe and includes deals from Andorra, Austria, Belgium, Bulgaria, Cyprus, Switzerland, Germany, Denmark, Spain, Estonia, Finland, France, Faroe Islands, United Kingdom, Guernsey, Gibraltar, Greenland, Greece, Isle of Man, Ireland, Iceland, Italy, Jersey, Liechtenstein, Luxembourg, Monaco, Malta, Montenegro, Netherlands, Norway, Portugal, San Marino, and Sweden.

### 4.8. European Developed Market Corporate Bonds Outstanding

Data for corporate bonds outstanding are sourced from Bloomberg. Please refer to Section 3 for criteria and methodology.

## 5. Issuance – European Emerging Market High Yield Bonds

### 5.1. – 5.7., 5.9.

High yield bond issuance data are sourced from Dealogic. Criteria for all high yield issuance are found in section 3.

Emerging market European issuance deals are predominantly from eastern Europe but will also additionally include Turkey, the Russian Federation, Kazakhstan, Turkmenistan, Uzbekistan, Tajikistan, Azerbaijan, and Kyrgyzstan. Certain sub-investment grade countries are not included in the emerging market total, including, among others, Iceland and Greece.

### 5.8. European Emerging Market Corporate Bonds Outstanding

Data for corporate bonds outstanding are sourced from Bloomberg. Please refer to Section 3 for criteria and methodology.

## 6. Credit Quality

### 6.1. European HY Default Rate

European HY bond default rates are sourced from S&P and are on a trailing 12 month basis.

"Europe" for the S&P default rate is defined to include Austria, Belgium, Bulgaria, Channel Islands, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland and the United Kingdom. Countries are subject to revision.

### 6.2. – 6.3. European Issuer Rating Actions

European issuer upgrades and downgrades are sourced from S&P. The breakdown by emerging market and developed Europe are from AFME's definition of developed and emerging markets and would be, under S&P's guide-

lines, a combination of both European and EMEA rating actions. Multiple downgrades of a single issuer are counted separately. Rating actions are inclusive of both corporate (both credit and merger-related) as well as sovereign ratings.

#### **6.4. – 6.5. European Issuer Rating Actions by # of Rating Actions**

Rating actions are sourced from S&P. Breakdown by emerging market and developed Europe are from AFME's definition of developed and emerging markets and would be, under S&P's guidelines, a combination of both European and EMEA rating actions.

#### **6.6. European Defaults**

Defaults reported by either Moody's or Standard and Poor's in the European bond markets and loan markets, when available.

### **7. Cash and Synthetic**

#### **7.1. – 7.2. Loans and Bonds, Cash and Synthetic**

Data are sourced from Markit and Thomson Reuters LPC. High yield bond cash and synthetic spreads from Markit; European leveraged loan cash bid prices from Thomson Reuters LPC, and European leveraged loans synthetic prices from Markit.

### **8. Total Return**

#### **8.1. European HY Bond Total Return**

European HY bond total return data are sourced from the Bank of America-Merrill Lynch's Euro High Yield Index (HE00). The index tracks the performance of EUR-denominated below-investment-grade corporate debt publicly issued in the euro domestic or Eurobond markets. Qualifying securities must have a below-investment-grade rating and an investment-grade rated country of risk. Qualifying securities must have at least one year remaining term to maturity, fixed coupon schedule and minimum amount outstanding of €100 million. Original issue zero coupon bonds, "global securities" (debt issued simultaneously in the Eurobond and euro domestic markets), 144a securities and pay-in-kind securities, including toggle notes, qualify for inclusion in the index. Callable perpetual securities qualify provided they are at least one year from the first call date. Fixed-to-floating rate securities also qualify provided they are callable within the fixed rate period and are at least one year from the last call prior to the date the bond transitions from a fixed to a floating rate security. Defaulted, warrant-bearing and euro legacy currency securities are excluded from the index.

#### **8.2. European Leveraged Loan Total Return**

Total return data are provided by S&P LCD and are total returns from S&P's ELLI index, both ELLI and EUR-denominated ELLI. Total returns for ELLI EUR-denominated data are unavailable for 2003 and 2004.

#### **8.3. Asset Class Total Return (Cash Basis)**

Total returns are sourced from respective index owners and Bank of America-Merrill Lynch's indices.

### Disclaimer

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